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Joint ECA/UNIDO Industry Division

COUNTRY REPORT OF SMALL-SCALE AND RURAL  
INDUSTRIES MISSION  
INDIA, KENYA, GAMBIA AND MADAGASCAR  
(MAY - JULY 1980)

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## FOREWORD AND ACKNOWLEDGEMENTS

This report is the result of a mission to India and four selected African countries.

It describes India's experience in the development of small-scale industries and small-scale industry units in Africa.

After noting that small-scale industries constitute a solid basis for stimulating and diversifying industrial development in Africa, the report explains the rationale behind the promotion of small-scale industries in Africa and constraints thereto.

Such constraints are:

- the absence of specific national small-scale industrial development policy,
- the lack of a precise definition of the types of enterprises that could be considered small-scale enterprises,
- the lack of nomenclature for articles to be produced by small-scale industries,
- the lack of a protection mechanism and organizational structures,
- the absence of suitable infrastructures,
- training problems and lack of finance.

It is hoped that all those who deal with development of small-scale industries in Africa will find this country report useful.

Thanks go to all those who far and near contributed to the success of the mission to India and four African countries referred to above, without which it would have been impossible to write this report.

## CHAPTER I

### Introduction

#### a. Origin of the project

The small-scale and rural industrial development programme derives from the following resolutions: United Nations General Assembly resolutions 2626(XXV), 3201(S-VI) and 3203(S-VI); ECA Conference of Ministers' resolutions 218(X), 255(XII), 257(XII) and 319(XIII); the Declaration on Industrialization in Africa-Guidelines on co-operation and development approved by the Second Conference of African Ministers of Industry in December 1973; the Lima Declaration and Plan of Action for industrial development and co-operation approved by the second General Conference of UNIDO in March 1979; the conclusions of the third Conference of African Ministers of Industry held in December 1975; the conclusions of the Follow-up Committee on Industrialization in Africa at its third meeting held in November 1976; conclusions of the Conference of African Ministers of Industry at its fourth session held in November 1977.

In view of the important role that small-scale and rural industries play in speeding up the process of industrial development in almost all developing countries, the Regional Symposium on Industrial Policies and strategies held in September 1979 in Nairobi accorded high priority to the development of the small-scale and rural industries.

Indeed, small-scale industry exists in all African countries but it has not been possible to make it more widespread in the context of industrial development because of the industrial development policy conceived and developed by the colonial powers.

The discovery of various natural resources in Africa and their exploitation for export to the industrialized countries underlay the development of heavy industries in Africa. This tendency is found in all the industrial development programmes and plans of African countries. After independence African countries have concentrated on setting up heavy industries which can have multiplier effects on all the various sectors of the economy and constitute an essential factor for national development.

The reason for trying to give a new direction to African industry is to promote rational and integrated industrialization at the regional, subregional and national levels, i.e. industrialization based on the potential of each country and which aims at tightening the links between the industry and other sectors of the economy.

However, in view of the constraints facing independent African countries in the implementation of this industrialization programme, there is need to mobilize all available resources and potentials that can successfully contribute to national development.

All institutional or production units of any size should be mobilized with a view to laying the ground organizing for more effective full industrialization programmes and the gradual substitution of some basic commodity imports.

No doubt, the necessary infrastructure for the development of small-scale and rural industries exists in all African countries but more often than not African countries do not include such industries in their industrial development programmes even though they contribute significantly to the supply of basic commodities. Notwithstanding the lack of organized structures and national resources, small-scale and rural industries continue to play a significant role in meeting the needs of the local market.

Small-scale and rural industries can play a significant role in speeding up the process of industrial development in all African countries. The realization of this objective calls for the implementation of national guidelines with regard to the development of small-scale and rural industries, more particularly the establishment of specialized institutions and agencies with a view to facilitating the integration of this sector into the industrial development programme.

b. Preparatory mission

To help African countries to work out or strengthen policies and development programmes for small-scale and rural industries, a mission was sent to India to study the experience of that country before exploring the situation and experience in a number of African countries which are as representative as possible.

India's experience, can help to conceive an African policy of small-scale and rural industrial development. In other words it can help to:

- (i) Work out central policies and programmes to strengthen small-scale and rural industries, particularly in the context of integrated rural development;
- (ii) Consider ways and means of creating supporting services and decentralized institutions for the promotion of small-scale and rural industries in Africa;
- (iii) Draw up training programmes for the development of small-scale and rural industries.

Finally, with India's experience, it will be possible to propose to African countries a methodology for drawing up the long-term programme required to strengthen the development of the small-scale industry, bearing in mind the links between the various sectors and other potentials. A methodology for determining the terms under which contracts should be made and ensuring effective collaboration among enterprises and allied establishments both within and outside the region must also be borne in mind.

For that reason the mission to India had to:

1. Study the policy and the functions of the Government of India in the development of small-scale and rural industries;
2. Analyse the role played by small-scale industry;

3. Study the organization and development of small-scale industries in India;
4. Examine the facilities made available to small-scale industries.

The aim of the African mission was to collect information on the existence of a nucleus of small-scale industries in Africa and its organizational structure including all supporting institutions and services. The mission was to enable the team to determine the real importance of small-scale industries in African countries, the possibility of developing them and the constraints that impeded the normal process of promoting small-scale industry in Africa.

c. Composition of the mission

The mission on the small-scale and rural industrial development programme in India and Africa was made up of the following persons:

1. Mr. Richard H. Clark  
USAID Consultant  
Joint ECA/UNIDO Industry Division  
Economic Commission for Africa  
Addis Ababa (Ethiopia)
2. Mr. Peki Kana Kwala  
Industrial Economist  
Joint ECA/UNIDO Industry Division  
Economic Commission for Africa

d. Schedule of the mission

(i) The Indian mission

The mission arrived in New Delhi on 15 May 1980 in the afternoon. Since the schedule of the mission had to be drawn up by the Government of India, the mission was received by the Ministry of Industry and, more precisely by officials responsible for organizing the development of small-scale industry.

The following programme was drawn up:

From 15 to 18 May 1980: New Delhi

- a. Meeting with the official responsible for organizing the development of small-scale industry in India;
- b. Visit to the Small Industries headquarters;
- c. Visit to SISI<sup>\*</sup> and Industrial Estate Okhla
- d. Visit to the technical training centre (P.T.C. Okhla);
- e. Meeting with Managing Director DSIDC and visit to industrial units set up by DSIDC.

<sup>\*</sup> Small Industries Services Institutes.

- 19 May 1980 : Visit to District Industries Centre in the Alwar district
- 20 to 22 May 1980: Visit to Small Industries Services Institutes (SISI) in Agra.
- 23 to 25 June 1980: Visit to the Small Industry Extension Training Institute (SIET) at Hyderabad.
- 23 to 25 June 1980: Visit to the Small Industries Service Institutes (SISI) and rural industries (K.V.I.C.) in Bombay

(ii) Concerning the African mission the following countries were selected for working visits: Madagascar, Kenya, Botswana, the Gambia and Morocco. Owing to a lack of funds, individual missions were carried out concurrently in four selected countries by Mr. Clark (Botswana and Morocco) and Mr. Peki (The Gambia and Kenya) during the first two weeks of July 1980. However, in order to adopt the same methodology, both first went to Madagascar from 27 June to 3 July 1980.

## CHAPTER II

### INDIA'S EXPERIENCE IN THE DEVELOPMENT OF SMALL-SCALE INDUSTRY

#### 1. Situation of small-scale industry in India.

Members of the mission held talks with Mr. Kamal Kapoor, Deputy Director, before being received by Mr. A.R. Sen, Director of the Small Industries Development Organization.

During the meeting the following information was imparted to the members of the mission.

The development of small-scale industry in India had started in 1950-1951. From then to now small-scale industry in India had taken a different form from Japanese small-scale industry. Whereas Japanese small-scale industry had been developed with external financial help, that of India had relied on local facilities for its development.

That policy had derived from certain geo-political conditions in India. The political size of the country, the demand for basic commodities, the transport problems facing the country in its efforts to facilitate supplies to all the regions of the country, the problems of product standardization, the lack of external facilities which could contribute to national development and meet local demand for consumer goods, had all compelled India to organize small-scale and national industries with the limited local resources available.

The first positive programme for the development of small-scale industry in India had been drawn up on the basis of the recommendation made by the Ford Foundation Team that had visited India in 1953-1954. The Small Industries Development Organization had been set up towards the end of 1954. Small-scale industry had developed rapidly thanks to many measures taken and assistance provided by the Government.

All the measures and assistance given by the Government of India not only encouraged the emergence of more small-scale industry units but also contributed to the emergence of various sophisticated sectors of production which are capable of manufacturing products that require a high degree of precision and skill.

The success achieved by small-scale industry in India in manufacturing products that the country formerly imported is a clear testimony not only of strength, vitality, ability to adapt and self-reliance but also of the competence of a modern small-scale industry using local potential and contributing to production and full employment.

The organization process of small-scale industry gained pace over the period 1960-1961 to 1970-1971 when the number of industrial co-operatives increased from 37,000 to 48,000.

In order to organize small-scale industry, loans increased to 45 million rupees in the period 1970-1971. The number of people employed in small-scale industry was estimated at 3.3 million in 1970, while total investment during the same period was estimated at Rs 4.75 billion.

From the annual industrial surveys, it is possible to conclude that there were 33,500 small enterprises with a fixed capital of less than Rs 0.5 million which represented 91 per cent of the registered factories. But only 2.93 million workers were employed in the registered factories which represented only 39 per cent of the total number of registered industrial jobs.

More than 10.2 per cent of the fixed capital of all the factories was invested in small-scale industry, which represented 29.7 per cent of the factors of production. With regard to factories alone, the total number of jobs created by small-scale industry increased from 1.39 million in 1961 to 1.84 million during the period 1961-1970 giving an increase of 41 per cent.

With the help of its small-scale industry India was able to save more than Rs 100 million in foreign exchange by cancelling a series of products that was formerly imported, and at the same time increase its export capacity substantially. These exports were estimated at Rs 300 million in the period 1969-1980 on 5 per cent of the manufactured goods. According to the Indian National Trading Company, India's direct or indirect annual exports represented more than Rs 370 million.

Economic and industrial surveys have shown that more than 80 per cent of exports from for example the bicycle and small household appliances industry come from small-scale industries. In India this represents remarkable progress in the industrial activity ratio between large-scale and small-scale industries.

