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ECONOMIC COMMISSION FOR AFRICA

DEVELOPING THE INDUSTRIAL ENTREPRENEURIAL CAPABILITIES OF INDIGENOUS PRIVATE
AND STATE ENTERPRISES COOPERATIVES AND JOINT VENTURES IN AFRICA

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*The opinions and views expressed in this report do not necessarily reflect
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TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION AND BACKGROUND | (1) |
| I. THE INSTITUTIONAL FRAMEWORK | 1 |
| A. State enterprises | 3 |
| Operating authority | 4 |
| Operational support | 6 |
| B. The Private Sector | 10 |
| C. Co-operatives | 11 |
| II. MANAGEMENT ISSUES | 13 |
| A. Production and marketing-States enterprises | 13 |
| Target setting by enterprises-main considerations | 14 |
| Target setting and national objectives | 17 |
| B. Project Development | 20 |
| Project Identification | 20 |
| Project Appraisal | 23 |
| Project Implementation | 24 |
| C. Monitoring Performance | 25 |
| Project Implementation | 29 |
| D. The Private and The Co-operative Sectors | 30 |
| III. GOVERNMENT POLICY AND INSTITUTIONAL SUPPORT | 33 |
| A. Manpower Training | 34 |
| B. Technology | 37 |
| C. Labour Policy | 39 |
| IV. SUMMARY OF PROPOSALS AND RECOMMENDED ACTION | 42 |
| The State Industrial Sector | 42 |
| The Indigenous Private Sector | 44 |
| The Co-operatives Sector | 45 |
| V. INTRA-AFRICAN INDUSTRIAL CO-OPERATION | 46 |
| General | 46 |
| African Multinational Industrial Corporations | 47 |
| ANNEX II - LIST OF GOVERNMENT ORGANIZATIONS AND INDUSTRIAL ENTERPRISES CONTACTED | |

Introduction and Background

i. The persistent failure of the African region to achieve the targets set for the first two United Nations Development Decades has given rise to the urgent need for reorienting economic and social development policies, strategies and programmes for the 1980.

ii. In response to the above need, the region put forward the objectives that should form the basis for the new international development strategy and the priorities for the Third United Nations Development Decade. The objectives include: (a) the establishment of self-sustaining internally located processes of development and growth; (b) subregional and regional collective self-reliance; (c) development of human resources to ensure their greater participation in the development process; and (d) acceleration of the industrialization process on the Continent in the context of the social and economic environment of each country.

iii. In regard to industrialization the region's priorities for the Third United Nations Development Decade call for "the establishment of a sound industrial base with special emphasis on the development of the requisite national industrial and technological policies, capabilities and institutional infrastructure, as well as intra-African co-operation in order to permit the industrial take-off of Africa". a/

iv. Africa's dependence on the outside world for industrial financing, intermediate and capital goods and industrial technology is almost total. Intra-African trade, including trade in industrial products, has remained at a dismally low level, hence the continued dependence on the highly competitive and protected export markets for raw materials, manufactures and semi-manufactures outside the region. Africa remains largely dependent on foreign management and technical services for the industrial sector.

v. This state of affairs is clearly a reflection of the inadequacies and deficiencies of past industrial strategies and policies of the African countries individually and of the African region collectively. The continuation of such strategies and policies (a) has resulted in the region's slow progress towards the achievement of the targets, particularly the quantitative targets of the Lima Declaration; (b) will result in increased African dependence on the outside world and; (c) will not lead to self-reliant and self-sustaining industrial development. The recognition of those facts has helped to set in motion the rather intensive efforts, in recent years, to reorient industrial development strategies and policies in Africa.

vi. The series of meetings and conferences held at the regional and international levels in recent years have helped to consolidate and clarify the objectives, policies and strategies in this regard. A major step at the regional level has been the African Regional Symposium on Industrial Policies and Strategies for Internally Self-sustaining Development and Diversification and Collective Self-reliance held in September 1979. This followed the Monrovia Strategy which had provided the overall political commitment of African Governments toward reorienting the development policies and strategies of the region.

a/ ECA/Res.332(XIV)/Annex A, P.6.

vii. In the light of the region's past experience, the Regional Symposium recommended that industrial policies and strategies should be reoriented to achieve numerous objectives. The following can be identified as the core objectives:

- (a) economic independence and self-reliant and self-sustaining industrial development;
- (b) meeting the basic needs of the mass of the population;
- (c) increased employment and productivity;
- (d) acquisition and development of technological capabilities consistent with the region's industrial development aspirations;
- e) meeting the targets of the Lima Declaration for the region.

viii. The strategies and policies that need to be reoriented to meet the above core objectives and associated goals are many and diverse. At the risk of oversimplifying the difficulty involved in differentiating strategies from policies, one may venture again to identify the core strategies contained in the recommendations of the Regional Symposium as follows:

- (a) instituting collective self-reliance and developing individual and collective capabilities;
- (b) control over natural resources;
- (c) control over technological activities;
- (d) creating a viable bargaining position for the region's international economic relations.

ix. The policy instruments, by means of which the stated objectives are to be realised and the strategies put into action, recommended by the Symposium can be grouped as those:

- (a) relating industrialization objectives to the utilization of human, natural, agricultural resources (e.g. the development of industrial and related manpower; the domestic processing of natural resources; accelerated and integrated rural development);
- (b) relating industrialization to financing, technology and entrepreneurship (e.g. establishment of basic and capital goods industries; acquisition and selection of foreign technology and upgrading and development of indigenous technology; the promotion of small- and medium-scale industries' greater mobilization of national and regional industrial financial resources);
- (c) relating industrialization to infrastructure and to industrial co-operation (e.g. the development of engineering and management consulting organizations; government policy support for indigenous entrepreneurs in finance, marketing, training and the creation of physical infrastructure; establishment of AMICs).

x. The fifth Conference of African Ministers of Industry which met in October 1979 endorsed the recommendations of the Symposium. The Conference, among other things, further requested the ECA, OAU, UNIDO to take follow-up action in formulating concrete measures and projects to assist member States in their individual and collective implementation of the policies and strategies agreed upon at the Symposium.

xi. The purpose of this report is to make a partial contribution to the formulation of each measures. The role of industrial enterprises (indigenous private and co-operative, state, joint ventures) in the attainment of the objective of internally self-sustaining and self-reliant industrial development is the specific subject of this study. As stated in the terms of reference the objective of the study is (i) to identify the most critical factors and logistics affecting the operations of indigenous private, co-operative and state enterprises as well as foreign investors and joint ventures; (ii) to propose recommendations as to how each entrepreneurial group could solve its short-term problems as well as develop its problem solving capabilities to contribute to industrial development in the long-run.

xii. In order to do this it is obviously necessary to discuss and assess the framework in which the different entrepreneurial groups operate and function. A considerable portion of this report thus concerns itself with the discussion of the existing institutional/organizational framework and the management set up and practices as well as the government policy support affecting the operation of industrial enterprises. Furthermore, although a more exhaustive discussion of all enterprise groups would have been desirable, much of the discussion concentrates on state industrial enterprises, partly due to time constraints, but mainly because of the very important role played by the state industrial sector in present-day Ethiopia. Foreign investment and joint ventures play a less significant role and they are, therefore, discussed more in conjunction with intra-African co-operation.

xiii. The discussion and conclusions contained in the report are an outcome of the report writer's desk research and personal experience as well as the result of discussion and interviews held with a cross-section of people responsible for industrial management and supervision in Ethiopia. However, the opinions and views expressed and any omissions or commissions therein are entirely those of the consultant.

xiv. Given the preceding points, how do industrial enterprises function and perform and what are the critical factors related to the organizational, management and government policy issues. The first three sections attempt to answer these and related questions. In line with the emphasis given to state industrial enterprises, the indigenous private and co-operative sectors are briefly discussed at the end of each section within the context of the subject matter being considered. Although the fourth section is an attempt at summarizing the broad conclusions and the more specific proposals and recommendations of the report, many of the detailed conclusions and proposals are discussed within each section. The fifth and final section deals with views on intra-African co-operation and proposals in the approach to the initial creation of African multinational industrial enterprises.

I. The institutional framework

1. The state sector is overwhelmingly dominant in manufacturing industry. Over 90 per cent of Ethiopia's manufacturing output is accounted for by state-owned industrial enterprises. Apart from the central planning authority and the Ministry of Industry, which are the main central government-level controlline and supervisory bodies, enterprises have been grouped under 14 corporations which control and co-ordinate the activities of enterprises operating in a subsector.^{1/} The corporations are organized along the following subsectors: food, beverages, textiles, metalworks, building materials, chemicals, textiles, printing, leather and shoes, tobacco, fibre, meat and sugar. At the Ministry level there are four major departments to control, co-ordinate and provide support to corporations. These are the Finance, Manpower (including labour relations), Projects, Planning and Policy, and Corporations Co-ordination and Control (Operations) departments.
2. The Operation Department, the department most directly involved in co-ordinating and controlling the performance and function of industrial enterprises carried out its function through systems for inventory control, plant maintenance, production control, marketing and distribution, and finally cost control. A statistics unit is also attached to the department to collect data available from operational reports for use by industrial project planners and policy decision-makers.
3. With a few exceptions, all the industrial corporations are organized along the same lines with the following functions being carried out by corporation departments. Finance, Administration, Operations (in many both technical services and production planning and control are within this department, in others the two units are separate departments), Projects and Planning and Commercial.
4. The enterprises (plants) have finance, administration, production control and maintenance sections and in some cases, a separate quality control section.
5. The private sector's role in the manufacturing sector has been weakened both through nationalization and policy restrictions that limit its participation in new ventures to designated fields of industrial activity. Currently the private sector is limited to simple processing of agricultural and forest products (grain mills, bakeries, small edible oil mills, wood processing and furniture) and relatively small workshops which "manufacture" fabricated metal products (excluding machinery and equipment).
6. A survey recently carried out has identified a number of small-scale industrial projects both in the engineering and the non-engineering branches.^{2/} The Handicrafts and Small-Scale Industries Development Agency (HASIDA) together with the banking institutions has started to promote some of them to the private sector.

^{1/} Ministry of Industry, A Review of Industrial Development Policies in Ethiopia, a paper prepared for the Regional Symposium on Industrial Policies, September 1979

^{2/} Summary Table of Small-Scale Industry Projects, studied by the Indo-Ethiopian Export Team.

7. The handicrafts and cottage industry subsector, which had been neglected in the past and which is still largely unorganized is currently being given close attention. Government policy support has been strongly enunciated and a determined effort is being made toward the creation of producers cooperatives in the varied activities characteristic of the subsector.

8. HASIDA is the agency responsible for the promotion of small-scale industries and handicrafts. HASIDA is charged with elaborating appropriate policies, supervision of policy implementation, assisting in the identification of improvable handicrafts and potential small-scale industries studying and preparing projects in the subsector, providing assistance in production, marketing and training to handicrafts and small-scale industries, licensing small-scale industries and carrying out research and surveys concerning the subsector.^{3/}

9. Still within the industrial sector, the National Productivity Centre (NPC) under the Ministry of Industry is the institution responsible for industrial training and management consultancy. Although it currently concentrates on industrial training for the state enterprises, the Centre plans to extend its training activities to handicrafts and small-scale industries, particularly cooperatives. It also plans to allocate more time and manpower to its management consultancy responsibilities by shifting more of the training functions to the corporations and HASIDA for which it would "train the trainers". NPC's training activities cover management training, vocational training and in-plant or on-the-job training.

10. The brief description given above is indicative of the institutional factors which prescribe the role of indigenous private (or cooperative) and state enterprises within the country's prevailing socio-economic system. The dominance of the state sector has had a lot of impact on the way existing industrial enterprises operate or are expected to operate. The emphasis being currently given to the creation and development of producers' cooperatives is expected to further enhance the central authorities' capabilities to direct and guide the operation of future cooperative industrial enterprises.

11. Foreign investment and joint ventures still need a much clearer policy: no new industrial projects of any significance have been developed using this means since 1974 and those that exist at present are a carryover from the past kept for several economic and technological reasons. Existing economic policy has demarcated a limited range of industrial activities as suitable for joint ventures between the state and foreign investors - mainly advanced technology and capital-intensive activities such as large-scale mining and hydrocarbon exploration and exploitation and medium-scale industries in other sections such as agro-industries.^{4/} In this respect, it would appear important that existing policy would have to clearly spell out the arrangements for the creation of joint ventures in order to meaningfully contribute to the objective of intra-African industrial co-operation in the framework of the recommendations of the Regional Symposium and the Conference of African Ministers of Industry.

3/ PMAC, Handicrafts and Small-Scale Industries Development Agency Establishment Proclamation, Negarit Gazeta, 36th year, No. 124/1977 August 1977.

4/ PMAC Declaration on Economic Policy of Socialist Ethiopia, Addis Ababa, February 1975.

A. State enterprises

Organizational set up

12. Contrary to certain suppositions,^{5/} the experience so far suggests that the organizational structure of the industrial sector in Ethiopia has had lot of effect on the performance and functioning of industrial enterprises. Whereas state enterprises are not something new in Ethiopia, because there were fully owned state industrial companies before the revolution, their management and supervision was largely left to boards composed of members mainly drawn from parastatal organizations, particularly financial and banking institutions. Their operations, both their plans and expected results, were not even included in the national plan or budget. The emphasis then was financial viability.

13. With the advent of the Ethiopian Revolution and the radical policy measures taken, principally nationalization, they have to be managed quite differently from the past for two important reasons. Firstly, the underlying principle of the Revolution that the common good takes precedence over individual gain radically changed the outlook mainly on the question of who they were producing for. This, in no uncertain terms, introduced the concept of social objectives in industrial production management, a concept rarely accommodated in the past.

14. Secondly, however small this may appear by other standards, the relatively large number of enterprises and production units brought under state control, in the face of rather limited managerial capabilities, required some sort of grouping amenable to central direction and control. So, the first reaction was to put all nationalized industrial, agricultural and commercial enterprises under one umbrella - the creation, in early 1975, of the new Ministry of National Resources Development with its departments for industry, distribution and state farms, among others was to serve this purpose.

15. The organization of the industrial sector has been substantially changed since then. A lot of restructuring and rationalization has gone into the creation of the present state sector industrial organization. First, the distribution activities of the Ministry of National Resources Development was taken over by the Ministry of Commerce and Industry. Subsequently, a separate Ministry of Industry was created and took over the responsibility of running not only the nationalized enterprises but also of all other state industrial activities.

16. Corporations were then created under the new Ministry of Industry to oversee the operations of fully state-owned groups of enterprises with related activities. These were legally incorporated with an initial capital based on the estimated value of the fixed assets of the individual enterprises under each corporation. In some cases corporations were established for a number of plants with single product lines, such as the Salt Works Corporation, or based on, if one may put it so, a single generic name encompassing different type of the same product such as the Soap Corporation. These have now been integrated into a new Chemicals Corporation. Although there would still be a need for further rationalization, as will be discussed later, the present organizational structure appears to have stabilized and the authorities do not expect to introduce any major innovations in the immediate future.

^{5/} "There is no reason to suppose some direct causation running from the organizational attributes of a public enterprise sector to its performance, quoted from United Nations, Measure for Improving Performance of Public Enterprise in Developing Countries New York, 1973 (n. 11).

17. For the purposes of this section of the report it is preferred to use the industrial corporations as the centrepiece for the discussions for two reasons. Firstly, as the corporations are positioned between the Ministry and the plants, they have an opportunity to look at both sides of the problem, namely the Ministry on one side and the plants which they control on the other. Secondly the corporations are trying to evolve from being simple channels of control information for the Ministry (which was the case initially) into becoming management development centres. At present, many of them are not only exerting serious effort to aggregate and disaggregate as well as to review the plans and control the operation of individual enterprises but are also starting to consciously look into linkages, both within and outside their subsector, and into new project development. These efforts are directly linked to the development of entrepreneurial capabilities, a critical factor in attaining the objective of self-sustaining and self-reliant industrial development. What are the constraints and critical factors imposed by the present organizational structure?

