



**TOGETHER**  
*for a sustainable future*

## OCCASION

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



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)

RESTRICTED

21939

DP/ID/SER.C/  
22 May 1992  
ENGLISH

73p.  
diagram  
maps

ETH 9

File copy. Pls do not remove

HANDICRAFTS AND SMALL-SCALE INDUSTRIES DEVELOPMENT - PHASE III

DP/ETH/86/027

ETHIOPIA

Report of the evaluation mission\*

Prepared in co-operation with the Government of Ethiopia,  
the United Nations Development Programme and the  
United Nations Industrial Development Organization

United Nations Industrial Development Organization

Vienna

---

\*This document has not been edited.

## CONTENTS

	<u>Page</u>
SUMMARY OF THE IN-DEPTH PROJECT EVALUATION .....	3
EXPLANATORY NOTES .....	7
BASIC ECONOMIC INDICATORS .....	8
REGIONAL MAP OF ETHIOPIA .....	9
INTRODUCTION .....	10

Chapter

I. PROJECT CONCEPT AND DESIGN .....	13
A. Socio-economic and institutional context of the project .....	13
B. Project document .....	17
II. PROJECT IMPLEMENTATION .....	20
A. Delivery of inputs .....	20
B. Implementation of activities .....	22
III. PROJECT RESULTS AND ACHIEVEMENT OF OBJECTIVES .....	25
A. Outputs .....	25
B. Achievement of the immediate objective .....	29
C. Contribution to the achievement of the development objective .....	33
IV. CONCLUSIONS .....	34
V. RECOMMENDATIONS .....	38
VI. LESSONS LEARNED .....	43
Table. Breakdown of budgets .....	20

Annexes

I. Terms of reference of the in-depth evaluation mission .....	44
II. Organizations visited and persons met, with their function .....	54
III. Additional inputs needed to complete Phase III .....	57
IV. List of HASIDA personnel trained .....	65
V. UNIDO programme for small and medium industries .....	67

Figures

I. Current Ministry of Industry organization chart .....	31
II. Tentative MOI organization chart (under study) .....	32

## SUMMARY OF THE IN-DEPTH PROJECT EVALUATION

Project title : Handicrafts and Small-Scale Industries  
Development - Phase III

Project number : DP/ETH/86/027

Dates of Evaluation : 11 - 22 May 1992

Executing agency : UNIDO

Government  
implementing agency : Ministry of Industry

UNDP budget : US\$ 1,250,565

Government budget : Birr 19,122,168 (in kind)

Project approved : 15 September 1989

Operations started : Immediately upon approval, since the  
project is a continuation of Phase II

I. Objectives and outputs of the HASIDA project

The project as conceived had the following objectives:

To enable HASIDA to provide an acceptable level of technical, engineering, marketing, financing and managerial services to small-scale industries and private co-operatives in the country.

The following project outputs were planned:

1. Technical and Engineering Extension Department (TEED) fully operational.
2. Training and upgrading of planning and management capacity in the Project Preparation Department.
3. Information and data processing capacity created in the Department of Project Preparation.
4. Pilot textile industrial co-operative operational.
5. Pilot sheet metal industrial co-operative operational.

## II. Purpose of the evaluation mission

The basic purpose of the in-depth evaluation is to reorient the project in the light of the new economic policy and bring in a sharper focus on to promotion of private sector small-scale industries, extension services, technical assistance, rural industries, etc. It also examined the issue of the restructuring of HASIDA which is being taken up by the Government for more efficient operation.

In accordance with the provision of the UNDP policies and procedures manual (PPM), the in-depth evaluation would:

- (a) assess the achievements of the project against its objectives and expected outputs, including a re-examination of the project design and extended assistance in the light of the recently adopted new economic policy; and
- (b) identify and assess the factors that have facilitated the achievements of the project objectives, as well as those factors that might have impeded the fulfilment of those objectives.

## III. Findings of the evaluation mission:

The TEED (output 1) is housed in suitable premises, but is only partially operational as the casting (foundry) facility is not yet ready. The machine shop renders spare parts production, maintenance service, tooling of a simple nature and inter-department services. Thirteen staff members received training in various fields of study, mostly in the UK and a seven-man study tour (in two groups) was conducted in Turkey and Ireland and in India and South Korea (output 2).

One personal computer (PC) is now in place and four PC LAN (local area network) have been ordered with delivery expected in July 1992. Manual data collection and recording that conforms to the design input format for the computer has started. The installation of the LAN would make the developed programmes operational and introduce the exchange of information among the concerned departments in the network (output 3).

The pilot textile plant is not yet operational due to the missing equipment in the preparation phases (output 4). The dispute with the Indian suppliers has to be resolved and the missing parts supplied. Indigenous efforts which have rendered the looms operative without the instruction and operation manual are highly commendable, but the looms rely on the preparation phases.

The pilot sheet metal facility is also not yet operational (output 5). Its building has recently been completed and almost all the machines have been installed. Fifteen co-operative members have been trained. Preliminary tests have been made with provisional power connections. What remains for commissioning and start-up is to obtain at least two dies and raw materials.

It has now become apparent that the cost of the equipment required was underestimated. The complexity and magnitude of engineering work and limited capability of HASIDA made the planned 18 months duration of the project very short. The implementation of the project has faced several problems and the progress of the project is less than planned. Additional budget allocations are required to complete the project.

The evaluation mission, however, believes that the project has achieved reasonable results considering its short duration and the delays that were encountered. But its full potential has yet to be achieved.

#### IV. Recommendations of the evaluation mission

1. The project should be completed as originally planned and the project period extended until 31 March 1993. The project should not be linked to new or additional activities so as not to further delay its successful conclusion. As a manifestation of its commitment, all government pre-requisites in terms of civil works should be met. The additional budgetary requirements to complete the project should be allocated and the necessary experts fielded in a timely manner.

2. In preparation for the next (fifth) cycle, a mission should be sent within the next three months to formulate an integrated "Private Sector Small-Scale Industry Development" project. In the process, the mission should also advise and assist the government in preparing an integrated small-scale industry promotion and development strategy.

#### To the Government/HASIDA

3. As the focal point of SSI promotion and development in the country, HASIDA should be re-structured to become a semi-autonomous, income-generating organization. It will be managed by an independent Board or Council consisting of members coming from institutions supporting SSIs such as the Ministry of Industry, banks, industry associations and women's groups. A majority of the members, including its Chairperson, will come from the private sector.

4. HASIDA should be purely a promotional and developmental institution and its activities re-oriented. All regulatory and control functions should remain with the Ministry of Industry.

5. All technical centres of HASIDA should also operate as semi-autonomous, income-generating units linked to HASIDA for purposes of co-ordination. The centres should provide proactive technical services, training and extension services. HASIDA should co-ordinate with and avail of the services of other centres such as the Engineering Design and Tool Centre.

6. Twinning arrangements with similar institutions abroad should be initiated by HASIDA with UNDP/UNIDO assistance using the TCDC approach.

7. Specific recommendations to improve the delivery of the five outputs of the project have been given for the consideration of HASIDA.

#### To UNDO/UNIDO

8. HASIDA should continue to be strengthened in view of its relevance to the new economic policy. As a pre-condition for future, HASIDA should be able to demonstrate its capability for income-generation.

9. The completion of the foundry workshop should be sub-contracted to ensure that all aspects to put it into operation will be under the responsibility of one party.

#### V. Lessons learned

The risks involved in implementing projects should be carefully assessed, especially in abnormal situations. Allowances for normal delays should be given in the delivery of certain inputs. The choice of equipment suppliers is critical and consideration should be given to their experience in developing countries and the services they provide. The sustainability of the project should be demonstrated from the very beginning.

#### VI. Evaluation team

The team members for the in-depth evaluation mission were:

Yusef K. Mazhar	-	UNDP Representative (Team Leader)	
Leon V. Chico	-	UNIDO Representative	
Belete Demissie	-	Government Representative	[ ]

## EXPLANATORY NOTES

Dates divided by a slash (1991/92) indicate a financial year. Dates divided by a hyphen (1990-1991) indicate the full period, including the beginning and end years.

References to dollars (\$) are to the United States dollars, unless otherwise stated.

The exchange rate of the local currency since 1974:

1 US\$ = 2.07 Birr

Totals may not add precisely due to rounding.

### In Tables:

Three dots (...) indicate the data are not available or not separately reported;

Two dashes (--) indicate that the amount is negligible or nil;

A hyphen (-) indicates that the item is not applicable.

### Abbreviations Used:

EDTC	Engineering Design and Tool Centre
GDP	Gross Domestic Product
GNP	Gross National Product
HASIDA	Handicrafts and Small-Scale Industries Development Agency
MOI	Ministry of Industry
ONCCP	Office of the National Committee for Central Planning
SSI	Small-Scale Industries
SMI	Small and Medium-scale Industries
TEED	Technical and Engineering Extension Department
TYPPE	Ten Year Perspective Plan
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization

[ ]

## BASIC ECONOMIC INDICATORS

---

GDP (1988)	:	\$4,950 million
GNP per capita (1988)	:	\$120
GDP growth rate (1980-1988)	:	1.4 percent per annum
Agriculture (1988)	:	42 percent of GDP
Industry (1988)	:	17 percent of GDP
Manufacturing (1988)	:	12 percent of GDP
Services (1988)	:	40 percent of GDP
Exports of goods (1988)	:	11 percent of GDP
Population (1989)	:	49.5 million
Population growth (1980-1989)	:	2.9 percent per annum
Area	:	1,222,000 square kilometers
Density of population (1989)	:	4.0 persons per sq. kilometer

---

[]

REGIONAL MAP OF ETHIOPIA

KEY TO REGIONS

Reg.10

- 1 Basketo
- 2 Mursi
- 3 Ari
- 4 Hamar
- 5 Arbore
- 6 Dasenech
- 7 Gencngtom
- 8 Tsemai
- 9 Male
- 10 Dime
- 11 Bodi

Reg.11

- 1 Keficho
- 2 Na'o
- 3 Dizl
- 4 Surma
- 5 Elmam
- 6 Shelo/Mocha
- 7 Mehn
- 8 Chara
- 9 Bench
- 10 Sheko

Reg.12

- 1 Agnuk
- 2 Nuer
- 3 Mejengir

Reg.13

- 1 Harari

Reg.14

- Addis Ababa

Reg.1

- 1 Tigray
- 2 Soho
- 3 Kunama

Reg.2

- 1 Afar

Reg.3

- 1-Amara
- 2 Agew-Kamir
- 3 Agew-Awngi
- 4 Oromo-Kaku

Reg.4

- 1 Oromo

Reg.5

- 1 Somali

Reg.6

- 1 Gumuz
- 2 Koma
- 3 Berta
- 4 Semien Ma'o
- 5 Shinasha

Reg.7

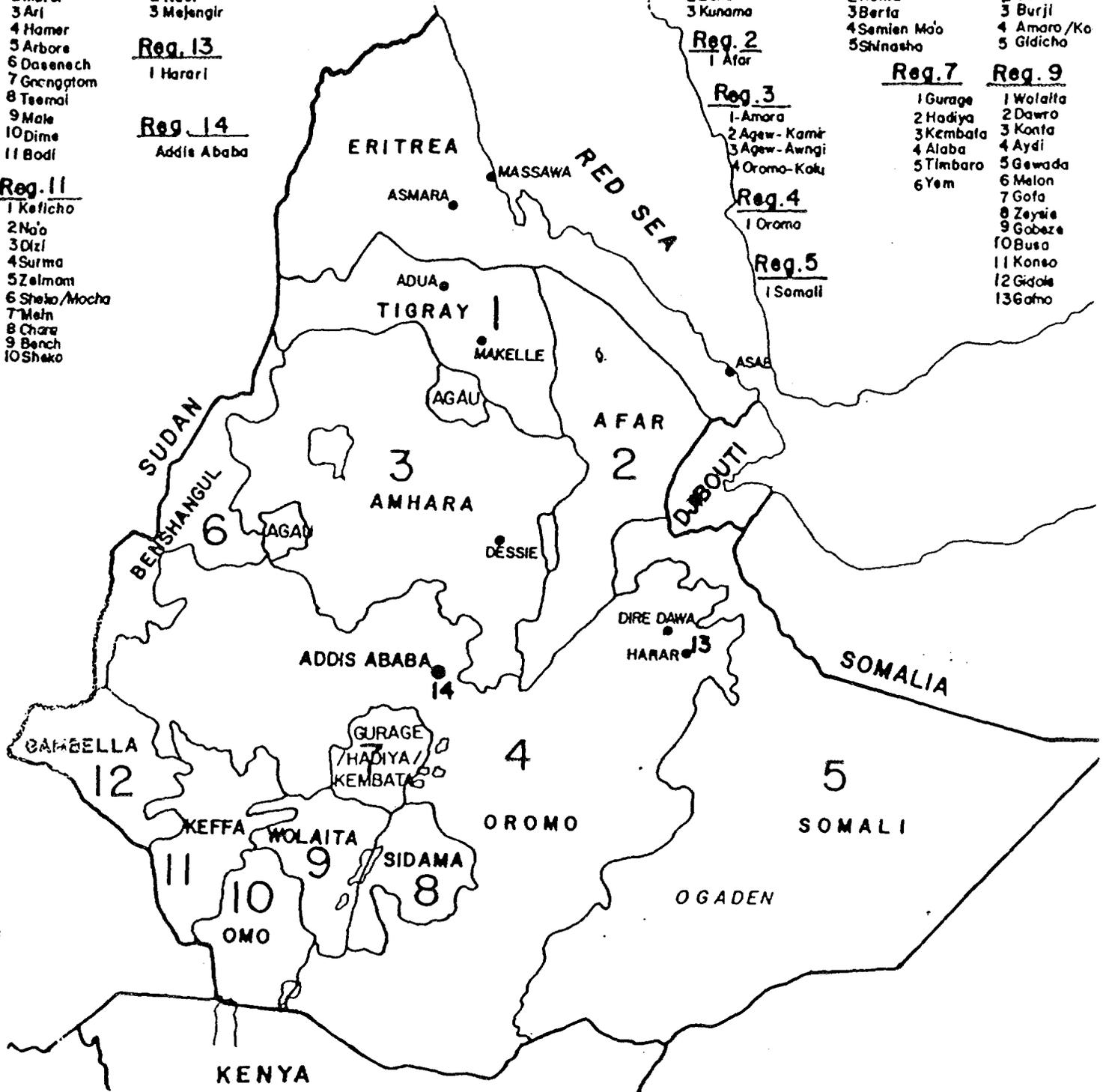
- 1 Gurage
- 2 Hadiya
- 3 Kembata
- 4 Alaba
- 5 Timbaro
- 6 Yem

