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PROMOTION OF ENTREPRENEURSHIP IN SMALL-SCALE INDUSTRIAL ENTERPRISES

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I. INTRODUCTION

A. Objectives of report

The present report is part of the implementation by the Economic and Social Commission for Western Asia (ESCWA) of the United Nations Development Programme (UNDP) project RAB/89/039, entitled "Promotion of industrial entrepreneurship in countries of the ESCWA region". This report aims at promoting industrial entrepreneurship in six selected countries of the ESCWA region -- Jordan, Egypt, Yemen, the Syrian Arab Republic, Lebanon and Iraq.

The objectives of the report are:

(a) Identification of major problems facing potential entrepreneurs and newly established small-scale industrialists and an assessment of the effectiveness of national entrepreneurship development;

(b) Recommendation of specific, feasible measures for improving entrepreneurial training, industrial consulting, financing techniques and the overall effectiveness of industrial services and institutions;

(c) Conception of an action-oriented programme for intraregional cooperation and the establishment of a regional consultation and coordination network among ESCWA small-industry financing and entrepreneurship-promotion agencies.

B. Report background

The small-scale industries sector in the region comprises productive ventures which usually require only limited investment and working capital, employ approximately 5-25 workers and produce goods mainly for the local and regional markets. As owner/managers prevail in the small-scale industrial sector, the development of the sector is therefore a direct function of indigenous entrepreneurial initiatives which can be stimulated and supported by industrial institutions and their services. Governments of the region have, in recent years, increasingly come to recognize the important role of small-scale industry in job creation, the need to provide support to potential entrepreneurs in identifying and establishing viable operations and the necessity of providing financial and other assistance to existing entrepreneurs in achieving growth and development.

Whilst these needs have been recognized and financial and counselling services have been established in most countries of the region, the scope and effectiveness of the services need to be considerably upgraded if the small industry sector in the region is to achieve its full job-creation potential.

Consequently, this project is mainly geared to assisting existing regional development institutions to find new and improved methods and techniques to support and promote the creation of indigenous entrepreneurship and improve the rate of development of existing small-scale industries.

The project also seeks to maximize regional cooperation in tackling common barriers to small-industry development. The establishment of an inter-institutional network for exchanging, sharing and joint use of information, experience and resources would allow the institutions in participating countries to benefit from economies of scale and would create opportunities for linkages, sub-contracting and joint ventures. Staff development and training courses, study tours, information gathering and other activities can be organized more cost effectively on the subregional rather than at the country level.

C. Unemployed returnees

The outbreak of war in the Gulf resulted in approximately two million migrant workers and their dependants returning to: Egypt (700,000); Jordan and Palestine (350,000); Lebanon (60,000); the Syrian Arab Republic (110,000); and Yemen (880,000). This had severe economic and social implications in countries already suffering from structural weaknesses in their economies, reflected in depreciating currencies, high inflation rates, loss of export markets and burdens of large external debts. There is an urgent need to create employment opportunities for the returnees, many of whom occupied managerial, administrative and technical skilled positions in the Gulf.

Many of the returnees could be potential small-industry entrepreneurs, and their accumulated savings balances can be considered potential sources of finance for new small-scale industrial ventures. The plight of the returnees and the impact of their return on their home countries make more urgent the need to stimulate increased industrial entrepreneurship and to upgrade the national institutions charged with the promotion of small-scale industry.

D. Report methodology

This consolidated report is based on:

(a) Five country-level field studies undertaken in Jordan, Egypt, Syrian Arab Republic, the southern governorates (formerly People's Democratic Republic of Yemen) of the Yemen Republic and Iraq by national consultants on the institutional framework, achievements and problems in promoting industrial entrepreneurship and the establishment of new small-scale industries;

(b) A field mission undertaken in December 1991 by Mr. Brian Cogan, international consultant (Industrial Development Authority of Ireland), and Mr. Antoine Mansour, Industrial Development Officer, ESCWA, to Jordan, Yemen, Egypt and the Syrian Arab Republic and by Mr. Mansour to Lebanon. The field mission involved meetings and discussions with more than 40 ministries, governmental and non-governmental industrial development agencies, chambers of industry, development banks, international aid agencies and private small-scale industrialists. A full list of organizations met are set out in the annex.

