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REPORT OF THE PREPARATORY MISSION TO THE PHILIPPINES ON THE PROJECT  
"STRENGTHENING AND MODERNIZATION OF THE TECHNOLOGICAL  
PERFORMANCES OF SMALL- AND MEDIUM-SCALE INDUSTRIES IN  
SELECTED COUNTRIES OF THE ESCAP REGION" \*/

(TF/RAS/77/004)

Manila, Philippines, 8-14 September 1977

prepared by

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Development and Transfer of Technology Section  
International Centre for Industrial Studies

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1. UNIDO is placing strong emphasis on the development and transfer of appropriate technology particularly oriented to the small and medium industries in the developing countries with a view to strengthen and modernize their technological capacities and thus contribute to the acceleration of the industrialization process in these countries.

2. Since 1976, the UNIDO Secretariat had been discussing with the Japanese Government through its Embassy in Vienna the financing of a project pertaining to the "strengthening and modernization of the technological capabilities of small and medium industries" in the ESCAP region. Continued discussions resulted in the decision of the Government of Japan to contribute to UNIDO the sum of US\$284,000 for a two-year period for the project to be implemented initially in one of the countries in the ESCAP region and subject to the details of the project being discussed and finalized with the host government together with representatives of the government of Japan, UNIDO, ESCAP and the local UNDP. To this effect, letters were exchanged in March 1977 between the Executive Director UNIDO and the Permanent Representative of Japan to UNIDO in Vienna. In accordance with the decision to finalize the details of an operational project it was considered that the Philippines would be the appropriate developing country to establish the project.

3. After initial consultations with the Government of the Philippines through its Embassy in Vienna it was decided that the mission would visit the Philippines from 9 to 14 September 1977 for detailed consultations and finalization of the Project Document. Accordingly, a mission was organized consisting of:

- 1) Mr. W.H. Tanaka, Acting Head, Development & Transfer of Technology Section, UNIDO, Vienna
- 2) Mr. H.G.R. Reddy, Regional Industrial Adviser, ESCAP/UNIDO, Bangkok, Thailand.

- 3) Mr. M. Urashima, Ministry of International Trade & Industry, Tokyo, Japan
- 4) Mr. P. Shima, Assistant Res. Representative, UNDP, Manila
- 5) Mr. De Jonghe, Assistant to SIDFA (UNIDO) c/o UNDP, Manila

The first three members of the mission arrived in Manila on 8 September 1977.

4. A number of meetings and consultations were held with the Department of Industry, the Commission for Small and Medium Industries (CSMI), National Economic and Development Authority (NEDA), as well as with the Board of Investments (BOI) and the Metals Industry Research and Development Centre (MIRDC). The list of persons met by the mission is attached as Annex-1.

5. As a result of these discussions, the picture of the small and medium industrial development assistance rendered by the government emerged as follows:

a) Project Development Assistance.

A machinery to undertake feasibility studies in rural areas and to identify opportunities for the establishment of small industries, has been set up by the Department of Industries through the regional Small Business Advisory Centres (SBAC), nine out of a total of eleven of which are already operational.

b) Entrepreneurship Development

There is provision for management training through the facilities of the University of Philippine Institute for Small Scale Industries (UPISSI).

c) Financing.

It has been possible to organize a system to provide credit facilities to small industries through financial institutions.

d) Regional Project Promotion.

There is adequate provision for collection of marketing information and the necessary marketing infrastructure has been

developed. There are also facilities for local subcontracting. The NEDA infrastructure programme has assisted in the establishment of mini industrial estates.

e) Private Sector Participation and Involvement.

There has been emphasis on the utilization of skills and experience of people by providing them incentives to return to the countryside for establishment of small industries. Additionally, retired business and technical executives have been volunteering their services to the small and medium industries on short-term consultancy basis.

f) Technological consultancy.

In spite of all these arrangements, there is still an acutely felt need for the establishment of a logistic technological consultancy service system. In other words, it is the delivery system that is lacking. While the technological capabilities exist in Greater Manila Area for such consultancy services the small industries located in rural areas have little or no access to such services whatsoever. This is the gap. There are some services which are available but found to be inadequate and need to be strengthened. There is still a third category where certain types of services need to be newly created.