During the period 1967-1968 and 1969-1970 more than 554 million orders were handled by large-scale units, but today it is estimated that more than 1000 small-scale units manufacture inputs for large-scale units with an annual production of value Rs 330 million.



To promote the development of the small-scale industry throughout the country, India implemented an industrial estates programme. This industrial estates programme was implemented in 1955, the aim being to support and encourage the creation, expansion and modernization of small-scale industry. The industrial zones provided common facilities, services and assistance from the establishment of the factory to its operational phase. The industrial zones also serve to promote industrial relations between the small-scale and large-scale industries and among several industries specialized in the promotion of specific goods. In the industrial zones the entrepreneurs enjoy such facilities as workshops, subsidies for building plots, water and electricity supply, interest free loans for the purchase of building materials, transport subsidies, tax exemption for some categories of industries for a fixed period of time, financial assistance to small-scale units. By March 1971 572 industrial zones had been created by India.

By the end of March 1975 out of 656 industrial zones in India, only 469 were operational. In such zones, only 12,376 small-scale units were active and employed 135,429 persons.

Small enterprises set up in such zones provide employment for one million people and the annual income stands at Rs 1540 million.

Operational zones for the implementation of 49 projects selected from the rural industries for intensive industrialization covered more than 34,073 villages during the period 1971-1972.

Since March 1971, more than 13,077 small-scale units have been operating in these zones employing more than 133,300 people. These units produce goods valued at Rs 254 million.

The new five-year plan (1973-1983) for the development of small-scale industry has provided for the establishment of 656 industrial zones, 469 of which are already in operation.

The successful implementation of the small-scale industrial development programme is due to the direct intervention of the Government of India and all the facilities it provides.

As an example, upto March 1971 the Bank of India had granted loans of Rs 47.5 million to more than 7,114 small-scale units.

Loans granted by Indian commercial bank to small-scale units increased from Rs 2,856 million in June 1969 to Rs 5,072 million at the end of September 1971. Besides, the State finance corporation had provided more than 13,357 small-scale units with assistance worth Rs 1,154 million.

The State provides direct facilities to small-scale units for raw materials, supplies, training and for the creation of small-scale units.

## 2. Organizational structure of small-scale industry in India

To ensure the smooth running of small-scale industry in India, the following organizational structure was drawn up:

### (i) Ministry of Industrial Development

The Ministry of Industrial Development in India is responsible for the development of small-scale industry. Although the Ministry controls activities in this sector, its development plan is drawn up by the Small Industries Development Organization.

### (ii) Small Industries Development Organization

This organization comes under the direct control of the Ministry of Industrial Development. It carries out feasibility studies on the creation and development of the small-scale industrial sector and co-ordinates the activities of all agencies and companies engaged in the process developing small-scale industry in India. It maintains close links with several ministries, the National Planning Commission, the Governments of the various States in India, financial institutions and any body interested in the development of small-scale industry. It should be emphasized that the Small Industries Development Organization deals only with modern and organized small enterprises. Other industries such as handloom weaving, silk manufacturing and all handicraft products called Khadi\* products are under the control of other organizations.

### (iii) Small industries services Institutes (SISI)

The Small Industries Development Organization headed by Small-scale Industry Development Commissions, operates through 15 SISI, 27 branches, 41 extension centres, two training centres, five production centres and four regional testing centres which provide many services to small-scale industry.

### (iv) Industrial promotion services provided by SISI

Assistance and extension services are provided at all stages of the establishment of small-scale industries, i.e. motivation, training, selection of products to be manufactured, production planning or marketing for finished products. These services and assistance deal with the following aspects:

- Economic advisory services
- Technical know-how
- Marketing services
- Development of secondary services and subcontracting
- Management consultancy

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\* All information regarding the Organization of Khadi and its products can be found on page 11.

- Training of factory managers
- Marketing assistance
- Export promotion
- Government purchasing programme
- Organization of exhibitions of small-scale industry products
- Modernization of certain selected industries
- Development of rural and remote areas
- District industrial programme centres
- Improvement of the standards of craftsmen in the rural areas.
- Industrial services
- Publication of technico-economic brochures
- Product development and production operations
- Prototype specification
- Common facilities to be provided for workshops
- Rehabilitation of industrial units which experiences difficulties
- Data collection and production of directory
- Assistance to foreign delegates
- Substitution of imported goods by locally produced ones.

Within the Small Industries Development Organization in India there is a national company which deals with purchases and allocation of equipment to factory managers. It also undertakes research in training facilities and prototype development.

(v) National Small Industries Corporation

This corporation provides the small-scale industries with the following services:

- Supply of machines and equipment to small-scale industries on favourable terms;
- Prototype development and training centres
- Expert marketing assistance
- Assistance to the Government purchasing programme
- Assistance in the field of standardization, control and improvement of techniques and quality
- Distribution of raw materials
- Training of workers in the field of business techniques
- Training in entrepreneurship.

(vi) State Small Industries Corporations

- Inventory and registration of small enterprises
- Issuing of import licence certificates to purchase raw materials and components
- Distribution of scarce and traditional raw materials to industrial units;
- Providing machines on hire purchase basis
- Construction and allotment of industrial sheds/plots.

(vii) State Directorate of Industries

Like the Indian corporation in each state, the Directorate of Industries allocates machinery and provides assistance for the sale of goods produced by the small-scale industries by setting up warehouses. Warehouses are set up to ensure the distribution of raw materials.

(viii) Small Industry Extension Training Institute (SIET)

This institute which is at Hyderabad provides training for all small enterprises in India. It provides significant assistance for the promotion and modernization of small-scale industries. It organizes training courses in hire with the development programmes of small-scale industries. These courses are given by industrial managers in the various states, banks, financial institutions and corporations, the association of small-scale industries, firm managers and administrators from friendly countries. The training institute plays an important role by conducting research in many projects relating to the development of small-scale industries in India and surveys in selected fields on special request by the various states in India.

(ix) Regional Testing Centres

This centre provides small enterprises with the following facilities:

- Equipment for testing prefabricated goods
- Assistance to small-scale industries to improve the quality of their goods
- Facilities to design new products
- Assistance to small units to enable them to become members of the product quality control services.

(x) Finance Corporation in each Indian State

This corporation provides credit facilities for the purchase of plots, buildings, machines and equipment.

(xi) Banks

The all India National and Commercial Banks grant loans to small-scale industries repayable in three or seven years for the purchase of machines and equipment. Short-term loans are granted to enterprises as working capital for the purchase of raw materials and finished products. Repayment facilities are also granted by the banks.

(xii) District Industries Centres

These centres exist in each district to meet the needs of small-scale and rural industries. They specialize in the following activities:

- Economic surveys of potential for district development and the exploitation of raw materials and other resources;
- Supply of equipment, machines and raw materials, arrangements for obtaining credits on behalf of small enterprises in the district, assistance to small-scale industry in sales production, quality control, research, extension and development of entrepreneurship;
- Establishment of close links with institutions specialized in development;

(xiii) Export Promotion Council

- This council carries out feasibility studies on exports of equipment, machines and finished products manufactured by small-scale industries.

(xiv) India Foreign Trade Institute

This institute conducts research on the export products of small-scale industries and provides training in export management.

(xv) Trading Company of each State in India

This company provides any export assistance for small-scale industries in market research.

(xvi) India Standardization Institute

This institute is responsible for product standardization and the issuing of certificates to registered industrial units. Other special facilities are granted to industries in remote areas, Indian nationals living abroad, technocrats and certain categories of firm managers.

On the basis of the information provided by the Small Industries Development organization below a summary of how small-scale industry is organized in India.

a. Existence of a National Policy for the Development of Small-scale Industries in India

Soon after independence India adopted a well organized and dynamic policy for industrial development. This policy helped to increase production, create jobs and decentralize the industrial development process in the rural and remote areas. It made it possible to cut down imports and export locally manufactured products. The necessary work was done to ensure efficiency and improve on the techniques of the small-scale industrial sector, thus bringing large-scale and medium-scale industries into close relationship.

In view of the difficulties of financing heavy industries after independence, India decided to organize and make use of the existing infrastructure for local small-scale industries to meet the country's urgent and growing needs.

Thus, with the help of the Government, the small-scale industrial development policy played a significant role in accelerating the process of industrial development in India and created the necessary conditions for the promotion of indigenous and autonomous industrial development.

b. Definition of Small-scale Industry in India

After drawing up a national development policy for small-scale industries, India tried to define the various categories of small-scale industries.

Industrial units located in towns with a population of less than 15,000 and in rural areas, but with capital not exceeding 1 lakh <sup>1/</sup>are regarded as small industrial units within the small-scale industrial sector.

c. Role played by the Small-scale Industry

The small-scale industry plays a key role in the national economy. The importance attached to this sector can be justified by the fact that it is capable of employing a large number of people, playing an intermediate role for the development of large-scale industry, reducing regional disparities and mobilizing local resources. It uses capital and skilled labour which makes it possible to decentralize economic development. The small-scale industry is regarded as a national driving force that speeds up and develops modern manufacturing industry.

d. Organizational Structure and Measures to Support it

To make the small-scale industrial development policy operational, India set up structures, provided facilities and took the necessary measures to support the policy.

II, Existence of an Independent Commission Grouping Farmers and Artisans "the KHADI and Village Industries Commission" (KVIC) 3/

A commission known as KHADI and village Industries Commission was set up under the national planning policy to promote handicraft, private or co-operative activities and ensure the right to work for all people. This shows the Government's determination to find a solution to the problem of growing unemployment and underemployment in the rural areas.

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1/ 1 lakh = Rs 100,000

2/ Khadi refers to Indian handloom cotton, silk, wool or other handloom spinning mixture.

3/ Village industries refers to any other industrial activities carried out in the rural areas including agriculture, small-scale manufacture of matches and set pieces.

the KHADI industries advisory body into an operational commission called KHADI and Village Industries Commission(KVIC). It was recommended that KVIC should be set up in all rural areas.

KVIC is vested with considerable executive and financial powers to:

- a. Secure raw material supplies and distribute them to craftsmen;
- b. Market the finished products of the craftsmen;
- c. Provide training for craftsmen;
- d. Provide assistance in technical and personnel management;
- e. Manufacture and distribute tools, equipment, machines and the like. Such articles produced by KVIC are made available to craftsmen to help them to improve the quality of their goods.

KVIC grants several financial and technical facilities to craftsmen and farmers for the organization of rural industries. Industrial activities under the control of KVIC can be classified in the following three categories:

- a. Any industrial activity aimed at processing agricultural products;
- b. Wood processing;
- c. Industrial services for farmers and rural craftsmen.

