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D04416

Distr.
LIMITED

ID/WG.144/5
22 January 1973

ENGLISH
Original: ENGLISH/FRENCH

United Nations Industrial Development Organization

Third Regional Seminar on UNIDO Operations for the Least Developed Countries in Africa in co-operation with ECA

Addis Ababa, Ethiopia
29 January - 9 February 1973

COUNTRY PAPERS[1/]

prepared by

the Participants

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id.73-424

United Nations Industrial Development Organization

(10446)

Distr.
LIMITED

ID/WG.144/5/Add.1
23 January 1973

ENGLISH
Original: ENGLISH/FRE

Third Regional Seminar on UNIDO Operations
for the Least Developed Countries in Africa
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Addis Ababa, Ethiopia
29 January - 9 February 1973

ADDENDUM

COUNTRY PAPER: SOMALIA[1/]

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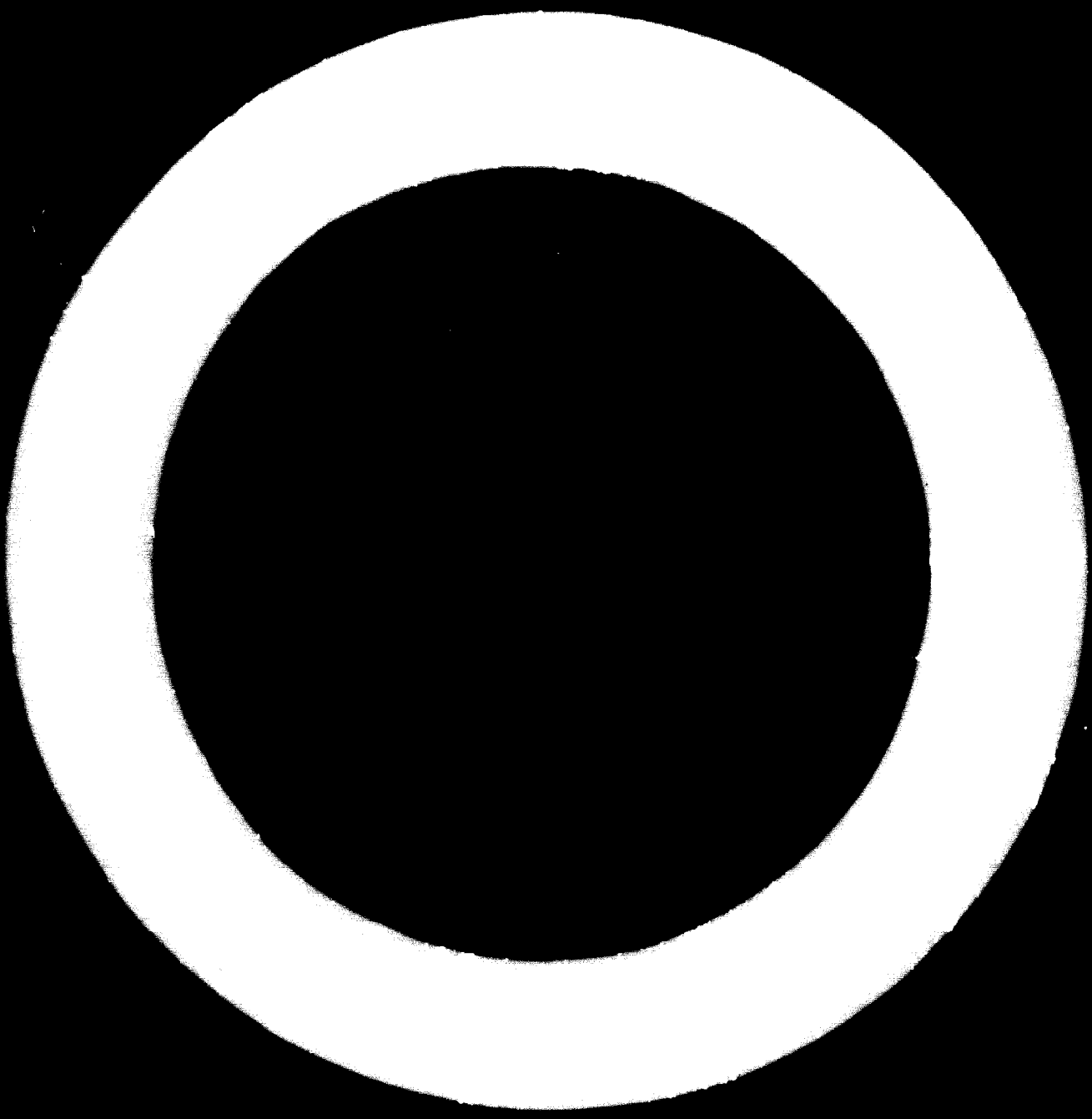
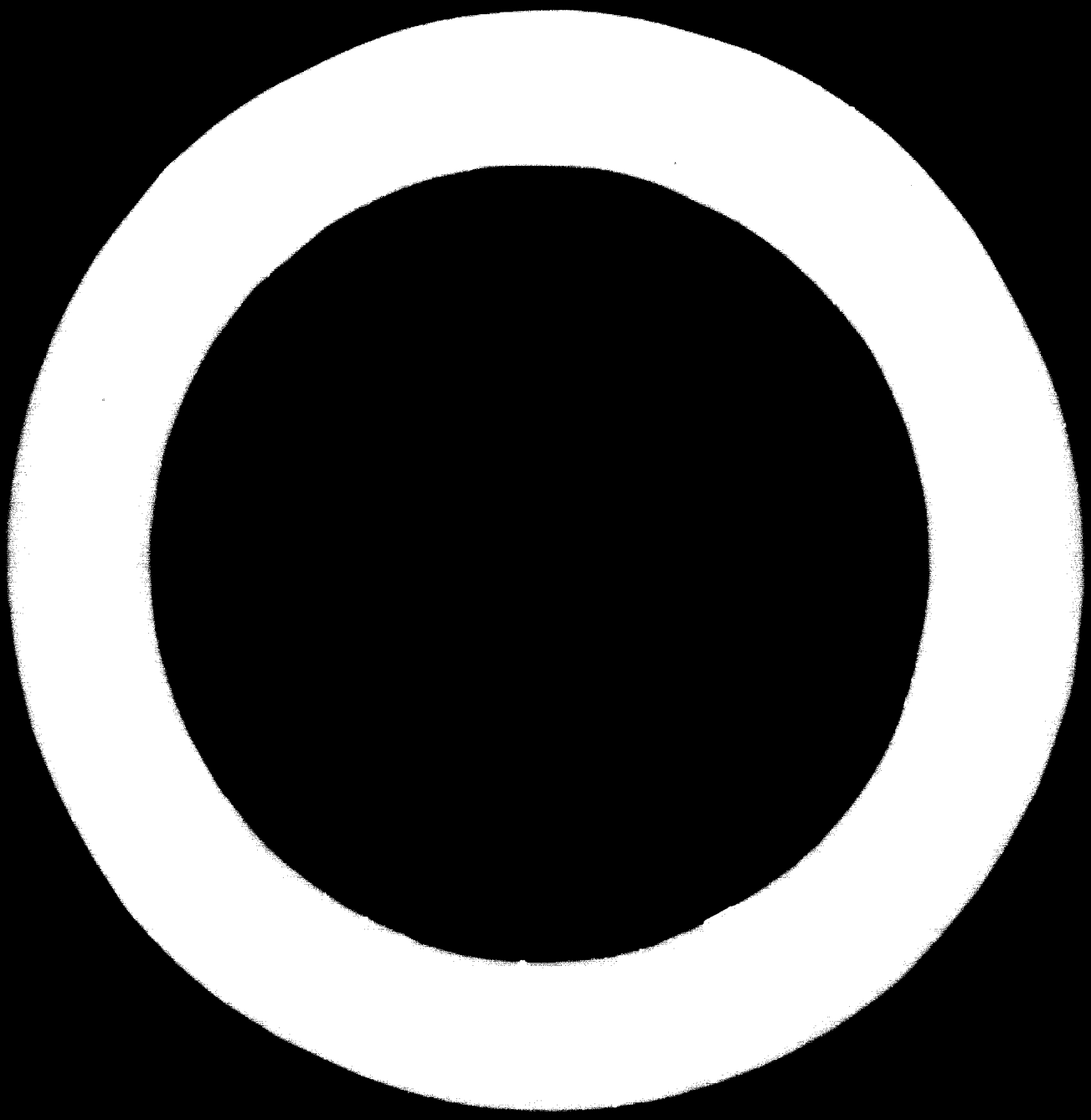




COUNTRY PAPER: SOMALIA

1. The Somali Democratic Republic is situated in the North-East Horn of Africa. It has an area of 637,000 Km^2 and a population of round 3 million. It gained political independence in 1960. Sixty percent of the total population is directly engaged on livestock raising, twenty-three percent on agricultural and fishing activities and the rest on industry and services.

2. During the first ten years since political independence, successive governments have launched development programmes or plans containing developmental projects in different sectors of the economy. The Government from the very beginning had placed priority on the developments of basic physical infrastructure, and on agriculture and livestock. Manufacturing and processing industry received important but secondary consideration during successive development programmes. The plans so far implemented are summarised below:-

Plan	Years	Total Outlay in So.Sh(Millions)	% Outlay on Industry	Remarks (Important feature of Plan and Implement)
1. First Five Year	1963-67	1.400	15.7	1. First new state owned agro-industries to be established. 2. Expansion of existing sugar plant (from 12.000 to 40.000 tons a year), while implementing. 3. Delays and other constraints experienced.
2. Short term Development Programme	1968-70	705	5.4	1. Consolidation of existing industries units. 2. New industrial projects initiated. 3. Improvement projects appraisal for new industrial projects.
3. Development Programme	1971-73	1.000	8.8	1. Rationalisation of existing units. 2. Establishment of new industries (varied). 3. Promotion of small-scale industries and improved infra-structure.

3. The industrial sector of the economy is relatively small and at an early stage of development. Industrial projects are based mainly on the processing of agricultural livestock and fishery resources. The large scale state-owned and operated industrial units include: a sugar plant, a meat-canning plant, a fish canning plant, a textile mill and a milk plant. These units were completed and put into operation by 1969. There are a number of small-scale import substitution manufacturing industries, as well as many small-scale and handicraft units in the urban area. The total allocation for industry in the First Five-Year Plan 1963-67 was higher than the later development programmes. But the former included ambitious projects which could not be implemented while in the latter the Government learned through experience and aimed at rationalisation and consolidation of the existing units.

4. According to an industrial survey undertaken in 1970 of industrial establishments employing at least five persons, there were 190 establishments engaged in the manufacturing, inter-alia, food, beverages, leather and footwear, textiles, furniture, soap and detergents and building materials. There were 14 state-owned enterprises employing 3,463 persons (61% of total employees) and 176 privately owned enterprises employing 2,192 employees. Industrial development has not made any significant change in the pattern of employment for the last 10 years. Both in size and output (value added) the public sector has come to occupy a major position in the industry sector.

5. In October 1969 the present Revolutionary Government was born and it immediately committed itself to the mobilisation of all the available productive resources in an effort to secure a balanced growth of the economy and attain a rapid economic and social progress to raise the standard of living of the masses in the shortest span of time possible. It naturally gained from the experience of the preceding governments and their poor performances in the fields of economic and social development and especially in the field of industrial development and planned to avoid them in future planning. During the last 10 years our country was called the grave of foreign assistance and the successive governments dismally failed to utilise our production resources and foreign assistance for the benefit of our population. The main objectives of the 1971-73 development programme have been the

rationalisation of the existing industries, the establishment of new agro-industries and the promotion of small-scale industries and handicrafts. The total outlay for industry was So.Sh. 87.79 million the foreign exchange component being So.Sh. 49.83 %. The Development Programme included two projects to be financed by UNIDO assistance.

6. Throughout the successive development programme the technical assistance of UNIDO to Somalia has been small and limited in scope. Under the UNDP/TA Programme only two posts were included during the 1967-1971 period. The volume of UNIDO's assistance, expressed in US$ has been as follows (as given in the ID/B/98/Add.2 of 11 February 1972).

Value of Technical Assistance Projects carried out by UNIDO in Somalia 1968-1971:

Source of Funds	US$
UNDP/TA	68,925
RP	32,800
SIS	65,300
OTT	21,750
TOTAL =	188,775

7. It must, however, be admitted that 1969 UNIDO's Technical Assistance, however, small in terms of total financial outlay, has made a significant impact on the industrial development in Somalia. UNIDO's assistance has been of advisory nature in the field of initial industrial surveys, in the framing of industrial development strategy, and in the improvement of the performance and profitability of the state-owned industries, UNIDO was also expected to make financial contribution towards the establishment of a foundry and mechanical workshop and a pilot project for the commercial exploitation of gypsum resources. These last two projects are included in the current development programme (1971-1973). But these did not materialise till the end of 1972. While one project has almost been cleared, another is still in the pre-project stage and naturally the delay has affected the performance of the plan of the sector.

8. UNIDO is among the youngest organs in the UN system and in spite of its limited resources and experience it has made significant strides towards assisting developing nations in the field of industrial development. There is, however, a

general feeling that the least developed nations in the world have not got their due share or the share they need to lift them up from their backwardness for rising to the level of the developing nations. May be, the entire blame for this cannot be laid at the doors of UNIDO. But an analysis of the reasons which have led to the uneven flow of technical assistance to all the developing countries will be worthwhile, and will be in conformity with the objectives of the development decade, so as to offer solutions to remedy the unsatisfactory situation. Lack of expertise to frame project assistance proposals, non-submission of project requests in time to obtain clearance from the various UN agencies concerned, lack of flexibility in accommodating belated requests for technical and financial assistance due to paucity of funds since the resources do not rest entirely with UNIDO, hurdles in implementation of even approved projects due to the inherent difficulties in the under developed country have all contributed to the low realisation of assistance by the least developed countries. It is apprehended that the new system of country programming and the limitations imposed by the ceiling on technical assistance may act as a further deterrent in speeding up the industrial growth of the least developed countries. A way out of this possible anomaly has to be found out now than later. It will be desirable to earmark the quota of technical assistance for the least developed of the under developed countries from the total technical assistance funds, based on the total requirements of the countries concerned, and the planned industrial growth and its cost, and make it available to the recipient countries to plan and programme their projects. Periodical review and apprisals can be made to re-allocate the resources to the recipient countries to meet the revised priorities based on implementation. The resources for such aid should be found from voluntary contributions and bilateral aid, obtained through UNIDO channels. It will also be necessary to strengthen the means of communication and display of technical information and data available with UNIDO, so that they reach the needy nations and bodies at the appropriate time. The means to fill the existing gap in the technological know-how in the least developed countries - from pre-project studies to commissioning and operation of a plant - need to be found by UNIDO.

9. We believe the field work of UNIDO should be strengthened. The National Committees established in many countries need to be reactivised and the experts in the field should assist in this programme. Establishment of regional or even field offices in the least developed countries to give immediate assistance where need be and to gather and process statistical and other forms of information on the industrial sector of the developing economies is a pre-requisite to plan higher programme of industrial growth.