6. The Small Business Advisory Centre (SBAC) <sup>through its</sup> nine regional offices has been able to provide to a certain extent assistance to the small industries in limited areas such as management, training and development of skills of a traditional nature. However, in order to more effectively meet the technological needs of the small and medium industries it is felt that a technological consultancy service has to be established, fully taking into account the existing technical expertise available in different agencies within the country and integrate them into a network concept, so that the technical assistance would be most effective and fruitful in strengthening the technological capabilities of the small and medium industries. With this situation in mind, a detailed Project Document has been worked out, which has met with the approval of the Department of Industry (Secretary Paterno and Undersecretary Macuja), attached as Annex-2.

7. It has been agreed that the project will be located within the Department of Industry, through the Commission on Small and Medium Industries (CSMI), and its Executive Director, Mr. Pernia would act as the co-co-ordinator of the Project. The Project will consist of a Senior Industrial Engineer as the Project Coordinator (for 24 m/m), who will be assisted by a Senior Equipment Engineer (4 m/m) and ad-hoc short-term experts for a total of about 20 m/m. The project is to be implemented for a period of two years effective from September 1977.

8. The Project also envisages a component for fellowships and study tours, the details of which will be identified and decided during the course of the project implementation.

9. In order to ensure the maximum impact of the Project two review meetings have been proposed, the first one to be held after about six months and the second one about 18 months from the date of commencement of the Project. The outcome of the Project, based upon the experience accumulated and results achieved, will be disseminated to other developing countries within the ESCAP region in the form of a regional workshop to be organized towards the end of project duration (August/September 1979).

10. The mission also visited the MIRDC, met the Executive Director and his colleagues, and discussed the operation of the MIRDC and its future development programmes. It transpired during the discussions that the Centre has been able to provide assistance only to organized sector of the industry in the Greater Manila Area, but due to various limitations and constraints it was not in a position to make suitable and effective impact in serving the needs of the small and medium industries especially in the rural areas of the country. However, it was understood that in view of the experience accumulated as well as the varied and valuable equipment installed and the potential capacity for consultancy services in metal processing industries, the Centre should act as a "centre par excellence" in the the technological consultancy service network that has been proposed in the project for the small and medium industries.

11. Mr. Melford, UNDP Resident Representative a.i. brought to the

attention of the Mission the availability of the sum of US\$ 400,000 in the IPF earmarked for small industry development. He also mentioned in the context of the discussions of the present project, about the recent Mission by a UNIDO staff member and his proposal. During the discussion of the present project with the Department of Industry it was made clear that it was their view that this sum would be utilized in the establishment of a "quality control system" for the small and medium industries. To this end, Mr. Melford decided that he would continue his discussions with the Department of Industry and the National Economic and Development Authority, and when the Project Document had been submitted by the Government, he would forward it to UNIDO Headquarters in Vienna.

12. The Mission had also an opportunity to call on Mr. Conrad Sanchez, Governor, Board of Investments (BOI) when the subject of development of non-traditional exports was raised. He made particular reference to the product adaptation and development activities being undertaken by the BOI, and in this context expressed his interest in receiving the support from UNIDO in order to strengthen and accelerate their activities in this field, particularly in the adaptation of appropriate technology suitable for the rural industries in this area.

13. Governor Sanchez also referred to the foreign exchange earnings in this sector which has increased at a phenomenal rate of 38 per cent per annum from 1971. This fact considered together with the employment generation especially in the rural and non-metropolitan areas, underlines the urgency and importance of these activities in the context of the Programme 'Balik Barangay' (Return to the village or the roots) campaign initiated by His Excellency Ferdinand E. Marcos, President of the Republic of the Philippines.

14. In line with this policy direction, a number of measures have been undertaken and activities initiated by the Government of the Philippines for the small and medium industries particularly in the rural and non-metropolitan areas. The present project would be aiming at strengthening the technological infrastructure to support such activities, and the Mission felt that the very practical and realistic approach being followed by the Department of Industry and other governmental, semi-governmental and non-governmental organizations could provide an excellent ground for the effective and useful implementation of the Project.

