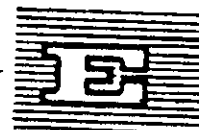


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THE ROLE OF INDUSTRIAL ESTATES IN POLICIES AND PROGRAMMES FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES

In any country the basic motivation of a decision to set up an industrial estate is to induce industry to settle and develop at a specific location planned and improved to that effect. While these two objectives - location and development - are necessarily bound together, there may be, in policies and programmes in which industrial estates play a role, considerable differences in the emphasis attached to the achievement of the one or the other. In a general way, it may be said that in the industrially advanced countries, industrial estates are principally used as a device for the planned location of industry, while in the industrializing countries they are mainly an instrument of industrial development.

In the former countries, planned location of industry through industrial estates is one of the means of implementing policies of urbanization, including urban development, redevelopment or renewal and of policies of demographic and industrial decentralization, which may sometimes be linked to policies of development of depressed or relatively backward areas.

In the latter countries, industrial estates are one of the means of encouraging and supporting the creation, expansion and modernization of industry, and of assisting and serving it throughout all stages of establishment and operation. Industrial location is an integral part of any industrialization policy, which, in the developing countries, is often oriented towards decentralization, and usually sets out different priorities for the development of regions, provinces, towns or rural areas. If the industrial estate programme is large enough, it will exert some influence

on the geographical distribution of industry.^{1/} In general, however, this objective will be subsidiary to that of promotion of industrial activity, not only when drawing up an initial programme, which, as a rule, will be of modest scope, but also during a major part of the period of subsequent expansion.

It is essential to stress this difference in a discussion of the role of industrial estates in industrialization policies and programmes in the developing countries, and the related fact that many lessons of the experience of industrial estates in industrially advanced countries may not be relevant and applicable to such projects in developing economies.

For obvious reasons, the need for encouragement and support is greater in the case of small-scale industries than in that of large ones. As is well known, small industrialists in the developing countries have difficulties in getting good factory accommodation and credit facilities for capital and running expenses; they lack technical knowledge for selecting and using properly their machinery, tools and raw materials; their methods and procedures for purchase of raw materials, sale of products and business management in general are in most cases ineffective. If small industries are to be developed, a programme of assistance, servicing and training should be drawn up to help them overcome these handicaps and difficulties.

To be effective, a development programme for small-scale industries should cover all their needs. A chief merit of industrial estates is that the grouping of small industries permits to integrate the various measures of support economically and effectively. Also, clustering permits to achieve some of the economies of scale and efficiencies of specialization which usually obtain only in large-scale undertakings, whether at the stage of construction of the estate or at that of operation. An effective

^{1/} As indicated in "Types of Industrial Estates" (E/CN.14/IE/6), the organization and facilities of industrial estates will vary with their location.

division of labour will be achieved through the provision of common service facilities, and by inter-trading and inter-servicing among occupants; the maximum advantages accruing in the case of "functional" estates for complementary and interdependent industrial units engaged in the production of parts and components of a given product, the manufacturing of which may not be feasible on a small scale. Further strengthening of small units may be induced through the development of co-operative associations, which may be more easily set up by the occupants of an estate than by isolated producers. Finally, industrialization on the estate will stimulate development outside of it, principally through the establishment of new trade and service undertakings, and, to some extent, of industrial enterprises located in the neighbourhood.

While these advantages are of considerable importance, it is essential to stress the limitations of industrial estates as a tool for the development of small-scale industries. An industrial estate programme is not a substitute for an over-all development programme for small-scale industries, but should be an integral part of it. An over-all programme is aimed at assisting existing enterprises to overcome their handicaps and acquire competitive strength and vitality to stand on their own, and creating the conditions and climate fostering the establishment and healthy growth of new enterprises. Industrial estates are one of the facilities extended to small entrepreneurs in order to achieve this objective. Other facilities should provide technical guidance and counselling, credit on easy terms, including, if possible, supply of machinery and equipment on a hire-purchase basis, training of managers, foremen and workers, assistance in marketing of finished products, etc. A programme of industrial estates will have only a very limited impact and usefulness if, on the one hand, it does not integrate all or most of these facilities and, on the other hand, if it is not backed by an extensive general programme of development of small-scale industries.

The coverage of an industrial estate programme is necessarily very narrow. While small industry development has to cover the entire country, industrial estates can be set up only in a few selected locations, and their number will be comparatively small. The role of the Government in sponsoring industrial estates will be limited to establishing a few pilot projects to provide example and incentives to local governments and private groups. Even after an industrial estate programme gets into full swing, the overwhelming majority of small-scale industries will remain and settle outside the estates. These industries will need assistance other than factory accommodation, and will look up to the Government for support and aid. Thus, the principal requirement is a comprehensive development programme for small-scale industries which should include provision of factory accommodation through industrial estates as one scheme of assistance among others.

A programme of industrial estates unsupported by a more general development programme will not only be limited in its effectiveness, but may also prove to be uneconomical. As already indicated, an industrial estate project should not be a mere "real estate" operation providing premises and factory accommodation, but should also offer technical services and facilities. These are an essential part of any general programme, and would be extremely costly if organized for the exclusive benefit of a small number of tenants in the estates. Maximum effectiveness and economy can be achieved when industrial estates and technical facilities and services are planned jointly as part of an over-all development programme with a nation-wide coverage.

Another important consideration regarding the role of industrial estates in developing countries is that they should be properly co-ordinated with development programmes of broader scope. They have to be not only an integral part of a small industry development programme but also of an over-all economic development programme. The question of location of industrial estates is particularly important in this context.

An industrial estate is not an "open sesame" for industrial or economic development. Unfortunately, in some developing countries, incorrect appreciation of the role of industrial estates has occasionally led to incorrect location and consequent failure. In these cases, the approach to industrial estates appears to have been the same as that applied to ordinary public works projects, little attention being paid to integrating the estates with other programmes of economic development. In carrying out pre-investment and feasibility studies for industrial estates, it is essential to co-ordinate these with other development projects and to take into account the industrial "climate" and the general prospects for development not only in the location finally selected but also in a broader area.

It is generally appreciated that industrial estates require good transportation and communication facilities and economic arrangements for supply of water, electricity, gas, etc. The existence of facilities such as residential accommodation, schools, hospitals, playgrounds, recreation grounds, etc. in the immediate neighbourhood is an equally important factor influencing the success of the project. In most cases, the authorities responsible for the establishment of industrial estates cannot provide most of these facilities, but it is important that they should take proper care in co-ordinating industrial estate projects with such schemes of development.

The integration of industrial estate projects with programmes of town and country planning, particularly regional planning programmes, is another important factor. If this aspect is ignored, industrial estates may eventually become centres of new slums through mushroom growth of new shops, eating places, repair shops, and unsanitary dwellings, and give rise to land speculation in the vicinity of the estate. Such developments would defeat some of the major objectives sought in establishing industrial estates.