All industrial activities under the control of KVIC can be defined as follows:

**KHADI:** Handloom Indian cotton fabric, silk fabric, handloom yarn or any other handloom spinning mixture;

**Rural industries -** Any other industrial activities carried out in the rural areas such as agriculture, small-scale production of matches, set pieces, pottery, traditional production of oil, aluminium cooking utensils, rubber, soap, carpentry, fruit processing and conservation.

Under the KVIC re-organization programme, over 445 institutions and co-operatives were registered covering over 5,000 rural areas (villages created since 1951).

Today, KVIC has over one million villages headed by 24 State bodies, 594 institutions and 27,842 co-operatives. KVIC has provided employment for 26 million people in the rural areas. It makes a significant contribution to industrial development in the rural areas. Facilities granted to rural areas for

organizing all handicraft activities constitute a stimulus for developing rural areas, creating jobs and using local raw materials.

The cotton and wool industry has developed fast thanks to facilities provided by KVIC. The problem of supplying oil and matches to the rural areas is solved by the traditional production of these items. Under the programme for the improvement of the activities, KVIC recently carried out commercial and technical feasibility studies on the production of toilet soap in the decentralized sectors. A National Committee on Science and Technology was also set up to promote Khadi and other rural industries, identify areas of technical research and draw up programmes for the implementation of projects in the rural areas.

The sixth five year development plan (1977-1983) provides for the creation of many jobs, the introduction of new products and the improvement of product quality. The number of people employed in the Khadis will increase from 9,000 from the period 1977-1979 to 16 million in the period 1982-1983. It was decided to take over control of new rural industries that will employ over 3 million more people during the period 1982-1983.

As could be observed, the organization of the rural areas not only stimulates the interest of artisans and farmers in the development of industrial development activities in the rural areas but also makes it possible, under KVIC control, to use raw materials judiciously and create many jobs and by so doing establish a veritable trade circuit in the rural areas.

### 3. National constraints to the development of small-scale industries in India

#### (i) Small-scale and rural industries

As already pointed out, small-scale industries in India play an important role in the industrial development of the country. As a matter of fact, the integration of the small-scale industry into India's broad industrial development programme was made possible by the creation of specialized bodies and institutions. In drawing up small-scale industrial development programmes within the general framework of industrial programmes in India, intersectoral relations, the use of local potential, local demand for consumer and capital goods and problems relating to the supply of goods throughout the country were taken into account.



The terms under which contracts should be entered into and the way and manner in which effective co-operation should be established with enterprises and allied institutions within the country are positive factors for the integration of the small-scale industry in to India's broad industrialization and self-reliance programme.

However, the current massive and rapid development of small-scale industries in India might run into such difficulties as:

a. Duplication between developed small-scale industries and large-scale industrial units

In India, there are several developed small-scale industries engaged in the same production activities as the specialized large-scale industries. To give an example, there are several production and assembly lines which produce electronic goods in what are known as developed small-scale industries and in large-scale industries specialized in the production and assembly of electronic goods. This appears to be also true of industrial sectors which produce chemicals, footwear and many other products.

To some extent this type of developed small-scale industry is labour intensive. However, it cannot be regarded as the peak of the small-scale industry because the functions it performs and the technology it uses are in no way different from those of a large-scale industry.

b. Market saturation and product quality

The reason for developing small-scale industries in India was to meet the country's growing demand for essential commodities and capital goods and to make the country self-sufficient. To achieve that objective and protect locally-manufactured goods, several restrictions had to be imposed on imports. India has installed capacities not only to meet local demand but also to design and manufacture machines and equipment for local small-scale industries. Several development countries are using such machines and equipment.

Today the local market is amply supplied with goods produced by small-scale industries and that is causing some saturation. As a result, India is exploring the possibility of exporting some of those goods abroad. To do that, however, such requirements as quality control and standardization will have to be met.

(ii) Khadi and Village Industries (KVIC)

This sector which pools and organizes all farming, handicraft and industrial activities in rural areas is still operating in a rather vague context and appears to be producing goods disparately.

Even though it was agreed to draw up a common production programme there is no sign that such a programme will be effective. This is because a clear distinction needs to be drawn between the organized sector of competitive industries and the KWIC industrial sector both of which use the same raw materials. Besides, measures to protect the KWIC sector are not vigorously enforced. This has led to:

- a. The proliferation of all types of rice decorticators;
- b. The relaxation of restrictive measures on palm tree and other farming. There is no rule governing the marketing of raw materials in order to ensure supply at reasonable prices.

All activities under KWIC control are affected by considerable fluctuation in the prices of such raw materials as oil seeds and finished products as oil. This results from the financial speculation of traders and the fact that Government allocations to KWIC fall far below demand and potential. Since no financial assistance has been forthcoming from the banks, even after they had been nationalized, and from financial institutions, craftsmen in the rural areas are compelled to rely on money-lenders, usurers, seasonal suppliers and businessmen for credit, raw materials and markets for their goods.

The enforcement of labour legislation, which is unsuitable for this sector, is not in harmony with the infrastructure for industrial activities in the rural areas.

In some States, KWIC has virtually no control over the rural areas and in others it will take a long time before KWIC reaches the remote areas.

There are other factors, in addition to those mentioned above, which impede the development of KHADI, small-scale and rural industries in India.

CHAPTER III

AFRICAN EXPERIENCE IN THE DEVELOPMENT OF SMALL-SCALE INDUSTRY

A. KENYA

1. Situation of the small-scale industry in Kenya

Small-scale industries date back to the colonial era. As a matter of fact, the bulk of small-scale industrial activities was in the hands of foreigners who had all the means of promoting those activities. Those small-scale foreign entrepreneurs operated through an organized production circuit endowed with material facilities and a well-structured supply, distribution and marketing system.

The situation called for more than stimulating the development of small-scale industries.

Such a promotion programme required first a thorough knowledge of the activities of small-scale industries in Kenya. There was the need to provide an effective machinery for fostering the spirit of enterprise among Kenyans. Indeed there was no agencies capable of identifying the various types of small-scale industries.

In 1966 an Indian study mission on the promotion of small-scale industries in Kenya proposed to the Government of Kenya that five industrial estates should be created with a view to identifying small-scale industrial activities in the country and providing all the necessary facilities that could serve as incentives to industrialists such as rented buildings for the installation of equipment, workshops, technical service repair shops let out at reasonable price, guidelines on goods to be produced by small-scale industries.

On the basis of the recommendation contained in the report of the Indian mission an industrial estate was established in 1968 in Nairobi. Other industrial estates were set up at Nakuru, Kisumu and Mombasa. An agency known as Kenya Industrial Estates Limited (KIE) was entrusted with the organization and management of those estates.

According to the initial classification by KIE all industries with an investment (machinery and equipment) less than KSH 1.5 million were considered small-scale industries. Owing to some inflationary factors created by the oil crisis in 1973 which affected the price of imported machines and equipment, the ceiling of investment in small-scale industries was raised to KSH 3.5 million. Today KIE feels that any industry with an investment outlay below KSH 5 million can be regarded as a small-scale industry.

Rural Industry Development Centres (RIDCs) were created to facilitate the integrated development of small-scale and rural industries. RIDCs are extension service centres which provide technical assistance to rural areas which do not benefit directly from the facilities and infrastructure provided by the industrial estates.

It was also decided to create industrial promotion areas (IPAs). Those are structures set up for industrial activities in the rural areas.

Indeed since the establishment of KIE, five industrial estates have been established in Nairobi, Nakuru, Kisumu, Mombasa and Eldoret, and nine rural industrial development centres at Nyeri, Embu Machakos, Kakamega, Kisu, Voi and Malindi.

The programme for the establishment of industrial estates, RIDCs and IPAs cost more than KSH 108 million especially with regard to development of structures, building of factories, technical service centres, RIDC workshops and funds for purchasing machines and equipment.

Since it began operations, KIE has been providing small-scale industrialists direct with assistance on the form of substantial loans to purchase machines and equipment. KIE spent a substantial amount of money on the infrastructure and construction of small-scale industries.

Since their establishment, Kenya Industrial Estates Limited (KIE) and the Rural Industry Development Centres (RIDCs) have contributed to the implementation of 229 production projects of small-scale and rural industries with a total investment outlay of KSH 92 million providing jobs for 3,400 people.

The following, among others, are the products of small-scale industrial units set up in the industrial estates and rural industrial development centres

1. Metallic doors and windows
  2. Electrical appliances
  3. Pins
  4. Matchets
  5. Plastic products
  6. Cement and bricks
  7. Zips
  8. Bicycle spokes
  9. Band-saw blades
  10. Window frames and handles
  11. Buttons
  12. Carbon paper and tape
  13. Smelter products and cast iron
  14. Rewinding of car dynamos, alternating current and electricity generators
  15. wooden furniture
  16. Metallic furniture
  17. Steel tube furniture
  18. Clothes
  19. Staplers
  20. Handbags and belts
  21. Aluminium milk tins
  22. Cardboard
  23. Nails
  24. Book printing and binding
  25. Gas cylinders and other containers of chemical products
  26. Shoe laces
-

27. Raincoats
28. Baby lotion and other cosmetics
29. Scales and weights
30. Leather articles
31. Padlocks
32. Metallic products
33. Spark plugs
34. Shoes
35. Carpets
36. Toys
37. Soap
38. Salt
39. Bread
40. Sugar

This list does not cover all the range of articles produced by many units of small-scale and rural industries in Kenya. The articles mentioned above are only a limited sample of goods produced by the small-scale and rural industries. As had already been pointed out, KIE deals with the financing of small-scale industries throughout the country. It can finance only extension projects or new ones which are economically and technically viable. Particular importance is attached to activities, especially rural activities that can generate or save foreign exchange, create many jobs and use local raw materials. To ensure efficient management of the small-scale and rural industries, KIE is endowed with well-structured and various supporting services.

## 2. Structural organization and supporting services

As was emphasized earlier on, the aim of Kenya Industrial Estates Limited is to promote units of small-scale and rural industries. Structurally, the country has:

### i) Kenya Industrial Estates Limited (KIE)

KIE is the governing body and an independent financial institution responsible for the promotion of small-scale industries throughout Kenya. It was established in 1967 and is a private institution under the Ministry of Trade and Industry.

KIE is financed through international co-operation between the Government of Kenya and such other Governments as the Governments of the Federal Republic of Germany, Sweden, Norway, India, Denmark, Japan, and some international organizations such as the World Bank and European Economic Community.

