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06229



Distr.  
LIMITED

ID/WG.207/2  
11 April 1975

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Group Training Programme on  
Extension Services for Small-scale  
Industries in East African Countries,  
Nairobi, Kenya

12 - 23 May 1975

ANNOTATED PROVISIONAL AGENDA

AND

PROPOSED ISSUES FOR DISCUSSION ✓

The following points have been prepared at UNIDO Headquarters with a view to facilitating the discussion at the Group Training Programme

- Item 1. Inaugural session - Opening addresses
- Item 2. Adoption of the Agenda - Election of Chairman and Vice-Chairman
- Item 3. The Role of Small-scale Industries in Industrial Development Policies and Programmes

1. The main theme here is the role that small-scale industries could play in the programmes of economic development, and in particular plans for industrial development in the countries of the East African region.

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2. Participants are invited to express their views on the characteristics of small-scale industries already existing in the region or that could be expected to be developed. To what extent will these small enterprises be locally promoted and established by entrepreneurs from the countries themselves or would they rather be formed from a partnership of a local small-scale entrepreneur together with some overseas firm? Are there any special problems in the determination of policies and priorities both between the different sectors of the economy and between different industrial sectors?

3. What type of industries can be expected to develop on a small scale? Would they be catering to a local or national market or in some cases is this too small even for small-scale industries? Participants might give information on the numbers and types of small-scale industries already operating in their countries or any special problems that are encountered, the expansion of such industries or in the creation of new ones and what sectors particularly lend to development. What are the problems of creating small-scale industries to produce consumer goods in competition with or to substitute imports? Is there a role in small-scale industries in catering mainly for the public institutional markets, for building and construction, for services, for agriculture or possibly for the tourist market?

4. Are there any possibilities in the development of ancillary industries in East Africa, i.e. small industries undertaking sub-contracting work for larger enterprises located inside or outside the region? What factors would influence the development of sub-contracting and what measures could be taken to promote the development of sub-contracting?

5. What handicrafts are carried on within the countries of the region and what possibilities are there for transforming some of them into modern small industries? What sort of assistance do local artisans need? Should programmes of assistance for small industries also include handicrafts or is there need for two separate assistance programmes?

6. What sort of artisan activities of a utilitarian nature are carried on by the local population in East African countries? Participants might like to express their views on the differences between traditional handicrafts with a functional or artistic content or those types of craft activities in which an artisan is engaged in producing a functional product or service. Which of these craft activities - the artistic handicrafts or the utilitarian artisans - provide more likelihood for transformation into small-scale industries? Where the local market has been supplied through artisans, how can we avoid the pauperization of the artisans with the advent of industry?

7. Participants might also discuss the programmes, policies and objectives of local development corporations and banks. What particular role can they play in the development of small-scale indigenous industries or should their work be primarily that of promoting overseas investments? If they are to concerned also with small-scale industry promotion then what sort of people should they recruit and how should they carry out their work?

**Discussion papers:**

- Country papers by participants
- Transformation of Handicrafts into Small Industries in the Caribbean area, by D.N. Saraf
- Small-scale Industries in Rural Scotland, by D. Ogilvie
- Development Possibilities for Small-scale Industries in Specific Fields of Industrial Activity, by A. Neilson

- Problems in the Application of Technical Assistance to Small-scale Industries in Developing Countries, by A. Neilson
- Planning and Programming for Small-scale Enterprises, by G. Alan Major.

Item 4. Extension Services for Small-scale Industries

1. This type of assistance can be divided into that given to established small-scale industries and to new small-scale industries, respectively. As regards the technical services for established small-scale enterprises, this may include consultations, in-plant studies and question-and-answer services.
2. Participants are invited to discuss the main problems confronting small industrialists. The attempts to modernize small industries or artisan activities often encounter psychological obstacles as well as economic and physical ones. How does one create an awareness in the small-scale entrepreneur of the need to introduce changes and to proceed with modernization? There are also physical obstacles such as the unsuitability of premises. Can changes be introduced gradually so that the small entrepreneur can realize the need for modernization?
3. In the case of new small industries, technical advice may include help in selection and installation of machinery, product development and assistance in putting the plant into operation. Can assistance be given in determining the scale of production facilities to be set up? Can help be given in obtaining the machinery required or, even more important, in finding out who the potential suppliers of the machinery are?
4. A discussion might take place on equipment appropriate for small enterprises. A great deal has been written and discussed on the fact that most of the technologies proposed for small enterprises are inadequate for their needs and are more suited to large industries. Should appropriate technologies permitting

a suitable choice of equipment be evolved for small-scale enterprises in small countries? What are the characteristics of such appropriate technologies? Is it just a question of finding labour-intensive methods to provide as much employment as possible, or are there additional factors to be taken into consideration, such as quality, skills and appropriate product design?