18. In a centrally directed system, such as the one Socialist Ethiopia is trying to introduce, one of the factors that is always raised is the question of management autonomy or operating authority. From the corporations view point, this would have to be appraised from the control, support and/or interference generated by the supervising authority or authorities on the one hand, and the control and/or interference, the corporations themselves exercise and the support they provide to production units on the other.

Operating authority

19. Current practice in the industrial sector organization suggests that the corporation managers have limited autonomy in the recruitment and employment of plant managers;^{6/} and key staff of the corporations; although they can submit a list of up to 3 names for plant managers, the final selection is made by a committee of which they are not members. The introduction of new production or process techniques or bottleneck removing equipment that imply the expenditure of additional funds for capital purchases or may adversely, even if it is only in the short-run, affect worker benefits have to have the prior approval of the supervising authority. Corporation management has to have prior ministerial approval to borrow additional funds other than those budgeted at the beginning of every year for normal production expenditure. No replacement or new investment of any kind can be carried out by corporations without the prior clearance and approval of the supervising authorities (central planning and the Ministry). In many cases even after both types of expenditure have been approved within the plan or budget, the corporations have to submit additional justification to the supervising authority before drawing on funds.

20. Outside these and other formalized categories of direct control, the supervising authority hardly interferes in the day-to-day operations of the corporations. On occasion the supervising authorities bypass corporations and deal directly with plant; in some cases such actions have given rise to frictions between the corporation and the supervising authorities.

^{6/} In this report the words enterprise, factory and plant are interchangeably used.

^{7/} "Supervising authorities" includes both the Ministry and others most often the central planning authority. "Supervising authority" denotes the Ministry of Industry

21. Organizationally, individual enterprises under a corporation are more or less a replica of their corporations with still diminished operating authority as far as the areas described above are concerned. Other employees are recruited in collaboration with the trade union of the enterprise in accordance with the rules and procedures laid down in the labour law. Financial operations beyond certain ceilings have to be carried out through the corporation. Capital and investment expenditures at enterprise level are much more closely reviewed by corporations since the latter are closer to the operating units than the Ministry, but they also understand their problems better. Apart from these, there is little formal interference in the administrative matters of the enterprise.

22. Informal interference from political and mass organizations in the operation of enterprises have been frequent and significant in the earlier years of the revolution but seem to have been minimized now. Non-production related assignments of operatives by mass organizations continue to pose a problem ... in some cases a considerable number of working days are lost through such assignments. Such informal interference is more frequent with smaller enterprises than larger ones; informal interference is also more frequent at small territorial levels rather than at central or regional levels.

23. Current assessment at corporation level of the effects of the organizational set up indicates that the formal relationships between the supervising authorities and the corporations function with little difficulty except in the case of capital budgeting and expenditure. This area has affected the operations of enterprises to the extent that delayed budgetary decisions always mean higher costs and less efficient production regimes.. The more important aspect of the problem is not so much the procedural formalities per se, which should be taken as a given part of the centralplanning exercise, as the time lag involved between initiation and decision. It is realised that the absence of longer term plans is partly responsible for this, thus offering little possibility for corporations or enterprises as well as supervising authorities to work within a framework of determined sector and subsector priorities.

24. There is likely to be less flexibility in financial resource utilization at corporation level, with financial control becoming more centralized and surpluses of each enterprise being paid into the central treasury of the Government and capital expenditure budgets of state enterprises being allocated on an annual basis.

25. In other respects constraints arising from the organizational structure are viewed within their proper perspective with sufficient latitude for management autonomy under prevailing circumstances. In many instances, there is sufficient room for innovative action without infringing upon rules by which the sector is expected to be governed. This is often the case where the branch at corporation level is well-established and where management has the opportunity to look beyond the day-to-day operation of industrial plants under his supervision. Some corporations, for example, have been able to budget for a research fund to develop and introduce new product lines within the existing procedural framework.

8/ It was not infrequent during the early revolution years that workers took over the management of certain enterprises often dismissing management staff.

9/ See, PMAC, A Proclamation to Provide For the Regulation and Coordination of Public Financial Operations, 163/1979, June 1979.

Operational support

26. Beyond their control functions, many corporations have started to centralize certain functions that are common to the individual enterprises under their supervision. These functions mainly include purchases of raw materials, imported inputs, import of spare parts for machinery and equipment, provision of technical services and, in a few cases, sales and distribution of final or intermediate products.

27. Centralized purchases of raw materials and inputs is undertaken by many corporations at present. These have resulted in the elimination of inter-organizational conflicts at enterprise level, quick foreign exchange allocations, reduced uncertainty in target-setting, reduced costs, improved inventory control and better standard and quality control. Out of the nine corporations interviewed, seven carry out this function and the performance of their enterprises is markedly better than those who have to do their own procurement.

28. The corporations which have not centralized purchasing services face a variety of constraints. In some of the cases, the raw materials required cannot be standardized as a result of diverse technologies employed in the processing or manufacture of final products. In others, weak organizational structures on the part of suppliers and poor co-ordination at sectoral levels (e.g. between primary forest product suppliers and woodworks plants) and conflicting marketing interests prevent such centralization.

29. Centralized purchase of spare parts is also being practised by many corporations. In one case, the corporation has put up an organization in the European market in order to deal directly with suppliers. Although this move has broken the close relationship between the suppliers and the former owner-managers, who also acted as purchasing agents for the company, the set up operates with no major difficulties. The corporation believes that this office can be extended to service other sectors at great advantage.

30. In the light of the acute shortage of technical and engineering manpower, the provision of technical services has been recognized as a critical factor. So many corporations are, therefore, pooling resources to provide more effective service to enterprises principally by setting up a technical services department or section. Many of the enterprises have small workshops to carry out minor repair and maintenance. In many cases when major maintenance, replacement or expansion is envisaged by one enterprise, outside help was required even if there were qualified technical people within the subsector but in other enterprises. Setting up such a technical unit with a core of technical people at corporation level has enabled corporation management to better programme and implement major maintenance work, to mobilize manpower from the different enterprises to solve a specific technical problem and to efficiently utilize scarce manpower capabilities that would have not been fully utilized at plant level.

31. Some enterprises, because of the nature or size of their operation maintain a relatively strong technical service. It was observed that the more important metal works enterprises have a good maintenance set up, while the sugar estates and plantations, because of the size of the operation and nature of the work, run a

self-sufficiency programme for each production unit. In some cases, because of spare parts supply problems and rising costs, production of some spare parts and components takes place at enterprise level. Akaki Textiles Factory has a small foundry from which the plant was reportedly able to produce about 30 per cent of its spare parts requirements in 1978/1979. In the case of the Sugar Corporation, the engineering group at corporation level concentrates more on establishing a preventive maintenance system and following up major expansion or new projects development.

32. In regard to sales and distribution, a few of the corporations maintain sales and distribution outlets to retail stage controlled at corporation level (metal products, shoes, sugar) while some maintain distribution functions up to retail stages, at enterprise level (beverages, wood products, some building materials, enterprises) and in others the corporations function only as wholesalers distributing from central depots (food, flour and oil), chemicals (soap and salt), or supply ex-factory to state-owned distribution corporations (metal tools, furniture, textiles). Where the corporations or enterprises are involved in sales and distribution, the same corporations do provide operational support services in terms of storage, transport and other related infrastructure as well as market research and feedback; where state distribution corporations or retail stores take over the distribution function, conflicts of interest have arisen as to product lines chosen and sales performance because of absence of market research and feedback on the part of the distributors. This will be discussed in greater detail later when we consider some of the major constraints under production and marketing.

33. At the supervising authority level major operational support is provided through the Corporations Coordination and Control Department (otherwise known as Operations Department) of the Ministry of Industry. The department has expert groups that deal with the following broad categories of subsectors: (a) food and beverages, including tobacco; (b) chemicals, leather and shoes and printing; (c) textiles and fibres, and (d) metals, building materials and wood products. Each group of experts follows up procurement and inventory control systems, plant maintenance programmes, production performance (production flow, product mix, capacity utilization and efficiency rating), sales performance and cost control. Much of the expertise found in the department is in finance and management so there is admittedly a limited capability either to control or support corporations and enterprises in the technical field. A proposal to set up a technical division is under study to eliminate this weakness. The technical division would appear not to duplicate functions of the technical sections or units at corporation level since it is proposed to concentrate more on (a) the close follow up of so-called "sick" industries, (b) the assurance that effective linkages are established between and among subsectors, (c) support to weak sectors, (d) research on and improvement of production processes. Over and above this, the creation of the division is expected to enhance, in this respect, the capabilities of the supervising authority (1) to review production programmes and control results with greater confidence; (2) to provide support to corporations and enterprises with a fuller knowledge of what is really required. It has been observed, as will be discussed later, that the supervising authorities are considerably dependent on what the corporations and enterprises submit in the above two areas.

34. As noted earlier, there is no intention on the part of the supervising authorities to introduce any major changes in the present organizational structure or the creation of new institutions. One exception may be the proposed establishment of an industrial projects office or organization under the Ministry of Industry, an idea that is currently being entertained and a point we will discuss in greater detail under another section of the report. On the other hand, some steps at rationalizing

the structure internally are bound to be taken within the immediate future. These would look at the present functional grouping of enterprises.

35. There are a few areas that admittedly need immediate attention. Although in terms of priority they may not appear on top of the list, integrating some activities (such as the one proposed for two steel pipe production enterprises under the metals subsector) and transferring some activities from one corporation to another (such as activities of a chemical nature now under the Building Materials Corporation or Food Corporation), would appear to be consonant with the objective of eliminating waste in the use of human, material and financial resources as well as the dynamics of an expanding state industrial sector. In some cases, this move is likely to be resisted by the receiving party due mainly to some operational or administrative problems, but it is considered that these must have to be subordinated to the broader objectives of national organization and development.

36. On the other hand, it would not be wise to consider the merger of the meat industries and sugar refineries with the Food Corporation, although at its face value this may appear to be a logical step. The diversity of objectives of these organizations as they are set up now would only strain the capabilities of the prospective management without achieving any real integration in function. The Food Corporation concentrates mainly on the production and supply of processed food items already under acute shortage; the Meat Corporation is principally an outward looking export promoting set up which may eventually need to develop its own backward and forward linked integration; the sugar industry, relatively well-established both as regards operations and systems, is mainly concerned with keeping supply ahead of a rapidly increasing demand through larger-scale expansion and new (rather complicated) projects. Under the circumstances, merging the three would only have cosmetic effects and would also result in considerable management problems.

Conclusions

37. A United Nations study on the performance of public enterprises in developing countries lists a number of advantages and disadvantages of such two-tiered structures^{10/} observed from the experience of other countries. For the benefit of readers, it is attempted to summarize the points below. On the positive side two-tiered structures

- could help insulate the operating enterprise from the vagaries of political pressures;
- enhance the possibilities of inter-enterprise cooperation;
- improve the chances of rationalizing the structure of a whole industry;
- help diffuse the best practices;
- expand the export promotion capabilities of a particular group of enterprises acting in unison;
- provide for certain common services like research and development, training, sales promotion and computer-sharing facilities;
- provide a useful link in relating operating enterprises to the national planning authority by disaggregating aggregative targets, translating them into operational language and planning new investment on an industry-wide basis.

38. Observations from the experience of only a few years strongly indicate that the present organizational structure of the state industrial sector in Ethiopia is directed

^{10/} This signifies the tier of supervision and coordination interposed between the supervising Ministry and a group of enterprises, in our case the corporations.

toward attaining several of the advantages listed while policy measures have tried to eliminate or minimize the negative effects of such a structure.

39. The points listed below summarize the disadvantages of such structures in that:-

- they may increase the degree of implicit monopoly power;
- they may reduce inter-enterprise competition in the public sector and protect the less efficient units;
- they may be inclined to foster cross-subsidization practices within "family" groups, the intermediate organizations;
- may be bent on enlarging their domain more out of an empire-building motivation than on improving the performance of on-going enterprises, thus contributing to the frequently observable tendency for new enterprises to be established while those already installed operate at a fraction of their capacity.
- The intermediate organizations, if perceived as non-operating supervisory control centres, their performance may not be measurable by the same standards of the consolidated results of their affiliating units.^{11/}

40. The advantage that such an organizational structure helps "insulate the operating units from the vagaries of political pressures" is questionable when one considers realistically the prevailing political, economic, and social system in the country. State industrial enterprises are one of the many economic organizations set up to achieve political and social objectives. Where economic and political activities are considered inseparable, insulation from the mainstream of political thinking would be thought of as a disadvantage--political pressures may be as much an outcome of insulation on the part of enterprises as of the inability of enterprises to correctly respond to and identify with national priorities and interests. Although it is easier said than done, a measure of performance should be the capacity for management to present correct analyses of the economic means to achieve the political ends.

41. On the negative side, many of the disadvantages listed are being or are to be tackled through

- (a) policies and legislation that do not allow the perpetual protection of "the less efficient unit" and the fostering of "cross-subsidization practices within their family groups"^{12/};
- (b) a gradually developing, planning and monitoring mechanism that does not promote the creation of excess capacities resulting from "empire-building motivations".

The "increase (in the) degree of implicit monopoly power"^{13/} is an inherent consequence and a deliberate objective of the socialization process. The avoidance of this disadvantage, however, should not be beyond the capabilities of supervising authorities to issue and translate policy directives for comparative performance standards between organizations including reasonable comparisons with international performance standards.

^{11/} United Nations, Department of Economic and Social Affairs, Measures for Improving Performance of Public Enterprise in Developing Countries, New York, 1973, p.9.

^{12/} See PMAC, A Proclamation to Provide for the Regulation and Coordination of Public Financial Operations, No. 163/1979, Addis Ababa, June 1979.

^{13/} Ibid. 11

42. Finally, the corporations, which happen to be at the centre of the two-tiered structure in our case, are becoming operating supervisory control centres as noted earlier. They are, therefore, becoming more and more measurable by similar standards that holding companies are subject to, whether the results are consolidated or not.

43. Subject to the points raised above, if one were to use the advantages and disadvantages listed in the UN document as a yardstick for judging the soundness of the present organizational structure, it would be correct to conclude the following:

- 1) there is no immediate need for the creation of new institutions (except the proposed projects office to be discussed later) or restructuring the existing one;
- 2) there would be need, however, for intra-sector rationalization in order
 - (a) to minimize wastage in the use of human, material and financial resources,
 - (b) to take full advantage of the present structure and provide a sound basis for a leading and potentially expanding public sector.

B. The Private Sector

44. As noted earlier, the private sector in manufacturing industry has been weakened through nationalization and general restrictions as to the areas of manufacturing activity it can participate in. The National Democratic Revolution Programme, a general statement of the social, political and economic objectives and aspirations of Ethiopian society and the current guiding policy document of the state, incorporates the provision of incentives to "those private enterprises that contribute to the overall development of the economy"^{14/}. Although this statement appears clear enough to develop further strategy and policy measures for this sector, it should be appreciated that it is also difficult to elaborate measures for incentives and promotion of private entrepreneurship, in the face of a strong socialization programme. Against this background, the organizational aspects of the private sector play a much less strategic role, than the state enterprises and cooperatives, in their impact on how private industrial enterprises function and perform. Be that as it may, it may be useful to indicate some of the organizational and legal prescriptions for the sector.

45. Firstly, the private sector is only able to operate small-scale industries which by definition "shall mean any manufacturing activity which normally uses motive power and machines and which has fixed assets the value of which does not exceed 200,000 birr (Birr 2.07 = US\$ 1) excluding buildings and land improvement"^{15/}

46. Secondly, private industries can be established under either one of two legal forms as sole or single proprietorships or as general partnerships. Under the latter, the partnership can be constituted by a maximum of five people who must be working partners who may put up capital toward the partnership and must personally participate in the management or operation of the enterprise.

^{14/} Ministry of Industry, A Review of Industrial Development Policies in Ethiopia Paper presented as a contribution to the Regional Symposium, September 1979. P.19

^{15/} PMAC, Handicrafts and Small-scale Industries Development Agency Establishment Proclamation. No. 124/1977, Addis Ababa Aug. 77.