ID

Distr.
LIMITED

ID/WG.144/5/Add.2
30 January 1973

ENGLISH
ORIGINAL: FRENCH

CD04416

United Nations Industrial Development Organization

Third Regional Seminar on UNIDO Operations
for the Least Developed Countries in Africa
in co-operation with ECA

Addis Ababa, Ethiopia
29 January - 9 February 1973

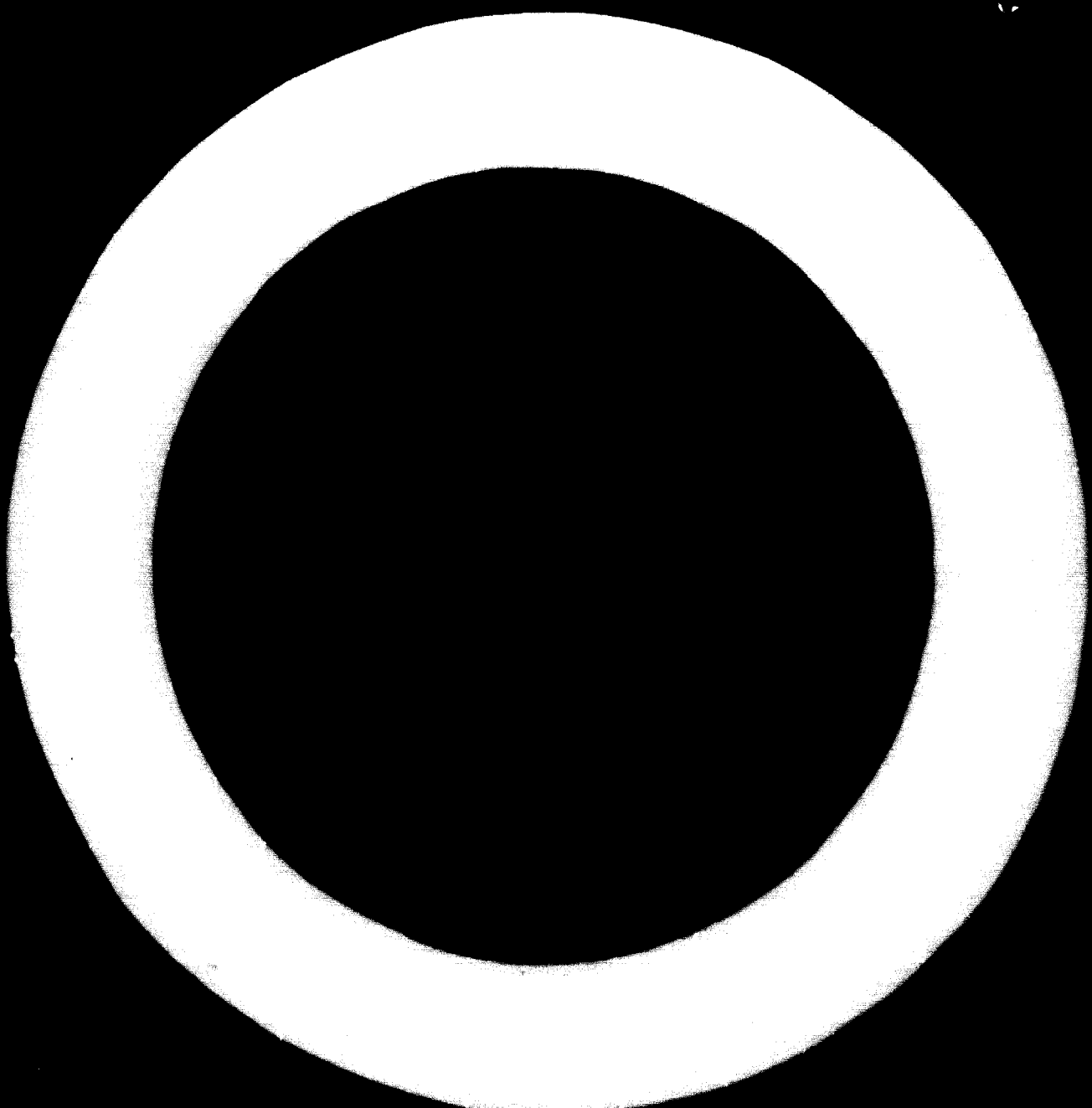
ADDENDUM

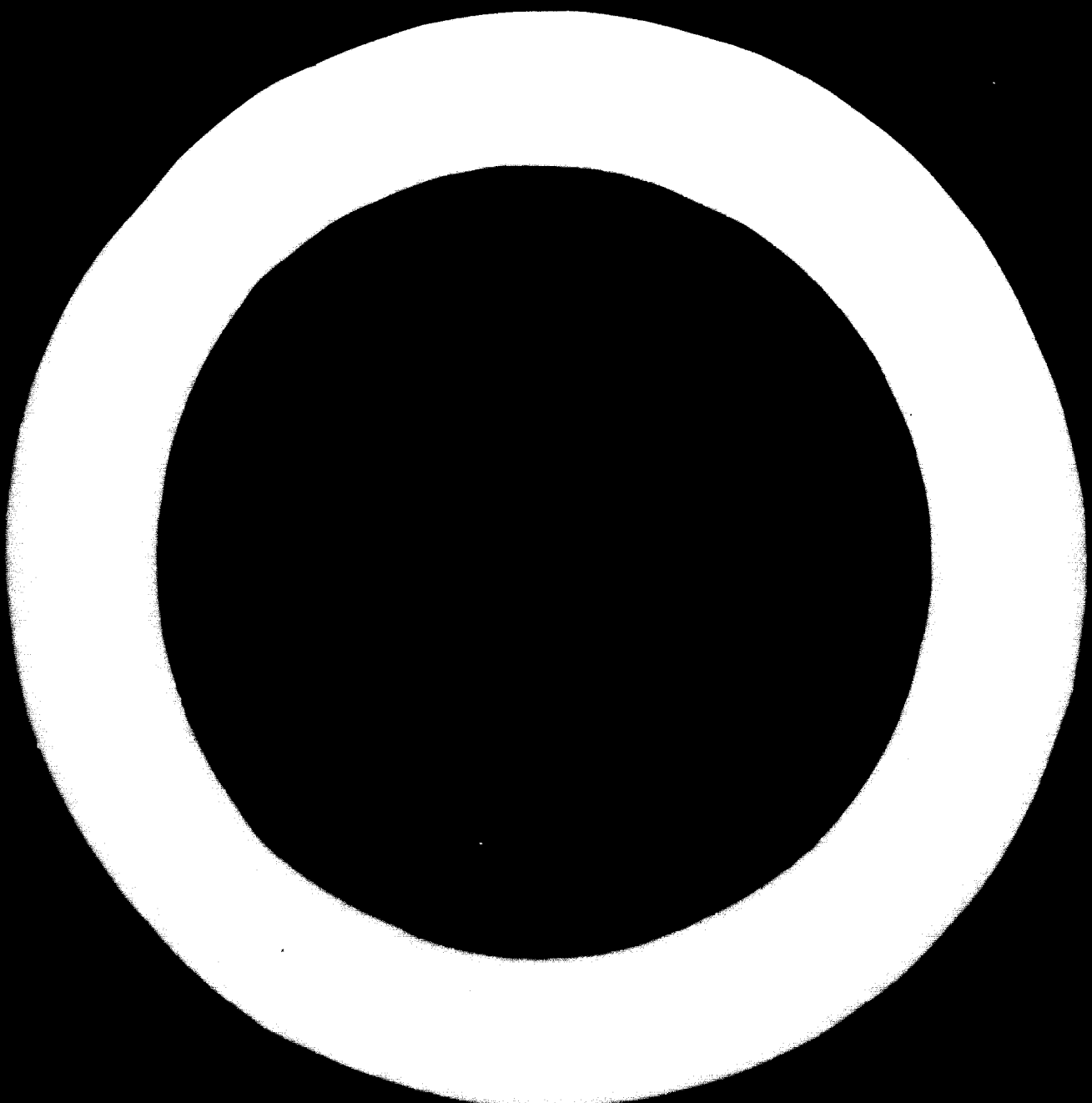
COUNTRY PAPER: CHAD[1]

prepared by

the Participant

1/ 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.





COUNTRY PAPER: CHAD

Few countries in the world are further from the nearest sea coast than Chad, a country with an area of 1,284,000 km^2 in the heart of Africa; the Atlantic is 2,000 km from Fort-Lamy, the Mediterranean and the Red Sea are 3,000 km away. This remoteness from the sea has held back Chad's industrial development for a long time. Although the share of manufacturing industries in value added has tripled since 1965, the secondary sector still accounts for only one tenth of the gross national product. A study of the classification of enterprises according to gross added value at market prices reveals that only one enterprise has attained an added value of more than one thousand million (COTON-TCHAD), and two more than 500 million (SOCUTCHAD and STT).

The industrialization process recently begun will be continued, and this is one of the basic objectives of the Government's development policy. However, in the present economic context, not many major projects can be carried out. Where opportunities arise, the projects find the necessary financing relatively easily, the State playing a part though not always necessarily holding majority control. The most important of these projects relates to the establishment of the Banda sugar complex; the agro-industrial investment made amounts to more than five thousand million CFA francs, for an annual production of 26,000 tons.

There are openings in the field of small-scale and medium-scale enterprises, but the absence of a national entrepreneur class is a serious obstacle. The Government has taken or is considering a number of measures which should make it possible to overcome this handicap. We will mention the principal examples.

The project for the establishment of an industrial promotion office, which would have the task of:

Preparing projects;

Seeking out and encouraging national promoters, helping them to implement these projects and subsequently, at their request, assisting them in regard to management and technology;

Seeking, informing and assisting foreign investors;

Advising any State or semi-public agency which desires such advice on industrial development matters;

Examining the possibilities for the establishment of an organ for quality control and standardization.

The revision of the Investment Code

The former Code has been revised to make it more readable and also more favourable to small-scale and medium-scale enterprises.

The project for the establishment of an industrial zone with an area of eighteen hectares in the suburbs of Fort-Lamy, equipped with all the necessary facilities to meet the needs of industrialists wishing to establish themselves there.

The development of instruction on business management. The first pupils at the Institute of Management will complete their studies in 1975.

The attempt to expand the market

In these circumstances, how might the modest dialogue which has begun between Chad and UNIDO be developed? UNIDO suffers from the great handicap that it is not a financing institution but simply a supplier of experts and consultants. The competence of its specialists is not questioned but the frequent delay in their arrival, generally due to recruitment difficulties, is to be regretted. Chad takes this opportunity to express the hope that a corps of permanent specialists will soon be established within UNIDO, carrying out missions which could be planned on a long-term basis.

The financial resources of Chad are very limited and do not always allow it, however much it would wish to do so, to provide the experts with the counterpart personnel normally expected, to the detriment of their work. Chad would like to see UNIDO try as far as possible to provide its personnel with the necessary funds to cover their equipment and operational costs.

We also find that French, although it is an official language of the United Nations and of Chad, is not used as much as it might be.

These few negative observations in no way lessen the desire of Chad to co-operate effectively with UNIDO in the industrial development field.

Firstly, co-operation is desired at the level of large-scale industry, where Chad will generally seek the help of UNIDO in regard to projects whose profitability is uncertain. Chad realizes that this is not an attractive proposition. However, as has been mentioned earlier, the large projects are few in number and those which can clearly be expected to be viable economically are studied in detail by the governmental agencies and especially by the bodies financing them.

Secondly, UNIDO's help could be very useful at the level of small-scale and medium-scale enterprises, through the seconding of experts to the industrial promotion office and frequent consultancy missions. Along with contributing towards the training of a class of national entrepreneurs, the UNIDO specialists could set up and manage an industrial estate within the industrial zone which is shortly to be established.

Thus we conclude this rapid exposé of the situation and problems of Chad. Although a UNIDO expert is a member of the economic planning team, it has not been felt necessary in this survey to discuss problems of industrial planning, policies and strategy which come more within the jurisdiction of UNDP than that of UNIDO.

United Nations Industrial Development Organization

IDB

Distr.
LIMITED

ID/WG.144/5/Add.3
4 April 1973

ENGLISH
ORIGINAL: ENGLISH/FRENCH

Third Regional Seminar on UNIDO Operations
for the Least Developed Countries in Africa
in co-operation with ECA

Addis Ababa, Ethiopia
29 January - 9 February 1973

(D 04416)

COUNTRY PAPERS[1/]

