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REPORT OF THE SEMINAR ON SMALL-SCALE
INDUSTRY IN LATIN AMERICA
(Quito, 28 November - 3 December, 1966)

Translated from Spanish

REPORT OF THE SEMINAR ON SMALL-SCALE
INDUSTRY IN LATIN AMERICA.

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INTRODUCTION

1. This report contains an account of the work and results of the Seminar on Small-Scale Industry in Latin America which was held at Quito from 28 November to 3 December 1966. It was sponsored jointly by the Economic Commission for Latin America, the United Nations Centre for Industrial Development and the Bureau of Technical Assistance Operations, in co-operation with the Government of Ecuador, which was represented by the National Economic Planning and Co-ordination Board, the Ministry of Industry and Trade and the International Centre for Higher Studies in Journalism for Latin America.
2. The Seminar was the first to be held on this subject in Latin America and was a result of the growing interest that the countries of the region have been taking in the problems of small-scale industry, as is evident from resolutions 116, 127 and 137 (VII) of ECLA and 2 (I) of the Trade Committee.
3. The report is divided into two parts. Part I deals with the organization of the Seminar and the attendance and includes the agenda of the Seminar. Part II gives a summary of the discussion. The annexes contain the opening addresses, a list of participants and a list of documents.

Part I

ORGANIZATION OF THE SEMINAR

A. ATTENDANCE AND ORGANIZATION OF WORK

Opening and closing meetings

4. At the opening meeting, held on 28 November in the Salon Máximo of the Department of Philosophy and Letters of the Central University of Ecuador, statements were made by Mr. José Antonio Mayobre, Executive Secretary, Economic Commission for Latin America, and Mr. Galo Pico Mantilla, Minister of Industry and Trade of Ecuador. The texts of these statements are to be found in annex I.

5. At the closing meeting, statements were made by Mr. José Harrison Costa, Managing Director, Banco Industrial del Perú, representing the participants from other countries; Mr. Igor Krestovsky, Chief, Small-Scale Industry Section, United Nations Centre for Industrial Development; Mr. Nuno Fidelino de Figueiredo, Director, Joint ECLA INST/IDB Programme on the Integration of Industrial Development; and Mr. Raúl Páez, Technical Director, National Economic Planning and Co-ordination Board of Ecuador.

Attendance

6. The Seminar was attended by fifty-seven experts from the following States members of ECLA: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Guyana, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, United States of America, Uruguay and Venezuela.

7. There were also twenty-four observers for Ecuador and eight observers representing the following international organizations: the International Labour Organisation (ILO), the Inter-American Development Bank (IDB), the Organization of American States (OAS), the Organization for Economic Co-operation and Development (OECD) and the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA). A list of participants and observers accredited to the Seminar appears in annex II.

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Organization of work - Election of officers

8. At its first plenary meeting, on 28 November 1966, the Seminar elected the following officers:

Chairman: Mr. Raúl Páez (Ecuador)
First Vice-Chairman: Mr. Sabás Francia (Mexico)
Second Vice-Chairman: Mr. Vicente Kovacević (Chile)
Third Vice-Chairman: Mr. Juan Abués (El Salvador)
Rapporteur: Mr. Ramón Hernández Paz (Venezuela)

9. Mr. Nuno Fidelino de Figueiredo, Director, Joint ECLA/INST/IDB Programme on the Integration of Industrial Development, acted as Director of the Seminar, and Mr. Igor Krestovsky and Mr. Max Nolff as technical secretaries.

Mr. Jacob Levitsky, Mr. Bernhard Stein and Mr. Alexander Neilson also assisted the Secretariat by introducing some of the items.

Working groups

10. At the first plenary meeting, it was agreed that two working groups should be set up, one for agenda item 2 "Technical services and assistance for the development of small-scale industry", and the other for agenda item 3 "Financing for the development of small-scale industry".

11. The officers of each group consisted of one of the vice-chairmen, a discussion leader and a rapporteur elected by the officers of the Seminar and of technical secretaries appointed by the Secretariat. The officers of the two groups were as follows:

Group A

Technical services and assistance for the development
of small-scale industry

Discussion leader: Mr. Vicente Kovacević
Rapporteur: Mr. Ramón Hernández Paz
Technical secretary: Mr. Igor Krestovsky

Group B

Financing for the development of small-scale industry

Discussion leader: Mr. Sabás Francia
Rapporteur: Mr. René Benalcázar
Technical secretary: Mr. Max Nolf

B. AGENDA

12. At its first plenary meeting, the Seminar adopted the following agenda:

1. The contribution of small-scale industry to the development of Latin America
 - (a) Characteristics of the development of small-scale industry in Latin America
 - (b) Small-scale industry in the over-all strategy of economic development
 - (c) Development possibilities for small-scale industry in specific sectors
 - (d) Over-all promotion programmes for small-scale industry: institutions, priorities in respect of sectors and means of action
2. Technical services and assistance for the development of small-scale industry
 - (a) Technical services for rationalization at the plant level: organization, administration and methods
 - (b) Special training programmes for personnel at all levels and other services in aid of small-scale industry
 - (c) Forms of co-operation and self-help
 - (d) Industrial estates: organization, administration and financing
3. Financing for the development of small-scale industry
 - (a) Alternative policies and their corresponding financing systems
 - (b) Internal and external sources of funds
4. Regional and international co-operation in the field of small-scale industry
 - (a) Possible forms of international co-operation
 - (b) Objectives and machinery of regional co-ordination.

PART II

SUMMARY OF THE DISCUSSION

A. THE CONTRIBUTION OF SMALL-SCALE INDUSTRY TO THE DEVELOPMENT
OF LATIN AMERICA

Characteristics of the development of small-scale industry in Latin America

13. The economic and social conditions in which small-scale industry had developed in Latin America were different from those in the developed countries. The history of this branch of industry had been characterized by a shortage of capital, slow economic growth, political and social instability, marginal participation by the broad masses of the people in the money economy and a crafts sector using rudimentary techniques to produce simple goods.

14. Nevertheless, small-scale industry had acquired a certain economic importance in the region. In 1960, according to the various industrial censuses, over 1.5 million people were working in small-scale industry. In that same year, the value added for small-scale industry was about \$3,300 million, or 16 per cent of the total industrial employment and of the total manufacturing output in the region.

15. The fact that small-scale industry coexisted with larger-scale industry would seem to indicate that its smaller size had certain advantages, although it should not be forgotten that the negative factors restricting activity throughout the industrial sector were felt more strongly in small-scale industry. These factors included: a shortage of capital for the purchase of modern machinery and equipment, difficulties with the supply of raw materials, inadequate marketing arrangements, lack of managerial training, inefficient techniques and under-utilization of equipment. Small enterprises, moreover, did not usually have figures on production costs, and lacked the flexibility to adapt their productive processes to changes in the composition and form of the product. This lack of flexibility was often due to an attachment to traditional methods of production or to lack of proper guidance. Furthermore, although development planning had made progress in most Latin American countries in recent years, there had as a rule been no special treatment for small-scale industry.

16. Government policy had not responded to the needs of small-scale industry, which, because of its nature and the environment in which it was conducted,

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required a form of tax treatment that would ensure its economic soundness and preserve its social function. This did not mean that industrial policy should be subordinated to the needs of small-scale industry, but that special provision should be made to offset the disadvantages due to its size.^{1/}

17. The different countries had no uniform definition of small-scale industry, either in their censuses or in their assistance programmes. In some cases these programmes stressed crafts and small-scale industry, while in others crafts were excluded and the definition was extended to include medium-scale industry. Some Governments, moreover, had sought to develop artistic crafts as part of their plans for the tourist industry. The criteria used by most Latin American countries to define small-scale industry had been the number of persons employed by the enterprise and its capital, although sometimes sales turnover was also used.

18. The variety of the criteria used in defining small-scale industry depended in part on the general conditions in the country in question and the type of programme adopted. Thus, industries considered small in highly developed countries with big markets might seem medium-sized or even large in small and under-developed countries. In the United States, for example, an enterprise was considered small if it employed less than 250 persons. In Japan, where this sector had received special attention, a small-scale industry was defined as one employing less than 300 persons and having a capital of less than \$28,000. By contrast, in Trinidad and Tobago, which had a much smaller population, enterprises employing twenty-five or more persons were considered large. Also in India, where great importance was attached to small-scale industry, the small enterprise was defined until 1961 as one having up to fifty employees if equipped with facilities for power-driven machinery, or up to 100 employees if not so equipped, and having fixed assets of not more than \$100,000. Since 1961, the definition had been based solely on the enterprise's capital, the maximum being 500,000 rupees (equivalent to \$66,700 at the July 1966 rate of exchange). In February 1967, the maximum was raised to 750,000 rupees (equivalent to \$100,000).

^{1/} The development of small-scale industry is described in the document La pequeña industria en América Latina (ST/ECLA/Conf.25/L.17) and in the nineteen-country monographs submitted to the Seminar.

19. The participants came to the conclusion that it was not possible to draw up a rigid definition of small-scale industry which would apply equally to all countries in the region, since their economic and social characteristics were very varied. The definition should be based on two different sets of criteria. For planning purposes, the value added and number of employees should be the deciding factors. For programmes of technical and financial assistance, other criteria might be required, particularly capital, defined one way or another.

20. The Seminar considered that there were certain qualitative and quantitative criteria which could provide a suitable definition of small-scale industry. It recommended that in the first instance crafts and cottage industry should be distinguished from small-scale manufacturing. The former employed rudimentary production techniques and faced different problems than did small-scale industry, apart from the fact that as regards management and production they were differently organized.

21. There was agreement that small-scale industry included both manufacturing units which were in the early stages of growth and would eventually become medium-sized or large units and those which would remain small, whether because of their structural characteristics or because they were very specialized. It was also stated that different criteria for small-scale industry could be applied to different branches of industry and areas at different levels of development within a single country.

22. It was also necessary to take into account the aims and nature of the programmes it was desired to promote and the functions which it was hoped that small-scale industry would fulfil in the economy of the country as a whole.

23. On this same subject, attention was drawn to the need for research in order to determine what kind of small-scale industry might be compatible with the country's development needs and with the objectives of regional development and of the different industries, having regard in particular to the enterprises' growth potential.

