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SMALL AND MEDIUM-SCALE INDUSTRY INSTITUTES *
A Case Study of Ethiopia

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Introduction

Ethiopia is one of the least developed countries in Africa with a Gross National Product of barely US\$100 per capita. Of its 27 million inhabitants, almost 90% live in the rural areas while agriculture contributes only 50% of the GNP. The industrial sector stands for 16% of the GNP including around 5% from handicrafts and small-scale industries.

Craftsmen are spread all over the country and provide the rural population with most of their farming tools, household goods, clothing, etc. Their methods of production are very simple, sometimes even primitive, resulting in low productivity and poor and uneven quality of goods produced. The craftsmen's standard of living is lower than that of the farmers and they also suffer from deep-rooted prejudices.

Small-scale industries are mainly found in the cities and cater for the urban population. Most of them are engaged in food processing (grain and oil mills, bakeries, etc.) while others produce garments and shoes, furniture, building materials, and so on. Very few exist in more special fields like printing, electrical appliances or plastics. The technologies used are mostly 20-30 years old and machines and equipment tend to be of the same age leading to severe maintenance problems. Many small-scale industries were started by expatriates who have now left the country.

Under the past regime, the craftsmen and the small-scale industries were totally neglected and often suffered from the incentives given only to the larger, more modern industries. The sector was clearly stagnating and even declining over the last decade before the revolution.

Since the revolution started four years ago, the Ethiopian Government has gradually adopted new radical policies for the development of the country, and "self-reliance" has become one of the leading principles. The National Democratic Revolution Programme of 1976 stated i.a. that "the agricultural sector, being the backbone of the national economy, is given priority over the other sectors while small industries are developed at the same time to meet the needs of the broad masses".

In August 1977, the Government issued a Proclamation creating the Handicrafts and Small-scale Industries Development Agency (HASIDA) with

the purpose of promoting and co-ordinating the development of this sector which provides considerable employment and makes an important contribution to the national economy.

In March 1978, a new Law on Co-operative Societies was proclaimed, making HASIDA the authority in charge of "artisans' co-operatives". According to this law, HASIDA shall promote the establishment of co-operatives among craftsmen, register, supervise and assist them.

A new Credit Policy for Banks, issued in 1976, gives priority to co-operatives in general and offers preferential treatment to small-scale industries.

In the wake of the nationalization of rural lands and the creation of peasants' associations, the Government has launched an ambitious Community Skills Training Centre Programme for the rural areas. In association with the peasants' associations, the Government is in the process of setting up around 500 such centres over the next few years with at least one centre per "wereda" or district. HASIDA participates in the crafts skills aspect of the programme.

Finally, although larger industries have been nationalized, the small-scale industries have been left to the initiative of private entrepreneurs and co-operatives in accordance with the Government's policy stated in the National Democratic Revolution Programme.

HASIDA's Coming into Existence

Preparations for the creation of HASIDA started already in 1975 with a handful of young Ethiopian officials and the author of this paper working together within a small section of the Ministry of Commerce and Industry. The starting point was a nation-wide seminar held at Africa Hall where a series of recommendations to the Government were formulated, including general policy guidelines and a proposal to create a strong, unified organization for the co-ordinated implementation of assistance programme.

Since the sector had been so neglected in the past, statistics and other information were almost inexistant. In order to get a better grasp of the situation, fact-finding missions were carried out to most of the administrative regions and reports on the findings were published.

Proposals for a Development Programme for the sector were worked out and presented to the Government. They contained both general policies and programmes and proposals for institutional and organizational measures. Through discussions with other governmental organizations concerned, the proposals were gradually revised and finally lead to HASIDA's Establishment Proclamation in August 1977.

For most practical purposes, however, the agency could be said to have come into existence already from the beginning of 1977, when additional budgets allowed a gradual increase in manpower and means to conduct deeper surveys on handicraft products, craftsmen's coops, and the conditions of small-scale industries. A former handicraft school was brought under HASIDA and was renamed the Ethiopian Handicraft Centre which is now being transformed into HASIDA's operational arm for the provision of technical services to both craftsmen's co-operatives and to small-scale industries.

HASIDA's Objectives and Duties

According to its Establishment Proclamation, HASIDA has the main objective to promote and coordinate the development of handicrafts and small-scale industries, including craftsmen's co-operatives, in accordance with the National Democratic Revolution Programme.

