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INSTITUTIONAL INFRASTRUCTURE FOR THE PROMOTION/DEVELOPMENT OF
SMALL- AND MEDIUM-SCALE ENTERPRISE IN AFRICA*

Prepared by

S. Pacha
UNIDO consultant

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I. INTRODUCTION

In any economy, whether advanced or developing, small-scale industry plays an important role. It represents a large proportion of the manufacturing enterprises, the labour force and the gross domestic product of the industrial sector. In any economy, small-scale industry involves specific development problems because special incentives or assistance measures are necessary in order to compensate for or remediate the structural weaknesses inherent in the limited size of the enterprises and their small scale of operations.

It is generally recognized that an upper limit of 500 employees represents the boundary between the small- and medium-scale enterprise (SME) and the large enterprise, at least in the European Economic Community (EEC) countries. In Tunisia, the regulations of the Industrial Promotion and Decentralization Fund (FOPRODI), whose principal objectives are the promotion of small- and medium-scale industrial enterprises (SMIE) and the encouragement of industrial decentralization in favour of the least advantaged regions, provide that the overall investment in an SMIE (including the working capital) must be less than 500,000 dinars (\$US 600,000) and that, in general, such an enterprise should employ from 10 to 49 workers. In actual practice, a SMIE is characterized not only by its size, but by the fact that its owner is alone responsible for its economic, financial, commercial and technical management. Thus, at least in the developing countries, the small- and medium-scale industrial enterprise may be thought of as occupying a position midway between the crafts production unit and the large industrial concern.

In nearly all the developing countries, the State, well aware of what the modern SMIE can contribute to the strengthening and diversification of the industrial structure and to the acceleration of the industrialization process, has incorporated in its development policy and programmes measures to encourage these enterprises. According to the general view, a great many items can be manufactured profitably in small quantities and even, in the case of certain of them, more profitably than in large production runs. In cases of this kind, the small size of the enterprise is not only not a disadvantage, but may even offer competitive advantages.

It is not only possible for efficient small-scale industrial enterprises to coexist or successfully compete with large enterprises, but also, in certain situations, to be linked to them under sub-contracting agreements according to which they manufacture various parts and components or carry out specific processing or finishing operations for the larger enterprises. In this way, the SMIE represents an appropriate adjunct to the large industrial enterprise both with respect to small-scale manufacture and the satisfaction of quantitatively limited requirements, and in terms of the sub-contracting of certain inputs required by the larger enterprise.

Structure of SMIE in Europe and in the developing countries

In Europe, and especially in the EEC countries, the SMIE is an irreplaceable element of the economic fabric. The fact is, the SMIE has achieved a very high degree of industrial development thanks to its access to the advanced technologies that are generally monopolized by the large industrial units. Today, small-scale enterprises in Europe use modern equipment, employ scientific production and management methods, and produce articles that, whether sophisticated or simple, are of good quality and greater international competitiveness. By way of example, mention might be made of the 200 French SMIE that directly distribute their products in the United States of America under more than advantageous commercial and financial conditions. The European SMIE has moved beyond the traditional stage of concern simply with survival and the creation of a maximum number of jobs to

that of an enterprise caught up in two revolutions - the one technological, unfolding in an increasingly demanding international market, and the other human, since the enterprise must prepare itself to bring in a new generation of managers (half of all SME will be faced with the replacement of their executive officers in the next 10 years).

The proportion of SMIE to the total number of manufacturing enterprises in the EEC countries exceeds 95 per cent; their share of industrial employment ranges between 40 and 60 per cent; and they account, in these same countries, for between 20 and 40 per cent of total investment. These figures only confirm the importance of the small-scale industrial unit even in the technologically advanced countries.

In developing countries, we are confronted with certain structural weaknesses. These include the lack of financial resources and the difficulty of obtaining credits, inadequate know-how in the technical and managerial areas, a shortage of skilled labour, the obsolete and occasionally primitive state of the equipment, unsatisfactory working conditions and premises, the use of inferior-quality raw materials, and an ignorance of marketing opportunities. These weaknesses are no less present in the case of the small-scale industrial enterprise, which in our opinion has a key role to play in industrial development through sub-contracting and the manufacture of small complementary series, a fact that justifies the need for assisting these firms through specially designed measures geared to their requirements.