24. As far as quantitative criteria were concerned, the participants considered that an enterprise's capital, whether in the form of net worth, fixed capital or just equipment and machinery, seemed to be the best criterion for defining small-scale industry, particularly for the purposes of programmes specially designed to

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promote it. The capital of the enterprise should, of course, be checked against other criteria, such as sales turnover and the number of persons employed.

25. There was general agreement that too low a limit should not be set on the enterprise's capital, since that might hinder modernization of industrial units, or on the number of persons employed, since that might discourage the use of labour-intensive techniques, particularly in countries with high unemployment.

Small-scale industry in the over-all strategy of economic development

26. The Seminar recognized that, in spite of the dynamic role which small-scale industry could play in industrialization and in general economic development, no special development strategy had so far been drawn up for this sector in Latin America, the Governments usually limiting themselves to the adoption of piecemeal measures reflecting, on their part, a traditional and partial appreciation of the problem. Measures had tended more to protect small-scale industry rather than to encourage it to modernize and to enable it to sustain more effectively the competition of large units.

27. In general, industrialization plans and programmes in Latin America did not take into account the special problems of small-scale industry. In some cases, fiscal, customs and financial incentive laws set minimum levels of investment which exceeded by far the level which would be appropriate for small industrialists, who were precisely those who needed most the benefits provided by the laws. In other cases, small-scale industries were confused with traditional crafts, and incentives were given only to enterprises with very small investment and employment, which resulted in inhibiting any effort on the part of small establishments to modernize their equipment and expand their employment and production. The Seminar felt that a major purpose of definitions of small-scale industry was to identify those groups which were in need of special measures of promotion and assistance; the values given to the criteria of the definition - employment or investment - should be such as to permit the emergence of a modern and growing small-scale industry sector.

28. The Seminar noted that small-scale industries played an important role in all economies, but that, because of the weaknesses, handicaps and risks due to smallness of scale of operation, inadequate knowledge of modern techniques, lack

of managerial skills and shortage of financing, special policies and programmes were called for within the framework of over-all development plans. The Seminar agreed that the scope and amount of resources to be allocated to small industry development in over-all industrialization programmes and the emphasis to be put on the various components of promotion programmes were matters for each Government to decide, taking into account the nation's resources and potentialities, and its economic, social and political objectives. It considered however that whatever the place which small-scale industry might have in the economy of the various countries, it devolved upon each Government to define the basic criteria bearing on the formulation of its development strategy.

29. It was stressed that small-scale industry should be developed as part of an over-all industrialization plan, taking into account the long-term objectives in respect of investment and employment, the relative importance which the manufacturing sector as a whole was expected to achieve in regard to other economic sectors such as agriculture, transportation and services, the requirements of regional development in order to achieve a balanced national economic structure, the prospects for import substitution and for export promotion, etc.

30. During the discussion, there was general agreement that small-scale industry should not be developed as an alternative to large-scale or medium-sized industrial projects. The place of different types of industry in over-all development should be decided by their respective potentialities and their role should be assessed in terms of complementarity with each other and not of competition with each other. A sound industrial development strategy was one that promoted complementarity between large and small industries, that stimulated growth and diversification of industrial activities, and accelerated modernization by easing the transition towards advanced technologies and effective management methods.

31. It was felt that industrial development and in particular the promotion of small-scale industry could not be based on the purely economic criterion of maximizing output which, as a rule, involved a large use of capital and a smaller use of labour. There were, in all countries of the region, overriding social considerations which pointed towards the adoption of measures to reduce unemployment and under-employment, and some balance should be achieved in each country between its social and economic requirements. Some small-scale industries

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were economic only if they used capital-intensive methods while many others lent themselves, at any rate at early stages of establishment, to the use of labour-intensive techniques. There was scope for promoting both types of industries, bearing in mind the need, inherent to any development policy, of improving and modernizing continuously plant, equipment and processes in all industrial enterprises, irrespective of their size, and of opening new employment opportunities which could absorb the growing manpower resources.

32. Besides providing new employment opportunities, mobilizing private saving and developing new technical skills, small-scale industries could not only contribute to expanding and diversifying the production of consumer goods, many of which might substitute for imports, and some of which might find markets abroad, but could also undertake the manufacturing of certain types of machinery and equipment. In spite of the efforts to liberalize trade between the Latin American and the Central American countries, outlets for industrial products in most countries of the region were still restricted to the domestic markets which remained narrow and expanded slowly. This was a major reason for stimulating in all countries of the region the establishment of small industrial enterprises catering to local markets, including those in rural areas. In a general way, the Seminar considered that, in any economy, there was scope for certain types of small industries which derived competitive advantages from the very smallness of their scale of operation and which could not only coexist, but compete effectively with large industries. Especially when they achieved proficiency in certain highly specialized productions, they could be linked with large industries by complementary relations, mainly in the form of subcontracting. There was also a large group of industries which had possibilities of growth, and which, with the necessary guidance and assistance at the early stages, might expand and diversify their productions.

33. In order to assess the role which small-scale industries might play in over-all industrialization programmes, it would be useful to carry out studies of the technical and economic prospects of these industries in various localities, mainly at the sectoral level but sometimes also at the plant level. Such studies would be essential for undertaking new industrial activities and for expanding

and diversifying the production of existing enterprises. The Seminar recommended that Governments should carry out such studies as a prerequisite for formulating any strategy for development of small-scale industry. Assistance in this field could be one of the main functions of a possible regional organization for the promotion of small-scale industry.

34. In Latin America, as in other developing regions, there was a widespread shortage of industrial entrepreneurs. Because of inadequate knowledge of technology and management and of prospects offered by industry, of limitation of financial resources and shortage of skilled manpower, entrepreneurs were reluctant to engage in industrial activities and preferred presumably safer occupations in commerce, building or traditional crafts. In some countries there was a predominance of artisan and handicraft undertakings and cottage industries; elsewhere, small industries existed but, in the absence of promotion agencies and comprehensive assistance programmes, were weak and ineffective and had a low productivity and a high death rate. In these countries, the rate of growth of the small industry sector as a whole was very low, a factor which contributed to expanding the gap between the rise in population and in the development of industrial employment and production.

35. The Seminar considered that an unbalanced industrial structure was a factor of stagnation for the economy as a whole. The establishment of large-scale and medium-sized industries would not suffice to give to the economy of the less developed countries the necessary dynamic impulse and to promote a cumulative inter-sectoral development. It was essential that Latin American investors be attracted towards small but modern industries and that existing small industrialists be given opportunities of expanding, modernizing and diversifying their production.

36. Thus the Seminar felt that the promotion of entrepreneurs was one of the objectives of economic policy and a major element in a programme of development of small-scale industry. Provided guidance and assistance were made available, people with limited technical knowledge and modest financial means could be induced to set up their own small industrial undertakings. Prospective industrialists should be sought out among educated young men, merchants, artisans and handicraft workers, public servants, successful agriculturists, and given assistance in setting up industrial enterprises. The Seminar felt that traditional

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training programmes were not sufficient for promoting entrepreneurship. It was necessary to provide orientation on the type of industry to be set up, based on the above-mentioned techno-economic studies, to give assistance in obtaining credit, building licences, import licences, exchange authorizations and other prerequisites to establishing or expanding an industrial enterprise.

37. In view of the importance of the artisan sector in the industrial structure of many countries of the region, the Seminar considered that special efforts should be made not only to modernize it but also to facilitate its transition towards more modern activities.

38. Modern technology and new industrial processes had made many of the traditional crafts obsolete. Factories were steadily replacing artisan workshops in the production of certain articles. The Seminar felt that there was no point in maintaining artificially declining trades, but that some artisans could be assisted in becoming small industrialists in similar lines of business and others could be steered towards new industrial activities. There were certain fields where artisans could coexist with more advanced forms of manufacturing, above all in artistic handicrafts and certain types of artisan construction trades or industrial services. The Seminar recommended that thorough studies of viable or declining artisan undertakings and of the prospects of transformation in small-scale industries, whether in similar or in different lines, be undertaken in countries of the region.

39. The participants stressed that the strategy of development of small-scale industry should be to promote modern, self-supporting and economically viable manufacturing enterprises, and not a group of weak and inefficient industries which would need to be artificially sustained in their production, management and financing. Even though many of the new industrial units recently established in the region would need to be supported over a certain period of time, the purpose of promotion and assistance measures was to guide and help small industrialists until they were able to stand on their own.

40. In most countries of the region, industry was concentrated in a few major cities where it found the necessary external economies. In almost all countries, Governments had adopted certain policy measures aimed at industrial decentralization with a view to decongesting the urban areas and stimulating the development of less developed regions. These programmes were often limited to population

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distribution programmes. Because of lack of basic infra-structure facilities, of markets, skilled manpower, entrepreneurship, and so on, and also because of the reluctance of urban entrepreneurs to move to other regions, policies of dispersal of industries and of balanced regional development generally remained unfulfilled.

41. The Seminar considered that it was not enough to rely on tax and other inducements for attracting industry to given locations; measures to promote small-scale industry had also a role to play in industrial decentralization. Small-scale industries presented a greater locational flexibility than larger undertakings, since they could make use of local raw materials and cater to small markets. In many countries, good results had been achieved by small industries established in small towns and even in certain rural areas. However, it was essential that the prospects offered by each location to the establishment of small-scale industries be studied carefully in respect of raw materials, labour, power, transportation and market. A great advantage of small industries was that they could often be successful even where such facilities were limited. The above considerations pointed towards the need for planning the development of small-scale industry and for integrating these plans with programmes of industrial decentralization and with programmes of construction of power plants, roads and other infra-structure facilities.

42. The Seminar was convinced that, especially at the early stages, small industry development should be promoted by the Government since small-scale industries were unable to formulate and carry out self-help programmes. Promotion programmes should be comprehensive and continuing. Only the Government was in a position to take the necessary action and this all the more so since many of the measures to be provided were in the nature of education, which was a fundamental responsibility of the public authority.

43. In general, it was the Government's responsibility to facilitate the establishment of small-scale industries, especially in industrial estates, to encourage their grouping in associations and co-operatives, and to foster complementary relationships with large-scale industries, mainly through sub-contracting arrangements; also, to set up institutions to meet the needs of small-scale industry in respect of financing, technical and managerial counselling,

training, technical research, and so on; and to offer tax and other inducements as well as certain measures of protection.