In order to attain this main objective, the agency has been given the following powers and duties:

- in accordance with national policies and plans, formulate policies for the development of handicrafts and small-scale industries and supervise the implementation of such policies;
- carry out surveys and research concerning handicrafts and small-scale industries;
- assist in the identification of improvable handicrafts and potential small-scale industries;
- study small-scale industries for the products of which there is durable demand; prepare projects for such industries and assist those who are willing and capable of implementing such projects;

- assist and encourage the establishment and growth of handicrafts and small-scale industries in accordance with guidelines to be issued by the Ministry of Industry;
- organize and operate demonstration and training centres designed to promote and assist handicraft enterprises and small-scale industries;
- assist handicraft enterprises and small-scale industries in marketing, supply of raw materials and equipment, training, production techniques and management, and obtaining credits;
- promote the social status of craftsmen and the dignity of manual labour;
- regulate and issue licenses to small-scale industries;
- regulate handicraft enterprises and, when requested, issue licenses to craftsmen;
- promote, register, supervise artisans' service and producers' co-operatives and assist them through the above activities.

HASIDA's Institutional Framework

HASIDA consists of three major departments and also possesses a training and demonstration facility which enables it to carry out its duties, namely:

- The Industrial Promotion Department,
- The Project Preparation Department,
- The Co-operatives Promotion Department,
- The Ethiopian Handicraft Centre.

The Industrial Promotion Department:

This department is responsible for promoting handicrafts and small-scale industries by extending services in various fields, such as:

- Production methods including appropriate technology,
- Marketing and organization of in-put supplies,
- Management and provision of credits through the banks.

The services are provided in the form of consultancy and training, often combined, to craftsmen's co-operatives and small-scale industries.

The Project Preparation Department

This department prepares feasible projects for handicraft operations and small-scale industries, based on local demand and mainly locally available raw materials and promotes them to craftsmen's co-operatives and small-scale industries.

The projects are based on product ideas and technological information collected from all over the world with the assistance of international development organizations and friendly countries.

In co-operation with the Central Planning Commission, the department plans and co-ordinates the development of the sector within the country's planned economy.

The Co-operatives Promotion Department

This department is in charge of implementing the Proclamation on Co-operative Societies among craftsmen. Its duties include the spreading of the idea of co-operatives, their formation and the registration whereby they attain legal status, and the supervision of established societies.

In collaboration with the other departments of HASIDA and with the Ethiopian Handicraft Centre, it also provides assistance to the craftsmen's co-operatives in areas like improved technology and skills training, marketing and management including finance.

The Ethiopian Handicraft Centre (EHC)

This centre used to be a mismanaged amalgam of workshops, mainly serving the imperial court and the aristocracy. Since it was brought under HASIDA, it is gradually being transformed into the agency's

operational arm for technical services to the sector, providing training of trainers, development and testing of improved and new technologies and products. It also has a small emporium for demonstration of products and tools.

Regional Offices

This fiscal year 1978/79 HASIDA is in the process of establishing four regional offices in Dire Dawa (east), Awassa (south), Jimma (west) and Gondar (north). Each regional office will offer three administrative regions or provinces for the time being, but within the next few years there will be at least one office per region. (There are 14 regions in the country. The central one is covered from the head office, 12 by the four regional offices, and Eritrea is left out for the time being.)

The regional offices will have technical extension officers and co-operative organizers operating as mobile teams throughout their respective regions. They will also co-operate closely with the Community Skills Training Centres wherever established. As for the extension services, they will be provided by the regional officers as far as their knowledge goes and they will be back-stopped by the head office and the EHC as required.

Budgets and Manpower

From a very humble start, HASIDA has gradually received increased Government budgets. For this fiscal year 1978/79, the total budget amounts to around 1.1 million US\$, whereof US\$ 750.000 for HASIDA with its regional offices and the rest for the EHC. HASIDA has at present some 25 professional staff but their number will reach around 75 during this fiscal year including 40 co-operative organizers now under training.

UN Assistance

HASIDA was assisted from the middle of 1975 to the end of 1977 by a single UNIDO adviser. As from 1978 the agency benefits from a three year project, financed by the UNDP, and executed by the UNIDO in collaboration with the ILO. The new project essentially provides

experts in Small-scale Industry Promotion, Appropriate Technology, Marketing, Co-operatives Promotion plus consultants and fellowships.

HASIDA's Approach to the problems raised in Item IV of the Agenda:
Institutional requirements for industrialization of rural areas

The first part of this paper has been a presentation of the Ethiopian Handicrafts and Small-scale Industries Development Agency - HASIDA. The institution is still very young and inexperienced and it has not yet shown many tangible results, except its own coming into existence which might be considered, however, as an achievement of sorts under the circumstances.

This implies that the following ideas on the problems of and approaches to industrialization in rural Ethiopia have not yet been put to the hard test of reality. The thinking has also evolved in the particular context of Ethiopia in a revolutionary period which means that its validity to other countries is necessarily limited.