### ii) Industrial estates in each region of the country

These estates provide all the reception facilities for small-scale industrial operations in the region. They provide management and funds for the promotion of small-scale industries. The industrial estates comprise an administrative block, a great number of factory building and a technical service centre which provides technical assistance to small-scale industries.

iii) Rural industry development centre in the chief town of each district

Such centres deal with the activities of small-scale and rural industries. They have an administrative block, metal joinery cabinet-making, vehicle body-building and general mechanics workshops. The aim of such centres is to train workers in the practical use of machinery and equipment. It also provides a year, a training for craftsmen who go back to their work after such training.

The rural industry development centre provide extension services and funds to small-scale industries at the district level to expand existing industrial units and creates new ones.

iv) Industrial promotion areas (IPAs)

These are series of low-cost buildings constructed solely for carrying out viable small-scale industrial projects in rural areas. They identify small-scale industrial activities in the rural areas and carry out studies with a view to determining viable projects in addition to providing all facilities for their implementation.

v) Regional offices for the development of small-scale industries

Such office are in direct contact with industrialists in each region.

It should be emphasized that since the establishment of Kenya Industrial Estates Limited, five industrial estates have been set up in Nairobi, Nakuru, Mombasa, Kisumu and Eldoret and 10 rural industry development centres at Nyeri, Kakamega, Embu Machankos, Kisili, Malindi, Voi and Iloma Bay.

Operationally, the country is divided into regions with Nairobi, Nakuru, Mombasa, Kisumu, Eldoret, Kakamega, Nyeri and Embu as chief towns.

1. Nairobi region

57 small-scale industrial projects have been carried out in the Nairobi industrial estate with a total investment outlay of approximately KSH 42 million and that has created jobs for over 1,196 people. The per capita investment made by KIE in the Nairobi estate is KSH 35,000.

2. Rift Valley South Region

In the Nakuru industrial estate, there are over 19 projects being implemented with a total investment of KSH 15 million and that has created jobs for moreover than 27 people.

3. Rift Valley North Region

The region comprises the Eldoret industrial estate and the Kiriche and Kitale rural industry development centres. The Six small-scale industrial projects are being implemented in the region with a total investment of KSH 7 million. The per capita investment made by KIE in the region exceeds KSH 85,000.

4. Coast Region

The Mombasa Industrial Estate and rural industry development centres are located in the region.

Over 16 projects are being carried out in this region by the Mombasa Industrial Estate and the Malindi RIDC with a total investment outlay of KSH 104 million, creating jobs for 201 people. The per capita average investment made by KIE is estimated at KSH 57,000 for the industrial estate and KSH 8,000 for the RIDC.

5. Nyanza Region

This region includes the Kisumu industrial estate and the Kisu rural industry development centre which carried out 26 small-scale industrial projects with a total investment of KSH 6.6 million creating jobs for 737 people. The per capita investment made by KIE is estimated at KSH 21,000 in the RIDC.

6. Central Region

The Nyeri industrial estate and the Muranga RIDC form part of the Central Region. They carried out 28 projects with a total investment of KSH 925,000, creating jobs for 212 people.

7. Western Region

Plans have been made to establish an industrial estate at Kakamega in the region. The region currently has a rural industry development centre which must have carried out 18 projects with an investment outlay of KSH 5 million, creating jobs for over 271 people.

8. Eastern and North Eastern Region

This region for which an industrial estate is planned has 2 rural industry development centres at Embu and Maru. The two centres carried out 24 projects with a total investment of KSH 2.7 million, creating jobs for 433 people.

The aim of Kenya Industrial Estates Limited (KIE) is to promote the development of small-scale and rural industries by:

- (i) Planning, preparing and evaluating projects;
- (ii) Providing industrial facilities at affordable rates;
- (iii) Granting loans credits;
- (iv) Assisting in project implementation
- (v) Providing repair facilities and manufactured tools;
- (vi) Providing small-scale industries with extension services on management, technical problems, market and accountancy.

The following directives must be borne in mind when financing small-scale industrial projects:

- a) Total investment including the working capital cannot exceed KSH 5 million;
- b) Loans for industrial projects can be granted to a maximum of 85 per cent for projects costing no more than KSH 3 million and up to 80 per cent for projects costing more than KSH 3 million.
- c) For machines and equipment, loans not exceeding KSH 1 million and 11 per cent on loans exceeding KSH 1 million.

It should be recalled that KIE plays the role of a financial institution for the promotion of small-scale industries. Industrialists can however seek financial assistance from such other institutions as the Industrial and Commercial Development Cooperation the Medium-scale Industry Development Bank, the Kenya Development Finance Company and other sources of industrial financing. All finance corporations in Kenya have highly competent executives and project evaluation specialists capable of carrying out pre-feasibility and feasibility studies for industrialists before providing them with any financial assistance whatsoever.

Kenya Industrial Estates Limited is pursuing its efforts to obtain loans from external sources. During the 1978-1979 period it obtained loans equivalent to KSH 188 million from the Federal Republic of Germany, the World Bank, Norway, the European Economic Community, Denmark and Japan. It has all the facilities necessary for the development of small-scale industries in Kenya.

(vi) Kenya Industrial Training Institute (K.I.T.I)

The 1979-83 Kenya Development Plan has as its major objective, the alleviation of poverty and satisfaction of basic needs of the people. In accordance with this objective, K.I.T.I. has launched new programmes in addition to the major technical training activities. Thus the objectives of the Institute are:-

- Entrepreneurial development for rural industrialization programme
- Extension services for graduates
- Prototype development

Formal training classes are conducted including practical workshop sessions. In general these technical training classes are quite successful and KITI graduates are of very high technical standards. In addition to technical courses, managerial skills needed for starting small scale enterprises are also taught.

Extension Services

A division within the Institute is under formation for the purposes of assisting KITI students identify areas of industrial activities upon graduation. The division also assists the students with feasibility studies and helps the graduates with locating appropriate financial institutions. Further assistance is in the



area of actual establishment of the project by identifying the machinery, materials and location. It is expected that some information on markets will be distributed to the entrepreneurs through the documentation and information centre of the division now being organized.

The division will also carry out all such back-stopping and follow-up assistance as may be needed by the entrepreneurs in order to limit the rate of failures. At the moment this division is not in full operation. One expert has been deployed on this project by the Dutch Government and additional assistance is still being sought from UN bodies.

### Prototype Development

This is yet another division within the Institute which will assist with the development of simple and appropriate machine tools for rural industries. The machine tools so developed would be sold to graduates intending to start their small scale industries. If the developed machine tools prove viable commercially, arrangements will be made to have the graduate entrepreneurs make them on commercial basis. Similarly consumer items would be developed and graduate entrepreneurs will be at liberty to produce them in the rural areas for commercial purposes.

This division will tie-up with the extension services and the training division so as to produce a co-ordinated programme for rural industrial development. Assistance in terms of technical personnel is still being sought from UN bodies and elsewhere for the effective implementation of the objectives of this division.

To ensure continuity of the rural industrial development programmes through the K.I.T.I. machinery, staff development programmes have been designed and assistance for these programmes are also needed.

### Achievements To-date

The institute started some 16 years ago, has produced about 1200 graduates with about 25 per cent now in self-employment. Very good technical training is going on and KITI graduates are virtually all in gainful employment either as self employed or employees of the public and private sectors.

### 3. National constraints to the development of small-scale and rural industries in Kenya

In its five-year development plan (1979-1983) the Government of Kenya provides for encouragement and support of small-scale and rural industry promotion. The Government is aware that the sector has great potentials especially with regard to the promotion of activities in rural areas. Cheap and commonly used articles produced by the small-scale and rural industries are not only replacing goods that the country imports, but are also being exported. Being labour intensive, small-scale and rural industries are accorded top priority in Kenya's five-year development plan (1979-83).

However, several temporary factors can impede the development of small-scale industries in Kenya. The following can be cited as examples:

a) Lack of a Programming and Evaluation Service for Small-scale and Rural Industries

The evaluation of small-scale and rural development projects is conducted by financial institutions or any other institutions that accept to assist small-scale industrialists to set up their industries in the industrial areas. The Ministry of Trade and Industry provides no centralized and sustained programming service for small-scale industries with a view to ensuring the application of the provisions of the 1979-1983 development plan for the promotion of small-scale and rural industries. In Kenya there exists an Industrial Survey and Promotion Centre which occasionally carries out feasibility studies on small-scale industries. But it would be desirable for a specialized body to be set up to deal with specific cases in the small-scale and rural industries sector so that the promotion targets set in the 1979-83 development plan can be attained.

b) Lack of a list of samples of informal small industries

Several small-scale industrial and handicraft activities can be found in the rural and urban areas of Kenya. The various articles produced by that sector contribute to some extent to consolidating the policy of providing the people with locally-produced basic commodities. Artisans and owners of small-scale industries mainly use local raw materials, but their products seem not to appear frequently on the market and there is no specialized agency to market them. Even though the Government of Kenya is aware that such articles exist, it has no sample list of the articles produced. It would therefore be desirable to organize the small-scale industrial and handicraft activities by gradually integrating them into the Kenya Industrial Estates Limited. That would involve:-

- (i) Registering all informal small-scale industries and making a list of the samples of articles produced by those industries
- (ii) Setting up a marketing system for all the articles produced
- (iii) Creating a fund to assist in the promotion of such industries

c) Scarcity of Technical Personnel for Prototype Development

Scarcity of technical personnel could delay achievement in prototype work. The need of technical materials, information and machinery is also expected.

d) Lack of a guarantee system for loans granted by commercial banks to small-scale industries

As mentioned earlier on, small-scale industries are financed through KIE or financial institutions. Small-scale industrialists are provided direct financial assistance by the institutions that prepare and appraise the projects. Such financial institutions grant loans at their own risk. It would therefore be desirable for the Government to create a guarantee system in order to attract more funds for promoting small-scale and rural industries.

## B. GAMBIA

### 1. Situation of Small-scale Industries in the Gambia

Small-scale industry in the Gambia is characterized by a host of handicraft activities. This is because not all the country's potential has been fully identified with a view to creating conditions for the development of the various activities of small-scale and rural industries. The development of tourism, which is an important source of foreign exchange for the country seems to be one of the Gambia's top priorities.

From 1978-1979, there were over 25,907 tourist charter flights to the Gambia.

With regard to the manufacturing and mining industry, deposits of ilmenite, zircon and rutile have been discovered in the Sanyang, Batakunku and Kartong regions. The brick manufacturing industry is developing fast. The Federal Republic of Germany is carrying out studies on the implementation of a \$US 1 million mini-smelting and rolling mill project. Groundnut production enabled the Gambia to sell over 70,000 tonnes of groundnuts to buying agencies during the period 1979-80.