There is no denying that the small-scale industrial enterprise is often poorly equipped and badly managed, that it often suffers from low productivity, and that it often produces goods of unsatisfactory quality. Inefficiency, however, is not an inevitable corollary of limited size.

II. THE PROMOTER

The promotion of the SME, in a developing country, depends in large measure on the promoter, his qualifications and his skill in designing his project, implementing it and ensuring its growth.

These requirements call for particular attention and a long-term programme of action designed to free the promoter from his isolation and enable him to participate in a more extensive exchange of ideas. In effect, there are three necessary kinds of activities, namely:

- Information activities to guide the promoter in his actions from the stage at which he identifies the key sectors to the selection and implementation of his project;
- Training activities designed to make the promoter aware of appropriate production and management techniques;
- Assistance activities ranging from the establishment of the enterprise to its operation and the marketing of its products.

Before discussing the various stages of promoter assistance, it might be well to describe these agents and to say a few words regarding the difficulties they face.

The promoter of an SMIE generally has the kind of limited financial capacity that makes him suspect in the eyes of the banker. The meagre resources he does have at his disposal are normally inadequate to enable him either to finance his working capital (at the actual operating stage of the project) or to put up sufficient guarantees to the investors.

We might note at this point that the majority of developing countries have known two generations of promoters: the first, consisting of former small-scale merchants and agriculturists who have accumulated capital they now wish to invest in order to move into industry, and the second, mainly drawn from new members of the élite or the technician class who look to the mounting of projects as a way to apply their know-how.

As early as the creation stage of the project, these promoters exhaust their resources, which are usually inadequate in comparison with the amount required for the investment, and thus find themselves without the financial capacity of their own needed to complete the operating phase.

What is more, the promoter's lack of skills in the specific areas of technology and management may impede the success of the project and slow its growth.

Further, promoters are frequently executives who, for lack of the proper experience and training, do not always have the necessary ability to lead others.

In order to overcome these shortcomings, the promoter must be furnished with comprehensive economic information on all aspects of his project: from its conception and the selection of the sector to the operational and marketing phases, and including such matters as regulations, the selection of production equipment, the question of supply sources, production methods, distribution channels, etc.

With respect to the promoter's training, there is a need to organize seminars for the purpose of disseminating the basic concepts of management, and also to involve him in training programmes and organized instruction on production techniques. But if the success of the project is to be ensured, it is not enough merely to train the promoter; such training must be supplemented by vocational training activities for the enterprise work-force, with this worker training to be provided at specialized centres in the form of periodic introductory and refresher courses.

In addition to this informational and vocational assistance, the promoter must also be provided with help of a more general nature. This may take different forms and must be available during the various stages in the life of the enterprise.

Promoters should be assisted in preparing feasibility studies based on realistic data pertaining to price, quality, and time periods, all in relation to the product selected.

A useful, and even necessary, factor could be assistance, again dispensed at specialized training centres, both in industrial engineering (so as to permit the promoter to make the most effective selection of equipment and use it in the most effective possible fashion) and in technology (so as to enable him to choose and adapt the best-suited manufacturing processes). He should also be initiated into the use of management tools in the most comprehensive sense, ranging all the way from approved and reliable accountancy practices to the preparation of budgets and the formulation of medium- and long-term planning.

In fact, the keeping of accounts is an indispensable function and one that must be rationally organized in order to avoid the need for costly corrections, make it possible to predict and verify receipts and outlays, and adopt on a timely basis the measures required to ensure good management.

Help in the areas of marketing and export would round off the kinds of assistance already mentioned.

At this stage, the promoter should be encouraged to offer the best possible quality-price ratio in his product and to devise medium-term development strategies aimed at promotional activities at the product, price and distribution levels. Further, he should be helped in introducing the most effective marketing techniques to stimulate the sale of his products both locally and in foreign markets.

In this context of development prospects, the promoter must turn towards export. Here again, there must be assistance to enable him to gain an understanding of the available export incentives (fiscal and financial) and to take the best advantage of them. A point to be noted in this connection is that the developing countries are beginning to show an awareness of the need to gain access to external markets and to promote their exports. To this end, a number of export promotion centres (such as CEPEX in the case of Tunisia) have been established with the objective of assisting enterprises in the field of export promotion and of providing them, inter alia, with essential and relevant information on foreign markets and their requirements, in addition to assisting them financially in their efforts to penetrate new markets.