47. As noted earlier, HASIDA is the principal Government agency that is responsible for small-scale industries and thus the private industry sub-sector.

48. The recently reorganized Chambers of Commerce are the non-government organizations that are expected to play a role in supporting the activities of the private sector. Established by proclamation, the Ethiopian Chamber of Commerce, among other things is "to provide forums where government, public and private organizations engaged in commerce, industry, tourism, transport and related fields can come together and discuss their activities, mutual relations and the products and economy of the country and seek solutions therefore in accordance with the National Democratic Revolution Programme of Ethiopia and submit recommendations to the Government."^{16/}

49. It is too early to assess the impact the chambers of commerce would have on the development of private entrepreneurship; in the industrial sector in particular. One may, however, note that their characteristic emphasis on trade and commerce and the delicate balance that would need to be maintained between the chambers' promotional activities and the government's socialization programme would keep the former's role in developing private industrial entrepreneurship to a minimum.

C. Cooperatives

50. Cooperatives, including those in the handicrafts and cottage industries sub-sector, are emerging as important elements of industrial organization in Ethiopia. Government support to cooperative development has been such that in a relatively short period of time a relatively large number of handicrafts and cottage industries could be organized (about 781 as of the date of this report) including several handicrafts producers cooperatives; plans are also underway to promote the establishment of model industrial cooperatives.

51. Under current legislation, there can be two types of cooperatives... producers' and service cooperatives. Under the former, it is envisaged for members (craftsmen or artisans) "to work collectively and to gradually transfer the means of production to the ownership of the cooperative..."^{17/} while under the latter members are "... to cooperate in production and in the provision of means of production, marketing facilities and other necessary services to members"^{17/}

52. Organizationally, cooperative development is supported by a national cooperative board, composed of members from key ministries and agencies, to advise government on policy measures and to issue policies and guidelines on the development of cooperatives^{18/} Under the board there are designated "appropriate authorities" (HASIDA for handicrafts) to prepare and submit studies, plans and guidelines on cooperative organization and promotion, to supervise, inspect and audit cooperatives, to promote cooperation and to train the necessary manpower for cooperative development.

53. Internally, cooperative both as mass and economic organizations are so set-up as to assume full participation of members (general assembly, executive committee and various committees) as well as to operate along business lines (technical committee, finance and administration section, marketing and credit section and social services, finance and administration section, marketing and credit section and social services section). Producers cooperatives would have work teams or work brigade leader elected by the general assembly and accountable to the executive committee of the

^{16/} PMAC, Chamber of Commerce Proclamation No. 148/1978 Addis Ababa, July 1978

^{17/} PMAC, Cooperative Societies Proclamation No. 138/1978 Addis Ababa, March 1978

cooperative. The team leader allocates work among members of the team, supervises and controls the performance of the team and its members and prepares performance reports for the executive committee.

54. While cooperatives can be organized along the lines briefly described earlier, according to current government directives, handicrafts producers' cooperatives can only be established by individual members on cooperatives practicing the same handicraft trade (e.g. weavers, tailors leather goods craftsmen). The number of members of each producers' cooperative within a certain location and boundary have an upper limit... weavers 500, others 300. The central government guidelines referred to above identify fourteen handicraft trades on which basis producers' cooperatives can be formed.^{19/}

55. The concerted effort to promote producers' cooperatives development since the revolution has very deep ideological roots inseparable from the revolution itself. The establishment of producers cooperatives has also its own organizational benefits-- as a more or less homogenous group the producers' cooperatives are much more suited to central planning directives and supervision and the cooperative itself is in a much better position to programme its own activities.

56. The handicrafts producers cooperatives being or to be set up according to the above referred guidelines have, organizationally, particular strategic advantages:

- a. elimination of wasteful competition among handicraftsmen i.e. providing members of a particular trade better bargaining position;
- b. active and tangible promotion of the social status of handicraftsmen and the dignity of their labour not only through mere propaganda but by demonstrating what the different handicraft trades can achieve if they are free from social prejudice;^{20/}
- c. the increased possibility of upgrading and introducing technology with more effective group impact;
- d. the possibility of setting common infrastructural facilities to service the members at lower cost.

57. It may be noted that previous efforts at organizing handicrafts producers cooperatives within the ambit of different trades, sometimes within peasant associations and, more often, as part of service cooperatives have met with little success. Handicrafts or industrial cooperatives are still by and large unorganized or non-existent, compared to a relatively larger number in the agricultural sector. With the appropriate government support in the technical and managerial aspects, they are likely to grow fast. The Ethiopian handicraftsmen, historically a landless worker or a poor part-time farmer at best would appear to be less contentious about the collective ownership of the means of production. Although it is still too early to judge, together with his "industrial" working tradition, the possibility of organizing and developing relatively viable and better organized, producers cooperatives in the industrial sector reportedly show promising signs.

^{19/} PMAC, Guidelines for Handicrafts Producers' Cooperative Societies. (Amharic Version) Addis Ababa, July 1979.

^{20/} In Ethiopia, handicraftsmen had always been kept down in the lower strata of social structure, although their indispensability in supplying the system with essential goods and services was never questioned in most parts of the country even after the emergence of manufacturing industry. Their craft was neither discouraged nor encouraged by their feudal lords as a result of which very little change has taken place in methods of production over the centuries.

II. Management issues

A. Production and marketing - State enterprises

Production planning and the target setting process

58. Since 1978/79, the production of goods by the state-owned industrial enterprises has started to be directed by annual (campaign) programmes by means of which production targets are set. It is considered worthwhile to briefly set out the production planning process involved in order to be able to adequately assess the role of enterprises management and its behaviour.

59. The National Revolutionary Development Campaign and Central Planning Supreme Council (CPSC) is the central planning authority that sets out the macro objectives, strategies and required policy measures of the campaign programmes. The CPSC works in close collaboration with the supervising authority in preparing and determining the parameters. On the basis of these, the CPSC prepares general guidelines on the preparation of the production plans (started in 1979/80) and distributes these guidelines to the corporations through the supervising authority. The corporations pass them on to enterprises. The enterprises disaggregate the figures, prepare their production plans and submit them back to the corporations which check on the consistency of the criteria, parameters and constraints taken into account by the enterprises and pass them on up to the supervising authority. The supervising authority which is closer to the central planning authority checks the consistency with the macro objectives and strategies, closely examines and adjusts any stated physical, technical, financial and manpower constraints and reviews the plans accordingly and submits it to the central planning authority. The CPSC may change the final production plans on the basis of the national objectives and strategies and any information available that would necessitate the alteration of the plans. After approval by the Council, the plan becomes an official document which the supervising authority, the corporations and the plants should fulfil.

60. This iterative process which has been put into better practice during the current campaign programme (1979/80) has attempted to involve all who are more or less directly concerned with the production of industrial goods.

61. In the first campaign programme, a major objective having been the alleviation of the acute shortage in the supply of industrial goods, much of the exercise at enterprise level focussed on producing at maximum capacity. Coupled with the emergency nature of the programme there was little time and opportunity to follow the process described above and to assess the major constraints involved. Production targets were set at enterprise level and passed to the central planning authorities with little scrutiny by corporations or the supervising authority; some enterprises and many corporations were even compelled by the shortage of time to submit production plans directly to the central planning authority. In the absence of adequate knowledge of the central planning situation within the enterprises and the external factors, such as supply of raw materials and imports, affecting the production programme of enterprises, much of the target-setting exercise was left to the wisdom and judgement of enterprises management. Under the circumstances, there should have been no cause for alarm, where enterprises grossly underestimated or overestimated their production capacities, if the central planning authorities mobilized themselves to take corrective action to the extent of coordinating the transportation of raw materials and inputs to factory sites to attain the targets. Some corporations were even unable to correctly quantify the supply of inputs from one enterprise to another, both within their supervisory parview. If overall results of the first campaign programme in industrial production were quite satisfactory, it was not because the targets were properly prepared.

62. Theoretically, under improved central planning conditions, the process of target-setting should be more effectively applied at all levels. Even under these present circumstances, target-setting in the industrial sector still depends more on the knowledge, judgement and motivation of enterprise management than on the ability of the supervising authorities to justifiably impose physical target obligations. Taking into account the enormous manpower and technical constraints currently facing the country, it would hardly be realistic to expect central planning authorities to undertake such an exercise at this stage. Even if "... the setting of targets is a prerogative of supervising authority that cannot be delegated to enterprise management" ^{21/} one may even ask whether the central planning authorities should not be more concerned that the process of setting output targets for state industrial enterprises adequately reflects the public interest and national priorities as defined by them. The important question becomes, therefore, not who set the targets but whether the present target-setting process practised for the state industrial enterprises adequately reflects "... policy-makers' preferences and priorities" as well as "enterprise capabilities and (comparative) competencies" ^{22/} The interpretation of public or national interest may be arguable since, at times, some factors need to identify it with enterprise interest - e.g. utilization of installed capacity while often it is readily identified with social objectives of the supervising authorities as against economic and financial objectives of enterprise management. It is not uncommon for supervising authorities to impose these conflicting objectives on industrial enterprises.

Target setting by enterprises - main considerations

63. In the light of what has been said above about target setting what is the current practice followed by industrial enterprises in setting production targets? From the discussions held at various levels of industrial management, almost invariably it is enterprise management that sets the initial targets. The factors considered in setting targets are production capacity (including allowance for downtime due to machinery breakage and stoppage) raw material and inputs availability, technical manpower availability and marketing and distribution constraints.

64. In determining plant capacity, most of the enterprise managers have no complete information on installed or theoretical capacity -- in many cases there is neither original technical data available nor has any systematic capacity rating been carried out to determine this. So, enterprise management most often takes historical data, over a four or five year period, when these are available, or base their targets on observations during one or two years of operation. This should be cause for some concern; because of the deficiency in this information one cannot even know whether the targets are optimally set. Labour productivity and the skill at handling machines and equipment being closely inter-related to capacity determination, the lack of this knowledge in many enterprises is likely to provide little impetus to improve labour efficiency to attain desired goals in output maximization.

65. One other impeding element in the ability to determine plant capacity has been the almost total inaccessibility, created by the former expatriate owner-managers, of capacity information to nationals. In cases where the nationals have been involved from the very establishment of the enterprise, such as in sugar production, enterprise management is in a much better position to determine production capacity with full knowledge of the constraints, and to fend off any arbitrary imposition from supervising authorities.

^{21/} United Nations, op. cit. p. 47

^{22/} Ibid, p. 43

66. In view of the above, the supervising authority has planned to undertake a series of surveys of industrial subsectors with one of the objectives being the technical assessment of the existing condition of plant machinery and equipment and the determination of production capacity. This is a measure that should be fully supported as a component of promoting self-sustained and self-reliant industrial development at the national level.

67. In regard to raw materials, inputs and spare parts availability determining target-setting, available evidence points to the fact that these constraints are a major source of uncertainty and causes for reported underutilization of whatever capacity is decided upon by management, except in a few cases. In an agro-based industrial scene, the availability of domestic agricultural raw materials is subject to the vagaries of nature. In present practice, it is rare for the state enterprises to enter into supply agreements, whether short- or long-term, with domestic producers of agricultural raw materials including state farms. The exceptions observed apply to the textile enterprises purchasing cotton from state farms and sugar production where raw material production and processing are an integrated operation. In cases where the supplies are a large number of small producers, such as wheat or oilseeds farmers, availability of raw materials has continued to be a persistent cause for capacity underutilization or under-targeting even under present conditions of a central purchasing agency taking responsibility to deliver the required raw materials to industrial enterprises.

68. Availability of foreign purchased raw materials and inputs imposes less constraints on target-setting once plans and foreign exchange allocations have been approved. In fact under present conditions enterprises which largely depend on foreign purchased raw materials and inputs can set targets with much less uncertainty and perform better than those having to rely on domestic supplies with the exceptions noted above.

69. Where enterprises depend on domestic raw material supplies as well as foreign purchases for that part which cannot be domestically supplied there have been several occasions where production has been disrupted as a result of failures by suppliers to deliver according to an agreed schedule, or over-optimistic projections, thus impeding enterprise management to programme the lead time for foreign purchases and deliveries. This state of affairs has tended to push some production performance motivated enterprise management to tie target setting to foreign purchases -- an anti-thesis to the self-reliant industrial development theme. The supervising authorities justifiably curb this tendency on the part of industrial enterprise management and are simultaneously making an all out effort for the producers of raw materials to apply the maximum possible quantity required by plants.

70. Even though purchases of raw materials and inputs are centralized in many of the established subsectors, no long-term purchase contracts are entered. This is a direct result of the short-term nature of plans and programmes which only allow annual allocations for such purposes. Apart from the reduced uncertainty long-term contracts entails the benefits from reduced cost under current inflationary conditions would be a factor to consider for introducing such practices when longer term plans are launched.

71. Availability of spare parts for machinery and equipment imposes a heavy constraint on target-setting. For one, much of the industrial machinery and equipment in use being old, in many cases obsolescent, the quantity of spare parts required to keep plants running has steadily increased. Coupled with the rather lengthy lead time required and, in many cases, the incomplete knowledge of technical specifications and sources of supply, frequent stoppages of machinery and equipment have given rise to tendencies of conscious under-targeting by enterprise management. In the medium-term, since the very limited capacity of the engineering industry to produce and supply spares would continue to prevail, the purchase of spare parts would have to continue to depend on foreign markets. To minimize the adverse effects of spare parts availability, even the present limited experience

strongly suggests that purchases have to be so organized as to enable much easier access to foreign markets and suppliers. The experience of the Sugar Corporation, mentioned earlier, and the proposed pooling of services is a point to be seriously considered.

72. In the longer run, the development of the engineering industry branch is of crucial importance. One of the important factors that triggered recent efforts to develop a workshop complex, 23/ is the critical situation in the availability and supply of spare parts. Although the integrated development of this branch is basically a sound approach, the establishment of central spare parts producing facilities based on foreign supplied raw materials and the rational use of existing capacities should be given top priority.

73. The shortage of technical manpower, both to operate and maintain machinery and equipment, is a major constraint that enterprise management takes into consideration when setting production targets. Besides the shortage in absolute terms, the relative skill level of available manpower has very limiting consequences on output maximization goals. Skills upgrading and training in basic skills is being given serious attention at different levels, but the time element involved seems to leave enterprise management in a position of trying to make the best of what is available. One of several measures taken to increase production has been the use of an increased number of working shifts by removing some technical bottlenecks that impede the fuller use of the limited technical manpower available. A more detailed discussion of the industrial training policies, programmes and activities will be taken up at a later stage of the report.

74. On the face of it, marketing and distribution of industrial products does not reportedly present a major constraint on enterprise management's target setting exercise. This is because most of the goods produced are in short supply. There are a few exceptions where market constraints have become an important cause for underutilization of capacity — paints, automobile tyres, car batteries, bricks, meat products, woollen materials 24/ reportedly knitwear and some metal products. With the exception of meat products, which are mainly export-oriented all the other products are intended for domestic consumption.

75. The non-existence of this constraint in the production of the other industrial goods has led to a situation where enterprise management pays inadequate attention as to how the products are distributed or regards product quality as an unimportant factor in the marketing of products. An additional cause for concern arises where enterprises' marketing activity ends at the time of delivery of products to state distribution agencies under a different supervising authority. In such cases, there is a prevalent tendency for enterprise management to think as having fully discharged its responsibilities once it has delivered the goods to such agencies and does little to follow up market response for quality improvement or the possible introduction of a different product-mix or of new product lines. There is very little feedback or market research on the part of the state distribution agencies which tend to behave like traders trying to maximize their surplus.

76. In cases where market constraints exist for a few products and the distribution responsibility has been taken over by the state distribution agencies target-setting and "producing to store" some slow moving items, as interpreted by such agencies, have

23/ The project is now under preliminary investigation but is expected to include foundry, forging and machine shop sections.