There is a Ministry of Economic Planning and Industrial Development in the Gambia, but it has no specialized industry division to study specific problems relating to industrial development in general and the development of small-scale industries in particular.

As part of the industrial promotion the Government of the Gambia plans to create an industry division in the near future. The creation of such a division would require an expert in industrial problems.

Small-scale industries are currently promoted by private investors. The most important activity of the small-scale industry consists in organizing small enterprises mainly by purchasing goods produced by artisans and farmers and marketing those goods.

In view of the important role that small-scale industries play in the country, the Government of the Gambia has launched a vast programme for the organization and development of small-scale and rural industries. Two important institutions have been set up to date to promote small business. They are the Gambian Artisans Marketing Co-operative Ltd. (GAMCO) and the Indigenous Business Advisory Service (IBAS).

### 2) Organizational Structure of Small-scale Industry in the Gambia

As mentioned earlier, there is a Ministry of Economic Planning and Industrial Development which co-ordinates all activities relating to national development. Through this Ministry, the Government is pursuing a vigorous policy for the promotion of private investment in all spheres of national development.

While IBAS has been entrusted with the organization of all activities of small-scale industries the organization of small business is the responsibility of GAMCO.

(i) IBAS (Indigenous Business Advisory Service)

IBAS is an advisory service placed at the disposal of local businessmen. It is directed by a technical adviser with the aid of an assistant expert and volunteers. The service was created by ILO to organize and train local businessmen.

IBAS started organizing small-scale enterprises engaged in the following activities:

- a) Handicrafts metalwork, mechanics and the like
- b) Trade
- c) Services such as repairs, distribution of spare parts and catering
- d) Agriculture, excluding farms
- e) Fishing and beach protection

In 1977, IBAS began to register artisans who had difficulties in selling their goods. To solve that problem, the Gambian Artisans Marketing Co-operative Ltd. (GAMCO) was created on IBAS' initiative.

IBAS itself provides the necessary assistance to small-scale industries that satisfy the general development criterion ie. industries that contribute to national development. A manager of a small-scale enterprise with capital to launch a project that will contribute to national development gets the necessary advice from IBAS for the implementation of such a project, particularly in the following fields:

- (a) Business management
- (b) Indexing
- (c) Savings and bank transactions
- (d) General programming of activities and problems of training agents

The small-scale industrialist looks for the personnel to carry out the advice given by IBAS while the latter finds the buying agencies and market for its members.

Financial assistance \$US comes from such local banks as:-

- (a) The International Bank for Trade and Industry
- (b) The Standard Bank
- (c) The Gambia Commercial Bank for Development

The World Bank also grants loans exceeding \$US 400,000 annually for the development of small-scale industries. To qualify for such loans one must:-

- (a) Be member of IBAS
- (b) Have carried out IBAS's advice

However, IBAS has set up a \$US 2 million stabilization fund. The Fund grants 75 per cent of the investment outlay to small-scale industrialists who have to make up the other 25 per cent.

In the commercial sector funds exceeding \$US 6,000 have been released to enable local small-scale industrialists to penetrate the market which is completely dominated by foreigners.

Even though IBAS is doing everything possible to train small-scale industrialists through the organization of commercial training programme broadcasts and interviews with its members, it should be noted that practically no technical or technological assistance is provided to small-scale industrialists. It appears that in trying to restructure and identify all activities of small-scale industries, IBAS might turn into an organization for the development of small-scale industries.

Indeed, as mentioned earlier on, IBAS was able to structure some activities of the small-scale industries but no emphasis has been placed on the possibility of using machines and techniques to produce the goods to feed the markets and attract the buying agencies.

## II. GAMCO

The Gambian Artisans' Marketing Co-operative Ltd. (GAMCO) was created on IBAS' initiative. It was a joint programme between the United Nations and the Government of the Gambia. The aim of the co-operative is to create job opportunities for Gambian artisans, especially those in the rural areas. GAMCO's first role is to buy all articles produced by artisans and find local or foreign markets for them.

GAMCO's membership comprises individuals and groups of local artisans who have organized themselves into co-operative societies. The total number of artisans members of GAMCO is 400; more than half of them are individuals. To find markets for the goods produced by the artisans, GAMCO conducts the following activities:

- (a) Local market: maintaining markets in tourist centres
- (b) Product development: design and manufacture of quality products that can sell easily
- (c) Product promotion and advertisement
- (d) Training of skilled people in handicraft techniques
- (e) Relations and direct contact between Gambian artisans and GAMCO members.

GAMCO plans to carry out the following activities during the next two years:-

- (a) Establish a savings service for GAMCO members to save all profits made during the high sales season. This will enable the co-operative to give any assistance to those who need it during the low sales season,
- (b) Grant loans at favourable interest rates to members wanting to buy tools and raw materials that they need
- (c) Supply raw materials to members and ensure that the goods to be produced are standardized and sold at reasonable prices to make it possible to acquire raw materials.

- (d) More towards the export market i.e. increase the number of handmade articles produced by GAMCO members and exceed the supply that covers the six month demand of the tourist season.

Since handicraft articles continue to be used for various traditional ceremonies and contemporary decorations, one finds in the market various traditional articles made by GAMCO member. They include:

- (a) Articles in a wide range of different models and colours. Some of such articles are made from local raw materials such as indigo and kola-nuts. Such local raw materials are used to make clothes, curtains, cushions to line such things as beds, table cloths and scarfs.
- (b) Hand-woven articles (fabric)
- (c) Leather articles
- (e) Silver articles (jewellery)
- (e) Traditional musical instruments
- (f) Masks and varieties of wooden articles
- (g) Pottery and the like.

There is agency that inspects the quality of all articles made by GAMCO members.

As was said earlier on, business managers in the Gambia are more skilled at trading than in industrial production. However, it is believed that with increased assistance from ILO, the Government of the Gambia will be able to implement its programme for supplying machines and tools to small-scale industrialists to help them to develop and introduce new products.

### 3. National Constraints to the Development of Small-scale Industries in the Gambia

#### (i) Impact of the Tourist Industry on the Development of Small-scale Industries

Tourism remains the key sector of the Gambia's economy. It determines the development of the activities of small-scale industries. Owing to the great demand for souvenirs large numbers of artisan units make leather and silver goods, musical instruments and various handloom articles. Because of the great profits derived from producing such goods and the fact that such activities have become integrated into the trade circuit, it is difficult to explore such other production units as metal workshops, fitting-shops or smithies whose products (hoes, machets) could meet certain basic consumer needs or be used in rural development.

It would be desirable to diversify the activities of small-scale industries to some extent, bearing in mind the country's demand for basic consumer goods.

#### (ii) Lack of training institutions for small-scale industrialists

That IBAS is doing everything including the use of radio broadcasting to stress the importance of small-scale industries, cannot be denied. It also given advice to businessmen and small industrialists wanting to launch any industrial activity. But since the businessmen themselves have to look for personnel to carry out IBAS' advice, it would be desirable to provide training services relating to activities of small-scale enterprises.

(iii) Lack of technological and technical assistance (equipment and machinery) for small-scale industries

Even though small-scale industries receive advice and financial assistance particularly to develop small-scale trade activities, it appears that the problem of providing them with assistance in the form of machines and tools has yet to be fully resolved. The way activities of small-scale industries are currently being oriented does not make it possible to focus attention on the possibility of acquiring machines that can manufacture certain articles such as pins, bicycle spokes, staplers, padlocks, nails and milk tins.

There is an urgent need to assist small-scale industrialists to acquire equipment and machines that can manufacture basic goods that the country now imports.

(iv) Lack of a vital infrastructure for the development of small-scale and rural industries in the Gambia

While the development patterns of small-scale and rural industries in Africa vary from one country to another, development strategy is the same everywhere in Africa.

Influenced by the tourist industry the activities of small-scale enterprises are much more geared towards handicrafts and trade. This is not the case in Kenya and Tanzania for example, which have in addition a potential for tourism. While developing its tourist industry, Kenya spares no effort in diversifying the growth areas of small-business. The common strategy that could encourage the promotion of such small-scale enterprises as handicrafts, trade, production and the like would be to provide them with such important facilities as warehouses shops, buildings where small equipment and machines can be installed, water, electricity and material supply lines. Such facilities require the creation of what are commonly known as industrial estates on large tracts of land throughout the country.

Thus, the diversification and expansion of the activities of small scale enterprises in the Gambia depends greatly on the facilities provided. The lack of industrial estates for the promotion of small-scale enterprises could pose a serious problem for the development of small-scale and rural industries in the Gambia.

C. Madagascar

1. Situation of Small-scale Industries in Madagascar

a) Handicrafts

The existence of small and medium-scale industries in Madagascar is the direct consequence of the progressive development of Malagasy handicrafts. Craft industries in Madagascar do not differ from those in other African countries. They are one-man concerns with the help of relations or friends. Since they came into existence Malagasy handicrafts industries have specialized generally in:

- (i) Utility crafts which consists of manufacturing basic consumer goods. Specialising in such trade are masons, blacksmiths, tailors, joiners, cabinet-makers seamstresses and shoemarkers
- (ii) Service crafts which provide indispensable services for people. Those in this trade include fitters, electricians, barbers, plumbers, glaziers and cobblers.
- (iii) Handicrafts which consist of manufacturing works of art that reflect the cultural and artistic values of the various regions of Madagascar, works of art by local wood corners, in layers, ceramists, leather workers, basket makers, embroiderers, jewellers, stone cutters and the like.

Legislative Act 62.013 of 20 June 1962 on organization crafts registry and trade boards recognizes the importance of craftsmen and ensures the protection of handicraft of enterprises. A survey conducted by the National Statistical and Economic Research Institute (INSRE) in 1968 revealed that out of 14,891 handicraft enterprises only 4,543 were registered. Way back in 1970 there were 150,000 full-time or seasonal artisans according to the guilds.

Madagascar has a population of 8,161,000. The working population is 3,573,000 made up of 1,911,000 men and 1,662,000 women divided as follows: 525,000 in the urban areas and 3,048,000 in the rural areas.

In 1977, there were approximately 100,000 people engaged in handicrafts activities. As was mentioned earlier on, the whole handicraft population is engaged in the following activities.