List of Persons met by the Mission

Department of Industry  
Bancorn Realty Corp. Bldg.  
Buendia Extension  
Makati, Metro Manila  
Pldt: 85-81-32  
87-20-51 local 58

1. Mr. V. Paterno  
Secretary of Industry
2. Mr. Cesar P. Macuja  
Under Secretary of Industry  
Chairman, Commission on Small & Medium Industries(CSMI)
3. Mr. A. Almonte, Head of Secretariat (CSMI)
4. Mr. J. M. Pernia  
Executive Director (CSMI)
5. Miss Luwina S. delos Santos
6. Mr. Raul Bandera  
Programs and Special Projects Division
7. Mr. Ernesto S. Payoyo  
Ind. Dev. Specialist, Technical Staff
8. Ms. Virginia Llamas  
Senior and Dev. Specialist, CSMI

National Economic Development Authority, NEDA

1. Mr. L. Mariano  
Director  
Industry and Utilities Staff, National Economic  
Development Authority,(NEDA)
2. Mr. Bien C. Alip  
Industrial Specialist
3. Mr. Raquel B. Cinco  
Industry/Utilities Specialist



Metals Industry Research and Development Centre(MIRDC)  
5th Floor, Ortigas Building, Ortigas Avenue  
Pasig  
Rizal

Tel: 692-35-14 - 692-66-23

1. Dr. Antonio V. Arizabal  
Executive Director
2. Mr. Jose G. Bautista, Jr.  
Assistant Executive Director

Board of Investment

1. Mr. Conrado Sanchez, Jr.  
Supervising Governor

United Nations Development Programme  
P.O. Box 1864  
Manila  
PHILIPPINES

1. Mr. John Melford  
Resident Representative a.i.
2. Mr. Patrick R. Shima  
Assistant Resident (Prog.)
3. Mr. Shiojiri, J.©.P.

1. **Title of Project:** Strengthening and Modernization of the Technological Performances of Small- and Medium-scale industries in Selected Countries of the ESCAP Region.
2. **Objectives:** The present project, the detailed plan of action which has been agreed upon with the Japanese and the Philippine Governments will orient itself towards strengthening the technological capabilities of the small and medium industries in the Philippines with particular emphasis on the mechanical engineering processes. The project will be carried out by a technical consultancy service including a referral and research assistance to the industry. To this end the following steps will be taken:
  - a. Studying existing technologies.
  - b. Identifying specific technological problems and needs for improving the technological performances.
  - c. Demonstration of the ways and means of modernisation by introducing the necessary technological inputs such as experts and consultants, fellowships, workshops, etc.
  - d. Developing a concept for the creation of a technological consultancy service network by examining the existing services, expertise, and institutions and to specifically identify and assist in the bridging of the technological service gaps.

3. Description:

The activities under this project will serve as a model for tackling, in a similar manner, technological problems in other selected branches of industry and countries within and outside the ESCAP region. The activities envisaged are as follows:

1. As a preparatory step, a meeting of representatives from the Govts. of the Philippines and Japan, UNIDO, ESCAP and UNDP was held at Manila from 9 to 14 September 1977. It was decided at this meeting that the Department of Industry, Govt. of the Philippines, through its Commission for Small and Medium Industries would function as the counterpart agency for the project. It was agreed that, the office of the project personnel would be located in the Commission.
2. The project will be implemented at its initial stage through the employment of a Senior Industrial Engineer and a Senior Equipment Engineer. The two experts of whom the former will be the project co-ordinator, will with the counterpart staff and 'ad-hoc' experts, undertake appropriate investigation in the Philippines to identify the technological gaps through the following steps:
  - a. A state-of-the-art review of technologies presently being used by the small and medium industries particularly in the mechanical engineering processes;
  - b. A survey of available technological services within the country with a view to identifying the gaps and newly create or strengthen existing services. A network for co-ordination of such technological

consultancy services should be established as the basis for the creation of a technological-institutional infrastructure.

- c. Identification of areas and types of technologies which could contribute to the improvement or modernization and the needs of technical assistance for this purpose.
  - d. Initiation of action to encourage and promote the acquisition and absorption of the new appropriate technology through the technological consultancy services.
3. During the investigations, attention will be paid to the identification of indigenous technologies proved to be successful within the country so that they might be adapted or developed for the benefit of other interested countries within or outside the ESCAP region.
  4. Within approximately 6 months from the commencement of the project, the first review meeting will be organized in the Philippines in order to review the action taken and exchange views on further action required both in terms of advisory services and the improvement of counterpart capacities for ensuring the achievement of maximum benefit from the project during its subsequent stages of operation.  
  