III. THE ENVIRONMENT

In addition to the difficulties inherent in his situation, the promoter in a developing country is frequently required to act within an unsupportive environment characterized by an unwieldy administration, a deficient infrastructure, and the lack of an adequate institutional framework or of the means for the dissemination of industrial information.

Unwieldiness at the administrative level is characteristic of these countries. This is basically the result of the fact that the majority of developing nations have behind them a colonial past which their new and fledgling Governments have inherited. What is more, these administrations have not developed their own managerial systems at the pace required for their national development.

For the entrepreneur, the Government represents a necessary stage through which he must pass at all phases in the implementation of his project. In so doing, he is almost certain to encounter a variety of administrative problems, namely:

- The complexity of the channels through which the promoter must proceed and which frequently render his contacts with the various persons on the other side of the table laborious and tiring;
- The lack of information on the documents to be furnished and on the procedures to be initiated;
- The multiplicity and complexity of the forms to be completed, frequently involving a duplication of effort;
- The dilatoriness of the government agencies, occasionally resulting in long delays in replying to documentation submitted and in a hold-up in the issuance of annual import authorizations;
- The large number of agencies and officials to be contacted: the Ministry of National Economic Affairs, the Ministry of Finance, the tax authorities, the customs officials, the banks, the social security institution, and others.

The second problem the promoter faces is that of the inadequate infrastructure confronting him in the area of the project site in cases in which he has been

encouraged to accept a decentralized location because of the incentives accorded to investment in disadvantaged zones.

The following may be mentioned among the infrastructural difficulties with which the promoter must contend:

- A lack of developed industrial zones offering utility services in most of the regions of interest from the standpoint of industrial decentralization;
- Delays in the carrying out of the work to provide utility services in the existing zones: sanitation systems, water mains, electrical power lines, telephone service, roads;
- The failure of the lots available to match the surface area requirements;
- The very high costs involved in extending the water conduits, electrical power lines, telephone circuits, etc.

In addition, small-scale industry, in developing countries, lacks a sufficient institutional framework and the means for the dissemination of industrial knowledge and information.

At this level, one finds that there are absolutely no detailed sectoral studies, above all in the area of industrial engineering, that can be used to ensure the best selection of equipment and its most effective use. Similarly, there are not enough studies on technological subjects to enable the promoter to choose and adapt the most appropriate manufacturing processes. The reasons for this are to be found not only in the inadequate number of specialized study offices (particularly for engineering) or technical centres, but also in the poor quality of the services available from those study bureaux that do exist and in the exorbitant prices charged for their work.

Finally, the promoter is confronted with a total absence of co-operation with the universities, which could in fact save him a great deal of money in study costs, while at the same time contributing their competence to the promotion of small- and medium-scale industrial enterprise and, through an opening to the industrial world, improving the training they themselves are able to provide.

IV. FINANCING

SME financing, in developing countries, remains a crucial problem and one that is hindering the take-off and prosperity of these enterprises.

The root of the problem lies essentially in the banking community, which for lack of current information and statistics on the various sectors of the economy is both reluctant to grant loans for the financing of SME and, as a consequence, demanding in its requirements for the kind of guarantees the promoter is often unable to provide.

The banking system responsible for the financing of small- and medium-scale enterprise generally consists of commercial - public or private - banks and of development banks, which, depending on the volume of the investment, grant short-, medium- and long-term credits to projects they regard as profitable.

When the time comes to finance his project, the promoter finds himself facing three key problems: the repayable contribution to the capital (in view of the promoter's own limited self-financing margin), the medium- and long-term credits required for financing a large portion of the capital assets and, finally, the working capital financed through management loans.

Given his more than modest margin of self-financing, the promoter, when forming his capital, is generally granted a repayable contribution enabling him to put together the money he needs. This contribution is financed out of a special fund established under the budgetary resources of the State and is frequently made available to the promoter in the form of a long-term loan at a preferential interest rate and with a substantial grace period.

Finally, for the purpose of shielding the promoter against possible raiders, the granting of this contribution makes it possible for him to retain the largest share of the capital. This condition is of the greatest importance among the specific advantages accorded to the promoters of small- and medium-scale enterprise.

