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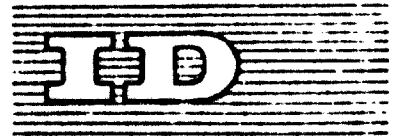
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with Special Reference to Small-scale Industry

Vienna, 6 - 10 December 1971

TECHNICAL CO-OPERATION PROJECTS  
IN THE FIELD OF SMALL-SCALE INDUSTRY  
IN THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES  
BY UNIDO <sup>1/</sup>

prepared by

the Secretariat of UNIDO

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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. Technical co-operation activities in the field of small-scale industry are being carried out or planned by UNIDO in 15 of the 25 countries designated as the least developed among the developing countries. These countries are: Botswana, Burundi, Chad, Dahomey, Ethiopia, Lesotho, Niger, Rwanda, Somalia, Sudan, Uganda, the United Republic of Tanzania, Upper Volta, the Yemen Arab Republic and Haiti. The activities in this field undertaken by UNIDO in these countries are mainly concerned with:

- (a) Advice to Governments on policies, programmes and incentives for the promotion of indigenous small-scale industries;
- (b) Assistance in the creation of a government unit or institution to promote and assist small-scale enterprises;
- (c) Identification of possibilities for local small-scale industries and preparation of pre-investment reports and feasibility studies for such projects;
- (d) Assistance to existing small and medium industries including the transformation of artisans into small industrialists;
- (e) Feasibility studies on the establishment of an industrial estate and assistance in its planning, establishment and operation.

#### Policies and Programmes

2. In most of the least developed countries, small-scale industry is the principal means of ensuring the participation of the indigenous population in industrial development. This has been recognized by most of the Governments of these countries. The UNIDO experts and advisers in small-scale industry in these countries have endeavoured to influence Governments in adopting policies, drawing up programmes and undertaking measures to achieve this objective. In any developing country and especially in the least developed countries, these programmes should be very comprehensive. Because of the low level of technical skills, the absence of previous managerial experience and in most cases the lack of financial resources, the programmes should provide sustained support to indigenous entrepreneurs in all aspects of the establishment, management and operation of their enterprises.

3. Thus experts have made proposals for integrated programmes of technical managerial financial assistance and provision of physical facilities for small industries. However, most of the Governments of the least developed countries have not yet implemented these recommendations. Administrative political financial and other problems have prevented Governments from making the necessary policy decisions and introducing the legislation needed. In very few cases have some of the proposals been acted upon. Even though they do not as yet amount in any of the countries to the comprehensive programme that would be desirable the measures taken do represent initial steps towards integrated programmes of assistance for small-scale industry.

#### Institutions

4. As regards assistance in the creation of units or special institutions to promote and help small industries several of the least developed countries have sought UNIDO assistance and have taken some steps towards implementing recommendations of experts. Thus Botswana has requested a small industry adviser to assist in the creation of a Small Enterprises Development Unit within the Ministry of Commerce, Industry and Water Affairs. This Unit will have the task of preparing economic studies on small industries and developing a programme for assisting potential small-scale entrepreneurs. In Dahomey UNIDO experts have developed a plan for an Industrial Development Centre which would promote industries of all sizes including small-scale industries. In Ethiopia an expert is working with the Small and Cottage Industries Division of the Ministry of Commerce Industry and Tourism and is helping to prepare a survey of small-scale cottage and handicrafts industries in the country as well as a financial assistance programme and a study for a pilot industrial estate. In Lesotho a UNIDO expert advising the Department of Commerce and Industry has worked out a proposal for a Crafts and Industries Development Centre which will shortly be considered by a joint UNIDO/ILO mission.

5. As a result of the work of a team of UNIDO experts in Uganda an Industrial Development Centre was set up and after a few years was staffed by five local Ugandan professionals. The Industrial Development Centre, an autonomous body was created to assist small-scale industries to settle on a new industrial estate and to study possibilities for developing small-scale enterprises. In the same country a Management Training and Advisory Centre was set up, with assistance by ILO, to upgrade Ugandan small entrepreneurs. In Upper Volta the recommendations of a UNIDO expert have led to the creation of OPEV (Office de promotion des entreprises voltaïques) which will be concerned with the creation of indigenous industries and of a small industrial estate.

#### Feasibility studies

6. Several of the requests for UNIDO assistance have expressed the need of the least developed countries to identify possibilities for new small indigenous industries. Experts in Burundi, Dahomey, Niger, Rwanda, Somalia, the Sudan and Uganda have at different times surveyed the economy of the country and have recommended suitable fields of activity for small-scale industries. Such work has also been carried out by UNIDO experts in the Yemen Arab Republic. There have also been requests from Chad and Niger for experts to carry out similar studies. Difficulties of recruitment have so far impeded the implementation of operations and other difficulties have hampered the establishment of the recommended industries. Indeed the mere drawing up of a list of industries, even if accompanied by more elaborate pre-investment studies, contribute little to the creation of small enterprises in the absence of technical and managerial assistance and of a modicum of finance.