Due to the current political situation it was not possible to visit Iraq, and as our information is accordingly less than comprehensive it is not proposed to include Iraq in the next phase of this project;

(c) The study of relevant legislation and reports about the private industrial sector.

II. SUMMARY OF CONCLUSIONS

A. Background country review conclusions

1. Jordan (see chapter IV, part A)

There are approximately 12,000 industrial enterprises in Jordan. However 87 per cent of them employ less than 5 employees and only 315 employ more than 20 employees. There is considerable scope to identify within this base of companies those who have the product/market/management capability to achieve further growth.

The Gulf crisis inflicted great losses on Jordan's industrial sector by closing off regional export markets and reducing industrial investment. The estimated 350,000 returnees to Jordan and the occupied Palestinian territories have increased unemployment in Jordan to an estimated 30 per cent. There is an urgent need to increase employment opportunities in the private sector.

Jordan's comparatively well developed industrial development support infrastructure, combined with the country's high level of education, are positive features for a future programme of enterprise development.

2. Yemen (see chapter IV, part B)

In Yemen, the majority of private industrial companies operate in the informal sector. There are approximately 300 to 350 registered industrial units, and the Ministry of Industry estimates this represents 25 per cent of the total sector.

Industry is operating against a difficult background, with the economy registering major balance-of-payments and budget deficits and the economic difficulties compounded by the return of an estimated 880,000 returnees. Fifty percent of the population is under the age of 15, the level of education is low and many companies are operating below capacity due to restrictions on imports of raw materials.

The Government, however, is anxious to promote the private sector and in 1991 introduced a new investment law with many positive features including tax breaks and the elimination of restrictions on imports of raw materials. A new general investment authority is also being established which will have responsibility for industrial development.

3. Syrian Arab Republic (see chapter IV, part C)

Since 1988 the Syrian Arab Republic has adopted a more positive attitude towards the private sector. Industrial licence applications increased from 2,665 in 1988 to 6,000 in 1990. A new investment law was introduced in May 1991 which includes tax breaks and exemptions from import duties on raw materials and which reduced the number of sectors reserved for the public sector. The May 1990 Industrial Survey put the numbers employed in the private industrial sector at 130,703 in 1988.

While the climate for enterprise development has improved in recent times, major problems remain, including severe controls on currency, price controls and a lack of government development-support services for the private sector.

4. Iraq (see chapter IV, part D)

Prior to the Gulf War, the private sector in Iraq had a minority role (41 per cent of industrial production) in economic activities and industrial development compared with the public sector. The number of private industrial enterprises declined from 25,057 in 1980 to 22,485 in 1988. Enterprises employing less than 10 people account for 96 per cent of all enterprises, which are largely engaged in manufacturing consumer goods such as food and clothing.

The austerity measures which were taken during the 1980s (as a result of war) negatively affected the industrial sector, resulting in difficulties in finance, foreign exchange and supply of raw materials. Production is well dispersed throughout the country. However, a great deal of work can be done in the field of product quality improvement, as 23 per cent of private-sector enterprises are producing products below government-set standards.

In 1987, the Government launched a review of legislation to improve the economy and to give an increased role to the private sector. The review gave the private sector freedom to operate in all sectors, introduced tax breaks/exemptions from import duties on raw materials, privatized 50 companies, removed price controls and cancelled the upper limit on investment by private-sector companies. In June 1990, the Government allocated 250 million Iraqi dinars (ID) for the import needs of private enterprises. These reforms should open the way for the private industrial sector to play a significant role in the reconstruction of the Iraqi economy after the Gulf War.

5. Lebanon (see chapter IV, part E)

Statistics on the size of the Lebanese industrial sector are not readily available. However, the contribution of manufacturing activities to gross domestic product (GDP) was estimated at 14.7 per cent in 1987, and total industrial employment was put at 140,000 in 1988.

Fifteen years of political conflict (particularly the violence of 1989/90) and the Gulf crisis have left the economy extremely weak and the industrial sector attempting to cope with destruction of facilities, hyperinflation, the collapse of the information and developmental institutional infrastructure, emigration of skilled labour and the fragmentation of the local market. Industrial exports were particularly hit by the Gulf crisis, falling from $US 274 million in 1988 to $US 174 million for the first 11 months of 1990.

The ability of the Lebanese private industrial sector to cope with the legacy of the past two decades will depend on:

(a) Continued improvement in the internal security situation;

(b) Availability of credit to repair damage, overcome losses and replace obsolete capital stock;

(c) Re-building its export markets;

(d) Curtailing inflation.