Once the capital has been assembled, the promoter must seek and find medium- and long-term credits for the financing of his project's capital assets. These credits are generally granted by banks, at rates that are nowever high for an SME, and may occasionally also be obtained from special funds or through foreign lines of credit. In the face of the banks' reluctance to finance SME, the State frequently imposes on them the requirement to allocate a set proportion of their deposits to such enterprises in the form of medium- and long-term credit. As in the case of the repayable contribution, the special funds set aside for these credits are financed out of budgetary resources. Occasionally, for reasons connected with development policy choices, they may be channelled towards SME sectors deemed to be of priority importance. The credits obtained from the State's special funds are generally made available at rates lower than those for loans directly granted by the banks using their own funds. Finally, bilateral assistance, based on agreements signed with industrialized or wealthy countries, is also used to finance loans of this type. In addition, such loans may be drawn from lines of credit established with international financing institutions - the World Bank, the African Development Bank, the European Investment bank, etc. - within the framework of a specific development programme.

Finally, to round off his financing scheme, the promoter must be able to finance his working capital through management or operating loans. In our opinion, this is an important stage and one that deserves far more attention than it is currently being given. The fact is that bankers are unlikely to grant the promoter the management credit he requires to finance his operating capital. As a result, the promoter is financially weakened and his project, even though approved and judged profitable, may be headed for failure. What we see here is a striking lack of credibility on the part of the promoter. In our view, he deserves to be granted financial assistance to cover the first few months of operation in order that he may demonstrate the fact that his project is indeed viable.

We have touched on the various financing stages through which an SME promoter must pass. These financing arrangements are not improvable without the determined assistance of the banking community, which nowever is still nesitant with regard to the financing of small- and medium-scale enterprise. Because they regard themselves as likely to incur a large financial risk, the bankers, as a means of protecting themselves, tend to demand increasingly strict and personalized guarantees. The result is that one sees numerous projects that might have made a major contribution to national economic development brought to naught because of the promoter's inability to put up the required security.

As a way of correcting these weaknesses in the financing system, a number of States have established guarantee funds to protect financial backers against possible failure on the part of SME promoters. The effectiveness of these funds, which are set up for the purpose of assisting the promoter, is substantially diminished by the cumbersome administrative practices that are typical of developing countries. If they are to perform their function effectively, guarantee

funds of this kind must be autonomously administered as part of a private management enterprise distinct from the machinery of government. Their objective should be to analyse the viability of the project and the situation of the promoter before taking a position on whether or not to grant the guarantee. The effort thus expended by the promoter to protect himself and to buy his guarantee will enable him to think of himself less in the role of an eternal beneficiary. In summary, the systems of this kind that have been established deserve to be further developed, and there is no reason why they should not draw their inspiration from those that have already proved valuable in a number of industrialized countries.

Financing in Tunisia

The industrial development that Tunisia first experienced during the 1970s and that is continuing at the present time has been brought about, in part, only as a result of a particular effort to encourage small- and medium-scale enterprise. The most recent five-year economic and social development plans have in fact listed among their priority objectives the promotion of financing and credit-guarantee systems for SME. For example, budgetary funds have been established for different sectors of the economy (industry, agriculture, fisheries, crafts and small-scale producers). In the discussion that follows, we shall concentrate on the industrial sector, for which the Industrial Promotion and Decentralization Fund (FOPRODI) was created in 1973 and has been sustained by State budgetary allocations with a view to encouraging the establishment and expansion of small- and medium-scale industrial enterprise and of introducing measures designed to promote the decentralization of investments in the manufacturing industry area.

FOPRODI assistance is made available in the form of repayable contributions to projects for which the total investment amount, including the working capital, does not exceed 500,000 dinars (\$US 600,000). This is a long-term loan granted to the project promoter in order to enable him to make up his participation in the capital. In addition, medium- and long-term credits can be granted by FOPRODI to new projects whose cost does not exceed 75,000 dinars (\$US 90,000) and for expansion investments for projects whose cost does not exceed 45,000 dinars (\$US 54,000), excluding the working capital. Since the Fund was established, 1,114 projects have been approved for FOPRODI assistance by the Investment Promotion Agency, and of this number 968 have been implemented. The investment total for the projects implemented as of the end of 1986 was in the order of 136 million dinars (\$US 163 million), accounting for the creation of 16,600 jobs.

