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**PREFERENTIAL TRADE AREA**  
for Eastern and Southern African States

Workshop on Small and Medium Scale Industries  
in PTA countries

Kampala, Uganda  
10 - 15 October, 1989

**CO-OPERATION AMONG THE PTA COUNTRIES IN  
DEVELOPMENT OF SMALL AND MEDIUM SCALE INDUSTRIES**

89-0363

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It should however be pointed out that the views expressed in these documents are those of the authors and do not necessarily reflect the views of the PTA and UNIDO

## **SUMMARY**

1. All the nations of the PTA have in recent years been going through a critical economic crisis, that has left them with very poor foreign exchange reserves. Faced with ever increasing and unmanageable foreign debts, the subregion's large scale industrial sector continues to suffer from acute shortage of essential inputs.
2. In the face of this ugly picture, the small scale industrial sector, because of its flexibility and inherent ability to survive economic hardships through adjustment and adaptation, has virtually been able to sustain industrial production. Yet there is no adequate evidence in the sub-region that there have been any deliberate policies and measures to support the growth of the sector at national level.
3. For it to continue playing the meaningful economic role it is expected to play, the PTA should devise methods to influence the right policies, and programmes at national level to support and strengthen the sector.

## **BACKGROUND**

4. All the countries of Eastern and Southern Africa that constitute the PTA, have a colonial history that left them wholly dependent on subsistence agriculture. The last two decades have witnessed a sharp rise in the population of these countries not matched by proportionate growth in employment opportunities. Faced with very high external prices of imports and drastically falling prices of their traditional commodity and other exports, these countries have found it increasingly difficult to transform their economies from subsistence level to modern market oriented sector. Matters have been worsened by the crippling inflation that exists across the sub-region averaging about 25% depending on each country.
5. The result has been very serious balance of payments situation and acute shortage of foreign exchange. Even with the current liberalization policies in the majority of the PTA countries, the effect of the new policies on the domestic economies will take time to be felt.

## **LARGE INDUSTRIAL SECTOR**

6. In the meantime, these countries continue to witness falling or at best stagnant industrial production in the large scale sector. Acute shortage of inputs especially imported materials and other intermediate goods continues to force industrial production at marginal and sub-optimum capacities. In some countries a number of large scale industries have been forced to actually close down with all the accompanying negative effects on unemployment and other areas of the economy.
7. It is against this background that the role of small and medium scale industries should be seen. In times of crises when the large scale industrial sector had virtually come to a stand still in countries such as Uganda, Ethiopia or Mozambique etc., it is the small and medium scale sector that took over industrial production of certain essential goods and services. This therefore,

underscores the need to discuss the significance of small and medium scale industry; and particularly how the PTA countries may co-operate with one another to strengthen the sector.

### **CHARACTERISTICS OF SMALL SCALE INDUSTRIES**

8. Apart from the foregoing, development of small and medium scale industries has acquired increasing importance in the region because:-

- (a) They employ usually very simple technologies which most of the people can conveniently manage;
- (b) They are industrial seeds from which modern industry with sophisticated entrepreneurship could grow;
- (c) In economies experiencing little capital formation and therefore, scarce capital resources, small scale industries provide a channel for very effective mobilization and utilization of social savings;
- (d) In countries where indigenous entrepreneurship has lagged behind since colonial times, small scale industries have proved significantly important in encouraging indigenization of the industrial sector;
- (e) Accordingly the sector helps in creating and nurturing a middle class of self-employed people, suitable for a future modern industrial sector;
- (f) They use cheap usually locally available technologies thereby effecting savings on scarce capital particularly foreign exchange;
- (g) Small scale industries help in diffusion of national income among a wider spectrum of the society;
- (h) Because of their flexibility, they can be used to keep people away from the major metropolitan areas;
- (i) They are also suited to trying out new technologies which otherwise could be too expensive if done on large scale; and
- (j) They usually utilize locally available resources thereby, effecting savings on transport cost.

### **CURRENT SMI SITUATION IN PTA**

9. The status of small and medium scale industry within the PTA is a subject for a separate paper based on a random field survey. For the purpose of emphasis, it should be noted here that all the countries of the sub-region have tried over the last decade and a half to promote small scale industries. It is therefore, necessary that we discuss areas in which collaboration could be promoted both within and between the countries to further strengthen the growth of this important sector.