In the right economic and political environment, Lebanon has a great potential for entrepreneurship development in building on its previous business and available managerial expertise.

6. Egypt (see chapter IV, part F)

The industrial and mining sectors account for 17.6 per cent of total gross domestic product (GDP). Public-sector enterprises still account for 65 per cent of manufacturing output. The General Organization for Industrialization has a data bank of 22,000 industrial enterprises employing more than 10 employees, and it is estimated that a further 10,000 such companies are operating in the informal sector.

Egyptian industrial enterprises have to cope with a number of significant problems, including a government bureaucracy devoted to a multitude of rule books and form filling, commercial-bank lending rates of approximately 20 per cent, a shortage of loan finance and a necessary but harsh economic reform programme which is holding back domestic demand. On the positive side, Egypt's Social Development Fund (SDF) has been drawn up with the objective of creating 150,000 new job opportunities over the next four years. The World Bank-regulated fund will make loans ranging from 10,000 Egyptian pounds (LE) to LE 50,000 for the upgrading of small industries and the creation of new job opportunities.

While Egypt's industrial development institutional infrastructure is relatively well developed, it lacks the resources to make a significant impact on a private sector which contains 32,000 enterprises.

B. Conclusions: development issues (see chapter VI)

1. One of the most significant barriers to enterprise development in the countries included in the study is the range of -- and administrative delays in processing -- forms and approvals (e.g. industrial licences, registration, commercial licenses, labour permits, import licenses, export licenses, customs documents, municipality land licences, price control documents, tax forms, etc.) related to establishing and running a small-scale enterprise. In Egypt, for example, some private industrialists claim that it takes up to 30 official approvals before a start-up is possible.

2. The provision of extension services to small-scale industry is considerably underdeveloped in Jordan and Egypt and almost non-existent in Yemen, the Syrian Arab Republic, Iraq and Lebanon.

3. With the exception of Jordan, the industrial banks in the subregion are failing to make any significant impact on industrial development. The levels of collateral being sought by development banks are excessive, and they display a reluctance, outside of Jordan and Yemen, to lend to small-scale enterprises and start-ups. Most projects are heavily dependent on personal equity.

4. Private commercial banks are extremely reluctant to lend to small-scale enterprises, and initiatives are required to increase their role in financing the private industrial sector.

5. Business information is not readily accessible in the region. Entrepreneurs are in need of information to enable them make sound decisions on all facets of their operations, including:

(a) Details on suppliers of equipment and raw materials nationally, in the region and internationally;

(b) Information on regional and international companies offering technology-transfer and product-licensing opportunities;

(c) Schedules of international trade fairs and exhibitions;

(d) National and regional import and export statistics;

(e) Linkage and sub-contracting opportunities;

(f) Details on existing companies and competitors in the entrepreneur's own country and the region;

(g) Lists of foreign buyers and importers;

(h) Information on support institutions (training bodies, consultancy firms, etc.) in the region;

(i) Government regulations covering business activities;

(j) Sources of finance.

6. There is a need for greater publicity aimed at encouraging people to start their own businesses. Returnees are a potentially rich source of new small-scale entrepreneurs.

7. Many entrepreneurs lack management training and appear to be unwilling or unable to attend management training courses. Management institutes in the Syrian Arab Republic, Yemen and Iraq direct their training either exclusively or mainly towards the public sector; in Jordan and Egypt the training that is available is not being taken up by small-scale entrepreneurs, who do not attach sufficient importance to the need for training.

III. SUMMARY OF RECOMMENDATIONS

A. Reduction of bureaucracy (see chapter VI, part A)

In order to reduce the barriers which bureaucratic administrative procedures have erected to the process of entrepreneurship development, the following are recommended;

Recommendation 1

Each country should carry out a full study on the current official approvals and paperwork required by Government of small-scale industry with a view to simplifying all essential and eliminating all non-essential forms and approvals.

The study should be undertaken by a team sponsored by private and semi-public institutions concerned with small-scale industry development (such as chambers of industry and industrial banks) and ESCWA. The team would issue a report and recommendations within a designated time period of six to nine months. The report would be submitted to the Government for consideration and implementation.