Supplementary SMIE financing has been made available by the State out of its external resources. Credit lines granted by the International Bank for Reconstruction and Development, a number of industrialized countries and the Gulf States have been mobilized for the benefit of small- and medium-scale enterprise. The management of these external resources, initially in the hands of the development banks, was later turned over to the deposit banks.

As an additional measure for the financing of SME, the Tunisian financial authorities require the commercial banks to set aside a part of their deposits for the financing of these enterprises. Essentially, this involves a use ratio for medium-term private paper requiring the bank to use at least 18 per cent of its deposits to fund the medium-term credits granted, inter alia, for the financing of SME investments.

Despite these incentive measures designed to encourage the banks to finance SME, they continue to be reluctant to place their money in this priority sector of the Tunisian economy. The problem is, in fact, one of minimizing the financial risks posed to the banks by small- and medium-scale enterprises. It was for this reason that in 1982 the National Guarantee Fund (FNG) was created. This Fund,

which began its work in 1984, has been set up to guarantee certain categories of loans or credits as granted by the banks to small- and medium-scale enterprises out of their ordinary resources. It should be noted that the majority of the term credits made available to SMIE are eligible for FNG backing.

One observation may be in order on this subject: the FNG accords its guarantees indiscriminately, a practice that works to the advantage of the good projects but also of the bad ones. A guarantee system, like the one in effect in Belgium, might be more effective and thus add to the promoter's creditworthiness, particularly vis-à-vis potential financial backers. The Belgian model involves a guarantee fund that, initially sustained through an allocation from the State budget, is subsequently financed in part by the promoters themselves. A budgetary allocation might be granted for the purpose of refinancing the Fund and supplementing its resources in the event of unusually frequent failures by the promoters, an eventuality that seems unlikely, provided the projects are carefully vetted at the outset. An efficient guarantee system would contribute to the promotion of small- and medium-scale enterprise, which, in Tunisia, is one of the basic elements of the national economic fabric.

The Tunisian FNG is organized in the form of a commission presided over by the Minister of Finance and consisting of members from different ministerial departments, namely: the Office of the Prime Minister, the departments of National Economic Affairs, Agriculture, Tourism and the Crafts Sector, Planning, and Social Affairs, as well as representatives of the Central Bank. Inertia at the FNG is great, and the time required to authorize a guarantee for a specific project is too long, with the result that the delays may, in certain cases, jeopardize the success of the initiative. The FNG should be autonomously managed in order to enhance its effectiveness and minimize its response time. Such streamlining could only be of benefit to the small- and medium-scale enterprises, on which the country's administrative bureaucracy weighs all too heavily. In addition, the FNG should be designed as a credit insurance agency sustained by the premiums paid by the promoters, its purpose being to compensate for the inadequate material guarantees available to the SME and to facilitate access by enterprises of this category to the institutions of the banking system by ensuring the latter the recovery of their loans and the payment of the interest due on them.

In this way, the services of the FNG would be available, on demand, to all promoters, following an agreement with the Fund and the payment of a minimum premium calculated on the basis of the amount of the credit guarantee.

Nevertheless, despite all these measures to bring better financing opportunities to small- and medium-scale enterprises, the latter still suffer from weaknesses and shortcomings, primarily with regard to the financing of their management credits.

Tunisia's Eighth Economic and Social Development Plan for the period 1987-1991 devotes particular attention to the problems of financing in the industrial sector. For example, it provides for the revision of the interest rate structure for lenders as a means of stimulating savings, and for borrowers as a means of lightening the promoter's financial burden, and also for inducements to banks to make available management credits to SME. Moreover, it is worth while noting that additional measures are planned for invigorating the financial market and encouraging stockholding by easing what are today regarded as excessively onerous tax schedules.

The measures of this kind that may be mentioned include the promotion of open-end and fixed-capital investment companies, which, under a favourable tax system, might prove to be attractive opportunities for potential savers, and also

the introduction of convertible bonds, which would likewise represent a way of financing small- and medium-scale enterprise. In any case, these measures would be of advantage only in the event of an appropriate restructuring of the securities market.

