OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

FAIR USE POLICY

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

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.

Economic Commission for Africa
Symposium on Industrial Development in Africa
Cairo, 27 January - 10 February 1966

ID/CONF.1/R/11
December 1965

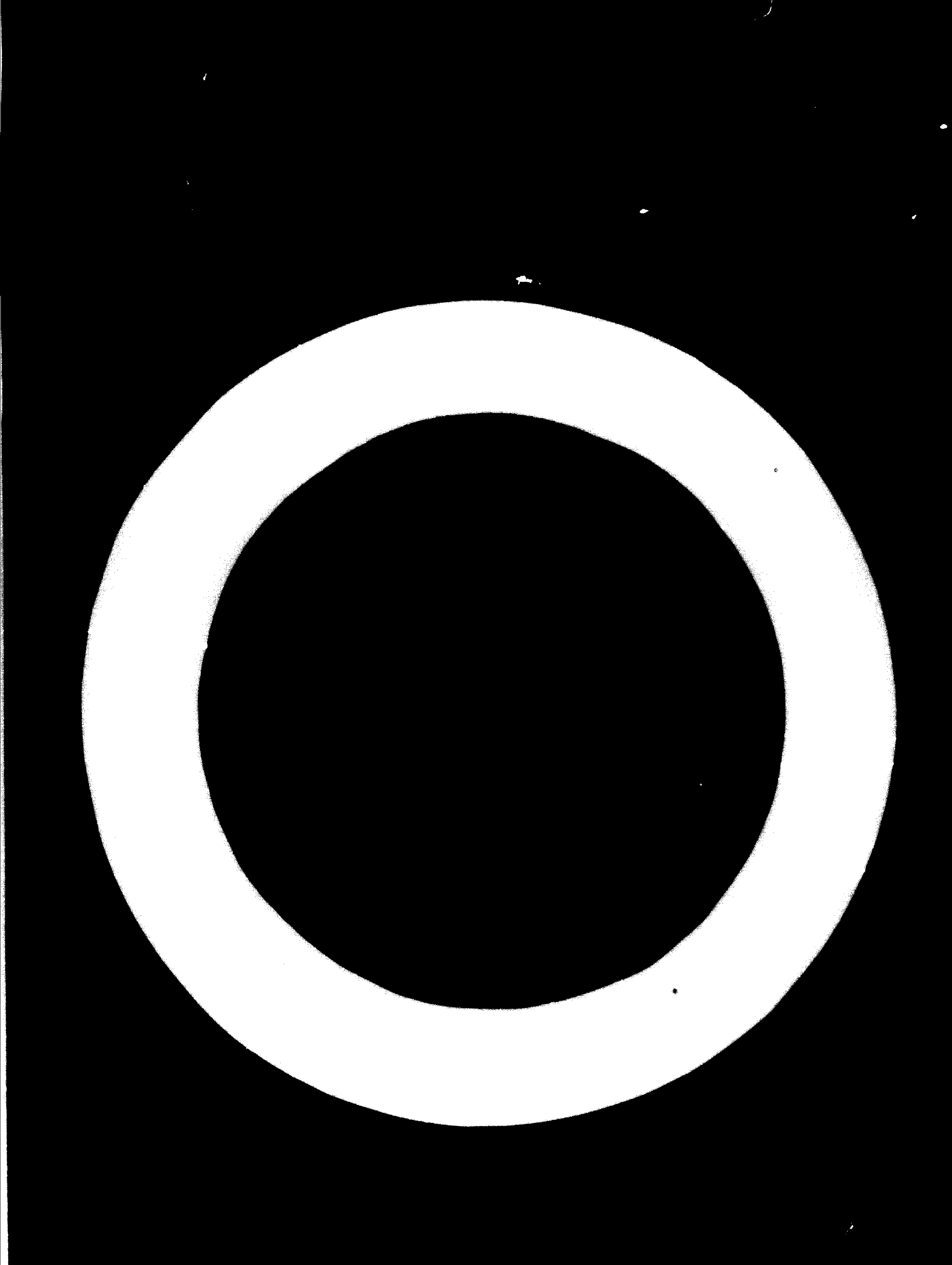
04919

FINANCING OF INDUSTRIAL DEVELOPMENT WITH PARTICULAR REFERENCE TO AFRICA

by J. T. Simpson, K.B.E., (Hon.) Consultant

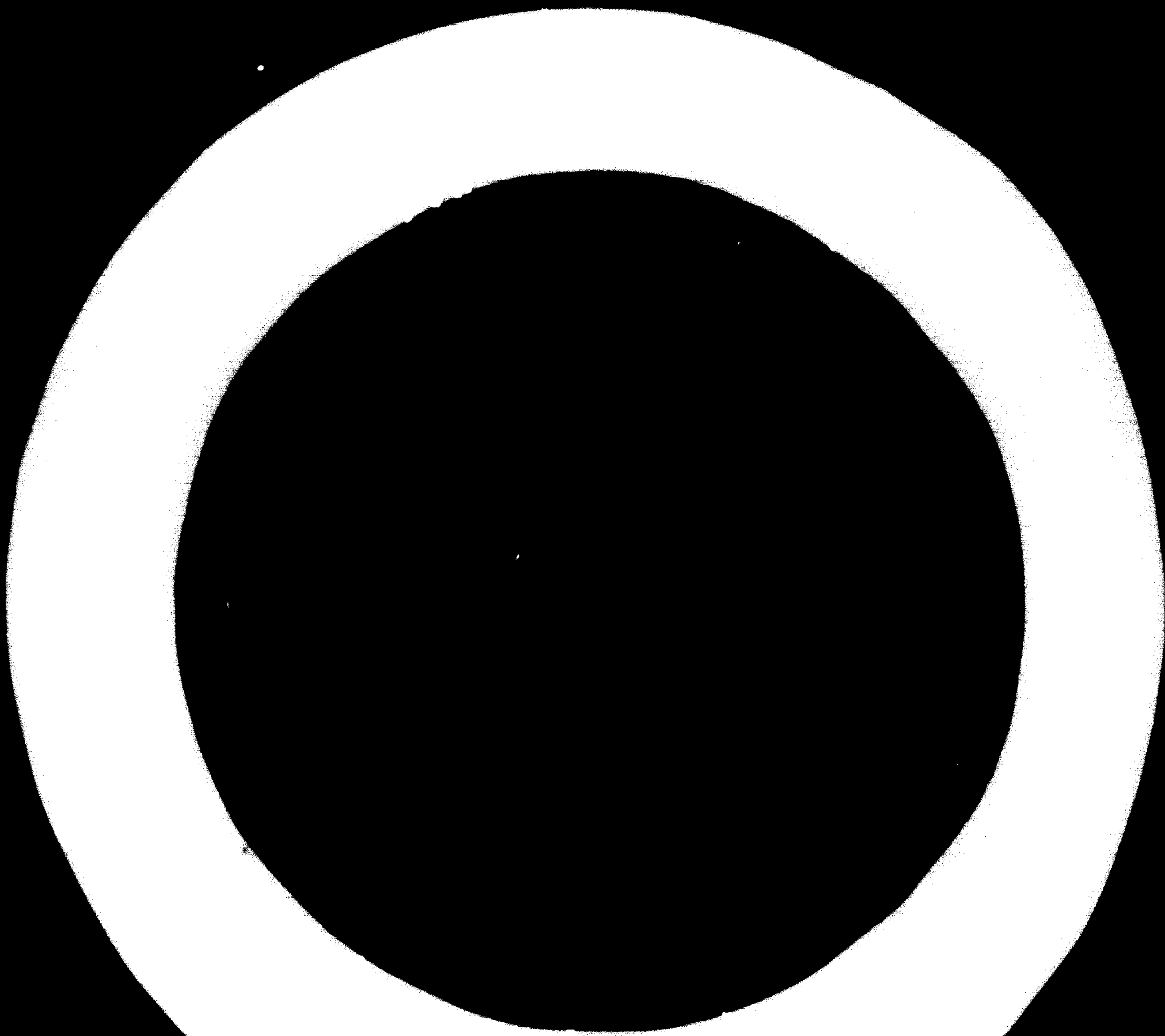
Centre for Industrial Development
United Nations, New York

66-40131



CONTENTS

....



Introduction

1. In presenting this paper on the financing of industry as part of the subject of industrial development in Africa, it must be emphasised that "financing" cannot be regarded in isolation. Those providing the finance, whether international, institutional, bankers, foreign or local industrialists will have regard to the fruitful use of it, to the benefit of the country in which the money is invested and their own rightful expectation of a normal return on equity capital or the payment of interest and capital repayment in respect of loans.