44. At the same time, the Government should stimulate any support which might be given by private agencies such as chambers of commerce and industry, and industrial associations. When small-scale industries became self-supporting, encouragement should be given to self-help measures in this sector. In many cases, government-sponsored facilities such as industrial estates, common service workshops, etc., might eventually be turned over to private persons. Since, however, new small industries in need of government assistance would always be forthcoming, promotion should be a permanent element in any strategy of industrial development.

Development possibilities for small-scale industry in specific sectors

45. In order to analyse the prospects for the development of small-scale industry, it was necessary to determine which sectors offered the greatest opportunities for growth in the particular conditions prevailing in each country. In some branches of industry, conditions favoured small-scale production, as had been found even in the most industrialized countries.^{2/}

46. Although there were areas which were the exclusive domain of the large enterprise and areas in which small-scale industry predominated, there was, between the two extremes, a middle ground where large and small enterprises coexisted and competed. The role played by small-scale industry in both developed and developing countries had some common characteristics, but the emphasis placed on this or that aspect was often different.

47. Most countries, particularly developing countries, had concentrations of population at considerable distances from each other, and these densely populated areas were the main markets for industrial products. The savings achieved through large-scale production in any such concentration were reduced or wholly offset by the high cost of transporting output to other centres, particularly in the case of perishable and cheap goods. A large enterprise might therefore establish a small-scale production unit in an area far from the population centre in order to supply a local market.

^{2/} See ECLA, Development possibilities for small-scale industry in specific fields of industrial activity, (ST/ECLA/Conf.25/L.18).

48. Small-scale enterprises did not exist merely because of their ability to supply large enterprises and produce complementary goods. The needs of each community were not identical, and within each community the different social strata had different needs, many of which could not be met by mass producers. In so far as direct services to the consumer were concerned, and in places where there was a demand for a wide variety of goods and long production runs were impossible, the small-scale enterprise proved to be the most adaptable.

49. The Seminar considered that the above-mentioned criteria could serve as a basis for selecting the branches of industry in which small-scale industry could appropriately be developed without too high a social cost. The availability and cost of natural resources and the characteristics of the market, together with the social objectives being sought in developing specific areas, seemed to be the decisive factors in this selection. A careful study would have to be made in each country, however, to determine in which fields the establishment of small units should be encouraged.

Over-all promotion programmes for small-scale industry: institutions, priorities in respect of sectors and means of action

50. In the medium and long-term plans for general industrial development that most Latin American countries had drawn up as part of their over-all programmes in recent years, small-scale industry had not as a rule been given any special treatment. There was thus a need for comprehensive plans for the promotion of small-scale industry in which priorities in respect of sectors and means of action would be laid down. No generalization, however, was possible, as the circumstances and needs varied from country to country. The situation in the Central American countries or the Caribbean was, for example, different from that in Brazil, Argentina, Mexico or Chile. Each country needed a different kind of promotion programme making use of different kinds of instruments to solve its problems, create incentives, fix priorities and develop small-scale industry in the appropriate regions and sectors.

51. Some of the general principles and criteria relating to the preparation and execution of such programmes should, however, be given attention. In the first place, the programmes must be based on accurate preliminary studies concerning the

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obstacles that hinder the development of small-scale industry and the various means by which it could best be fostered: technical and financial assistance, improved supply and marketing arrangements, promotion of industrial co-operation and complementarity, training of personnel, facilities to enable craftsmen and small industrialists to add to their knowledge, and provision and encouragement of opportunities for self-help. Another topic for such studies would be how to supplement this direct promotion in a systematic manner through legal and administrative machinery designed to encourage efficiency without introducing privileges which had no effect on production. Such legal machinery should be suited to present development requirements and to the role of small-scale industry in development.

52. It would be desirable for the promotion programme in each country to be drawn up by a single national body which would lay down a definite policy for the promotion of small-scale industry to be incorporated in general industrialization plans. This body, which would be responsible for reviewing the partial programmes and giving them final shape could be a government department or agency, such as, for example, a government commission on which all the responsible authorities and agencies would be represented.

53. Such centralized national co-ordination would not prevent the various operations from being decentralized and distributed among the agencies best qualified technically for carrying them out.

54. It was also important from the institutional standpoint to set up co-operatives, chambers of commerce and similar self-help organizations in which small entrepreneurs could take active part at the management and administration level as well as through the contribution of funds. Certain promotion functions could be gradually delegated to these organizations as the experience and understanding of the entrepreneurs increased and they became able to work together and solve their own problems.

55. The measures that should be included in a comprehensive promotion programme were many and probably varied from one country to another according to the circumstances and needs of the different sectors, branches and individual enterprises of small-scale industry. The most important concerned research; training

of personnel for promotion institutions; technical assistance, both administrative and technological; basic and advanced training of specialists; financial assistance; and special incentives for the establishment of new industrial activities and crafts and of small-industry and craft estates.

56. Priorities had to be established as regards goals, means, sectors, branches, and regions. Priorities varied within the promotion programmes of the different countries, and often the national plan did not even contain a definite development strategy, priorities being determined by different institutions with absolutely different criteria.

57. While the general criteria of each country's industrial plans must naturally be respected, it was sometimes also necessary to establish special criteria for this sector in such matters as the following: complementarity with the output of enterprises in other sectors; special orders and production in small series; production of goods of high quality or style; specialized services, maintenance and repair; additional employment for the rural and indigenous population; use of creative and artistic talent; utilization of otherwise unused raw materials, products and rural manpower; and decentralization of large-scale industry and promotion of peripheral regional production.

58. As regards the various branches of activity, preference should be given to those in which small-scale industry had the best possibility of operating efficiently. As, however, social factors, too, must sometimes be taken into account, it was very difficult to lay down any uniform standard. Also, apart from the technological and manufacturing process, other economic factors such as industrial complementarity and the use of domestic raw materials must be considered before a choice was made.

59. The Seminar took note of the fact that in the countries belonging to the Organization for Economic Co-operation and Development there were various bodies providing different kinds of technical and financial assistance. Among the arrangements in force, three deserved special mention: the preparation by a group of experts of programmes for the reorganization of small enterprises; the provision of financial aid to small enterprises that met certain prerequisites for increased productivity; and collective action by which groups of small entrepreneurs, without

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losing their independence, undertook joint programmes for their collective benefit. Some of these programmes concerned such important matters as marketing and sales, while others were designed to obtain tax advantages.

B. TECHNICAL SERVICES AND ASSISTANCE FOR THE DEVELOPMENT
OF SMALL-SCALE INDUSTRY

Technical services for rationalization at the plant level: organization,
administration and methods

60. The Seminar discussed the technical services extended to small-scale industries at the plant level. These services, which were concerned with promotion of entrepreneurship, technical counselling, improvement of design, quality and standards, management assistance, marketing, industrial research and facilitation of subcontracting, were aimed at informing and educating small entrepreneurs, prospective or established, and at helping them to raise their productivity, improve the quality of their products, reduce their costs and promote the optimum utilization of their machinery.

61. In some countries, usually the larger ones or those where an important small industry sector existed, these services might be provided by a variety of specialized institutions - industrial extension centres, productivity centres, production and training centres, design centres, testing and quality control laboratories, management development institutes, and so on. In other countries, they might be extended by one or two organizations in charge of small industry development, either specially established for this purpose such as a small industry service institute or an industrial extension centre, or by a small industry department of an organization of broader scope, such as an industrial development corporation or bank, or an industry division of a Ministry.

62. The Seminar urged all countries of the region where only limited or no institutional facilities existed, to strengthen, expand or set them up in order to provide as many as possible of the services required by small-scale industry. Should several specialized agencies be set up, great care should be taken to avoid overlapping of functions, and to ensure co-ordination and co-operation between them.

63. The stimulation of entrepreneurship, to which the Seminar attached the highest importance, should be a major function of any promotion agency. The action of such an agency should be based on thorough feasibility studies, area surveys and market studies for given types of industries. At the plant level, "model schemes" or "industry fact sheets" describing typical requirements in capital, employment, raw materials, processes, and estimated costs and profitability, provided valuable

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guidance to entrepreneurs wishing to enter the industry or to expand their product lines. For obtaining credit, however, it was necessary to make a thorough study of the individual plant, containing not only general techno-economic data on the industry, but also a detailed description of the engineering specifications of the project. The Seminar felt that there should be a closer link between feasibility studies and financial assistance. Promotion agencies should not limit themselves to making studies in advance of demand - useful as these might be - but should follow up help at the pre-investment stage with assistance to entrepreneurs in obtaining credit, and in using this in the most effective way.

64. This was particularly important in the case of supply of equipment. The Seminar noted in this connexion that, at least in one country of the region, surveys of existing enterprises in certain industrial fields had been undertaken by technical assistance and financial institutions with a view to recommending measures for the modernization of these enterprises. In most cases, recommendations were made for re-equipment - the need for which was not even suspected by the entrepreneurs - and credit facilities were made available. There was evidently much scope for undertaking such surveys in most countries of the region. The close relationship between entrepreneurship development and financial assistance was also stressed by some participants who stated that in their countries, funds for loans to small industries were available but remained largely unused for lack of demand or because of inadequately justified applications or even of economically unsound projects.

65. In a more general way, the Seminar noted that much of the assistance work for small-scale industries led to requests for credit and expressed the view that, especially at the early stages of a technical assistance programme, it was useful to link it closely to financing. This could be done either by setting up an extension service within a financial institution or by working out complementary arrangements between an extension centre and the credit agency.

66. Technical counselling covered advice and guidance on the choice of materials, machinery and tools and their most efficient utilization in production. It included advice on the installation of machinery and equipment, plant layout, techniques of production, maintenance and repair, testing, and class-room and on-the-job training of workers and supervisors.

67. This activity was one of the most important and one of the most difficult to carry out in the developing countries. Expert staff of engineers, technicians and other extension officers should be made available to the assistance agency - a problem which could not be minimized in view of the scarcity of trained technicians, and of the competing alternatives offered them in private undertakings, not always in the field of industry. A number of recommendations on the training of extension workers will be found elsewhere in this report.