A second review meeting will be convened, about 18 months from the commencement of the project, with a view to assessing the impact of this project and considering the follow-up action that may be required.

5. Before the project is completed, a final report will be prepared describing the problems encountered, the methodology employed in solving them, and also highlighting the results achieved in the improvement of technological performances of the industry. It is expected that, it will serve as an example for similar activities to be carried out in other branches of industry as well as other developing countries.
6. In order to have a most effective dissemination of information on the experiences of this project as well as the steps to be taken, a regional workshop will be organized at the end of the project at the ESCAP Headquarters in Bangkok (or in one of the ESCAP countries), where some fifteen country delegates from ESCAP region will be invited.

4. Background Information:

The upgrading of technological performances of small- and medium industries which play a predominant role in the industrial production share in the developing countries, require concentrated efforts. The modernization and strengthening of these categories of industries, which are largely in the hands of local people, could greatly contribute to the upgrading of the industrial productivity as well as the acceleration of the industrial processing technology. What seems to be the case, however, is that there are little or often no possibilities where these small- and medium-scale industrial enterprises could identify, select, negotiate and acquire on their own, suitable and appropriate technologies to modernize and improve the technological performance of their production activities. In other words, the identification and acquisition of technology which would be required to modernize and strengthen their production activities would be most urgently required. The first step of

such assistance would be a survey of the state-of-the-art of the technologies being used by the small- and medium-scale industrial enterprises. Through a survey, the identification of the areas and types of technology needed to strengthen and modernize their performances could be identified. In order to achieve this objective, it is imperative that the existing institutional-technological consultancy services be co-ordinated through the mechanism of a network which should be the basis for the development of an institutional infrastructure for the upgrading of the technological capabilities of the industry.

The Government of Japan which is laying strong emphasis on the development of small and medium industries in Japan, considers that its experience in this field could favourably contribute to meet the needs in the developing countries particularly in the ESCAP region, and has agreed to entrust UNIDO with a sum of approximately US\$284,000 to implement the activities over a period of two years. On 18 March 1977, an exchange of letters between the Executive Director UNIDO and the Permanent Representative of Japan to UNIDO in Vienna took place, confirming the contribution of US\$139,000 for initiating and implementing the first part of the project. The balance of the resources of approximately US\$145,000 is expected to be put at UNIDO's disposal from their planned voluntary contribution of their 1977-78 budget.

5. Outline of proposed plan of implementation:

- Sept. 1977 - Preparatory meeting with representatives from the Philippines, Govt. of Japan, UNIDO, ESCAP and UNDP to negotiate and decide the details of the work plan.
- Sept. 1977-June 1979 - Selection and recruitment of the Senior Industrial Engineer and Senior Equipment Engineer as needed for the state-of-the-art survey of existing technologies, identification of specific technological problems and the improvement of the technological performances through the deployment of ad hoc experts.

- Feb.-March 1978 - First review meeting with representatives from the Govts. of the Philippines and Japan, UNIDO, ESCAP and UNDP including the project co-ordinator and selected experts as needed.
- Feb.-March 1979 - Second review meeting along the lines of the first review meeting and specifically to examine the impact of the project.
- Aug./Sept. 1979 - Regional workshop for dissemination of experience of this project to about 20 participants from the developing countries of the ESCAP representatives from the Govts. of the Philippines, Japan, UNIDO, ESCAP and UNDP including the project co-ordinator and selected experts as needed.