In accordance with the National Democratic Revolution Programme, HASIDA's long-term or development objectives are:

- To mobilize indigenous skills and capital resources;
- To make small-scale industries and handicrafts complementary to both agriculture and large-scale industries;
- To contribute to employment in both rural and urban areas through the use of labour-intensive, capital-saving production methods;
- To offer a basis for decentralising industry and creating a more equitable distribution of employment and income.

a) The social context of rural industrialization

The rural areas of Ethiopia have certainly been by-passed by the process of industrialization of the country, which concentrated on the major cities only. However, small-scale industries are also found to some extent in smaller market towns in rural areas. Handicrafts are spread all over the country, both in cities, towns and villages, where they provide the people with essential goods. It is HASIDA's policy

to promote small-scale industries both in the cities and in the smaller rural market towns wherever there is sufficient demand and preferably local raw materials available. A general study of the feasibility of some one hundred SIS-projects has just been finished and a study on their applicability in some 10 major, rural towns will be conducted this fiscal year. From existing knowledge it appears evident, however, that such projects will need considerable support of various kinds but the exact nature is not yet determined.

The extension of services to small-scale industries in rural towns is to be carried out through HASIDA's net-work of regional offices. They will be located in at least 12 of the about 20 towns in the country having more than 20.000 inhabitants.

As for the improvement of handicrafts in the rural areas, the policy is to use the regional offices' mobile teams and to co-operate closely with the forthcoming 500 Community Skills Training Centres mentioned earlier. The effort will be concentrated on craftsmen who organize themselves into co-operatives. This strategy is due both to political guidelines and, still more, to the evident fact that hundreds of thousands of craftsmen cannot be reached individually.

b) Decentralization of multifunctional institutions

The Ethiopian Government is heavily committed to the development of the hitherto forgotten rural areas. By the nationalization of rural land and the creation of Peasants Associations, a new both political and administrative infrastructure has been implemented. A similar set-up exists in all towns through the Urban Dwellers Associations. These associations offer, for the first time, the possibility of dealing with the broad masses of the people through their own organized bodies (a kind of mini-communes which in their turn are organized in higher associations, like a pyramid).

The Community Skills Training Centres are another example of the Government's effort to spread knowledge and skills to the rural

population in close co-operation with their own organizations. HASIDA's role is here to provide its in-puts in the form of expertise and training of trainers in crafts, such as weaving, pottery, blacksmithy, tanning and leather work etc.

As mentioned under a), HASIDA intends to promote small-scale industries mainly in the rural market towns, at least in a first phase. This choice is due to the fact that the rural population is widely scattered in either very small villages or often in individual hamlets. Only the rural market towns are expected to provide sufficient markets together with the necessary infrastructure, such as accessible roads and electricity in the larger ones.

c) Selection by institutions of rural industrial projects

HASIDA is evidently going to make thorough feasibility studies before any projects are proposed for implementation in a given locality. The local attitudes to change are, of course, of great importance. Facing this problem, HASIDA has a new and unique opportunity to receive the reaction of the local people through their associations mentioned under b) above, and their support in case they accept the project. This has already been proved in recent surveys of small-scale industries and handicrafts.

In a poor country like Ethiopia most investments must be economically viable. It is recognized, however, that projects in areas without any industrial tradition may require much assistance during a rather long period until they become economically viable. This could be considered as an investment in education which also provides results only in the longer term. The Government must thus be prepared to finance such assistance through agencies like HASIDA for a considerable time to come.

d) Small and medium-scale industry institutes

In several policy declarations, the Ethiopian Government has clearly stated that labour-intensive, capital-saving industries shall be encouraged since they correspond to the objective conditions of the country: unemployment

or underemployment on the one hand and scarce capital resources on the other. The scarcity of skilled labour and power at high cost, when available, make this policy still more relevant.

Consequently, HASIDA sees it as one of its most important duties to concentrate its studies of feasible SIS projects on such which correspond to this policy guideline. See further under e) below.

e) Development of small-scale or appropriate technologies

The development and implementation of technologies appropriate to Ethiopia's conditions are given high priority. The search for development and testing of such technologies both for handicrafts and for small-scale industries is to be conducted by HASIDA in its experimental workshops at the EHC with the assistance of one of the experts of the UNIDO project whose post has been described as one in Appropriate Technology. The Ethiopian Science and Technology Commission is also very much involved in the AT-concept at a broader level, including both agriculture, medicine and other fields.

Once such appropriate technologies have been identified and tested, they will be spread through HASIDA's contact net-work (described above) by the provision of prototype tools and equipment on grant or softloan basis and by the training of trainers both at the EHC and the Community Skills Training Centres in the rural areas. A larger emporium with mobile demonstration units are also planned for the future.