prepared by

the Participants

Addendum

Botswana, Ethiopia, Mali, Niger and Sudan

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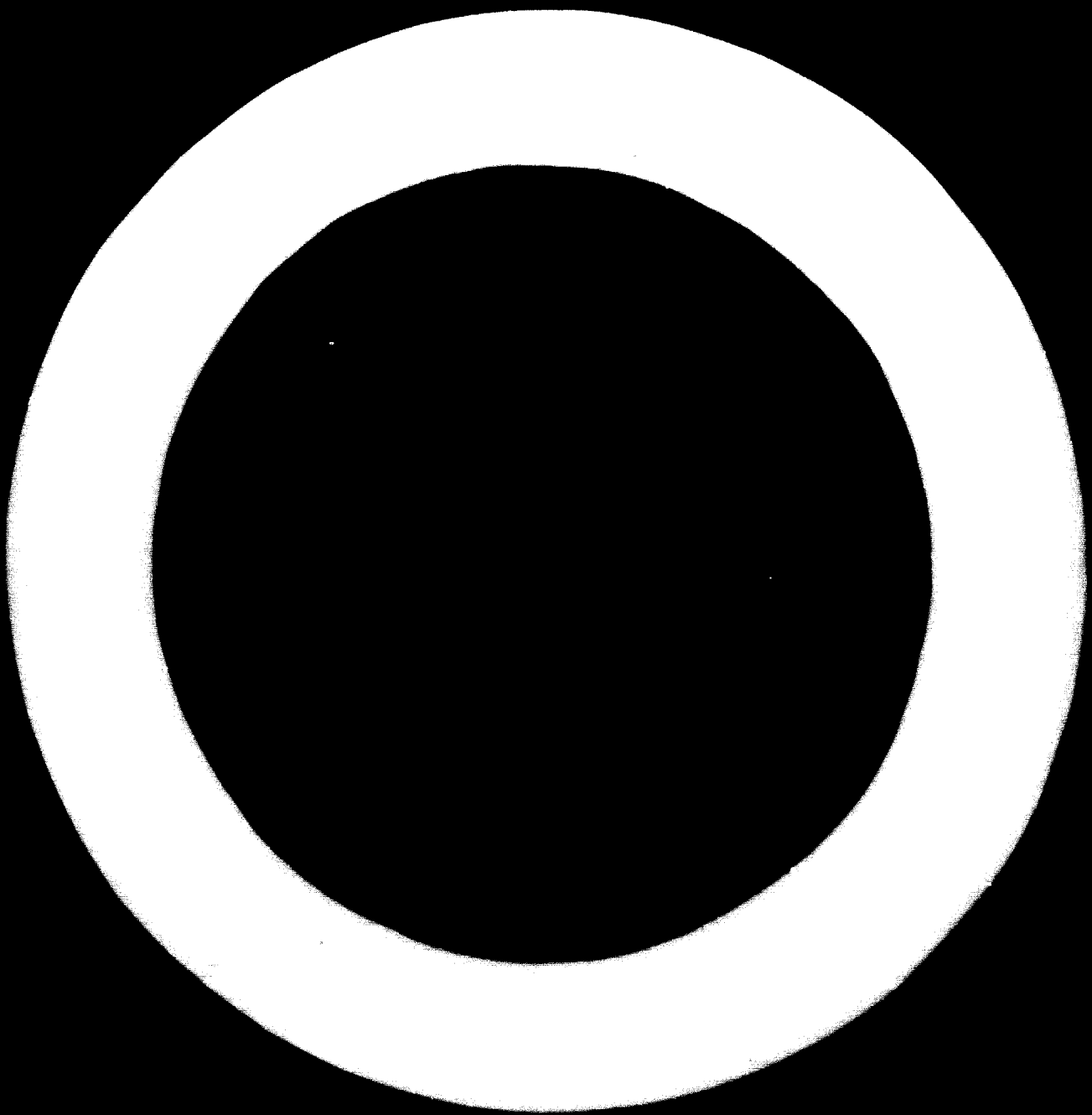
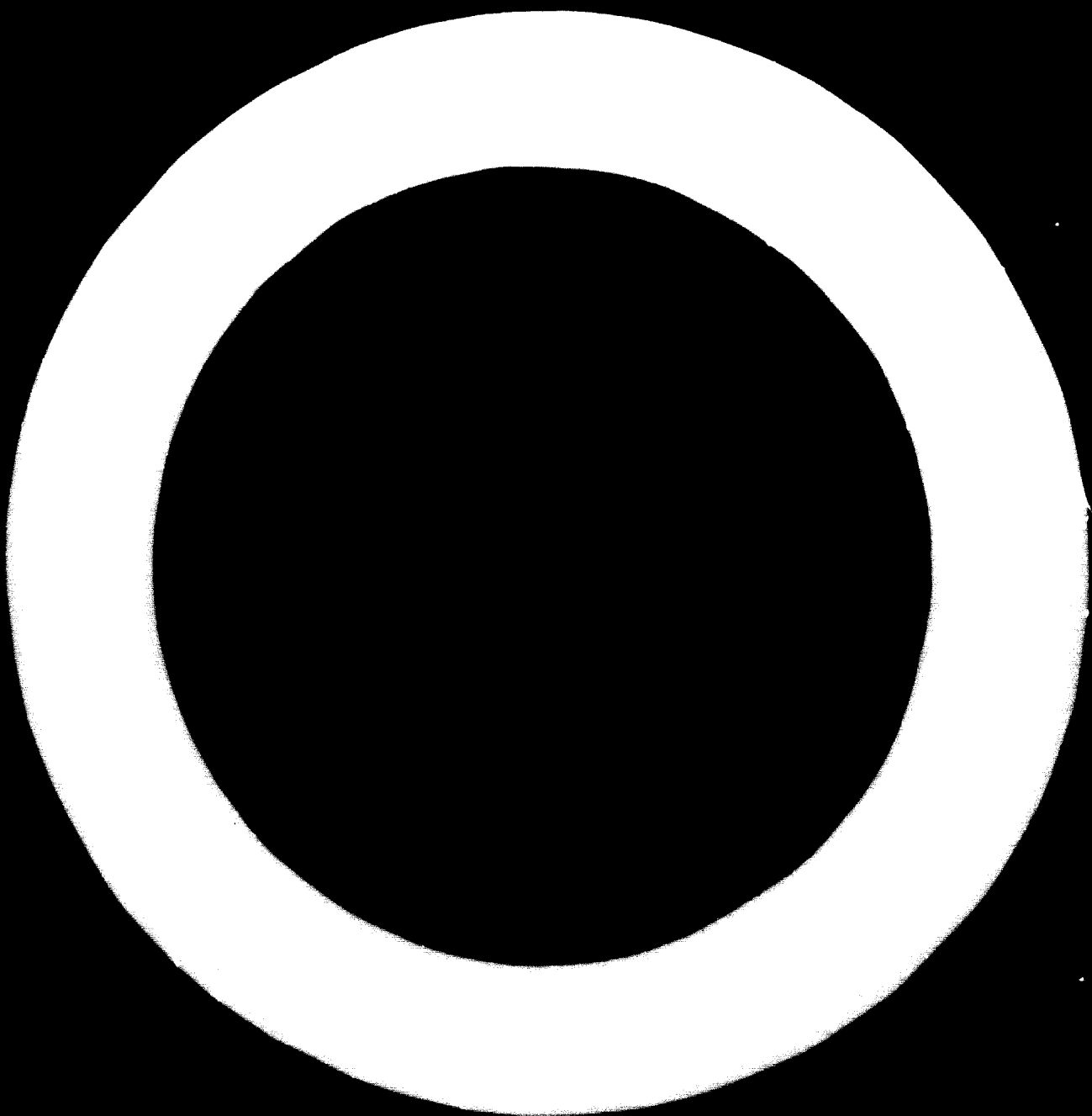
id.73-2188





COUNTRY PAPER: BOTSWANA

INTRODUCTION

1. Botswana covers an area of 220,000 square miles (570,000 square kilometres) and has a population of 620,000 as recorded in the 1971 census. Of the labour force of 385,000 persons, 7 per cent are engaged in the cash sector only; 6 per cent are active in both the cash sector and in subsistence agriculture; and 60 per cent are active in subsistence agriculture only. Generally the country is sparsely populated and rural densities vary from 0 to 60 persons per square mile (0 to 23 per sq. km.)

2. Less than 10 per cent of the country's G.D.P. is contributed by the manufacturing sector and not more than 20 industries employing more than 9 persons are currently operative. Taking the manufacturing sector as a whole, at least 6 per cent of the value added comes from the Botswana Meat Commission, an abattoir located at Lobatse and which accounts for 90 per cent of the country's total exports. The remaining manufacturing industries are concentrated mainly in three line-of-rail towns: Gaborone, Francistown and Lobatse. They are small units and comprise ready-made garments and cap factories, breweries of African beer, a bonemeal factory, a maize meal, a game trophy and curio business and a tyre retreading plant. A greater percentage of Botswana's manufacturing needs are covered by imports from abroad and this includes the raw materials for the few manufacturing industries mentioned above.

SCOPE FOR INDUSTRIAL DEVELOPMENT

3. Botswana's membership of the Southern African Customs Union gives her manufacturing duty-free access to one of the largest markets in Africa. The north-south rail link which runs through Botswana places her in an advantageous position not only in relation to the rest of Africa. The availability of cheap labour makes the establishment of labour-intensive industries such as clothing manufacture, light electrical and engineering assembly and repitition production not only feasible but eminently sensible. Furthermore, her favourable tax arrangements places industry establishing in Botswana in a favourable competitive position in relation to adjacent countries. Above all, Botswana's political stability should prove an added incentive to outside investors.

INDUSTRIAL DEVELOPMENT STRATEGY

4. The Government has committed itself to securing the fastest possible rate of economic growth, the achievement of financial independence, the rapid expansion of employment opportunities, and the promotion of equitable distribution of income. These economic goals can never be achieved unless and until the country's industrial and commercial sectors begin to play a significant role in the overall development effort. The achievement of the first and second goals are very much in sight for, firstly, there is evidence that since the Plan period the rate of growth has been around 10 per cent and, secondly, Botswana will be entering the second year since she has been free of grant-in-aid. It is the third and fourth goals mentioned above which will prove the most difficult to attain.

5. Since Botswana attained her independence in 1966, she has been able to diversify her economy somewhat by creating a mining sector. The Orapa diamond mine commenced production in July 1971 and the copper/nickel prospect at Selebi Pikwe should commence full production early in 1974. It is the intention of Government to utilise the revenue accruing from the mining sector in further development projects in the country more particularly in the rural areas. While mining developments contribution to the GDP and revenues will be fairly significant, their impact upon the problem of employment is unlikely to be substantial. Even after allowing for employment opportunities created indirectly as a result of enhanced spending power and through the demand for services, it is not envisaged that more than 5,000 new jobs will be created when the anticipated mining projects are in full operation.

6. While the 1973/78 Plan Period must see a considerable increase in the GDP and, particularly, in the contribution by the industrial and commercial sectors, the growth rate will not be the role criterion. In order to go some way towards the attainment of the third and fourth goals mentioned at paragraph 4 above, a lower rate of growth but with a wider spread of benefits of development throughout the country is to be preferred to a record growth rate but which maintains economic benefits within a confined geographic area or segment of the population.

7. According to the 1971 Census some 15,000 persons are added to the labour force annually. Assuming that two new jobs will be created indirectly in ancillary and service activities for every three jobs created directly by the establishment of new industries or by the expansion of existing ones, the target should be to create between 18,000 and 20,000 new jobs in the industrial, commercial and tourist fields. Even with the assumption of a modest investment ratio of R5,000 per additional employment opportunity, the total investment needed to provide, say, 20,000 new jobs is R100 million.

8. If this target between 18,000 and 20,000 jobs is to be achieved, preference will have to be given to investment that maximises employment. It should be mentioned that although considerable reserves of manpower are available, Botswana has a shortage of trained manpower. Although efforts are being made to remedy the situation, technical and management skills will be in short supply for a long time to come.

9. During the Plan period both import substitution and export orientation would be given due attention. While the local market is limited, opportunities exist for service industries and simple manufacturers producing consumer goods to meet local demands. The capital, Gaborone, is considered well-suited for the establishment of ready-made garments and light assembly industries in view of its easy rail access to the most densely populated parts of Southern Africa. Lobatse should specialise on abattoir by-products based industries. Francistown, being near the copper -nickel mining area of Selebi-Pikwe, should develop certain chemical industries based on by-prpducts from mining operations.

10. In 1970 the Botswana Development Corporation was established with the primary objective of promoting business ventures in conjunction mainly with investors from outside Botswana. To date BDC has not made great progress because the offer of financial participation as a primary means of attracting investors has proved a false hope. BDC will now assume a more positive role and a project generation section has been established and is actively engaged in prospecting for new industrial and commercial ventures in Botswana. In addition to financial

participation, BDC is now prepared to offer factory shells, machinery and equipment as further incentives to encourage potential investors. Finally, in certain cases where a project has been shown to have certain developmental merit, BDC may create a wholly-owned subsidiary if no partner investor is forthcoming.

11. In order to encourage Botswana entrepreneurs to establish and run commercial and industrial enterprises, the Botswana Enterprises Development programme was launched this year. The first phase of the programme will run for three years and shall comprise the establishment of industrial estates at Gaborone, Francistown and Mochudi. The industrial estates will provide working premises for Botswana entrepreneurs at very low rentals. The project could also be regarded as the first phase of a rural industrialization programme because if the scheme is successful it will be replicated elsewhere in the country.

CONCLUSION

12. During the previous Plan period the Botswana Government gave high priority to the creation of adequate infrastructural facilities. Although the importance of industrial development was recognised financial and manpower constraints resulted in insufficient attention being given to the detailed planning of the industrial sector. During this Plan period more positive steps will be taken to establish small-scale and medium-scale industries with equal encouragement being given to both import substitution and export orientated industries. The programme for encouragement of Botswana entrepreneurs is designed with the possibility of replication elsewhere in the country. All factors taken into account, Botswana is not without a potential for the creation of a viable industrial sector during the current Plan period.

COUNTRY PAPER: ETHIOPIA

INDUSTRIAL SITUATION AND PROBLEMS ENCOUNTERED IN INDUSTRIAL DEVELOPMENT

A. In Ethiopia, industrialization is a recent phenomenon and the sector is still in its early stages of development. A conscious effort to introduce industrialization in the country was started when the First Five Year Plan (1957-1962) was launched by the Imperial Ethiopian Government. Even in the First Five Year Plan, understandably, priority was given to infrastructure such as transport, communications, and educational facilities. Investment outlays during the First Five Year Plan for manufacturing industry amounted only to Eth.$60.5 million. At the end of the First Five Year Plan, industrial output reached only a total of Eth.$128 million. During the Second Five Year Plan (1963-1967) the emphasis was on the productive sectors such as agriculture and industry. Consequently, a greater attention was given to manufacturing industry. The Second Five Year Plan anticipated a total investment of Eth.$318 million for manufacturing industry at constant prices. However, the actual investment made for manufacturing industry during the Second Five Year Plan period was Eth.$306 million in current prices which means that the degree of implementation of the plan from the point of view of investment was quite high. Not only was investment during the Second Five Year Plan period quite satisfactory, but the rate of increase of output was also encouraging. The average rate of increase of manufacturing industry at constant prices was 16 per cent per annum while the rate of increase at current prices for the same period was 23 per cent.

Although the rate of increase of output of manufacturing was encouraging the contribution of manufacturing industry to the Gross Domestic Product is still very small. According to the 1969, statistical figures contribution of manufacturing industry was 5.5 per cent with the exclusion of handicrafts.

Manufacturing industry in Ethiopia mainly caters for the local market. Looking at the 1970 statistical figures, manufacturing industry made a contribution of Eth.$40.6 million to the export earnings of the country. When we consider that the gross value of production of manufacturing industry in 1970 has reached Eth.$542.6 million, that portion of industrial production which is sold in foreign markets is indeed small.

The following table might better illustrate the situation of manufacturing industry in Ethiopia.

Gross Value of Production and Employment in Manufacturing Industry

Plan Period	Year	Gross value of production (in Eth.$000's)	Employment
Before FFYP	1955/56	70,960	19,373
	1956/57	82,586	19,668
First Five Year Plan	1957/58	83,343	19,998
	1958/59	88,513	23,093
	1959/60	108,010	26,026
	1960/61	114,412	28,314
	1961/62	128,880	32,584
Second Five Year Plan	1962/63	156,894	33,555
	1963/64*	176,500	34,394
	1964/65	219,719	36,258
	1965/66	269,822	42,079
	1966/67	357,110	44,349
Part of Third Five Year Plan	1967/68*	393,600	46,123
	1968/69	467,515	47,332
	1969/70	542,645	48,903

Source: Annual Statistical Abstract - 1964, 1965, 1967, 1969 and Survey of Manufacturing Industries. 1969/70, Ministry of Commerce, Industry and Tourism and CSO.

B. Problems Encountered in the Process of Industrialization

The following are some of the problems encountered in the effort of the development of industry in the country. The problems mentioned below are not exhaustive.

1. Lack of Industrial Research Facilities

The lack of industrial research facilities is becoming one of the most serious bottle-necks to the process of industrialisation. The inavailability of industrial information in the country such as industrial investment opportunities, data on marketing and on available appropriate technology are presenting difficulties to the process of industrial development.

* Estimated by the Ministry of Commerce, Industry and Tourism.

An organizational set-up capable of carrying pre-investment studies as well as implementing, supervising and putting industrial projects in operation seem to be necessary for the efficient initiation and execution of an industrial development programme.

