OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

FAIR USE POLICY

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

17633-E

UNIDO

United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.492/3(SPEC.)
3 August 1989

ORIGINAL: ENGLISH

First Consultation on Small- and Medium-Scale
Enterprises including Co-operatives

Bari, Italy, 9-13 October 1989

SMALL- AND MEDIUM-SIZED INDUSTRY IN SOUTHERN ITALY*

Prepared by

ICEPS**

2/..

* The views expressed in this paper are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

** Institute for International Economic Co-operation and Development (ICEPS).

V.89-58298

INTRODUCTION

Since the beginning of the special intervention policy in the Mezzogiorno, a profound economic and social change has taken place in the South, turning it from an agricultural area into one of intense industrialization.

In this regard, the past 30 years can be divided into two periods: the period of major investment in high capital-intensive industries and of construction of large factories, and the period of the past ten years, characterized by the growth of small and medium-sized industry that is mainly indigenuous.

The first phase, which took place in the 1950s, was based on the theory of "sprint development", as defined by Fuà.

This theory is based on the notion that development should proceed through imitation of more advanced areas and should thus be acquired from outside.

Therefore, to overcome "time-lags" in development, a forced infusion of outside capital into the underdeveloped area should be sufficient, and adaptation of the other production factors would be only a by-product.

Application of this method to the South involved an attempt to overcome economic time-lag by decentralizing the big industries of the North into the Mezzogiorno.

The same theory was applied to the problem of Third World development.

The multiplicity of autonomous initiatives taken by management in all industries, the accentuation of the differences that existed among the various parts of the South and the increased discrepancy between the South and the rest of the country brought about a revision of this method. It had neither induced development in the area nor generated new initiatives in small and medium-sized industries.

In addition to the failure of many initiatives based on the "sprint development" theory both in Southern Italy and in many developing countries, the dynamic and autonomous development of some levels of the Northern industrial system showed that an industrial development method of this type was not valid. Industrial development is not an obligatory route which laggards must follow in order to catch up with those in the vanguard; except in the form of government intervention to stimulate external mangement systems, industrial development should not be imposed from outside but should be appropriate to the country or area concerned, on the basis of the local resouces, the "vocation" and the structural limits of the area itself.

In this way a method of autocentric and endogenous development evolved. This stresses the importance of small and medium-sized industries as a living, active and integral part of an area's industrial fabric helping to create endogenous and autocentric development.

CHAPTER I

EVOLUTION OF THE SOUTHERN INDUSTRIAL SYSTEM AND THE ROLE OF SMI

1. SOUTHERN INDUSTRIAL SYSTEM IN THE 1970s AND EARLY 1980s

During the 1970s, the industrial fabric of Southern Italy was chiefly strengthened through the development of small and medium-sized initiatives which compensated for the production slowdown in the big industries. The tendency of Italian industry to reorganize itself on a smaller scale was also reflected in Southern Italy.

In the South there was a sizable increase in the birthrate of new industries (IASM/CESA inquiry) and, at the same time, a reduction in the average size of companies created between 1971 and 1980: 43 employees compared with the earlier 74.

The Industrial Census taken by ISTAT in 1981 shows an increase in the South of companies with 10 to 50 employees and a reduction in micro-companies (1 to 2 employees), particularly in the more traditional industries.

Strengthening of Southern industries, particularly small and medium-sized one, can be seen in their capacity to absorb the Mezzogiorno's 168,000 new employees registered in ISTAT's 1981 Census. Nearly 80 percent of these were absorbed into production units with fewer than 100 employees.

Southern industrial develoment from 1971 to 1981 is thus particularly linked to small and medium-sized industries, both by the birth of new industries and by a process of evolution in the micro-companies toward more truly industrial systems. The great energy shown by the SMIs did not, however, eliminate the bipolarity of Southern industry. A greater concentration in the big and small companies to the detriment of middle-sized industry can be clearly seen in the 1981 Industrial Census This bipolarity tends, however, to be mitigated by the enlargement of the very smallest companies toward bigger dimensions and the reduction in medium-big companies (Table 1).