5. What type of information is needed to encourage local potential entrepreneurs to set up small-scale enterprises? Are market information and detailed studies of potential markets both within the country and outside of special importance? How can the market be determined without excessive investment in studies, given the size of the industry to be created?

6. Discussion is invited on the type of institution that is most suitable for providing extension services for small-scale industry. There are various models that might be considered, that of the Small Industry Service Institute of India, the Management Training Centres of Kenya and Uganda, or the Swaziland Enterprise Development Corporation, for instance. These examples combine different types of assistance within the one institution. The question also arises of combining extension services with training and what the advantages and disadvantages are of combining these two services? Is there not a tendency when the two are combined for too much emphasis to be put on the training side and too little on the direct advice which the small-scale entrepreneur may really need? What is the type of person needed to become an extension officer in small-scale industries? Are there any special personality requirements? How can the problem of the scepticism of the small-scale entrepreneur to the extension worker be overcome? Is there some form of training that can help the extension officer to improve his communication with the industrialists? Several efforts have been made

in different countries to run extension services more efficiently by producing written material that is suitable for groups of small industries, such as a costing system for small industries, a production planning system for machine shops, an organizational structure or bookkeeping system that might be suitable for a number of garment making firms. Participants are invited to give their opinions on how well such systems can be expected to operate within the African context.

Item 5. Promotion of New Small Industries, Preparation of Feasibility Studies

1. The promotion of new small industries clearly requires a decisive effort both in providing information on opportunities and in contacting potential entrepreneurs. Some countries, such as India, have carried this approach into promotional campaigns especially in less developed provincial districts where it is felt entrepreneurship in small-scale industries needs to be especially encouraged. Would such promotional campaigns serve a purpose in East African countries and if so how can they be organized? What role can be given to municipalities, local district officials or other local or regional individuals or groupings?

2. Clearly not all projects for setting up small industries are viable. There is need for preparing feasibility studies to ensure that small industries set up will be profitable. However, in case of small industries the cost of a feasibility study is often out of proportion to the investment involved. Participants are invited to discuss this problem and whether more simple types of studies are needed. There is also the need to submit requests for financial assistance to banking institutions. What is the minimum form of feasibility study which can satisfy such a financial institution?

Publications:

- Some observations on the promotion of Small-scale Industry, by John C. Wilde
- Small-scale Industries in Rural Scotland, by D.A. Ogilvie
- Problems in the Application of Technical Assistance to Small-scale Industries in Developing Countries, by A. Neilson
- Development of Rural Industries of Africa, by UNIDO

Item 6. Financial Assistance

1. What should be the role of national financing institutions and regional financing institutions as far as providing financial assistance to small industries is concerned? Is there a need for special financial institutes catering only to small industries?
2. It is stated that the process of credit screening should depend on a technical assessment of the prospects for the project as well as on an evaluation of the entrepreneur's capabilities. This suggests that not only the feasibility of the project is in question before financial assistance is approved but also the ability of the entrepreneur to carry it through.
3. The question arises what should the relationship be between, financial assistance and extension work or technical counselling? It is clear that the two should be linked in some way since the provision of finance without technical assistance puts in jeopardy the success of the operation for which financing has been given. Can technical assistance be considered a form of security to ensure that the financial assistance is to be put to the use for which it is intended and that the beneficiary will be able to repay the loan made? This is the basis of so-called "supervised credit schemes". Participants are invited to discuss the question whether



existing financing institutions are adequately equipped to carry out this role or whether there is a need for reorganization and additional staffing. The question also arises whether the recourse to technical assistance and training should be compulsory if the entrepreneur is to receive financial assistance.