Reg.8

- 1 Sidama
- 2 Gedeo
- 3 Burji
- 4 Amaro/Ko
- 5 Gidicho

Reg.9

- 1 Wolaita
- 2 Dawro
- 3 Konta
- 4 Aydi
- 5 Gewada
- 6 Melon
- 7 Gofa
- 8 Zeysie
- 9 Gobeze
- 10 Busa
- 11 Koneo
- 12 Gidale
- 13 Gamo



## INTRODUCTION

Project DP/ETH/86/027 is the third phase designed to assist the development of small-scale private industries and handicrafts in Ethiopia. It is referred to as Handicrafts and Small-Scale Industries Development - Phase III. The project is a continuation of the earlier Phase II Project DP/ETH/83/024. Although there are new elements in the third phase, its main purpose is to speed up and complete activities which have been initiated in the earlier phase.

The total UNDP assistance earmarked for the project was \$965,396 (increased to \$1,250,565 in the latest budget revision). The anticipated duration of the project was 18 months, from July 1989 to December 1990. The project document was prepared for 18 months based on the recommendations of the action committee of UNDP in New York and discussions with the UNDP office in Addis Ababa. It is intended to be for the first part of the 42 months originally envisaged as the project's duration. The second part for the remaining 24 months was to be prepared based on the recommendations of the in-depth evaluation to be conducted.

The in-depth evaluation was originally foreseen to take place in September 1990. However, due to the overall delays in project implementation, the in-depth evaluation had been earlier shifted to December 1991. In view of the fundamental socio-economic changes that were taking place in the country, the in-depth evaluation had to be further postponed at the request of the Government until after the announcement of the new economic policy.

The project was designed in the old environment and its objectives were formulated in accordance with the national economic policies in force at that time. The National Economic Policy Declaration of 1975 and the proclamation on "The Government Ownership and Control of the Means of Production" stipulated that the industrial activities that may be undertaken by the private sector, under government control, were limited to food processing, small- and medium-scale weaving, knitting and tailoring, wood products, fabrication of metal products, cottage industries and handicrafts. There were also ceilings on investment and complex regulatory mechanisms.

In contrast, the new Economic Policy for the Transitional Period limits the role of the State: "The state ownership of industry will be limited to a selected number of key establishments that are essential for the development of the economy. The state will play a constructive role in stimulating growth with greater participation of the private sector." There are adequate guarantees to private capital and it is allowed to participate in industrial development without any capital limitation. Therefore, the project has to be re-oriented in the light of the new economic policy.

The development of small- and medium-scale industries (SMI) is a priority. As an institution (with its facilities) expected to provide assistance in the development of SMI, the HASIDA is very relevant in the new environment. However, they should be re-oriented to meet the new policy objectives. The in-depth evaluation is expected to provide guidelines on the restructuring of the management structures for HASIDA and its facilities and recommendations on the re-orientation and revision of the technical co-operation project.

Accordingly, in a project meeting held on 19 March 1992 between the Ministry of External Economic Relations (MEEC), UNDP, UNIDO and the project management of HASIDA, it was recommended that an in-depth evaluation be carried out for the project so as to be able to re-orient the project to be in conformity with the new Economic Policy which lays particular emphasis on the promotion of the private sector; and to restructure the management of the institution to enable them to meet the newly emerging needs of the private and public sectors and render extension and technical assistance services more effectively and efficiently, and be income-generating.

In accordance with the provision of the UNDP policies and procedures manual (PPM), the in-depth evaluation would:

- (a) assess the achievements of the project against its objectives and expected outputs, including a re-examination of the project design and extended assistance in the light of the recently adopted new economic policy; and
- (b) identify and assess the factors that have facilitated the achievements of the project objectives, as well as those factors that might have impeded the fulfilment of those objectives.

The full Terms of Reference for the in-depth evaluation is given as Annex I.

The mission started its work in Addis Ababa on 13 May 1992 and submitted its preliminary findings and recommendations to the Government and UNDP/UNIDO on 22 May 1992. The team members for the mission were:

Yusef K. Mazhar	-	UNDP Representative (Team Leader)
Leon V. Chico	-	UNIDO Representative
Belete Demissie	-	Government Representative

The mission held meetings with UNDP/UNIDO, Ministry of Industry and HASIDA representatives, co-operatives and small-scale industry officers and representatives of other agencies. It visited the facilities of HASIDA, selected co-operatives and small-scale industries. The key persons consulted and key places visited are given in Annex II.

The mission obtained the full support and co-operation of the Government led by the Vice Minister of Industry (Dev) Assefa Kebede, the Head of the UN Desk of the Ministry of External Economic Co-operation Dr Kebede Tiku, and the National Project Officer Dr Gulelat Kebede, the UNDP led by Resident Representative Timothy Painter and Deputy Resident Representative Babashola Chinsman, and the UNIDO field office led by Country Director Dr Peter Manoranjan and JPO Claudia Linke. []

## I. PROJECT CONCEPT AND DESIGN

### A. Socio-economic and institutional context of the project

When the project was conceived, the industrial sector in Ethiopia was at a very low stage of development and still played a limited role within the economic panorama. It accounted for only 10.6 percent of the Gross Domestic Product (1986) as compared to the agricultural share of around 50 percent and services of 35 percent. The industrial sector provided only 3-5 percent of the employment while agriculture provided around 85-87 percent and services 10 percent.

The handicrafts and small-scale industries (SSI) sectoral value added was estimated at Birr 339.1 million, corresponding to 3.8 percent of GDP in 1984. The sector, therefore, played a significant role within the industrial sector, most probably even more than highlighted by the statistical figures because of the informal nature of production methods.

HASIDA (Handicrafts and Small-Scale Industries Development Agency), created in 1977, was responsible for the development and implementation of policies and also for encouraging the establishment, growth and expansion of handicrafts and small-scale industries within guidelines established by the Ministry of Industry.

According to the definitions provided in the proclamation that created HASIDA, "handicraft" is defined as "any manufacturing activity which predominantly uses manual skills and hand-tools" and "small-scale industry" is defined as "any manufacturing activity which normally uses motive power and machines and which has fixed assets the value of which does not exceed 200,000 Birr excluding buildings and land improvement". The Government raised the ceiling for fixed assets to 2,000,000 Birr for SSI and 4,000,000 for cooperatives on 16 June 1989.

There were two groups within the small-scale industries sector: artisanal (informal) and formal. Among the services provided by HASIDA were project appraisal, assistance in obtaining goods from local suppliers and securing foreign exchange for imports, when required. These services were provided equally to the individual firm and the cooperative for a minimum fee. According to a survey carried out by HASIDA, there were 7,000 manufacturing enterprises operating in the private sector

in 1985 employing some 36,000 workers with a total investment of about 200 million Birr. In addition, there were 810 industrial co-operatives in 1983/84 with a total membership of 38,528 producing goods and services worth 225 million Birr. Within the co-operative sub-sector, tailoring and weaving were by far the most dominant activities (96 percent of total co-operative membership).

The development of SSI faced a major problem in the shortage of raw materials, imported as well as locally produced. This was a nationwide problem, but for SSIs it was especially acute. SSIs were operating at a very low capacity; on the average between 15 and 30 percent. Usage of simple, traditional and inefficient methods of production and technologies, poor management, acute shortage of trained and skilled manpower were among the major problems hampering the development of the sector.

Despite these problems, there was in the country a high propensity to invest: in 1987/88 HASIDA received about 400 applications for establishing new enterprises, equivalent to 5 percent of the total number of SSIs that were then in operation. Most of the total investment cost were financed by private savings: over the past five years, about 65-70 percent of the total capital was in the form of equity contribution. This apparent paradox can be explained by the likelihood of high liquidity outside of the banking system in private hands which is not, and will not be, useful to the economy unless secure investment opportunities are perceived to exist. On the other hand, the foreign exchange allocated was not sufficient to keep existing enterprises operational. HASIDA was heavily engaged in creating a better climate for private investors and in organizing and assisting private entrepreneurs and co-operative members to stimulate the development of this key sector of Ethiopian economy.

The Government laid down a ten year perspective plan (TYPP) that covered the period 1984/85-1993/94 for the development of small-scale industries. The TYPP contains a set of strategies which include:

- ensuring that all industries work at full capacity;
- raising both the level and rate of investment;
- increasing labour productivity through training programmes;
- promoting and strengthening handicraft industry by organizing handicraft workers under service and producer

co-operative societies by training and helping them use improved (modern) technologies thereby transforming them step by step to a level of small-scale industries;

- developing design, engineering and research capabilities so as to enhance capability in the choice of technology;
- creating additional capacities by encouraging producers co-operatives as well as individuals to actively engage in promoting handicraft and small-scale industries; and toward this end, motivating them through appropriate credit and tax policies, and provision of necessary assistance in the supply of raw materials and the marketing of their output; and
- facilitating the establishment of factories in each region through a proper assessment of its natural resources with a view to bring about, in relative terms, a balanced regional distribution of industries, to strengthen HASIDA's regional offices and encouraging interdependence between large and small-scale industries to enhance their joint development.

The Ethiopian Workers Party adopted a policy framework in its 9th central committee plenum in November 1988 to increase the role of the private sector in the small-scale industry sector, in employment generation and in production of consumer goods and export items through greater economic linkage with public industrial enterprises. This became in force as of 16 June 1989.

HASIDA discharged its duties mainly through its operational departments which include:

- (a) Technical and Engineering Extension
- (b) Industrial and Co-operative Promotion
- (c) Project Preparation
- (d) Industrial Licensing and Registration
- (e) Information and Documentation
- (f) Ethiopian Handicraft Centre

The services of HASIDA extended to the different regions through 15 regional offices. (The country is currently divided into 14 regions, including Addis Ababa.)

Other government agencies and organizations also influenced the development of handicraft and small-scale industries sector. These are:

- Office of the National Committee for Central Planning (ONCCP), which plans and supervises the implementation of national and sectoral development;
- Ministry of Finance affects the sector through its budget allocation;
- National Bank of Ethiopia through credit and monetary policy;
- Ministry of Urban Development and Housing assigns land and issues construction permits for new establishments;
- Ministry of Domestic Trade issues domestic trading license and controls prices;
- Ministry of Foreign Trade issues export license and authorizes import and export of commodities;
- Ministry of Transport and Communication provides transport facilities for goods produced and machineries and raw materials imported;
- Ministry of Labour and Social Affairs controls and supervises labour relations and workers' safety;
- The Ethiopian Chamber of Commerce provides a wide range of services to small-scale industries in locating foreign markets, organizing seminars on basic management skills, organizing exhibitions and carrying out market studies for products of small-scale industries.

HASIDA was assisted by the UNDP during the second and the third country programmes. Under the first project (DP/ETH/77/018) the Agency in its formative stage was provided mainly with "software" assistance in the form of experts and training. During the third cycle, UNDP assistance significantly expanded (DP/ETH/83/012) to include key items of equipment for a number of HASIDA training and technical departments, notably its Technical and Engineering Extension Department (TEED) and two pilot industrial co-operatives designed to serve as training and demonstration facilities.

HASIDA also gets complimentary assistance from the European Economic Commission (EEC), International Labour Organization (ILO), the Chinese and Indian governments.

The Chinese government provided expert and material assistance in bamboo and cane craft and design technology. The Chinese experts conducted training programmes for participants from various co-operatives and government organizations. In collaboration with the Indian government, HASIDA was exerting efforts to establish an industrial estate which was to be the first of its kind in the country. The assistance received from ILO focused on training. Project proposals were submitted to the EEC to utilize the fund earmarked by the EEC for the development of handicrafts and small-scale industries in Ethiopia.

## B. Project Document

The project document identifies the development objective as the following:

"Development of industrial production through the expansion of the small-scale industry sector in both urban and rural areas of the country to achieve the targets of the Ten Year Perspective Plan."

The TYPP envisages an increase in production in terms of output from 132.5 million Birr (1983/84) to 284.4 million Birr (1993/94) for small-scale industries, and from 144.7 million Birr (1983/84) to 241.3 million Birr (1993/94) for cooperatives.

The development objective adequately reflects the government priority towards which the project is expected to contribute. The extent of the attainment of the development objective and the specific contribution of the project towards the envisaged increases in production outputs are measurable.