TABLE 1

PERCENTAGE OF EMPLOYMENT IN 1981

	SOUTH	CENTER-NORTH
Local units w. fewer than 100 employees	60%	59%
Local units w. 500 or more employees	24%	19%
Local units w. 100-500 employees	16.6%	22%

SOURCE: ISTAT

2. EVOLUTION OF INDUSTRIES IN THE 1980s

The analysis of the evolution of industries within the Southern industrial system has been made on the basis of ENEL data which show the electrical power consumption for the period 1981-85 by the manufacturing industry.

The data show a sustained increase of 4.8% in the number of manufacturing consumers in the South from 1981 to 1985. Over the same period, a slight decrease of -0,71% is registered in the Center-North.

This greater use of energy by southern industry over that used by the Center-North is mainly concentrated in such basic industries as chemicals and metallurgy, production of machines and motor vehicles, and the electric and electronic industry; among traditional industries, it is mainly in production of leather goods and hides.

On the other hand, a decrease in energy use is registered in Southern Italy in such industries, as food, textiles, non-metallic minerals, wood and furniture (Table 2).

Thus, along with the greater consumption of energy of Southern industry over that of the Center-North, we can observe the tendency of the Southern manufacturing industry to resemble more closely that of the Center-North, with the reduction in the proportion of traditional industries (on an average of 47.2% to 44.9%) and the increase in those for equipment production (45% to 47.2%).

The discrepancy in the specialization index between the Center-North and the South is thus reduced, even though the South's production system continues to be oriented more toward production of motor vehicles, food, energy, and non-metallic minerals.

TABLE 2

ENEL CONSUMPTION: 1981-85 PERCENTAGE VARIATION AND BREAKDOWN BY INDUSTRY

INDUSTRY	%VARIATION 1981-85		BREAKDOWN BY INDUSTRY			
			Center-North		South	
	C.North	South	1981	1985	1981	1985
Food	-1,66	-5,57	6,53	6,46	10,70	9,63
Textiles	-2,86	3,53	7,06	6,91	1,17	1,15
Clothing/shoes	6,21	4,81	10,84	11,60	10,41	10,41
Leather/hides	4,42	10,31	1,64	1,72	1,03	1,08
Wood/furniture	-4,00	-,02	17,18	16,61	19,05	18,17
Paper/printing	1,99	6,42	3,07	3,15	2,01	2,04
Chemicals	-3,20	8,96	1,07	1,05	,55	,57
Petroleum refinery	2,23	8,27	,07	,08	,06	,06
Coke	11,29	28,57	,01	,01	,02	,02
Rubber/plastics	-1,23	6,28	2,22	2,21	,93	,94
Fibres	-6,45	7,94	,04	,04	,03	,03
Non-metallic minerals	-3,25	-3,16	3,86	3,77	4,82	4,45
Metallurgy	-8,77	16,30	,39	,36	,21	,23
Nuclear fuel	64,07	32,65	,04	,07	,02	,03
Machinery	-2,09	10,49	26,10	25,74	13,97	14,72
Electric/electronic	6,13	8,94	3,29	3,52	3,14	3,27
Automobiles	24,15	9,74	,28	,35	,48	,51
Other vehicles	,93	9,25	12,40	12,60	27,52	28,68
Other products	-4,27	8,20	3,90	3,76	3,89	4,02
TOTAL	-,71	4,84	100	100	100	100

SOURCE: Elaboration on ENEL data

3. EVOLUTION IN SIZE IN THE 1980s

On the basis of ENEL data classified by power in kilowatts (Table 3), there was an increase from 1982 to 1985 of manufacturing consumption at all power levels, especially at the medium-low (30-100 kw) and at the highest levels (over 500 kw). There was an increase in consumption of power below 30 kw in the Mezzogiorno in the industries of clothing, shoes, leather and hides, and equipment production.

The increase in consumption of over 500 kw in the South was registered in the industries of non-metallic minerals, food, rubber, plastics, machinery, whereas consumption decreased noticeably in metallurgy, motor vehicles and fibres.

Consumption at intermediate levels (100-500 kw) also increased. The increase in the Mezzogiorno of power consumption at low and at high levels was opposed to a corresponding decrease in these power levels in the Center-North.

These data thus reflect on the one hand a tendency toward bipolarity in Southern as compared with Central-Nothern industry and, on the other, a development of the small and medium-sized companies oriented toward "traditional" products.