Recommendation 2

Each country should publish a "Guide to government forms, approvals and procedures for industry" to assist the entrepreneur in his dealings with ministries and government agencies.

The same team responsible for recommendation 1 would be subsequently responsible for the publication of this guide.

Recommendation 3

Each country should create a special governmental body that would handle all procedures related to the establishment of a firm; or create within a private institution (such as the Chamber of Industry) a unit that may carry out all paperwork for the entrepreneur and obtain current official approvals required by various ministries and government institutions. This unit also may assist companies who are experiencing genuine administrative delays, to expedite their individual applications.

Recommendation 4

The proposed ESCWA regional project team should advise national counterparts in the implementation of recommendations 1, 2 and 3.

As the study process and problems encountered are likely to be similar throughout the region, the shared use of the ESCWA regional project expert in this work makes economic sense.

B. Provision of extension services (see chapter VI, part B)

In order to upgrade the provision of extension services to small-scale industry, the following are recommended:

Recommendation 5

Each country should establish within a nominated ministry, governmental or non-governmental institution currently involved in industrial development activity, a small-business advisory unit to supply extension services to small industry as follows:

(a) The unit would confine its advisory services from its own staff to:

(i) Financial and cost accounting systems;
(ii) Marketing;
(iii) Low-level production technical advice;

(b) The ESCWA regional project team would run intensive regional training courses for the staff of the designated counterpart agencies in the above functions in order to upgrade their skills;

(c) At the Government's request in each country, commercial banks, universities and large public-sector firms would nominate a professional in their organizations who would be available, free of or at reduced charge to act as advisers one or two days a month to assist the small-business advisory units with particular requests for assistance from small firms;

(d) The small-business advisory units would compile a register of national and regional consultants to whom companies with specialized requests for assistance beyond the capabilities of the unit and its advisors could be referred. Such third-party consultancy would have to be fully paid for by the company;

(e) A small fee would be charged for all services provided by the unit. While the fee might only cover say 25 per cent of the unit's cost, it would ensure that companies were seriously interested in assistance and that the unit provided a professional service. The size of the fee could be increased in time as the service improved and became accepted;

(f) The small-business advisory units would develop a programme that would help small firms in carrying out innovation and identification of new products including links with universities so as to commercialize research results;

(g) The funding of the ESCWA project should include 12 months of consultancy services from regional-based consultants who could be called upon by the advisory units in their start-up phase;

(h) The small-business advisory units should be based in the same organization or have direct links into the national small-business information centres recommended in this report.

C. Finance (see chapter VI, part C)

In order to improve the availability of finance for industry, the following are recommended:

Recommendation 6

The proposed ESCWA regional project team should develop a regional consultation and coordination network among the various industrial banks including the Industrial Development Bank of Jordan (IDB), the Industrial Development Bank of Egypt, the Industrial Bank of Yemen, the Industrial Bank in the Syrian Arab Republic and the National Bank for Industrial and Tourism Development in Lebanon. The team would facilitate the exchange of information and the transfer of expertise between the institutions, and provide advisory services for the upgrading of industrial banks in the region.

Recommendation 7

The proposed ESCWA regional project should include an international expert from an industrial development bank to advise the Governments of Egypt, Yemen, the Syrian Arab Republic and Lebanon on measures to upgrade their industrial banks.

The international expert's terms of reference should include analysis and recommendations on:

(a) Historic financial and development performance of the bank;

(b) Bank's management structure and personnel administration policies;

(c) Loan evaluation procedures and staff analytical skills;

(d) Organization and structure of information systems;

(e) Lending, promotional, collateral and repayment policies;

(f) Additional sources of finance for the bank;

(g) Future strategic development of the bank.

Recommendation 8

Greater skills in project assessment by industrial bank staff would allow lower collateral requirements. The proposed ESCWA regional project should include the regional training of personnel from industrial banks in project assessment skills.

It is envisaged that the same international expert responsible for implementing recommendation 7 would be responsible for the regional training seminars. The course topics are to include:

Industry risk analysis

Company evaluation
Use of ratios
Cash-flow analysis
Security evaluation
Offer conditions and covenants
Signs of corporate collapse
Monitoring and restructuring

The course contents should include:

(a) How to assess the credit-worthiness of proposals;
(b) How to prepare reports evaluating proposals;
(c) How to produce letters of offer;
(d) How to identify early signs of financial difficulties;
(e) How to restructure problem loans.