24/ FNAC, National Revolutionary Development Campaign, Programme II (Amharic version), Addis Ababa 1979, p. 108.

been frustrating issues for enterprise management. In one case, some enterprise management was compelled to discontinue product lines because the state distribution agencies strongly objected to their production (slow moving items) although there was reportedly no problem when the enterprise itself was carrying out the marketing activity.

77. Commodities in short supply are sometimes used as an effective leverage to sell products in excess supply or of poor quality products through the compulsory combined purchase of both types of products by the consumer. While the application of such marketing techniques can be said to be symptomatic of the inadequate distribution system in several cases, it is not unfair to say that industrial enterprise management has abandoned one of its important functions of following up the market to produce better quality at cheaper cost and has disregarded its social responsibilities behind the cover of a temporary shortage situation. It is needless to state that the need for such close follow-up of the market within the existing framework is not irreconcilable with central direction. In fact, such marketing follow up at this stage will enhance the capabilities of enterprise management to introduce innovative actions directed at better performance and service to the public — a major objective of state enterprises — and the creation of the necessary conditions for self-sustained industrial development once the shortage situation has been eliminated.

78. Although as can be noted above, marketing does not feature as a constraint in target-setting at present, the shortage situation for the majority of industrial products has, in other respects, tended to induce enterprise management to behave in an almost indifferent manner to "what the market has to say". This has subsequently tended to make enterprise management insensitive to desirable and affordable product quality standards and unmotivated to seek cost reduction measures to serve the public better. It would therefore be justifiable for supervising authorities to impose the follow up of the market as an obligation which enterprise management must undertake where the marketing activities are not carried out by such management itself.

79. In the case of state distribution agencies, the issue is one of adequacy of the institutional structure and attitude as well as the establishment of an effective system. The performance of the distribution system cannot be measured only by the amount of surpluses it generates for the central treasury but also by whether the goods produced are delivered to target areas and populations as well as by how much it provides feedback information to the production enterprises on what the broad masses would like to have supplied within existing capabilities. There is need for constant and consistent interaction between the production units and the distribution agencies. A closer look at the established system and changes or restructuring would appear to be an urgent programme of action if the future development of consumer goods industries is not to be stifled because of the deficiency in the marketing and distribution system.

Target setting and national objectives

80. Having taken the above factors into consideration, the targets set by enterprise management undergo a process of review by coordinating and supervising authorities. The corporations, being quite close to the operating units, tend to concentrate on reviewing the targets taking into consideration, what one may call, operational realities. In some cases, because of the fact that corporations involve themselves from the very beginning due to the limited capacity at plant level, there is no need for substantive reviews. In others, enterprise targets are reviewed against some major indicators which corporation management has developed on the basis of experience and observation.

81. The supervising authority, operating within the mainstream of the governments political and economic thinking reviews the targets with an eye on comparisons of different sub-sectoral targets, measures on mitigating constraints external to the sub-sector or enterprise but limiting the optimal use of acknowledged plant capacities (e.g. agricultural raw materials) and on balancing the measures required to meet economic and non-economic objectives.

82. Under present conditions, the supervising authority's capability to assess and review targets related to technical aspects seems rather limited because of the absence of technical expertise at this level and the tendency for existing manpower to concentrate on the financial aspects. Even at corporation level, many of the present managers possess mainly finance and management expertise. Hence, the proposed creation of a technical unit within the supervising authority and the strengthening of technical services at corporation level, points discussed earlier. Even if this aspect is largely left to the corporation and enterprises, it would be equally true that the supervising authority is in a better position than the central planning authority to appreciate even the technical constraints notwithstanding the imperfect knowledge about condition of machinery and equipment and potential capacity reserves that can be tapped.

83. The review of targets at the central planning authority tends to rely on the broader objectives initially set and the immediate goal of achieving high production figures. Constrained with still more imperfect knowledge of plant capacity, it is not uncommon for the central planning authority to put pressure on the supervising authority and enterprises to increase the targets. Such pressures are mainly triggered by the planning authority's sincere desire to stretch available resources to achieve higher targets on the one hand. On the other hand, they are equally founded on the suspicion that enterprise management may be hedging against higher targets to protect itself from the risk of impending failure. In a situation where failure to attain planned targets is viewed with disfavour in contrast to the praise attached to overfulfilled targets, it should not be surprising to discover that enterprise management would be inclined to "conceal" production capabilities to avoid adverse consequences.

84. Under these circumstances, it may be totally justifiable for the planning authorities to insist on higher targets to utilize plant capacity, but all the other factors which are mostly outside the control of the production units, the corporations and even the supervising authority must be handled as a package. A case in point should be the supply of domestic raw materials by other sectors, a factor that cannot be assumed away as a non-constraint. The danger that this and similar other constraints (e.g. the marketing and distribution constraint noted earlier) are glossed over has always been there, because of the complex nature of the problem, in spite of the acknowledged adverse effect they have on performance. It may be in the nature of this kind of a target setting process that such constraints external to the enterprise are "forgotten" or enmeshed in technicalities and a chain of excuses at the time of appraising performance.

85. Over and above this, enterprises would be expected to perform well financially. For justifiable non-economic reasons, the first campaign programme laid stress on increasing the production of mass consumption goods through efforts directed at restarting stalled production units, increasing work shifts, assuring the timely delivery of raw materials and spare parts, replacing old machinery and finally raising overall per capita output. Cost considerations were implicitly stated but were not in the list of higher order priorities.

86. The second campaign programme (1979-1980) brought out this quite explicitly as one of the important measures to be considered by state industrial enterprises in their target

setting²⁵ it is expected that production units would exert every effort to make adequate profits but, as an absolute minimum, to cover their operating costs. This should further be considered as a measure of their efficiency²⁵ This is an important step introduced in the target-setting process but it has had its own impact on the behaviour enterprise management adopts in its strive to achieve this target.

37. Firstly, enterprise management starts pushing for raising ex-factory prices for products. Many could succeed to do this because of the weakness of the central price-setting mechanism through which price increases are approved. While price increases could be justifiable in many cases because many enterprises have little control on input costs other than labour. The ability to do this rather easily for many industrial commodities, on the other hand, can hardly induce enterprise management to look for and use opportunities that reduce costs. In the face of the inadequate cost analysis system prevailing in many enterprises and the limited knowledge of this even by the price control authorities, management tends to opt for the easy way out — achieving a financial target, by shifting the burden to the final consumer — a method of achieving good performance hardly compatible with the social objectives state enterprises are expected to identify with.

38. Secondly, either in conjunction with the above or as a separate exercise, enterprises management attempts to change its product mix by increasing the proportion of higher quality higher priced lines at the expense of lower quality and low priced goods. This obviously goes against a major social objective of policy makers and it is only reasonable for these authorities to reject such moves in the process of target-setting reviews. In this respect, it should also be reasonable not to expect enterprise management to be held accountable for poor financial performance unless the appropriate downward adjustments in the financial targets are made or specified subsidies are granted to reflect the effect of maintaining losing product lines.

39. Where targets are quantified or quantifiable it is relatively easy for both the supervising authorities and the enterprises to pinpoint the social and enterprise costs or benefits. Not all public obligations are, however, quantified or even approximately accounted for in the process of target-setting. In such cases, it becomes difficult to hold either the supervising authorities or enterprises accountable for performance results. This, in no way, should be interpreted to mean that so-called public obligations should not be imposed by supervising authorities. It would rather point out the need that, in the process of target-setting:

- a) supervising authorities should avoid the imposition of open-ended obligations or accepting rigorously unjustified enterprise measures to achieve good performance results,
- b) both supervising authorities and enterprise management should undertake to assess, even approximately, the financial effects of the social and enterprise costs and benefits involved in instituting planned production decisions. This is easier said than done, but unless serious efforts are directed toward such measures the principle that "... while public enterprises may bear obligations of a national and non-commercial kind they are not, and ought not to be absolved from a commercial mode of operation"²⁶ can hardly be upheld. And in the framework of expected performance of state industrial management in Ethiopia, it would be imperative to apply this principle.

²⁵/ FIAC National Revolutionary Development Campaign Programme II (Arharic Version) Addis Ababa, 1979, p. 212.

²⁶/ United Nations, op. cit. p. 45.

B. Project Development

90. The expansion of the state industrial sector in post-revolution Ethiopia has been a result of the measures of nationalization — a measure that flows directly from the political and economic objectives and strategies of the present government. These objectives and strategies have been based to issue policies that define the state sector's predominant role (a) in the production of goods which meet the basic needs of the masses, and (b) in the ownership and management of basic industries that promote self-sustained and self-reliant industrial development. 7/ In the face of the inherited industrial structure, which is mainly based on the production of consumer goods, and in the wake of an ever increasing demand that could not be met by the existing limited and inadequate capacities, it can hardly be expected for the state sector's role to be prescribed by the ownership and management of nationalized industries.

91. The emergency situation prevailing in the country in the initial post-revolution years coupled with the almost sudden confrontation of the state administration with the management of a relatively large number of nationalized industries, which also have to be run along commercial lines, hardly gave state economic management an opportunity to evolve a system of expanding the state sector through new plants or major expansions. As a consequence, much of the effort of the Government was directed at (a) assuring the flow of goods and services with as little disruption as possible through measures that included emergency replacement of machinery and equipment, (b) consolidating the management capabilities of newly nationalized industries through a series of reorganizations and rationalization.

92. The challenge at present seems to be the continued improvement of the capabilities of industrial management to run and operate production enterprises in accordance with Government policy as well as the simultaneous development of capabilities to both expand and operate the state industrial sector. The preceding part of this section having looked at some of the critical factors affecting operation and management of existing enterprises, the following part looks at the process of project development for the state industrial sector. The discussion will attempt to look into the role of enterprises, corporations and supervising authorities in the identification, preparation, appraisal, implementation and follow-up of industrial projects and investments.

Project Identification

93. There is widespread belief at different levels of industrial management that project identification can be done at any level of the industrial organization structure or by anyone concerned with industrial development. This is not arguable, it can be done. In fact, as a consequence of such a belief there have not been a few projects that have been identified and "sold" by outsiders to the Government in the past. On the one hand, the ability of national enterprise management to identify projects should remain unfettered. On the other hand, case evidence points to the fact that there are enterprises who had gone into the identification of projects that attempt to integrate activities carried out

2/ See P.D.C. Declaration on Economic Policy of Socialist Ethiopia, February 1975 and programme of National Democratic Revolution of Ethiopia, April 1976.

by other enterprises in order to assure their own limited input supplies or to produce final products that would introduce an unnecessary competition with well-established enterprises. In other cases enterprises operating in a completely different sub-sector have identified and prepared projects which may use only a small portion of their inputs.

94. So the question is not whether identification can be done but whether it should be done by anyone. Any of the cases cited above had to be stopped and either postponed, discarded or transferred to the relevant sub-sectors after relatively considerable manpower efforts have been expended on the identification work. It is thus only logical that the supervising authority, which in this case is also the project sponsoring authority, has now started to approach project identification more systematically. A series of surveys are to be launched, in the immediate future, for key sectors to which the Government has accorded priority — textiles, metals, chemicals, food, building materials and leather and shoe, in that order — in order to determine the extent and direction of new projects developments in close collaboration with corporation management.

95. The preparation of completely new projects is formally the responsibility of corporations but with the manpower constraints they are facing at present and the rather urgent need for developing new projects, the supervising authority seems prepared to take over the responsibility of project preparation in this respect. The setting up of an industrial projects office under the auspices of the Ministry of Industry is being seriously considered for the purpose.

96. Despite the appeal which this proposal of creating a new structure within the supervising authority has for those primarily concerned with industrial projects, it may be expected to entail certain problems. Firstly, because of the limited manpower available at the supervising authority level, the qualified people that are expected to staff the new office will have to be drawn from corporations. Thus further restricting the capabilities of corporations in this area of activity. Secondly, the new office is most certainly to compete for qualified staff with the newly established Development Projects Study Agency (DPSA) 28/

97. The DPSA, which has just started functioning and is already affiliated with the shortage of qualified manpower, is designated to grow into a Government consultancy firm, apart from its other functions of evaluation and follow-up of Government projects, as well as the selection and supervision of outside consultants. While it is true that the DPSA is not set up to cater only for industrial projects, the setting up of a new and separate office for industrial projects would not enhance the consultancy capabilities at the national level. It may be proposed to "treat" the new office as a branch of the DPSA, but under the direction and supervision of another body. Any proposal short of the complete integration of industrial projects preparation within the Agency would be expected:

- (a) to limit the activities of the Agency to only evaluation and appraisal thereby impeding its development as an operating consultancy firm;
- (b) to impede the consistent application of project preparation criteria and standards from the outset, and
- (c) to limit the ability of the supervising authority to coopt the services of experts and specialists outside its own sector.

28/ RAC, Development Projects Study Agency Establishment Proclamation No.175/1980
Addis Ababa, January 1980.

98. If the centralization process in this respect is to fully attain its objectives, centralization at the DFSA level ^{29/} would enhance the agency's capabilities to carry out the sort of activities stated above and at the same time to check on the comprehensive approach to project preparation as an instrument of the implementation of the national plan, the agency being a body under the umbrella of the central planning authority. In connexion with the last point, recent experience testifies that some projects were prepared without taking into account some of the infrastructural requirements (e.g. power, roads) which issue had to be brought up to the central planning authority for final inclusion as qualified components of the projects under review.

99. The DFSA has at present two departments -- one dealing with project economics across the board and the other with technology, so set up because of qualified manpower constraints preventing it from setting up units dealing with projects at the sectoral level. If there is a possibility to create and staff an office for industrial projects under the sector supervising authority, there is nothing to prevent the DFSA from setting up an industrial sector department as one of its units. It is hoped that the points raised above would be taken into some consideration before creating a new institution of the sort being entertained at the sector level.

100. Whatever the future strength of the DFSA will be, the set up should not prevent the supervising authority and the corporations to continue to actively participate in the preparation of new or expansion projects to the extent that their manpower resources will allow them. In the first instance, since the DFSA will not be able to study all projects with its own staff before a considerable period has elapsed, it will be expected to limit its primary responsibility to the preparation of big and/or rather complex projects. Even for these, it may have to continue to selectively use the services of outside consultants for sometime to come. For the others, it would only be pragmatic for the agency to determine the size and type of projects which would continue to be handled by the implementing ministries and to limit itself to (a) providing project preparation guidelines; (b) training project staff in the criteria and standards to be followed in project identification and preparation; and (c) the evaluation and appraisal of prepared projects. ^{30/}

101. The agency's primary responsibility in the preparation of big and complex projects should not also stifle the participation of either the supervising authority or the corporations. This would benefit the project preparation process in at least two ways. In the short-run, the duty of project preparation would be better served by taking into account the practical experience of already operating units. This has been of strategic importance particularly when outside consultants are engaged to carry out feasibility studies with a tendency to overdesign plant capacities or to extend the implementation period to take advantage of higher costs that would result in higher construction and supervision fees. In the longer run, participation would create a reserve of national expertise to undertake the preparation of future projects with greater confidence. A case in point has been the preparation of the fourth sugar project in which not only corporation management and expertise were involved, but a number of other specialists

^{29/} It is most likely anyway that it would be the same type and number of people that would staff either the new industrial projects office or the unit proposed (within DFSAO to follow industrial projects preparation).

^{30/} One can readily visualize such a division of responsibilities in what some corporation managers call "repeat projects" whose size is relatively manageable and where the technology involved is already well known. Flour mills and edible oil mills are relevant examples.

were drawn by the central planning authority (which had a department dealing with projects before DEFA was established) to work with and simultaneously check the work of the consultants during the whole period of project preparation. ^{31/} In fact, the agricultural portion of the study for the above mentioned projects was predominantly carried out by the Ethiopian group.

102. Under prevailing conditions, the corporations appear to play an important role in the preparation of industrial projects, particularly if they are expansion or small-scale projects. In expansion projects enterprise management fully participates in project preparation. In most cases corporations prepare project profiles for review and approval by the policy makers following which the detailed feasibility study is carried out with the assistance of the Projects, Planning and Policy Department of the Ministry of Industry.