The project document also simply identifies its immediate objective as:

"HASIDA will be enabled to provide an acceptable level of technical, engineering, marketing, financing and managerial services to small-scale industries and private co-operatives in the country."

The above stated immediate objective was essentially a continuation of the immediate objective of the Phase II project (DP/ETH/83/012) which was "to strengthen further the capability of HASIDA to promote the development of handicrafts and small-scale

industries in Ethiopia". In the Phase II project, the immediate objective lists nine ways in which HASIDA would be strengthened while in the current project under evaluation this can only be inferred from the five expected outputs.

It is, however, clear from the statement of the current project's immediate objective and the five expected outputs how HASIDA will be enabled to provide an acceptable level of technical, engineering, marketing, financing and managerial services to small-scale industries and private co-operatives in the country. The function of the project is clearly both institution building and direct support.

The problem to be dealt with by the project was clearly defined in the project document and the targets set forth were realistic under normal circumstances. No risks were foreseen in the project document, although some risks resulting in possible delays in project execution could have been foreseen considering the circumstances prevailing in the country at the time. More so, since the project was intended specifically to complete the ongoing assistance to the Technical and Engineering Extension Department, the Pilot Textile Industrial co-operative and the Pilot Sheet Metal Industrial co-operative -- activities which already suffered serious delays. In addition to these activities, the project was also designed to upgrade planning and management capacity and establish a computerized processing unit under the Project Preparation Department. The project duration of 18 months would, therefore, appear to be optimistic.

The project document was very clear in its expected outputs and the targets set were clear and reasonable. A workplan and sufficiently detailed timetables for the main activities were also included.

Target Beneficiaries. The activities undertaken in the project are directed in providing multi-faceted services to the co-operatives and small-scale industry entrepreneurs and thereby creating new and better employment possibilities for 73,490 employees in SSIs and co-operatives of which 3,935 were women (1984/85 data). It will also create more jobs for the unemployed, unskilled and semi-skilled urban workers as well as for the rural population specifically for women in traditional handicrafts. The type of services provided in HASIDA will be made known to the co-operatives and private small-scale industries through HASIDA field staff.

HASIDA also gives mobile services to the co-operatives and small-scale industries located in the various regions of the country. Furthermore, HASIDA gives assistance to private entrepreneurs in establishing new small-scale industries and the procedure is presented in the form of a chart in the project document.

The project document is clear on the intended beneficiaries. In addition, HASIDA and its trained staff will also benefit from the execution of the project. The project document, however, is not clear in the manner (the financial arrangements and legal aspects) in which the pilot industrial plants (sheet metal and textile) will be turned over to the industrial co-operatives. This has, however, allowed the government sufficient flexibility in considering several alternatives.

The sustainability of the project and the viability of the two pilot industrial co-operatives were not adequately addressed in the project document. It should, of course, be understood that the project was designed during the old economic regime. It has now become apparent that the cost of the equipment required for the project was underestimated and/or did not provide for the possible increase in costs.

In general, the project document was satisfactorily designed and well detailed for an effective execution. It was appropriate for the situation prevailing at the time. []

## II. PROJECT IMPLEMENTATION

### A. Delivery of Inputs

#### UNDP/UNIDO inputs

The breakdown of the budget of the UNDP/UNIDO contribution is as follows:

Budget line and Item	Original budget	Latest budget
11-01 Mechanical engineer	\$ 66,800	\$ 133,758
11-02 Workshop expert	100,200	102,897
11-03 Tool & die design expert	66,800	-
11-04 Foundry expert	50,100	15,432
11-50 Short term consultants	50,100	24,000
11-XX Sub-total	334,000	276,087
-----		
14-01 EDP & systems analyst (UNV)	19,244	-
14-02 Textile expert (UNV)	19,244	45,730
14-03 Sheet metal expert (UNV)	19,244	-
15-00 Project travel	-	3,262
16-00 Other personnel costs	15,000	25,000
17-01 Industrial inform. expert	-	25,780
18-00 Surrender PY obligations	-	-3,909
1X-XX Sub-total	406,732	371,950
-----		
31-00 Individual fellowships	297,000	320,347
32-00 Study tours/UNDP group tour	24,000	117,274
38-00 Surrender PY obligations	-	-4,504
3X-XX Sub-total	321,000	433,117
-----		
41-00 Expendable equipment	-	12,566
42-00 Non-expendable equipment	227,664	441,602
48-00 Surrender PY obligations	-	-19,530
4X-XX Sub-total	227,664	434,638
-----		
51-00 Sundries	10,000	11,886
58-00 Surrender PY obligations	-	-1,026
5X-XX Sub-total	10,000	10,860
-----		
99-99 PROJECT TOTAL	\$ 965,396	\$1,250,565

It may be noted that the major item increases in the budget were in the equipment and training components, which were correspondingly increased in the latest budget by \$206,974 and \$112,117, respectively. The reasons given were due to subsequent increases in costs and partly due to underestimation of the costs during the project design and the devaluation of the US dollar.

The mechanical engineer's post (11-01) and the tool and die design expert (11-03) were combined into one post in the latest budget. The foundry expert (11-04) was fielded for an exploratory of only two months as the foundry is not yet ready for operation. The budget item for the UNV textile expert (14-02) was actually used for the extension of the contract of the sheet metal expert from one year to an additional year. Local consultants were used for the post of industrial information expert (17-01).

#### Government inputs

The government inputs planned in the project document have essentially been provided. These include:

#### National staff

- 1 National project co-ordinator
- 1 Head, Technical and Engineering Extension Services
- 4 Mechanical engineers
- 1 Industrial artist
- 6 Draftsmen
- 31 Technicians
- 3 Mechanical engineers (additional)
- 1 Head, project study and planning
- 4 Statisticians
- 8 Economists
- 1 Accountant
- 10 Data collectors/coders
- 1 Head, Marketing Enterprise
- 1 Handicrafts expert
- 3 Design artists
- 10 Clerks, dispatchers
- 2 Marketing experts

Additional staff, such as electricians, fitters, welders, masons, and others required for installing equipment and manufacturing of local supplementary items have also been provided. In order to avoid further delays of the pilot textile plant, project management has also brought in an erection crew from the Ethiopian Textile Corporation.

### Buildings

Suitable buildings for accomodating all equipment available and a transformer house have been provided, although there have been delays in their completion, including the provision of power. Adequate office space are available at the head office and workshops.

### Equipment and supplies

Basic office equipment and other facilities needed such as telephone, telex, typewriters, dry copies, blue print machines, etc. are reasonably available. Consumable supplies appear to be adequately provided.

### B. Implementation of activities

The implementation of the project has faced several problems and the progress of the project is less than planned. Project management considers the duration determined in the project document of 18 months was very short as it was later revealed in view of the complexity and magnitude of the engineering work and the limited capability of HASIDA. During the implementation of the project, recent policy changes in the government hampered project progress and the government contribution in terms of civil works were behind schedule. The conflict existing the in the country and the lack of building materials is a major reason given for the delays. Other factors also contributed to delays which will be subsequently discussed.

### Technical and Engineering Extension Department (TEED)

The Italian company PRAMAJJORE, supplier of the foundry equipment, wound up its business before completing the supply. A considerable number of parts of equipment including control items are missing. Since arrangements were not made for other companies to erect and commission the machineries, both the installation and the identification of missing items have been a tedious and time-consuming process. In the absence of drawings and manuals, the local staff were learning by doing. To further complicate the situation, the equipment were not inspected upon arrival more than three years ago and missing items are only identified at each stage of erection. This has created a problem in filing claims and placing orders on time. The fielding of a capable foundry engineer has been requested.

The missing items in the foundry workshop consist of: an analytical balance, cylinders and CO2 gassing equipment, and exhaust fan motors estimated at \$8,000. The workshop also needs power cables and switchboards not available locally, which is estimated at \$114,000. A shipment of raw materials, valued at \$157,000 was lost at Assab port for which a claim has recently been filed. Project management is not certain whether this will be all that will be required to place the foundry workshop in operation. It has submitted a long list of materials, tools and equipment it still needs which has partly been taken from the report of UNIDO expert Norbert Grabosch. A foundry expert is also requested to be fielded for three months, estimated at \$30,000, who is expected to be able to finalize the requirements to put the foundry workshop into operation. The foundry workshop will require the biggest additional budgetary outlay to complete: \$152,000 if the missing shipment are recovered or \$309,000 if the shipment is not replaced, plus any additional requirements that the proposed expert will recommend.

Another aspect of TEED is the requirement for the erection, commissioning, training and maintenance of two surface grinding machines, a jig boring, and a copy milling machine. These are estimated at \$89,000.

#### Pilot textile industry

In the case of the textile pilot plant, the Indian suppliers CIMMCO and LAKSHMI failed to send the machinery erectors that were required and refuse to do so. Project management brought in an erection crew from the Ethiopian Textile Corporation and the erection of the preparatory machinery, with the exception of the sizing machine, is now completed. Because of the lack of an erection manual, the erection of the sizing machine has been hampered. The manual has been sought from the company since October 1991, but to no avail. Furthermore, in the process of erection, a number of missing items have been identified which require replacement or purchase. Representations have been made with the Indian Embassy and LAKSHMI has promised to send a technician. It is, however, still necessary to pursue CIMMCO to commission the whole plant including the boiler.

In case the claim is not satisfied, the estimated additional budgetary requirement to complete the pilot textile industry would be: \$50,000 for the missing items for the cone winding, warping, and sizing machines; \$10,000 for humidifiers (new requirement); and \$10,000 for erection, in case CIMMCO refuses to do the service without charge). The total additional budget required is \$70,000.

### Sheet metal pilot industry

Almost all the machinery are in place in the Pilot Sheet Metal Industrial Co-operative and the co-operative members have been trained. Certain toolings (2 sheet metal dies each for 2 persons), which were not ordered earlier, are required for the purpose of demonstration and to serve as models for local design of dies and a limited quantity of raw materials (aluminum sheets) is also needed for commissioning and start-up production for three months. The estimated additional budgetary requirement would be: \$22,000 for a die for the double action press and a die for the hydraulic press; \$3,000 for a motor for the spinning lathe and valves for the compressor; \$65,000 for raw materials for start-up operations; and \$33,000 for commissioning of the hydraulic press and double-action press from the supplier. The total budgetary requirement to complete the pilot sheet metal industry would be \$123,000. In addition, the UNV sheet metal expert currently in the field has submitted a list of additional equipment to improve the plant which is estimated at \$25,000.

A consolidated list of additional inputs needed to complete the above workshops and pilot industries is given in Annex III.

### International staff

Only three international staff have so far been fielded in the project: Norbert Grabosh, mechanical engineer, for one year (January to December 1990); Brian Barret, foundry expert, for two months (July to September 1990); and Dr Mohhamed Jalal Al-Youzbashi, UNV sheet metal expert, for two years (January 1991 to December 1992). The international staff fielded in the project appear to have been well accepted and have done a satisfactory job in their specific tasks. Project management is particularly pleased at the work being accomplished by Dr Al-Youzbashi, which the mission was also able to observe.

In view of the above events and problems, the absence of a Chief Technical Adviser (CTA) to co-ordinate all project activities in line with the outputs envisaged and the lack of on-the-spot guidance impeded project activities. However, this should not be taken as a reflection on the project's management. After several discussions with the HASIDA management and staff, the mission is convinced of the high degree of dedication and competence of the management of the project. It has, in fact, attained considerable progress inspite of the constraints it has faced and other tasks it had been called to perform. A CTA could have been a facilitator to both the Government and UNDP/UNIDO. Project management believes that HASIDA staff should have been complemented with the expertise it did not have. []

### III. PROJECT RESULTS AND ACHIEVEMENT OF OBJECTIVES

#### A. Outputs

##### 1. Technical and Engineering Extension Department

The TEED is currently housed in suitable premises of 2,542 square meters. It is now only partially operational due to the problems mentioned earlier and is expected to be fully operational in December 1992, assuming it obtains the additional resources it requires. Except for a few additional items, the basic machines are all in place. The current service to SSIs is limited to the manufacture of dies and jigs in the metal workshop as the casting (foundry) facility is not yet ready and the casting capability has not yet been attained.

There is a basic staff carrying out some work with the main machines which are installed and operational. The machine shop renders spare parts production, maintenance service, production of simple machines (tooling of a simple nature), and inter-department services. Clients are private small-scale industries and co-operatives. The number of clients and value of services provided from 1989 to April 1992 is estimated as follows:

Type of service	Client	Number	Value (Birr)
Spare parts production	co-operatives	29	5,692
	private SSI	52	12,873
Maintenance service	co-operatives	26	7,326
	private SSI	42	2,553
Simple machine prod.	co-operatives	14	28,233
	private SSI	20	7,062
Inter-dept service		62	11,200
TOTAL		245	74,939

At the time of visit, about 30 percent of the machinery was being used for specific assignments. Condition of maintenance was fair. Precision machinery, including a jig boring machine

and a vertical copying milling machine were not operational and there was no air filtering system to protect the machines from dust in their separately enclosed area. A horizontal grinding machine was left discarded in the gangway apparently beyond repair as a result of a transportation accident.

As mentioned, the foundry is not yet completed although the furnaces are already installed. The electrical supply is not yet available and the transformer room is not yet finished and the transformers themselves still have to be delivered. Even when this is completed, there will still be the problem of cables and switchboard which have to come from abroad as there is no local availability or production. This is a serious problem aggravated by the fact that it is still not proved whether the sand preparation system will work properly when the foundry becomes operational. The mould preparation area, laboratories and scrap area are still not completed.