Recommendation 9

Industrial banks should reduce collateral levels, particularly for small-scale projects, and should direct more of their financing to labour-intensive small-scale projects and start-up.

Recommendation 10

Loan-guarantee schemes, similar to the scheme being implemented by the Credit Guarantee Corporation for Small Scale Enterprises in Egypt should be examined by Jordan, Yemen and Lebanon as a means of increasing the role of private commercial banks in the funding of small-scale enterprises.

Recommendation 11

In the absence of a private commercial banking system in the Syrian Arab Republic, additional funding should be sourced by the Syrian Government for the Industrial Bank. Financing schemes, such as venture capital that would allow additional sources of financing for entrepreneurs, should be developed in countries of the region.

D. Business information centres (see chapter VI, part D)

Access to business information is a critical factor in the effective start-up and ongoing efficient operation of an industrial enterprise.

Recommendation 12

Each country should establish within a nominated ministry, governmental or non-governmental institution a small-business information centre for the collection and dissemination of business information as set out in chapter II, part B.5 above.

Recommendation 13

The proposed ESCWA project would have responsibility for assisting in the establishment of business information centres and the training of their staff and for building a network between them to facilitate a regional flow of information.

A significant proportion of the required training would be delivered centrally through regional training seminars. While the national counterparts would have responsibility for the collection of national information, the ESCWA regional project would be responsible for the identification of international information sources of common interest to all the countries.

E. Entrepreneurial encouragement (see chapter VI, part E)

National development policies should include a programme of activities designed to increase awareness of industry and promote an enterprise culture.

Recommendation 14

National publicity campaigns should be launched in each of the countries of the region; these should be aimed at promoting industrial entrepreneurship, including start-your-own-business brochures, start-your-own-business competitions, student enterprise award schemes, small-enterprises-of-the-year awards and television/print media coverage of successful small enterprises. A special target segment for the campaign should be returnees.

Recommendation 15

The ESCWA regional project team should advise counterparts on design and implementation of the publicity campaign.

F. Management training and development (see chapter VI, part F)

Both would-be and existing entrepreneurs are lacking training in starting and improving a business.

Recommendation 16

The Management and Productivity Development Centre in the Syrian Arab Republic, the National Institute for Management in Yemen and the National Centre for Consultancy and Management Development in Iraq should be redirected to playing a greater role in management training for the private sector.

Recommendation 17

ESCWA should facilitate the formation of a unit within an existing national or regional institute of management with the aim of pooling ideas on management training in the region, coordinating and facilitating regional management seminars and allowing for cooperation and transfer of expertise among the management training institutes in the region.

Recommendation 18

In view of the importance of training and the reluctance of companies to undertake it, national authorities should consider the imposition of small training levies on all companies. Companies could in turn reclaim the levy for paying for training courses for their staff. Alternatively, loans from development banks could be conditional on attendance at specific management development courses.

The training levy, which would be collected yearly in conjunction with taxes on corporation profits, should vary in value depending on turnover and number of employees in the firm.

Recommendation 19

To facilitate small-scale entrepreneurs who cannot absent themselves from their businesses during normal working hours to attend training courses, training institutes in the region should endeavour to carry out on-the-job training and to run management training courses, specifically geared to small-scale enterprises, outside of normal business hours (in the evenings). Arabic management training videos should also be produced and sold to business people who do not wish to participate in formal business training.

Recommendation 20

Emphasis should be placed on running start-your-own-business courses in all the countries under study. A particular target for these courses should be returnees. The current project being undertaken by ESCWA in producing an audio-visual documentary on its start-your-own-business(SYB) training workshop, the production of an Arabic SYB training manual and the ESCWA regional seminar held in April 1992 on 'Motivation, orientation and training techniques for enhancing industrial entrepreneurship in the ESCWA region' will be a valuable aid in this regard.

G. Project identification (see chapter VI, part G)

There is a need for further project-identification activities in the region to assist those interested in establishing small-scale industrial enterprises, particularly to assist returnees.

Recommendation 21

Each country, with the possible exception of Jordan which is already conducting a significant number of activities with international backing, is recommended to separately seek support from international development agencies to upgrade project profiles/sketches already produced and to carry out further project-identification work aimed particularly at opportunities for small-scale industry.