2. Close regard, therefore, must be had for the management of all finance. It has been said on more than one occasion that industry requires men, money and machines and that if the men are available, the money and machines easily follow. Again an eminent banker once stated that he preferred "character" above "collateral". Put another way - it is fair to say that the success of industry depends on production and marketing, inferring of course, that if those are efficient, there will be no concern respecting finance. Modern industry also requires high technical skills but it is not the object of this paper to deal with technical training or the provision of technical assistance as these are listed in the Symposium's Agenda as separate items.

3. I only wish here to direct thought to the fact that the management of money embraces many aspects of industry whether as a pre-requisite for its procurement or its eventual use. In this discussion, therefore, it is necessary to accept that financing per-se presents few direct problems. There are, however, many and varied problems and conditions that either facilitate its procurement and free use of it or mitigate against its procurement and the application of it.

4. The comments I shall make may be said to have been mainly derived from my experiences of the Uganda Development Corporation Limited but also embrace those of similar organisations in other parts of Africa and include para-statalism of an industrial nature such as Railway and Air transport and Electric Power schemes.

Background

5. Before we move to the actual financing of industry, I think it desirable, at least to spend a few minutes, simply to recognise the background or climate of and in which we are operating in our industrialisation. We must accept that while our problems will be overcome, they do exist and make our task, for the present, the more difficult. Naturally, I deal only with the problems peculiar to Africa and not those of the continuing development of industry in the more highly developed countries.

6. In the first case, industry in the parts of Africa we are considering is relatively new. Surely for many years we have been developing our transport and power industries and conducting the earlier processing of primary produce. I can still, however, recollect back in the 30's a former British Colonial Secretary in imperial times telling a meeting that it was our duty to produce primary produce to support the mercantile marine and also the financial links with the centre of the protecting power.

Costs

7. While this attitude has not changed and the developed countries are giving assistance in various forms in industrialization programmes of the newly independent countries because it is recognised that we shall not maintain world peace with the existing big disparity of standards of living, nevertheless it means that we are faced with costs today far in excess of what they would have been had we developed industry much earlier. Admittedly and as general costs rise and as economies become diversified, this handicap will disappear.

8. The second problem peculiar to these African countries is, in most cases, the size of the markets for the finished products. I think it was professor Arthur Lewis who first commented in a paper on the industrialisation of the then Gold Coast that manufacturing industry would come to countries naturally once the countries themselves had established a sizeable spending power in the hands of the people. He continued that this increase in spending power could only be achieved in most countries by substantially enhanced agricultural production. The size of the market is a major consideration in the size of plants to be installed and idle or part time capacity is again costly.

9. As an aside here, one must also mention the varying prices that these countries receive for their produce. In financing industry, we look for a steady growth element but when markets suddenly contract simply because the people suddenly or over a period, get less for their primary produce, then industry must be in a position to have the finance to carry that depression.

10. Thirdly, the countries we are discussing, or rather the majority of them, have recently acquired their political independence and they naturally wish to be independent in all spheres. They cannot rely indefinitely on foreign skills, be they in the field of medicine, education or industry. The training of our own people and the use of expatriates until such time as our own nationals are fully trained and have industrial experience again adds to the cost which must be taken into consideration when financing any project.

11. What may be said to be the fourth cost item, although not applicable in all cases, is the contribution that certain industries have had to make to "infra-structure" items and which have absorbed a great deal of capital, usually not required in the more developed countries.

12. I refer here to a wide range of services. In areas where new industries are being set up access roads have usually had to be built by the industrialists, the provision of water and the purification of it has usually had to be installed. The siting, away from day-to-day services, inevitably results in additional costs. Even if railways are in proximity, there can be capital contribution to spurs or sidings. Some industrialists regard themselves as fortunate if they only have to make capital contribution to electricity authorities while others may have to install their own power schemes. Even those who may be fortunate in being near power schemes usually consider it prudent to install stand-by capacity. Then there is the sometimes enormous cost of housing, as quite obviously in developing industry in the remoter areas, residences, whether for operatives or technicians [illegible], are essential. I realise, of course, that politicians do, and [illegible], influence the siting of industry and for obvious reasons, but [illegible] defect in it contributes to political stability.