2. Inadequacy of Capital

There is a limitation of capital which could be used for industrial investment. Here distinction must be made between equity capital and loan capital or credit facilities. Credit facilities could be obtained either from international or domestic financial institutions or from suppliers of machinery and equipment if the investor could present a reliable guarantor. However, the potential industrial investor is always faced with a shortage of his own capital. Consequently, the investor who establishes an industrial unit by mainly using borrowed capital is faced with a serious problem because a big portion of his profit is wiped out by interest payments. It is found out that the shortage of capital is one of the problems adversely affecting the development of industry in Ethiopia.

3. Lack of Entrepreneurial Ability

In Ethiopia, there is a shortage of entrepreneurs who are capable of initiating, studying and establishing industrial ventures by being prepared to take all the risks involved in the establishment of an industrial concern. It has been found out that the shortage of entrepreneurship is mainly as a result of the lack of technological know-how and scarcity of financial resources. It seems that the lack of knowledge and the lack of financial means interplay to create a shortage of entrepreneurship in the country. Although the educational and training institutions turnout a flow of high level professional, technical, skilled and semi-skilled persons, the lack of entrepreneurial ability is still a bottle-neck in the industrialization process.

4. Limitation of the Market

The limitation of the local market for industrial products and the inability of domestic industries to compete in the world market due to cost disadvantages have presented difficulties to the industrialization effort. Most of the industries established in the country are aimed at catering for the small domestic market.

Consequently, they do not benefit from the advantages of the economies of scale. Their attempts to sell products in the world market are not successful because they have difficulties in becoming competitive in the foreign markets.

As has been mentioned earlier these problems are the obvious ones. There are a number of other problems such as inadequate and expensive network of transportation facilities, inadequate communications, relatively expensive utilities, shortage of managerial skills, and the limited size of the agricultural surplus to warrant the establishment of industries based on agriculture. These problems present serious difficulties to the process of industrial development of the country.

COUNTRY PAPER: MALI

DEVELOPMENT OF THE INDUSTRIAL SECTOR IN MALI SINCE THE INDEPENDENCE

I. CHARACTERISTICS OF DEVELOPMENT IN LAND-LOCKED COUNTRIES

In order to understand better the choice made by Mali for industrialization, it is important to recall the particular development problems faced by land-locked countries in general, and by Mali in particular.

The basic problem is one of distance between the country and the major international communication ways which are mainly by sea: if Bamako is already 800 km from Conakry, and more than 1200 km from Abidjan and Dakar, Gao, the principal town of the sixth region (north east) is 1500 km away from Cotonou, more than 1600 km away from Abidjan and more than 2000 km away from Port Harcourt.

Niamey also is 1000 km away from Cotonou, 1700 km from Abidjan and Port Harcourt.

These distances are very important, but are not peculiar to West Africa only: Asuncion, capital city of Paraguay, is also 2000 km away from the Atlantic.

Apart from the distance itself, there is also the time necessary to cover them which is generally longer than in developed countries because of poor state of communications.

This land-locked situation acts upon:

1) the transport costs which are prohibitive, mainly for the imported goods. The transport cost for an imported product despatched to Bamako is 28 per cent of its value CAF Abidjan or Dakar. Moreover, Bamako is a privileged place, for if one considers Gao, it reaches 70 per cent of the average CAF value; for certain weighable goods, such as cement, the price can even reach 275 per cent of the CAF value.

2) Cost price of production factors - This problem is a direct consequence of the preceding one, but it poses major problems in particular for the industrialisation of the country. Indeed one of the most important production factors is the energy. As long as electricity will be produced in thermal plants supplied with imported gas oil, its price will of course be higher in land-locked countries than in coastal countries, and will even become prohibitive for the installation of certain industries requiring electricity.

3) Scientific research - The difficulties of transport and of communication have also contributed to keeping the land-locked countries out of the major cultural and scientific currents, mostly during the modern period.

Historical as well as geographical factors explain this situation. Historically, these countries have often been the reservoir for the slave-trade. Geographically, the difficulties of approach have discouraged scientific missions. In all cases, it is a fact that the people, the soil and sub-soil of the land-locked countries have been little studied.

4) Use of human resources - These land-locked countries, with barren and even desert zones, have generally a low population density, most of the time less than five inhabitants per square kilometre.

Such densities make the cost of collective equipment prohibitive.

This situation also explains the low rate of schooling of the land-locked countries compared with the coastal countries: 6 to 20 per cent in average against 30 to 60 per cent.

Trade problems

The immensity of the borders and the fact that trade is not concentrated in one or two ports is in the coastal countries make the control of exterior trade very difficult.

Movements of population

Due to their delay in economic and social development, the land-locked countries have also a problem of under-employment with part of their population, for one cannot really speak of unemployment: most of the time, they are people who are not trained for a specific job.

As a consequence there is a tendency towards emigration first towards the coast, sometimes even towards Europe.

Low standard of living

The low standards of living together with the low density of population and the rate of urbanization render the establishment of heavy and other industries difficult. If one takes for example the consumption of steel in these countries, it is very low: 1 to 2 kgs maximum per inhabitant and per year. State groupings on the economic level are a prerequisite to the establishment of such industries.

Only small-scale industries to produce first necessity goods (food, textiles) and some industries of building materials are viable on the national level.

This weakness of the domestic market is an obstacle to the development of these countries.

Weakness of thrift and lack of capitals

A direct consequence of the low standard of living, is the lack of savings in our countries and the difficulties encountered for their mobilisation, are a major obstacle to the economic and social development, in general, and in particular, to the industrial development of these countries.

Moreover, it accentuates the state of economic dependency towards the outside and more particularly towards the industrialised nations.

Paradoxically, the unfavourable historic and geographic situations of our countries have led to a de facto discrimination in the distribution of development aid, between the least advanced of which we are part and the more advanced, in favour of the latter.

II. INDUSTRIAL DEVELOPMENT STRATEGY DURING THE FIRST DECADE

From these historic-geographic concrete realities and in accordance with its basic choice for the establishment of a national independent economy, Mali had adopted, during its first decade of sovereignty, the following industrial development strategy:

1) Create processing industries for primary products in order to give the maximum value to our exports

2) Create and develop a manufacturing industry for substitution to imported goods in order to relieve the balance of payments, to obtain the necessary foreign currency for the import of capital goods, reduce the urban unemployment and the migration

3) Organise and develop the handicrafts along the same line

4) Intensify geological research and mineral prospecting in order to obtain the basis for effective industrialisation

5) Control the key sectors of the national economy in particular the industrial sector through the establishment of important industrial public sector

6) Develop intra-African and international co-operation and extend it to all countries without exception, in order to diversify our trade currents and to enlarge our market.

III. RESULTS

Almost from nothing in 1960, this sector has known a very rapid increase since 1964/65. In 1960, it included twenty private enterprises and sixteen public enterprises which realized 60 per cent of the income.

The main characteristics of the evolution of the sector since 1960 are shown in the table below:

1960	1961	1962	1963	64/65	65/66	66/67	67/68	1969	1970
CA.982 (millions FM)	910	1078	1203	5010	5770	7298	12844	16859	20818
IFT 964	887	859	899	6693	7870	7568	10316	10395	10393
M. Entr.				12	20	20	24	30	36

The turnover increased haphazardly when new production units started functioning: cigarettes, matches, textile complex, cement factory, new industrial bakeries.

Twenty-one per cent of the enterprises have a turnover of more than 500 million and contribute more than 80 per cent of the total turnover.

The sector of the industrial enterprises is very concentrated both for the public enterprises and for the private ones.

In 1970, the turnover is distributed as follows between the various activities

- Agricultural and food industries 6930 M = 33.3 per cent
- Ginning - textiles - various 8282 M = 39.4 per cent
- Chemical products 1995 M = 9.8 per cent
- Power - building materials - materials 3699 M = 17.5 per cent

Sectoral view main activity was adopted here and the main cotton ginning plant realised in fact part of its turnover with the exports. If one takes into account activities by branch (pure activity), the total turnover reduced to 18,225 millions and is distributed as follows:

- Agricultural and food industries 5316 M 29 per cent
- Energy - building materials - metals 4386 M 24 per cent
- Chemicals - tobacco - soaps 1903 M 10 per cent
- Textiles and miscellaneous 6620 M 37 per cent

The value added to market prices has developed as follows:

		64/65	65/66	66/67	67/68	1969	1970
Million		1908	1850	2525	5891	7358	8844
of which							
Public sector	}				3757	4455	5610
Private sector	}%				64%	61%	63%
Private sector	}				2134	2903	3234
	}%				36%	39%	37%
In % of turnover:	together	38%	32%	35%	46%	44%	42%
	public	-	-	-	47%	44%	43%
	private	-	-	-	45%	44%	49%

In the whole the value added to market prices has increased during the last years and is now steady at 40 per cent which is very satisfactory. The value added is approximately the same in the public sector (which accounts for two-thirds of the value added) and in the private sector. The case is not the same if we study the value added to the factor costs per wage earner. The value added is then twice as high in the private sector, the staff of which is very reduced since with 35 per cent of the value added in average during the last three financial years, it only employs in average 16 per cent of the total staff.

The public sector has important wage charges and fixed assets, much more important than in the private sector which result in important wear and tear charges. For 1970, the net result is negative both for the private and (to a lesser extent) the public sectors. These companies have on the whole a relatively high volume of immobilizations.

The structure of their balance sheet is very much different from the one of the commercial sectors studied.

The theoretical net revolving fund is higher (3 per cent of assets and liabilities) in the public sector than in the private sector where it is very low and where the funds themselves are particularly scarce. The whole phenomenon covers, however, very heterogeneous facts. Indeed 70 per cent of the funds of the whole of the industrial sector come from the four most important enterprises (COMATEX-ENERGIE DU MALI - CIGARETTES DJOLIBA and SEPOM).

On the whole the public sector has in the short run relatively fewer debts than the private sector. This is largely due to the fact that the fixed assets of the major State companies have been financed by the Government with outside help. These enterprises have then constituted important reserves for the renewal of these granted resources. Their theoretical net revolving funds seem to be relatively important although they are sometimes faced with major cash problems, which are aggravated by the existence of loans which are very difficult to reimburse in the short run. The small number of enterprises limits the conclusions which could be drawn from the distortions of balance sheets according to the size of the enterprises. One can note however a greater homogeneity in the private sector if one makes abstraction of the CFDT which accounts for most of the group CA to less than 500 m.

In the public sector, the medium size enterprises are the most striking on the whole with a volume of supplies exceedingly high which is a burden for their resources. These companies have often outlet difficulties for their stocks.

The major part of the activities of the sector rests on four public enterprises and one private enterprise whose domestic and foreign outlets are assured and have sound management. The existence of the enterprises of a much smaller size is more uncertain and these enterprises account only for a very small part of the gross domestic production.

IV. INDUSTRIAL DEVELOPMENT STRATEGY FOR THE SECOND DECADE (1970 - 1980)

1) To use the investments previously by making them as efficient as possible

2) To create incentives and encourage private action

3) To set up certain viable industries which have been the object of projects by which the public services have been interested

4) To develop as much as possible the energy potential of the country by building hydro-electric dams and by intensifying the research of hydro-carbons

5) To establish important regional or sub-regional economic complexes for the setting up of industries of a certain size

6) To intensify the training of managers, middle-level staff and professionally qualified staff for industry and trade.

V. CONCLUSION

We strongly wish that the United Nations and the industrialised countries review their conception of aid for development and take into consideration these particularities which are a major obstacle to the development of the less advanced among the under-developed.

This gap is still accentuated by the land-locked nature of these countries, as for example Mali.

We would find logical, in particular as far as the aid from UNDP is concerned, that additional and substantial resources be set at the disposal of the less advanced and that, in the future, this aid be better distributed.

COUNTRY PAPER - NIGER

The Republic of Niger, independent since 1960, has an area of 1,267,000 km^2 with a population of approximately 4,5 million inhabitants found mainly in an area situated south of the sixteenth parallel which covers 1,500 km., that is hardly one third of the territory. Although 90 per cent of the population is involved in agro-pastoral activities, the cultivation zone covers only 10 per cent of the total area. Completely land-locked, the closest port is 1000 km. to the south. The southern border is more than 1,400 km. away.

Transport infrastructure

The road infrastructure in 1972 was as follows:

- 147,9 km of two lane asphalted roads
- 456,8 km of one-lane asphalted roads
- 2930 km of earth roads

996 km of graded tracks

2445 km of ungraded tracks

Navigation on the Niger is only at its very beginning.

National air traffic is in the hands of a national company and is mainly passenger oriented.

Power

The production of power is ensured by a joint ownership type of [illegible] which the Government has a majority share holding.

In the Niger, there are six thermal plants with a working capacity of 14,160 kW in 1970 against 6,500 kW in 1965.

From 1965 to 1970, production has more than doubled. In the last three years, the increase was as follows:

	1969	1970	1971
in KWh	33,125	38,695	41,782

In Niger, the cost of a KWh is one of the highest in the world. The average selling price of a KWh which can be as high as 51,06 CFA francs for the small consumer is as follows:

	CFA Francs
- Lighting and domestic use	27,69
- Commercial lighting	31,48
- Public lighting	21,16
- Low voltage motive power	37,02
- High voltage	23,47

In spite of all this the future seems promising and the various sources of energy being prospected are encouraging. The agreement signed with Nigeria for the supply of energy from Kaindji could reduce the actual cost of energy by 50 to 60 per cent.

This short preliminary introduction is necessary in order to understand the various problems of industrialization in the Republic of Niger.

Against this difficult background, it is not surprising to note the weak participation of the secondary sector (in which the manufacturing industries hold an important place: 60 per cent in 1966, 63 per cent in 1969) in the formation of the Gross Domestic Product.

The secondary sector (mining industries, manufacturing industries, water and electricity, building and public works) had a relatively important rate of growth of 10 per cent per year between 1963 and 1966. Its participation in the GDP increased from 7,6 per cent to 9,2 per cent, an increase mainly due to the Public Works Sector.

This rate of increase however slowed down between 1966 and 1969. The rate of growth fell to 5 per cent due to the termination of some major activities in the public works sector.

The manufacturing industries had a very low rate of growth: 1,4 per cent per year between 1966 and 1968. Its participation in the GDP increased from 6,3 per cent in 1966 to 6,4 per cent in 1969.

These figures have almost no connexion with the number of industrial units in Niger: since the independence in 1960, there are about 40 new industries which brings to 52 the total of factories of production units which were to be found in the Republic of Niger at the end of 1972, 26 of which are located in Niamey.

Distribution of the main industries

1. Development of local resources

   11 - Agriculture and livestock breeding : 2 units

   12 - Processing of agricultural products (food industries, hides and skins) : 12 units

   13 - Mining industries: 2 units

2. Industries/Imported raw materials:

   21 - Equipment (water-electricity, construction - public works):16 units

   22 - Processing industries: 18 units

Characteristics of the industry in Niger

1) Most of the industrial enterprises are of small size;

2) Most of the industrial investments go to the industries based on local resources;

3) Private enterprises form about two-thirds of the modern sector of the industry, the remaining being composed by mixed economy companies.

Let me now describe in a few words these jointly owned companies which are quite new to Niger.