Project Appraisal

103. The Projects, Planning and Policy Department of the Ministry of Industry plays a key role in project review and appraisal, particularly regarding the economic and financial aspects as well as the consistency of the project or projects with sectoral policies and priorities. This department has expert groups that deal with the same broad categories of subsectors as in the Operations Department discussed earlier.

104. The appraisal of projects follows a more rigorous procedure than project preparation. After the projects are reviewed at the supervising ministry level, they have to go to the central planning authority which does not only appraise the projects from the efficiency criteria point of view but also attempts to consider social criteria and broader policy issues such as regional development. The central planning authority is enabled to do this because of the multidisciplinary inputs that its several departments contribute. At project level much of the appraisal is done by the projects department (now the DEFA) and the industry sector department within the authority, while macro consideration are followed by the department concerned with overall planning. Regional aspects are considered by a newly created physical planning department of the Central Planning Supreme Council. There have been occasions in the past where the central planning authorities have located a project having taken consideration other than the efficiency criteria into account; a case in point is the fourth sugar project now under implementation.

105. The project again comes for review at the cabinet level when approval of the financing arrangements is sought, particularly where financing from external sources is involved. Where external financing is programme -- based rather than project specific (e.g. EDF grants and loans), the appraisal of projects designated in the programme is carried out by the central planning authority as a final stage unless the terms and conditions of financing have been substantially altered from the original arrangements.

106. This rather rigorous, project appraisal procedure has proved advantageous in practice in that it allows to minimize the possibility of overlooking factors that are likely to crop up in the course of project implementation. It further motivates all authorities concerned to identify with the efforts required for the successful implementation of the project. One can point out that at the successive stages of appraisal the appraising authority becomes the sponsor and defender of the project.

^{31/} The central project agency's role in mobilizing manpower resources available in Government institutions has been strengthened by the present legislation which provides that the employment of foreign or domestic consultancy organizations must have the prior approval of the agency (Proclamation No.175/1980 Op.cit).

107. Again, the procedure may be considered to be rather lengthy despite the advantages cited above. There clear criteria and standards for project planning are adequately developed and applied, experience has proven there are no shorter alternatives. So the concern should be whether everyone, at the different stages, is appropriately made aware of the criteria and standards against which he appraises any project. It is an encouraging sign that the very first efforts of the newly established Development Projects Agency have been directed at the development of criteria and standards to be applied within the prevailing conditions in Ethiopia.^{32/} At the time of writing this report a one month seminar sponsored by UNIDO the Ministry of Industry and DFSA was underway to introduce the documents to project planners and analysts working in the industrial sector.

Project Implementation

108. Corporation management plays an important role in project implementation. Once the project has been given the go-ahead sign, corporations take the responsibility of carrying out detailed surveys (where necessary), reviewing designs and machinery specifications prepared by consulting engineers, bid analysis of contractors and contract negotiations. After approval by the supervising authority, corporation management also concludes and signs construction and installation contracts.

109. Within most corporations, the key department that takes the responsibility for project implementation is the projects and planning department with support from the technical department. In one case which has been the subject of an interview (Food Corporation), the corporation has created the office of project manager which takes over from the moment that a particular project is approved and sees it through commissioning. The project manager, in this case, functions independently of the technical services department but is assisted by a project engineer under his responsibility.

110. This may apparently become an arguable case mainly because the proper utilization of the project management capacity is dependent on the number of projects that would be generated. On the other hand the training of future enterprise managers is, in this particular case, incorporated in the set up (the potential manager is reportedly selected and made to follow the progress of the project actively from the beginning of the implementation stage). It may, therefore, be worthwhile to conceive a set-up where corporation management can retain a close follow-up of project implementation while not sacrificing the full utilization of the project management office's capabilities. Existing enterprise management normally actively participates in both the preparation and implementation of expansion projects.

111. Apart from the manpower constraints which limit capabilities economy-wide, there are other major constraints which adversely affect industrial project implementation. One such important factor has been the limited construction capability within the country. Although there have been very few new industrial projects that require extensive construction since the revolution, even those few expansion projects under implementation have been afflicted with delays in construction. The available construction capacity is so limited on the one hand, and so many activities compete so much for the top place in the priority listing on the other, that it has resulted in a situation where such capacity has become thinly spread over the various sectors (education, health, agriculture, industry etc.) very much reducing the performance of the economy.

^{32/} See Development Projects Study Agency: 1) Draft Guidelines to Project Planning in Ethiopia; 2) National Framework (Draft) Addis Ababa 1979.

112. In the light of such difficulties, a bold step has had to be taken to align priority construction activities with available construction capacity — a measure that is bound to be a little unpopular for political and social reasons. It has been attempted in the second campaign programme to minimize the gap between claims on the construction industry and the existing capacity of the sector which itself is caught in the vicious circle of shortage of construction materials — a major output of the industrial sector.

113. Coupled with this step, the Government has decided to partially reorganize the construction sector itself so that it can carry out its activities, for specific projects much more efficiently and effectively. It has been proposed to create so-called construction brigades that continuously undertake a particular activity on the basis of the successive programmes and plans. A number of brigades in three critical areas — building construction, water works and dams construction and road construction, — are expected to be operational during 1970/71. This is expected not only to improve construction capabilities per se but also to reduce costs associated with construction delays.

114. Another important capability that is lacking within the country is the non-existence of an institution that provides design engineering services. For the vast majority of industrial projects, outside consulting engineers are engaged to undertake detailed design work and subsequent supervision of machinery installation at very high total and foreign exchange costs. The alternative of totally relying on machinery and equipment suppliers has never been attractive nor necessarily less costly. In view of the long-period involved in obtaining adequately qualified and experienced design engineers, reliance on foreign firms or groups is to continue unless training on a massive scale is to be undertaken. Short of that, the supervising authority has started a scheme of attaching nationals to work with such consultants. The creation of design engineering services at the sector level is a factor that should also be given serious consideration.

C. Monitoring Performance

Production

115. In a situation where industrial enterprises have been made state economic organizations to achieve ends which go beyond mere commercial success, performance monitoring is particularly important. This is not only true for supervising authorities, as may be generally believed, but also for corporation as well as enterprise management. In the prevailing situation in Ethiopia where a host of constraints operate in consort and tend to circumscribe management's ability to look beyond the day-to-day affairs of running a plant, a subsector or a whole sector, monitoring performance in order to introduce a performance improvement programme over the long-run should be a sine qua non for industrial management at every level.

116. Enterprise management should monitor performance not merely to find out whether men and machines put together are achieving predetermined targets but to also appraise the process by which they are achieving such targets. It is only through this way that enterprise management can properly be motivated to work out a performance improvement programme that can be instituted with the minimum delay possible within the framework of the prevailing financial and other regulations and procedures. Here, under prevailing regulations and procedures, enterprise management cannot commit the expenditure of new funds before prior approval by higher authorities, a system of regular monitoring would enable such management to plan ahead. Then again partly because of this restrictive element and partly as a result of systematic monitoring, enterprise management would be motivated to look toward tapping potential productivity reserves that have no financial implications and can be decided upon without resorting to higher authority approval — e.g. improvement of the work flow system.

117. As one goes up the hierarchy of the organizational structure, the control aspects of performance monitoring tend to become more pronounced. In the emergency situation which prevailed during the past years, it was to be expected that supervising authorities were more preoccupied with producing and delivering the goods than with how the goods (including cost considerations) were produced and delivered. This situation where supervising authorities were unprepared to listen and understand problems even when monitoring the first campaign programme, had been a source of frustration of no small measure.

118. The stable general conditions and the relatively well established organizational structure currently prevailing have since started to provide considerable opportunities for supervising authorities to use the performance monitoring process not only as a basis for control but also as a starting point for identifying short-run support actions as well as a hatching ground for long-run sector wide performance improvement programmes.

119. As far as monitoring production goes a reporting system has been developed which many enterprises and corporations adhere to. At the enterprise level, depending on the nature of the activity itself physical production is monitored either daily or weekly. Where annual target figures are broken down on a daily and weekly basis, which most enterprises interviewed could do and have done, it becomes very simple to check performance against targets set. This is not only helpful to discover shortfalls and the operational causes for these (in many, such causes are also reported) but also apportion additional daily production quotas over a period in order to make up for production shortfalls.

120. Enterprises prepare and submit physical production reports usually on a monthly basis. In rare cases where corporation management has to keep close follow-up on the daily production of essential commodities in short supply daily production figures are reported to the corporation — edible oil and flour can be cited as examples.

121. Reports are invariably prepared in written form on standard formats developed for each enterprise. Reporting is formally signed by the production chief when submitting reports to the general manager who, in turn, signs reports when transmitting them to the corporation. Many enterprises use check boards on which they compare targets against actual production data by various means (e.g. charts) which are readily visible and easy to understand. This is prepared for weekly production figures. The same information is also prepared in a chart or some other similar form and exhibited at a place within the enterprise (e.g. the trade union office or club) where workers have opportunity to compare targets with actual production. Figures for this purpose are compiled on a monthly basis and, in some cases, further broken down into activity components, processes or sections so that workers can readily identify themselves with these and compare their performance with the targets. In cases where one activity determines the level of performance of another, but where in-built technical bottlenecks are non-existent, such a system has helped to induce interaction among workers to perform better.

122. Other physical indicators used in monitoring performance by enterprises management include check boards on which time based programmes are compared with actual status. In one case observed, there was such a check board on which among others the time and period programmed for ordering imported inputs and preventive maintenance of critical machinery and equipment were visibly displayed in the manager's office.

123. As mentioned earlier, corporations receive weekly and monthly reports from enterprises. They, in turn, submit production reports every month to the supervising authority. While these reports are the principal tools of the monitoring system, regular discussions with enterprises managers and periodic on-the-spot visits to and personal inspections of plants supplement the formal monitoring efforts. Reports to the supervising authority also include a written account of major problems encountered or expected and needing particular attention. At the supervising authority level monitoring reportedly concentrates on such problem areas on which basis visits to enterprises are programmed for the expert groups dealing with sub-sectors to undertake on-the-spot visits and discussions. These programmed visits and discussions which have been introduced recently, are expected to provide opportunities to the supervising authority to get better acquainted with operational problems at close range and devise performance improvement programmes on a more systematic basis. The supervising authority submits monthly reports to the CFEC which uses such reports to monitor sub-sectors again through expert groups.

124. Information contained in the monthly reports cover the following major items: The number of workers (mandays) used and the wage bill, comparative production figures, sales and stocks.

125. It is evident from the above, that a predominantly physical production monitoring system has become operative. Performance, however, is not only limited to meeting physical targets and so supervising authorities must address themselves to monitoring the efficiency and economy with which resources of state enterprises are being managed. A major basis for such monitoring is regular information on costs and revenues.

126. The existing monitoring system in Ethiopia does partially provide for financial reports to be submitted by state enterprises every three months and by the supervising authority every four months. In addition, it is required of state enterprises to submit annual reports on their operations and financial accounts for each fiscal years. The latter and the annual audit provide a basis for ex post evaluation and accountability of enterprise performance while the former should offer the principal instruments for monitoring performance and for taking immediate corrective measures. In spite of this, present efforts are mainly directed at comparing original budgets with actual figures on a quarterly basis.

127. Although the introduction of this requirement goes a considerable way toward enhancing the existing system's usefulness in monitoring both physical and financial performance, it falls short of the attainable goal in one important aspect. The provisions for financial reporting consider the budget as the only available standard against which performance is measured. This implicitly assumes that all possible consideration of all the known factors has been taken at the time of budget preparation and final decision. This may be perfectly acceptable if the exercise is limited to measuring fiscal performance. On the other hand, it is only too well known that there are productivity reserves that can be tapped and cost-saving schemes that can be mounted under the prevailing operating conditions of industrial enterprises such as those in Ethiopia. This should be of particular significance to supervising authorities in general and industrial management at the various levels, in particular. So other standards must be used in monitoring the performance of state enterprises.

33/ See R.A.C, a Proclamation to Provide for the Regulation and Co-ordination of Public Financial Operations No. 153/1979 Addis Ababa, June 1979. These reports are expected to include balance sheets and profit and loss accounts.

123. The problem here is that there are no standards developed as yet. The costing system at enterprise level is, at best, still rudimentary. It is not many enterprises that have an adequate accounting set-up or that have as yet identified the major indicators for monitoring of performance or that have developed "cost standards". While the almost universal problem of shortage of skilled manpower continues to afflict the operation of such a system even if it were established, the fact that a cost accounting system is non-existent for most enterprises has to a large degree tended to misdirect current efforts in the proper utilization of whatever qualified manpower is available in this field.

129. It would, therefore, be important for the supervising authority, in the first instance, to study and develop a reasonable cost accounting system on the basis of which corporation and enterprise management can further adjust and install the system to meet their specific needs. Some corporations are striving to set up a system; a few can fortunately take advantage of well established systems that already exist in one or the other enterprise under their supervision (e.g. the Textiles Corporation, is in such a position that some of the textile plants formerly operated by foreign management have either a strong costing system or inventory control system that can be installed with little difficulty at corporation level).

130. Having said that, one must listen to add that a system is good only as long as it is used to detect major divergencies from the target either way. A system that perpetuates the collection of unused but usable information does not enhance monitoring capacity; on the contrary it may weaken the capacity of supervising authorities to select because of too much information and give rise to a situation where indolent enterprise management may be inclined to "invent" performance data in the belief that they would not be easily discovered. Operating management can hardly afford to merely collect data for posterity. The frequency at which monitoring information is received may also have its effects on the capacity of the supervising authorities to effectively use the system. If information is received beyond the capabilities to handle such information under a given data processing and analysis technique, it is likely to divert attention from concentrating on problem areas that need urgent solution. A case in point may be the monthly reports submitted by the supervising authority to the central planning body. Although one may see the need for the detailed information and the rather high frequency at which it is received at the initial stage of operating the system, present indications are that its relative value for performance monitoring has already started to decline at that supervisory level.

131. Under the circumstances, suggesting the progressive use of selected indicators may be obvious, but whether the ability to select such indicators exist is less so. The critical factors and logistics affecting the performance of enterprises may not be many but vary sufficiently between and among enterprises that a listing of indicators that are universally applicable to most situations may not be so easy. Furthermore, setting of multiple targets to be performed by industrial enterprises (economic, financial, and social) is likely to continue; so it would not be possible to use a single measure for performance in such a situation. In the light of this situation, one can only try to lay down a broad principle on which basis such indicators should be developed and used by industrial management and supervision at different levels. The indicators for monitoring performance should be constituted in such a manner that their use would enable both enterprise management and supervising authorities to correctly respond to what these indicators offer by way of indicating the courses of action. The critical factors which this study attempted to describe seem as good a starting point as any.

132. These indicators are somewhat all measurable in figures and enterprise management's performance is all too well limited with the level of performance these indicators point to. The literature on public enterprise performance points to what is referred as "human resources accounting" as one measure of performance. Pre-occupation with achieving short-term results creates pressures on enterprise management that are sometimes crucial in achieving predetermined targets. It is therefore sometimes suggested that enterprise management be also appraised on its capability to cope with such pressures and maintain a state of organizational health. ^{34/} It may be of interest to know that good labour relations was used as a measure of high management performance in the early years of post-revolution performance appraisal.

133. All the standards and measures of performance so far mentioned may be based on whatever international experience may exist in working out such standards — rate of return levels. Profitability rates etc. These measures have, however, been modified and adjusted by strong social and other non-economic objectives and policies which are national and to that degree, less objective than some international or universal standards. In some situations, it may be possible to apply comparative performance standards between state and private enterprises where the latter co-exist with the former and operate large- and medium-scale industrial units. Where such a situation does not prevail should not other measure be employed to appraise performance by standards that are not only self-made and self-applied? There may be fears expressed that a state sector's monopolistic position may enhance its indifference and undermine its efficiency; there may be signs here and elsewhere that such a situation may have adversely affected enterprise management's behaviour toward good quality production and service. These are danger signs that must be appraised even if explicit Government objectives and policy have created the dominance of the state sector. Comparison with performance standards of enterprises or group of enterprises outside the country should be one way. Even though obtaining the required information for the comparison is admittedly difficult, this area of activity may be one of many which ECA and other regional organizations may need to pay increasing attention to. The comparison of performance between and among state enterprises in different African countries would also be more relevant because their level of development is approximately the same.