13. These additional costs attributable to this new development, have usually resulted in the industries not being competitive with the older established countries and has caused the countries concerned to impose quite substantial tariff protection. While this is desirable at present, it is not in the long term to the advantage of the peoples themselves to be sheltered against competition to too great an extent. Our building of industry must aim at high efficiencies if we are to raise finance for it and, of course, there is the other factor that we wish eventually to compete in world markets and cannot do so as long as our costs are as high as they are now.

Structures to Assist Financing

14. This is the major aspect of financing that I wish to give priority of consideration.

15. The countries with which we are concerned have rightly been in a hurry to develop their industries and have not left the initiative to private enterprise. In any event, private enterprise has also had to consider the stability of the politics of developing countries and have in some cases been hesitant respecting taking anything above normal commercial risks. To meet the gap, the governments have, in most instances, established state sectors in their industrial economies.

16. This has taken various forms either in the setting up of state industrial corporations or boards and or by the participation of the states in industry in partnership with private enterprise. In other cases, private enterprise has sold its services to the governments, with the latter providing sometimes the whole, or usually the majority of the capital and in other directions the government has provided all the capital, using the individual services of expatriates. In raising this aspect, it is not my intention to get involved in discussion of political philosophy respecting nationalisation, state trading or the rest. We are all aware of the varied methods adopted by various countries to meet their own requirements and the long and sometimes tedious discussions respecting philosophies are not our concern. Perhaps in most countries there is an element of state participation in commerce and, for instance, I know of no country which leaves its postal services to private enterprise. The range we are confronted with moves from America where there exists perhaps the largest single para-statal organisation in the world in the New York Port Authority, through national railways and airlines down to small participation by the state in individual industries.

17. All I wish to cover here is the relationship of the state to and with industry as it affects financing.

18. It is, however, important at this stage to accept that the people of any country and of any stage of development do properly require accountability through their legislatures. Where public money is being used in industry, or even where facilities are given through Governments in the way of duty refunds for industry, tax holidays, etc., etc., there must be accountability and responsibility.

19. In my own view, this can best be defined in laying down that the particular Minister is, and should be, responsible to the legislature for the legislation that particular parliament has passed. Developing, I think, the accepted theme that the most difficult art of government is wholly different to the management

and operation of industry, it has been proven desirable that the governments do not enter the day-to-day affairs of industry. If a responsible Minister maintains and contains his responsibility to the legislation properly accepted by the people, then the providers of finance will have much higher regard for the entity to be financed than should the reverse be the case.

20. We then move to the question of directions to any para-statal organisation which may be made in the national interest. I suggest every country will require this but depending on the legislative provision and the application (which I shall revert to later) this need not, of necessity, be a deterrent to financing industry.

21. Let us now move to the example of the Uganda Development Corporation Limited and I quote it because it has been regarded by people outside the territory and oft quoted by people who have studied such institutions as the most successful development corporation in the Commonwealth, and in fact in Africa. I am sincere in my view that this claim or assertion was made possible by the structure of the U.D.C. and the regard to it by its owners, the Uganda Government. Setting it up on a firm foundation and control of it positively influenced financing to it.

22. It was originally discussed in 1951 at a time when the then Government had entered one or two commercial ventures without regard to what industrialists consider true commercial management. Fortunately, the Government recognised this and wished to establish a body to give effective day-to-day management to these several interests. At the same time, there was the impelling necessity of achieving an accelerated pace to the industrial side of development in the country. It was therefore decided that the same body should be charged with the task of participating in and facilitating development on the industrial front.

23. Much consideration was given to the structure of such an organisation. We had seen the Groundnut Scheme in Tanganyika (now Tanzania) and the loss of some £30,000,000 of British taxpayers' money. We had seen the efforts of another development corporation on the West Coast which had taken over ex-enemy estates which became more interested in the disbursement of their profits than the control and organisation of the several enterprises which it owned and which were making profits. Generally we recognised and might be congratulated for our forethought in admitting that in procedures and controls, Government and commerce or industrial organisations differ. This is not being disparaging to either but simply recognising a fact.

