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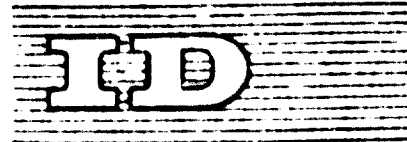
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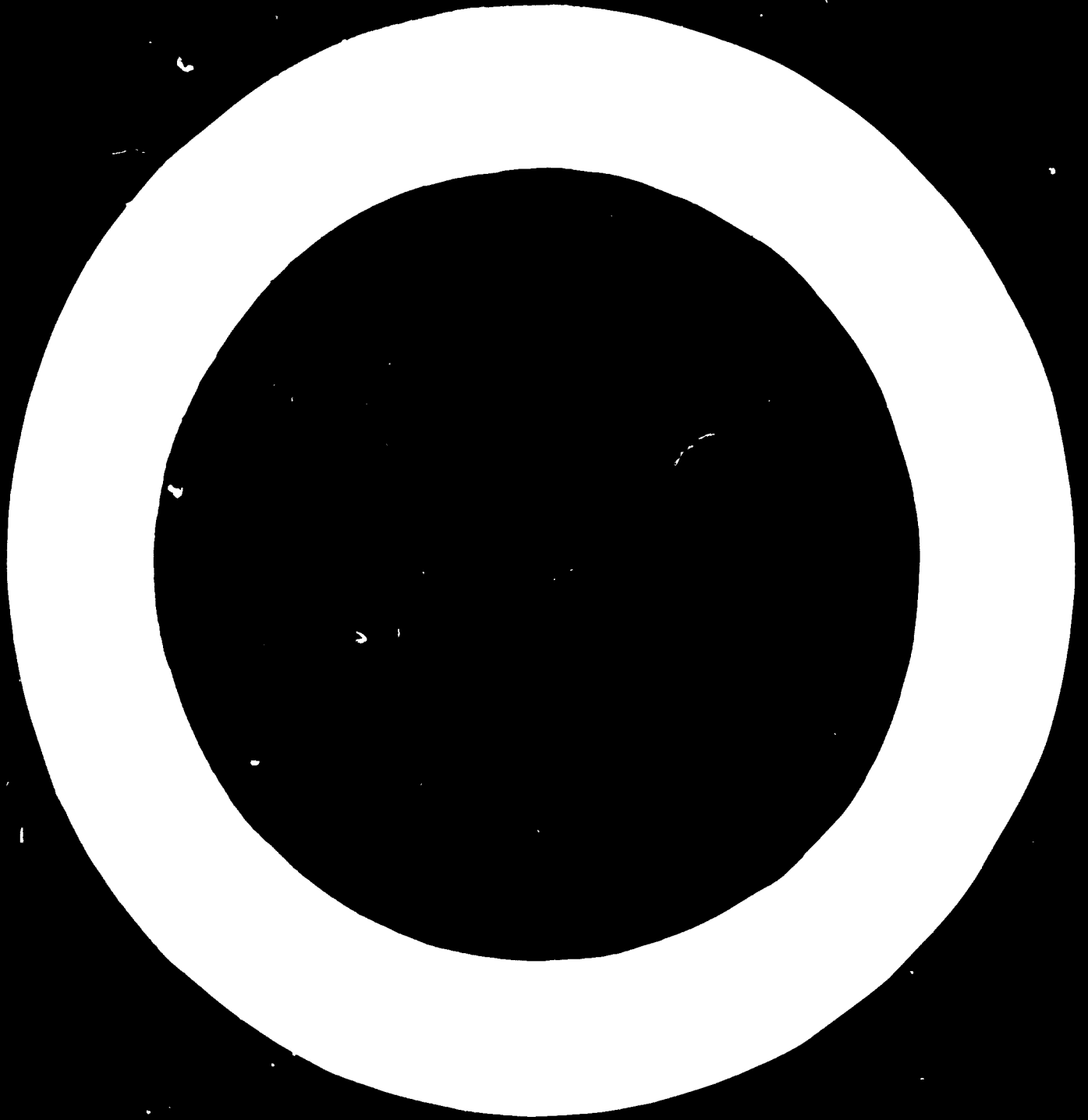
SUPPORTING SERVICES TO INDUSTRY IN CEYLON <sup>1/</sup>

by

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<sup>1/</sup> The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.



The economy of this country has been geared to the production of three main primary products, namely, tea, rubber and coconut, to the western market during the period of colonial rule. Once a surplus generated in this sector was unable to sustain the requirements of the economy, the need for industrialization arose, basically from the standpoint of import substitution and secondly for the creation of employment. As such, industrialization is of recent origin in this country. The contribution of manufacturing industries to the Gross National Product has averaged about 12 per cent during the last decade as seen from the table below:

INDUSTRY'S CONTRIBUTION TO GROSS NATIONAL PRODUCT

Value of industrial production 1960-1969  
at constant (1959) factor cost prices

Year	G.N.P. at constant prices	Value of industrial production	Industry's share of the G.N.P.
1960	6,288.5	728.0	12%
1961	6,424.7	745.9	12%
1962	6,709.9	797.9	12%
1963	6,899.7	853.6	12%
1964	7,363.3	901.3	12%
1965	7,550.6	936.9	12%
1966	7,834.0	1,008.1	13%
1967	8,181.0	1,052.0	13%
1968	8,861.5	1,154.0	13%
1969	9,370.0	1,221.0	13%

Source: Central Bank of Ceylon.