Amount and quality of work has been associated with the delay in foundry operation, although a great deal of work can be done with the existing working machinery and the idle broken machinery if repaired. Extension work can be improved and more clients reached if the activities are properly advertised, the premises cleaned and renovated and customer satisfaction sought.

The Ministry of Industry currently covers the operational cost of the technical services given to co-operatives and small-scale industries.

2. Training and upgrading of planning and management capacity in the Project Preparation Department

The project document envisaged the strengthening of project preparation techniques in order to have the capacity to implement the new policy guidelines issued by the Government. A training plan was prepared involving some 23 staff members to be trained abroad with a target date of completion by December 1990. The training component was ambitious as not all fellows could be sent out at once. Arranging for training venues and spacing the fellowships required more time.

Four postgraduate studies were planned for 12 months each. One fellow has already completed his MSc in development planning and is back on the job. Three others are expected to complete their MSc by December 1992. Nine staff members have received short-term training abroad of approximately three months each.

A list of personnel trained together with their fields of study, country and duration of training, their previous and current post is given in Annex IV.

A seven man three-week study tour has been conducted in January and February 1992 in two groups. One group went to Turkey and Ireland and the other group went to India and South Korea. The two groups are currently collating their experiences with a view of submitting their joint recommendations for a comprehensive small-scale industry development strategy.

After completing their training, some trainees took over senior positions or additional responsibilities in the various departments of the Ministry of Industry. Those trained in computer courses are involved in the design and establishment of the Information Management System (IMS), which is currently in progress. No further overseas training is planned.

### 3. Creation of information and data processing capacity in the Department of Project Preparation

This activity has concentrated in the creation of an MIS (Management Information System). To plan its service programmes properly and assist the small industry and handicraft sector effectively, HASIDA needed more complete and up-to-date information than it had on the status of the sector, new enterprise formations and failures, production statistics, market information and other economic factors which affect the development of the sector. HASIDA has been carrying out its promotional and co-ordinating functions on the basis of information it could obtain, which included irregular surveys that took an average of two years before the report was ready.

With the planned expansion of the sector, the information and the data that may be required and that may be available will increase. HASIDA's information processing, which is basically manual, needed to be relatively improved to cope with the increased planning requirements. The number of projects supported by data during formulation and appraisal by HASIDA was expected to substantially increase to 200 per year from the average of 50 when the project was formulated. This information requirement has, in fact, has currently increased to 200 projects per month or more than 12 times envisioned the project document.

One PC (personal computer) with 1MB of RAM and 60 MB of hard disk capacity is now in place. Local authorization for the purchase of a four PC LAN (local area network) has been secured

and delivery expected soon. Manual data collection and recording that conforms to the designed input format for the computer has started. As soon as the programmes are ready, this manual preparatory work will fit into the system. The installation of the LAN would make the developed programmes operational and introduce the exchange of information among the concerned departments in the network. This is expected to be completed by the end of July 1992.

#### 4. Establishment of the pilot textile industrial co-operative

The pilot textile plant is not yet operational due to the missing equipment in the preparation phases. The dispute with the Indian suppliers has to be resolved and the missing parts supplied. Indigenous efforts which have rendered the looms operative without the instruction and operation manual are highly commendable, but the looms rely on the preparation phases.

It is envisaged that upon the completion of the project, an annual production of 600,000 square meters of fabrics and an employment of 50 persons will be realized. Fabrics mainly for the common person's everyday use will be produced at the co-operative using power looms and other modern finishing machines, thereby transforming an existing weavers handicraft co-operative to a modern industrial co-operative. It will also serve as a model for similar co-operatives.

The plant can be operational in 3-4 months if the additional inputs required are received. Much of the work has already been completed which include: the completion of the erection of the looms and finishing machines; the recruitment and training of 30 machine operators; the installation of the boiler, water and oil tanks; and installation of electric power. Only the problem in the preparatory sections remains to be resolved.

#### 5. Establishment of the pilot sheet metal industrial co-operative

The pilot sheet metal plant is also not yet operational. Its building has recently been completed and almost all the machines have been installed. Fifteen co-operative members have been trained. The building has been finished in an excellent manner and preliminary tests have been made with provisional power connections. Slight errors in the machines have been rectified. What remains for commissioning and start-up is to obtain at least two dies and raw materials.

Fifteen co-operative members have already been trained at this new location, which is on the outskirts of Addis Ababa and relatively remote as compared with the original central location of the co-operative. It is hoped that this will not affect the movement of the members to the new location.

The plant is expected to manufacture various sheet metal articles which are basically household utensils and improved traditional tinsmith products. It will also serve as a venue for vocational and managerial training for the co-operative members and a model for other handicraft co-operatives engaged in similar activities. When fully operational, it is planned to manufacture 300 tons of different sheet metal household products (utensils) per annum compared to 120 tons of similar traditional articles produced at present.

The financing of the operations of both industrial co-operatives (textile and sheet metal) was unclear in the project document. The Ministry of Industry plans to hand over the facilities to the co-operatives and all investment costs of both the government and UNDP/UNIDO will be treated as soft loans. The re-payments will be placed in a revolving fund which HASIDA could use for assisting co-operatives and small-scale industries. When the facilities are fully taken over by the co-operatives, how can HASIDA use them for demonstration and training purposes? This issue will have to be addressed.

#### **B. Achievement of the immediate objective**

There is no question to the evaluation mission that the project (including phases I and II) have strengthened HASIDA to enable the organization to provide an acceptable level of technical, engineering, marketing, financing and managerial services to small-scale industries and private co-operatives in the country.

The bigger issue is how to make the organization more relevant and effective in a completely new setting for small-scale industry and entrepreneurial development. The new economic policy directions are relatively clear, but the new private sector development strategy is still in the evolution stage and the corresponding institutional infrastructure are not all in place. Some factors remain unclear. For example, if the new constitution being drafted opts for a federal system of government, how will this affect HASIDA's regional offices?

All this, however, imply that for the immediate future and possibly for some time HASIDA will have to play a leading role in small-scale industry and co-operatives development. It will, however, have to re-orient its activities to the new reality and act in co-ordination with other agencies engaged in SSI and entrepreneurial development, including private sector and industry associations. Duplication of efforts should be avoided and gaps identified so that existing institutions will be assigned roles under the new Private Sector Development Strategy.

HASIDA is an organization that has developed good contacts and relationships with co-operatives and SSIs, originally mainly through its licensing and control functions. It is now clearly more service oriented and appears to have the confidence of its clients. The role of HASIDA in clearing all new SSIs and allocating foreign exchange for equipment and raw material purchases has obviously contributed to its acceptance and being perceived as a strong organization.

Under the current "interim" set-up, HASIDA has become one of three sectors within the Ministry of Industry headed by a Vice Minister. It is called the "Private Industry and Handicraft Sector" with five operating departments: Industrial Licensing and Cooperatives Registration Service; Regional Offices Affairs Department; Private Industry and Cooperatives Promotion Department; Planning, Research and Statistics Department; and Projects Department. The workshops now called "Private Industry and Handicraft Training and Technical Centre" is attached to the Ministry of Industry. The current organization chart of the Ministry of Industry is given in Figure I. A proposed re-organization chart converting the former HASIDA to Small and Medium Industries (SMI) Development Sector is given in Figure II. This is, however, still under study and very much tentative.

It is now important for HASIDA to fully divest its control and regulatory functions and be purely a developmental and promotions institution in the light of the new economic policy. It is also equally important that HASIDA starts providing a higher level of services to SSIs and co-operatives, including adding some functions necessary for entrepreneurial development that has heretofore not received any attention. This will not only strengthen HASIDA, but also ensure the development of the industrial private sector in the country.

Since government resources are always limited, the long term sustainability and possible expansion of HASIDA activities should be looked into. This would involve an examination of its legal framework and its ability to be income-generating and attract various sources of funds. This issue will further be discussed in the recommendations.