24. I regard this of such importance and so relevant to financing to digress and to quote - not my own views - but a recent factual statement made respecting an independent African state of some years seniority and by a Minister of it. It reads:

> "The Ministry of Finance felt it necessary to bring to the attention of Parliament and of the country as a whole the many unsatisfactory features which had been brought to light as a result of a preliminary examination of the accounts of the state corporations and of subsequent discussions with the managements of these enterprises. The main problem facing the state sector was stated to be the lack of qualified personnel, particularly accountants. The managements of the

corporations were found sometimes to be quite ignorant of developments affecting their enterprises or ill-informed about them. The causes for the consistent losses made by most of the enterprises in the state sector were listed as:-

1. High wages and salary bill in relation to turnover - a sign of lack of budgetary control.

2. Excessive salaries in relation to the qualifications and experience of some of the holders of the posts.

3. Heavy overheads.

4. Poor and inefficient management.

5. Poor costing systems and production control within the enterprises.

6. Improper pricing and inadequate sales promotion.

7. Under-utilisation of plant capacity.

The Ministry stressed that even for those corporations which had submitted balance sheets and annual plans, their figures had to be accepted with considerable reservations because of doubts on whether adequate provision had been made for depreciation. Of thirty-two state-owned corporations in which the Government had invested some £G40 million, net accumulated losses to date had been incurred of nearly £G14 million, principally by the Ghana State Mining Corporation (£G6 million), Ghana Airways (£G5.1 million) and the Ghana State Farms Corporation (£G2.4 million).

In contrast to the losses made by the state-owned enterprises, the accounts of the joint state-private enterprises showed total accumulated profits of £G669,000 from total investments of £G1 million, out of which the state's share amounted to £G569,000."

25. Recognising the different approach necessary and the different techniques involved, Uganda decided on a Company structure for its corporation. Fortunately, at that time (1952), the Government had surplus balances and was able to found its Corporation with equity capital to an extent of £5,000,000 - subsequently raised to £6,400,000. Today the Corporation is making a profit of well over £1,000,000 before tax or 19% and after meeting tax and allowing for minority interests in its subsidiary companies about 8% on its original capital. Operating in this manner and establishing profit earning concerns, it had no difficulty in raising current working capital whenever it needed it and also, because of its reputation, and when planning the finance of a new industry, could readily obtain bridging finance. All this led to the cash accruals from depreciation and profits being directly available to it.

26. Because its sole shareholders have wished to speed development, dividends have not been declared but all earnings less tax (£255,000 in 1963 and £465,000 in 1964) have been ploughed back and today the consolidated balance sheet shows shareholders interests of just under £9,000,000 or £5,000,000 appreciation on the Government's original investment.

27. Although the Corporation owns some companies, it participates in a number of others with private enterprise both indigenous and foreign and the group of such companies owned assets at the end of 1964 of about £17,000,000, employs 15,319 men or women and meets a salaries and wages bill of approximately £2,800,000 annually.

28. The reason I have given these broad figures and not entered into detail is in order to avoid a historical survey or factual compendium, but rather to illustrate what can be achieved with the right structure for financing. I hold strongly that the best basis to facilitate not only financing, but overall success is the simple company structure and with equity capital. Responsibility for the success or failure of the type of corporation to which we are referring is then clearly with the Directors of the Company appointed by the shareholders. It can have flexibility of operation in the handling of staff. It can invest in subsidiary companies or invest with commercial private enterprise partners in many activities and maintain the company structure throughout. It can bring on to the Boards of subsidiary or associated companies indigenous Directors and join with local authorities in agricultural estate ventures where land is involved. Well managed, it then has a great chance of success and of importance to this discussion ; it becomes an institution that can raise its own finance. It can plan ahead and not be dependent on annual votes from treasuries to carry out its expansion programmes.

29. I referred earlier to the wish of any government being the sole shareholder being able to give its Corporations directions in the national interests of the country. With Parliamentary responsibility, I think that must be accepted and such is the case in even more developed countries with nationalised industries or state-owned undertakings. Even with a company structure, it is easy to include such a clause and the device used in framing the U.D.C. Limited ordinance was to include a clause permitting the Government to apply most sections of the Country's Company Act to the Corporation and in the legal notice of application defining the Act itself as the Memorandum of Association of the Company.

30. Now it may be said that with such a clause which could compel a corporation to enter into ventures or activities which would lose money, would frighten any lender of money to the organisation and generally inhibit finance raising.

31. This need not be the case. In the original U.D.C. legislation, there was added, after such a clause, a proviso to the effect that if the Board certified that the particular direction given would cause it to lose money, then it need not carry out such direction until the Legislative Council had confirmed such direction and undertaken to meet from public funds such loss on the particular activity. [illegible] that provision, but personally [illegible] confirmation of such directions as that [illegible] than a single Minister acting.