V. DEVELOPMENT INSTITUTION MODELS

Small- and medium-scale enterprise, in the developing countries, could constitute one of the pillars of these countries' economic structure and contribute greatly to their development. They should, therefore, be the subject of particular attention, particularly with regard to promotion and growth.

In these countries, the promoter, faced with an unwieldy administration, finds himself defenceless and his position weakened. Accordingly, there is a need to seek the establishment of a development institution that, by acting as the promoter's sole interlocutor, would make a significant and effective contribution to the promotion and expansion of SME.

Why the role of sole interlocutor?

This function is justified by the fact that discussions at the administrative level become pointless when they are confined to that level and conducted in public, to the detriment of the promoter.

There is, therefore, a need for the establishment of a single agency to represent the promoter's interests, to see to it that he does not waste his time, and to shield him from needless bureaucratic red tape.

This agency must be subordinate to the highest authority of the State, from which it should draw its powers and to which it should render an account of its activities.

As an instrument for the application of governmental policy, this agency should participate in the preparation of studies leading to selections in the area of investment promotion. It should monitor compliance with the Government's directives and inform it of the difficulties encountered, the results achieved, and the outlook for the future. It should draw up for the Government proposals aimed at helping it to refine its policy and options in the area of industrial development, and it should propose the measures to be introduced for improving the industrial environment and correcting the shortcomings of the system, while at the same time adapting the legislation in force to meet the new economic circumstances.

Drawing its authority as it does from the Government and from its own knowledge of the basic situation in the sector to be promoted, an agency of this kind should be able to:

- Prepare diagnostic studies, for the Government and the promoter, on the activities to be promoted in the light of the selections made;
- Identify the actual projects to be carried out with or without the assistance of specialized study bureaux;
- Assist small- and medium-scale industrial enterprises in the following areas:
 - Identification;
 - Studies;

- Search for partners;
- Search for financing;
- Solutions to problems encountered at the administrative level.

Following this preparatory stage, and within the prescribed time limits, the promoter receives an approval that should spare him the burden of time-consuming administrative procedures, in addition to giving him the go-ahead for the implementation of his project.

Beyond this, an assistance mission for small- and medium-scale industrial enterprise would round out the activities of this institution.

The fact is that, after the promoter has been guided from the project identification stage to the acquisition of its approval, the assistance should then extend to the point at which the production unit is actually built and begins normal operation. Accordingly, assistance would be available at the following stages:

- The selection of the manufacturing equipment;
- The selection of suppliers;
- The identification of raw material distribution sources;
- Production management.

Finally, specific assistance in the areas of marketing and export would help the promoter to adopt a commercial policy geared to the situation of his enterprise and to market conditions. The granting of specific export incentives would act as an encouragement to promoters and would be of benefit to the country's economy.

VI. THE CASE OF TUNISIA

The SME support policy goes back to the 1970s. This interest is justified by the advantages offered by small- and medium-scale enterprise in the economic and social areas, as well as by such associated factors as the low cost of labour, the element of balance introduced into the industrial sector, the possible emergence of a generation of dynamic promoters, and, most important in countries where capital is scarce, the modest initial investment required for the launching of projects of this kind.

It is fair to say, considering the structure of our economy, that no development strategy, at least over the medium term, can afford to minimize the importance of industrial sector investment. The fact is, small- and medium-scale industrial enterprise accounts for 94 per cent of the country's industrial manufacturing units, employs 73 per cent of this sector's labour force, and absorbs 35 per cent of the total investment.

Since it gained its independence in 1956, Tunisia has followed a policy of gradually nationalizing the major water, electricity and gas enterprises formerly in colonialist hands. Other measures, mainly in the area of investment in general and industrial investment in particular, have accompanied this process of nationalization. For example, in 1962 Law No. 62-75 was enacted for the purpose of encouraging investment. Nevertheless, the advantages granted under this legislation remain modest.

Since the first years of independence, government policy has focused, inter alia, on the training of the young. When, at the end of the 1960s, the first generation of these young workers reached the employment market, the country's economic environment was characterized by a shortage of jobs and a striking absence of investment.