6. Costing Data:

A. UNIDO Inputs

a. Experts fee/salaries	
28 m/m Senior Industrial Engineer and Senior Equipment Engineer )	US\$216,000
20 m/m Ad-hoc Short-term Experts )	
b. Travel and subsistence for representatives of Govt. of Japan, UNIDO and ESCAP for 4 meetings:	
(Preparatory meeting, two review meetings and one regional workshop)	16,000
c. Fellowship and study tour	15,000
d. Regional workshop	25,000
e. Non-expendable equipment: one car	4,000
f. Miscellaneous expenses including local transportation	8,000
	<u>US\$284,000</u>

B. Contribution of the host government in local currency.

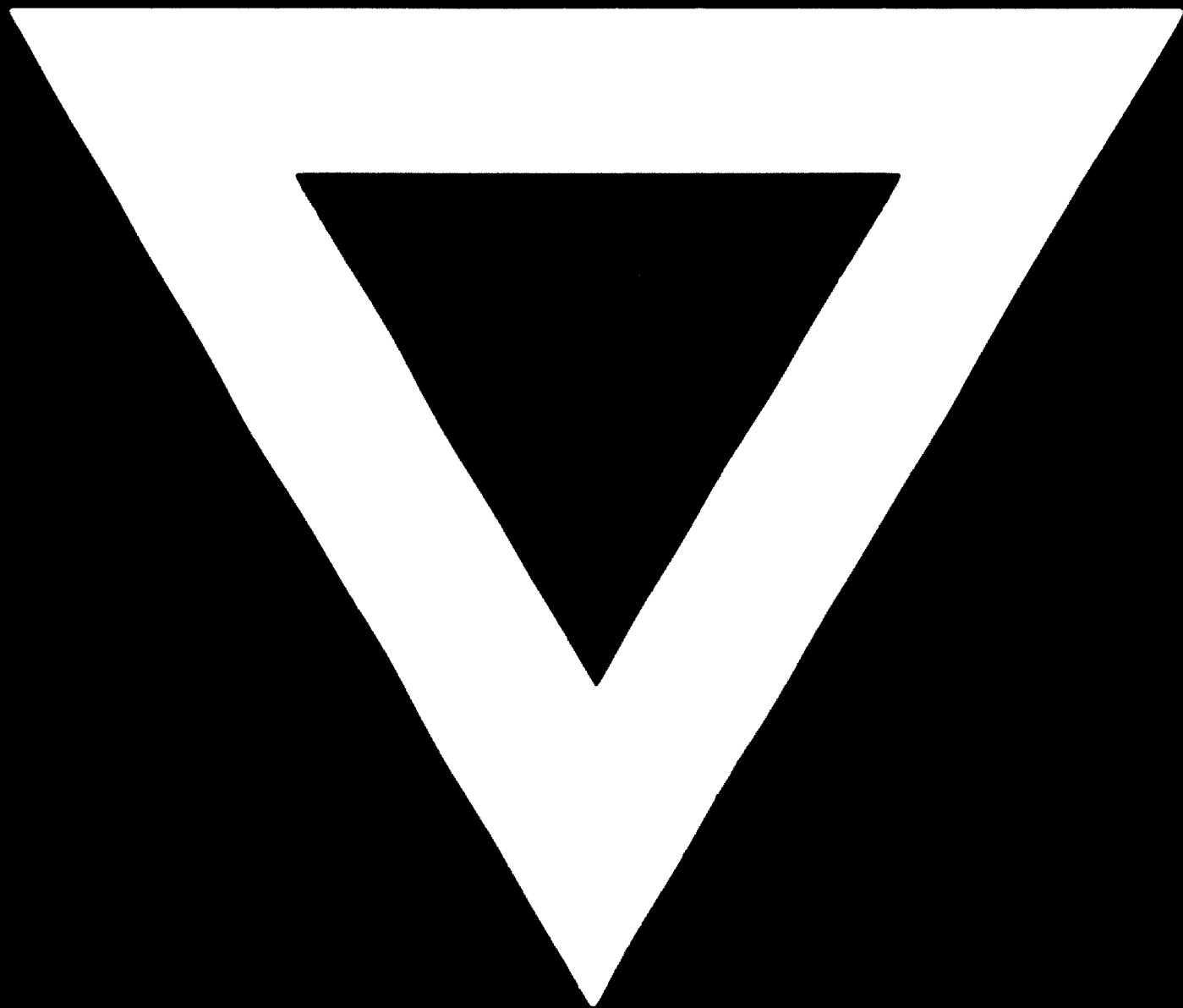
US\$150,000

Counterpart staff (project co-ordinator and local staff)  
meeting facilities, local transport, office room,  
secretaries, office equipment, post & telegraph charges,  
subsides, salary of driver for project coordinator and  
its operational costs and services & maintenance.





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