Project Implementation

134. Monitoring project implementation is principally the responsibility of the project planning and policy Department of the Ministry of Industry. This is carried out by means of quarterly reports which compare the implementation of the various components of the project against the original schedule programmed. This follow-up includes both physical implementation and financial implementation.

135. The physical implementation report lists all the major activities that were expected to be carried out during the quarter in the sequence in which project implementation is expected to proceed in the field and compares the portion (percentage) planned to be implemented against the actual percentage implemented. The financial implementation report provides budget and actual expenditure comparisons by types of project activity and source of financing.

^{34/} See United Nations, Op.cit. p.27.

136. The reports are normally transmitted by the corporations to the supervising authority. They should include an account of the major problems encountered and any steps taken to solve them. Project implementation reporting is usually supplemented by on-the-spot visits and inspections by both the supervising authorities and corporation management.

D. The Private and The Co-operative Sectors

137. According to available statistics, the private sector at present carries out industrial activities in all branches except meat and dairy processing in the food sub-sector, production of malt liquors in the beverages sub-sector, tobacco processing; paints, varnishes and glass manufacture in the chemical sub-sector; and the iron and steel basic industries. The sector contributes about 3% of the gross value of total industrial production.

138. Within the private sector itself about 35% of the gross value of production is accounted for by food processing, 12% by beverages and 11% by wood and cork products. Although taken by industrial groups, the share of this sector rarely goes beyond 20% of total gross value of production, some items produced by private industrialists have significant shares. For instance, 17% of the total gross value of industrial production for bakeries and grain milling is accounted for by the private sector; about 57% of wood and cork products, 22% of fabricated metals excluding machinery and equipment and 20% of printing, publishing and allied products is accounted for by the private sector. ^{35/}

139. The above statistics indicate that private industrial establishments play a significant role in the production of a limited number of manufactured goods, despite the overall dominance of the state sector. The organizational and legal framework in which they operate has been described in the first section of the report. The operational constraints which face small-scale industries may be the same as those of state industrial enterprises, with lower magnitude but, at times with more intensity because of the in-built bias of attaching higher priority to the state industrial sector. The private sector is comprised mainly of small-scale industrial units.

140. Small-scale industrial establishments face the same problems as the state enterprises in the acquisition of agricultural raw materials. In the face of competition with state enterprises and mass organizations to obtain such raw materials where they are from the same source, a strong back up support to state enterprise by government institutions and mass organizations makes the effort of the small-scale private enterprises to operate at full or at some reasonable capacity that much more arduous. In the face of rather severe foreign exchange constraints and the need to follow a viable monetary policy, it is only obvious that priority would be given to state enterprises in foreign exchange and credit allocations for operating costs. Labour relations problems tend to be more pronounced in private industrial establishments partly because of their small size. In brief, the same production constraints as those in the state sector face the private sector only with greater intensity, the only exception being the non-existence of marketing problems — the situation prevailing for most state enterprises.

141. The added problem is that while private industrial enterprises are expected to operate within the designated areas (mainly consumers goods production), they are not included in the national planning exercise. This indeed has been very difficult unless the large number of small-scale establishments are organized in such a manner that they can be handled by group. Although the chambers of commerce may be expected to play the catalyst in this regard, there are no definite programmes worked out as yet for establishing associations of private industrialists. Coupled with the uncertainty attached to the chambers' promotional policy of the private sector, this situation has not much helped government agencies which try to assist the small-scale industry subsector in accordance with government policy statements.

142. In spite of this difficulty, EASIDA has reportedly selected some 164 small-scale industry establishments mainly engaged in the production of processed food items, agricultural implements and construction materials to submit their production programmes for review and inclusion in the next campaign programme. By this means, it is hoped that the needs and constraints of these establishments would be established in the plan and appropriate support in terms of such factors as the supply of raw materials and the provision and allocation of credit and foreign exchange will be facilitated. The establishments selected are located in Addis Ababa, Akaki, Dire Dawa and Asmara, the main industrial centres of the country, and the coverage is expected to extend to other smaller urban centres as and when sufficient experience has been gained. EASIDA has offices in the fourteen regions and 94 of the 102 awrajas (sub-regional units) of the country besides Addis Ababa.

143. In considering new investments and new project development, it may be observed that the indigenous private entrepreneur has traditionally been more adept at commerce and real estate speculation than at taking a risk in the manufacturing industry sector. Consequently, despite the rather favourable impression that the statistics recounted earlier may give (a situation stemming from the narrow industrial base of the country) it is a fact to say that private traders outnumbered and still outnumber private industrialists by the hundred fold. In the light of this background and the added uncertainty that may have been created under the prevailing conditions, it would be rather unrealistic to expect the indigenous private sector to be the source of much of the initiative to establish new small-scale industries. So, much of the initiative to expand the small-scale sub-sector has had to be taken by the Government — witness the recently completed identification of small-scale industries from which the private sector has picked a few. This may be as well, but it is observable that the willingness of the private sector to follow this lead has not measured up to expectations. On the other hand, the expansion of the small-scale industries sub-sector, side by side with large-scale manufacturing, is of strategic importance. It is, therefore, necessary to look for other strategies that would initially enable to fill the gap and in the long-run to take the lead in the development of small-scale industries.

144. The Government itself may undertake to establish small-scale industries, but this would be too impractical because of the size of establishments and of their wide geographic dispersion. The other approach would be the promotion and upgrading of handicrafts producers co-operatives. For the reasons explained earlier, producers co-operatives will be much more amenable to central direction and guidance. In regard to integrating their production plans, EASIDA has undertaken to experiment with the inclusion of the production programmes of six producers co-operatives during the next campaign programme. EASIDA expected to be able to monitor their performance through its regional offices which are currently being staffed with technical and book-keeping personnel.

144. Another approach that is currently under serious consideration by the Government in the effort to promote small-scale industries development is the creation of industrial co-operatives. Guidelines of a similar nature as those prepared for handicrafts producers co-operatives are under preparation. Industrial co-operatives are expected to be different from handicrafts producers' co-operatives in two major aspects — one is that industrial co-operatives would use more machines that are also more sophisticated. Secondly, membership in industrial co-operatives would not be restricted to operators or trade practitioners as in handicrafts producers co-operatives, but can include non-trade practitioners including business managers that work within such co-operatives. The latter point should be able to provide alternative opportunities for individual entrepreneurs with skills and resources, other than those possessed by operatives, to benefit by participating in such co-operatives. If these guidelines come through as expected, the significance of this policy in enabling usable, but potentially idle, traditional commercial skills of the majority of the indigenous private entrepreneurs to be integrated in the small-scale industrial development process should not be underrated by all sides concerned.

145. As mentioned earlier, there are plans to establish model industrial co-operatives. At the moment, MIDA is in the process of initiating the establishment of a model blacksmiths co-operative as a pilot project intended to transform a handicrafts producers co-operative into an industrial co-operative. The inputs required for the model co-operatives are expected to be made available by both the Government and the co-operative members — Government inputs consisting of buildings, machinery and equipment while the producers co-operatives will put up the working capital requirements.

147. From the above brief discussion, it is possible to conclude that:

(a) Because of the narrow base of the country's industrial production, the private sector's contribution to industrial production, although small overall, is significant in a few selected areas of industrial activity where the state sector concentrates on relatively large-scale establishments;

(b) The private sector faces more constraints in the production process partly due to the lack of clear promotional policies and partly because of the priority accorded to the state and socialized sectors;

(c) In the area of new investments and project development, the traditional inhibitions of the indigenous private entrepreneur to take a risk in industrial activity coupled with the prevailing uncertainty about his role tend to limit the private sector's resourcefulness in the expansion of the small-scale industries sub-sector;

(d) Because of (c) above, on the one hand, and the strategic importance attached to the development of the small-scale industries sub-sector alongside state-owned and operated large-scale manufacturing, the Government has to look for alternative means that would bridge the initial gap and accelerate the medium- and long-term expansion of small-scale industries;

(e) A vigorous programme is being pursued for establishing viable small-scale industrial production units through the creation of industrial co-operatives and the promotion and upgrading of handicrafts producers' co-operatives; and

(f) The forthcoming policy and guidelines if established as envisaged, would seem to provide sufficient opportunity for both the Government and the indigenous private entrepreneurs to put historically and traditionally acquired skills and resources of the latter to better use in developing capabilities in small-scale industry development.

III. Government Policy and Institutional Support

148. The topic of discussion relates to a wide variety of items, the more important of which appear to be the provision of:

- infrastructure (sites, utilities etc.)
- financial and other incentives (credit, taxes, foreign exchange allocation etc.)
- marketing services
- training services
- industrial information and
- over-all institutional support specific to the entrepreneurial groups identified.

149. In the state industrial sector, as has been observed, many of the topics are embodied and find expression in the organizational structure adopted in order to translate government objectives, strategies and policies in this field of economic activity. As a consequence state enterprises and corporations jointly are operating units in their own right as well as policy implementation units expected to act as terminal instruments of industrial development in the state sector. Much of government policy support in this regard, thus finds expression in the several legislations, directives and control systems discussed earlier and governing the functioning and performance of these industrial organizations and supportive institutions.

150. The functioning and performance of the co-operatives would depend as much on the individual and collective behaviour of their members, mainly due to the stated principle of voluntarism, as on government policy and institutional support to mobilize their efforts and organize and promote their industrial activities. As a result central government policy toward co-operatives has been and is likely to continue to be, as compared to the state sector, more indicative than directive based on facilitative legislation and detailed guidelines rather than on strict adherence to rules and controls. Given the social and political system in which they are expected to operate, co-operatives seem to offer opportunities, in the long-term as well as in the medium term for government to accelerate the socialization process as well as to promote the expansion of small-scale industries and enhance their complementarity to large-scale manufacturing on which the state sector is expected to continue to concentrate. Government policy and institutional measures to co-operatives, some of which have been discussed earlier, have been clear and relatively straightforward.

151. In contrast to the above, government policy toward the private sector has tended to be characterized by ambivalence, particularly at the implementation level, even after taking the existing policy framework into consideration. A few of the topical issues mentioned above have been briefly raised, in passing reference, more as constraints rather than items constituting government policy support to the private sector. While HASIDA and the other institutions concerned continue to attempt to provide some support services as and when requested and required--

identification, preparation, review and follow-up of small-scale industrial projects by HASIDA and the Agricultural and Industrial Development Bank (AIDB), settlement of labour disputes through HASIDA, finances through AIDB and the commercial banks-- the prevailing situation seems to have HASIDA more inclined and better prepared to handle co-operatives rather than individuals.

152. It is possible to deduce that there is need for the development of a clearer policy in order for the policy implementing agencies as well as for the private sector to be able to chart out a realistic course of action. There is information that such a policy is under preparation; but not knowing the contents of such a policy, it would be rather presumption to attempt an assessment of its implications on the future role of indigenous private entrepreneurship based on personal opinions and fragmentary information.

153. Having declared the above intention, it should be pointed out that there is no intention to discuss all the issues related to government policy and institutional support as related even to the two remaining enterprise groups. This is so partly because some of the issues, such as fiscal and trade policies and incentives, have such wider implications than can reasonably be handled within the terms of reference of this study. Furthermore, as can be noted, many of the issues have also been discussed in the preceding section. In view of this, this section is intended to cover those topics related to issues which have either not been discussed or have not been given adequate attention earlier in the report - viz. training, technology, labour policy and institutional matters related to these.

A. Manpower Training

154. Throughout the preceding parts of the report a recurring reference has been made to shortage or lack of trained or skilled manpower as one of the major constraints facing the development of the capabilities of the entrepreneurial groups considered. Despite its small size, both absolutely and relatively, the manufacturing sector seems to suffer from the shortage of middle and lower level managerial and technical manpower more than other sectors of the economy. The vast majority of existing technical workers can operate machines and equipment not because they have been formally trained for the job but because they have accumulated the experience through the years - it is estimated that only 10-12 per cent of these workers have formal technical training. Many of them had acquired whatever capability they have within the very limited opportunities offered through on-the-job training by the former enterprise owners/managers many of whom happened to be foreigners before the revolution.

155. Although the manpower constraint is here to stay for a considerable period to come, efforts to fill the gap have been stepped up in several directions beginning from the past four or five years. Apart from action taken to restructure the educational system to lay emphasis on scientific and technical education, the major effort in industrial training has been directed at upgrading management and technical skills of personnel working in industrial enterprises and, more recently, by organizing short-term training programmes for technicians and junior accountants to be posted in different enterprises.

156. The National Productivity Centre (NPC), briefly discussed in the first section of the report, is the major government institution concerned with the programme of upgrading management and technical skills. NPC's training programme covers:

- a) Management training including general management, management accounting, personnel management, production management and marketing and distribution management;
- b) Vocational training in auto-mechanics, metal work, welding, electricity, construction woodworks and leather;
- c) In-plant training.

157. It carries out this programme mainly in its own training (workshop) facilities for vocational training and in the plants or at corporations where the latter have the facilities or their own training programmes. NPC also provides training in teaching methods to qualified personnel who can in turn train lower-level technicians within the enterprise or corporation; it also assists in preparing curricula for enterprises and corporations which have launched their own training programmes. In the field of research, NPC collects information on up-to-date management techniques and technological innovations at international level as well as some management innovations adopted by local enterprises and disseminates the same to those concerned or requiring the adoption of such techniques.

158. During the past five years (1975/76-1979/80) NPC has trained a total of 6,254 people out of which 3,573 in management, 1,326 on-the-job and 1,355 in vocational training. NPC plans to train a total of 3,500 people during the 1980/81 fiscal year (1,200 in management, 800 on-the-job, 500 in vocational).35/

159. During discussions, it was understood that many of the enterprises, particularly the smaller enterprises and corporations have benefited from NPC training programmes and that visible increases in productivity have been attained after training programmes. The larger enterprises and corporations such as the Sugar Corporation which have their own relatively well-established training programmes seem to use relatively little of the NPC technical training facilities. Although these corporations have more need for management than technical training, it would appear that the training standards of NPC in this respect would have to be upgraded in order to be able to cater for the needs of the well-established corporations.

160. In one case (the Food Corporation), a somewhat elaborate scheme of internal training of enterprises management and technical staff has been put in practice during the past few years. This is a scheme in which fresh graduates work under senior staff for defined period, usually three to four months, before they are put in factories as understudies or section chiefs.

161. In some cases, operations tie training programmes to project development schedules. In the Metals Corporation for instance, it is understood that many of the top-level management, engineering and technical personnel to such projects in the pipeline, as the Workshop Complex, truck and trailer assembly, tractor assembly, are already under training.

162. NPC mainly concentrates on industrial training for state industrial enterprises. It is, however, understood that it is prepared to extend its services particularly to the co-operatives through HASIDA. In this regard, NPC intends to provide services in training trainers who can acquire both the skill and teaching methodology through the NPC programmes. There is no organized programme for the private sector, but individuals can attend training courses as and when space is available during training programmes provided to the others.

163. HASIDA itself provides short management training courses to co-operative leaders and intends to start its own technical training programme for co-operatives. In the handicrafts sector, HASIDA has reportedly trained 96 co-operative leaders who are now training co-operative members in weaving, bamboo craft, pottery and woodworks improved technology. HASIDA has its own facilities in the Ethiopian Handicrafts Centre which it intends to expand and equip better for higher technical training for industrial co-operatives.

164. While the training programmes described above mainly emphasize upgrading skills of employed personnel, efforts to bridge the gap between current supply and demand for junior and middle level technicians have been made through, among other things, crash training and placement programmes for high school dropouts, and unemployed or underemployed people with certain levels of education or skill. These crash programmes are normally organized under the auspices of the Higher Education Commission and the Central Planning Supreme Council. The former provides the teaching staff while the latter coordinates the availability of training facilities and finance. The training programmes mainly concentrate on the immediate needs of enterprises for junior technicians and accountants. These crash training programmes have now become a regular feature of the campaign programming exercise to minimize the shortage of manpower made available through the normal educational system.