Two essential measures were adopted in order to correct these shortcomings: the enactment, in 1969, of the investment code, and the encouragement of job creation through the granting of special tax benefits for reinvested profits. The early 1970s witnessed the emergence of the phenomenon of unemployment. The policy thus far pursued revealed its limitations, above all in the field of job creation, and the need to generate even more employment became increasingly urgent. Against this background, Law No. 72-38 of 27 April 1972, which was designed mainly to promote the establishment of export-oriented industrial units, marked the beginning of systematic attention to the problem of employment. Later, Law No. 74-74 of 3 August 1974 adopted as its principal incentive criterion the creation of jobs at a time when there was already evidence of the world-wide economic crisis and, with it, the likely repatriation of a certain number of our nationals working abroad, for the most part in European countries confronted with the problems of international economic restructuring.

All the diagnostic studies indicated that the unwieldiness of the country's governmental machinery was inhibiting the promotion of industrial units and that small-scale promoters were even more defenceless than before in the face of this administrative unresponsiveness. The need to establish the kind of structures that would facilitate the realization of industrial opportunities was becoming widely felt. One result of this awareness was the creation, on 10 January 1973, of the Investment Promotion Agency (API). This body would never have been able to perform its mission if it were solely dependent on a ministerial department. Given that the industrial problem concerns the entire economic environment, namely the country's financial, fiscal, commercial and social sectors along with its agricultural development and general planning, it was essential that the investment agency should be subordinate to the highest authority in the State, which would delegate its powers to it and monitor its decisions. This supreme investment authority is none other than the National Investment Commission (CNI), which is presided over by the Prime Minister and consists of the ministers of Economic Affairs, Planning, Finance, and Agriculture.

Operationally, the API intervenes mainly in the case of industrial authorizations and the selection of investments. These selections are final, apart from the possibility of an appeal by the ministerial departments involved and a ruling to the contrary by the CNI, and the measure itself is coupled with procedural requirements and time limits that afford the promoter certain guarantees.

As a result of the establishment of this machinery in the investment area, investments themselves have increased and promoters have been given a greater sense of security.

It was during this period that regional disparities became evident and were superimposed on the problem of employment. In fact, during the period 1973-1981, 80 per cent of the projects approved were located in the country's coastal governorates as opposed to 20 per cent in the interior governorates, and of this latter total, moreover, 60 per cent involved "repetitive" activities (bakeries, woodworking, metalworking, etc.), the sites for which were naturally selected according to regional requirements. Law No. 81-56 of 23 June 1981, on the encouragement of investment in manufacturing industries and on industrial decentralization, confirmed the option of promoting employment, while at the same time dealing with the problem of a more equitable distribution of production capacity, and therefore of resources, throughout the country.

As just noted, it was at this time that planners first became aware of the saturation of the economy with simple and repetitive projects and began to recognize the need for technological progress and diversification, i.e., for second-generation projects - all of this for the purpose of eliminating the weaknesses of the industrial sector and even of eradicating their sources. The lawmaker began to search for ways and means of assisting small- and medium-scale industrial enterprises, particularly those involved in projects carried out by "technically minded" promoters. In this way, FOPRODI was established on 9 June 1978, followed by the National Guarantee Fund (FNG) in 1982.

Tunisia has thus recognized the need to assist promoters and to arouse their interest in new methods of management and technical operation. This assistance requirement has benefited from appropriate consultation machinery at the government level. For example, as an initial step, a UNDP-financed training programme was set up and has proved of value to skilled Tunisian supervisory personnel, who, at a later stage, are able to pass on this training to young promoters. In addition, in the area of bilateral aid, Tunisia has received assistance in its efforts in the field of individualized assistance.

We might also note that a new industrial investment code was enacted under Law No. 87-51 of 2 August 1987, one of its effects being to release investment in manufacturing industries from the requirement of prior approval. In addition, it accords standard and supplemental fiscal benefits for exports and decentralization.

Finally, Tunisia has undertaken a major effort to develop a legal code that will help to promote industrial development in general and the development of small- and medium-scale industrial enterprise in particular. The successes achieved in the area of general promotion, as reflected in the statistics, the studies and the facilities made available to promoters, represent the first fruits of this effort.

A number of attempts at specific assistance have been undertaken on behalf of particular industrial activities, but there has not yet been an opportunity to place this form of assistance on a systematic basis and to develop it further for the benefit of small- and medium-scale industrial enterprise.