Consumption at low level (less than 10 kw) is much more widespread there than in Cetral-Northern industry, representing 87% of total consumption in the South as against 67% in the Center-North.

On the basis of IASM-CESAN data, the salient feature of factories, in the period 1981-85 is their decrease in size: the average number of employees drops from 63 in 1962-74 to 35 in 1981-85.

More new initiatives in 1981-85 were taken by small and medium-sized factories and they also registered the greatest increase in employment among the factories built after 1981.

TABLE 3

SOUTH: VARIATIONS IN PERCENTAGE OF CONSUMPTION BY LEVEL OF POWER IN KW INSTALLED

Industries	up to 10	10-30	30-100	100-500	over 500	total
Tot.Mfg.	2,81	3,65	16,68	2,97	4,73	3,10
Food	-4,11	-4,69	8,49	,99	9,26	-3,62
Textiles	-,64	-2,80	5,26	-8,89	0	,04
Clothing/shoes	,72	24,42	36,99	30,91	40	3,18
Leather/hides	7,44	9,39	7,81	36,11	20	8,14
Wood/furniture	-,77	-1,27	29,08	6,67	-9,09	-,52
Paper/printing	-3,19	11,50	28,26	1,35	0	4,94
Chemicals	10,22	-1,19	9,57	2,54	6,78	6,94
Petroleum ref.	-8,43	57,14	-14,29	4	-11,11	,69
Coke	8,11	100	-100	100	0	12,50
Rubber/plastics	-,34	-2,25	24,74	10,29	29,41	2,75
Fibres	-2,63	-30	-11,11	33,33	-52,94	-20,93
Non-met. minerals	-3,50	-,63	12,97	-2,01	9,43	-,51
Metallurgy	17,74	3,09	41,18	-4,08	-12,73	-10,77
Nuclear fuel	21,15	0	0	0	100	22,64
Machinery	6,17	7,05	19,62	6,06	10,61	6,40
Electric/electronic	4,87	20,90	4,69	9,84	7,50	5,61
Ground vehicles	6,65	5,44	44,67	8,33	-11,76	6,77
Other vehicles	5,99	7,72	34,15	19,23	-10	6,12
Other products	4,50	,75	-18,75	-20	0	-4,22
Intermediate goods	-,96	-,75	12,82	-1,70	-1,00	,66
Investment & transport goods	5,97	8,09	21,79	8,71	4,20	6,18
Consumer goods	-,20	2,59	17,22	5,52	10,28	0,48

SOURCE: Elaboration of ENEL data

4. THE CONTRIBUTION OF LOCAL OWNERSHIP TO THE INDUSTRIAL DEVELOPMENT OF THE SOUTH

The contribution of Southern ownership to the development of Southern Italy is a particularly interesting subject, especially as regards the relationship between the size of an industry and the importance of Southern ownership.

Almost 90% of the new factories built in 1981-85, which employ 68% of factory workers, are under Southern ownership.

Thus the non-Southern ownership which was central in the 1970s to the economic development of the Mezzogiorno has lost importance.

The ratio of employees in locally owned and externally owned plants has increased from 0.71:1 for factories built in 1961-74 to 2.10:1 for those built in 1981-85.

The external initiative has decreased most in traditional industries and in some basic industries, while the phenomenon has been less apparent in the field of equipment production.

Local initiative seems to develop particularly between small artisanal entrepreneurs who broaden the scale of their own activity to become part of the industrial activity of other entrepreneurs already working in the tertiary sector or in agriculture.

Of the total of new factories started in 1980-83, 73% were created from the factories of ex-artisanal companies and 9% from existing plants which were not in the manufacturing business. By the end of 1985, 85% of the factories located in the South, with 41% of all employees, were under Southern ownership.

It is interesting to observe that as the size of the factories increases the incidence of Southern ownership decreases. While 96% of factories and of employees in companies with 10-19 employees are under Southern ownership, this is true for only

7% of factories and 3% of employees in companies with more than 1,000 employees (Table 4). The average size of Southern-owned factories in 29 employees, against 233 employees for factories that are not Southern-owned.

Southern-owned factories continue to be concentrated in the industries of clothing, shoes, wood and furniture, leather and hides, non-metallic minerals, and food products.