#### Existing industries and artisan activities

7. In most of the least developed countries existing small-scale industries do not constitute a significant group. However, there is in most of these countries a relatively important artisan sector which includes both craftsmen engaged in utilitarian activities and handicraft

workers producing items of artistic merit with a traditional folklore content. In those least developed countries such as the Sudan, Uganda and Tanzania, where a few small-scale industries exist, efforts have been made by UNIDO experts to provide them with technical assistance. In Ethiopia such assistance has been provided to indigenous small-scale industries by the Ethiopian Centre for Management with the assistance of ILO experts.

8. A more important activity of many experts has been their endeavour to transform artisan undertakings into modern small industries. This has been the object of technical advice given by experts in Lesotho, Niger, Uganda and the Yemen Arab Republic. The problem of transformation of artisans into small industrialists was also studied by UNIDO experts in Somalia and the Sudan.

9. There is no doubt that the existing artisan community which forms an important section of the economic community of the least developed countries affords a promising source of entrepreneurship for new small-scale industries, though it is not the only one. Yet the experience of UNIDO experts has shown that the conversion of artisans into small industrialists will not make much progress unless assistance and facilities are available. One project recently prepared by a UNIDO expert recommends a team of experts and facilities to support the National Small Industries Corporation of Tanzania which has until now been assisted by a bilateral Indian programme and which is primarily concerned with assisting artisans to improve their operations through the provision of workshop premises, common services and some direct help in procurement and marketing.

#### Industrial Estates

10. In their effort to promote new small enterprises, the least developed countries have shown great interest in the creation of industrial estates and most of the requests to UNIDO have specified assistance in that area. In view of the shortage of suitable land for the construction of factories and the almost total lack of premises that can be occupied by new industries, and above all because of the difficulty of steering people

towards industry most of the Governments of the least developed countries believe that only the provision of such amenities and adequate services would provide an impetus strong enough to induce potential entrepreneurs to go into business. In addition the chronic capital scarcity that prevails in the least developed countries prevents most indigenous entrepreneurs from building their own factories. Thus the least developed countries intend to rely on the industrial estate to solve these problems.

11. UNIDO has been ready to assist in this field but has always cautioned that thorough studies should be undertaken beforehand since the development of an industrial estate involves a considerable investment which in the lesser developed countries will certainly compete for finance with many other pressing needs, against limited resources.

12. UNIDO experts have carried out feasibility studies for industrial estates in some of these countries. The studies have been hampered by lack of reliable data the shortage or inadequacy of feasibility studies and the lack of identification of entrepreneurs who would occupy the sites or factories on the estate. In view of the high construction costs and the uncertainty as regards occupancy there have been conflicting views on whether estates in these countries should only provide land prepared for construction together with the necessary services or whether standard factory buildings should be made available to industrialists on a rental basis.

13. Projects have been prepared by UNIDO experts for industrial estates at Addis Ababa (Ethiopia) Niamey (Niger) Kigali (Rwanda) Omdurman (Sudan) Mtinda/Kampala (Uganda) Ouagadougou (Upper Volta) and San'a (Yemen Arab Republic).

14. In Botswana an expert reported negatively on the viability of an industrial estate for indigenous industries but nevertheless the Government one year later is still keen on developing an estate at Francistown. There are also plans for an estate in Dar-es-Salaam (Tanzania) in the execution of which UNIDO will be involved in the future. A UNIDO expert is also working on the planning of an industrial estate at Port-of-Prince (Haiti) but this would however mainly cater to foreign industrial enterprises and would be aimed at promoting exports.



15. So far none of the projects in the least developed countries assisted by UNIDO have resulted in the actual establishment and occupation, even partial of an industrial estate. In most cases financial difficulties have prevented the start of construction. Some countries are negotiating with international financial institutions such as the Fonds européen de développement or the World Bank, to obtain finance to carry out the infrastructure work. According to reports Rwanda has obtained CED agreement for financing part of the work of the industrial estate at Kigali. Some other least developed countries are looking for bilateral financial resources. In a few countries funds have been made available by Governments and there are hopes that work will begin soon. Thus, latest information from Uganda is that after considerable delays work has finally begun on the preparation of the land for the Mtunda industrial estate.

16. Despite the fact that UNIDO projects in the industrial estates field in the least developed countries have yet to be implemented, there is no reason to reach the conclusion that an industrial estate is not a feasible instrument for the industrial development of these countries. It is known for instance that industrial estates were established with Indian help and were occupied by small industries in Nepal. In addition, some mini-industrial estates have been established for artisans in Swaziland, a country close to the least developed group as part of a project for the upgrading of artisans being executed with ILO assistance. There are reasons to believe that if a long-term view is taken several of the industrial estate projects which UNIDO is assisting will ultimately be implemented although this may take several years.