## POSSIBLE AREAS OF COLLABORATION

10. In discussing areas of possible collaboration among the PTA countries in the area of small scale industry development, it is important to take cognizance of the relative levels of growth of the sector in each country. As it will be observed from the separate report on this subject, few of the countries in the subregion have had deliberate programmes for support to the sector over a long time. Others have initiated specific programmes for small industry development in recent years with some notable achievements. Yet there are a number of countries which because of past internal destabilization or other reasons, have yet to develop policies and programmes specifically aimed at enhancing the growth of small and medium industries.

### 1. Policy Framework

11. It follows from the foregoing that the first area that should be critically examined, and in which there is serious need for international co-operation in the sub-region is policy determination.

12. Indeed it requires no extra emphasis that if small scale industry is to play the significant role required of it in the economy, there must be deliberate government policies designed to aid and promote the sector. Because of their vulnerability and high mortality rate, small scale industries should have national development policies that will not only ensure creation of employment, development of technical skills and strengthening of internal management capabilities, but more so, proper utilization of available factors of production. Accordingly the policies should be so selective that only efficient firms would get the necessary support to maximize resource utilization. Generalized policies such as import restrictions, tax exemption, investment allowance, etc., tend to create certain inefficiencies which must be avoided.

13. In this connection, a number of countries in the PTA sub-region have over the years, carried out policy experiments with varying degrees of success. For example while Ethiopia, Tanzania and some others, have tried the co-operative approach, Zambia, Kenya, Mauritius etc., have used the Indian model of private entrepreneurship development and support.

14. In either case there have been policy results which need to be studied and analyzed; so that the lessons therefrom could be disseminated to other countries in the sub-region. The PTA could play a leading role in assisting to compare notes with a view to influencing national policy changes based on empirical studies. Diffusion of policy results within the sub-region will help rationalize domestic policies on small industry development for the benefit of all Member countries of the PTA. The latter accordingly ought to facilitate comparison of policy results on regular basis through suitable fora. It is to be noted that work has already been initiated at the PTA on development of suitable policy framework; and should be continued.

## 2. Training Facilities

15. Training requirements should be seen at two levels; viz staff training and entrepreneurship development.

### Staff Training:

16. Because of the special position small scale industrial sector occupies in national economies, and owing to its peculiar nature, it calls for particular cadre of staff properly trained. Acquisition of a university degree or diploma alone is not adequate to help understand and solve problems of the sector. It calls for officers with development financing discipline apart from other facets of the small entrepreneurs requirements. Project appraisal at that level requires special imagination and tools which must be taught to the officers. In particular the extension service staff need to be properly prepared through training. Experience has shown that not enough attention is paid to adequately equipping these officers. The result is that the mortality rate of the sector is high due to inadequate supervision and assistance.

17. Unfortunately, there are not many institutions in the world with a speciality for training staff for small industry extension officers. One of the earliest such institutions in Hyderabad, India, has tended to modify its approach although it is still useful. For a long time the Economic Development Institute of the World Bank was the focus for all specialized training in project appraisal and extension work. Today they prefer to get such courses given by national or regional institutions. Other such training facilities such as in Delft or in Ireland etc., tend to concentrate on large scale projects with very little time given for small scale development. A sub-regional staff training institution or facility is therefore, urgently required.

### Entrepreneur Training

18. By far the most critical factor in the process of small scale industrial development is the entrepreneur. The level of success of a project will to a large extent depend on the level of entrepreneurship.

19. It therefore, follows that care must be taken in determining the right calibre of entrepreneurs. To minimize failures, once such entrepreneurs are selected using whatever psychological and other tests available, they must be subjected to continuous training. The latter is meant to sharpen their entrepreneurial and management qualities, and keep them up dated all the time.

20. Indeed it is quite expensive to establish and maintain a fully-fledged training institution. Yet the cost of sending both staff and entrepreneurs for training overseas is in the long run, too high and not very effective. The best approach therefore, would be to establish industrial training facilities on sub-regional basis.

21. Member countries of the PTA ought to collaborate in having one central training institution with one or two sub-centres located from one another, in a manner that takes geographical distribution into account; and specializing in specific skills training and development.