68. The inadequacy of the financial resources available for technical assistance and servicing, the difficulty of finding competent staff and other factors resulted, among other things, in the fact that assistance facilities were usually established only in one or two of the main urban centres, and extension work in provincial areas could be undertaken only occasionally, on a small scale and with disappointing results. The Seminar considered that, to be effective, technical assistance facilities should be set up in locations where concentrations of small-scale industries existed, so as to be provided over a long period of time and in regard to all problems, whether economic, technical, managerial, legal and so on. It felt that the dilemma of providing either superficial consultations to a large number of small industrialists, or assistance in depth to a small number could only be solved in this way. It recommended that industrial extension centres be established as an integral part of industrial estate projects, which would permit, when estates are set up in decentralized locations, the provision of assistance not only to the occupants, but also to small industrialists established in the surrounding area. The estate and its extension centre would thus serve as a nucleus for regional industrial development.

69. The Seminar took note of the arrangements made in certain European countries for enlisting the co-operation of private engineering and management consultant firms, the costs of the services extended by these firms to industrialists being supported, in part or as a whole, by the public technical assistance agency. It felt that this system deserved further study with a view to its possible application in countries of the region.

70. It was also observed that technical counselling necessarily involved some training on the part of the extension officers to the managers and personnel of small-scale industries. The integration or close co-operation of industrial

extension agencies with training centres was therefore very desirable. An effective means of achieving this result was to set up such facilities in areas of industrial concentration and in particular in industrial estates, where training programmes could be devised so as to meet the specific needs of the occupants.

71. Management development was another important component of an assistance and servicing programme at the plant level. It covered advice, guidance and training in all aspects of the conduct of an industrial enterprise, including organization, planning and control and marketing of products. It included advice on financing, taxes, bookkeeping and cost accounting, selling, etc. Such services might be provided by industrial extension centres or specialized institutions.

72. Other facilities included common services, which might be provided in areas of concentration of certain types of industries, and which were particularly effective when set up on an industrial estate. In this connexion, the Seminar noted the work carried out in countries members of OECD and recommended that studies be undertaken of programmes of common action similar to those recently organized in certain European countries, whereby small industrialists joined in procurement, production and sale, including export of certain products. Studies should also cover certain related programmes, such as government financial and technical assistance to societies created by small industrialists for carrying out common programmes, and the undertaking of joint industrial and marketing research projects by groups of small enterprises.

73. In the field of industrial research, studies should be undertaken on the means of obtaining information of interest to small-scale industries from institutions in various parts of the world, and, if possible, of co-ordinating research with a view to reducing duplication of effort.

74. The close mutual relationship between industrial research and industrial extension, the former being necessary to solve some of the technological problems of the small industries, the latter being able to provide orientation to the research centres on the types of research which are needed, was also noted in this connexion.

75. Another important need was quality control, which could be provided by testing laboratories and might usefully be complemented by quality certification schemes.

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Improvements in industrial design could also enhance performance, quality and appearance.

76. The Seminar observed that, in the industrial countries, subcontracting relationships between large and small industries played a very important role, especially in the mechanical industry sector, and were a powerful factor of strength and cohesion of the industrial sector. They also had the result of enhancing the performance, productivity and product quality of the small subcontractor industries. Quite frequently, technical and financial assistance was provided to the subcontractors by the large industry which was interested in receiving on time parts and components of acceptable quality at an economic price.

77. It was noted that, except in a few countries, subcontracting was little or not developed in the region. A reason for this was that large industries in sectors where subcontracting was technically possible existed only in a small number and in a few countries only. But even where such industries existed, subcontracting was little practised. The reasons for this were that the quality of products of small-scale industries was usually low, their management methods unreliable, their cost accounting and bookkeeping defective. The large industries did not consider that it was their responsibility to help small industries to improve their operation, and preferred producing themselves all parts and components, or importing some of them. Another reason was that, in certain countries, the tax system was based on levies on sales of final products which, if subcontracting were in effect, would involve cumulative tax payments, and was therefore a disincentive to adopting this system. A system of tax on value added would, on the other hand, favour subcontracting. The smallness of the market of countries of the region was another obstacle. Finally, there was a lack of information on the possibilities of complementary relationships between large and small industries.

78. The Seminar considered that subcontracting largely depended on the large industries since these had the power of decision. However, to be considered as subcontractors, small-scale industries had to improve the quality of their products and of their managerial methods, and, for that purpose, had to receive technical assistance. The Seminar felt therefore that industrial extension agencies might facilitate subcontracting by improving the performance of small-scale industries,

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especially of specialized ones. To that end, they should provide information on the types of operations which might be carried out on account of the large firms, and facilitate negotiations and contractual agreements, creating thereby an atmosphere of confidence for subcontracting.

79. It was noted that, in one country, a technical co-operation agency was able to offer a guarantee of quality to the large industry to induce it to subcontract. In a few other countries, certain large industries, in particular in the automobile field, were set up in the past few years with a basic condition that certain operations would be subcontracted to small-scale industries.

80. A new technical facility recently developed in Europe, in particular in France, was the subcontractors' exchange, whereby demand and supply were made known and information provided on machinery, production capacity and availability of capacity, and specialization of small-scale industries, and on the demand for parts, components, and processing or finishing operations on the part of large concerns. The technicians of the exchange were sometimes able to provide technical assistance and orientation on lines of production, equipment requirements, and other advice to the managers of the small firms. The Seminar recommended that serious consideration be given in the region to setting up such facilities.

81. The Seminar briefly considered the problem of organization of technical services and facilities for small-scale industries. It felt that, as a rule, such facilities should be sponsored and financed by the Government, but administered by autonomous agencies. Autonomy ensured flexibility in operation, which was essential to meet the great variety of needs of the small entrepreneurs. To the extent possible, however, the co-operation of private agencies, chambers of commerce, etc., should be availed of.

82. As already mentioned, the technical assistance agencies should consider that their role was essentially educational and promotional. They should be prepared to help all those in need of it, provided the need was economically and socially justified, and provided the recipients of assistance were prepared to help themselves. Industrial extension agencies should provide their services free of charge. Other types of services, such as those provided by common facility workshops or laboratories, should be provided at cost.

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Special training programmes for personnel at all levels and other services in aid of small-scale industry

83. There were various types of training programmes that could aid small-scale industry. The four main types were those intended for the staff of planning and industrial policy bodies, industrial extension staff, small industrialists and skilled workers.

84. The first type of industrial training should be given by regional organizations such as the one proposed for the development of small-scale industry in Latin America. The development of small-scale industry required staff who were trained in the tasks of policy planning, formulation and execution. The Seminar considered that great importance should be attached to the training of staff of executing agencies (ministries of industry and development, development corporations and banks, productivity institutes, etc.), and planning bodies (central, regional and sectoral planning offices).

85. Industrial extension was understood to mean the activities of experts who gave advice and technical assistance to industrialists. It was difficult work requiring special qualities such as initiative, the ability and willingness to work with a minimum of supervision and a natural inclination to help small industrialists. As experts of this kind were in short supply in Latin America, it was especially important to train them. It was recognized that the selection of candidates for training in this field was difficult and that the training methods and subjects should be similar to those which had given good results in other parts of the world.

86. The training of small industrialists also raised complex problems. In the first place, little literature on the techniques of administration and production peculiar to small-scale industry was available, and little had been done to adapt this literature, which came mainly from the United States, to the very different conditions existing in Latin American countries. In the second place, small industrialists had little time at their disposal for attending training courses.

87. During the discussion, some ideas were put forward on ways of dealing with these difficulties. For example, it was stated that the method of self-instruction had given very good results in some European countries and might, if adapted to local conditions, be tried out in the region. Attention was also drawn to a method used in Asia, by which industrialists were given theoretical instruction in

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administration while at the same time their instructors analysed specific problems in the factory. Demonstrations of the techniques used in modern enterprises could also be helpful. It was pointed out that there were at all events wide opportunities in this field for the introduction of new methods conforming to the needs of Latin American industrialists.

88. The shortage of skilled labour was an obstacle to the development of small-scale industry. Although needs were in general being met through vocational programmes, the instruction in many cases had to be given without the benefit of the necessary equipment and machinery. The Seminar considered that the efforts being made in various countries of the region should be expanded and that the training centres should be provided with the resources needed to do their work efficiently.

89. The Seminar was informed about the training in the field of small-scale industry being provided by the Inter-American Bank (IDB). It was pointed out that because of the nature of IDB, the training programmes were more directly concerned with the preparation, execution and financing of projects. In this connexion, IDB had been conducting a series of courses and seminars for the short-term training of Latin American specialist and technical staff in order to ensure more rapid use of the loans granted to development agencies for the benefit of small-scale and medium-sized enterprise in Latin America. So far it had held a Central American course on the preparation of industrial projects, in collaboration with the Permanent Secretariat of the General Treaty on Economic Integration (SIECA), in Honduras, in April 1966, and was at present conducting a national course on the preparation and evaluation of projects in Guatemala, in conjunction with the Bank of Guatemala. In addition it had recently held a seminar on industrial appraisal at IDB headquarters in Washington. The participants in this seminar were selected from among the staff responsible for dealing with loan applications from manufacturing enterprises and for the conduct of the assistance and promotion activities of Latin American development banks.

Forms of co-operation and self-help

90. In some countries there was a growing realization that small-scale industries could act together in order to perform some functions which, because of their size,

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they were unable to perform individually. One form of association which had had much success as a means of solving marketing and purchasing problems was the co-operative.

91. In the case of purchasers' and sellers' co-operatives, each form would either sell its products to the co-operative, which would make the sale to the consumer, generally in its own name, or would sell it through the co-operative, which would then act as a commission agent for its own chain of department stores or shops. The co-operative system would also enable the small industrialist to participate in fairs and exhibitions, this being difficult for him to do alone. A purchasers' co-operative would proceed in a similar way, supplying all the material needed by the group of firms forming the co-operative.

92. Some purchasers' and sellers' co-operatives did much more than act as intermediaries for the purchase and sale of products; they actually processed them in their own plants. In Ecuador, a co-operative of this type set up to supply leather cheaply to a group of footwear manufacturers had established its own tannery. Similarly, in Chile, a co-operative formed by small farmers to sell pigs was building a ham and bacon factory with State assistance. These co-operative groups were usually known as "common services co-operatives" and had been developed mainly in Japan. The fields they covered varied but included furniture, transport, repair and maintenance workshops and finishing operations, such as the dyeing and printing of cloth, electrotyping and pottery-making. Another kind of co-operative was the credit union which, as its name indicated, made loans to its members either through co-operative banks or in some other way.