165. The training programmes, described above have gone a long way in alleviating skilled manpower constraints facing the industry sector. There are, however, some points that would need to be considered in order to further enable training institutions to enter more effectively to the increasing needs for upgrading skill and filling the requirements of industrial enterprises. Some of these are the need :

- a) to coordinate, at sector level, and rationalize the training programmes of NPC and HASIDA which are showing its initial symptoms to duplicate efforts and use separate but similar training facilities.
- b) to programme the rational utilization of training facilities across the sectors which would be able to use institutions outside their direct supervision, with installed facilities that are reportedly underutilized; it is understood that there are about 41 state organizations with some sort of training facility attached to them and which can offer one aspect or another of technical training required by the industry as well as other sectors - - e.g. mechanics, electricians, draftsmen
- c) for NPC to improve the quality of its management training programme for high-level enterprise personnel and to institutionalize its links with the other existing training institutions in the country. It has been understood that it has non-formalized links with the higher institutions of learning such as the university and the polytechnic schools.

- d) to consider strengthening the capabilities of the state industrial corporations in order to take over in-plant training and, possibly, basic training activities in order to enable MPC to give more attention to its proposed emphases on technological training and top management training and consultancy.
- e) to pay attention to evolving systems of regular upgrading of selected junior personnel after they have been on the job for a specified period. Under present circumstances there may be limited opportunities, (without institutional support) for junior technicians to acquire higher level knowledge or technology on their own even if they have the potential to improve their technological capabilities.

8. Technology

166. Policy and institutional support to developing national capabilities in the identification, acquisition and adaptation of industrial technology is a very recent phenomenon in Ethiopia. Although research of some sort or other existed dispersed among government institutions the utilization of such research results for the mass production of industrial goods has been very minimal. To date there is no institution to develop capabilities to handle the design and engineering aspect of industrial projects; no national engineering consultants exist in the country except those who deal with the construction sector.

167. In recent years, particularly after the revolution, awareness of the importance of this factor has been greatly enhanced and modest beginnings have been started to give a meaningful institutional framework in which policy on technology can be developed and evaluation and selection of imported technology as well as upgrading of indigenous technology can be undertaken. One step in this direction has been the creation of the Ethiopian Science and Technology Commission (ESTC) in 1976 with its major emphasis on coordinating, encouraging and strengthening technology research and development. As a spin off from this and as part of the strategy embodied in setting up an African Regional Centre for Technology, a national technology unit was recently set up under the auspices of the Development Projects Study Agency (DPSA).

168. The unit called the Ethiopian Centre for Technology (ECT) has currently started to operate as a joint effort of the Ethiopian Government (DPSA) and UNCTAD and is expected to carry out the following main functions:

- evaluation of technology policy including those regarding industrial property rights and patents;
- identification of technological requirements at sector or branch level;
- acquisition and analysis of information on alternative sources of technology;
- evaluation and selection of technologies;
- unpackaging imported technology;
- negotiations in regard to the terms and conditions of acquisition of technology;

- recording, classification and registry of all types of technology;
- inventory, promotion and development of indigenous technology.

While the effort to upgrade and develop indigenous technology should be stepped up and followed up as a continuing activity, it would be unrealistic to expect for such technologies to assume the principal source of technology for industrial development for many years to come. So imported technology would continue to be the predominant source for a long time. Since the major and immediate impact of industrial technology would be on the projects to be developed, it is important that capabilities to carry out the functions of identification, evaluation, selection and unpackaging of such technology be developed in close conjunction with production or project development activities. Otherwise there may be danger that technological considerations are swallowed up by pure research inclinations. This is the reasoning behind the setting up of the ECT as part and parcel of the Development Projects Study Agency rather than under the Ethiopian Science and Technology Commission.

169. On the other hand, where the number and quality of the expertise available is so severely limited that it is likely to concentrate on imported and more advanced technology, there is a danger that indigenous technology, in all its aspects, would not receive the attention and urgency that it deserves. It may, therefore, be appropriate that this function be initially located in and coordinated by a specially set up unit in the commission rather than the projects agency.

170. At the sector level, the proposal to set up a technical division or unit in the Ministry of Industry would partially satisfy the need to establish a strong link between production units and technological research and development which had been advocated by the ESTC since its own creation. This link is expected to be instrumental in providing feedback from operational experience as well as in translating research results into prototype manufacture and mass industrial production at factory level.

171. Despite the good start made in setting up the institutional machinery for the evaluation and control of imported technology, it can be observed that a considerable period of time is likely to elapse before national capabilities can be developed to undertake effective transfer, adaptation, adoption and development of technology. This obviously hinges very much on two important factors--the formulation of a technology plan and the development of basic metals and engineering industries. A technology plan is expected to regulate the transfer of appropriate technology through the actual assessment of:

- a) the need for basic manufacturing techniques;
- b) the need for appropriate machinery and equipment best suited under local conditions;
- c) the maximum absorption of indigenous and foreign technologies where the important parameter will be to organize continuous facilities for industrial training or local development of skills and dexterity for (engineering) manufacturing operations.^{37/} The Second Campaign Programme

^{37/} A.K. Mitra, Country Report: Basic Metal and Engineering Industries Development Programme for the Provisional Military Government of Socialist Ethiopia. Addis Ababa June 1979. p.90.

allotted a chapter to technology for the first time. It is, therefore, hoped and expected that a national technology plan will be developed, along the lines recommended by the report quoted above, by DPSA/ECT as part of its already indicated responsibilities.

172. The present state of the basic metal and engineering industries in Ethiopia is more fully described in the country report referred to above but can be summarized by the following statement: "In general the technology level developed in Ethiopia so far is in primary level and considerable development activities for the improvement of appropriate industrial and metal working technologies are of immediate need for Ethiopian industries".^{38/} There are admittedly serious constraints facing this branch of industry and a national technological plan will go a long way toward pinpointing measures for eliminating such constraints and paving the way for changing the prevailing weak industrial structure. It is, however, important to point out that some vital sectors of the existing structure are already facing severe constraints in the supply of spare parts and components because of the non-existence of adequate primary facilities around which the technological capabilities to produce the components and parts mentioned revolve: namely, facilities for the basic manufacturing of iron and steel -- foundry, forging, heat treatment, machine shop and tool room. While the more rational use of existing capacities may go some way in alleviating existing problems, it has been only recently realized that it is a bold step, given the financial and manpower constraints, in this area that can bring about a breakthrough in realizing the goals of self-reliant and self-sustaining industrial development. Fortunately, the government has recently taken the first step in this direction and has undertaken the study of the workshop complex project, referred to earlier in the report, despite the odds it has faced and is likely to face in the future as a result of the negative attitudes of technology suppliers and external sources of financing.

173. While adopted or adapted advanced technology is almost directly transferrable to large-scale production units after it has been developed, the process of transfer of "appropriate" technology to the small-scale industries and handicrafts sub-sector may require a different approach. Anyway, the current situation in Ethiopia, where the transfer of advanced technology is just beginning to be institutionalized but where the need to improve indigenous technology has always been there, appears to have warranted the upgrading of the Ethiopian Handicrafts Centre. The centre provides improved equipment and tools for the handicrafts cooperative, trains cooperative leaders in their use and makes hire-purchase arrangements for dissemination. So far, the centre has been able to provide this combined service to handicrafts cooperatives engaged in weaving, pottery, woodworks and bamboo-craft. It intends to extend similar activities for other crafts and small-scale industries in metalwork, ceramics and textiles in conjunction with the small foundries project currently under study.

C. Labour Policy

174. Under this topic, which is evidently complex, it is intended to limit the discussion to a few policy issues and measures that have had or are expected to have

^{38/} Ibid, p.69.

an impact on enterprise performance to the extent that such issues or measures have permitted enterprise management to carry out its economic functions without being overburdened by frequent labour disputes. This, of course, oversimplifies the issue and does little justice to the discussion of the topic. It must, nevertheless, be admitted that the discussion of the economy wide implications of the issue is beyond the objective of this report. The government policy issues briefly considered are those related to worker participation in management, benefits determination in collective bargaining and the proposed introduction of work norms and standards.

175. Worker participation has been an avowed policy of the Revolutionary Government from the very beginning. Various policy statements during the early years of the revolution have vouched for the right of industrial workers not only to share in the product of their labour but also to participate in the process of bringing about such a product. This culminated in the new labour proclamation of 1975 which spelt out the responsibilities of trade unions and enterprises. In the early years of the revolution it was not uncommon for workers to "direct" the operation of enterprises and decide on matters that should normally be left to management. The gradual consolidation of the revolution and the advent of central planning has very much changed the situation since.

176. It is now an accepted practice for enterprise management to inform trade union leaders on target proposals and final production plan approvals concerning any industrial enterprise. Although there are still limitations preventing workers from fuller and more performance oriented participation, this policy has helped to increase workers identification with, at least, the immediate objectives and goals of the enterprise.

177. Collective bargaining, earlier, was an arduous task where management was confronted with a situation where all types of benefits, beyond the means of the enterprise, were required by the trade union leadership. Where clear policy guidelines did not exist enterprise management was, most often than not, a victim of two contradicting but strong pressures from two sides with power but little or no accountability -- the trade unions seeking higher benefits while the supervising authorities press for minimum and "reasonable" concessions without defining what is minimum and reasonable. This was specially true for state enterprises.

178. The situation has substantially been changed since 1979 when the central government issued specific directives to state enterprises on criteria to be used for negotiating and concluding collective agreements particularly regarding wage increases. The underlying principle in those directives was to strike a balance between any enterprise's paying capacity and the need for generating surpluses from operating enterprises to meet the country's economic development goals, on the one hand, and improving the living standard of the worker, on the other. Apart from the profitability criterion, the directives introduced the concept of productivity as a basis for negotiating and awarding wage increases. Productivity related both to overall enterprise production levels as well as per capita productivity. This measure, more than anything else, has helped to motivate workers to identify their own welfare with that of the enterprise's good performance. Enterprise management could also be motivated to identify enterprise welfare with the country's economic development needs.

179. In the absence of work norms and standards developed on the basis of more scientific studies and investigations, the measure of per capita productivity of workers was based on available historical records covering the preceding two years. Aware that historical records alone are not determinant in reaching attainable labour productivity levels, the government has launched a programme, under the auspices of a newly created Wage Board, for the investigation and establishment of work norms and standards taking the prevailing skill level of workers, the available technology, and the working conditions into proper consideration. On completion of the programme, the results are expected to provide the first scientific basis on which to plan and evaluate labour's as well as management's contribution to enterprise performance.

180. In concluding this section, it can be stated that:

- a) Government policy and institutional support has been forthcoming, particularly for the state and cooperatives sector;
- b) In the case of state enterprises this support has been embodied in the several directives, guidelines and programmes established for the purpose;
- c) The cooperative sector more than the private has been given substantial and clear policy and institutional support through legislation, detailed guidelines training programmes, and the introduction of improved technology (handicrafts);
- d) There is a need for working out clear policy measures for the private sector to enable the indigenous private entrepreneur and the policy implementing agencies to chart out a realistic course and programme of action;
- e) In the training area, there is a need for establishing better coordination and linkage among the institutions concerned and the rational use of existing facilities;
- f) In the technology field, while the institutional machinery to deal with this subject has been set up there is need for establishing an "operating link" by way of establishing basic metal and engineering production units in order that evaluation and control of imported technology could be transformed into an effective process of transfer, adoption, adaptation and development of technology in the immediate future;
- g) In the part of labour policy which has immediate impact on enterprise performance, government policy measures have started to institute the required balance between worker, enterprise and national welfare and are expected to provide a more scientific basis for determining productivity standards for better performance programming.

IV. Summary of Proposals and Recommended Action

181. The first three sections of the report have attempted to identify and assess the critical factors and logistics affecting the functioning, performance and overall capabilities of existing industrial enterprises in Ethiopia. In order to do this, the discussion used the topical issues of institutional/organizational structure, management practice and government policy framework within which industrial enterprises operate or are expected to operate. The discussion on the roles played or to be played by industrial enterprises of differing enterprise groups (state, cooperative and indigenous private) and sizes (large -, medium-, and small-scale including handicrafts) also attempted to correlate such roles to the above mentioned key factors, using industrial branches or sub-sectors for illustrative purposes.

182. An effort has also been made to summarize the conclusions resulting from the discussions under each section while some of the proposals and recommendations put forward have been left interspersed in the body of the report or implied in general statements. This final section is intended to provide a brief summary of the proposals and recommended actions by enterprise groups.

The State Industrial Sector

183. In the organizational aspect, the structure and the prevailing procedures have somewhat stabilized after evolving to the present stage. Since there is thus no immediate need to create new institutions or to restructure the existing ones it is proposed that only a programme of rationalization and streamlining be carried out in order to be able to promote the integrated development of certain leading branches (e.g. chemicals) and to minimize wastage of human, material and financial resources,

184. In regard to production planning and management while the target setting exercise is procedurally sound in that it offers the opportunity for enterprise management to fully participate, there is need for introducing measures that remove or minimize the effect of constraints that militate against enterprise management's willingness to aim for higher targets. It is thus recommended that:

- a) The proposed programme of sub-sector surveys to determine plant capacity on the basis of conditions of machinery and equipment be accelerated;
- b) The supply and purchase of domestic raw materials by state enterprises should be made on the basis, not of open-ended arrangements which attach no material or financial obligations on the suppliers as is largely the practice now, but on contractual agreements specifying the obligations of both buyers and sellers (this should not prevent suppliers, which are mostly state agricultural enterprises from defending non-fulfilment of contract obligation due to circumstances beyond their control);
- c) For imported inputs and raw materials, state enterprises be enabled to negotiate longer term purchase contracts which would be expected to reduce costs and give wider opportunity to select source markets;
- d) Government keep on top of the priority list the development of the engineering industry branch to minimize future increased disruption in production arising out of shortage of spare parts and components; (even if this means the production of spare parts and components based on imported raw materials or intermediate inputs until such time as the basic metal and engineering industries are developed as integrated units);

- e) A review of the prevailing marketing and distribution system should be undertaken with a view to restructuring it in such a manner as to facilitate the interaction of production units, the distribution agencies and the final market.

185. To strengthen the present national capabilities in industrial project development it is recommended that:

- a) The proposed series of sub-sector surveys should be accelerated so that project identification for future development is done more systematically and in accordance with national priorities.
- b) The recently established Development Projects Study Agency be strengthened to function as the central projects screening agency as well as the future principal consultancy firm of the government. (In the face of acute overall shortages of trained manpower, ideas to create new institutions such as the industrial projects office under the Ministry of Industry should be very closely reviewed vis-a-vis the objective of strengthening DFSA).
- c) A programme for developing national capabilities in design engineering be launched in order to be able to eventually eliminate one of the major factors adversely affecting project implementation performance.

186. While the recently introduced monitoring system has a lot to be said for it, its present limited capacity to provide indicators on the comparative efficiency and economy with which resources are being managed would require:

- a) Internally, the establishment of cost accounting systems that would enable to monitor enterprise production efficiency on a more or less continuous basis;
- b) The use of information on state or public enterprise results in other African countries to compare performance against other standards which are applied under similar conditions and situations;

187. Even if government policy support to the state sector is of necessity embodied and finds expression in the organizational structure adopted, in the legislation and the planning and control systems and directives issued, two important areas would need additional measures to be able to contribute to further strengthening the capability of state industrial enterprises - - training and technology. In regard to training, it is proposed that:

- the National Productivity Centre should continue mainly as an industrial training centre (whatever modality it uses) and at the same time, develop its management consultancy capabilities;
- a programme for the rational utilization of available training facilities both at sector (NPC & HASIDA) and national level (all state organizations) be launched in order to support the substantial technical manpower training requirements of the industrial sector;

- the NPC, as the principal industrial training institution, should establish formal and working links with all the national institutions of higher and technical training so that it would take advantage of facilities as well as influence their curriculum related to industrial training;
- the state industrial corporations should be encouraged to take-over in-plant training and possibly basic training, through the establishment of a training unit at corporations level to allow NPC to develop capabilities for concentrating on technological and top management training as well as management consultancy services.