# Ministry of Industry Organization Chart

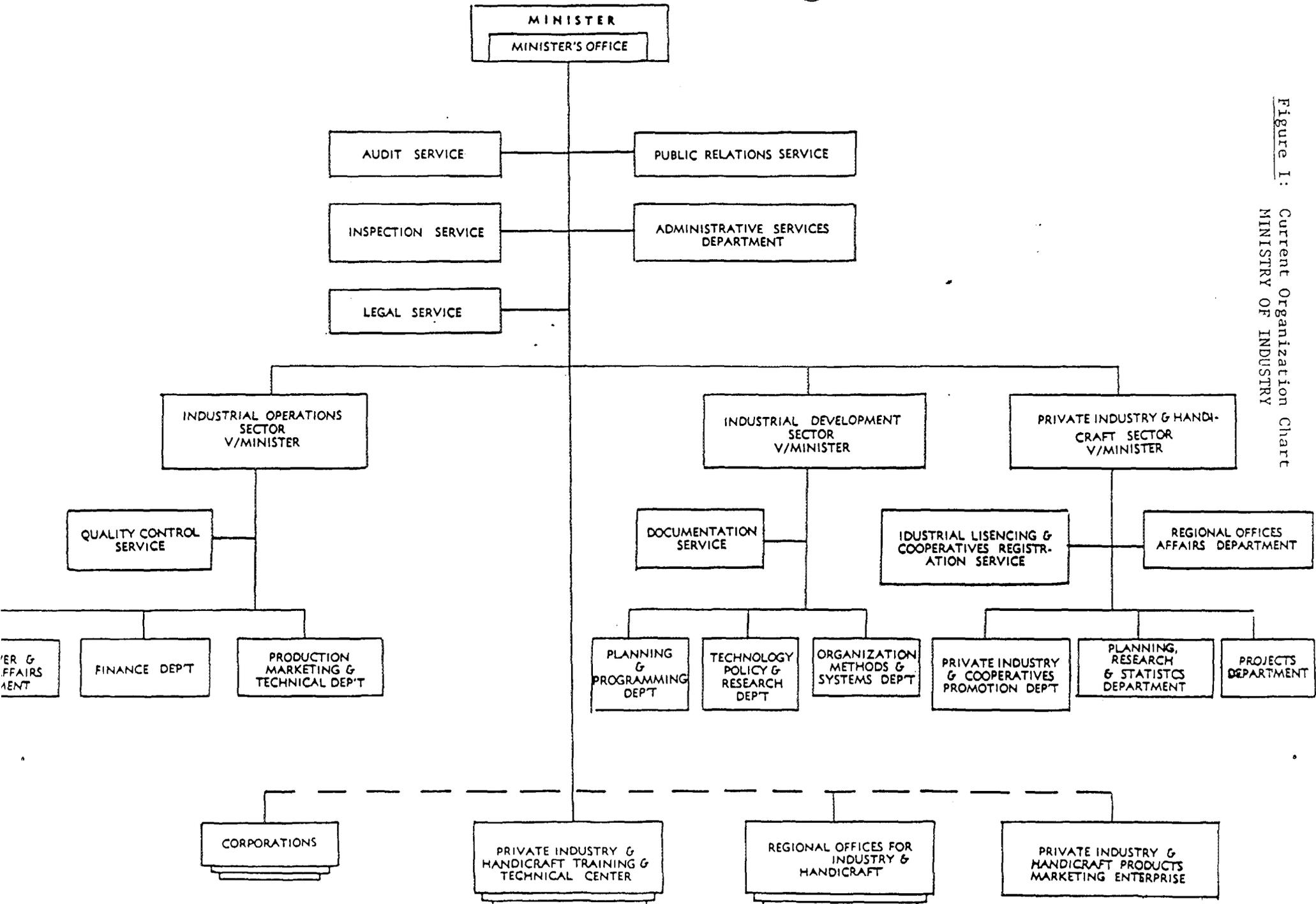


Figure 1: Current Organization Chart  
MINISTRY OF INDUSTRY

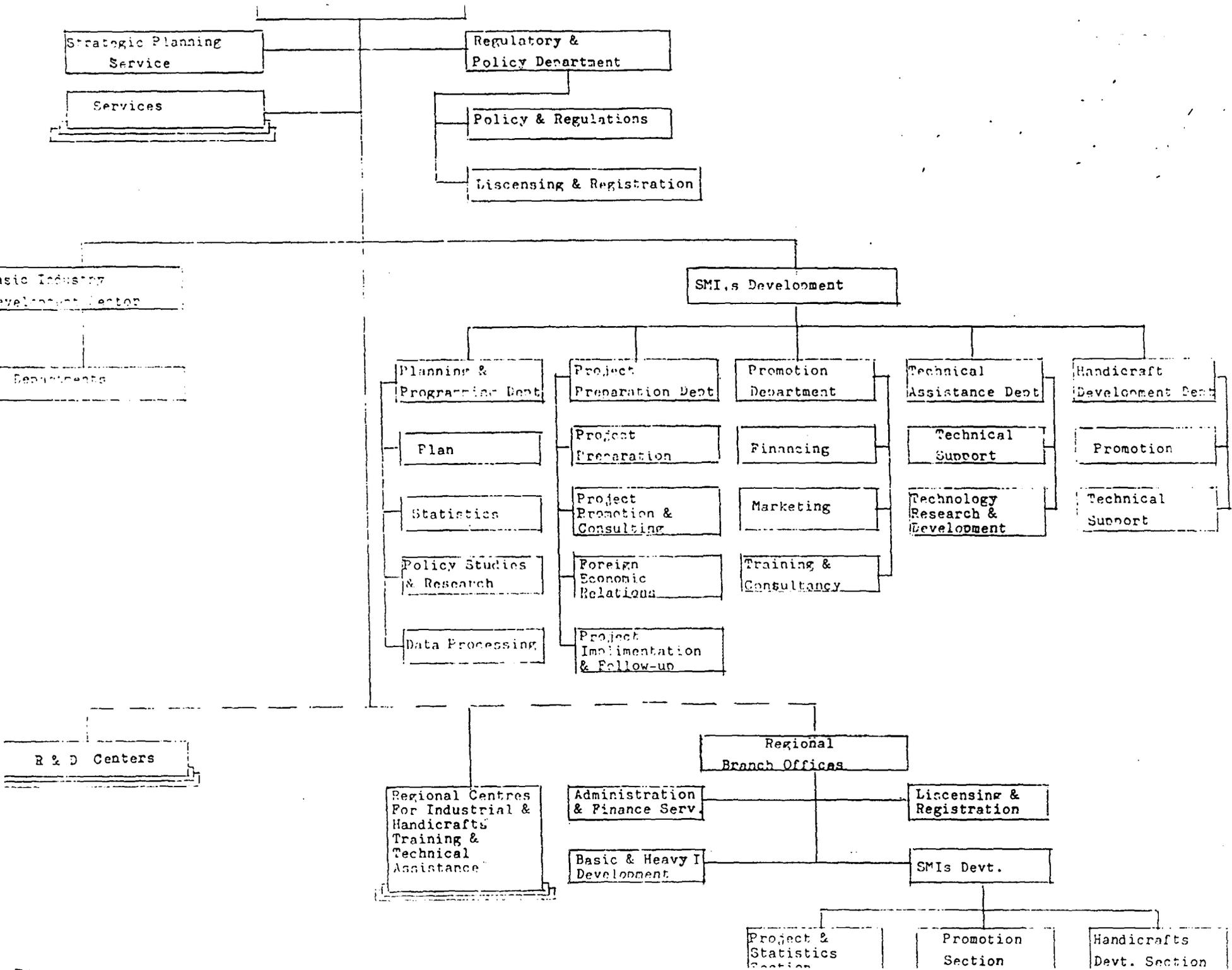


Figure II: ORGANIZATION CHART (still tentative and under study) MINISTRY OF INDUSTRY

**c. Contribution to the achievement of development objective**

HASIDA (and the project) is clearly contributing to the development of industrial production in the country. It is the major national organization actively engaged in the promotion and development of small-scale industries and co-operatives. Its role has become even more relevant under the new economic policies that have recently evolved.

The latest figures (1991/92) indicate substantial increases in gross production output from the figures available during the design of the project (1983/84), as follows:

<b>Gross Production Output</b> (in million Birr)		
	<u>1983/84</u>	<u>1991/92</u>
Small-scale industries	132.5	549.7
Co-operatives	144.7	184.5
	<hr/>	
TOTAL	277.2	734.2

It is noteworthy that a substantial portion of the increase occurred in small-scale industries. As also pointed out earlier, the number of projects supported by HASIDA data during appraisal and formulation increased from 50 a year during the same period to 200 a month (more than 2,000 per year or more than 40 times).

The contribution of HASIDA to development objective could, however, be further increased and be more effective through a re-orientation of its activities in the light of the new economic policy. [ ]

#### IV. CONCLUSIONS

The following conclusions are based on the on-the-spot findings of the mission and the documentation made available to the mission in the field and UNIDO Vienna. These conclusions have been discussed in the preceding sections of the report. The conclusions are organized in three subsections: project formulation; project implementation; and project results.

##### Project Formulation

In general, the project was well designed and well detailed for an effective execution. It was appropriate for the situation prevailing at the time. The development objective was in line with the Ten Year Perspective Plan of the country and ties in with the immediate objective of the project. While it is clear that the project is institution-building with direct support results, the latter appeared to be secondary.

No risks were foreseen in the project document, although some risks resulting in possible delays in project execution could have been foreseen considering the circumstances prevailing in the country at the time. It has now become apparent that the cost of the equipment required was underestimated and/or did not provide for increases in cost. The complexity and magnitude of the engineering work and the limited capability of HASIDA made the planned 18 months duration of the project very short.

##### Project Implementation

The implementation of the project has faced several problems and the progress of the project is less than planned. Recent policy changes in the country hampered project progress and the government contribution in terms of civil works were behind schedule. Other factors also contributed to delays: the severe war conditions the project has been subjected to; delays in signing the project document; unfortunate subcontracting to unsuitable partners; and delay in finding solutions to problems encountered.

The presence of a Chief Technical Adviser to co-ordinate all project activities and/or the fielding of expertise not available in HASIDA, which could have complemented its staff capability, could have helped in resolving some of these problems. These negative findings have often been offset by dedicated management.

There are several missing items in the delivery of equipment which affected project progress and new requirements that were not originally foreseen. Some of these are under still claim, although it is doubtful whether most of the issues could be resolved considering the time that has elapsed.

A summary of the additional budgetary implication is given below for (a) the minimum required budget and for (b) items still under claim including a new items submitted to the mission:

#### ADDITIONAL BUDGET REQUIRED

	(a)	(b)
<b>Foundry</b>		
- missing equipment/materials	\$122,000	\$157,000
- proposed foundry expert, 3 mm	30,000	
<b>Machine shop</b>		
- erection, commissioning and maintenance services	89,000	
<b>Textile</b>		
- missing items		50,000
- humidifiers	10,000	
- erection and commissioning		10,000
<b>Sheet metal</b>		
- dies (2)	22,000	
- raw materials	65,000	
- motor	3,000	
- commissioning	33,000	
- new items (submitted to mission)		25,000
<b>International staff</b>		
- mechanical engineer, 9 mm	90,000	
- chief technical adviser, 9 mm	108,000	
Sub-totals	\$582,000	\$242,000
Contingency	58,000	24,000
TOTAL	\$640,000	\$266,000
GRAND TOTAL (a+b)	\$906,000	vvvvvvvv

Other requirements may, however, still be determined by the foundry expert. The purchase of missing equipment, materials, installation and commissioning of the foundry workshop is recommended to be sub-contracted to ensure that all aspects to put the foundry into operation will be under the responsibility of the sub-contractor.

### Project Results

The outputs are less than planned, but considerable progress have been made, inspite of the problems and severe delays that have been encountered during the implementation of the project.

The machine shop has been operating since 1989 rendering services in spare parts production, maintenance service and simple tooling to co-operatives, private small-scale industries and other departments. As end April 1992, the value of these services is estimated at Birr 74,939.

Training of HASIDA staff has been undertaken and some of the trainees have taken over senior posts in the Ministry of Industry and HASIDA or additional responsibilities. A seven man three-week study tour in two groups has been conducted to countries (Turkey and Ireland for one group, India and South Korea for the other group) with sufficient experience in private small-scale enterprise development. No further overseas training is planned.

The creation of an information and data processing capacity in the Department of Project Preparation is not yet finalized, although the necessary analysis has been made. Manual data collection and recording conforms to the designed input format for the computers and, as soon as the programmes are ready, this manual preparatory work will fit into the system. This local area network (LAN) is expected to be operational by endJuly 1992.

Much of the work concerning the pilot textile co-operative has already been completed including the completion and erection of the looms and finishing machines, the recruitment and training of 30 machine operators, the installation of the boiler, water and oil tanks, and the installation of electric power. Only the problems in the preparatory phases remain. Indigeneous efforts which have rendered the looms operative without the instruction and operation manuals are highly commendable.

In the pilot sheet metal industrial co-operative, almost all the machines have been installed and 15 co-operative members have been trained. The building has been finished in an excellent manner and the machines properly installed. Preliminary tests have already been made with provisional power connections and slight errors in the machines have been rectified. The UNV expert assigned to this workshop has been rendering a commendable job.

There is no question that the project has strengthened HASIDA as an organization to provide an acceptable level of services to small-scale industries and private co-operatives. Additional inputs are, however, still necessary to complete the project and make the organization more relevant and effective in a completely new setting for small-scale and entrepreneurial development. The long-term sustainability and possible expansion of HASIDA activities should be considered, involving an examination of its legal framework and its ability to be income-generating.

HASIDA (currently re-named Private Industry and Handicraft Sector within the Ministry of Industry) is expected to play a leading role in small-scale industry and co-operative development in the new economic environment. It has developed good contacts and relationships with co-operatives and SSIs.

The gross production output of small-scale industries has increased four times during the last eight years. There is some evidence that this will further accelerate, judging by the considerable increase in the number of projects supported by HASIDA data during appraisal and formulation which now averages 200 a month (from 50 a year).

As a concluding statement, the evaluation mission firmly believes that the project has achieved reasonable results considering the short duration of the project and the delays that were encountered. But its full potential is yet to be achieved and the project must be brought to a successful conclusion. []

## V. RECOMMENDATIONS

Following the preceding conclusions, the evaluation mission has formulated a set of recommendations addressed to all parties and a series of recommendations specifically addressed to the Government of Ethiopia and HASIDA, and to the UNDP/UNIDO.

1. The project under evaluation (DP/ETH/86/027) should be completed as originally designed and the project period extended to 31 March 1993. The project should not be linked to new or additional activities so as not to further delay its successful conclusion. As a manifestation of its commitment, all government pre-requisites in terms of civil works should be met. The additional budgetary requirements (given on page 35) to complete the project should be allocated and the necessary experts fielded in a timely manner.

2. In preparation for the next (fifth) budget cycle, a mission should be sent within the next three months to formulate an integrated "Private Sector Small-Scale Industry Development" project with three major thrusts:

- SSI policy review
- institutional development/strengthening
- small enterprise and entrepreneurship development programme

In the process, the mission should advice and assist the government in preparing an integrated small-scale industry promotion and development strategy. For reference purposes, a summary of the UNIDO Programme for Small and Medium Industries is given in Annex V.

The mission should look into the following aspects:

- (a) policies and incentives affecting SSIs;
- (b) SSI support institutions, their respective roles and the mechanism to co-ordinate their activities; and
- (c) programmes and support services, including opportunity identification, entrepreneurship training, factory location, project preparation, management advisory services, technology development and extension services, credit schemes, market promotion, and other entrepreneurial needs.

## To the Government/HASIDA

3. As the focal point of SSI promotion and development in the country, HASIDA should be re-structured to become a semi-autonomous, income-generating organization attached to the Ministry of Industry. The HASIDA name may be retained since it has already been known by the public for sometime.

In order to make it more relevant to its clientele and more effective in its co-ordination efforts, it should be governed by an independent Management Board or Council consisting of members coming from institutions involved in supporting SSIs such as the Ministry of Industry, banks, industry associations and women's groups. The majority of its members should come from the private sector, as well as its Chairperson.

Its operating budget should be fully supported by the government for a period of about 3-5 years, which should thereafter gradually diminish as its revenues increase.

HASIDA should be purely a promotion and support institution. All regulatory and control functions should remain with the Ministry of Industry. Its activities should be developed on the basis of the assistance needs of new and existing enterprises. The following indicative activities may be performed by HASIDA and its structure re-organized accordingly:

- Opportunity identification and project preparation
- Industrial and technical information services  
(The current MIS processing unit may be expanded to include these services.)
- Entrepreneurial training and development
- Management and technical training  
(The last two activities above may be developed in co-operation with institutions which have the basic capability, such as the management institute, university or industry association.)
- Factory location, including industrial estates planning for SSI and handicrafts
- Management advisory services
- Technical extension services
- Market promotion

The above may not be very much in line with HASIDA's staff capability, but the mission feels that the basic capability to undertake the above activities currently exists. Additional expertise may be acquired through co-operative arrangements with other institutions. In fact, the tentative organizational structure shown in Figure II is much more ambitious.

4. Twinning arrangements with similar institutions abroad should be initiated, such as: the National Small Industries Corporation (NSIC) and Small Industry Extension and Training (SIET) Institute in India; the Small and Medium Industries Promotion Corporation (SMIPC) in South Korea; the University of the Philippines Institute for Small-Scale Industries (UP ISSI) and the National Cottage Industries Development Authority (NACIDA) in the Philippines; and similar other institutions elsewhere. In many cases, the TCDC (Technical Co-operation Among Developing Countries) approach may be the vehicle.

5. In handling its clientele, it is not necessary for HASIDA to make distinctions between handicraft, small-scale, and medium-scale industries. They all need the same basic type of services. Special attention should be given to the promotion of agro-based industries.

6. HASIDA should strengthen its regional offices to render similar services in the regions, where the needs for assistance by entrepreneurs is much greater.

7. All technical centres of HASIDA should also operate as semi-autonomous, income-generating units linked to HASIDA for co-ordination purposes. The centres should provide proactive technical services, technical training and extension services. HASIDA should also co-ordinate with and avail the services of other centres such the Engineering Design and Tool Centre (EDTC).

8. The following more specific recommendations are offered to improve the five specific outputs of the current project:

#### TEED

- Rehabilitation and reorganization of the present machine shop with possible building repairs and repainting.
- Rebuilding of confined precision machine area and introduction of an air ventilation system.
- Finishing the transformer station by the electricity authorities.
- The sand system must be re-checked for operation.

Staff training

- If HASIDA becomes a semi-autonomous institution, incentives must be introduced to retain qualified personnel especially those returning from fellowships abroad. The incentive system should be superior to that of private and public industry.

Information and data processing

- The facility could be expanded to include a technical information service linked to sources of information and "centres of excellence" both local and overseas.
- The manual system should now be discarded.