93. There were also co-operatives directly engaged in production. These were made up of individuals who pooled their resources and worked together as a single plant in order to produce a particular article. These co-operatives might remain small or might grow into larger enterprises and were probably the most difficult to promote and operative with success. Some of them were of the "common services" type and could serve the needs of small-scale industry.

94. Most Governments encouraged the formation of co-operatives through tax incentives. Co-operatives were also given preferential treatment as regards loans and financial assistance because, by enabling small craftsmen and industrialists with limited resources to become proprietors, they were considered to be socially

beneficial. Co-operatives were also a good way of forming capital on a small scale. Government action to promote co-operatives should be directed mainly to the initial stages of their formation.

95. Promotion of the various kinds of co-operatives in the field of small-scale industry would enable small industrialists to obtain certain economic advantages which were not within their reach when working alone. Experience along these lines in Latin America had been limited to the fiscal agencies that had encouraged and guided the formation of co-operatives, mainly consumer co-operatives. The Seminar considered that in view of the results achieved in various European and Middle East countries, it might be advisable, in order to meet the needs of small industrialists more fully, to extend the field of co-operative action in Latin America to cover purchases, supplies, credit and marketing.

96. The formation of special industrialists' associations for small industry might also be very effective as a means of enabling small industry to obtain certain market advantages in buying raw materials and distributing its products. Another means of self-help which had been applied in countries outside the region was the formation of self-organizing groups. These were groups of about ten small enterprises with an adviser or consultant who made a study of each enterprise, helped organize them and finally prepared a report on the results. There were also groups consisting of some sixty small and not so small enterprises which drew on the consultant and technical services of large enterprises, such services being normally too costly for the small enterprise. It was sometimes advisable to encourage the formation of co-operatives in conjunction with the establishment of small-scale industry associations. Such groupings, if properly integrated, and given specific functions, could take part in technical assistance, vocational training and other activities for the benefit of small-scale industry.

Industrial estates: organization, administration and financing

97. The Seminar observed that, despite the abundant evidence of the effectiveness of the industrial estate in promoting the development of small-scale industries, only two countries in the region - Jamaica and Venezuela^{3/} - had established estates with standard factories built in advance of demand. These estates also

3/ And Puerto Rico.

offered improved sites for large-scale and medium-sized industries, but there were no common service facilities, industrial extension centres nor any other promotional facilities of this type. None of the established estates had been devised exclusively or principally for the promotion of small-scale industries.

98. The predominant form of planned industrial clustering in the region was the industrial area offering only sites with the basic infra-structure facilities - power, water, roads, etc. As a rule, such projects were effective in attracting only large-scale and medium-sized industries, and they were in general successful only if combined with other inducements such as tax concessions and a variety of services. Because of lack of integration with such complementary measures, wrong choice of location and other reasons, not all industrial area projects in the region had been successful. Though the industrial estate and the industrial area were important tools in programmes of industrial decentralization, most of the existing projects were located in or near large metropolitan centres. In a few cases, industrial areas had been set up in smaller towns located in predominantly rural districts where there were favourable prospects of industrial development. As a rule, the offer of improved sites was accompanied by fiscal and financial incentives. In most cases, the industries attracted to these areas have been of large and medium size. The Seminar noted another advantage of industrial estates, namely that they could contribute to the decongestion of urban areas through the relocation of small industries to sites in the outlying areas of large towns.

99. It was noted that many countries of the region had made some studies and drawn up some plans for industrial estates for small-scale industries, but, for a variety of reasons, none of the planned projects had yet materialized. The Seminar strongly urged Governments of countries of the region to provide for industrial estate projects in their programmes of development of small-scale industry. Industrial estates should be an integral part of such programmes, since their success depended on the existence of measures of stimulation of entrepreneurship, financing on liberal conditions, technical and managerial assistance, training and so forth. In the absence of such complementary measures, an industrial estate might remain vacant or be occupied very slowly.

100. Industrial estates should be sponsored and financed by the Government and administered by autonomous authorities, with the participation, wherever possible, of local entities and of certain private groups. In the long run, when industrial estates had been sufficiently occupied, the ownership and management of the standard factories and of certain common service facilities might be transferred to the occupants, preferably grouped in co-operative associations, or to municipal organs if these were sufficiently important. An important purpose of publicly-sponsored industrial estates was to stimulate the interest of local communities and private groups to undertake - if need be with the assistance of the Government or of State organizations - their own industrial estate projects. Their major purpose, however, was to set in motion a cumulative process of industrialization on a small scale and to develop, as a result, secondary economic activities in trade and services in a region or in the country.

C. FINANCING FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRY

101. In the discussion of this topic, an expert from each country described its credit machinery and procedures in the field of small-scale industry and the main problems that had arisen. These statements helped to supplement the information on financial assistance contained in the document "La pequeña industria en América Latina" (ST/ECLA/Conf.25/L.17) and in the nineteen country monographs submitted to the Seminar.

102. From the general state of small-scale industrial development in Latin America, it was apparent that financing was one of the weaker aspects. It was pointed out that internal sources of funds, i.e., those generated within the enterprise itself, were insufficient to support the growth of productive units.

103. The relatively high costs resulting from small-scale production and low productivity were reflected in low wages and profits, and thus the percentage of profits available for reinvestment in the small enterprise tended to be very much less than in the case of larger units. This frequently led to capital depletion, where the small enterprise was obliged to consume its own capital.

104. The external sources of financing, on the other hand, did not adequately compensate for the weakness of the productive unit's internal sources of funds, or else the financing terms were not adjusted to the reproductive cycle of the fixed capital investment, interest rates were high, the security requirements were not consistent with the process of aiding and promoting small industry, or technical assistance was either lacking or was not co-ordinated with the financial assistance.

105. The organizational structure of the small enterprise was therefore generally of the family type. The possibility of losing control of the enterprise and the non-existence of a securities market kept small and medium-sized industrialists in many countries from issuing shares to get the financial resources they needed, and this was an important factor limiting the growth of such enterprises. Because of their size, moreover, it was difficult for them to find new share-holders, and access to organized security markets might therefore be impossible or inconvenient for them. This was aggravated both by the additional cost they would incur and by their ignorance of the ways in which such operations were conducted.

106. Medium or long-term bank loans, often reserved for large enterprises which did business with the commercial banks, were not available to small enterprises in most Latin American countries. They had to turn to other sources of credit, which tended to be less advantageous as regards both terms and interest rates.

Even suppliers' credit, as a factor contributing to capital formation, was less easily available or more expensive, because of the difficulty of providing security or the frequent need to get the endorsement of some financial institution. In addition, the small scale of such operations, coupled with the risks involved both for suppliers and for the financial institutions, made them unattractive.

107. Only in recent years had small-scale industry been able to make use, in a limited way and only in some countries, of foreign loans obtained through development corporations and banks and private financial agencies. In many cases this kind of financial aid involved the "tied loan" system, which meant that the small industrialist had to pay a higher price for equipment and machinery. It also deprived the developing countries of the important stimulus to domestic production which there would be if the goods and services in question were acquired in the recipient country or in other Latin American countries.

108. There was agreement among the Seminar participants that the shortage of capital in the region was felt more strongly by small-scale industry and that the authorities of the different countries should give priority to the question and create special machinery, or expand it, in accordance with the particular conditions in their country, in order to encourage investment in small-scale industry. This might lead in some cases to the establishment of State development banks especially equipped for that special task.

109. Regarding the difficulties that small-scale industry faced in obtaining adequate credit on terms suited to its special characteristics, there was agreement that one of the main reasons for this situation was that small-scale industries were not always in a position to offer the security required by financial agencies. There was also unanimous agreement that, in the granting of loans, the viability of the project and the ability of the entrepreneur should outweigh the need to provide security.

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110. As far as foreign credit for small-scale industry was concerned, the Seminar agreed that there should be a substantial increase in its volume and that it should be channelled through national financial and development institutions, which would establish the terms for granting the individual loans in accordance with the specific conditions and industrial development programmes of each country. Those institutions should assume any risks arising out of fluctuations in exchange rates.

111. Another matter which was much discussed at the Seminar was the relationship that should exist between financial assistance and technical assistance. It was unanimously agreed that the latter produced more effective results if it was accompanied by the financial resources necessary for giving it practical effect. Financial assistance, for its part, could help to make apparent the desirability of some form of technical assistance. It was recognized that action in both fields should in any event be suited to the particular conditions of each country. In some cases it might be desirable for the two types of assistance to be given by different agencies acting in co-ordination. In others, the financial agency could consider the economic and administrative aspects of the projects and even go so far as to provide technical assistance, either directly or through other agencies, to enable the enterprise to set up its production facilities. A method considered appropriate for small-scale industry was that of supervised loans, which involved a combination of technical and financial assistance activities. Another method to which attention was drawn was that of promotion certificates issued by the financial agency and the technical assistance agency for the benefit of small-scale industries.

112. In analysing the criteria applied by financial agencies for the extending of credit to small-scale industry, the Seminar agreed that such agencies should concentrate on the economic aspect of the proposed investment, since the social aspect was a matter for State planning organs, which could decide to subsidize industrial development, whether on a regional or sector basis, in the light of the social benefits that would accrue.

113. Another matter of great interest on which there was general agreement was the desirability of making credit for promotion purposes available through sectoral promotion programmes. This was a recognition of the fact that the initiative for loans should not come solely from the small industrialists who often had difficulty in preparing the loan applications.

114. In view of the situation in countries suffering from acute inflation, attention was drawn to the need for some arrangement to prevent small-scale industry from being at a disadvantage by comparison with large-scale industry. The latter, by obtaining a greater volume of loans at rates of interest lower than the decline in value of money, was getting a larger subsidy from the community than the smaller-scale industries. That situation was undesirable in every respect, especially in view of the weaker position of the smaller-scale industries in the competition for funds.

115. Among the measures suggested for channelling internal resources into the financing of small-scale industry, were the participation of private banks in such such financing, the establishment of a securities market for small-scale industry and financing by the central banks in the form of rediscount operations and advances within the context of a sound monetary policy. Those various measures were not alternatives but complementary, and an imaginative approach should reveal other ways of achieving the same end.