4. Organizational problems may arise if the financing institution does not supervise the loans itself or if it is not able to provide technical assistance to borrowers. It may then be necessary to have different institutions for, respectively, financial assistance and technical advisory services. When this is the case, how can their activities be co-ordinated? In practice, the technical advisory services are used not only to follow up by providing technical assistance to those granted loans, but sometimes they are also used to make technical evaluations in the screening of loan applications. Practically every industrial project, whether a new enterprise or the expansion and modernization of an existing one through the introduction of new products or production lines, requires technical evaluation. Such knowledge would not normally be available in a financing institution unless it has special staff for this purpose. If such capabilities do not exist in the financing institution, would it not be better, rather than hire such consultants, to use whatever technical institution is available? In small countries it may be difficult to find the technical capabilities needed to assess the project or provide technical assistance after it is approved. Discussion is invited how this can be overcome, either through the use of regional technical services or through the wider use of technical information services? Or are there other solutions?
5. In several countries it was found that the risk involved in lending money to small entrepreneurs could be reduced through the introduction of a hire-purchase scheme for the supply of

machinery and equipment. Under this scheme the entrepreneurs are not actually given money when they need financial assistance; machines and equipment are procured by an institution according to what is indicated when the applications are made. The machinery and equipment do not actually become the property of the borrower until he has made all the necessary instalment payments. As long as this is not done, the machinery is the security. What is the applicability of a hire-purchase system for machinery for small-scale entrepreneurs in East African countries?

6. Participants might wish to discuss the possibilities of using guarantee schemes whereby loans made through commercial banks will be wholly or partially guaranteed by public funds. This system has proved quite successful in some European and Latin American countries. Is there scope for guarantee schemes in East Africa?

7. In some countries of Africa financial assistance has been made available from international financing institutions and bilateral donors for the development of small and medium industries, but most of the funds have not been disbursed due to a lack of "bankable" projects. This raises the question whether institutions seeking to provide financial assistance to small industries should be content with a passive role and simply wait for small-scale industrialists to submit requests or whether they should adopt a more dynamic role in promoting the financial assistance programme.

8. Participants might also discuss the processing of loan applications and to what extent the decision should depend on public or semi-public committees. Discussion might take place on the size of loans and the time taken to process them. Many small industrialists complain of lengthy delays in obtaining the credits they need. Can the process be speeded up?

9. The question also arises on the purpose of financial assistance. Many small industries in small countries complain bitterly that whereas credit is available for the purchase of fixed assets, there are no such facilities for assistance with working capital. What schemes could be developed to overcome this difficulty?
10. Latterly some developing countries have found that financial assistance in the form of loans to entrepreneurs is inadequate either because there are too few entrepreneurs with any capital or because there is too little control over the project after the loan is given. They have therefore proposed new schemes of 'equity financing' of small industries which involves the participation of a development corporation in the equity capital in participation with the private entrepreneur. In countries at a very early stage of industrial development such as Swaziland and Botswana in Africa, development corporations have been established that set up small plants directly and then lease them to potential entrepreneurs. The latter may buy the enterprise or workshop which he has been leasing over a period on easy terms after he has shown that he is able to operate the facilities successfully. If not, the corporation changes the tenant leasing the enterprise. Could such systems be successful in East Africa?

Publications:

- Integrated Programmes of Financial Assistance and Technical Advisory Services to Small Business, by N.J. Bowen-Ashwin
- Mobilization of Domestic Financial Resources for Industrial Development in African Countries, by G. Raab

Item 7. Management and Marketing in Relation to Small Industries

1. Everyone recognizes that small industries suffer from severe management problems but that these are different than the management problems of larger enterprises. Ways have to be found to give the small enterprise the management advice and assistance they need. How can this be done? Participants are invited to

the types of management training programmes that can be used for small-scale entrepreneurs.

2. What form of a management consultancy services can be developed to be helpful to small industries, in developing countries? Management advice in depth is costly and requires large numbers of experienced personnel which the institutions in developing countries usually do not have. What methods can be found to rationalize management consultancy, possibly in working with groups of small industrialists, either on a sectorial basis, (e.g. garment makers, furniture manufacturers etc.,) or through management aids for groups of small industries with similar problems.

3. Management advice is often resented by small-scale entrepreneurs who are "rugged individualists" and self-made men. How can this communication problem be overcome?

4. Marketing advice is also most important. Many small-scale industrialists know how to produce the product but have little idea what is involved in selling it. Participants might like to discuss what sort of marketing help is needed. Would this include market studies on acceptance of new or existing products or would it be concerned more with finding effective distribution channels? How can marketing be organised most efficiently in a small firm bearing in mind the limited resources?