Southern ownership is increasing in the other industries, but on the average it remains below 50%.

TABLE 4

PERCENTAGE DISTRIBUTION OF EMPLOYEES AND FACTORIES BY SIZE AND TYPE OWNERSHIP

Size		Southern	Public Property	Private non-Southern
10-19	Factory	95,70	0,6	3,7
	Employees	95,60	0,6	3,8
20-50	Factory	88,90	1,8	9,3
	Employees	87,60	2,1	10,3
51-100	Factory	67,70	8,3	24,0
	Employees	66,30	8,8	24,9
101-150	Factory	39,70	14,7	45,6
	Employees	38,20	15,9	45,9
251-500	Factory	16,80	26,0	57,2
	Employees	16,30	25,7	58,0
501-1000	Factory	7,50	37,7	54,8
	Employees	7	38,6	54,4
Over 1000	Factory	6,70	43,3	50,0
	Employees	3,10	59,2	37,7
TOTAL	Factory	84,80	3,6	11,6
	Employees	41,20	25,5	33,3

SOURCE: Elaborations on IASM-CESAN data

CHAPTER II

THE ROLE OF TECHNOLOGICAL INNOVATION IN THE DEVELOPMENT OF SOUTHERN SMI

1. TECHNOLOGICAL ADVANTAGES

To emphasize two factors which give a picture of the present state of affairs in the Mezzogiorno:

a) The economic fabric of the Mezzogiorno is basically composed of a broad diffusion of SMIs. Big Industries are not present, but there are big factories belonging to multi-plant national industries. No complementary activity has developed between SMI and big factories.

b) Technological innovation is not widely diffused in the SMIs of the Mezzogiorno. An ISTAT inquiry shows the Southern regions in last place on the list for innovative companies (ISTAT inquiry in collaboration with CNR, 1985).

These two factors illustrate one of the multiple aspects of the Mezzogiorno's economic time-lag. In this chapter in particular we cannot fail to emphasize the asymmetry of distribution of technological advantages between Northern and Southern Italy.

A technical bottleneck exists in the Mezzogiorno, a historical result of the time gap between the industrailization cycle and the technological cycle. The industrailization programmed by government intervention in the 1950s and 1960s predominantly concerned industries which were just on the brink of maturity and there fore not in synchronization with the development of the new technologies.

In view of this time-lag, if a strategy for economic development of the Mezzogiorno is to be imposed, it is necessary to begin with a complete frame of reference. Its basic lines could be summarized as follows:

- leading companies on the markets are becoming increasingly internationalized;
- the fulcrum of economic development today is the achievement of a new technological paradigm which spans all sectors of industry;
- one of its consequences has been a redefinition of the importance of various factors of production and the revaluation of the new factor "know-how";
- a reindustrialization is taking place, along with a redistribution of economic priorities in favor of the high-tech industries.

As things stand now, if the Mezzogiorno is to overcome its subordinate and retarded status, it must equip itself with a policy and the means with which to join fully in the new processes of economic development outlined here.

It is of fundamental importance that the South acquire new procedures for development and new technological advantages.

Management of the new technological paradigm will require increasing use of microelectronics as the key to savings of capital, labor and energy. Development of the high-tech industries (telematics, informatics, electronics, new materials, biotechnology) has two extraordinary effects on the whole production system:

- by contributing extremely pervasive and highly interactive new technologies it provokes a fundamental reindustrialization of all sectors of production and of all the centers of public and private services;
- new external management systems are being created, producing further development of competitiveness and efficiency by systemic changes, to bring about an environment favorable to the widespread growth of competitive local companies.

In this transformation, the role of SMIs is enhanced, because:

a) the special intrinsic qualities of the new technologies can also be adapted by small companies;

b) companies of diverse sizes and specialties can better cooperate and complement each other in the development of these innovations;

c) through a policy of contributing technological advantages, networks are created which, thanks to the new external systems, can bring about an environment favorable to the SMIs in which they can assume an important role.