188. In the area of technology while the institutional set up to cope with the evaluation and control of technology seems to have started on a good footing, some coordination and rationalization between the functions of the ESTC and the DPSA/ECT would need to be considered (viz. inventory, promotion and development of indigenous technology). In other respects, since only appropriate institutional arrangements are not sufficient to assure effective transfer, adoption, adaptation and development of imported technology, government support to industrial enterprises must be expressed through the establishment of adequate facilities for the basic manufacturing of iron and steel. The regional organizations and UNIDO should work out a substantive support programme for the acceleration of the implementation of establishing units already under study.

The Indigenous Private Sector

189. The indigenous private sector has historically played and still plays a significant role in trade and commerce and similar other services, where its demonstrated "skill" has resulted in the acquisition of considerable benefits even after 1974, despite the unfavourable attitudes that prevailed. There is no widespread "skill" or tradition of the sort that one can point to in the manufacturing sector. Added to that, the rather uncertain attitude both the government agencies and the individual potential industrialist show in approaching the issue of private investment has not helped much in developing the indigenous private sector's capability to contribute to industrial development.

190. Where policy statements relating to the private sector are left rather general and ambiguous they are bound to be subject to a lot of interpretations depending on the circumstances within which they are analysed. So long as this uncertainty continues, there would be little to induce both policy implementing agencies and the indigenous entrepreneur to turn their attention to this field of activity with the possible result being the squandering of resources and the non-or underutilization of skills acquired from other activities but usable in this sector.

191. If the indigenous private entrepreneur is expected to play a role in the manufacturing sector there is need for:

- a) clear policy guidelines which could be subjected to a minimum of personal and circumstantial interpretation by all parties concerned;
- b) evolving a programme, such as the one being considered for industrial cooperatives, that would use entrepreneurial skills and resources acquired to best national advantage.

The Cooperatives Sector

192. The government has so far supported the promotion of cooperatives with clear policies and guidelines. The institutions created for implementing such policies and guidelines are much better organized to handle cooperatives than the individual entrepreneur. The government shows strong preference for using the cooperatives to promote and develop the small-scale industries sub-sector for both politico-administrative (more amenable to central direction and support) and strategic socio-economic (furthering the socialization process) reasons.

193. Although it is too early to really tell, present indications are that this sector has good prospects for strengthening capabilities in handicrafts production and small-scale industrial production given the appropriate material and technical support. Although the approach adopted in order to promote and develop cooperatives of different types is basically an internal affair which has to depend on the cultural and political circumstances prevailing in the country (even within different regions of the country), support to sustain the current effort of promotion and organization of handicrafts producers and industrial cooperatives through the provision of machinery and equipment can be of crucial importance at this early and formative stage. The regional organizations and UNIDO should play both catalytic as well as contributory roles.

194. A major government action required to ensure the success of present efforts to promote and develop cooperatives in the industrial sector is believed to be:

- a) the support required in their procurement of raw materials and inputs;
and
- b) the establishment of contracting arrangements (e.g. between blacksmiths cooperatives and agricultural producers' cooperatives for ploughs) and sub-contracting arrangements (e.g. structural metal producing industrial coops and state construction organizations) for marketing cooperatives products.

V. Intra-African Industrial Cooperation

General

195. The preceding sections of the report have attempted to identify some of the critical factors and logistics affecting the functioning and performance of industrial enterprises considered within the organizational and managerial framework. An attempt has also been made to touch upon some of the more important policy prescriptions and measures having a bearing on the short- and long-term development of national capabilities to respond to the challenges of realizing the objectives of a self-reliant and self-sustaining industrial development. One of the key identified strategies for achieving these objectives is the institution of African collective self-reliance at the subregional and regional levels. This report would not be complete if it were not to briefly discuss the current state of awareness of and the views expressed by Ethiopian industrial management about intra-African cooperation as a measure of attaining the objectives outlined by the various regional and other fora on industrial policies and strategies for the African region. The following observations try to briefly indicate what the picture looks like from the Ethiopian side.

- (i) It can be said that there is limited awareness, among a majority of enterprises and corporation managers, of even the general substance and form of the recommendations and programmes for intra-African cooperation charted out by African Ministers of Industry and African Governments;
- (ii) the closest that the majority of Ethiopian industrial enterprises and corporations have come to establishing or thinking of establishing links with other African countries is by way of marketing contacts they have initiated or have thought of initiating mostly in their effort to export industrial products or to import some raw materials and inputs. This initiative or attempt rarely goes beyond the bordering countries within the subregion - Sudan, Kenya and Djibouti. Efforts to export Ethiopian wines to Kenya, Tanzania, Seychelles, furniture to the Sudan can be cited as some of the few examples; in regard to inputs, the sugar plantations obtained cane cuttings for variety breeding from Kenya);
- (iii) contacts related to exchange of technical and technological information and expertise have been minimal and, at that, only on an ad hoc and incidental basis arising out of an immediate need to solve specific problems; (visits to Kenya sugar estates by the Sugar Corporation officials in connexion with new project development; management of the Food Corporation touring a number of African countries to obtain information on corn milling technology);
- (iv) contacts related to industrial training are limited to written correspondence between NPC and other training institutions in Africa, (close to the operating level, the Sugar Corporation had at one time received and trained a group of Ivorian technicians to staff a new sugar estate then being developed in the Ivory Coast);

- (v) in the field of consultancy, contacts are still very limited although this is a very fertile field where exchange of experience can be used to great advantage, at least in the selection and supervision of foreign consultants.

196. Without exception, state industrial corporations and enterprises interviewed attribute their limited awareness of the general issue and contents of intra-African cooperation due to lack of information. Some of the initial contact with other African countries were made obviously not as a response to the strategy of collective self-reliance but in trying to pursue individual enterprise interests. The majority of the corporations and enterprises have very little or no substantive and relevant information beyond general impressions and information they obtain from periodicals, magazine and diplomatic newsletters, on what industrial capabilities exist regarding their subsector in other African countries.

197. It may be too much to expect corporations and enterprises to be in a position to handle all information even if it were made available but it should still be of interest to corporations to find out what their peers have done or are doing in the field and what they can learn from them. A lot of interest appears to exist at the corporation level to know more about what capabilities exist in other African countries particularly neighbouring countries. Of particular interest would be concise information on capacity, fixed investment, total production, major product lines, employment, technology used and other similar data, on the major subsectors or the priority subsectors already identified, that could lead to further contacts between enterprises and or corporations in African countries. This type of information does not only arouse interest, at sector or subsector level, in intra-African corporation but also would enable enterprises to use data obtained from such information for rough and approximate but practical comparisons. This type of information is important particularly in regard to the promotion of industrial cooperation among production units. Unless the concept of intra-African cooperation and the strategy of collective self-reliance are supported by such tangible services related to production units, it would be futile to expect intra-African industrial cooperation to go beyond resolutions and the creation of non-functional institutions. ECA and OAU must play an important role in this respect.

198. There appears to exist a lot more room at this stage, for practical cooperation in industrial training, exchange of information and expertise among consultancy organizations than the promotion of multinational corporations of the single production unit type. While, in the case of Ethiopia, more efforts would have to be made to correctly identify training opportunities within Africa, there may be certain areas in which existing facilities in the country can be used at great benefit to other Africans - offhand one may mention training technicians for the sugar industry, training personnel in leather technology at NPC facilities.

199. The creation of the Association of East and South African Consultancy Organizations (AESCO), which had its founding meeting in November/December 1979, is looked at with great favour and expectation by the Development Projects Agency of the Ethiopian Government.

African Multinational Industrial Corporations

200. The need to create African Multinational Industrial Corporations (AMICs) as one of the means of achieving collective self-reliance and self-sustaining development appears to have gained support, in principle, after the Regional Symposium on

Industrial Policies and Strategies and the Fifth Conference of African Ministers of Industry took place. This support has yet to pass a number of stages before it can be translated into concrete action. In the case of Ethiopia, action toward realizing the creation of AMICs should have to start with a clearer government policy setting out the more detailed arrangements for the establishment and operation of joint ventures. While several other African countries may have investment laws setting out the conditions under which joint ventures may be established and operated, the only available documented policy statement of the Government of Socialist Ethiopia on the subject does not go beyond demarcating the areas in which joint ventures can be established and stipulating that only the state and foreign investors (public and private) can establish and operate joint ventures. There are no provisions detailing the proportion of equity ownership nor the type of management set up expected to control joint venture operations. These and other "terms and conditions governing such joint ventures shall be subject to negotiations".^{39/}

201. These terms and conditions obviously need further elaboration in order to provide a clearer basis for the formulation of programmes for establishing joint ventures. It is understood that the existing policy is in the process of review and elaboration which is expected to include such terms and conditions as have been indicated above. In this connexion, it should be worthwhile to point out that the elaboration of the policy on joint ventures would take into consideration both priority national interests and the role of AMICs in achieving the objectives and strategies of intra-African industrial cooperation.

202. Despite the current non-availability of detailed policy guidelines on joint ventures, the significance of AMICs as instruments of intra-African cooperation to achieve the long-term national objectives of a self-reliant, self-sustaining and independent economy is widely recognized. At the same time, it is recognized that realistic considerations of the political and ideological outlook and level of development of the potential participants, should be taken in the choice of the modalities for multinational enterprise, despite the collective political will expressed by African countries on many occasions. While it is not intended here to recount past adverse African experience, one should not shy away from expressing concern that the underestimation of the reality of these considerations may still present an impending danger for the success of intra-African cooperation programmes. Collective political will is a necessary but not a sufficient cause for the establishment of multinational enterprises that should function as viable economic units. If this is realized, the prevailing collective political will must first and foremost, be used as a vehicle for exploring the real issues that have to be faced from the outset and choosing the modalities that progressively cultivate the mutual trust so much required for African multinational enterprises to continue operating properly.

203. The real issues to be faced may have been recognized but little explored so far. If AMICs are to be established as single multinational production units to serve a whole subregion, then questions of location and management control as well as the accrual of related benefits are bound to become sensitive issues. Where natural resources endowments are more or less evenly distributed among the participating states,

^{39/} PMAC, Declaration on Economic Policy of Socialist Ethiopia, Addis Ababa, February 1975 p.11.

the response to these problems may be the simultaneous establishment of approximately equal sized projects in all the countries. This naturally raises the issue of competing demands on limited financial and particularly foreign exchange resources. Even where natural resource endowments dictate the location of a multinational enterprise, the issues may still linger as nagging problems. In either case, the role transnational corporations play in some of the participating countries is expected to feature as a sensitive issue. If AMICs are to be established using nationally owned and managed enterprises, economic considerations likely favouring the more developed countries would be expected to sharpen rather than blunt the arguments on location, management control and benefits.

204. It must be admitted that the discussion of issues related to the identified modalities of establishing AMICs raised above is far from exhaustive. The issues are only indicative instances of what kind of real problems intra-African co-operation in the shape of AMICs is expected to face. It is, therefore, obvious that the identification and analysis of the pitfalls which must be avoided, the trade-offs which could be negotiable and the compromises that are reachable should be the subject of a thorough and exhaustive research. Without the findings of such research, current thinking appears to hold serious reservation as to the acceptability of using, at this stage, the two above mentioned modalities for establishing multinational industrial enterprises in spite of the numerous permutations these can be subjected to.

205. In view of the commitment that African governments have made, this by no means should be construed as a lack of faith in intra-African industrial cooperation. In fact, it only means that other options, considered more attractive, should be searched for, given the present knowledge of the constraints involved. Of the modalities identified so far, a version of the idea of a multinational industrial holding company is considered to have good prospects for starting the more integrative implementation of AMICs on the right footing. The prevailing conception characterizes a multinational industrial holding company as one which is: (a) jointly owned by the participating countries; (b) responsible for coordinating the national industrial companies in terms of a jointly established direction; (c) responsible for the provision of management, technical and other services to the national industrial companies; and (d) empowered to found joint subsidiaries to extend structure and operations over a wider scope of activities reflecting the needs and interests of the participating countries. 40/

206. The proposed version would essentially have the same characteristics as the one defined above but with the following modifications:

- (i) the holding company would not be a single one serving a subregion but would be a number of multinational industrial holding companies for important subsectors or a category of subsectors;
- (ii) the companies would primarily concentrate on joint export marketing of industrial products, joint import of industrial inputs, raw materials, etc., and joint selection of imported industrial technology

207. This arrangement is expected to offer a number of advantages some of which are mentioned below. Firstly, basing the companies operations on foreign industrial trade and imported technology selection would at one and the same time: (a) present an area of economic activity to which African countries have been more exposed and with which they have relatively more experience on the one hand, and (b) enable the participating countries to handle and control technology-- a burning issue of African industrial development on the other. Furthermore, such a set up would be a consolidating factor for the proposed preferential trade area for the East and Southern African subregion currently in the final stages of negotiation.

208. Secondly, the multinational holding companies as proposed under (i) above can be set up in many of the participating countries thus minimizing the emergence of conflicting national interests arising out of locational issues.

209. Thirdly, the management and operation of such companies can be handled by a core of a few people who can be drawn from the participating countries with less difficulty thus minimizing conflicts that may arise out of the issue of who controls the management of multinational enterprises. In addition, this set up would be expected to avoid conflicts that arise out of short-run employment benefits accruing to a particular country where AMICs or one big holding company may be proposed to be located.

210. Fourthly, and above all else, this arrangement is expected to provide a transition period during which the participating countries will have ample opportunities to know about and to deal with each other and thus increase the probability of success of the more integrative AMICs.

211. This transition period should also offer opportunities for the regional organizations (ECA and OAU) to draw on the experience of the holding companies and to carry out the proposed research, mentioned earlier in this section, related to the creation of AMICs proper. In this respect ECA should take the particular responsibility of collecting and analyzing relevant information, establishing the critical factors, determining the expected pitfalls and proposing the compromises and trade-offs, given the collective political will declared by the member countries. ECA is better suited to do this because of its subregional network (MULPOCs) and its better staffed headquarters within which a special unit is proposed to be set up to programme and direct the research on the real issues the creation and operation of multinational industrial enterprises would face. It is believed that this can and should be done within the framework of available ECA financial resources, a sacrifice worth paying for advancing intra-African industrial cooperation for which the organization's several organs have spared no effort to bring to this stage. Until such time as AMICs proper are created by this means, starting with the proposed multinational industrial holding companies is an idea believed to be bold enough to take intra-African cooperation a step further from resolutions and to be realistic enough to be given serious consideration.

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 - Corporations Co-ordination and Control Department
 - Projects, Planning and Policy Department
2. Handicrafts and Small-scale Industries Agency, Addis Ababa
3. National Productivity Centre, Addis Ababa
4. Development Projects Study Agency, Addis Ababa
5. Ministry of Foreign Trade, Addis Ababa

B. Corporations & Enterprises

6. Building Materials Corporation, Addis Ababa
 - (a) Cemental-Sede Enterprise, Addis Ababa
7. Chemicals Corporation, Addis Ababa
8. Beverages Corporation, Addis Ababa
9. Food Corporation, Addis Ababa
 - (a) Anbessa Flour and Macaroni Factory, Addis Ababa
 - (b) United Oil Mills, Nefas Silk, Addis Ababa
10. Metal Works Corporation, Addis Ababa
 - (a) Ethiopian Metal Tools Factory, Addis Ababa
 - (b) Kaliti Steel Industries, Kaliti
11. Leather and Shoe Corporation, Addis Ababa
12. Sugar Corporation, Addis Ababa
13. Textiles Corporation, Addis Ababa
 - (a) Progress Textile Factory, Addis Ababa
 - (b) Akaki Textile Mills, Akaki
14. Woodworks Corporation, Addis Ababa
 - (a) Warka Furniture Factory, Addis Ababa
 - (b) Ethiopian Chipwood and Furniture Company, Nefas Silk