22. The East and Southern African Management Institute in Arusha, Tanzania, could be strengthened to play this role. The PTA ought to explore the possibility of securing the ESAMI to play a central training function in the region with possible support from UNIDO, the World Bank and other donors. In the event that this happens, then the institution would require a thorough re-assessment to design suitable syllabi for entrepreneurs in small scale industry and for project appraisal officers. Other courses e.g., in foundry, leather craft, forging, etc could be decentralized. For example, it may be feasible to have a sub-regional metallurgical training institute in one country while a leather-craft training centre could be located in another - but with affiliation to ESAMI. Special arrangements will have to be made to cater for the training of the French speaking member countries.

### 3. Institutional Framework

23. The majority of the PTA countries today do not have proper national institutions for development of small scale industries. It has already been suggested that the problems of this important sector are so peculiar and many that they require special attention and handling through establishment of special national delivery institutions. It is such an institution that should focus its whole attention to the sector and come up with policy proposals for consideration by the government. Where such a national institution is yet to be established, attention given to the sector is at best lukewarm if not very weak.

24. Since a number of PTA countries have already got such institutions going (some of them for two decades), they should make their experiences available to the other members who may be either in the process of creating theirs or are planning to do so. Co-operation and sharing of institutional experiences is important because the efficiency of the sector at national level will depend, among other things, on the strength and viability of the national institutional delivery mechanism. Thus SIDO in Zambia, Hasida in Ethiopia, KIE in Kenya, SEDOM in Malawi, SIDO of Tanzania, BEDCO of Lesotho, SEDCO of Zimbabwe, SEDCO of Swaziland and GAPI of Mozambique etc., should relate well with one another and make their experiences available to other countries in the region.

25. This sharing is important because there has been on-going debate regarding the type of institutional delivery mechanism to put in place. There have been arguments in favour of "integrated" institutions that combine both credit and extension services. Other arguments have favoured separating these two functions between independent institutions. Moreover, there is today debate as to whether to have one national institution with branches or a number of institutions all involved in small scale industry promotion i.e. single window vs. multi-window. The pros and cons in each case need to be discussed before determining the type of institution to be set up.



#### 4. Financing Small Scale Industries

26. Apart from the level of entrepreneurship, a very crucial factor of small scale industrial promotion is financial intermediation at national level. As mentioned earlier, the very special position of small scale industries in the national economies necessitates the identification or establishment of particular financial intermediaries for them. The very special financial requirements of the sector have usually necessitated supervised credit as against the usual commercial lending that is familiar to most people.

27. Accordingly, some national governments have already established special financial intermediaries for small scale industries. The loans given are usually on concessionary terms as is the case for example with the Kenya Industrial Estates Limited (KIE) and Small Enterprise Finance Company (SEFCO) of Kenya; or Small Industry Development Organization (SIDO) Small Promotions Enterprises of Zambia and Small Enterprise Development Corporation of Zimbabwe, etc. Other countries such as Tanzania have established hire purchase schemes for small scale industries. In some other countries within the PTA financing is by way of loan guarantees. Yet in the majority of the countries, special institutions for financing the sector do not exist; a few have special arrangements with national development banks which do maintain special windows for small and medium enterprises e.g, Mozambique, Ethiopia, Somalia etc. Of late there has been increasing use of commercial banks and other non-governmental organisations (NGO's) for financing small scale industries.

#### Need for PTA Intermediary

28. From the foregoing it is evident that the financial institutional delivery mechanisms in the sub-region are varied and that the majority of the countries are yet to establish special arrangements for lending to the sector. However, the sub-region has up to two decades of mixed experiences in a variety of financing schemes.

29. Time is ripe when these countries should now compare notes with a view to determining the most effective way of financial support to the small industry sector. In particular those countries that do not have any special mechanisms for financing should be assisted to establish such facilities.

30. A common feature of the countries in the sub-region is inadequacy of foreign exchange. It is suggested that in view of the commonality of the problems, the PTA should examine, with the assistance of friendly donor agencies, the possibility of putting in place special loan funding for small scale industry. This could take the form of a special window in the PTA Trade and Development Bank. This might ease the foreign exchange problem for fixed investment and raw materials.