The new technologies' special quality - flexibility of operation - makes the unit cost of production lower than it was with rigid, standardized plants and machinery. This can regenerate the performance of artisanal and highly specialized SMIs. Big industry is increasingly unable on its own to develop and control "know-how", since innovative strategies are increasigly a product of new forms of cooperation among diverse industries. The old concept of the company as a closed and limited system is breaking down. On the contrary, the terms which better define the new form of dvelopment are interaction between industries and their environment, and globalization. Within this process, decisive roles can be played by: universities, national research organizations, big public and private businesses, and the SMIs with high-technology specialization assisted by economies of scale (profits from volume of production of a range of products).

This sort of high-tech environment will enable creation of a policy to make available new technologies and a network of information, exchanges and interactions so broad that new external management systems are produced. These in turn will be determining factors in the assignment of crucial technological advantages to the traditional industries and companies. In this way, availability of the new technologies to all participants in the market will be guaranteed.

Thus the basic concept is that of a network. This does not mean simply the creation of a dynamic system of interaction among diverse participants to bring about technological and economic development. Above all, it means achievement of an environment and a cultural climate which will foster creativity and technological innovation.

2. THE NEW SPECIAL INTERVENTION

The New Special Intervention of the Government in the Mezzogiorno (Laws 651/83 and 64/86) indicates policies operating in line with the frame of reference, particularly with the new technological-economic paradigm presented here.

Against a background of internationalization of markets, the priority is acknowledged of "know-how" and its decisive technological advantages. These must be achieved by the complementary contributions of synergy from diverse participants.

Of particularly strategic importance is development of the new external management systems to benefit the SMIs through creation of networks and interactive pilot projects:

- a network for training human capital;
- a technological and tertiary production network of the big private and public businesses;
- a university network;
- a CNR scientific network;
- a telecommunications network.

Law No. 64 offers financial resources adequate to realize:

- widespread infrastructures to support research, experimentation and training of staff (totally financed by the Government, with the possibility of co-financing coordinated with projects and funds of the existing program);
- fixed investments for industrial activities, for the creation of industrial research centers and for activities producing intangible goods, through financial concessions (capital funding, easy credit terms, 80% non-returnable funding for research projects promoted by consortiums or syndicated research associations).

In addition, the establishment of public financing is provided for, in order to arrange for high-technological-content investments and to mobilize public and private investments for that purpose.

From this partial summary of the law there emerges a glimpse of a development plan for the Mezzogiorno which is oriented to the new technological paradigm.

There exists, however, a formidable barrier to the realization of these legislative efforts: the institutional and political barrier.

Althrough, on one hand, the laws exist and are in line with the new technological paradigm, on the other, the traditional bureaucratic sluggishness of the governmental approach and political conflicts make their enactment difficult and time-consuming.

Government's system for decision-making is inadequate.

Institutions lag behind the development of the technological and economic system and threaten the expansion of the Mezzogiorno.

To control technological energy, now evolving at an increasingly rapid rate, and economic development, efficient institutions are needed to guarantee the participation of all concerned in making essential decisions in the dwindling time that remains.

Although it springs primarly from the stimulus given to innovation by the industrialists themselves, technological expansion of the SMIs in the Mezzogiorno needs external management systems and interactions with such determining groups as the Big Industries, universities and research centers.

More than anything, it now requires the determined commitment of government institutions.

CHAPTER III

SMALL AND MEDIUM-SIZED INDUSTRIES, MEZZOGIORNO, SINGLE EUROPEAN MARKET

1. GENERAL ASPECTS

The combination of small/medium-sized industries together with Mezzogiorno represents a delicate point in the formation of the Single European Market to be constituted by 1992. This important event will have a profound effect on the so-called structure in which European industrialists live and work.

Free competition and the abolition of barriers and of all protective systems will entail greater risk, especially for industries of limited size and for the more backward regions.

Set against the advantages of flexibility, adaptability, energy, and tendency toward innovation which characterize small and medium-sized industry there are some disadvantages seen as particularly serious from the point of view of the Single Market. SMIs are behind the times and uninformed about the evolution of legislation, about administrative, fiscal and customs procedures, and about the problems linked to technical administration. The SMIs also have limited access to risk capital, to government contracts, and to the big research and development programs.

On the other hand, small and medium-sized industries constitute a very wide strip of the Community's industrial fabric.