(i) Plant Fibres

- 1. Basket making
- 2. Rope making
- 3. Hat making
- 4. Raffia weaving
- 5. Weaving
- 6. Vegetable fibre interweaving or sewing

(ii) Textile

- 7. Cotton, silk or wool spinning and weaving
  - 8. Carpet making
  - 9. Knitted or woven article making
  - 10. Embroidering
  - 11. Household linen making
  - 12. Work, sports or traditional out-fit making
  - 13. Linen doll making
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(iii) Wood

- 14 Woodworking
15. Woodcarving, inlaying
16. Lathe turning, making of small carts
17. Box making
18. Clay model and wooden blind making

(iv) Leather

19. Tanning
20. Leather working and making of embossed leather articles
21. Making of leather sandals

(v) Stones and Jewellery

22. Cutting of silicified wood or ornamental and semi-precious stones (cut or fashioned as decorative articles)
23. Jewellery-making and Selling
24. Goldsmithing
25. Jewel-making

(vi) Earthenware

26. Brick and tile making
27. Pottery-making
28. Ceramic-making

(vii) Iron

29. Iron working and cauldron making
30. **Blacksmithing**
31. Smelting
32. Metallic household article making
33. Traditional farm tool making

(viii) Bamboo

24. Making of furniture and other furnishing and decorative articles from bamboo
35. Working of rattan and other hard fibres

(ix) Music

36. Making of traditional musical instruments
37. Making of various objects from such animal sources as horns, bones, scales and shells.

(xi) Making of various objects from such plant sources as seeds, flowers, wood, roots and bark.

(xii) Making of various objects such as figurines mortars or funeral monuments from such mineral sources from volcanic stone.

In Madagascar efforts are being made to organize these artisan activities into artisan enterprises to be regulated by legislative act 62.013 dated 1962. Certain requirements will however have to be met before artisans can be registered;

- (a) The artisan employ no more than 20 people;
- (b) Most of the products should be handmade;
- (c) The artisan must have technical experience based on the knowledge of a trade and its traditional skills.

It further appears that in Madagascar, no comprehensive survey has been made of the handicrafts sector for reasons including the following:

- (a) There is no clear distinction between group artisan workshops and individual artisan workshops more particularly those in the rural areas;
- (b) The mistake often made between small-scale handicrafts enterprises employing up to 20 people and industrial enterprises employing similar numbers of people;
- (c) The fears entertained by artisans that they will be asked to pay taxes once they are registered at the Trades Registry.

However, it is possible to distinguish 4 categories of artisanal activities in Madagascar:

- (a) The rural artisan using traditional tools and working with the help of his family;
- (b) The group artisan workshop with better equipment where several artisans work together;
- (c) The small-scale handicrafts enterprise using suitable equipment and employing up to 20 people;
- (d) The handicrafts product co-operative grouping artisans in the same production sector. Producer co-operatives have equipment that should be made suitable for the production of their goods and can employ an unlimited number of people.

Since the promulgation of legislative act 62.013 dated 20 June 1962, the Republic of Madagascar has spared no efforts in promoting handicrafts activities with a view to upgrading some of these activities to the level of small and medium scale industries. The following are exemptions enjoyed by artisans:

- (a) Artisans with no more than two apprentices, and producer co-operatives are exempted from taxation;
- (b) Artisans whose net annual profit does not exceed FMG 90,000 are exempt from taxation;
- (c) Taxation is limited to one-third of the profits taxable for profits ranging between FMG 90,000 and 150,000 and two-thirds for profits ranging between FMG 300,000

- (d) Capital goods meant for handicrafts co-operatives and small-scale industries are exempt from import duty.

Some months before the promulgation of the legislative act 62-013 relating to the organization of handicrafts in Madagascar, the "Centre économique et technique de l'artisanat" (CETA) was established by legislative decree 62.031 dated 17 January 1962. The main aim of the Centre is to contribute to the development of the Malagasy handicrafts industry, namely by:

- (i) Conducting surveys and carrying out economic and social activities;
- (ii) Carrying out technical operations and assuming responsibility for vocational training programmes;
- (iii) Controlling the management of funds for economic and social activities relating to the handicrafts industry.

Banque Nationale Malgache de Développement

With regard to financial assistance granted handicrafts industry 101,498 loans totalling FMG 34 billion. Of these loans 222, totalling FMG 140 million went to the artisanal sector between 1965 and 1972.

Apart from vocational and technical colleges, the Direction de l'enseignement technique du Ministère de l'Éducation Nationale has several training centres which are more geared towards the handicrafts industry.

(a) The ateliers d'arts appliqués malgaches at Antananarive which were initially geared towards artistic training, drawing, painting and sculpture have since 1973 trained more than 130 young girls through four-year course in weaving, tapestry-making, basket-making, sisal braid pictures for decoration and wood carving.

(b) The Ecole des arts et techniques was created in 1970 and shares the same premises with the ateliers d'Arts appliqués in Tananarive. It has an intake of 150 day students and provides training in architecture and interior decoration, publicity, graphic art, furnishing, ceramics, textile and tapestry making.

(c) Rural handicrafts promotion centre (Fianarantsoa). This centre is responsible for training versatile artisans capable of satisfying the needs of a village community. It is responsible for:

- (i) Providing rural and technical training for men and women;
- (ii) Organizing rural life;
- (iii) Conducting research and publishing books on technical and social training

(d) Village artisanal protestant (Ambositra). Formerly meant for training versatile artisans (woodworkers, ironworkers, bricklayers), the centre now provides training courses for young farmers who have some basic training in rural handicrafts;

(e) Youth village at Vinaninkarema/Antsirabe: Set up in 1963 with the help of the Federal Republic of Germany to provide training for workers and versatile artisans, the centre has, since 1970, geared its activities towards technical specialization in woodworking metalworking and building' it also provides rural training in agriculture and stock raising.

With regard to the wood sector the workshops are well-equipped and the centre produce excellent cabinetmakers. The metalworking sector is geared towards making tools and agricultural equipment.

F) Institute for the blind and the deaf and dumb at Antsirabe (Norwegian mission)

About a hundred young people receive training in woodwork, metalwork, weaving and sewing. Others train in basketry. The great importance that the Government of Madagascar had attached to the general or regional planning of handicrafts development and the programming of practical activities since the promulgation of legislative act 62.013 relating to the organization of the handicrafts industry made the mission conclude that small and medium-scale enterprises (SME) owed their existence to the handicrafts industry.

Indeed a "Direction de l'industrie et de l'artisanat" has been established since 1965 Decree No. 66.651 dated 22 September 1965 regarding organization of the Ministry of Industry and Mineral Resources. The "Direction" is responsible for implementing the Government's industrialization policy.

After the establishment of the Ministry of Industry and Trade by Decree 66.329 dated 2 September 1966, the Division of Handicrafts was established by bye-law No. 3939 dated 24 November 1966. The Division was responsible for promoting handicrafts, formulating and implementing all measures for the regulation and organization of the handicrafts industry.

Since its establishment, CETA has grown in 3 stages:

- (1) Two departments created from 1962 to 1966 i.e.
  - (a) The Department of Small-scale Industries responsible for carrying out feasibility studies on and the creation of small-scale industries;
  - (b) The Handicrafts Department whose role on the one hand is to provide technical assistance to artisans and ensure their training and on the other to organize the promotion of handicrafts co-operatives.

Since no progress has been made in the promotion and organization of co-operatives, CETA has found it preferable to use its resources to develop the basketing sector in training and marketing. CETA continues to deal with all activities that come under the handicrafts sector.

Small and medium scale enterprises

As indicated earlier the handicrafts industry constitutes the basis for small and medium-scale industries in Madagascar. Craftsmen have always promoted organized and developed the handicrafts sector. The growth of some handicrafts enterprises and the transformation of such enterprises into small-scale industrial enterprises has brought about the problem of finding specialized, manpower to manage and adopting suitable structures to promote small and medium-scale enterprises.

To differentiate the small handicrafts industry from medium-scale industries the "Bureau de developpement et de promotion industrielle" was created. Thus, the Department of small-scale industries which was responsible for carrying out feasibility studies on and establishing small-scale industries merged with the "Bureau de developpement et de promotion industrielle" (BDPI) whose specific task was to promote small and medium-scale industries.

Indeed BDPI is a commercial and industrial public institution whose activities are mainly geared towards the promotion of small and medium-scale enterprises. It was responsible for carrying out feasibility market studies and providing assistance in the organization and management of private enterprises and when necessary assisting in the development of production.

According to BDPI, any enterprise with an investment ranging between FMG 40 and 50 million is considered small-scale enterprise. In Madagascar, all enterprises that employ less than 50 people are considered small or medium-scale enterprises.

However, it should be realized that even though the handicrafts industry is developing on a well-structured basis, small and medium-scale enterprises are still in an embryonic stage.

## 2. Organizational structure of small-scale enterprises in Madagascar

### (a) Ministry of Finance and Planning

The Ministry has a "Direction Generale du Plan" which was reorganized by Decree No. 75.074 dated 12 July 1975. That agency is responsible for the overall planning of the country.

With regard to the development of small and medium-scale enterprises, the Ministry of Finance and Planning has under its control a "Societe d'etudes et de recherches pour le developpement" (SERDI) (Development Studies and Research Institute). The Institute is constantly in touch with private promoters. It conducts market, prefeasibility and feasibility studies on industrial projects. It also deals with the promotion of small and medium-scale enterprises.

### (b) Ministry of Economic Affairs and Trade

The Ministry is responsible for the implementation of the Government's economic policy. It directs, organizes and controls the economic life of the country. It has under its control several departments. One of those is the "Centre national de l'artisanat malagache" (CENAM). The centre, whose aim is to programme the development of handicrafts in each region is making efforts to improve socio-economic conditions in the handicrafts sector and to improve productivity and production with a view to meeting the country's needs for basic commodities, substituting imported products with locally manufactured ones and gradually developing exports.

Even though small and medium-scale enterprises differ from CENAM, there is great co-operation between the two with regard to the evolution of certain artisanal enterprises and the transformation of such enterprises into small and medium-scale enterprises.

Indeed CENAM and SERDI are the only institutions in Madagascar responsible for the development of handicrafts and small-scale industries. However, there are several other institutions and services which study the possibilities of restructuring small and medium-scale enterprises in Madagascar.

They are:

(i) "Institut national de promotion - formation (INPF)"

This is a commercial and industrial public institution under the Ministry of Civil Service, Labour and Social Welfare. It plays an important role in that it provides assistance to small and medium-scale enterprises. It also promotes large-scale enterprises.