[illegible] government-owned development corporation has so worded its general direction clause with a proviso respecting the availability of finance and this is a reasonable safeguard.

33. Another and a substantial industrial development corporation has two classes of capital divided as between A and B shares. The accounts clearly show the activities in that section of the particular corporation which operates on an entirely commercial basis. The class B shares cover national undertakings which might not be commercially profitable but which the Government wishes its chosen instrument to undertake and the accounts for this section are naturally separate and the financing is independent. But let us bear in mind that even with the company structure, the particular corporation or body can carry out agency work for its Government and usually this is paid for direct by Government. The U.D.C., for instance had a clause respecting technical research work which it could best carry out and there is provision for Government paying it for such work where the benefit was clearly for the community as a whole and not for the Corporation as an entity.

34. But taking an overall view, it must be borne in mind that the governments owning these various agencies to which I have referred <u>are</u> the owners and they do want them to succeed so it is quite obvious that they will not hinder their operation if they are genuinely concerned with the true and proper development of their own countries. Any problem that would arise could best be backed by the Government as a whole or obtain confirmation from the legislature. This would obviate weaknesses of individuals.

35. I wish now to move on from wholly owned Government development corporations.

Joint Ventures

36. To assist in the financing of industrial development, various other devices have been adopted. The Northern Nigeria Development Corporation concluded an arrangement with the Commonwealth Development Corporation some years back to establish a new body (Northern Nigeria Investments Limited) to which the N.N.D.C. transferred shares in several profitable companies in return for shares in N.N.I.L. and the C.D.C. contributed an equivalent amount of cash and N.N.I.L. is run as a separate entity on a 50/50 basis of participation between the parent bodies. Another device was adopted in the last few years in Kenya, Tanzania and Uganda where the British Government, through its Commonwealth Development Corporation, the West German Government, through its similar development agency and each individual territory subscribed a third of the money within a limit, as it was required, for financing purposes. The only control required by the top bodies is "preliminary clearance". This meant that each agency had to give preliminary clearance without going into any detail whatever of projects to be entered into. The reason for this was to ensure that the capital provided would be invested in industrial promotion and not used for, as an example, the manufacture of arms! These three bodies which are known as Development Finance Company of Kenya Limited, Tanganyika Development Finance Company Limited and Development Finance Company of Uganda Limited are now firmly set up as finance houses but naturally do not spend so much money as state-owned development corporations in looking for industry but are rather operated as finance houses to receive applications for participation. Each of them has scope for the entry of another country so that there might be four or five shareholders in such an entity each with an equal amount of equity capital. In the case of the Uganda Finance House, the Uganda

development corporation in which the participant on behalf of its Government had contributed shares in some of its profit earning undertakings rather than cash with the advantage to the corporation that they gave the C.D.C. initial profits.

37. Another instance of outside participation in a company structure is the Nigerian Industrial Development Bank Limited, again a finance company, initially supported by the Commonwealth Development Finance Company Limited, the Central Bank of Nigeria and the International Finance Corporation, but now has support from leading financial institutions in Europe, Japan and the United States of America and in addition, the Federal Government has made a long-term interest-free loan to the company.

Public Shareholding

38. I would like here to digress and at least mention what I regard as a very important aspect of financing. In the development bank to which I have just referred, Nigerians are individually interested and are shareholders but not to a great extent. Many of the bodies to which I have referred have had capital provided by the countries themselves. Although properly provided through governments, the money is the people's money. One would like to see a greater participation by the individual person and as shareholders. Foreign loans or participation in equity by the people from outside the particular country has been welcomed and is necessary. However, interest must be paid on it and in respect of loan capital, the principal must eventually be repaid. Obviously and in due course, this is going to affect the balance of payments of the country concerned whereas if the indigenous population themselves would invest, either by way of equity or by way of loan capital, then any repayment is within the country and would not be detrimental to the balance of payments. I realise, of course, that we are talking of countries who have millions of people with minute "per capita" incomes and have little else for anything but their essential food. But at the same time, we are developing a class of worker and government official (not to suggest government officials are not workers), who are earning good pay and who will, in due course, be saving for their old age and for their families and who would be prepared to invest in such corporations provided that they are assured that they are properly run and that they will be paid a proper return on their money.