31. Another area where the sub-region through the PTA could benefit from one another's experience is sourcing for short term credit (working capital) for SMI's. With the usual difficulties related to availability of collaterals, alternative ways of financing ought to be devised. It is understood that certain countries e.g. Mozambique have already got their commercial banks to lend

without insisting on collaterals. This is an experience that ought to be shared within the PTA. Added to this is the urgent need to install venture capital schemes that can help deserving SMI's especially for women entrepreneurs.

#### 5. Industrial Research and Development

32. For effective industrialization, there is need for continuous research and development. This is even more relevant to the small and medium scale industries where, more often than not, the imported technologies need to be adapted to the local situations. Even the industrialized nations have established research and development as a permanent integral process of their development. At the present level of development, the countries of the subregion require this facility even more.

33. But research is expensive and with the current weak financial bases, individual nations would find it too expensive to go it alone. If a practically effective electric welding set can so ably be fabricated at micro enterprise (jua kali) level in Katwe township of Kampala or a four action wood working machine in the streets of Bujumbura, how much more could be done with institutionalized applied research within the sector in the sub-region.

34. It is proposed that with the help of UNIDO and such other agencies as could be identified, the PTA should consider initiating steps towards establishment of a common industrial research and prototype development facility. Within the sub-region there exists adequate infrastructure such as the Kenya Industrial Research and Development Institute (KIRDI) or some other facilities elsewhere which could form a nucleus of such an institution. If need be, it could be attached to one of the national universities in the sub-region.

#### 6. Information Systems and Data Banks

35. For effective monitoring of the performance of small scale industry within the national economies, there ought to be established effective systems of information collection, collation and dissemination. It is evident that up to now, the development of small and medium industries in the PTA sub-region has suffered greatly from lack of local capacities to collect and disseminate information on the type, quantity and quality of goods and services available and capable of being produced locally. Even to get a simple questionnaire completed by the concerned authorities in order to prepare for a workshop on small industry development is not just possible.

36. Without well developed information retrieval systems at national and sub-regional level, it will be difficult for the policy makers to compare notes and evaluate strategies. This is a very critical problem in the sub-region and should be attended to with urgency. As the PTA enters the computer age, conscious efforts should be made to include data banks and information retrieval systems in the software being developed. In this connection, it is noteworthy that UNIDO has already developed a fairly suitable computer software for information retrieval and storage. Institutions could experiment with this for a start.

37. Since installation of a meaningful and sustainable information system, with the accompanying data bank, is highly specialized and technical, member countries should seek advice from specialized sources. Only then shall the results of the proposed research be stored and disseminated. In particular the PTA members should feel obliged not only to collect and retrieve relevant information including statistics data, but more so, they should make such information available to one another with the view to sharing the results of research especially in technology adaptation.

#### 7. Territorial Industrial Specialization

38. The extent of both domestic and external effective demand would normally determine the level of production. In turn it is the latter that would eventually determine the unit cost of the product and hence the price. Because of restricted individual domestic markets, cost effectiveness in many of the industries in the sub-region is low; resulting into high unit prices that cannot compete well especially on the external markets.

39. However, considering the expanded PTA market of over 180 million people, many projects which otherwise could have been marginal or unviable at national level become profitable. This was the very essence of the PTA treaty.

40. If member countries are to benefit from this expanded market, serious consideration ought to be given to gradual rationalization of their individual and subregional development policies to avoid wasteful and costly competitive duplication of similar industries in the individual territories of the PTA. With the current very acute shortage of resources especially foreign exchange - a situation that is likely to persist for a long time to come, each country should examine those potential industries for which she may have special comparative advantage. A method should then be devised for comparing notes with a view to allowing and encouraging only those industries for which each country is best suited. This might for the moment sound academic; but substantial survey work has already been carried out by UNIDO and the PTA. Identification of potentially suitable industries for the region would not therefore present any special problems.

41. As an example, Ethiopia may have the capacity to manufacture and sell to the sub-region shoe soles. Member countries ought to give her all the support she requires for that project. On the other hand Uganda may have special domestic advantage for manufacture of say tripple super phosphate fertilizer; she should be given the necessary moral and material support in that endeavour. She in turn may wish to import the packing polypropylene gunny bags from Kenya or Rwanda, which might have natural advantage for producing the same. Zambia could manufacture for the sub-region all the required copper wire; while Zimbabwe may be supported to rationalize her steel plant to supply billets and rods to member States.