INPF has a sub-directorate for small and medium-scale enterprises whose specific functions are to:

- (a) Conduct surveys and research relating to this sector of activity;
- (b) Structure the sector, by trade and enterprise grouping through the establishment of socialist producer and service co-operatives;
- (c) Intervene within small and medium-scale enterprises with a view to improving their organization and management;
- (d) Provide advanced trading courses to small-scale industrialists in management, finance, production and marketing.
- (e) Improve on certain techniques in collaboration with the sub-directorate known as "Industrial techniques";
- (f) Provide assistance for the extension of existing enterprises and the creation of new ones.

With regard to training, INPF gives advanced or refresher courses to workers in various fields on request by their enterprise (specific programme) or provides group training for several enterprises.

The type of training given to workers is set out in the annex.

For remote regions, INPF organizes mobile teams with a minimum of equipment to carry out repair work in the rural areas and provide some basic technical and managerial training to farmers and small-scale industrialists.

(ii) Financial possibilities

When the surveys carried out warrant the launching or development of a small or medium scale enterprise the following banks either grant credit to the firm manager or take part in the project:

- (a) National Bank for Industrial Development (Banque Nationale pour l'industrie)
- (b) National Bank for Rural Development (Banque Nationale pour le developpement rural)
- (c) National Trading Bank (Banque nationale pour le commerce)

(iii) Legal support

Any activity carried out for the development of industries in general and small and medium-scale enterprises in particular has the following legal backing;

- (a) Investment code; particular importance is attached to the promotion of small and medium-scale enterprises. Small-scale industries are exempt from paying duty;
- (b) Charter of socialist enterprises.

3. National constraints to the development of small-scale industries in Madagascar

As part of ILO's assistance to Madagascar for the promotion of small and medium-scale enterprises (Promotion and Development of Small and Medium Scale Enterprises, UNDP/ILO Madagascar, 1976) a survey was carried out on a promotion strategy for small and medium-scale industries. That survey, which for the first time tried to differentiate handicrafts structures from those of small and medium-scale enterprises, raised several issues relating to the development of small-scale industries in Madagascar. Among those problems were:

(i) Imprecise criterion for defining small and medium-scale enterprises in Madagascar

The 50-worker limit cannot be made a hard and fast rule since in some industrial branches, enterprises employing less than 50 people can be considered large-scale enterprises. There are also enterprises which employ a far greater number of people and that have all the characteristics of small and medium-scale enterprises.

It would be desirable to take into consideration the following categories of enterprises:

- (a) Family enterprises where management and administration are carried out by one or several members of the same family or friends;

- (b) Enterprises whose market or investment scope does not make it possible to use satisfactorily technology related;
- (c) Socialist enterprises grouping and co-operatives.

(ii) Problems relating to the promotion of small and medium-scale industries in Madagascar

Substantial financial resources are required for the promoting small and medium-scale industries; indeed, the mobilization of great potential for the development of small and medium-scale industries requires assistance from within and outside the enterprise. Such assistance includes:

- Training of firm managers and technical assistance;
- Financing;
- Structuring

(iii) Lack of financing

Small-scale enterprises in Madagascar find it difficult to obtain financial assistance for the following reasons:

- (a) Misrepresentation of the financial position of enterprises which do not meet the standards established by the banks;
- (b) The vulnerable position of the enterprise that inspires little confidence
- (c) Low credits which make financial institutions incur management and supervision-related expenses.

To resolve the problem it would be desirable to create systems of solidarity among small-scale industries that would offer banks a more substantial and dependable client in the form of:

(a) Mutual deposit for ventures

Enterprises could apply for loans severally while jointly providing a common guarantee in the form of deposits to a fund serving collateral to loans issued to participating enterprises. That would reduce the risks of the banks and induce them to grant loans.

(b) Credit union working on the basis of a co-operative

Such a union could negotiate loans directly and share them among its members. That would reduce the risks and administrative expenses of the banks.



(c) Technical support system

This would be a technical agency whose role will be to see to the judicious use of the loan and assist the enterprise in its activities till the loan is repaid. Indeed it will have to assure the bank that the loans will be used for economic purposes and that enterprise will use it effectively and honour its commitments with regard to repayment.

(iv) Lack of a structure and an environment conducive to the speedy promotion of small and medium-scale enterprises

It appears that small and medium-scale enterprises are left to themselves and have to compete with large-scale enterprises without any support. It would be desirable to give them the necessary support and create the conditions most conducive to enabling them to contribute to national production. That is to say:

Establish professional bodies that can represent the enterprises and carry out, with the consent and support of the Government, certain indispensable public functions;

Establish regional organizations on a geographical basis to support all enterprises in a region; a set up industrial estates that could provide some common services i.e. such facilities as building for the installation of the necessary machines and equipment, transportation infrastructures, investments, water, electricity and administrative services.

(v) Absence of nomenclatures of articles to be produced by small and medium-scale enterprises

Since the handicrafts industry is a major manufacturer of some basic commodities similar to those produced by small and medium scale enterprises, it would be desirable to make a list of samples of articles that should be produced exclusively by small and medium-scale enterprises.

(vi) Lack of a development policy to small and medium-scale enterprises

Indeed under the economic and social development programme set forth in the Malagasy Socialist Revolution Chapter in August 1975, small and medium-scale enterprise development objectives have the following three main options:

- (a) National unity through economic and social balance between rural and urban areas and the various social classes;
- (b) The social need to ensure full employment as a factor for economic development. Such full employment must be viewed from the standpoint of production and the development of man and society;

- (c) Co-operative development, mobilization of manpower and investment in the rural areas. This must be done as quickly as possible in order to solve the problem of underemployment and poverty in the rural areas;
- (d) Decentralization of activities and responsibilities. This will encourage people's initiatives in the decentralized areas as far as to Fokoralana which is the basic community group.

Using these Government options as a starting point and considering the fact that there can be no industrial development without a solid foundation of small-scale industries, it would be desirable for the public authorities to adopt a definite small and medium-scale industries development policy, i.e.

- (a) Determine which categories of small-scale industries should be promoted;
- (b) Determine the form that small and medium-scale enterprises should take if they are to develop;
- (c) Define the grouping system of small and medium-scale enterprises and integrate them into the country's economy;
- (d) Create the facilities and conditions necessary for facilitating the promotion of small and medium-scale enterprises;

Such facilities as financial assistance, training, acquisition of machines and equipment, raw materials and various infrastructures.

#### CHAPTER IV

##### SUMMARY OF CONCLUSION, RECOMMENDATION AND FUTURE FOLLOW-UP

###### A. Summary of conclusion

It can be inferred from the above that there is in Africa a host of small factories which constitute the small-scale industry. There are two categories of small-scale industries in Africa

- (i) Traditional handicrafts
- (ii) Small-scale enterprises producing a variety of consumer goods and simple production equipment including spare parts meant for large-scale enterprises.

African countries are becoming increasingly aware of the importance of small-scale industries in the industrialization process. But it cannot be denied that the industrial development policy found in the development plans of African countries is often suited to the needs of large-scale industries. The lack of a definite small-scale industrial development policy puts small-scale industries in a particularly difficult situation. Such small-scale and handicrafts industries are badly structured without any support from the Government and have to compete with large-scale industries.

The fact still remains that small-scale industries can play a vital role in the industrial development of African countries, especially if the following conditions are created:

- (i) Using Small-scale industries as a solid basis for promoting industrial development;
- (ii) Stimulating local entrepreneurship;
- (iii) Training traditional artisans in new techniques with a view to modernizing production tools and techniques in the handicrafts sector;
- (iv) Promoting geographical decentralization in industrial expansion;
- (v) Solving the problem of unemployment through capacity of small and medium-scale industries to employ a large number of people.

Indeed the General Report on the development of small-scale industries<sup>4/</sup> gives detailed account of the problems relating to the promotion of that sector in Africa

#### B. Existing constraints

Nonetheless, in each visited country, we found that the common problems posed by the promotion of small-scale industries in Africa are:

- (i) The lack of a specific national policy in the economic development plan to encourage the development of small-scale industries

Generally speaking there is no local spirit of enterprise to develop industry.

- (ii) Lack of a working definition of what are termed "small-scale industries"

That would make it possible to identify small industrial activities that would benefit from a special development programme. Very few countries have a list of goods for which production is limited to small-scale industries. In each African country the Government is the greatest buyer of goods and services. In view of the important role that small and medium-scale industries must play in the supply of certain goods and services, a list of articles to be produced solely by small-scale enterprises should be drawn up thereby imposing certain restrictions on large-scale manufacturers who might like to produce the same goods. Small and medium-scale enterprise units must be the sole suppliers of such goods; the list of which must be up-dated regularly.

In case of any competition with medium or large-scale production units regarding the supply of articles for which production has been entrusted to small-scale units, preference should be given to the small-scale units.

It would be desirable to organize exhibitions of articles that could be produced by small-scale industrial units for large-scale industrial units. This would enable

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<sup>4/</sup> Development of Central Policies and Programmes for the Strengthening of Small-scale and Rural Industries in Africa

small-scale industrial units to direct their production activities while ensuring at the same time that the articles manufactured are standardized and of good quality.

- (iii) Lack of co-ordination and integration of services, institutions and installations supposed to be at the disposal of small-scale industries for ensuring their promotion.

While some African countries have scattered and unco-ordinated services and institutions which cater for small-scale industries. Most African countries have no infrastructure for the promotion of this sector to speak of. It would be desirable to create industrial estates with all the necessary infrastructures. Small-scale industrial units could be set up and would use the existing infrastructure under reasonable terms. Modalities and conditions under which small-scale industrial units could acquire machines and equipment could then be worked out. With regard to training for small-scale industries it would be a good thing to organize mobile (flying) teams which should be constantly on the move and provided with a minimum of equipment to reach the remotest rural areas.

- (iv) Shortage of financial resources and impossibility of Using local raw materials

Small-scale industrialists are sometimes ignorant of the fact that some of the raw materials they need can be found in the country. Wanting to import such raw materials they run into difficulties in obtaining loans. Thus they are left to themselves and end-up abandoning their activities. It would be desirable to create a local and imported raw material data bank for the small-scale industry. The Government should also create facilities for small-scale industrialists to secure long-term loans from foreign development banks under favourable conditions.