116. Recognizing the fact that the situation of small-scale industry was unfavourable as far as finance was concerned, various Latin American countries had established machinery to give it financial assistance. The forms and procedures differed according to the economic and social conditions of the country concerned. In some cases, such as Mexico and Venezuela, special funds and agencies had been set up to give financial aid to small enterprises; in others, special arrangements had been introduced for small-scale industry within the existing credit agencies; and in still others, there was as yet no kind of financial machinery for the benefit of small-scale industry. This kind of assistance extended in some cases to crafts, particularly in countries in which they were especially important. In the more highly developed countries, on the other hand, aid to small-scale industry included medium-sized industry.

117. It was evident that almost all the countries considered it necessary to give special treatment to small-scale industry so that it did not have to compete with big business to get financial resources.

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118. As part of financial assistance policy, it was considered that loans for productivity studies in small manufacturing enterprises could give very good results, although they would require some kind of special supervision and promotion machinery. The Banco Popular de la República in Colombia, the Banco Industrial in Argentina and the Banco Nacional de Desenvolvimento Econômico in Brazil, the latter through a special fund (FUNDEPRO), engaged in this kind of operation, and in the first two cases satisfactory results had been achieved.

119. The expert from Guatemala told the Seminar about an arrangement for compulsory savings which had been introduced in his country to promote industrial development. The Banco Industrial de Guatemala was given a sum corresponding to a certain percentage of the customs and tax exemptions granted by the State to industrial enterprises. The funds thus accumulated went to finance the establishment of new enterprises or the expansion of existing ones.

120. It was also noted that in many countries the general legislation barred special financial treatment for small-scale industry and that it would be desirable to change this situation. That had been done, for example, in Peru, where laws had been passed under which priorities could be established in accordance with the development plans and differential rates of interest could be applied in accordance with those priorities.

121. It was stressed in the discussion that private financial agencies could make a significant contribution to the development of small-scale industry by serving as a channel for domestic and foreign resources. The Seminar was told about the experience of Mexico and Ecuador in this field. Although in those two countries some financial agencies could participate in risk capital, this was not always possible in other countries of the region, either because of legislation or because of the small size of the financial market. There was agreement on the need to investigate the possibility of establishing machinery to enable small industrialists to get financial aid in the form of risk capital. State machinery for providing guarantees and security might facilitate the granting of loans to small-scale industry by commercial banks.

122. The representative of IDB spoke of the aid it was giving in the form of general loans for industrial development. The volume of such operations as

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of 30 September 1966 was \$405 million, distributed among nineteen Latin American countries. When considering a request for a general loan, IDB examined the legal, administrative and financial structure and the operating policy of the requesting organization, in order to evaluate not only its technical and administrative capacity and its eligibility for a loan, but also its ability to act as an intermediary. General loans were needed to finance a certain percentage of a programme taken as a whole. The body acting as intermediary was given some freedom in requiring the remaining funds, either from the final users in the form of other loans obtained through the financial system or by providing them itself. Terms, interest rates, and commissions and other charges applicable to the subsidiary or individual loans granted out of the general loan were approved by IDB, which tried to ensure that the rates were such as not to do financial harm to the intermediary nor, on the other hand, to give it too high a return and place an undue burden on the recipients. Fundamentally, the system of general loans supplemented by technical assistance had the following objectives: (a) to establish suitable financial channels so that IDB could supply foreign resources to small and medium-sized agricultural, industrial and mining enterprises; (b) to strengthen the development banks and other intermediary credit institutions financially so as to afford them greater opportunities for action in the field of investment for economic development and social betterment in their respective countries; (c) to promote the mobilization of domestic savings and foreign resources for development projects and thus expand the industrial base through a sort of multiplier effect or chain reaction; and (d) to help achieve the targets set in the development plans. Like loans for specific projects, general loans to development institutions must be based on a development plan, which might be regional, sectoral or sub-sectoral. The regulations governing the general loan also specified the criteria for the granting of the subsidiary loans by the intermediary body. As a rule, the Bank laid down the maximum amount of a sub-loan that could be granted without its prior approval. The lending agencies also had to submit periodic reports on the use they made of the funds lent to them.

D. REGIONAL AND INTERNATIONAL CO-OPERATION IN THE
FIELD OF SMALL-SCALE INDUSTRY

Possible forms of international co-operation

123. Until now, the countries of the region had relatively little availed themselves of the technical co-operation facilities offered by international and other organizations, in particular by the United Nations. The Seminar noted that under the United Nations Development Programme (UNDP) and the regular programmes of technical assistance of the specialized agencies, expert services, fellowships and scholarships and some equipment for a variety of projects in the field of small-scale industry could be provided upon request from Governments. Certain operations of this type might be assisted under the Programme of Special Industrial Services. Under all programmes, assistance could be provided for implementing development policies, programmes and general promotion measures, and for undertaking industrial surveys and feasibility and pre-investment studies. The United Nations and its affiliated organizations might also organize and provide training and industrial extension services; advise in the field of financing; plan, construct and operate industrial estates; organize and carry out technological research; provide counselling on the construction and management of small-scale industries; and provide advice in the field of marketing and export promotion. Also, the Organization for Economic Co-operation and Development had a programme of research, information and transfer of experience for developing countries which could be availed of by Latin American countries.

124. The Seminar urged Governments of countries of the region to avail themselves increasingly of these facilities. It noted that assistance in the formulation of technical co-operation projects, in particular in drafting requests to UNDP (Special Fund) might be provided by the International Labour Organisation, the Centre for Industrial Development, which will soon become the United Nations Industrial Development Organization (UNIDO), and the Economic Commission for Latin America.

125. As better knowledge was gained of problems of industrial development, it would become increasingly possible to employ Latin American experts to provide technical assistance in the region itself. Already, certain countries which had

gained experience in industrial extension, industrial estates, financing of small-scale industry and other measures of promotion and assistance would be able to provide experts to other countries of the region - a possibility of considerable interest for technical assistance programmes.

126. It was also stressed that to be fully effective, expert services should provide for the training of national counterparts. In spite of the scarcity of qualified national technicians, every effort should be made to appoint talented young men who would work with the foreign experts and who would take over their functions after they had left.

127. Many participants felt that the work of the Seminar should be continued in the future through further seminars or working parties on different aspects of the development of small-scale industry.

128. The Seminar took note of the programmes of work in the field of small-scale industry of the Centre for Industrial Development, the Economic Commission for Latin America, the International Labour Organisation, the Inter-American Development Bank and the Organization for Economic Co-operation and Development and looked forward to the benefits which countries of the region would derive from the studies, conferences and other projects to be undertaken by these organizations.

129. Suggestions were made for a number of research projects in the field of small-scale industry which might be undertaken by international organizations or by a Latin American centre for the development of small-scale industry, which might be established. (See the discussion of this proposal in the next section.) These projects might relate to:

(a) Research on production techniques which could be used by small-scale industries, including development of suitable machinery and equipment. The following examples were mentioned in this connexion: food processing techniques suitable for countries with relatively narrow markets; food preservation and canning of tropical products; processing of agricultural products; industrial use of by-products and waste products; development of building materials from national raw materials; and productions for both the domestic and export markets.

(b) Studies of the effects of incentive laws for the promotion of domestic or foreign industrial investment in countries of the region, with a view to formulating guidelines for a regional development policy in this field.

(c) Studies on the methodology of feasibility and pre-investment surveys of industries suitable for small-scale operation under typical Latin American conditions.

130. The Seminar felt that there was a need to co-ordinate studies on small-industry problems now being carried out in countries of the region. This might be one of the functions of the proposed regional centre.

Objectives and machinery of regional co-ordination

131. So far Latin American Governments had made no systematic efforts to achieve regional co-ordination in the field of small-scale industry. The objectives and machinery of regional co-operation in this field included three kinds of activity. The first was the formulation of a special policy for small-scale industry and its incorporation in an over-all development plan. The second was the preparation of sectoral plans, the allocation of resources and the establishment of financial machinery. The third, on the unit level, was action to ensure that the policy of the small enterprise was in line with the objectives of the general plan. In each kind of activity, such matters as exchange of information, technical assistance, training and research had to be taken into account.

132. As regards the formulation of a policy for small-scale industry, it must be said that there had been no systematic exchange of information through symposiums, seminars and other kinds of conferences in Latin America. Similarly, the preparation of special programmes for small-scale industry was still at a rudimentary stage in most of the countries. That was a task that might require the services of technical assistance missions in addition to the training of the national personnel who were needed for preparing and executing the plans.

133. In order to carry these activities forward, it was necessary to investigate how the development policy for small-scale industry could be fitted into over-all programmes. At the same time, in order to avoid a dissipation of effort in research and other activities at the national level, the Seminar considered whether some permanent machinery might not be needed to seek solutions applicable to all the countries. It might take the form of a Latin American agency for the development of small-scale industry, whose functions might later be expanded to cover sectoral activities and activities relating to the individual enterprise.

134. In the discussion on the possibility of establishing such an organization, special consideration was given to its fundamental aims, its geographical scope and its institutional characteristics. Its activities should centre on research, technical assistance and training. As far as economic research was concerned, provision should be made for examining the various aspects of Latin American integration. As to the structure of the organization, advantage should be taken of the special features of the various international organizations and countries in that regard. Some experts were in favour of a decentralized structure and stressed the desirability of having a subsidiary headquarters in Central America.

135. In view of the importance that an organization for the development of small-scale industry in Latin America might have, the Seminar agreed to ask the Economic Commission for Latin America and the United Nations Centre for Industrial Development, the bodies sponsoring the Seminar, to make a study of the form to be taken by such an organization and the procedures it should follow. The study might be carried out in co-operation with the Inter-American Development Bank, the International Labour Organisation, the United Nations Educational, Scientific and Cultural Organization and the Organization of American States.

136. The Seminar asked the Economic Commission for Latin America to take all the necessary steps to ensure that the Governments of the region had the information that would be necessary for the establishment of the proposed organization.

ANNEX I

OPENING ADDRESSES

ADDRESS BY MR. GALO PICO MANTILLA, MINISTER
OF INDUSTRY AND TRADE OF ECUADOR

The Government of Dr. Otto Arosemena Gómez and the Minister of Industry and Trade extend their greetings to the representative of the United Nations, the Executive Secretary of ECLA, the Director of the Programme on the Integration of Industrial Development, the Technical Director of the National Economic Planning and Co-ordination Board, the Director of CIESPAL, the ambassadors of friendly countries and the government officials who are present here, the members of the delegation of Ecuador and the representatives participating in the Seminar.

It is a great pleasure to welcome you to the capital of our Republic as the inspirers and creators of a new development policy for small-scale industry in Latin America.