**Item 8. Technological Problems**

Small industries face technological problems even though the technology used is of a simple nature. They will still have to select processing machinery, solve production and quality problems, and find ways of designing better products. There might also be technological problems involved in the raw materials processed. A way has to be found for small industries to be helped. A discussion might take place on what are the most effective methods of providing this assistance. What sort of institutions could be of help?

Item 9. Extension Work in African countries

Extension work has to be developed and organized to suit the special conditions of each country and society. Clearly any African extension work cannot be organized in the same way as any European country where educational levels are higher, industrial experience more wide-spread and communications much more developed. African extension work for small industries must take into account the educational and cultural background of those who are to be recipients of the advice. Advisory services have to take into account also the poor communications and the reliance on public institutions in African countries. How can these factors be taken into account in organizing an effective extension service for small industries in East African countries?

Publications:

- Problem of technical cooperation in the Least Developed countries, by UNIDO
- Planning and Programming for the Development of Small-scale Enterprise, by G. Alan Major

Item 10. Industrial Estates and Common Service Facilities

1. A discussion is invited on the role that industrial estates might play in the promotion and development of small-scale enterprises in the East African countries. This could take different forms: improved tracts of land in which individual entrepreneurs would be allocated plots and would then build their own factories; construction of standard factory buildings for rent to small entrepreneurs, which would ease their capital problems and enable them to start producing without delay. Clearly the latter arrangement has financial implications since the

government or a development institution would have to finance considerable investments. In small countries or remoter areas the industrial estate can be of a very simple nature, consisting merely of a row of workshops to enable artisans and other entrepreneurs to start industrial operations. At a later stage, if the workshops are successful the entrepreneur could proceed to build his own small factory. Participants are invited to discuss this approach which has been used in some of the less developed countries with a certain degree of success.

2. Are investments in industrial estates justified and do they really stimulate the growth of small-scale industries? The experience of Kenya, might be of interest in this connexion. If an industrial estate is to be built, what are the criteria for deciding its location? A group of smaller estates has the advantage of dispersing industrial development and employment opportunities, but might increase the administrative and infrastructure costs. How should the industrial estate be managed? Participants are invited to express their views on whether it should be administered by a development corporation or handed over to a separate organization. Is there a role for private companies in the development of industrial estates?
3. Should industrial estates be started on the basis of economic rent right from the beginning or is there a need for a period of subsidizing rents as an incentive? Should account be taken in assessing rentals of the costs of infrastructure investments or should these be considered as the state's contribution?
4. Common service facilities such as machine shops, foundries or other services are sometimes set up on industrial estates with a view to reducing the investment requirements of individual enterprises by providing such services at reasonable cost to all the occupants. They are usually established by public corporations and operate on a non-profit basis. Is there scope

for such facilities in the countries of the region? Should these facilities be turned over to provide ownership and management as soon as possible?

Item 11. Regional and International Cooperation, Local and International Cooperation in the Field of Small-scale Industries

1. Africa is an area with different groupings for regional integration. There are already a number of regional institutions playing an important role in the economic development of the different countries, such as the East African Community, the East African Development Bank, the African Development Bank and so on.
2. Participants may wish to discuss whether there is scope for promotion of small-scale industry through regional cooperation. Most of the regional institutions including financing institutions prefer to channel their assistance through national organisations rather than directly. In addition, most countries have developed institutions for small industry promotion and technological assistance. Is there scope for handling some of the problems of providing technical advice on a regional basis, either through regional institutions or through regional cooperation between national institutions? There are some doubts as to the efficacy of such efforts. Can such schemes really be effective in assisting small-scale entrepreneurs?
3. Some activities such as identification of opportunities for small industries, preparation of simple feasibility studies, are in fact similar from country to country. Is there scope for reproducing these studies from country to country or at least one country benefiting from the work done in another? Can an organisation such as ECA (Economic Commission for Africa) be of value in fostering such cooperation.