Pilot textile industrial co-operative

- The industrial co-operative must be assisted in preparing a business plan.
- Establish the design and costing functions.
- Provide management and technical advisory services.

Pilot sheet metal industrial co-operative

- The above assistance to be provided the textile industrial co-operative should also be provided.
- In the contract/agreement to turn over the facilities to the co-operative, a proviso should be included to enable HASIDA to be able to use the facilities for training and demonstration purposes based upon agreed fees deductible from the loan the co-operative owes HASIDA.

9. For future pilot facilities that may be established, the following options may be considered:

(a) Using the facilities as a service centre and offering the use of the machines on an hourly cost basis. This will enable many small-scale industries to use the machinery they cannot afford to buy. The rest of the mechanical or assembly work will continue to be done in the premises of the SSI.

(b) Sale by tender to the highest bidder. The income will allow the further setting up of similar units, which in turn can also be sold.

(c) The unit may be properly evaluated by independent consultants to obtain the value. The government may then sell shares in the open market, retaining a majority or minority share as the case may be.

10. Licensing/registration of small-scale industries should be automatic, except for undesirable industries that are in a negative checklist that the government should prepare.

11. Suitable land for factory location and/or industrial zones should be identified, especially in rural areas, and the necessary infrastructure developed. It would be desirable for the Ministry of Industry and the respective local authorities to develop an Industrial Estates Programme.

12. HASIDA should avail the services of international experts assigned to it to provide systematic training programmes for the benefit, in addition to their normal duties.

To UNDP/UNIDO

13. The assignment of a Chief Technical Adviser or Project Co-ordinator to be responsible for the completion of the project should be strongly considered.

14. The purchase of missing equipment, materials, delivery, installation and commissioning of the foundry workshop is recommended to be sub-contracted to ensure that all aspects to put the foundry into operation will be under the responsibility of the sub-contractor.

15. Considering the continued relevance of HASIDA in the new economic policy and being the major institution in the promotion of SSIs, HASIDA should continue to be strengthened and given further support. A major component of the support should be in human resource development. HASIDA should be able to demonstrate its capability to generate income as a pre-condition for providing future project assistance.

16. HASIDA should be assisted in identifying institutions abroad in order to initiate twinning arrangements as well as sources of technical information. []

## VI. LESSONS LEARNED

Some lessons learned in the design and execution of the project may be useful projects:

1. The risks involved in formulating projects in developing countries (in fact, even in industrialized countries) should be carefully assessed. We should not be too optimistic, especially in abnormal situations.

2. Delays almost normally occur in the provision of inputs and sufficient lead time should be given to allow for possible delays.

3. The choice of equipment suppliers is critical. Due consideration should be given to their experience in developing countries, the availability of spare parts and their capability to provide services.

4. Although it is now almost modus operandi, it is worth repeating that the sustainability of the project should be taken into consideration from the beginning. []

**Annex I:    TERMS OF REFERENCE OF THE IN-DEPTH EVALUATION MISSION**

March 1992

DRAFT TERMS OF REFERENCE  
IN-DEPTH EVALUATION OF PROJECTS  
HANDICRAFT AND SMALL-SCALE INDUSTRIES DEVELOPMENT PHASE III  
AND ENGINEERING DESIGN AND TOOL CENTRE

(PROJECT NUMBERS DP/ETH/86/027 AND DP/ETH 83/024)

Introduction

In a project review meeting held on 19 March 1992 between the Ministry of External Economic Relations (MEEC), UNDP, UNIDO and the project management of the two projects namely HASIDA Phase III (DP/ETH/86/027) and the Engineering and Tool Design Centre (DP/ETH/83/024), it was recommended that an in-depth evaluation be carried out for both the projects so as to be able to re-orient the projects to be in conformity with the new Economic Policy which lays particular emphasis on the promotion of private sector; and to restructure the management of the respective institutions to enable them meet the newly emerging needs of the private and public sectors and render extension and technical assistance services more effectively and efficiently, and be income-generating.

It is to be noted that the above two projects were designed in the old environment. The project objectives were formulated in accordance with the national economic policies in force at that time. For example, the National Economic Policy Declaration of 1975 and "The Government Ownership and Control of the Means of Production Proclamation", stipulate that the industrial activities that may be undertaken by the private sector, under government control, are limited to food processing small- and medium-scale weaving, knitting and tailoring, wood products, fabrication of metal products, cottage industries and handicrafts. There were also ceilings on investment and complex regulatory mechanisms. Whereas, the new Economic Policy for the Transitional Period limits the role of the State. "The state ownership of industry will be limited to a selected number of key establishments that are essential for the development of the economy. The state will play a constructive role in stimulating the growth with greater participation of the private sector." There are adequate guarantees to private capital and the private capital is allowed to participate in industrial development without any capital limitation. Therefore, the projects have to be re-oriented in the

light of the new economic policy.

The development of small- and medium-scale industries is a priority. Similarly, development of industries based on domestic natural resources and export-oriented industries is also on priority. There is emphasis on agro-based industries and agriculture-industry linkages. In order to achieve these objectives, operational policies have to be formulated to implement programmes and measures to develop the above industries. Government departments and institutions have to be developed to carry out the function of providing policy directive, and guidance to the private sector and the necessary institutional support, in these initial stages of development. These macro-level issues are under active consideration by the Government. While necessary actions are being taken and programmes identified in respect of these major issues, by the Government, including the technical co-operation needs over the UNDP Fifth Cycle Country Programme, the ongoing two projects have to be re-oriented.

As institutions/facilities, expected to provide assistance in the development of small- and medium-scale industries, the HASIDA and EDTC are very relevant in the new environment. However, they should be reoriented to meet the new policy objectives. Taking into consideration and in line with the programmes and actions that are being taken at the macro level, the two institutions/facilities have to be reoriented and restructured, and the technical co-operation projects have to be revised accordingly. The in-depth evaluation is expected to provide guidelines on the restructuring of the management structures for these two institutions/facilities and recommendations on the reorientation and revision of the two technical co-operation projects.

I. Background

A. HASIDA Phase III Project (DP/ETH/86/027).

Project DP/ETH/86/027 is the third phase designed to assist the development of small-scale private industries and handicrafts in Ethiopia. It is referred to as Handicraft and Small Industries Development - Phase III.

The project is a continuation of the earlier Phase II Project DP/ETH/83/024. Although there are new project elements in the third phase, its main purpose is to speed up and complete activities which have been initiated in the earlier phase.

The total UNDP assistance earmarked for the project was US\$ 965,396. The anticipated duration of the project was 18 months, from July/1989 to December/1990.

However, due to delays in the start-up, inadequate availability of funds and also local shortages in construction

materials and the political situation including armed conflicts, war and change of Government, the project could not proceed as scheduled. In addition, delays in installation of equipment have contributed to the overall time lag.

#### Project Objective of the HASIDA Project.

The project as conceived had the following objectives:  
"To enable HASIDA to provide an acceptable level of technical, engineering, marketing, financing and managerial services to small-scale industries and private co-operatives in the country."

#### Outputs of the HASIDA Project

1. Technical and Engineering Extension Department (TEED) fully operational.
2. Training and upgrading of planning and management capacity in the Project Preparation department.
3. Information and Data Processing Capacity created in the Department of Project Preparation.
4. Pilot textile industrial co-operative operational.
5. Pilot sheet metal industrial co-operative operational.
8. Engineering Design and Tool Center - Project DP/ETH/83/024

The project is aimed at strengthening the design and manufacturing capability in the metal-working sub-sector.

The total UNDP inputs identified for the project were US\$ 5,146,428. The expected duration of the project was four years from April 1987.

The project has been confronted with major set backs in terms of damage to and loss of equipment and raw materials and the consequences of political unrest, war and change of Government.

#### Project Objectives of the EDTC Project.

The envisaged objectives of the project are:

1. the establishment of an Engineering Design Centre (EDC) in order to develop designs and prototypes of machinery and equipment more suited to existing industries, particularly for the gradual mechanization of agriculture and construction;
2. the development of a national capability in the field of engineering and design of machinery and equipment through the

training of national staff:

3. The development of designs of machinery and equipment which could be manufactured in the country and provide assistance to industries in machinery and product design;
4. the making of prototypes of machinery and equipment, and subsequently, preparation of domestic manufacturing on a commercial scale;
5. the establishment of a Tool Centre (TC) composed of a tools design unit and a tool shop, to assist existing and new factories in their efforts to achieve product diversification, a better quality of products manufactured and more efficiency in the production process;
6. the development of a capability in designing and producing on a regular and continuing basis required tools, dies, jigs, fixtures and moulds of different kinds and for use in different industrial branches; and
7. the training of national staff capable to design and produce required tools, dies, jigs, fixtures and moulds, as well as with the ability to train the personnel in industry so as to enable industry to carry out progressively routine tasks.

#### Project Outputs of EDTC

The planned outputs of the project are to establish/strengthen the following:

1. Design Unit.
2. Prototype Workshop
3. Training Unit
4. Tool Design Unit
5. Tool Shop
6. Training capacity

#### Evaluation

In the project document the in-depth evaluation for HASIDA was foreseen to take place in September/1990. However, due to the overall delays in project implementation, the evaluation had been earlier shifted to December/1991. In view of the fundamental socio-economic changes that were taking place in the country, the in-depth evaluation had to be further postponed at the request of the Government to March/April 1992, until after the announcement of the new economic policy, in order to reorient the project in the light of the new economic policy.

In the case of EDTC project an ad-hoc in-depth evaluation is called for, to re-orient and revise the project and restructure the

management of the institution/facility in the light of the new economic policy. The institution/facility is also expected to be income-generating in the future.

The Private Sector Department of the Ministry of Industry, which has replaced HASIDA after the start of the project, will be likely to once again pass through a period of restructuring. The role of Government will be marked by policy guidance. Accordingly, this department would essentially be engaged in promotional activities such as those related to the preparation of project studies, investment promotion, extension services, consultancy, entrepreneurship development, craft and skill development, finance schemes development and the like.

Hence, the in-depth evaluation would enable a thorough examination of the project design and provide guidance to revise the project in the light of the new economic policy, with particular emphasis on the promotion of the private sector industry.

The findings and recommendations expected to come out of the evaluation exercise will be used by UNDP, UNIDO and the implementing government institution - the Ministry of Industry.

## II. Scope, Purpose and Method of the Evaluation

The economy is in transition from a centralized command economy to a decentralized market-oriented mixed economy. The new economic policy of the Transitional Government emphasises on privatization and private sector promotion. There is also a structural adjustment programme about to be implemented. The basic purpose of the in-depth evaluation therefore is to reorient the projects and reformulate the project documents in the light of the new economic policy and bring in a sharper focus on to promotion of private sector small-scale industries, extension services, technical assistance, rural industries etc. The restructuring of the management of the HASIDA and EDTC facilities is being taken up by the Government for more efficient operation. The in-depth evaluation would also examine the issue and advise.

In accordance with the provision of the UNDP policies and procedures manual (PPM), the in-depth evaluation would:

- a) assess the achievements of the project against its objectives and expected outputs, including a re-examination of the project design and extended assistance in the light of the recently adopted new economic policy.
- b) identify and assess the factors that have facilitated the achievements of the project objectives, as well as those factors that might have impeded the fulfilment of those objectives.

objectives.

To attain the above mentioned objectives, the following activities will be undertaken:

- a) Project achievement will be assessed and evaluated against the expected outputs.
- b) Encountered problems and the means to overcome them will be identified.
- c) Project approach and design will be re-examined in the light of the new economic policy and the institutional changes that emerged thereof.
- d) Necessary followup measures and additional assistance for project completion and output sustainability will be determined.
- e) The nature and magnitude of the extension service and technical assistance for private industries which would enable the utilization of the installed equipment will be determined and will be integrated into the remaining part of the project. Necessary inputs of expertise and hardware would be identified and the project document would be revised accordingly.
- f) To design a sound and effective extension service programme and the need for preparatory assistance, like a capability survey of private industries, will be assessed and linked with or integrated into the on-going project.
- g) UNDP's assistance in the restructuring programme of the Private Sector Department of the Ministry of Industry to adjust it to the new economic environment would be determined. In this context potential areas for further UNDP assistance in institutional re-organization, development of operational promotion schemes, sectoral base-line studies and formulation of programmes for ways and means to develop the private sector would be assessed and recommended.

### III. Composition of the Mission

The mission will be composed of the following:

- One representative of UNDP in the field of institutional restructuring
- One representative of the Transitional Government of Ethiopia

- Two representatives of UNIDO, one to evaluate HASIDA, and one for EDTC.

These representatives should not have been directly involved in the designing or implementation of the project.

#### IV. Consultations in the Field

The mission will maintain close liaison with the Resident Representative of UNDP in Ethiopia, the concerned government organization, local UNIDO staff, and the project's national and international staff.

The mission is also expected to visit the HASIDA workshop and the selected model co-operatives which are supposed to own and run the project; and the EDTC facilities.

Although the mission should feel free to discuss all matters relevant to its assignment with the authorities concerned, it is not authorized to make any commitment on behalf of UNIDO.

#### V. Itinerary and Report of the Mission

In so far as required, the UNDP and UNIDO representatives will be briefed at their respective headquarters. Upon arrival in Addis Ababa, the mission will be briefed by the Resident Representative of UNDP, who will also provide the necessary substantive and administrative support. The mission will attempt to complete its work within two weeks, starting in Addis Ababa in the first half of May, 1992. Upon completion of its work, it will be debriefed by the Resident Representative of UNDP. At the end of the mission, the Resident Representative of UNDP will organize a meeting with senior government officials for the mission to present its initial findings, conclusions and recommendations which will be discussed.