According to EEC data, which limit them to 500 units, today they have reached 95% of the industries existing in the EEC and they account for more than two-thirds of the total employment.

Furthermore, the EEC reports, Southern Italy is an area with a high potential for development, as well as a market with vast and concrete opportunities.

It would be opportune, in this phase of preparation for the single European market, for small and medium-sized Southern industries to receive special attention both from national industrial policy and from Community policies.
Moreover, it is necessary to adapt to changes in the structural framework and to take the best possible advantage of them, based not only a national and Community policies but also on a response and a reaction from within the SMIs.

2. OPPORTUNITIES OFFERED BY THE EEC TO SMIs

The comprehensive benefits to be derived from the Single European Market are not automatic. However, the Community headquarters acknowledges the need to support those industries which, because of their small size, have a certain vulnerability.

The wicespread presence of SMIs in the European industrial fabric and the weaknesses which are often associated with their size - such as limited access to the capital market, to government contracts, and to the big programs planned by the EEC upon adoption of the single European market - have led the EEC to create a special SMI department.

The EEC has adopted both general and specific measures which will favor SMIs. The former include cutting down on administrative and customs red tape, and the fiscal coordination foreseen between EEC countries by 1992. For example, it has been estimated that the restrictions of administrative and customs procedures put a burden on Italian SMIs that is double that of the Community average for imports and more than double for exports.

The Community is additionally committed to action to bring about the total opening of government contracts with the proviso that a certain share be subcontracted to the SMIs.

Moreover, until 31/12/1992 the Commission agrees, by means of "regional preference", that in the awarding of contracts bids made by companies located in regions disadvantaged by the EEC, particularly small/medium-sized industries, should receive priority.

Some of the specific initiatives adopted by the EEC in favor of the SMIs are:

a) <u>Eurocounters</u>

These were created by the EEC as a source of information to fill the SMIs' information gap. They are multipurpose communication offices designed to assist the local SMIs. Eurocounters dispense information and give advice on matters such as Community legislation, aid policies, loans, research programs, internal market, extra-Community markets, and problems of competition.

b) Cooperation among SMIs

Reinforcement of company cooperation is one of the main ways of allowing European SMIs to increase their own competitiveness.

To this end, the European Community has instituted an office for coordination among companies (BRE) which, working with the Office for SMIs, find partners for technical, commercial and financial cooperation and for subcontracting.

Furthermore, in 1987 BRE equipped itself with a new tool, the Business Cooperation Network (BC-NET), which constitutes an information network for companies seeking partners in another region or country of the EEC.

The Commission is also concerned with competition, authorizing suspensions of the rules of the treaty for agreements on subcontracting, technical transfer, and research and development.

In addition, the Commission works for technological innovation through the SPRINT program to encourage transnational cooperation among services that give technological advice to SMIs. It also supports research to increase industrial cooperation among SMIs through the ESPRIT and BRITE programs.

c) Financial tools available to SMIs

These are:

1. Community loans made through the European Investment Bank;
2. Community loans made through the NSC-IV, an instrument created in 1987 for the exclusive use of SMIs and especially for the small ones. Such loans are also to cover patents, licences, know-how, and expenses of research and

development;

3. non-repayable grants, given through the European Fund for Regional Development, with specific reference to SMIs;
4. access to the capital market, which provides for the promotion of risk capital and capital from secondary stock markets. The Commission also participated in the pilot project "Venture Consort" to increase financing of SMIs for new technologies during the initial phase of establishment of their own capital.

3. OPPORTUNITIES OFFERED BY THE EEC TO THE MORE BACKWARD AREAS

Economic imbalances among areas of EEC countries become greater when the whole territory of the Community is considered. Regional imbalances prevent realization of economic and social cohesion at both national and Community levels. Consequently, along with national policies, the European Community has created for the most backward areas a regional policy to operate at three levels.

The EEC coordinates the different regional policies of the member countries in order to guarantee that resources are actually addressed to the areas most needing support. It also works to coordinate the effects on the regions of other Community policies.

At the financial level, it intervenes for the most backward regions through the European Fund for Regional Development, the European Investment Bank, the New Community Instrument. It also works through the European Social Fund, the orientation section of the European Agricultural Guidance and Guarentee Fund and the Integrated Mediterranean Plans.