42. The above model could be applied to a wide spectrum of products to the best advantage of the entire sub-region. There would be nothing new in this approach to industrialization in the area; for it was tried in the old East Africa twenty-eight years ago arising out of the Kampala Agreement of 1961, with

some useful results. Through this policy, production bottlenecks would be removed in the existing industries; thus making them more efficient. As a policy, it could suitably be applied to both large and small scale sectors. In order to make this proposal more meaningful, it is suggested that PTA with the assistance of donor agencies should arrange for more in-depth studies of possible industries that could be promoted in each member country.

#### 8. Sub-contracting and Technology Sharing

43. In industry sub-contracting is a situation in which one entrepreneur contracts with another for the manufacture and supply of parts, components, sub-assemblies and assemblies for incorporation into the product of the original contracting entrepreneur. Usually such ancillarization is between a large or stronger firm on the one hand, and a small or weaker entrepreneur on the other. The former controls the production of the latter through supply of technology, materials, finance and sometimes management advice.

44. With such a model of production, compartmentalization of industry into large, medium and small becomes academic. For they are and should all be inter-related and dependent.

45. In an ideal industrialization process, there is fusion of these sectoral divisions into one as a matter of natural process of industrialization. This is how Japan developed her industry soon after the World War; and now South Korea, Taiwan, Singapore, India and Hong Kong have in recent years adopted the same strategy. Apart from the direct benefit of influencing technological and financial growth of the smaller firm, the economy as a whole benefits from the sub-contracts because of their inherent technological transfer and development at no or little cost.

46. This is significant because one of the very costly factors of small scale industry is technological experimentation and adaptation. Because of resources constraints, the small firms can ill afford to adapt the new technology; consequently the South has for a long time continued to import barrel and stock whatever the North is able to sell. Many times the latter uses the former as guinea pigs for their technical development to the financial detriment of the South.

47. Within the PTA sub-region there is a very ideal opportunity to promote inter-firm sub-contracting both within the individual countries and across the territorial borders. Apart from the normal trade to be enhanced, there would be technology sharing in the new spirit of South to South co-operation.

48. Accordingly a small aluminium utensils extrusion plant in Nakuru, Kenya should contract with a rolling mill in Tanzania for supplies of aluminium circles and profiles rather than establish another rolling mill in Kenya. As mentioned above, Zimbabwe and Zambia for example, should draw and supply nail and copper wire respectively to small firms in the sub-region that make wire nails and car electric harnesses. An under-utilized foundry in Mauritius or Kakira (Uganda) or Dar-es-Salaam, should supply castings to sugar industry in other parts of the PTA. In the same way Somalia and Djibouti may supply coarse salt to the refineries in Lesotho or Zimbabwe.

49. Traditionally multinationals have been suspicious and reluctant to encourage sub-contracting even within the territorial boundaries. General Motors would prefer to import electric harnesses from the USA although a small firm in Zambia or even Kenya itself could be encouraged to supply same. Time has come when suitable policies must be enacted to facilitate such sub-contracting within the member states and thereafter, across the borders. In particular all heavy engineering industries in the sub-region ought to be encouraged to sub-contract production of their components and parts requirements within the sub-region. In case the process of sub-contracting cannot come about on its own, then the national governments should consider intervening with the appropriate environmental measures. May be at this stage the PTA Secretariat with the support of UNIDO etc., could consider commissioning a specific study on this subject with a view to coming out with suitable policy guidelines.

9. Marketing and Industrial Fairs for Small and Medium Scale Industries

50. A special problem of small scale industries is related to marketing of their products and services. Generally they do not usually regard sales promotion as part of operating budgets. Coupled with this are problems of standards and specifications, packaging, costing and pricing, reliability of supplies and guarantee of quality. Above all is the formidable problem of consumers' preference for imported goods as a common colonial legacy in the sub-region.

51. There is therefore, need for extensive consumer education across the PTA based on "buy local" campaign. "Local" in this case should be interpreted to mean the entire sub-region. General awareness should be created in the consumer community to support local small scale and medium industry. In order to improve its efficiency and thereby create more employment and sustain the existing jobs. There is need for the people of the area to understand that perfection of quality and quantity takes time; and may only be achieved through public support of what is locally produced. Indeed industrialization cannot come about without a measure of sacrifice by the consumer and tax payer. It is a pity that the general consumer takes the imported quality to be the standard, without considering the realistic economic situation. If the area is to industrialize, such an attitude must be changed through public education.