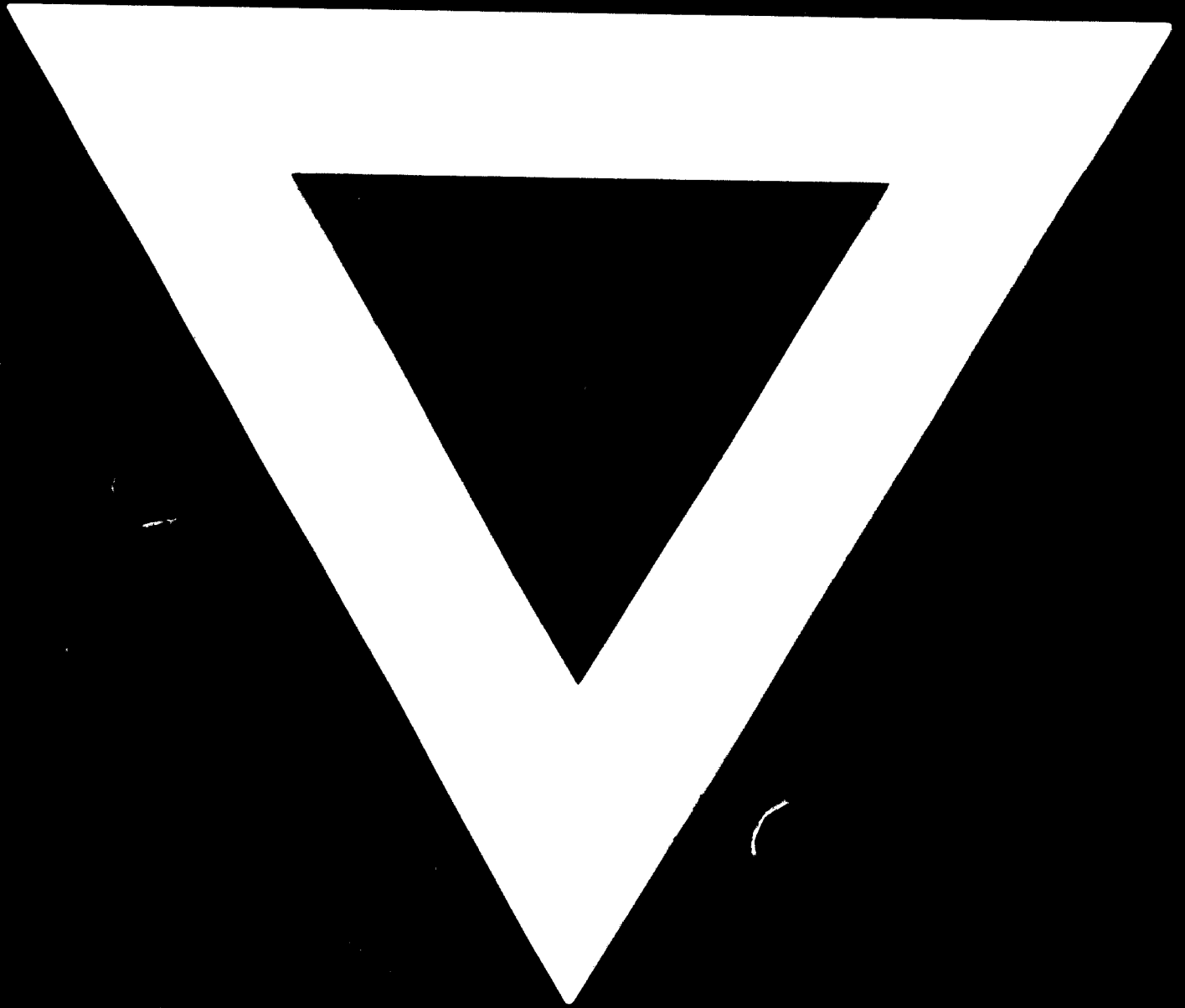
Concluding remarks

There is probably nothing very unique in HASIDA's objective and organization and, as mentioned earlier, the agency is still so young that its approach to the industrialization in the rural areas is still to be tested. It must be noticed, however, that the Ethiopian Government is very sincere in its policy to develop the rural areas, the "backbone of the national economy" and at the same time develop small industries to meet the needs of the masses.

What is maybe unique in an African context is the creation of the Peasants Associations in the rural areas and the Urban Dwellers Associations in the towns. These new political and administrative cells offer a new opportunity for an agency like HASIDA to deal directly with the representatives of the people themselves and to create with them the "spread mechanism" necessary in all development work. The future will tell.



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