These companies are based on three major principles:

- the Government and/or other jointly owned companies or public agencies own the majority of the capital (51 per cent)
- a jointly owned company will be created whenever the Government judges that a given sector, due to its importance, must remain under its control;
- a jointly owned company will be created when, in a priority sector the conditions at the beginning require the help from the Government, or when the measures taken to encourage the private sector to invest have not had any result.

PROBLEMS OF INDUSTRIAL DEVELOPMENT IN NIGER

Some of these problems are implicitly contained in the presentation of our country. The obstacles to industrial development in Niger are of two kinds:

1) <u>Obstacles created by the structure of the country</u>

1.1 The land-locked nature and the distances between the country and the sea which pose the problem of transport at costs compatible with that of the products transported;

1.2 Lack of energy resources apart from the thermal plants resulting in a prohibitive cost of energy;

1.3 The proximity of the great neighbour Nigeria resulting in competition with the products coming from Nigeria;

1.4 The limitations of the market both quantity wise (4.5 million inhabitants) and quality wise (the average income per capita hardly reaches 20,000 CFA francs per year).

2) <u>Socio-economic and human obstacles</u>

2.1 Lack of preliminary studies, particularly on markets, production capacity, investment codes;

2.2 Lack of capital carrying a reasonable interest rate;

2.3 Interference between economic and social objectives, mainly as far as the jointly owned companies are concerned;

2.4 Lack of professionally qualified national staff resulting in the employment of a great number of expatriates whose salaries and other advantages are a burden on the already fragile financial structure of these companies.

PERSPECTIVES

Within the preparation of the Orientations 1979-1982, the Government is reviewing the whole problem of industrial development in Niger.

A national management company had already been established and should be able to help in improving certain jointly owned companies.

An ILO project which is being implemented is concerned mainly with the training of qualified staff for the management of jointly owned companies.

The amended Investment Code should attract private investments.

A series of measures is being instituted by the Government in the industrial sector so that the 1970s will be the taking off decade of our industry.

Certain factors make us believe in the future of our industry:

- the discovery of uranium
- the possibility of navigation on the Niger
- the electricity from Kainji and the planned hydro-electric dams on the Mekrou and in the W.
- finally and mainly the creation of sub-regional units for the enlargement of markets and for the increase of trade between African countries, the only means of concentrating on intra-African economic relations and focussing attention on our economies.

On this matter, we firmly believe that the success of the Liptako-Gourma project and an enlarged WAEC will fulfil our wishes.

SECOND COUNTRY PAPER: SUDAN

Like in many other developing countries the industrial sector of the Sudanese economy is quite underdeveloped as most of the previous developmental efforts were directed to the agricultural sector, producing few primary products for export the principal of which is cotton.

The need to industrialize has always been pressing in view of the severe fluctuations in the economy due to supply and demand conditions of cotton and other agricultural products.

Thus, industrialization was considered not only as an indication of technological and economic progress, but also as a safeguard against such hazards and saving or earning of foreign exchange to meet finance obligations of development projects.

Again the low levels of income in the economy (about $100 per capita) and the resulting low levels of private saving and initiative have put a greater burden on the public sector in taking a more positive role in the development process. Not only has the public sector to provide the necessary economic and social infrastructure and provide the adequate investment atmosphere, but also it has to initiate, execute and even operate industrial projects. To a great extent this has shaped the Government strategy of industrialisation. The Government has already taken action in many fronts.

In 1967 the Government issued the Organisation and Promotion of Industrial Investment Act which was the first attempt to consolidate more powers in the hands of the Minister of Industry with regards, licensing of new industries, granting concessions and protecting the products of local industries. This step was preceded with the setting up for the first time in the history of the country of a separate Ministry for Industry to promote industrial development in the country. A Public Sector Corporation for the operation of Government factories was already set up together with many ancilliary institutions such as the Industrial Research Institute, the Management and Productivity Centre and many other Vocational Training Centres.

There is no doubt that all these efforts have led to favourate effects both in the Private and Public Sector. The first Five-Year Plan (1971-1975) after the Ten-Year Plan of 1961-1970 has allocated the sum of LS.60 m. for investment in the industrial sector both private and

public. The Public Sector projects include such projects as sugar, textile, kenaf, fertilizers, canning as well as two tanneries and a foundry. Some of the projects are already being implemented such as the textile, sugar, kenaf and the tanneries while others are still awaiting sources of financing.

As regards the problems encountered by industries in Sudan the main is the problem of unavailability or inadequacy of infrastructure specially with regards to transport facilities, power and water in some locations and the insufficiency of adequate trained personnel either at the top levels or at the middle strata of skilled labour. Other problems which reflect on the industrial sector are the impacts of foreign exchange restrictions on the availability of sufficient raw materials, spare parts etc., but this may be considered as temporary problem though it may prevail for some time. This is mainly due to the fact that most industries are import-substitutes with a high ratio of import content. Again initial financing as well as short-term financing is a real problem facing industries and despite the fact that there is an industrial bank in the country it lacks the sufficient resources necessary for its proper functioning.

The Government of the May Revolution (1969) has recognised the need to accelerate industrial development in the country and has taken many necessary steps to alleviate many of these obstacles and impediments. One of the main targets in the 5-Year Plan is self-sufficiency in many of the basic requirements of the masses such as sugar and textiles. This, of course, is not an <u>autarchic</u> tendency but a realisation of the need to produce certain items of mass-consumption specially when all the required inputs can be provided locally.

The Plan also concentrates on providing an adequate level of infrastructure mainly in the transport sector.

As for the private initiative, the Government after realising that the nationalisation and confiscation measures taken in 1970 have led to certain uncertainties and therefore may retard industrial development has already taken steps to remove any doubts or uncertainties in the Private Sector whether domestic or foreign. A set of new acts has been

, aimed to give sufficient encouragement and more concessions and facilities to private investors. These acts are:

- The Development and Promotion of Industrial Investment Act, 1972
- The Industrial Consultancy Houses Act, 1972
- Petroleum Resources Act, 1972
- Mines and Quarries Act, 1972

The administrative structure of the Ministry of Industry is being reconsidered with a view to make it more competent and efficient to cope with the problems of the industrial development. A new corporation for project implementation has been set up to supervise the implementation of Public Sector Projects.

Undoubtedly, these steps are only a start and many of the problems will continue to prevail for some time and in the solution of which the Government will spare no effort to call upon the assistance of international organizations and agencies such as UNIDO, ECA, IDCAS as well as any assistance forthcoming from friendly countries. Assistance in the field of training specially with respect to industrial surveys, project identification, preparation and evaluation as well as assistance and co-ordination in the field of investment promotion. This may be an active way of attracting private foreign investment in the country.

Again assistance may be of great importance in the field of preparation of regional studies for co-operation within our region with a view to identify areas of co-operation and such regional projects that may be feasible and economical to implement at the regional level.

One possible area of assistance may be in the export-oriented industries and the problems facing such industries specially if one considers the costs involved in the wrong implementation of import-substitution strategies for industrialization.

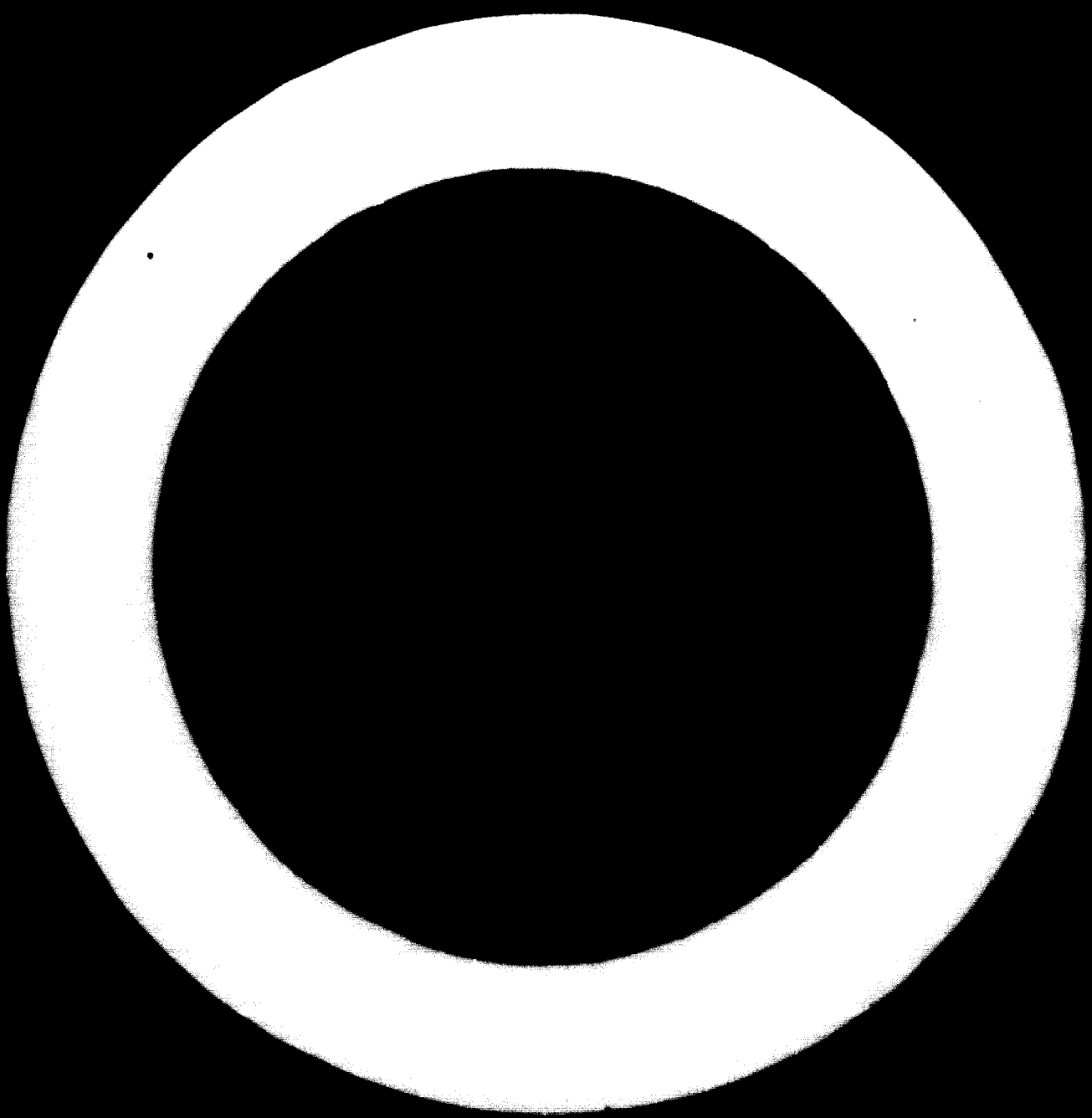
The recent solution of the Southern problem which has been a welcome all over the world has also, no doubt, confronted us with many problems and challenges.

The need for human and financial resources has more than doubled in view of the fact that now top priority has been given to rehabilitation schemes in the South plus the implementation of an adequate number of development projects to restart the developmental process in that part of the country after a long and weary period of instability.

Again, if private initiative is to be directed to that part of the country, the Government has to direct more of its limited resources to provide essential services and infrastructure in that region.

One should take this opportunity to express appreciation and gratitude to all international agencies and friendly countries who have responded readily to alleviate part of this new burden from our shoulders.

In conclusion, one dare say that the areas of assistance by UNIDO and other international agencies or of co-operation between poor countries are enormous as the number and size of problems therin. What is required is a well consented and co-ordinated plan to overcome these problems and this is what one hopes to come out of our meeting this time.



The industrial sector in Lesotho is as yet very small, and contributes very little in employment and gross national product. Almost half of Lesotho's labour force is at any time in employment outside the country, mainly in South African mines and farms. Value Added in manufacturing in 1967 was estimated at some R300,000 - about 0.7% of GDP. Although a number of industries have been established since then, it is doubtful whether Value Added in all industries has reached 2% of GDP.

LESOTHO NATIONAL DEVELOPMENT CORPORATION

The first step taken by the Government of Lesotho to encourage and promote local industry was the establishment of the Lesotho National Development Corporation (LNDC) in 1967, which among other functions, serves as the principal instrument for attracting foreign investment to Lesotho. Over the past five years some 15 manufacturing enterprises of varying sizes have been developed, some of which are wholly-owned subsidiaries of the Corporation, while the majority of the rest are joint ventures. These enterprises have so far attracted some R14.5 million worth of investment to Lesotho, and include the following activities - tyre retreading, clothing, electric lights, jewellery, ceramics and pottery, candles, mohair carpet weaving, fertilizer-mixing, maize milling, furniture, and so forth. There are a number of other industrial and agro-industrial projects ready to be launched shortly or else at the drawing-board stage. It may be pointed out that most of the LNDC sponsored projects are export-oriented, and their average capitalization is R7000 per worker.

DEPARTMENT OF COMMERCE AND INDUSTRY

The second major step taken by the Government of Lesotho to promote industry was the establishment of a fully-fledged Department of Commerce and Industry in 1968. On the industrial side, the Department has been engaged in

two main activities. Firstly, as LNDC has been concentrating on the promotion of medium-scale and large-scale industries, the Department has paid attention to the filling of the gap in the handicraft and small-scale industry field, through such measures as the strengthening of the extension service, the establishment of craft centres and the organization of the marketing outlet. Some of the activities in this field are still scattered and fragmented, and for proper and effective co-ordination a draft project request costing about one million US dollars for the establishment of a "Basotho Enterprise Development Corporation" has been prepared for either multilateral or bilateral financing. Secondly, the Department has been engaged in creating appropriate industrial climate and passing the necessary supporting legislation for the encouragement of industries; for example, the Pioneer Industries Encouragement Act of 1969 provides for an option between a six-year tax holiday and a package of incentive tax allowances comprising accelerated depreciation allowance on machinery, 45% machinery investment allowance, 75% building investment allowance, 45% allowance on industrial housing, and allowances on the cost of infra-structure services, transport, training and wages bill.

The need has been recognised for properly co-ordinated planning. Fixing of priorities, and identification and evaluation of projects of accelerated industrial development is to take place with this in view. An Industrial Survey Mission has been requested from UNIDO to make appropriate recommendations. This proposed survey is also in line with the strategy of the National Development Plan 1970/71-1974/75 that during the plan period much of the work in the industrial field (and indeed many other fields) will be of an investigational and exploratory nature.

PROSPECTS FOR INDUSTRIAL DEVELOPMENT

Putting aside any other possibilities or disabilities which might be brought by the proposed survey mission, it may be stated in general terms that the prospects for the establishment of industries in Lesotho are not unfavourable. The sample list of LNDC-sponsored projects given above, constitutes part of the testimony. Lesotho has the advantage of free access to the South African market for manufactured products, apart from the possibility of applying

limited protection to its home market under the revised Customs [illegible] Swaziland. There are no restrictions on the repatriation of profits or remittance of dividends. In line with the high literacy rate in general, the Basotho are readily trainable for many industrial operations and may be employed at all levels of skill.