39. A facility which will help in several directions the overall financing and public shareholding is, of course, the development of Stock Exchanges. Because of the paucity of business, these have been slow in developing but also this is attributable to the lack of knowledge - and in some instances - the lack of education and the illiteracy of the mass of the populations. Even those Exchanges that have developed have found that there are not always buyers to match sellers and sellers to match buying requirements so quotations have assumed a fictitious nature. At the same time, there are quite sizeable sums of money available and we in the small country of Uganda raised £1,500,000 in Uganda Electricity Board Bonds and the last accounts of the Uganda Credit and Savings Bank (now the Uganda Commercial Bank Limited) showed deposits to an extent of over £2,000,000. The problem here is that such resources are what may be referred to as unsophisticated money, that is, small deposits, mainly by those who are as yet illiterate and on call. In considering requirements of industry, it must be admitted that the Post Offices of our countries have usually had Savings Bank sections and the Banks and Building Societies have collected appreciable sums in small amounts, part of

which has gone into industry or the housing of industrial workers. I have digressed here somewhat but the point I am making is the disability from which we shall suffer in due course of too much borrowing from overseas. The impact of overseas borrowing for the type of undertaking we are considering will, in my view, be a major problem in the 1970's.

Package Deals

40. An entirely different type of financing which I have not covered is the sale by certain industrialists to African Governments of complete package deals sometimes accompanied by an element of training or the leaving of specialist technicians at the industries following construction. There are several instances of this in the West Coast and it is developing further on the East Coast although in some cases the loans backing such deals are direct from the lending Government to the African Government. They are inevitably for specific projects and are not general financing of industry.

World Bank

41. There is also the biggest lender, the International Bank for Reconstruction and Development (the World Bank) who have mainly concerned themselves with financing railway transport, power schemes and roads but I think it preferable herein to confine oneself to direct industry as opposed to the infrastructure despite the fact that transport is very much an industry. At the same time, it is worthy of mention, in the financing sense, that the basic structure of railway transport or power concerns have been influenced by their own financial structures. In the past and in these developing countries some of such undertakings have been run as Government Departments and not allowed to build up their own betterment funds or renewals funds. Those who have been self-accounting, without actually forming companies or corporations have been able to create some capital by the contribution of earnings and hence are able to negotiate better terms. An illustration of the reverse and when an undertaking - in the case I have in mind, the Uganda Electricity Board - borrowed all its original capital and had no equity, the World Bank had to insist on such rates and methods of accounting that forced that particular Board severely to enhance its rates.

42. It is perhaps out of its context here to mention the financing of air transport but one should explain why one has mentioned but rail transport. In my view and because planes are earning money virtually from the time of delivery, they can carry credit financing or a lease basis with the supplier arranging financial backing. Even straight bank borrowing is acceptable in some cases.

Specific Financing

43. I would like now to move to the more direct financing of particular industries. Most of the particular industries are formed as companies and hence the argument respecting equity capital in principle does not arise. There does, however, arise the proportion of equity capital. I strongly advocate that certainly in the first few years of any industry, the capital should be equity and of a type expecting a reasonable return after several years of operation. There have been

for [illegible] many mistakes made in lightly [illegible] the capital, that is, creating the company with [illegible] element of equity but a substantial amount of loan capital, whether by way of debenture or other form of loan or preference shares. It must be remembered that we in Africa have many problems which are not common to the more developed countries. Industry is new to the people and while operatives on the whole are responsive, they inevitably have to go through a longish period of training and I refer here to operatives and not industrial managers. The training is inevitably costly and one must face the fact that these new industries during that time of training will make losses. These particular companies just cannot afford to pay interest on loan capital in the early years. I am, of course, aware of bank loans in respect of their development corporations where there is provision for a rest in the repayment of capital but nevertheless, interest accrues thereon and such type of financing is far more suitable for an established industry which wishes to expand than for a new industry. It must also be borne in mind that the amount of capital required by industry in Africa is far in excess of that required by industry in the more developed world. Local industry, because of distances and time of transport has to carry a much bigger inventory of spares and additionally in some of the major industries, it is necessary to carry what I refer to as "insurance" spares. I refer here to major parts which are not normally expected to wear out for 10 or 15 years but if, by accident, they did break then the whole industry is brought to a standstill. Sometimes these spares are never used but are nevertheless a necessary insurance against the complete breakdown of a plant.