#### Implementation of projects

17. Thus far most of the assistance given to the least developed countries by UNIDO has been in the form of single experts acting as small industry advisers. There has been an exception in Uganda where a team of experts has been working with the Government on small-scale industry promotion and the development of the industrial estate at Kampala already referred to. Experience has shown in several cases the need for larger projects involving a team of experts. Such projects have been worked out

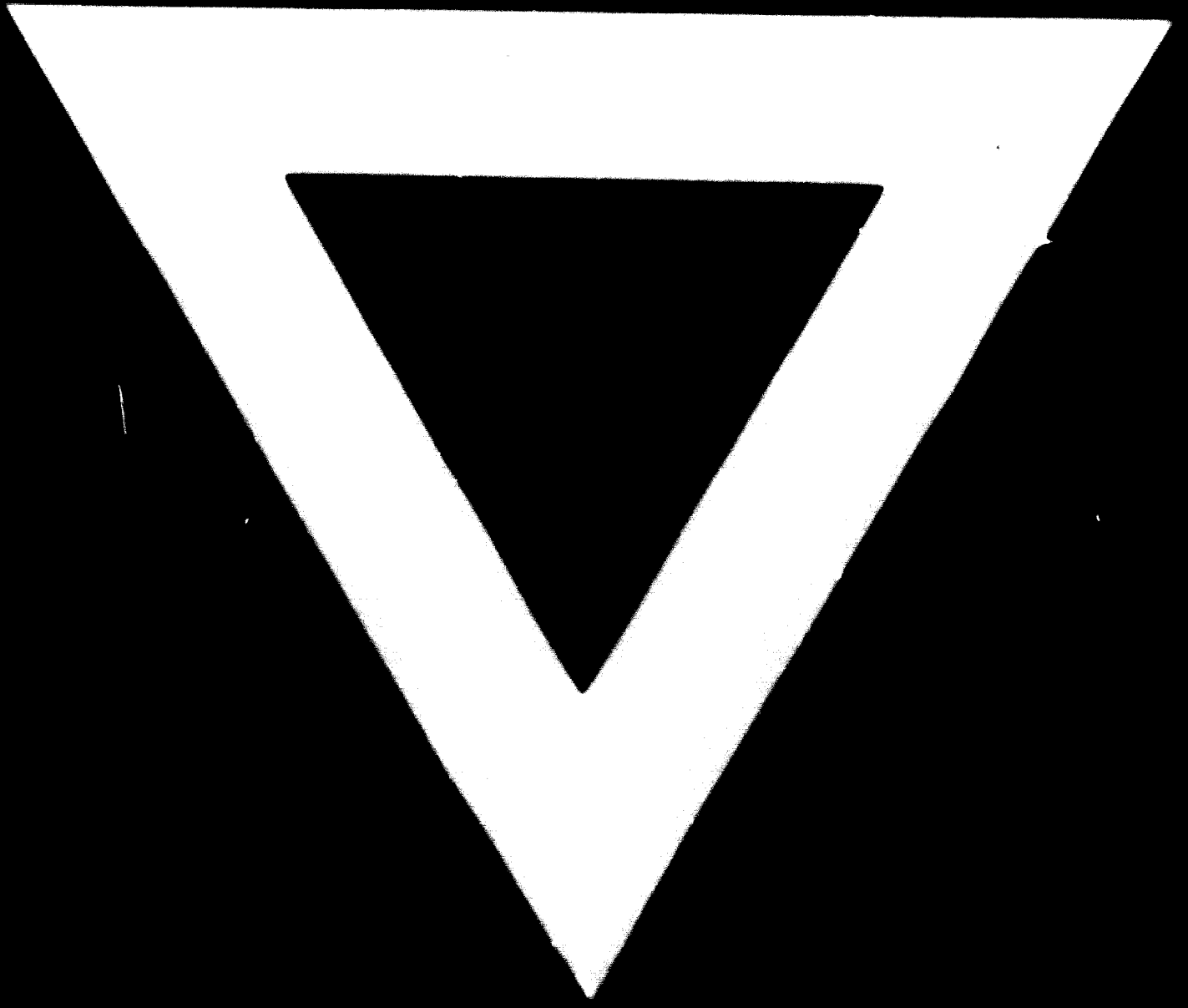
and submitted for finance to UNDP by the Governments of Dahomey, Lesotho, Rwanda and Upper Volta. Other proposals for larger projects have been prepared for the Sudan, Tanzania, and the Yemen Arab Republic. But it is not yet clear whether the Governments of the latter countries will be prepared to give priority to these projects.

18. As indicated in another document, the experts working in the least developed countries are confronted with very considerable difficulties.<sup>1/</sup> Most of them work for long periods without counterparts. The lack of data is a significant problem. As a result less is accomplished by the missions in a longer time than would have been the case had these countries been able to provide the support needed. Many of the recommendations of the experts have not been acted upon for lack of any Government authority willing and able to make the decisions. As mentioned already many of the studies identifying possibilities for small industries have remained exercises without concrete results.

19. Another problem has been the difficulty of recruiting experts willing to work in these countries. The problem is compounded by the shortage of experts able to face up to difficult conditions. In some cases it has taken well over a year from the time the request was received until the time when the expert was actually working in the field. The difficulty of obtaining Government decisions on candidates has caused further delays in recruitment.

1/ See Problems of Technical Co-operation in the Least Developed Countries (ID/WG.10/7).





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