IV. BACKGROUND REVIEW OF THE PRIVATE INDUSTRIAL SECTOR

A. Jordan

Based on the returns of the industrial census, it is estimated that there are approximately 12,000 industrial enterprises in Jordan, of which 87 per cent comprise workshop-type operations employing less than 5 employees. These very small-scale operations are engaged in:

Woodwork and furniture
Knitting and ready-made garments
Window-grill frames and structures
Food products
Repair activities, etc.

The size of the remainder of the industrial sector is as follows:

No. of employees	No. of enterprises
5 to 9	1 035
10 to 19	260
20+	315

From these statistics we can see clearly that only a small percentage of established operations are of any significant size, with only 315 operations out of 12,000 employing more than 20 employees. Clearly, there is a need to identify within the smaller companies (5-25) those who have the product/market/management capability to achieve worthwhile levels of growth, and focus extension services on those companies. Another feature of Jordanian industry is the lack of regional dispersal, with 85 per cent of small-scale industries concentrated in the Amman region.

Whereas the industrial sector overall witnessed an improvement in its performance during the first seven months of 1990 reflected in an increase in exports during the seven months to 373.4 million Jordanian dinars (JD) (an increase of 31.5 per cent over the same period in 1989), the Gulf crisis inflicted great losses on the sector as a result of a complete halt of exports to Iraq and the Gulf Cooperation Council (GCC) countries, which amounted to 80 per cent of Jordan's total exports, excluding phosphate, potash and fertilizers. Industrial investment was also affected by the crisis, reflected in the decline of the number of industrial projects registered at the Ministry of Trade and Industry during 1990; these amounted to 400 projects with registered capital of JD 30.6 million, compared to 660 projects with registered capital of JD 65.9 million in 1989. This decline is further evidenced by table 1 below which shows the index of industrial production by sector and reveals a decline in production in many sectors.

The economy overall reflected the experience in the industrial sector, with GDP growing by 1.5 per cent in the first half of 1990 and the budget deficit being lowered by 17 per cent in the same period. However, by the year's end, GDP for the whole of 1990 declined by 8.2 per cent, and the balance of payments showed a deficit of $US 600 million. The return of Jordanians working in Kuwait added an additional burden to the high rate of

unemployment in Jordan, estimated to be around 30 per cent. As Jordan recovers from the Gulf crisis, there is clearly a need to stimulate the small-industry sector, which internationally is proven to be a major source of job creation, compared to the more capital-oriented medium/large-scale industrial sector.

Compared to other countries in the study, Jordan's industrial development institutional infrastructure is well advanced and includes:

Ministry of Industry and Trade
Industrial Development Bank
Industrial Estate Corporation
Jordan Commercial Centres Corporation (for export promotion)
Free Zones Corporation
Jordan Institute of Management (training institute)

This developed infrasturcture and the relatively high level of education of the Jordanian population are two major foundations in any future programmes of enterprise development.

B. Yemen

The majority of the private industrial sector in Yemen operates in the informal sector. This fact combined with the unreliability of official statistics makes an accurate assessment of the number of industrial enterprises in Yemen difficult to ascertain. However, statistics show that the manufacturing industry accounts for only 8.5 per cent of GDP. According to the Ministry of Industry there are 300 to 350 industrial enterprises registered in Yemen and they estimated that this number represents 25 per cent to 30 per cent of the number of industrial enterprises in Yemen. Industry is concentrated in the following sectors:

Building materials
Aluminium products
Food processing
Chemicals and plastics
Metalworking
Woodworking
Garment production.

Manufacturing exports are negligible, with oil comprising 84 per cent of total exports.

With respect to the southern governorates (formerly the People's Democratic Republic of Yemen) of the Yemen Republic, the Statistical Yearbook for 1988 shows that the private sector comprises only 23 companies (employing from 7 to 50 employees) with a total workforce of 389 employees.