The President would have wished to welcome you personally but has been prevented from doing so by a prior engagement with the Ambassador from the friendly Republic of Brazil. He has therefore asked me to extend the warmest possible welcome to you and the most cordial hope that your work and your stay in Ecuador will contribute to the success of the plans that have been proposed, to your personal happiness and to successful industrial development in each and every one of the countries represented here.

Ecuador, for its part, has always pursued a progressive development policy and will continue to do so. Ecuador has laws on the promotion of crafts and small industry and on industrial development, and we shall make studies to correct any errors that may appear in practice. With the adoption of these procedures, we shall be in harmony with the other countries of America, and we shall be able to raise the status of small-scale industry, which in our case means crafts, so that it may be the instrument that will truly save the countries of Latin America from being simply exporters of agricultural produce and raw materials. Only industrialization under technical guidance will save the countries from this danger and prevent a deterioration of prices. We must set out to achieve the economic salvation of the various countries of America, by promoting import substitution,

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discussing its procedures and methods and finding out what the basis for it is and what the consequences are. In view of the statement by the Executive Secretary of ECLA, I shall refrain from referring to strictly technical matters in this statement.

You are here at this Seminar in order to put your talents to use in providing guidance and in order dispassionately to make a statistical and numerical analysis of the situation in each country. Let these words not be mere phrase-making by the Minister of Industry and Trade, but real incentives to make an effective contribution to the social and economic progress of backward peoples.

If you fail to find a solution to the real and specific problems which beset our countries, I fear that we shall be unable to advance our interests. Let us be objective and practical, let us try to make our years of study a reality and let us add to them an honest endeavour to ensure that Latin America can compete in the international arena on an equal economic and social footing.

From what I have been told by the Presidents of friendly nations and the representatives of the Government of Ecuador, your merits and abilities are incalculable, and this leads me to expect that this meeting and Seminar will be successful. It leads me, even at this stage, to congratulate your Governments through you on having such specialists and technical personnel who will undoubtedly help to promote the social and economic development of the Latin American countries.

The Government of Ecuador, through its representatives, will submit a working paper on small-scale industry to you, but it is my desire and hope that those here present will give serious consideration to the establishment of a Latin American institute for small-scale industry in this country. A project which has been prepared in this connexion is before you and awaits your prudent discussion. It is the hope of the Ecuadorian Government that you will bring this idea to maturity and will discuss the principles and the basis of this organization. It hopes further that you will do this with the purpose and intent of making it a centre situated in this very city of Quito, the capital of the Republic of Ecuador.

I leave with you therefore the project for the establishment of the Latin American institute for small-scale industry. I would ask you to state your views after calm and careful consideration and to help in this way, in so far as is necessary, to solve the problems which you have come to this Seminar, after Mexico, to deal with.

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The holding of this meeting was regarded as essential by the Government of Ecuador and by ECLA, and it is for this reason that we take pleasure in welcoming you to Ecuador, particularly now that the Government has embarked on its labours after the election of the Constituent National Assembly. The honourable Dr. Otto Arosemena Gómez, Acting Constitutional President of the Republic, wishes to demonstrate step by step that this Government will be one of effective achievement, of dynamic advances and progress in the social and economic process and above all of integral development, in which there will be no frontiers in economic matters and no frontiers in the marketing of products. Thus, it will be obvious that we are all brothers in one and the same process of economic development throughout the continent.

STATEMENT BY MR. JOSE ANTONIO MAYOBRE, EXECUTIVE SECRETARY
OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

The Seminar on Small-scale Industry which we are beginning today has been organized by the Centre for Industrial Development, the Bureau of Technical Assistance Operations and the Economic Commission for Latin America. It has also had the valuable assistance of the Government of Ecuador, for which I have the honour to thank that Government on behalf of the sponsoring institutions and particularly ECLA. The Seminar reflects the growing interest being taken by the countries of the region in the problems of small-scale industry because of the important role it can play in development. ECLA, being away of this interest, has for some years been collecting information on small-scale industry in Latin America in order to assemble material on the basis of which a policy for the development of this important sector can be worked out.

At the Latin American Symposium on Industrialization held last March at Santiago, Chile, the participating delegations agreed on the dynamic role of small-scale industry, since even in the developed countries it has been able, adapting itself to an established industrial system, to occupy an important position.

The task of the present Seminar will now be to make further progress in clarifying the problems of this sector. For the first time an attempt will be made

to review the situation of small-scale industry in the different countries of Latin America and to formulate what may eventually become a regional policy.

I.

For the past thirty years industrialization has been one of the main objectives of economic and social development in Latin America, and despite rapid population growth and urbanization, great inequality in income distribution, slow growth in the agricultural sector and violent fluctuations in foreign trade, progress has been made towards this objective. Proof of this is the fact that the share of manufacturing in the total output of the region has grown to the point where, in 1966, it has reached an average of a little over 25 per cent and, in nearly half the countries, is 20 per cent or more. According to the latest estimates of ECLA, the total value of manufacturing output in 1966 was about \$66,000 million, with a value added of about \$30,000 million. The number of people employed in this sector is more than 11 million, or over 14 per cent of total employment in the region. Imports of manufactures have a total value of \$8,400 million and exports \$4,800 million. All this gives a total supply of manufactures in Latin America amounting to \$70,000 million, or \$285 per capita, of which domestic output accounts for 86 per cent.

These figures show that in the last three decades a solid industrial base has been established in Latin America and makes it possible to supply a broad range of consumer goods and a growing variety of capital goods and intermediate products. This has been accompanied by the adoption of new techniques and processes of production which were formerly unknown in the region and the emergence of a considerable body of able entrepreneurs and skilled workers. A painstaking process of technological and industrial research has also been initiated because previous experience in this field was almost nil. All this has meant a vast investment effort.

There is reason to wonder whether these achievements, however praiseworthy they may be, amount to the rapid economic development demanded by an explosive population growth and the increasingly ambitious striving of the people for material prosperity. It is, after all, evident, on the one hand, that the industrialized countries are far ahead of us in levels of living, income and

technology and, on the other, that the process of industrial development in Latin America has been showing clear signs of slackening in recent years. This gives reason to believe that the industrialization policy followed so far may have to be revised.

The present industrial base and the accumulated experience of industrialists and workers should now be taken as a point of departure for a new and broader approach. An appropriate industrial development model must be drawn up, which, given the region's limitations, will enable it to realize its potential. It is necessary to tackle with imagination and courage the task of establishing large export industries, introducing new production techniques adapted to the economic environment and increasing the efficiency of industry and the productivity of labour.

How these objectives are to be achieved, when many sectors of industry in the region are backward, when markets are still small by comparison with those of the developed countries and when the resources available for investment are limited is the essence of the problem which the industrialization of Latin America presents today, and it is the background against which the proceedings of this Seminar must take place.

II.

The economic and social conditions in which small-scale industry has developed in Latin America are different from those in the developed countries. They include a shortage of capital, slow economic growth, political and social instability, marginal participation by the broad masses of the people in the money economy and a crafts sector using rudimentary techniques to produce simple goods. Nevertheless, small-scale industry has acquired economic importance in the region. According to the various industrial censuses, it is estimated that in 1960 over 1.5 million persons were working in small-scale industry, representing 31 per cent of manufacturing employment and 16 per cent of total industrial employment. In the same year, the value added of small-scale industry in Latin America amounted to about \$3,300 million, that is, 21 per cent of manufacturing output and 16 per cent of total industrial output.

At the present stage of industrialization in Latin American countries, the small enterprise generally coexists with large-scale industry, a situation which in almost every case is to be explained by the special conditions prevailing in the markets and only occasionally by the fact that the small enterprise is efficient and employs modern equipment and production techniques. There is in fact a tendency in some circles to identify the small enterprise with inefficiency and poor organization. This situation is undesirable from all standpoints and must be changed in the new phase that the industrial development of Latin America is entering upon.

Small-scale industry can and must play an active role in the process of industrialization and in general economic development. Such was and still is the case in the more advanced countries, where in some sectors it is highly productive even by comparison with large-scale industry. In the United States, for example, despite the high level of industrial development and a population almost equal to the entire population of Latin America, small-scale industry is responsible for 12 per cent of manufacturing output and 15 per cent of manufacturing employment.

In addition, from the social standpoint, it plays a role of primary importance in bringing a considerable part of the labour force into the productive process and in providing favourable conditions for industrial decentralization and regional development.

So far, however, no special strategy has been laid down for this sector in Latin America, since the action taken by Governments has consisted of isolated measures, based on a traditional and partial approach to the problem. Efforts have been directed towards protecting small-scale industry instead of encouraging its modernization so that it might be in a better position to compete with larger units. Governments' industrial policy on small-scale industry has not always been in line with the industry's needs. Its special characteristics and the environment in which it develops necessitate special treatment based on fiscal arrangements that not only facilitate profitable operations but also preserve the socially useful factor. This does not mean that industrial policy in general should be subordinated to the interests of small-scale industry but rather that the latter has a specific function to fulfil. It means that the disadvantages of small-scale industry due to its size must where necessary be evened out or that

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small-scale industry must be encouraged to produce those items for which it is better suited by reason of its ability to cope more effectively with market conditions or of its advantages as regards transport or specialization.

The obstacles to industrialization in Latin America have made themselves felt with greater force in small-scale industry, which has only fragile defences. Important obstacles to the development of small-scale industry are: shortage of capital for the purchase of modern machinery and equipment, difficulties with the supply of raw materials, inadequate marketing arrangements, lack of managerial training, inefficient techniques and under-utilization of equipment. Small enterprises are generally unable to make the cost studies which would help them to plan and control production, and they lack the flexibility to adapt their productive process to changes in the composition and form of the product. The small industrialist frequently clings to traditional methods of production because he is unaware of his own possibilities and lacks the necessary guidance to introduce the changes demanded by industrial progress.

III

Apart from the general situation of small-scale industry in Latin America, which we have summarized, the agenda of the Seminar includes other items such as technical assistance, financing, and regional and international co-operation on behalf of small-scale industry.

The basic aim of technical assistance is to determine the economic environment conducive to the development of small-scale industry and the best ways of improving its efficiency and administration. It has been found - in Chile, for example - that technical assistance programmes carried out on behalf of a particular unit or branch of industry lead to an appreciable increase in the productive capacity of small industrialists and help them to solve their most urgent problems.