PROBLEMS ENCOUNTERED

On the other hand, Lesotho faces certain difficulties or problems which may be summarized as follows :

(i) Natural Resources and Raw Materials:

Although various detailed investigations into the extent and types of natural resources found in Lesotho still have to be completed or carried out, it can be stated at this juncture that on the face of it Lesotho has few raw materials apart from wool, mohair, some other agricultural and livestock products, clay deposits, diamonds, and some semi-precious stones. It goes without saying that the available raw materials will have to be exploited to the maximum. In the meantime certain raw materials have to be imported.

(ii) Transport and Communication:

Transport costs are quite high. Raw materials used by certain industries are imported mainly from the Republic of South Africa and have to be transported over long distances by rail which has proved more expensive than carriage by road. The same transport bottleneck applies to the exportation of finished products to South Africa, which is the principal external market. The question of the possibility of South Africa granting free access by road to the main sources of raw materials and market centres has been raised with the other partners in the Customs Union.

As far as internal transport and communications are concerned, there are still serious shortcomings, despite some moderate advances made in the last few years with the assistance of World Bank Finance and the World Food Programme. There is need to conduct comprehensive transport surveys and construct more roads into the interior of the country. Perhaps the

transport system has been caught in a vicious circle or dilemma, namely, while the lack of roads has hampered development, the lack of development also made it difficult to justify the construction of roads;

(iii) Technical Skill and training

The bulk of trade and industry in Lesotho is in the hands of expatriate businessmen. It is Government's policy to change this pattern and build up at least a hard core of indigenous businessmen and industrialists with the requisite skills. Facilities for technical training are however terribly deficient, and the required skills must still be imported at great cost. Some attempts are however being made to improve the situation. The Government of Lesotho, in conjunction with the University of Botswana, Lesotho and Swaziland and other interested organizations have launched a joint programme for the promotion and strengthening of the Business Extension Service which gives not only theoretical training but also practical assistance and advice on such matters as bookkeeping, stock control, principles and practice of management and related subjects. The craft centres established by the Department of Commerce and Industry give practical technical advice, guidance and demonstrations in such fields as metalworking, woodworking, weaving and so on. Licenced businessmen and industrialists are encouraged to institute internal training programmes for their employees. An apprenticeship system still has to be developed. Funds are also being sought for the establishment of an advanced technical institute or polytechnic. Foreign investors are encouraged to form joint ventures or partnerships with the local people to help the process of the transfer of know-how and modern technology to the nationals. However, as certain skills take time to acquire, the problem of importing skilled technicians at great cost still remains.

(iv) Finance and Credit

There would be no merit in inculculating the necessary technical skills in the nationals if they cannot have a chance of setting up on their own because of lack of

sources of finance and credit. In recognition of the inadequacy of the existing financial institutions to help local commerce and industry, Government has decided to establish a National Development Bank. In addition to mobilizing local savings, the bank will need some funding from outside. As the bank will also need to be staffed with personnel of the right calibre, foreign technical assistance will be required until the nationals have been duly trained.

(v) Import Controls and Tariff Protection:

This is not the place to make an assessment of the usefulness to Lesotho of the Customs Agreement with Botswana, South Africa and Swaziland. But perhaps a cursory indication can be given here of the factors in the Customs Union which work in favour or against industrial development in Lesotho. Whereas the countries of the other contracting parties, particularly the Republic of South Africa, serve as the principal markets for manufactured goods and sources of raw materials, there are two factors in particular which may have an adverse effect on industrial development in Lesotho. One of them has already been dealt with above, namely lack of direct access by road to certain centres in South Africa owing to the monopolistic position of the South African Railways. The second factor is the policy of tariff protection and import control being pursued by the South African Government to protect and foster their own industries. The effect of these factors is accentuated by Lesotho's geographical position, as it were, being a small island in the seas of South Africa. However as these matters are the subject of negotiation within the Customs Union Commission, no further elaboration is warranted at this stage.

CONCLUSION

The Government of Lesotho attaches high priority to the development of the industrial sector and is determined to take appropriate measures to increase its contribution to employment and national income. The limited successes registered so far would tend to give hope that the prospects

of developing industries in Lesotho are not bleak. Detailed investigations and surveys still have to be conducted into the availability of exploitable natural resources and feasibility of certain industries. Lesotho is only on the threshold of development, the road ahead is tediously long and beset with such difficulties and problems as have been briefly described above. But we hope for success in the long run.

COUNTRY PAPER: MALAWI

Malawi's specific industrial problems arise from the nature of the industrial development process. This process is characterised on the supply side by an expansion and diversification of industrial output and, on the demand side, by an expansion and diversification of demand for industrial products. The general condition for industrial development is therefore threefold:

1) Producers must be motivated to expand and diversify industrial production.

2) Market absorptive capacity must be adequate to take up the supply of industrial products.

3) Producers must be technically capable of expanding and diversifying industrial production.

To analyse Malawi's specific industrial problem requires therefore an understanding of the specific determinants of these general conditions for industrial development.

1. Producers Motivation

The strength of producers motivation is determined by three things:

a) The psychology and 'entrepreneurial mindedness' of the producer.

b) The general institutional and economic context in which he operates.

c) The investment opportunities open to him.

The psychological aspect of the producer's motivation is a complex issue, being determined ultimately by the general socio-cultural environment, and attitudes towards economic and social development.* The social objective of accelerated economic development, and government policies towards the industrial sector in Malawi, are both conducive to the growth of strong producer motivation in Malawi.

The producer can be encouraged or discouraged by the institutional and economic context in which he operates. To avoid or overcome problems in this area, government in Malawi has been very conscious of the need to fashion policies which would encourage the industrial producer. Assistance in the form of limited tariff protection is given, usually, however, with the proviso, that the protected firm does not raise its prices without first consulting Government. In addition, customs duties on capital and intermediate imports are kept at zero or nominal rates. Duties paid on imported inputs for manufactured exports automatically qualify for duty drawbacks. Other forms of encouragement are industrial rebate on other imports, and depreciation and investment allowances. A final major form of incentive offered to the producer is the provision by government of serviced industrial sites.

One problem which has not been tackled to any great extent, however, is the issue of small scale industries in

Malawi. Government is currently inquiring into the special facilities required to encourage this type of industrial development.

Government also encourages the foreign investor to invest in Malawi. A policy of allowing full repatriation of interest and dividends has been followed.

Given the existence of appropriate entrepreneurial attitudes, and a general economic climate conducive to industrial entrepreneurship, the final element entering into producers' motivation is the investment opportunities available. This is the problem of market absorptive capacity.

2. Market Absorptive Capacity

This includes both the domestic and export market. The main determinants of market capacity are:

a) Income
b) Tastes
c) Prices
d) Degree of trade restriction and efficiency of marketing in the case of export markets.

In the 1960's the emphasis in industrial development was on import substitution. Most of the obvious opportunities for import substitution (e.g. shoes, textiles, clothes, food, drink) have now been taken up. In a longer term sense, however, further possibilities of import substitution will no doubt materialise as incomes rise, particularly as the income rise will be generalised as a result of the government emphasis on agricultural development.

Currently, however, the greatest hopes are based on export markets and the possibilities of expanding 'supply-base or agro-allied industries. Good prospects are seen for exports at competitive prices of such products as dehydrated vegetables, timber products, oil cake, and canned fruit and juices. Malawi has an obvious comparative advantage in such areas, and a number of these products are in high world demand. Malawi has been able to export products which were initially produced as import substitutes. But one problem in exporting products from 'demand-based' industri is that other neighbouring developing countries also see these as major fields for import substitution.

Government fully appreciates the problem of marketing and quality in expanding exports, and there has recently been established an Export Promotion Council in an attempt to surmount these problems. In addition, every opportunity is taken to cultivate good trade relationships with other countries. Related to this emphasis on exports is the interest in expanding the tourist industry in Malawi.

3. Producers Technical Capability

The technical capability of the producer is determined by:

a) His managerial and technical knowledge.
b) The availability of factor inputs: labour, capital, foreign exchange, land, raw materials.

The pace of process of industrial development in Malawi depends greatly on improving the technical capability of the producer. One of the major problems in Malawi's industrial development has been to increase the level of knowledge and availability of factor inputs in the industrial sector. The lack of these elements in the past has necessitated dependence on foreign skills, knowledge, and capital, and an attempt by the state to compensate for a weakly developed industrial class in Malawi by entering itself, directly or indirectly, into industrial production. The main emphasis, however, is on private enterprise, and the government is committed to solving the problem of building up a strong class of Malawian industrial entrepreneurs. To improve the knowledge of industrial producers technical and business education facilities are being expanded, attempts are being made by government to identify likely investment fields and projects, and the establishment of an industrial and trade information system is currently being discussed.

Government also attempts to improve the availability of factor inputs to industries. We have already mentioned the provision by government of serviced industrial sites to industrialists. With the increasing congestion in Blantyre, the policy now is to encourage industries to locate in the new capital of Lilongwe In addition, the government industrial licensing system ensures that those industries which are likely to be of most benefit to the economy will receive the foreign exchange necessary for their operation. An effort is made to improve the availability of skilled manpower by gearing the educational system to the manpower requirements of the economy. There are various institutions which attempt to meet the finance needs of industry, including the commercial banks and the Malawi Development Corporation, the latter institute providing long term finance either in the form of secured loans or share capital or a combination of both.

Conclusions

We see then, that Malawi has encountered many problems in the effort to develop industrially and has applied a variety of policy measures in an attempt to solve these problems. The most important problems currently would seem to be those of developing a Malawi entrepreneurial class, identifying investment fields in which Malawi has a comparative advantage, and within these fields identifying likely projects through micro-economic studies. It should be stressed that Malawi's main development efforts have been, and will continue to be, in the agricultural sector. Nevertheless, despite problems encountered, there has been considerable success in developing the industrial sector since independence in 1964. Total manufacturing output (in the monetary sector) has risen by about 13% per annum compound at constant prices between 1964 and 1970, and there has been a noticeable increase in exports of manufactures in recent years. These facts would suggest that Malawi has experienced a significant degree of success in attempts at solving the problems of industrial development, and prospects of continued success look very bright for the future.

I. INTRODUCTION

When Rwanda acceded to national independence on 1 July 1962, the industrial sector was almost non-existent in the country. It consisted of a brewery (BRALIRWA), a number of small packaging plants for agricultural export products (coffee and tea), and a number of semi-industrial workshops.

This situation, which was inherited from the colonial period, was due to the fact that the few industrial undertakings which existed in the former Trust Territory of Rwanda-Urundi (industry represented only 2.3 per cent of the gross domestic product) were concentrated at Bujumbura, a town situated on Lake Tanganyika which was the economic capital of the Territory.

To place the problem in its true context, it must be pointed out that Rwanda has only very recently entered the modern economic era. Until 1950, the economic activity of the country was entirely based on subsistence agriculture. It was only from this period on that the colonial authorities started to introduce into Rwanda agricultural production able to provide foreign currency earnings and income for the peasants, such as coffee, pyrethrum, cinchona and tobacco. This resulted in the establishment of the small number of industries mentioned above.

The social revolution of 1959, in freeing Rwanda from a mediaeval feudal system, the independence proclaimed in 1962, and the break up of the customs and monetary union with Burundi on 15 February 1964, marked three important stages in the opening to Rwanda of new prospects for development:

Goods, instead of passing through Bujumbura, were now sent northwards via Kampala and Mombasa on the Indian Ocean;

Large-scale business houses and industrial concerns established themselves at Kigali;

Value added by industry and craft activities rose from 385 million Rwanda francs in 1964 to 707 million in 1967 and to 1,600 million in 1971;

Employment in the industrial sector rose from 16,000 in 1967 to 25,000 in 1972;

Wages paid by the industrial sector rose from 284,000 Rwanda francs in 1967 to 507,000 in 1972;

Production rose from 1,628,000 Rwanda francs in 1967 to 4,994,000 Rwanda francs in 1972.

II. INDUSTRIALIZATION POLICY

Rwanda's emergency interim plan approved by the National Assembly in August 1967 takes into account the complementary nature of industry and agriculture. Industry is firmly directed towards developing agriculture with the aim of increasing productivity in that sector. There are three main priority areas in the industrialization effort:

(a) Industries based on agricultural products such as tea, barley, wheat, rice pyrethrum, fruit and vegetables, leather and skins, etc.;

(b) Industries required for agricultural development such as the fertilizer, insecticide and pesticide industries and the manufacture of agricultural machinery required for intensive methods of cultivation;

(c) Industries producing consumer goods liable to stimulate agricultural productic

The third priority area requires the establishment of small units in the housing, household goods, food and clothing sectors.

The Kigali industrial estate will comprise a small-scale industry area consisting of 28 factories offered to future heads of enterprises under a rental or hire-purchase arrangement. Small-scale industry is bound to occupy a very important place in our country and has an essential role to play. It leads to the creation of jobs in industries of low capital-intensiveness, with low break-even points, adapted to our limited markets. It also encourages private initiative, technical inventiveness and a practical approach. Moreover, it contributes above all to national capital formation.

Rwanda is thus endeavouring to bring about an industrial revolution linked with modernization and the intensification of agriculture. We are also endeavouring to install industries whose production is competitive in both price and quality on home as well as export markets.

In order to attain these objectives we invite foreign investment by offering the following special conditions:

Free importation;
Free transfer of capital;
Transfer of all profits.

Moreover, the Government of the Republic of Rwanda promulgated an investment code on 4 May 1964 which granted particularly generous concessions and privileges: any enterprise undertaking to invest a minimum capital of 5 million Rwanda francs in industrial activity of whatever nature can benefit from one of the four categories of preferential treatment under the investment code, the advantages being cumulative. Category A involves exemption from all import duties and taxes on equipment, raw materials and packaging materials, together with exemptions for the export of finished products. Category B involves exemption from profits tax and the trading tax for five years. Category C entails a guarantee of stabilized tax treatment for 25 years. Finally category D involves the signature of an establishment agreement between the Government and the enterprise providing for mutual guarantees and commitments.

III. PRESENT INDUSTRIAL SITUATION

Rwanda's industry is developing at a slow pace and on a modest scale. Its development is retarded by the low level of national savings, inadequate foreign investment and the absence of an industrial tradition in the country. Until now, large foreign undertakings have contributed very little to the setting up of industries in Rwanda. Such small industrial units as exist have been established by private individuals or by small enterprises which have already been operating in the country for a considerable time.

(A) EXISTING INDUSTRIES:

1. Extraction industries

Two forms of exploitation of natural deposits coexist in Rwanda. One is on modern lines and is being carried out by four companies and ten individual foreign enterprises. The other consists of exploitation by Rwandan nationals using artisan methods.

2. Agricultural industries

Fourteen industrial units, made up of eight coffee-processing factories, five tea-processing factories and one factory for the processing of pyrethrum.

3. Food and beverages

One modern brewery (BRALIRWA);

One modern flour mill (ETIRU);

One sugar refinery;

Two oil factories;

Bakeries;

A modern slaughter-house;

A dairy.

4. Chemical industries

There are:

Three soap factories;

One laboratory producing small-pox vaccine and vaccine for veterinary use;

One paint and varnish factory.