Table 1. Jordan: index number of industrial production

(1979 = 100)

Products	1986	1987	1988	1989	1990
Food items	97.9	102.8	117.5	12.8	19.0
Soft drinks	69.0	77.3	87.5	89.4	89.6
Fodder	87.8	85.7	95.8	99.9	91.9
Cigarettes and matches	100.1	125.9	115.3	86.3	97.3
Clothes and textiles	148.2	167.3	175.9	149.8	159.6
Footwear and leather	118.7	113.6	121.0	98.7	107.8
Plastic and sponge	114.1	107.8	122.2	92.7	102.9
CHEMICALS					
General	217.3	226.8	193.1	266.7	271.7
Pharmaceuticals	339.2	377.1	345.1	498.4	449.7
Paints	95.6	105.9	99.2	89.8	109.7
Detergents and soap	175.3	164.1	119.2	166.4	204.5
CONSTRUCTION MATERIALS					
General	182.2	201.6	176.2	174.7	167.9
Iron	173.7	183.3	162.9	147.5	146.4
Cement	287.9	380.5	285.2	309.7	278.8
Wood products	65.0	36.9	85.1	101.3	74.2
Others	115.0	86.9	117.5	159.4	185.1
Petroleum	134.2	140.0	137.7	140.7	154.9
Phosphate	221.0	242.1	199.0	234.7	203.3
Paper and cardboard	170.5	245.3	208.0	263.0	274.8
Batteries	72.3	73.3	84.5	91.9	78.2
Electricity	323.7	381.8	353.0	375.3	401.7
Overall index	187.8	205.2	188.5	197.9	199.3
Per cent change	1.40	9.26	(8.13)	4.90	0.70

Source: Monthly Statistical Bulletin, Central Bank of Jordan, October 1991.

The industrial sector in the Yemen Republic is currently operating against a difficult economic background. The year 1991 is expected to show a budget deficit of approximately 12 per cent of GDP and a balance-of-payments deficit in excess of 47 per cent of GDP for 1990. The economic problems are exacerbated by a demographic growth of 3.1 per cent per year in a country where 50 per cent of the population is below the age of 15. The youthfulness of the population underlines the need for a sustained effort to promote job creation through industrial development. Much of the industrial sector is currently operating below capacity due to restrictions on raw-material imports arising from an official shortage of hard currency. On the positive side there is a fine tradition of enterprise in Yemen and a new investment code was issued by the Government in 1991. This law also established a new agency, the General Investment Authority, to oversee industrial promotion. In practice, there are also considerable quantities of hard currency available in the informal sector, and in recognition of this fact the new investment code proposes to abolish all quotas on imports of raw materials.

Compared to other countries in the study, Yemen's industrial-development institutional infrastructure is underdeveloped and ineffective in assisting the private sector. The Industrial Bank of Yemen, with the exception of its Small Enterprise Development Unit, is functioning in a mediocre way. The National Institute of Management provides training primarily for the public sector. Nobody is providing extension services, and little is done in project identification. Moreover, there are no management consultancy firms in the private sector to compensate for the lack of governmental institutional support. These shortcomings are further aggravated by the low level of overall education in Yemen and the limited vocational training available. The Government, however, recognizes the shortcomings of its support systems for industry and is keen to cooperate with international agencies such as the United Nations Development Programme (UNDP) and ESCWA, in establishing an effective enterprise development programme.

C. Syrian Arab Republic

Historically, due to its geographic location in the eastern Mediterranean on the routes of trade to western Asia, the Arabian peninsula and the Indian sub-continent and due to its favourable climate, soil fertility and mineral resources, a spirit of enterprise has been traditional in the Syrian Arab Republic. However, government policies from the early 1960s onwards have placed more emphasis on socialist policies and the development of the public sector as an alternative to private enterprise. In recent times, particularly since the second half of the 1980s, there has been a greater willingness on the part of the Syrian Government to facilitate the emergence of a private industrial sector to operate in harmony with the public sector. The revival of industrial entrepreneurship in the Syrian Arab Republic can be observed from the increase of industrial licence applications received and issued by the Ministry of Industry. In 1988, 2,665 licence applications were received and issued. In 1989, this number increased by 127 per cent to 6,178 licenses received and issued. An approximate further 6,000 licences were issued in 1990.

Further evidence of the revival of private enterprise can be drawn from the Industrial Survey of the Private Sector, 1987-1988 published by the Central Bureau of Statistics in May 1990 (see table 2).

Table 2.: Syrian Arab Republic: gross output and gross value added in manufacturing industry
(Millions of Syrian pounds (LS) and percentages)

	1987		1988	
	Gross output	Gross value added	Gross output	Gross value added
Public sector	16 201	3 146	19 065	1 100
Private sector	13 292	4 679	37 784	9 330
Total	29 493	7 825	56 849	10 430
Public, per cent total	55	40	34	11
Private, per cent total	45	60	66	89

Source: Syrian Arab Republic, Central Bureau of Statistics, Industrial Survey 1987-1988, May 1990.