The first phase of industrialization has been witnessed during the last decade. The characteristic feature of this development is the concentration of industry in the production of light consumer items mainly in the food and textile group while development in the light engineering field has been slow. This phenomenon is the normal characteristic of industrialization during the embryonic stage. An analysis of the source of raw material from manufacturing industry at this stage shows that nearly 65 per cent of the raw material is of foreign origin.

As the process of industrialization embraces both the private sector and the public sector specific incentives have to be provided for the private sector to engage itself in manufacturing activity. Hence, the need for services of industries is of paramount importance. The following institutions have been providing services for industry both to the public and the private sectors. They are as follows:

1. Development Division of the Ministry of Industries.
2. Ceylon Institute for Scientific and Industrial Research.
3. Small Industries Services Institute.
4. Bureau of Ceylon Standards.
5. Tea Research Institute.
6. Rubber Research Institute, and
7. Coconut Research Institute.

1. Development Division of the Ministry of Industries

The Development Division of the Ministry of Industries was set up in 1960 and the main purpose in creating this unit is as follows:

1. To undertake the evaluation and planning of public sector projects, and
2. To promote and assist private sector industrial development.

As a preliminary step for setting up of industries this division undertakes the surveys of industrial possibilities. The results of such surveys are made available to the public so that the national and the foreign investors will have ready access to such essential preliminary data.

This division also examines the problems of existing industries. Expansion of existing industries and newcomers to such industries have to obtain the sanction of this division so that investment in the private sector could be undertaken on a systematic and national basis. This control or regulation is intended to prevent waste of capital and the growth of monopolies, in specific fields. The Development Division has also been providing industrialists with assistance during the lead time for their industries such as advice on problems confronting the establishment of factories, selection of sites, establishment of industrial selection of machinery and raw material. Once the production units commence production matters relating to marketing, protection, other measures regarding supply of raw material have been tackled by this division.

2. Ceylon Institute of Scientific and Industrial Research

This institution was founded in 1955 by an Act of Parliament. It is a Government sponsored organisation and it started with a Government contribution of Rs.5 million. Annually a grant of Rs.2 million is paid to this institution. The World Bank has also contributed by way of formal assistance.

It is a non-profit making organisation undertaking process research, resource studies, market research, employment aspects, technical supervision, plant location, lay outs, aspects of organisation, costing, productivity, and various other aspects covering production, sales, distribution and technological problems at very nominal fees. This institution at present renders continuous services to several manufacturing industries and also advice to protective industries.

The research, management, engineering and similar services fees payable consist of:

1. Pro rata compensation paid to technical personnel working directly on a particular project.
2. Fifty per cent of the computed cost of the research service; service personnel, gas, electricity maintenance of laboratories, over-heads and operational costs.
3. Cost of material and supplies and construction or acquisition of such apparatus as may be reqd. travelling and other incidentals.

3. Small Industries Services Institute

This institution was set up under assistance from the International Labour Organisation and it has been recently re-named the Technical Services Institute. The functions of this Institute are as follows: See Annex 1.

4. Bureau of Ceylon Standards

This institution was set up by Act of Parliament in 1965. An annual grant is given by Parliament for its activities. The objectives of the Bureau of Ceylon Standards are as follows:

- (i) Promotion of standardization in industry and commerce by preparation of specifications and codes of practice.
- (ii) Promotion of facilities for testing and calibration of precision instruments, gauges and scientific apparatus and issue of certificates.
- (iii) Examination and testing of commodities and other materials and also forms of manufacture, treatment and processes.

5. Tea Research Institute, Rubber Research Institute, and the Coconut Research Institute

These institutions were established during the period of colonial rule mainly to assist the cultivation of tea, rubber and coconut so as to safeguard the competitive position of these primary products in the world market regarding quality and cost of production. These institutions are maintained by a cess on these three commodities.

However, the prices fetched in the world market for these products in primary form has declined in the last decade. It is now clear that further processing of these primary products into more sophisticated form would result in a value added which could be harnessed to obtain better dividends in the export market. Hence, these institutions are now called upon to play a more dynamic role in the utilization of tea, rubber and coconut as basic raw materials for production of finished manufactured industrial products to cater for the domestic and export markets.

6. Conclusion

The exigencies of the foreign exchange problem facing this country makes itself imperative that manufacturing industry should switch on to the utilization of indigenous raw material. At present manufacturing industry is dependent up to 65 per cent on imported raw material. Indigenous raw materials for industry could be broadly classified into agro-based and mineral-based. In the coming years these institutions will be called upon to play a more vital role in providing Ceylon's industries with technical know-how in the use of indigenous raw materials substituting imported raw materials.

Annex 1

- (i) To conduct techno-economic surveys and studies to particular industries or areas and make recommendations concerning specific industries that are to be encouraged or discouraged, taking into account the technical and economic aspects of the industries concerned;
- (ii) To organize demonstrations and training courses on improved technical processes and use of modern machinery and equipment;
- (iii) To give technical information, advice and guidance to small producers in matters relating to credit, production, supplies and marketing and on organisational and management questions;
- (iv) To assist in marketing products of small-scale and handicraft industries through publicity, propaganda, standardization of the quality of products on a continuing basis both within and outside the country and to disseminate market information to all concerned;
- (v) To carry out experimentation, testing and research in such matters as improved designs of products, alternative raw materials, improved processes of production and development of tools and machinery suitable for use in small undertakings;
- (vi) To serve as an information and documentation centre for small-scale and handicraft industries.







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