44. There is also the question of raw materials. Textiles are a big field of development in present circumstances of most African countries and they have to buy their cotton and pay for it in the months it is produced and carry enough stock to see them through the balance of the year. Sometimes they have to carry a biggish stock even at the end of the year against failure or partial failure of a new crop. Admittedly the finance for this can generally be obtained by hypothecation of stocks from the commercial banks operating in these countries but, at the same time, some are required to give overall debentures which sometimes cannot be given because the concern has already given a debenture on its assets on the original financing. These countries cannot be compared with the more developed countries who can usually buy their raw materials currently throughout any one year. They are not restricted to but one market.

45. There is also the question of finished goods and again because of seasonal crops, the spending power of the people in the underdeveloped areas is in peaks and valleys and stock must be built up during the months of no income against the time when personal incomes increase.

46. In dealing with classes of finance, one must not forget the very important credits that are available from machinery manufacturing countries. Some are tied to procurement for obvious reasons but this refers generally to such international financing Government to Government such as U.S.A.I.D. and to the World Bank who under its charter limits its lending to offshore costs. I am referring in the question of credit to the arrangement that exporting countries have, not so much for financing but in the insuring of the private enterprise exporters in giving credit [illegible] machinery and several supplying countries have arrangements for this. [illegible], however, I prefer this type of financing to be undertaken [illegible] than those who have to go through their more intri-[illegible] development.

47. Much could be written or spoken on respecting the detail of the many sources and types of financing that are available and naturally they vary with the individual industries involved. To try and cover them all herein would greatly exceed the allotted length of this contribution. I have therefore endeavoured to adhere to the principles involved and detail can, of course, emerge in discussion.

The Assistance of Governments

48. Earlier I have mentioned the provision by the governments of the various territories involved of the infrastructure in the way of essential services to industry, some of which, of course, would be developed in the raising of the living standards of the people and not specifically as assistance to industry.

49. At the same time, many of our countries have introduced what may be regarded as specific incentives to encourage industry and the financing of it.

50. Some have endeavoured to avoid un-economic competition by the introduction of industry licensing or by the declaration of certain industries as "pioneer" and restricting certain facilities to them. Others have introduced tax holidays or development allowances in their income tax and corporation tax structures.

51. About all have import duties which originally were, and still are, for revenue raising purposes but which have been enhanced to protect the infant industries. Some have anti-dumping legislation and most have some form of foreign investment protection acts. In some cases we have prohibition of the import of competitive goods and other countries move to suspended duties.

52. All these measures are to assist industrial development and hence make easier the financing of it. In some measure, they counteract the high costs of establishing industry which I dealt with earlier and it is debatable whether in fact import surcharges imposed by the more developed countries do tend to affect balances of payments or to a greater extent assist their own industries. Industry is, however, vitally linked to the economy of any country.

53. Perhaps one incentive that is not provided to a sufficiently adequate extent is the provision from and within the country of the middle class operative. I am not referring to engineers, chemical engineers, accountants, chemists and the like but rather to the men directly concerned with the operation of the machines. They have little industrial inheritance or experience and while most of us have trade and technical schools, there is insufficient of the polytechnic type of institution providing to industrialists the people who can make or break industry in the financing of it.

54. In conclusion and in respect of this financing, I wish to go back to the question of sound management and sound basis for any industry to be financed particularly from outside the country concerned. Admittedly, there will be failures or frustrations in some cases, but we wish, as far as possible, to have our industries at a level of efficiency eventually to stand on their own and in world competition with the more developed countries. I know that is a high aim but it can, over this next period,be achieved. In respect of industrial financing, we wish the lending countries to have high regard for our thinking and for our capacity to develop them on industrial lines so that they regard their money as an

[illegible] investment on which there will be adequate return or on which they will receive interest and eventual repayment of loans. [illegible] must [illegible] at a very early date [illegible] industry, free from the conception of aid or reference being made to donor countries. [illegible] must get away from the money invested or lent to industry as aid, but rather as investment on which a proper return should be made. It can be done if we apply ourselves to it and have proper regard for the management and the financing.

55. We finally would go as far as saying that with the stability we are building in our Governments, the one regard we must have is the basis on which industry is built - if that is sound, then the financing of it is easy.

27.3.74