52. As stated earlier, it would be an ideal situation if the PTA can develop the common market to the extent where goods and services from the small scale sector are accessible across the sub-region. The process of industrialization at that level will be fostered if the domestic market of each country can be freely open to the goods and services of member states.

53. In furtherance of this ideal, concerted efforts should be made through the PTA Secretariat and with the support of UNIDO etc., to launch a PTA small scale industrial fair at least once every two years. The emphasis in the shows should be on actual goods and services from the sector along with the technologies employed; highlighting any new technological developments in the intervening period. These shows should be organized jointly by all the

member states and be staged on rotational basis. They would serve as a very important window for the goods of the sector and help to "market" any suitable technologies to the neighbours. To this end, a beginning had been made already with the staging of the last such fair in Harare a year ago. This was a successful departure from the usual trade and agricultural shows which are dominated by multinationals.

#### 10. Common Standards

54. If the PTA is to ease exchange of goods across the borders, then urgent consideration should be given to gradual unification and harmonization of standards and specifications in the sub-region. Arising out of the market situation described above, it is a fact that many people within the area still adhere to the foreign e.g., British standards and specifications.

55. Fortunately, the majority of the countries in the area have already established national bureaus of standards; and no doubt they are in the process of establishing various necessary standards. For the purpose of interchangeability and acceptability, deliberate measures ought to be taken soon to harmonize these standards. This implies that, national standards bodies ought to meet regularly to compare notes. It is gratifying to note that PTA has already initiated steps to harmonize the standards in the sub-region.

#### 11. Federation of Chambers of Commerce and Industry

56. Whatever the government and parastatal machinery may do to promote the growth of small and medium scale industry, the crucial factor in the entire process is the entrepreneur himself. He is the one to decide on what to produce, how and when to produce it. His voice must be heard.

57. Most of the PTA countries have well established Chambers of Commerce and Industry, which have now formed a PTA Federation. But in the majority of these chambers, small scale manufacturers do not play any meaningful role; in fact they are not even members. A noteworthy exception is Uganda where the Uganda Small Scale Industry Association (USSIA) is very effective indeed. Somalia is also in the process of getting a similar association for small manufacturers established.

58. If all that has been said and written about small industry development is to be meaningful, then the small entrepreneur himself through his proxy should be consulted before important policy decisions are made. In fact those concerned with the development of the sector will achieve better results if they were to act through national or PTA Federation of Chambers of Small Industries.

59. Since it may not be desirable (and in fact too expensive) to establish new and parallel Chambers of Small Scale Industries, urgent steps should be taken throughout the sub-region to incorporate into the existing Chambers all the existing small entrepreneurs. In fact it may make meaning for the national Chambers to create special windows for this segment of members and enable them to create special lobbies for furtherance of their common objectives within individual countries and across the PTA sub-region. For this

purpose it is recommended that the PTA Secretariat should use every endeavour to help organize these small entrepreneurs into members of the national Chambers of Commerce and Industry and be able to communicate with them through the federal machinery. At institutional level, entrepreneurs ought to be encouraged to form associations through which they could lobby and interact with the authorities. If representation through the existing chambers of commerce and industry is not possible or effective, then SMI entrepreneurs ought to consider forming their own national associations.

## **CONCLUSION**

60. While the modern large scale industrial sector of the economy in most of the PTA countries has been adversely affected by the unfavourable global economic conditions, the small scale industrial sector including the micro enterprises has continued to perform well. In fact in certain countries that have had to face crippling economic devastation, the small scale industrial sector did of necessity assume the responsibility of sustaining certain essential industrial supplies.

61. It is therefore, imperative that policies and measures be devised to promote and strengthen the sector within the individual nations and across the PTA generally. It is noteworthy that the Secretariat in Lusaka has organized the first workshop for the benefit of the sector. It is to be expected that these efforts and thrust will be continued and even strengthened including all endeavour to influence enactment of the correct policy guidelines in the sub-region. In particular national policies should be influenced appropriately to create a suitable climate for sub-contracting between the large and small scale sectors. Above all member countries ought to consider opening their doors to one another to facilitate cross fertilization of ideas and policies that could help strengthen the small scale sector.