5. Engineering and workshops

Metalworking shops, mostly situated in the capital and producing metal furniture, building frames or door-frames;

Blacksmiths' and locksmiths' shops, usually run by the parish, the largest of which is that of Kabgayi;

Manufacture of electro-acoustical material and radio equipment, represented by an undertaking in the form of a workers' co-operative (MERA);

Garages: 15 units divided into 4 categories:

(a) Independent garages;

(b) Garages belonging to agents for specific brands or to commercial concerns;

(c) Garages connected with parish shops;

(d) A central garage and some regional workshops of the Régie de transports publics, responsible for the maintenance of all State vehicles.

6. Wood industries

There are a large number of small joiners' shops and 4 undertakings carrying out carpentry and furniture production on an industrial scale.

7. Textile industries

Three units, comprising a shoe factory, a blanket-making factory and a clothing factory.

8. Building and public works

Fifteen units.

9. Other industries

Six printing concerns, 2 power plants and 1 water and electricity supply undertaking (REGIDESO).

(B) PROJECTS UNDER WAY:

1. USINEX: The pyrethrum processing project, financed by UNDP (Special Fund) and executed by UNIDO, has started up on an experimental basis. The plant has been in operation since April 1972.

2. TANNERY: The Special Fund hides, skins and leather project, executed by FAO, is fully under way.

3. The FORGE project financed under Swiss assistance is going very well. It has been in its fourth phase since January 1972.

4. An old soap factory has just been modernized and relaunched.

5. A small but modern oil factory has just been set up. Its capacity is 200 tonnes, with possibilities for expansion.

6. An industrial estate financed by the European Development Fund is under way.

7. A sugar factory financed by the Government of Rwanda is in operation. Its expansion is planned.

N.B. A number of projects have been drawn up, but cannot be implemented for lack of financing. These include:

(1) Methane gas;
(2) Nitrogenous fertilizers;
(3) Cement;
(4) Matches;
(5) Soluble coffee;
(6) Dehydrated vegetables;
(7) Marakudja juice;
(8) Bottle and glass factory;
(9) Power plant using peat.

Rwanda has sufficient natural resources to launch the industrialization process. There are, however, many factors that prevent Rwandan industry from achieving a rapid take-off:

(1) A limited market, due to the population's low monetary income, often makes it difficult to establish large-scale industries which, to be profitable, need substantial economies of scale;

(2) Shortage of capital, caused by the low level of national savings and inadequate foreign investment;

(3) The non-existence of an industrial tradition and the low level of technology, which are the basic causes for lack of private initiative and business enterprise.

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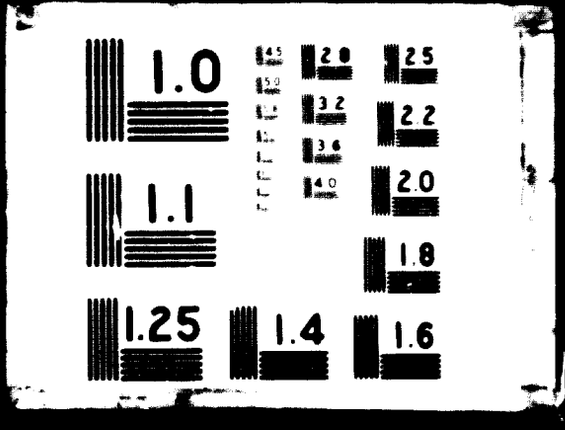

1. Introduction

The intention to accelerate economic development has forced the government of the Democratic Republic of Sudan to give due attention to developing industrialization. The continuous dependence on Agriculture for many years pre and post independence had constituted several hazards to the economy of the country in the form of vulnerable fluctuations. This necessitated the pursuance of a policy aiming at the diversification of agriculture and at an active industrialization of the country.

2. History of Industrialization

2.1. Issuance of " Approved Enterprizes "Act

The government of the Sudan issued the " Approved Enterprizes " Act in 1956 to encourage industrial activities.

2.2. Establishment of the Ministry of Industry & Mining

In 1956 the government felt that it was high time to establish a Ministry for Industry and Mining to bear the responsibility of planning, supervising and controling industrial development in the country

2.3. Issuance of " Organization and Promotion of Industrial Investment " Act.

The need was pressing to issue a new legislation that is the " Organization and Promotion of industrial investment "Act, 1967 to augment the concessions and assistance granted to industrial enterprizes and to remove all obstacle, problems and fears that threatened the industrial development.

2.4. The new industrial development legislations:

The application of the " Organization and promotion of industrial investment Act, 1967 revealed some short comings that necessitated the issuance of new legislations to introduce new concessions and guarantees and to attract more investment in the industrial sector. In 1972 the government issued the following legislations:

- The Development and Promotion of Industrial Investment Act, 1972
- Industrial Consultancy Houses Act, 1972
- Petroleum Resources Act, 1972
- Mines and Quarries Act, 1972

2.5. Government finance in the industrial sector

Coming to the sphere of finance the government has established an Industrial Bank to finance small and medium scale industries.

2.6. Technical advice and Training in the industrial sector

Technical and economic advice and consultation to existing or new industries and also the carrying out of techno-economic studies for industrial projects is provided by the " Industrial Consultancy Corporation". Personnel requirements during the process of industrialization are provided by the " Management and productivity Centre ".

Also some " Vocational Training Centres " have been established to give technical education and create skilled labour.

3. Industrial Development Planning

3.1. The Ten-Year Development Plan

The Ten-year Development Plan (1960-1970) aimed at raising the contribution of the industrial sector in the G.N.P. from 9% in 1961/62 to 16% in 1970/71 .

The plan aimed primarily at import substitution but this was only realized in cement industry, matches, and grey clothes.

During this period the public sector undertook a number of industrial enterprizes such as sugar, tanning, fruit and vegetable canning, milk products etc.. Also numerous small and medium scale industries were established by the Private Sector.

The targets set by the Ten-year plan were not all realized because of some difficulties and the share of the industrial sector in the G.N.P. represented only 12% in the period 1960-1967.

3.2. The industrial survey

In 1969 the Industrial Development Centre for Arab States (I.D.C.A.S.) carried out an extensive industrial survey as a result of an agreement with the government of Sudan. As a result of this survey and the studies available it was possible to draw up the following guides for industrial development:-

- Vertical expansion in the existing industries
- The industrial development plan to associated with agricultural sector
- Development of import substitution and consumer industries.

- Development of Engineering intermediate industries
- Development of export-oriented industries
- Development of extraction industries
- Training to be associated with the development plan and to be given more attention.

3.3. <u>The Five-year Development Plan</u>

The results of the industrial survey have been an important guide in selecting the industrial projects for the Five-year Industrial Development Plan (1970/71 1974/75).

16% of the total investments of the general Five-year Development Plan have been allocated to the industrial sector.

It aims at increasing the volume of the industrial produdtion by 75.4% within the G.N.P.

It aims at total or partial import substitution and expansion in export promotion industries.

Considerable attention was given to the distribution of industries in the different parts of the country to attain even and balanced development.

Attention was focussed fully on utilizing the agricultural and animal resources available in the country.

Building materials will be manufactured to meet the problems of building and construction.

For the private sector priority will be given to vertical expansion in existing industries, engineering and building materials industries, chemical industries textile industries, and food processing industries etc.

Considerable attention will be given to techno-economic studies of projects and to training in both the Public and Private Sectors.

4. Problems of Industrial Development

Industrial development is faced with many obstacles and challenges, some of them specific to the Democratic Republic of Sudan and the others similar to what we find in all other developing countries. The most important of these obstacles are:

4.1. The identification and promotion of projects

4.2. Bottle-necks in basic infrastructure and services

4.3. Scarcity of financial resources

4.4. The settlement of the Southern Sudan problem creating a challenge of finance:

- for habilitation of refugees
- and to gear development

5. Conclusion

The conclusion is an urge to the UN organizations again particularly UNIDO to give more technical assistance to the least developed countries of Africa specially in the field of training programmes.

The contribution of E.C.A. to industrial development in the least developed countries of Africa has been very little.

COUNTRY PAPER: TANZANIA

There is no simple way of appropriately and concisely describing the industrial sector of Tanzania except by saying that it is typical of a young developing country. By implication, the sector lags behind other sectors such as agriculture and foreign trade. Thus as late as 1969, the industrial production accounted for only 7.6% of the Gross Domestic Product (GDP) of Tanzania as compared with agriculture which generated 40% of the GDP for the same year. In 1970 and 1971 the corresponding percentage contribution of the sector showed a considerable rise though overall the sector was still in a relatively subordinate position. The order of importance of the sectors as well as the growth of the industrial sector is indicated in the table in Appendix I. Apparently, the sector has been growing fast, actually faster than agriculture though in absolute terms it has a smaller base. Despite the fast growth momentum and increasing role in the overall economy the sector is beset with diverse problems some of which are to be highlighted in the subsequent paragraphs.

2. A good picture of the Tanzanian industrial sector can be obtained by examining the type of industrial establishments as well the category of output of the manufactured products. It will thus be observed that most industries in Tanzania are engaged in processing raw material or in manufacturing import substitutes. Emphasis on processing reflects the level of development of the economy as well as the colonial heritage of using colonies as a source of raw material to feed the industrial establishments in the metropolitan centres. Though processing industries do not strictly fit the manufacturing category yet the bulk of industrial establishments in Tanzania are of a processing type. Import substitute industries have been established relatively recently and are usually operated on a larger scale employing modern technology. As a category, the number of import substitute industries are growing fast and are contributing considerably to GDP. Instances of these are cigarettes, beer, and textile industries. As revealed in table II of the Appendix the value added on the part of the import substitutes industries reveal a steadily rising trend for the period 1965 - 1968. For selected industries the rate of value added would be much greater thus demanding a more ambitious programme for establishing industries.

3. The level attained by Tanzania industrial sector, reflects a fast rate of development and the rewards of the deliberate efforts to activate the sector through careful planning and intensive investment. In order to appreciate the growth of the sector one has to compare the industrial base prior to and after independence, that is 1961. During the colonial period, the industrial base was almost non-existent except in as far as commodity processing was concerned. Most consumer goods were being imported either from the East African common market countries or from overseas mainly the United Kingdom. It thus took bold steps and resources on the part of the Tanzania to build an industrial base of any appreciable size. Among the major steps taken to strengthen the industrial sector were the development plan investment programmes. So far Tanzania had had three development Plans, each of them had placed emphasis on a greater pace of industrialization.

4. Given the start made on industrialization as well as increasing contribution of the sector, the major single problem is that of sustaining the growth momentum thus making the sector contribute more to the economy. This is a general problem, which is, in turn, a result of many other constraints encountered by many countries which are at a comparable stage of development. More specifically the major constraints are:

a) Manpower constraints are at all levels and in all fields owing to low level of formal education, inadequate technical skills, labour immobility, etc.

b) Lack of financial and other resources required for establishing and expanding industries. Low incomes leads to low saving and inadequate investment. External aid is inadequate.

c) Underdeveloped state of infrastructure.

d) Poor markets owing to low incomes, as well as wrong demand projections and fast changing tastes. Artificial trade barriers and high cost production limit considerably the extent of the export markets.

e) High excess capacity reflecting scales of operation fixed by technology, and limited markets.

f) Cost overruns owing to fast transformation in the economy and economic factors.

The above constitute the major problems but the list is far from complete. It is likely that most of these problems exist in other developing countries. However, the fact is that they have been experienced by Tanzania and that they must be dealt with as a first step in building the industrial sector.

5. If the past has witnessed wide strides in getting the sector on its feet and if the present beset is with problems usually associated with development, it is the future of the industrial sector which should deserves most attention. Firstly the industrial potential is extensive in a country rich in many sorts of natural resources, such as mineral deposits, forests and extensive agricultural land. These are coupled with a fast growing labour force which has access to widening educational facilities. On the infrastructure side, the imminent completion of the Tanzania-Zambia Railway and the Tanzam Highway will open a new chapter in the whole transport system. Similarly a number of hydro-electric projects are at various stages of feasibility study. All these and other many developments which cannot be mentioned in such a brief paper, point to a bright future for the industrial sector.

6. What appears to be of immediate importance, are the steps to the taken in realising a fast rate of development. These involve careful planning and mobilising the required capital. As for planning, already a long-term industrial strategy study has been launched and when completed it will identify the order of priorities of industrial projects and the path which can maximize the linkages thus producing the greatest impact on the overall economy. The study is to be completed before launching the third Five Year Development Plan which will be concerned with the means of financing the various industrial projects. The pressure of financing could be eased by opting for small scale industrial projects which are to feature greatly in the next plan. While going ahead with preparation of the Third Plan, particularly the industrial sector side, due account is to be taken of the constraints and problems mentioned in para 4 above. By removing the constraints as well as laying down positive programmes at the industrial sector of Tanzania can grow fast.

APPENDIX I

CONTRIBUTION OF THE INDUSTRIAL SECTOR TO GDP

(in million sh)

	1964	1965	1966	1967	1968	1969	1970	1971
1. (a) GDP at factor cost	5,619	5,773	6,518	6,825	7,174	7,338	7,779	8,145
(b) % of " "	100	100	100	100	100	100	100	100
2. (a) Agriculture	2,623	2,575	2,952	2,954	3,062	3,080	3,189	3,143
(b) % " to GDP	49.9	44.6	45.3	42.0	41.3	40.7	41.1	38.2
3. (a) Manufacturing	394	446	525	584	627	687	729	785
(b) % of Mfg to GDP	6.6	7.6	8.1	8.7	9.0	9.6	9.7	10.3

APPENDIX II

MANUFACTURING INDUSTRIES GROSS OUTPUT AND VALUE ADDED COMPARED

(in million shs)

YEAR	1965	1966	1967	1968
1. Value added	218.3	295.1	318.6	378.6
2. Gross Output	1,084.3	1,289.3	1,315.3	1,257.4
3. % of 1 + 2	20.1	22.8	24.2	30.10

COUNTRY PAPER: UPPER VOLTA

The industry of the Upper Volta, which is still in an embryonic state, first devoted itself, as in most developing countries incidentally, to the manufacture of import substitutes, as far as possible using local raw materials, which are mainly of agricultural origin. Present efforts are directed towards export-oriented industries and industries that are large users of local manpower, an abundant but very inadequately used economic factor in the Upper Volta. Industry still has a very low share in the GDP.

In the Upper Volta, industry encounters serious handicaps that must be eliminated if industrial development is to commence effectively. Fundamental problems arise to which the country must find solutions. In this respect, external aid is necessary to the country.

I. INDUSTRIAL ACHIEVEMENTS IN THE UPPER VOLTA

About twenty industrial units are operating at the moment in the country with an annual turnover of the order of 6,000 million CFA francs. These enterprises contribute about 7 per cent of the GDP. The output of the main units in 1971 is summarized in the table below. (See annex)

The textile industry - with the VOLTEX plant, the four cotton ginning plants, and an establishment making ready-to-wear garments - and the food processing industry - mainly an oil mill and soap works, a brewery, a plant producing carbonated beverages, a flour mill, a sugar complex, a rice mill and a tobacco factory - are the most developed sectors in the country.