The mission will complete its draft report in Addis Ababa. It will leave a copy of the draft with the Resident Representative.

The final version of the report will be submitted simultaneously to UNDP and UNIDO Headquarters (3 copies each) and to the Resident Representative of UNDP (10 copies). The latter will be responsible for the formal submission of the report in 6 copies to the Government.

DRAFT MINUTES OF THE PROJECT REVIEW MEETING  
HASIDA PHASE III PROJECT (DP/ETH/86/027) AND ENGINEERING DESIGN  
AND TOOL CENTER PROJECT (DP/ETH/83/024).

The project review meeting between the Ministry of External Economic Co-operation (MEEC), UNDP, UNIDO and managements of the projects, on 19 March, 1992 in MEEC.

The agreed agenda was as follows:

1. The reorientation of the management structures of the Engineering Design and Tool Centre and the Handicraft and Small Industries Development Authority in conformity with the new economic environment.
2. Requirement of additional funds for the procurement of parts to make the already supplied equipment operational in the case of the Handicraft and Small Industries Development Project.
3. In-depth evaluation for project DP/ETH/86/027 HASIDA Phase III- approximate dates.

The Participants of the Meeting were:

- Mr. Kebede Tiku, Head, UN Dept., MEEC, Chairman of the Meeting.
- Mr. Gizachew Bizuayehu, MEEC
- Mr. Gulelat Kebede, NPO, HASIDA Project
- Mr. Merqaye Azeze, General Manager, EDTC
- Mr. Abebe Negash, HASIDA
- Mr. B. Chinsman, DRR/ UNDP
- Mr. Peter Manorianjan, UNIDO Country Director
- Mr. C. Linke, JPO, UNIDO

Deliberations

1. The meeting discussed the relevance of the two projects in the new environment.
2. The meeting also discussed the matter of restructuring of the management of the HASIDA and EDTC institutions/facilities in the light of the new Economic Policy so as to enable them meet the evolving needs of the private sector. It was noted that the Ministry of Industry is contemplating on such measures.
3. The need for these institutions to be income-generating has also been discussed.

4. In respect of the requirement of additional funds, for the HASIDA Project, the issue was viewed in the light of the overall needs of the project in the new orientation.

### Recommendations

The following recommendations were made:

1. In view of the relevance of the institutions such as HASIDA and EDTC in the new environment, the projects were recommended to be continued and to be brought to their logical conclusion.
2. The management structures were recommended to be adjusted in the light of the new economic policy with particular emphasis on the promotion of private sector.
3. An in-depth evaluation is recommended to be carried out in six weeks time, for both the HASIDA and the EDTC projects, with a view to reorient the projects to meet the new policy objectives. Taking into consideration, and in line with the programmes and actions that are being taken at the macro-level the two institutions/facilities have to be reoriented and restructured; and the projects have to be revised accordingly. The in-depth evaluation is expected to provide guidelines on the restructuring of the management of the institutions/facilities and recommendations on the re-orientation and revision of the two projects.
4. The necessary inputs to bring the projects to their logical conclusion, in their new orientation, would be considered in a Tripartite Review Meeting, based on the recommendations of the in-depth evaluation.

Annex II: ORGANIZATION VISITED AND PERSONS MET WITH THEIR  
FUNCTION

**KEY PERSONS AND ORGANIZATIONS MET**

1. Ministry of Economic Co-operation  
Dr Kebede Tiku, Head of United Nations Desk
  
2. Ministry of Industry  
Ato Assefa Kebede, Vice Minister  
Zewde Biratu, Head, Private Industry and Co-operatives  
Promotion Department
  
3. HASIDA  
Dr Gulelat Kebede, National Planning Officer and  
Head, Planning and Statistics Department  
Solomon Wole, Head, Projects Department  
Abede Negash, Head, Engineering Department  
Ayele Tamirat, Head, Project Co-ordination  
Girmay Mekonnen, Senior Technical Co-ordinator  
Afewerk Yohannis, Project Manager, Textile Pilot Industry  
Atkilt Assefa, Project Manager, Sheet Metal Pilot Industry  
Mulugeta Debela, Head, Co-operative Promotion Sector  
Dr Jalal Al-Youzbashi, UNV Sheet Metal Expert  
Tesfaye Birega, Acting Project Manager, Pilot Foundry  
Tadesse Eshete, Industrial Chemist, Pilot Foundry  
Ketema Desalegne, Civil Engineer, in-charge of overall  
project civil works
  
4. Akaki Spare Parts and Hand Tools Factory  
Asrat Seleshi, Manager
  
5. Thermo Plastic Processing Factory (private)  
Moges Alemu, General Manager

6. National Productivity Improvement Centre,  
Ethiopian Management Institute  
Mulugeta Atnafu, Deputy Director
7. Technical School of Addis Ababa  
Getachew Asrat, Director
8. National Metal Working Corporation  
Yeheyes Assefa, General Manager
9. Engineering Design and Tool Centre  
Mergaye Azeze, Manager
10. UNDP  
Babashola Chinsman, Deputy Resident Representative
11. UNIDO  
Dr Peter Manoranjan, Country Director  
Claudia Linke, JPO

[ ]

**Annex III: ADDITIONAL INPUTS NEEDED TO COMPLETE PHASE III**

## ESTIMATES OF ADDITIONAL INPUTS

## 1. Requisitions Submitted:

(a)	TEED, Machine Shop		\$ 89,000
	Experts, including training erection, commissioning and maintenance services		
	- surface grinding machines (2)		
	- jig boring		
	- copy milling		
(b)	TEED, Foundry		8,000
	- analytical balance		
	- cylinders and CO2 gassing equipment		
	- exhaust fan motors		
(c)	Sheet Metal Pilot Industry		123,000
	- dies (2) for double action press and hydraulic press	\$22,000	
	- raw materials for start-up	65,000	
	- motor for spinning lathe and valves for compressor	3,000	
	- commissioning from supplier of double action and hydraulic presses	33,000	
			<hr/>
		SUB-TOTAL	\$220,000

## 2. New Items:

(b)	TEED, Foundry		\$144,000
	- power cables	\$34,000	
	- switch boards (4)	80,000	
	- Foundry Expert, 3 mm	30,000	
(d)	Textile Pilot Industry		10,000
	- humidifiers		
			<hr/>
		SUB-TOTAL	\$154,000
		TOTAL	\$374,000 vvvvvvvvv

## 3. Items Under Claim

(a) TEED, Foundry		\$157,000
- materials shipment lost Assab Port		
(d) Textile Pilot Industry		60,000
- missing items	\$50,000	
- erection and commissioning	10,000	
		<hr/>
	SUB-TOTAL	\$217,000

4. New proposal submitted to mission  
(subject to approval)

(c) Sheet Metal Pilot Industry		\$ 25,000
- spinning lathe (similar to existing)		
- portable pneumatic nibbler (2) (similar to existing)		
- portable pneumatic shear (2) (similar to existing)		
- hand shear, 1 meter blade		
- portable spot welder with spares: electrode arms and electrodes (12) and couples (4)		
- machines for piping work one for cutting of pipes one for threading of pipes one for bending of pipes		
		<hr/>
	SUB-TOTAL	\$ 25,000
	TOTAL	\$242,000 vvvvvvvv

List of Items at Assab Port and not delivered to project site

Purchase Order No. - 15-0-0648M  
 Operation No. - 4237 8534  
 B/L No. - 67149942

Container No.	Description of Items	Net w/t
2 { Ref OCLU 0730912 Seal No. 486761	a) 30 drums ferro silicon on 10 pallets	10 tonnes
	b) 2 boxes ferro manganese	3 tonnes
	c) 14 drums ferro manganese on 5 pallets	7 tonnes
3 { Ref OCPU 0304779 Seal No. 017047	a) 18 drums pig iron on 9 pallets	10.8 tonnes
	b) 1 pallet graphite powder	½ tonnes
	c) 2 pallets bentonite clay	3 tonnes
	d) 1 pallet i) Slag Coagulant	100 kg.
	ii) Oxicover	100 kg.
	iii) Linofeed	100 kg.
	e) 5 drums sodium silicate	1.6 tonnes
f) 1 pallet coal dust	1 tonne	
4 { Ref OCLU 062826/4 Seal No. 444634	11 cases of machinery, tubing and oil	4.65 tonnes

NOTE: ITEMS IN THIS LIST ARE NOT INCLUDED IN THE BUDGET

List of Raw Materials, Tools & Machineries  
Required for the Pilot Demonstration Foundry

**A. Foundry**

<u>Item</u>	<u>Qty.</u>
1. Foundry Riddles	10
✓ 2. Foundrymen goggle	20
3. Legging ( Leg-pads)	30
✓ 4. Face Shields	20
5. Swing Frame Grindder	1 Pos.
✓ 6. Immersion Pyrometer graphiate Thermo Couple	1 "
7. Multimetre	1 "
8. Generator ( 20 HP-A)	1 "

**B. Pattern Making Hand Tools**

1. Round Sole Plane 30, 40mm	2 each
2. Bull Nose Plane	2 "
✓ 3. Spoon Gouge 8, 12, 16, 20, 24 mm	2 "
✓ 4. Spoon Chisel 10, 16, 20, 24mm	2 "
✓ 5. Swan Neck Chisel 10, 16, 20, 24mm	2 "
✓ 6. Curved Gouge 8, 12, 16, 20, 24mm	2 "
✓ *7. Pattern Making Contraction ( Scale ) Steel rule, 600mm, 1000mm with 1/48, 1/60, 1/77, 1/100, 1/120, 1/96 contraction allowance	5 "
8. Radius Gauge 3-20mm	2 set
9. Rule Stand	4
✓ 10. Disk sand Paper 600mm Diameter 40x60 Gritt	200 Pos. (100 ea
✓ 11. Babbin Mandrels 3/8x6in; 5/8x6in; 1 1/4x11in; 2 1/16x10in; 3 1/2x10 in	15 Pos. ( 3 eqs
✓ 12. Babbin Sand Paper ( Sanding Bobbins ) 3/8x6in; 5/8x6in; 1 1/4x11in; 2 1/16x10 in; 3 1/2x10in;	250 Pos. (50 ea

NB:- Although this is a list, part of which is also reproduced in the report of UNIDO expert Mr. H. Grabosch, it may have to be reviewed by a foundry engineer in order to differentiate the immediate and critical ones from future necessities.

Machines

	<u>Qty.</u>
1. Combined surface & thickness planer	1
2. Wood turning lathe	2
3. Router	1
✓ 4. Profile belt sanding machine	1

c. Laboratory

1.	<u>Items</u>	<u>Unit</u>	<u>Quantity</u>	<u>Remarks</u>
✓-	Rapid sand washer	Pc	1	
✓-	Methylene blue clay tester	"	1	
✓-	PH-meter(table size)	"	1	
✓-	Electrical water still	"		
	/water Bidistiller/	"	1	
✓-	Infra red dryer	"	1	
✓-	Dispenser(automatic)	"	1	
✓-	Magnetic stirrer	"	1	
✓-	Electrical lab analytical	"	2	
	Balance			
✓-	Filter paper/while/	"	1000	
✓-	Labcrucibles with tangs	"	20	
	- Goggles and gloves	"	45	
✓-	Oxygen cylinder filled with			
	O <sub>2</sub> gas		2	
	<u>Etchants/reagents/</u>		lot	
✓-	Nitric acid	litre	30	
✓-	Hydrogen peroxide acid	"	20	
✓-	Hydro Fluoric acid	"	20	
✓-	Sulphuric acid	"	50	
✓-	Perchloric acid	"	20	
✓-	Chromic acid	"	20	
✓-	Formaldehyde	"	20	
✓-	Oxalic acid	"	20	

.../

<u>Etchants/reagents/</u>	<u>Unit</u>	<u>Quantity</u>	<u>Remarks</u>
-acetic acid	litre	20	
-Ethylealcohol(denatused)	"	30	
-Potassium ferrocyanide solution	kg	15	
-Hydrochloric acid	litre	30	
-Lead Nitrate or acitrate	"	15	for N <sub>2</sub> Sdefectio
-Sodium Hydrox <sup>6</sup> (Solid)	kg	40	
-Picric acid	litre	25	
✓-Xylol (Xylene)	"	20	
✓-Sodium Sulphate	"	15	
✓-KMNO <sub>4</sub>	"	15	
✓-Feel <sub>3</sub>	kg	15	
-Na <sub>2</sub> CO <sub>3</sub> (anhydrous)solid	"	50	
-Per chloric acid	liter	15	
✓- <u>Glass Wares:</u>	pc	lot.	
a.Beakers(Pyres)	"	40	
b.Flasks(Bore silicate)	"	30	Different type (erlenrnyre, round&Conical
c.Reagent bottles( ")	"	40	
d.T.tubes(Bore silicate)	"	10	
e.Pipettes( 5ml,10ml,15ml)	"	9	(3each)
✓    f.Granduate cylinder	"	10	
g.Burettes(with stand & clamps)	"	4	
h.Refractometer	"	1	
i.Mortar with nestle	"	1	
✓    j.Refrigrator (medium)	"	1	
k.Camera (palaroid)	"	1	
l.a.Emission spectroscopy	"	1	
✓    m.Universal material testing machine	"	1	
✓    n.Ultrasosic flaw tester	"	1	
✓    o.Hardness tester	"	2	