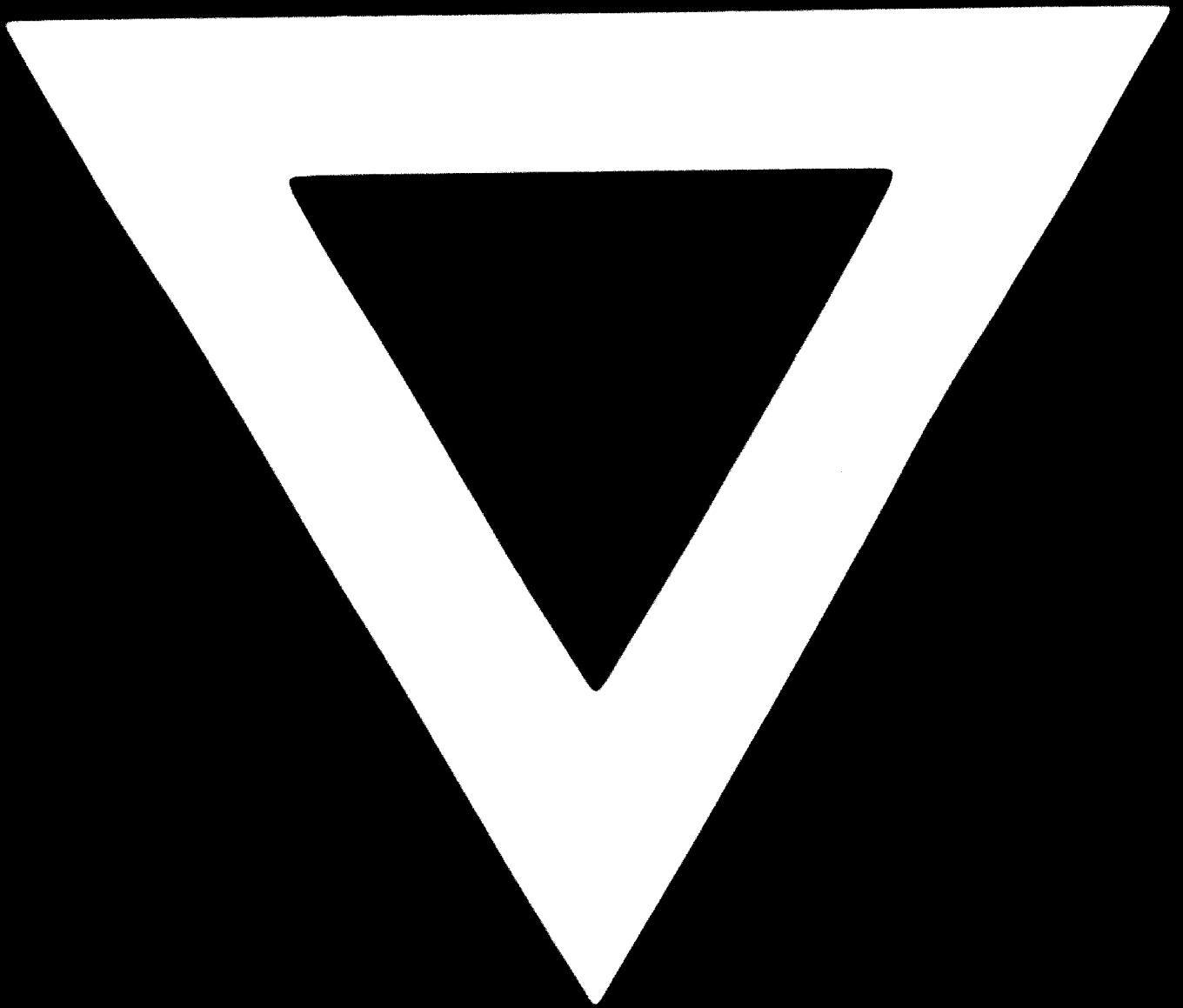
4. A great deal of technical cooperation has been provided to the East African countries in the small industry field. UNIDO has been active in practically all the East African countries both in the development of institutions and industrial estates. In some cases UNIDO has actually been involved in providing expert assistance to specific small industrial projects. ILO has also assisted mainly in management training. There have been considerable efforts by bilateral donors in programmes of industrial estate development and rural industries in Kenya, Tanzania and other countries. Participants might wish to discuss how effective the assistance has been until now, and in what ways it can be improved. Although a beginning has been made there is still insufficient cooperation between the international and regional financial institutions and bilateral financial donors with technical cooperation projects. A discussion might take place on ways of improving this cooperation and whether the present institutional arrangements are adequate.

**Publications:**

- Problems of Technical cooperation in the Least Developed countries, by Secretariat of UNIDO
- Development of Rural Industries in Africa, by UNIDO







**75.08.11**