62. A sub-sector that ought to receive the acknowledgement it deserves is the micro enterprise or "jua kali" level of activities. Across the sub-region, this hitherto neglected form of enterprise has continued to play very significant roles in the national economies of the PTA, especially in relation to employment generation at very cheap cost. Certain countries have already installed specific schemes including "character loans" to help up-lift these activities. It is necessary that the significance of this sub-sector be recognized; and the member countries should share experiences with a view to rationalizing their relevant development policies. The micro-enterprise sub-sector ought to be viewed as transitional activities for the concerned entrepreneurs, who should be encouraged to modernize and grow with time.

63. Finally, the role of women entrepreneurs in small and medium industry needs to be addressed. In recent years there has been increasing emphasis on support for women owned industrial activities in the sub-region. This is another specific area in which there may be exchange of ideas, so as to determine how best the new emphasis could achieve better results. In particular attention should be paid to the need for seed and venture capital which most women entrepreneurs, because of inheritance laws and other reasons, are unable to raise.

## RANDOM LIST OF POSSIBLE PROJECTS FOR CO-OPERATION WITHIN THE PTA

### 1. Training and Technology Exchange:-

(a) ESAMI:

The East and Southern African Management Institute has been identified as a possible sub-regional training centre that could go a long way to meet the staff and entrepreneur training needs of the PTA. Based at Arusha, Tanzania, it would be re-evaluated and strengthened with the necessary faculty and other resources to be able to play the expected role.

(b) Leather Technology Centre:

Leather industry is spread across the sub-region with varying degrees of success in each country. Some PTA States notably Ethiopia, Lesotho and Swaziland have a long tradition in leather products, Kenya has with the assistance of UNIDO established a nucleus Leather Technology Centre. A PTA Leather Training Centre could be established in one of these four countries.

(c) Metallurgical Technology Centre:

Records show that Zambia, Zimbabwe, Kenya and Malawi have strong bases for metallurgy industry. In particular Zambia and Zimbabwe are best suited for establishing between them a PTA Metallurgical Technology Centre; for training staff and workers from the sub-region. The courses will include foundry - and forging work apart from others.

(d) Textile Training:

This is a basic industry in the entire sub-region. Yet nearly all the necessary expert training in this industry is currently given overseas. It is important that this training be regionalized. At present one main producer of cotton and cotton products appear to be Tanzania, Kenya, Zimbabwe and Somalia. Between these countries, a textile training centre could be established to cater for the sub-regional requirements.



## 2. Examples of Industrial Projects for Co-operation

For sub-contracting within individual industries in each country and between industries across the states, integration of large and small scale industry is necessary.

(a) Machine Tools Industry:

This is a basic requirement in any industrialization process. Tanzania has already established a base for it; Kenya and Zimbabwe are working on their plans. It would be more viable if it is set up on sub-regional basis to benefit member countries. Many ancillary small industries are likely to spring up across the PTA to supply parts and components to the machine tools factory.

(b) Foundry:

A number of small foundries have been established in the sub-region especially in Zambia, Tanzania, Zimbabwe, Kenya etc. The sub-region needs the services of a high precision foundry particularly for certain machine tools factory. Subject to specific studies, such a foundry should be set up in one of the countries that may have more natural advantage.

(c) Fertilizer Factory:

Despite the limited sub-regional local supplies of fertilizer, the PTA still relies heavily on imported fertilizers. The cost of a fertilizer factory is heavy; and it would be more cost effective if such a factory were established to serve the sub-regional market. Uganda, because of its phosphates deposits, could be considered for this.

(d) Sheet Glass:

A number of countries do have medium size glass factory mainly for producing glassware e.g., Zambia, Kenya, etc. The sub-region relies on imported sheet glass for its construction industry. Yet the basic raw materials viz: soda ash and clean sand are abundantly available. Because of the very high cost involved in putting up such a factory, and due to the fact that the capacity for even the smallest economical plant is quite large, it makes sense to suggest that such a factory should be established on sub-regional PTA basis.

All the above mentioned project ideas are definitely large scale. However, they are mentioned here because they would have very good chances of encouraging ancillarization with the small and medium scale sector; both within the individual countries and across the borders. Detailed studies have to be undertaken to establish not only the viability of each project proposal, but more so the type of ancillary industries that could be promoted including their most suitable locations. These are ideas meant to provoke some thinking and discussion on them.