.../

<u>Item</u>	<u>Unit</u>	<u>Qty.</u>	<u>Remarks</u>
- Books a)Hand books for material test	"	2	
b)Chemical dictionary	"	1	
c)Instruction book	"	1	
✓ - Standard Microstructural diag(coloured) of metals (wall-chart)	"	2	
/ - Dark room equipments	pc.	1et	
✓ - Camel hair brush	"	2	
/ - Funnels	"	4	
/ - Conductimetry	"	1	
/ - Thermometre (digitals)	"	1	
/ - Bunsen burner	"	1	
		2	
- Bath water	"	1	

**Annex IV: LIST OF HASIDA PERSONEL TRAINED**

## LIST HASIDA PERSONNEL TRAINED

Name	Field of Study Country and Duration	Previous and Current Post/Assignment
Negussie Wolde	Small entrepreneurship promotion/assistance Netherlands, 3 mos	Senior expert to Head, Ind Promotion
Girma Herpasa	- same as above -	Expert to EEC assistance prog off.
Tamiru Tessema	Programming and systems analysis, UK, 3 mos	Expert/add assign in planning and data pr
Ketema Desalegne	Struc steel and reinf conc bldg construction UK, 3 mos	Tech senior expert (no change)
Berhanu Bechere	Tool design UK, 3 mos	Tech expert to tool and product design
Mohammed Ibrahim	Heat treatment UK, 3 mos	Tech senior expert (no change)
Hailu Mekkonen	Prog and systems anal UK, 3 mos	Expert (no change)
Andachew Kuma	Adv tech and voc trng Italy, 2-1/2 mos	Co-operative trng expert (no change)
Geremew Ayalew	Comp prog system UK, 6 mos	Team leader to head statistics sector
Girma Dessalegne	Dev policies and plann UK, 12 mos	Expert/now assigned to privatization of Indian plants
Mekonnen Assefa	Industrial & admin UK, 24 mos	Legal advisor (not yet finished)
Wubishet Kifelew	Mfg system eng course UK, 12 mos	Mech engineer (not yet finished)
Afework Abebe	Mfg engineering design UK, 18 mos	Tech senior expert (not yet finished)

**Annex V: UNIDO PROGRAMME FOR SMALL AND MEDIUM INDUSTRIES**  
**(SUMMARY)**

## UNIDO PROGRAMME FOR SMALL AND MEDIUM INDUSTRIES\*

### A. BACKGROUND AND OVERVIEW

#### Trends and Challenges in the Small and Medium Industries (SMIs) Sector.

1. In recent years, UNIDO's efforts to promote and support industrialization through small private businesses have become an essential component or the centrepiece of development strategies in many countries. In-depth studies, statistical surveys and the media bear testimony to the fact that small business is the leading private employer in key sectors of the economy. Its contributions to job creation, local income and foreign exchange generation, product and technology innovation are vital to economic growth as well as to the sustenance and survival of large population groups especially in rural and depressed areas.
2. As small private businesses have assumed larger roles in economic and industrial development, governments have reviewed policy frameworks and initiated the process of decentralizing support services to meet actual needs at the enterprise or grass-roots levels. The end of the 80's saw a gradual trend towards "management by partnership" which utilizes private sector groups and inter-firm co-operation to better harness and mobilize locally available resources, human and material, for achieving national development goals and plans.
3. Governments in developing countries face major challenges to improve standards of living, combat poverty, and increase absorption of their rapidly expanding labour forces. In reformulating their economic development strategies, many governments now recognize that particular attention must be given to furthering small and medium industries (SMIs), especially micro industries as cornerstones of long-term social progress. Their flexibility, dynamic adaptation to changing market conditions, ability to respond to technological innovation and their contribution to employment and decentralization policies, make them significant engines of economic growth.
4. In developing countries, the formal SMI sector typically contributes a significant percentage of industrial output and absorbs on average well over 50 per cent of industrial employment. (The proportions would be much greater if 'informal' industrial activities were included). The great potential offered by these industries, especially in terms of their contribution to building up a broader and more resilient base for industrialization, is a challenge in itself, since great difficulties have to be overcome in fostering and accelerating their development. This challenge assumes a note of urgency given the fragility of import-substitution industries which are dependent on foreign equipment and imported raw material inputs and on entrepreneurial and managerial capacities from abroad. In many debt-ridden developing countries, domestic resource-based and local market-oriented industries led by indigenous

---

\* The generic reference SMIs also covers micro and rural industries aside from technology-oriented and factory-based industrial operations. It must also be borne in mind that SMIs in the private sector are the heart of the programme.

entrepreneurs are crucial elements to self-reliant development strategies which reduce vulnerability to the lack of foreign exchange.

5. When promoting small industries as opposed to basic import-substitution industries, UNIDO's experience is borne out by those of other international and national agencies that there is no expedient approach to picking potential winners. In principle, their promotion should be pursued as an integrated component of macro-industrial policy that takes into account different branches of industry in a non-discriminatory fashion. The legal system, the mix of regulatory and promotional policies, as well as the macro-economic adjustment policies introduced to offset occasional external imbalances have all to be carefully reviewed in terms of their positive or negative impact.
6. Prior to setting up new policy measures, governments may find it more expedient to remove bottlenecks and biases that have built up against the small industry sector. However, deregulation alone will not transform the evident dynamism of small entrepreneurs into a viable base for modernization. Appropriate policy reforms have to be accompanied by institutional reform and proactive approaches. A truly viable small industry sector requires proper interface with other dynamic structures of the "modern" industrial sector: the productive network of large enterprises, formal banking systems, and opportunities for entry into international markets.

#### UNIDO's Thrust and Strategy

7. UNIDO programmes, activities and instruments which address SMIs and the private sector in the developing countries have changed considerably in the last decade, especially where public enterprises have proved burdensome to governments and servicing the external debt has eaten up foreign currency earnings and export incomes. UNIDO has had to respond to structural adjustment efforts of governments to adapt themselves to global developments and the dynamics of world markets along with internally-oriented measures to simultaneously promote growth, reduce inflation and public sector deficits, and re-establish domestic stability. Finally, as a result of market-oriented changes in many countries, UNIDO has undertaken to strengthen its programme by privatization measures whereby advice and assistance are provided to help small units spin-off from large public enterprises.
8. Adjustments in UNIDO's technical cooperation programme for SMIs evolved towards the end of the 80's as a result of on-going project reviews, in-depth evaluations exercises and studies and consultations carried out with other multi- and bilateral agencies as well as with private consulting groups<sup>1</sup>. From lessons learned, the UNIDO approach to SMIs took on a different orientation. This was also brought about by

---

<sup>1</sup> Among these sources are a joint study in 1987 (UNDP, the Government of Netherlands, ILO and UNIDO) on Rural Small Industrial Enterprises and the First Global Consultation on SMIs carried out by UNIDO in 1989 which had been preceded by regional meetings in Africa, Asia, Europe and Latin America.

considering the changing requirements in the 90's of SMI-clients and the need to mobilize in-house resources more effectively for a UNIDO-wide response.

9. The re-oriented UNIDO strategy is thus directed towards providing a comprehensive package of services designed a) to promote commercially viable and growth-oriented small industrial enterprises and support small private entrepreneurs able to create and sustain jobs and incomes; b) to improve access of SMIs to financing with particular regard to the special problems of disadvantaged target groups; c) to strengthen institutional support mechanisms in cooperation with non-governmental entities and private sector groups; d) to integrate the SMI sector with the modern industrial sector through policy reform, technology promotion and development, and industrial partnerships on a national or international basis.
10. Experience has shown that the development of small and medium industries is most effective when efforts are integrated at 3 levels: a) policy, b) institutional and c) enterprise. UNIDO assistance is therefore identified in the majority of cases at a critical entry level or priority area according to need and available resources.
11. A comprehensive approach allows UNIDO to focus on critical factors and to integrate efforts in order to avoid waste from duplication or gaps in services and to ensure coordination. Such integration needs to be structured to facilitate the flow of resource inputs and communication within the level at which assistance is focused and with other levels through a built in system of feedforward and feedback loops.
12. Project inputs therefore assume a modular structure to ensure focus, customized responses, and flexibility. These factors are all built into the design and implementation.
13. To implement the SMI strategy of UNIDO, a team approach involving various parts of the Organization has been adapted. This will help insure sustainability and long-term prospects of the integrated modular programme approach including thematic or subsectoral analyses and country studies. The modules can draw from a variety of substantive programmes, consolidated into an integrated approach to ensure intra-divisional complementarities.
14. In summary, UNIDO's overall strategy comprises the following broad directions and key areas of concern:
  - 14.1 The entrepreneur as the primary beneficiary cum agent of change.
  - 14.2 Industrialization as the context or arena for addressing the needs of SMIs.
  - 14.3 Greater involvement of private sector institutions and small industrial entrepreneurs themselves in stimulating investment, labour absorption, technology acquisition and adaptation, environmental monitoring, regional development and other issues

designed to improve public recognition and response to the wide-ranging needs of small businesses.

- 14.4 Policy reform may have to start with deregulatory measures not only to remove those directly discriminatory to SMIs but specially to arrest legislative flaws, burdensome loan approval and disbursement procedures, or the untenable but prevailing perception that the small entrepreneur cannot service loans on commercial conditions. The regulatory environment is often characterized by rules and procedures that are either without substantive merit or unrealistic and simply not enforceable.
  - 14.5 Institutional developments could be helped initially by removing barriers that make it almost impossible for SMIs to have access to information and other technological or financial services. To resolve biases against SMIs by financial institutions, priority could be given to allocating foreign exchange facilities for vital raw material inputs, supplies of machinery and spare parts.
  - 14.6 The role of local authorities in regional and rural development must be recognized considering their responsibilities for real estates, infrastructure and services in the health, recreation and education fields. They are best able to exploit complementarities and to plan and co-ordinate investments in these areas. They can have a clear appreciation of difficulties faced by SMIs and therefore have a clear role in streamlining the regulatory framework and its enforcement.
  - 14.7 Finally, the role of leaders in local business communities as support groups and the need to mobilize private sector resources cannot be stressed enough and will need greater attention than heretofore.
15. UNIDO staff with the requisite expertise have acquired a broad and varied experience in different sectors of industry which is unique among multilateral agencies. The UNIDO approach aims to harness the expertise built up over the years to implement a coherent and cohesive programme to foster self-reliant growth-oriented SMIs and to provide a sound basis for the industrialization efforts of the developing countries.

## B. DEVELOPMENT OBJECTIVE

To enhance the contribution of small and medium industries (SMIs) to industrialization and private sector initiatives within the framework of overall economic and social development goals.

## C. PRIORITIES AND TARGET GROUPS

(1) The priorities of the programme for SMIs are:

- (a) Developing a sustainable environment conducive to promoting the growth of small and medium industrial enterprises (including RSIEs and micro enterprises) by inter-alia adopting and operationalizing policies and strategies to facilitate the access of SMIs to financial and technical resources. (POLICY LEVEL)
- (b) Strengthening institutions and mechanisms to promote SMIs by providing effective support services including access to financial and technological resources and facilitating inter-firm cooperation and complementation. (INSTITUTIONAL LEVEL)
- (c) Modernization of SMIs by enhancing entrepreneurship and facilitating access to information and resources (finance, marketing and technology). (ENTERPRISE LEVEL)
- (d) Promoting the UNIDO programme for SMIs (i) through effective mobilization of in-house resources and (ii) through networking and outreach activities, i.e. international exchange and direct industrial information services to SMIs. (UNIDO AND INTERNATIONAL-LINKAGE LEVELS)

To achieve those priorities, UNIDO will systematically monitor changes and analyse developments affecting the SMI sector with a view to enhancing the Organization's capacity in providing advice on policy options, guidelines and directives for the sustained growth of SMIs in developing countries. Furthermore, UNIDO will also carry out referral and clearing house functions and will undertake catalytic support activities.

(2) The target groups addressed are the following:

Priority (a): legislative, planning and executive governmental bodies in the developing countries.

Priority (b): concerned public and private sector institutions, associations and other co-operating groups of industries.

Priority (c): growth-oriented industrial enterprises in developing countries including industrial associations.

Priority (d): UNIDO and international networks including field staff as promotional and transfer agents.

## D. PROGRAMME OBJECTIVES: OUTPUTS AND ACTIVITIES

- Subprogramme I Assistance in creating and sustaining an environment which is conducive to growth of SMIs by adopting and implementing macro policies and programmes which optimize contribution of SMIs to balanced development of the industry sector (DEVELOPING ENABLING ENVIRONMENTS).
- Subprogramme II Assistance in strengthening institutions and mechanisms for SMIs which provide services and complementary resources (finance, technology, information, management, market). (DEVELOPING DEMAND-ORIENTED INSTITUTIONAL MECHANISMS).
- Subprogramme III Support to the SMI sector in the modernization process by enhancing entrepreneurship, upgrading technology, improving productivity and facilitating access to resources and markets (ENTREPRENEUR AND ENTERPRISE-LEVEL SUPPORT).
- Subprogramme IV Assistance in ensuring the optimal conditions for the dynamic development of small high-tech industries (HIGH-TECH OPTIONS FOR SMIs).
- Subprogramme V Support to the SMI sector in facilitating their access to financial resources and in linking finance to technical assistance (FINANCING).
- Subprogramme VI Programme support measures (i) to promote the SMI programme in a more integrated manner; (ii) to ensure coordination with greater participation of private sector and banking sector representatives. (PROMOTION AND NETWORKING).