Another matter of great importance is the training of manpower, but the programmes conducted in various Latin American countries do not seem to have been sufficient to meet the needs of industrial development. The introduction of special training programmes for small-scale industry must be preceded by a thorough analysis of the activities that should be fostered, in taking into account the special conditions of each country.

An important means of support for small-scale industry, and one which presupposes close relationship between small and large industrial units, is subcontracting. The experience of Brazil, Argentina and Mexico has much to offer in this regard.

The establishment of industrial estates in the under-developed countries could also be an effective instrument in industrial planning by promoting decentralization and the development of the more backward areas. Little has been done in this regard in Latin America, although in other parts of the world this type of action has taken on considerable importance since 1950. The experiments carried out in the United States, Italy, the United Kingdom and some Far Eastern countries are worthy of mention.

The situation of small-scale industry as regards financing is quite unfavourable. The shortage of capital with which to acquire modern machinery and equipment obliges small manufacturing establishments to make intensive use of labour, even when there is no economic advantage in doing so. Similarly, small-scale industry has difficulty in obtaining raw materials. Since the small amounts it requires do not offer any great attraction to suppliers, it is forced to pay high prices in cash or is granted credit only on very short terms and at high rates of interest. Small-scale industry usually does not have access to foreign credit. If it does succeed in doing so, the transaction is conducted through development corporations or intermediary enterprises, which in general charge higher interest rates than banks and add their costs to the prices of equipment and machinery. In order to remedy this situation, some of the Latin American countries have established machinery for the provision of credit to small-scale industry. The action taken varies both in form and procedure. In some cases, such as Mexico and Venezuela, special funds and agencies have been established; in others, special arrangements have been made within the existing credit system.

As far as international co-operation and assistance to small-scale industry are concerned, some progress has been made in recent years, both in absolute terms and by comparison with other regions, but it has not been enough for the growing needs of the Latin American countries. Among the programmes which should be mentioned are those being conducted with the help of the United Nations Special

Fund and the International Labour Organisation and the bilateral assistance programmes of some Governments, such as those sponsored by the United States Agency for International Development and by the Netherlands through the Administrative Science Research Institute at Delft.

A proposal of great promise which will be discussed by the Seminar is the possibility of establishing, on a basis of international co-operation and regional co-ordination, a centre for the development of small-scale industry in Latin America.

In our view, such a centre might undertake economic and social research relating to small-scale industry; devise special programming procedures for the sector and train personnel to apply them; and carry out research and train personnel for the purpose of providing technical assistance to small industrialists. All of this, of course, amounts to a big and complex task.

In the beginning, the centre should perhaps concern itself with more general matters such as economic research, the development of programming techniques and the training of senior and intermediate staff for the planning and operational agencies concerned with small-scale industry. At a later stage, the emphasis might be placed on research into manufacturing problems and the training of technical assistance personnel to aid the small industrialists; at this stage greater resources would be needed.

As regards the economic research to be carried out by the centre, the implications of Latin American integration should be borne in mind. The consequences for small-scale industry of an integrated market and the concomitant establishment of large-scale industrial enterprises would have to be taken into account in order to determine in what ways the smaller units could be improved and modernized so that they could play a meaningful role in economic development in general.

As regards the geographical area that the new centre should cover, the variety of situations in the countries of the region should be borne in mind. The ideal would be for the centre to cover Latin America as a whole, but if that were not possible for administrative or other reasons, it might be composed of countries whose small-scale industry shows similar needs and characteristics, without prejudice to the possibility of extending its field of action later.

I am sure that the discussion that will take place on this subject will produce a suitable solution which will make it possible to go forward with this important proposal. ECLA offers its firmest support here and now for the general formulation of the project and the research and training programmes.

Distinguished representatives, I believe that this Seminar offers an excellent opportunity for an exchange of ideas on small-scale industry. Clarification of the problems of this important sector of the manufacturing economy will make it possible to formulate a strategy for its development and a suitable policy for achieving the basic objectives of that strategy. I wish the Seminar every success in its work.

ANNEX II

LIST OF PARTICIPANTS

1. GOVERNMENT REPRESENTATIVES

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Pedro Bertrán	Executive Secretary, National Commission for the Financing of Small-Scale and Medium-Scale Industry
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2. SECRETARIAT

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ANNEX III

LIST OF DOCUMENTS

<u>Symbol</u>	<u>Title</u>	<u>Submitted by</u>
ST/ECLA/Conf.25/L.1	Provisional annotated agenda and provisional list of documents (English and Spanish)	ECLA
I. <u>The contribution of small-scale industry to the development of Latin America</u>		
ST/ECLA/Conf.25/L.17	La pequeña industria en América Latina (Spanish)	ECLA
ST/ECLA/Conf.25/L.2	The definition of small-scale industry (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.10	The role of small-scale industry in over-all industrial development strategy (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.8	Over-all development programmes for small-scale industry in Latin America, General criteria, institutions, measures and priorities (English and Spanish)	Bernhard Stein, BTAO expert
ST/ECLA/Conf.25/L.18	Development possibilities for small-scale industry in specific fields of industrial activity (English and Spanish)	A. Nielson, BTAO expert
ST/ECLA/CONF.25/L.26	Estudo das pequenas industrias de São Paulo (Spanish and Portuguese)	Marcos Telles Almeida Santos, ECLA consultant
ST/ECLA/Conf.25/L.11	La pequeña industria en Uruguay (Spanish)	CIDE/CONCORDE/CPU
ST/ECLA/Conf.25/L.13	La pequeña industria en Costa Rica (Spanish)	Ministry of Industry and Trade
ST/ECLA/Conf.25/L.14	La pequeña industria en Venezuela (Spanish)	CORDIPLAN

<u>Symbol</u>	<u>Title</u>	<u>Submitted by</u>
ST/ECLA/Conf.25/L.15	La pequeña industria en Ecuador (Spanish)	Government of Ecuador
ST/ECLA/CONF.25/L.16	La pequeña industria en Paraguay (Spanish)	Ministry of Industry and Trade
ST/ECLA/Conf.25/L.19	La pequeña industria en México (Spanish)	Nacional Financiera S.A.
ST/ECLA/Conf.25/L.20	La pequeña industria en Chile (Spanish)	SCT/CORFO
ST/ECLA/Conf.25/L.22	La pequeña industria en Panamá (Spanish)	SENAPI
ST/ECLA/Conf.25/L.29	Small-scale industry in Brazil (Portuguese)	BNDE
ST/ECLA/Conf.25/L.24	La pequeña industria en Bolivia (Spanish)	Ministry of Planning
ST/ECLA/Conf.25/L.23	La pequeña y mediana industria en Colombia (Spanish)	Planning Department
ST/ECLA/Conf.25/L.25	La pequeña industria en Perú (Spanish)	National Planning Institute
ST/ECLA/Conf.25/L.28	La pequeña industria en la Republica Dominicana (Spanish)	Corporación de Fomento Industrial
ST/ECLA/Conf.25/L.27	La pequeña industria en El Salvador (Spanish)	Industrial Development Institute of El Salvador
ST/ECLA/Conf.25/L.31	La pequeña industria en Argentina (Spanish)	Banco Industrial de la Republica
ST/ECLA/Conf.25/L.32	La pequeña industria en Nicaragua (Spanish)	Banco Nacional de Nicaragua
ST/ECLA/Conf.25/L.33	La pequeña industria en Honduras (Spanish)	Ministry of Economic and Financial Affairs
ST/ECLA/Conf.25/L.34	La pequeña industria en Guatemala (Spanish)	Government of Guatemala
ST/ECLA/Conf.25/L.35	Small-scale industry in Trinidad and Tobago	Industrial Development Corporation

II. Technical services and assistance for the development of small-scale industry

<u>Symbol</u>	<u>Title</u>	<u>Submitted by</u>
ST/ECLA/Conf.25/L.3	Industrial extension services for small-scale industries (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.4	The role of industrial estates in policies and programmes for the development of small-scale industries (English, French and Spanish)	P.C.Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.5	Types of industrial estates (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.6	Stimulation of entrepreneurship and assistance to small industrialists at the pre-investment stage (English and Spanish)	United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.7	Pre-project planning for industrial estates (English, French and Spanish)	P. Quigley Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.9	Industrial estate plans and projects in Latin American industrial development (English, French and Spanish)	United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.12	Evolución de un programa de asistencia a la pequeña industria: el caso de Chile (Spanish)	SCT/CORFO

III. Regional and international co-operation in the field of
small-scale industry

<u>Symbol</u>	<u>Title</u>	<u>Submitted by</u>
ST/ECLA/Conf.25/L.21	A Latin American development centre for small-scale industry (English and Spanish)	Arend Eisenloeffel, International Technical Assistance Department, Ministry of Foreign Affairs of the Netherlands
ST/ECLA/Conf.25/L.30	Technical co-operation for the development of small-scale industry (English)	United Nations Centre for Industrial Development

REFERENCE DOCUMENTS SUBMITTED BY THE UNITED NATIONS
CENTRE FOR INDUSTRIAL DEVELOPMENT

Industrial estates in Asia and the Far East (United Nations publication, Sales No.: 62.II.B.5) (English, French and Spanish)

The physical planning of industrial estates (United Nations publication, Sales No.: 62.II.B.4) (English, French and Spanish)

Problems of procedure, administration and relations that will have to be considered in establishing a United Nations organization for industrial development (A/AC.126/10) (English, French and Spanish)

Industrial estates in Africa (United Nations publication, Sales No.: 66.II.B.2)

Industrial estates: policies, plans and progress (United Nations publication, Sales No.: 66.II.B.16)

Establishment of industrial estates in under-developed countries (United Nations publication, Sales No.: 60.II.B.4)

1. The first part of the document discusses the importance of maintaining accurate records.

2. This section covers the various methods used to collect and analyze data.

3.

4. The results of the study indicate a significant correlation between the variables.

5. It is concluded that the findings have important implications for the field.

6. Further research is needed to explore the underlying mechanisms of the observed effects.

7. The study was supported by the National Science Foundation and the Department of Education.

8. The authors would like to thank the participants and the reviewers for their contributions.

9. The data used in this study are available upon request from the corresponding author.

10. This document is a preliminary report and should not be used for policy-making.

11. The authors have no conflicts of interest to declare.

12. The full text of the report is available in the attached PDF file.