Then follow the sectors of vehicle maintenance and repair (small workshops) and the assembly industries (motor-assisted bicycles, bicycles, agricultural implements) followed by some small chemical plants, and the leather and footwear, building materials, printing and metal processing industries.

Except for plants in the capital, Ouagadougou, and the VOLTEX plant at Koudougou, the industrial units are concentrated in the south-west of the country (at Bobo-Dioulasso and Banfora). The proximity of raw materials, the service facilities, the abundance of water and generally speaking the special natural characteristics of the south-west explain this concentration.

In most cases, the enterprises are mixed, with minority capital participation by the Upper Volta; only some small enterprises are purely national. Foreign investments therefore predominate because of the very great inadequacy of national capital.

The first five-year plan for economic and social development (1967-1971) gave pride of place to industrialization. The second plan (1972-1976) emphasizes the production of raw materials for industry: agriculture is given first priority, with cattle rearing second and industry third.

Most of the plants established work mainly for domestic consumption.

The Brasseries de Haute-Volta breweries (BRAVOLTA) export some of their output to neighbouring countries (particularly Mali). The Société des Huiles et Savons de Haute-Volta (oils and soaps) and the Société Voltaïque des Cuirs et Peaux (SVCP) (hides and skins) export to the industrialized countries, but these exports are insignificant.

II. DIFFICULTIES OF INDUSTRY IN THE UPPER VOLTA

Numerous problems hamper the development of industry in the Upper Volta:

1. There is a lack of domestic savings

In view of this situation, the Government tends to promote industry with the aid of foreign capital. However, foreign capital is forthcoming only if there is an assurance that large profits can be gained, the development of country being in most cases only a secondary consideration in the short-term view. In addition, the foreign investor intends to manage his enterprise himself. Then, there is not only the lack of local savings but always a disinclination to Africanize the senior ranks of the enterprise, or rather an attitude of distrust when the question of employing Upper Volta nationals in such positions arises.

2. Few nationals are familiar with the world of business

Being cut off from the industrial world for the reasons mentioned above, Upper Volta nationals cannot grasp the problems arising in this environment.

In any attempts that they make, they usually fall victim to their own inexperience. They are obliged to incur enormous expenditure with a hope of very slight profit. The external offers that they are able to obtain do not leave them a great choice. In preparing documents for submission to sources of financing they go through a nightmare because they are asked to provide too much information, and the particularly unfavourable situation in a country like the Upper Volta, in which facilities are limited is not taken into account.

3. Prices are prohibitive

Industry in the Upper Volta, as, incidentally, in many other developing countries, is affected by social agitation and currency fluctuations that occur in the developing countries, with benefits to the nationals of those countries. Thus, the costs of industrial equipment rise sharply, technical assistance becomes more and more expensive to our industrial enterprises, and the cost of production of industrial products manufactured in the country is out of the reach of the national consumer, whose purchasing power does not increase at the same rate.

4. The lack of a maritime outlet makes transport costly.

Being a landlocked country, the Upper Volta can neither obtain supplies of the materials necessary for its industry nor export its products except via a narrow gauge, single track railway with slow turn-round and frequent interruptions of traffic. In addition, transport costs are high and services are almost exclusively rendered by foreign forwarding agents and are extremely expensive. As an example, the price of a ton of cement is practically doubled through transportation from Abidjan to Ouagadougou.

5. Lack of cheap energy

It is difficult to envisage large-scale industrial achievements in the Upper Volta capable of bringing about a genuine take-off in industrial development without production of energy in sufficient quantities for the needs of industry and at a reasonable price. Electric energy is at the moment provided by power stations supplied with imported fuel oil under the conditions mentioned in paragraph 4 above. The mining industry, a large consumer of energy, will therefore be unable to develop if the cost of the factors of production does not fall to a level within the means of domestic users

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In order that an industrial installation can be sufficiently profitable, it must be possible to use it at full capacity. However, it must be noted that in the Upper Volta many industrial units are forced to work at half capacity because the market is not large enough to absorb their output; sometimes it is necessary to reduce the size of the unit to be established in absolute terms in order to suit it to the national market, but such reduction is also limited by the threshold of profitability. When one looks at neighbouring countries that might buy industrial products from the Upper Volta, it is seen that these countries produce the same articles. Therefore, the industrialist increases his prices in order to exist, the consumer finally having to foot the bill. Of course, the countries of the zone are themselves to some degree responsible for this situation, since each country wishes to provide itself with its own industrial unit.

However, what is more serious is external intervention; in particular, foreign private investors exploit this legitimate ambition of the states and install competitive industries here, there and everywhere, being certain that they will derive satisfactory profit in a very short time. The industry of the Upper Volta suffers greatly thereby. For that reason, the country has consistently supported the establishment of regional economic groupings, which, if they are well designed, may bring a solution to the market problem, though perhaps only a partial one.

I. INDUSTRIAL DEVELOPMENT POLICY

The Upper Volta is no exception; like all other African countries that have recently gained their independence, it has attempted to produce locally in order to replace imports; now it is turning its attention to processing local resources for domestic consumption or for export, as the case may be. But, since the principal known local resources are of agricultural origin, industry remains dependent on agriculture. For that reason the country's second economic and social development plan classified agriculture and cattle rearing as priority sectors. The industrial policy of the Government of the Upper Volta, taking into account realities in the country, consists in gradually establishing "industrializing" industries, that is to say, industries capable of producing linkage effects related to the establishment of other industries and even in other economic sectors.

The key-note has already been sounded and practical results have been achieved:

- The textile industry has just started up, with spinning, weaving, dyeing, and fabric printing; already the addition of a workshop for ready-made garments and the manufacture of hosiery goods for export are envisaged; moreover, cottonseed oil will soon be produced for export. Upstream, the production of cotton has expanded rapidly in recent years;

- The oil seed industry already provides the country locally with necessities: oil, soap, butter, etc; the by-products, in sufficient quantities, call for economic exploitation by the production of cattle feed, for which there is no lack of internal and external markets;

- The cereals industry, represented by a flour mill and some rice husking plants, is already capable of supplying the raw materials necessary for the establishment of a pasta plant and and also a plant for cattle feed; it has led to the establishment of several industrial bakeries whose number, incidentally, is still growing;

- The sugar industry offers promising prospects for the establishment of confectionary businesses, jam-making plants, and plants for the manufacture of rum or alcohol and fruit juice; at the moment it supplies the local breweries with sugar;

- The fruit and vegetable industry will be established during the second development plan, mainly consisting of a plant for tomato paste;

- Industries based on cattle rearing: since the Upper Volta is specially suited to cattle rearing, industry cannot avoid taking advantage of this resource for its development; however, for the moment achievements are on a small-scale: only some slaughterhouses and a tanning centre, which manufactures only semi-finished products for export, are in operation; all the other industries attached to this sector are therefore still to be set up: cattle feed, dairy industry, meat packing, leather footwear factory, fancy leather goods, etc.

As can be noted, possibilities exist, only the conditions for the exploitation of these possibilities at minimum cost to the country are lacking. For that reason the Government is actively seeking means of reducing the costs of the factors or production in industry.

IV. ASSISTANCE EXPECTED FROM FOREIGN AID FOR INDUSTRIAL DEVELOPMENT

Any assistance intended to be effective in the economic development of the Upper Volta in general and industrial development in particular must above all contribute towards keeping as much water as possible in the country, reducing transport costs to the lowest possible level, and producing cheap energy. In addition to these needs, which are vital to the whole country, industry needs, in order to enable it to take off:

1. Suitable support structures

There is a lack of suitable industrial zones in the main towns of the country; owing to haphazard occupation, the first zones developed are either saturated or hampered in their expansion by housing projects. Projects for new zones are ready and the Government of the Upper Volta is looking for finance.

Moreover, in order to help national promoters to prepare documents on their projects in a form acceptable by the bodies providing money, a National Board for the Promotion of Upper Volta Entrepreneurship (OPEV) has been created; however, this board lacks the funds to recruit the staff to do the work expected of it. One form of aid, namely supplying and paying for at least part of the staff and equipping the board with adequate facilities for its work, would be of great service to the industry of the Upper Volta.

2. Easing of the additional financial burdens borne by the enterprises

Measures to encourage industrialization are taken in the country, but the additional expenses that are due partly to the geographical situation of the country and partly to the inexperience of the promoters (they are forced to resort to expensive technical assistance which it is difficult for the enterprise to pay for) neutralize the effects expected from these measures. It is therefore desirable that multinational agencies should pay the cost of expatriate senior personnel in industry until such time as national personnel to relive them can be trained.

3. An agency for temporary participation in the capital of industrial companies seems to be essential

In fact, national promoters are experiencing certain difficulties in constituting their initial company capital. It would therefore be desirable if an agency could take out silent participation in the capital, with later reversion to the national promoter; that agency could take the form of an industrial equipment fund. It would have a different purpose from the national development bank; it should not have the interest in "industrializing" industrial projects and, generally speaking, projects capable of producing linkage effects in the industrial sector. The role of this agency should extend even to paying the costs of project studies, even if only in part. Very often, the financing agencies say to us: "You supply us with good projects and we shall supply the finance". In fact, there are many facilities for obtaining loans in the Upper Volta, but is very difficult. However, when national promoters fail to submit documents in proper form, it is not by intent but through lack of adequate physical and financial facilities.

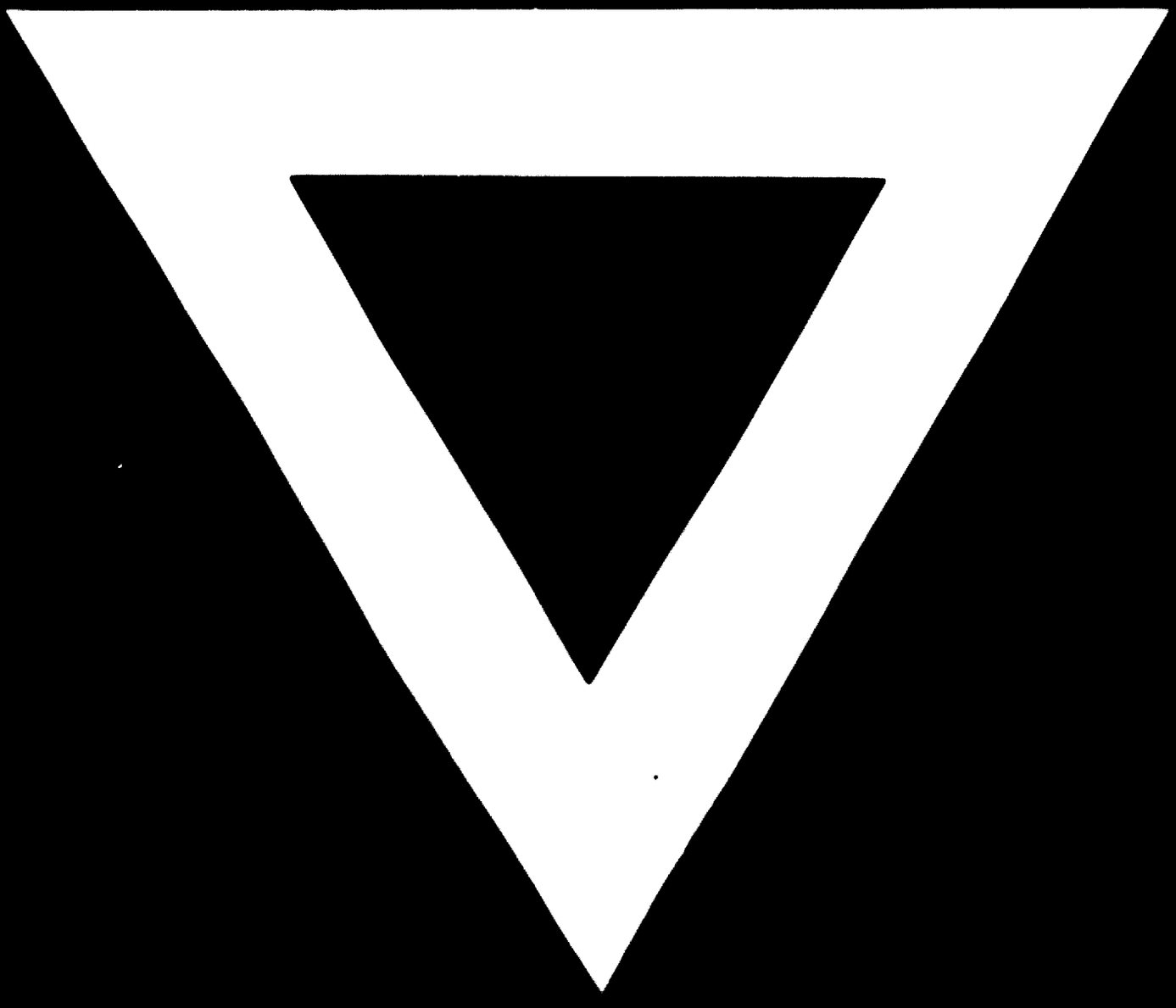
Conclusions

It is difficult to deal with the industrial sector without mentioning the other sectors in the economy of the Upper Volta; their problems are similar but they do not always require the same solutions.

It is particularly regrettable to note that despite great sacrifices accepted by the State - mainly exemption from customs duty and taxes - industry in the Upper Volta is characterized by high prices that sometimes bear no relation to the prices of similar imported articles. It is certainly true that the industrial sector is profitable only when a certain degree of integration with the rest of the economy and integration among industrial enterprises has been achieved. The integration effect is operating and the Government of the Upper Volta gives it special support; for that reason it calls on the aid of all multinational agencies so that it can rapidly put into effect the plans that it has outlined, the basic principle of which is control over local development factors.

ANNEX

Activities	Production in 1971		Turnover in 1971	
		Units		Units
Footwear	[illegible]	Pairs	[illegible],500,000	CFA francs
Tanning	[illegible]	Skins	150,000,000	"
Breweries	[illegible],000	Hectolitres	650,000,000	"
Flour-milling	[illegible],000	Quintals	62,000,000	"
Cycles	Bicycles + motor assembled bicycles + inner tubes		592,200,000	"
Beds, sheet metal	[illegible],400 [illegible],000	Beds Sheet metal	30,000,000 247,000,000	" "
			277,000,000	
MAVOCI cigarettes	25,294,250	Packets	191,542,500	"
Matches	[illegible],000	Cartons	101,843,000	"
Sugar mill (lump) (granulated)	12,227 [illegible]65	Tonnes Tonnes	695,000,000 30,500,000	" "
			725,500,000	"
Rice mill (paddy)	1,400	Tonnes	7,000,000 (Approximate figure)	"
Hides and skins	[illegible]	Tonnes	31,500,000	"
Oil mill - soap works (oil) (soap) (butter)	[illegible]71 2,9[illegible]2 1,089	Tonnes Tonnes Tonnes	[illegible],257,000	"
Brickworks	5,[illegible]00	Tonnes	32,500,000	"
Textiles (weaving) (dyeing) (printing)	307 476 4,800,000	Tonnes Tonnes Metres	221,000,000 280,500,000 696,000,000	" " "
			1,197,500,000	"



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