- (v) Shortage of skilled labour and lack of Administrative technical know-how

Lastly, in view of the basic weakness and disadvantages of the small-scale industry due to the absence of institutions that should provide the necessary services and facilities it would be desirable for African Governments to draw up specific policies and programmes that could promote the healthy growth of the small-scale industry. Such global policies and programmes should include all or the most part of such measures as:

- (a) Stimulation of entrepreneurship;
  - (b) Financial, Administrative and technical assistance;
  - (c) Establishment of industrial estates;
  - (d) Establishment of public services;
  - (e) Provision of training services related to the promotion of small-scale industries;
  - (f) Identification of the categories of small-scale industries desirable and the articles that such industries should produce;
  - (g) Provision of incentives to and promotion of small-scale industries.
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C. Summary of Recommendation and Future Follow-up

The small-scale industries development plan and programme could be divided into three basic areas, e.g.:

1. Long-Term Plan

The long-term plan for the small-scale industries development should include long range development aspects for the wide spread creation of small-scale industries through promotion of basic institutional facilities for the development of this sector:

- (a) Small-scale Industries Development Organization (SIDO) should be created in each African countries which should also cater for the rural industries development;
  - (b) Registration of all small-scale industries at national level;
  - (c) Financial institution should be created to assist small-scale industries particularly loans and credit must be provided. (This is the real achievement India has done in promoting small-scale industries). Every existing bank with its branches must have small-scale industries section with definite scheme;
  - (d) Arrangements should be established for the availability of scarce raw materials, special attention should be given in bulk purchase of raw material particularly in iron and steel procurement;
  - (e) Supply of machinery and equipment should be provided on hire purchase scheme;
  - (f) Industrial management and technical training programme with extension services should be established;
  - (g) Prototype development and training centres should be established and existing institutions should be upgraded where over possible;
  - (h) Common engineering services facilities e.g. foundry, forging, heat treatment, metal coating, repair and maintenance etc. should be intensified;
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- (i) Problem oriented management and consultancy services should be deployed particularly in greater rural areas;
- (j) Government stores purchase programme is necessary so that government should subcontract small parts and components and procure finished products from small-scale industries;
- (k) Marketing of small industry products particularly the creation of raw materials bank, export house, exhibitions etc. should be established and promoted;
- (l) Industrialization of rural and backward areas programme with facilities, subsidy, liberal import policy and special incentive schemes transport subsidy, etc. should be established;
- (m) Industrial Estates (three categories e.g. Urban estates, semi-urban estates and rural industrial estates) should be planned and implemented in shortest possible time;
- (n) Export promotion should be continuous activity;
- (o) Ancillary industries promotion with greater subcontracting arrangement should be intensified. The integrated development of small-scale industries should cater the important parameters as listed above.

## 2. Medium Plan

Industrial estates including the factory site and building should be created in each African countries e.g.:

- (a) land acquisition and development
- (b) construction of industrial accommodation
- (c) communication and other services
- (d) power and water supply, and
- (e) common facilities wherever required

If possible loan can be obtained from the creation on an interim fund with the assistance of friendly countries on the bilateral line for the promotion and establishment of industrial estates in each African country. The standardization of industrial estates should be a primary consideration.

### 3. Immediate plan

Carry out identification of priority products based on import substitution policy measures including plan for incentive schemes, entrepreneurship promotion, banking facilities, training etc.

This immediate plan should include the small-scale industries development programme which should be divided into two categories; e.g.:

#### (a) Programme for the Government

- Survey of existing small-scale and cottage industries;
- Identification of priority products (including ancillary products of big projects) based on import substitution;
- Statutory institutional arrangements for small-scale industries development through the creation of Small-Scale Industries Corporation and SIDO (Small-Scale Industries Development Organization) under Ministry of Industries;
- Creation of national development programme within the country which will include locational physical development aspects coupled with the development of entrepreneurship on a large scale all over the country;
- Participation in the Rural Industries Programme, which will contribute to the development in industrially backward areas;
- Participation in the modernisation of existing small-scale units by supplying them latest appropriate machinery and equipment;
- Establishment of turnkey projects in selected areas for onward hand over to small-scale entrepreneurs;
- Development of financial institutions and incentive schemes particularly for the backward areas;
- Installation and establishment of industrial estates and extension services;
- Establishment of display centres for the products of small-scale industries both within and outside countries;
- Marketing of their products and establishment of sales depot;
- Distribution of essential raw materials and components on a larger scales;

- Increasing exports by locating areas and finding markets for new products;
- Establishment of new prototype, development and training centres all over the country;
- Training of a larger number of people in these centres both in general and specialized industrial trades;
- Development of production methods, designs and prototypes for adoption in the small-scale sector;
- Increasing participation of small-scale units in the "purchase programme" of Governments e.g. railways, post and telegraphs, and industries etc.;
- Infrastructure development e.g. road, transport, housing, power etc.

(b) Programme for ECA (ECA/UNIDO Industry Division)

- (i) Expert group meeting to examine the recommendation of small-scale industries field mission (May- June 1980);
- (ii) Field mission to identify selected products for small-scale industries (1981-1982). It is quite apparent that majority of small-scale entrepreneurs and a large number of potential ones in the region do not have the capacities to collect basic information on small-scale industries relating to such aspects as products to be manufactured, availability of raw materials, production technology, equipment and their suppliers, manpower requirements, finance, marketing, etc...

On the basis of the above it is extremely important that the main task of the ECA is to provide basic information on the various aspects of production and determine the scope of small-scale industrial activities, identify products to be manufactured, assist member States to promote indigenous entrepreneurships in small-scale industrial activities and in particular, women entrepreneur in rural, handicraft and small-scale industries;



- (iii) Preparation of a directory of project profiles for small-scale industries including handicraft industries mainly for women covering techno-economic information, including: products to be manufactured, process description, capacity and specification of plan and machinery, raw materials and other inputs, sources of finance and various credit possibilities, marketing and distribution of products and action programme to assist and advise small-scale entrepreneurs in manufacturing activities;
- (iv) Intergovernmental meeting of experts to evaluate the materials for the draft directory and report on the institutional framework for promoting small-scale industries activities;
- (v) To undertake feasibility studies and to identify and help people who will be interested in investing in small-scale industrial activities;
- (vi) To arrange small-scale industries manpower development programme e.g. workshops and seminars in production methods (experimental production and demonstration) and the management of selected small-scale and rural industries units intended to subregional African entrepreneurs;
- (vii) To arrange seminars for the development, standardization of Industrial Estates in each African country;
- (viii) To organize study tours within and outside region with African participants in order to establish policy, institutional arrangements, small-scale industries promotion etc...
- (ix) Organize consultation meetings on geater subcontracting of small-scale products at national, subregional and regional level.

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- M. Lipzinsky Malte - expert associé • CENAM
- M. Smith , consultant (briques) - CENAM

Documents Collected and Exploited in Preparation of Mission Reports

<u>Title</u>	<u>Publisher</u>
<b>I. KENYA</b>	
Annual Report 1975/76	Kenya Industrial Estates Ltd
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An Investment Guide 1980	Kenya Industrial Survey and Promotion Centre
Potential Industrial Projects for Investment in Kenya 1979	Industrial Survey and Promotion Centre Ministry of Industry
<b>II. GAMBIA</b>	
Gambia Artisans' Marketing Co-operative, Ltd (Gamco) Bakav, the Gambia West Africa	
<b>III. MADAGASCAR</b>	
Repertoire du Personnel des Organisations participant aux Programmes des Nations Unies	Programme des Nations Unies pour le developpement
Programmation et projet par pays et programmation et projets multinationaux	Programme des Nations Unies pour le developpement
Projet de rapport au Gouvernement de la République Démocratique de Madagascar sur la promotion et le développement des petites et moyennes entreprises	Programme des Nations Unies pour le developpement/BIT
Stages Inter-Entreprises de Formation et de Perfectionnement	Institut National de promotion - Formation
Présentation du Décret portant Création du Centre National de l'Artisanat	Le Ministère de l'Economie et du Commerce
Rapport de synthèse sur la situation de la conception Agricole	Ministere-Conseil a la Presidence Charge de l'Information, de l'Orientation Ideologique et des Relations avec les Institutions

<u>Title</u>	<u>Publisher</u>
Ordonnance No. 78-006 portant refontes de la Charte des Entreprises Socialistes	Le Président de la République Démocratique de Madagascar
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Plan de Promotion et de Développement de l'Artisanat Traditionnel Malagasy	Projet PNUD-BIT - MAG/76/003 Service de l'Artisanat Direction de l'Industrie et des Mines
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Charte de la Révolution Socialiste Malagasy	Gouvernement de la Révolution Socialiste Malagasy
<b>IV. INDIA</b>	
Development of Ancillary Industries	Development Commissioner Small Scale Industries Ministry of Industry
Intreprenurship Development Programme	IBID
Technicians Assistance Scheme	Maharashtra State Financial Corporation, Bombay
Household Industries Sector in Developing Economy	Khadi & Village Industries Commission, Bombay
Supplement to Jagriti	IBID
MSFC helps Small Man in a Big Way	Maharashtra State Financial Corporation, Bombay



<u>Title</u>	<u>Publisher</u>
National Monthly for Small Scale Industries	IBID
Seventh Annual Report 1978-79	IBID
Small Industry Promotion in Developing	Small Industry Extension Training Institute, Hyderabad
Small Industry Management Consultancy	IBID
Small Industry Financing	IBID
Training Methods and Skills	IBID
(a) Small Industries Development Organization	Small Industries Service Institute, Hyderabad
(b) Twenty Five Years of Service to Small Industry in Andhra Pradesh and Prospects for 1980s	
(c) Small Industries Development Organization	IBID
(d) Ancillary Development in Andhra Pradesh	
Inplant Study Report - 2/1979-80	IBID
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(a) Ananthapur District	
(b) Chittoor District	IBID
(c) Cuddapah District	IBID
(d) Guntur District	IBID
Guidelines on Rural industries component of IRDP and TRYSEM	Government of India Ministry of Rural Reconstruction New Delhi
Incentives for Entrepreneurs in Andhra Pradesh	Andhra Pradesh Small Scale Industrial Development Corp. Limited, Hyderabad
Ideas for a Budding Entrepreneur	IBID
Special Employment Schemes	Society for Employment Promotion and Training in Twin Cities, Hyderabad

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A New Ray of Hope

IBID

An action Plan for Rapid Industrialisation  
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District - Part I

Joint Director of Industries  
District Industries Centre  
Andhra Pradesh

Sido at the service of entrepreneurs

Development Commissioner  
Small Scale industries  
Ministry of Industry  
New Delhi

Facilities for Development of  
Small Scale Industries

Development Commissioner  
Small Scale Industries  
Development Organisation,  
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KVIC Activities at a glance

Khadi and village industries  
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Report 1978-79  
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