Note: Data excludes oil refining and electricity generation.

Analysis of this data reveals some very interesting results. First, although the value of output produced by the public sector grew by 18 per cent in 1988 over 1987, private-sector output increased by 184 per cent. This dramatic growth in private-sector output has caused a significant structural change in the relative contributions of the two sectors. Accordingly, the public sector's share of output declined from 55 per cent in 1987 to 34 per cent in 1988, while the private sector's share increased sharply, from 45 per cent to 66 per cent over the same period.

Second, the share of the private sector in industrial gross value added is greater than that of the public sector in both years. More striking, however, is the jump of this ratio from 60 per cent to 89 per cent for the private sector and its decline from 40 per cent to 11 per cent for the public sector. Further government encouragement for the emergence of a vibrant private sector was evidenced in 1991 by the issuance on 4 May 1991 of Law No. 10 -- the new investment law. Under this law, approved projects are exempted from duties on raw materials, and also from income taxes for five to seven years from the date of investment; foreign participation in projects is permitted. The year 1991 also saw a reduction in the number of industrial branches reserved for the public sector.

As with Yemen, reliable statistics on the number of private industrial enterprises are not available. However, the size of the sector can be judged

from the May 1990 industrial survey of the private sector, which puts the numbers employed in the private manufacturing sector in 1988 at 130,703. The scale of the sector can be further judged from the number of new licensed projects established each year, which has averaged 1,700 per year over the past five years.

Whilst we can see that in the past four years greater emphasis is being placed by the Syrian Government on permitting the development of the private industrial sector, entrepreneurs still find themselves operating in an environment containing a number of very significant difficulties including:

(a) Severe controls and shortages of hard currency;

(b) Price controls;

(c) Freedom of choice of industrial branch still restricted;

(d) No industrial estates;

(e) Great difficulty in obtaining reliable information on existing companies, markets, etc.;

(f) New investment law only applies to projects whose investment exceeds 10 million Syrian pounds ($250,000), thus discriminating against small firms.

Furthermore, the industrial development institutional infrastructure is underdeveloped. The Industrial Bank has very limited capital to lend; the Management and Productivity Development Centre provides management training solely to public-sector industrial enterprises; and whilst the Ministry of Industry has established a unit to provide counselling to small privately owned manufacturing units, it is understaffed, and the skills of the existing staff need to be considerably upgraded.

In the changing circumstances of a growing private sector, clearly there is a need for the Government to match its policy changes with a complementary upgrading of its institutional support to the private sector, particularly small-scale industry. There is also a need to provide international-agency support to the Syrian Government in upgrading its services to industry, particularly in the areas of industrial information collection and dissemination, provision of extension services and the operation of an effective industrial development bank.

D. Iraq

The private sector is credited for the emergence of modern industry in Iraq. Individual entrepreneurs established the first industries in the 1920s. The State created a suitable climate for private enterprise through the enactment of appropriate legislation. In 1929 a law on industrial development was issued. Earlier, the Law of Customs Duties was issued, imposing high duties on imports of competitive and luxurious goods while waiving or decreasing the duties on capital goods. In the mid-1940s the Industrial Bank was established, and it played an important role in supporting the private sector. The 1950s saw further growth in the sector due to the

expansion of the local market and the increase in purchasing power caused by the rise in the country's oil reserves. After the 14 July 1958 revolution, efforts were intensified to expedite the growth of indigenous manufacturing units. The Law on Organizing Industrial Investments was amended in 1961, offering additional incentives and privileges to the private sector; the system of granting licences for industrial establishments was introduced as well. From 1957 to 1964, the private sector witnessed a noticeable expansion in several sectors, noticeably cement, textiles and vegetable oils, as well as mineral industries.

The 1964 nationalization of 27 major industrial enterprises and development strategies after the 17 July 1968 revolution, which gave more priority to the expansion of the public sector's roles in the development of manufacturing industry, led to a severe contraction in private industrial investment. In the new economic climate, entrepreneurs were reluctant to invest, and the vast expansion of the public sector covered almost all types of industry, leaving no place for the private sector to invest.

The following 25 years saw the public sector play the dominant role in Iraqi industry.

The size and role of private-owned industry in Iraq, for the last three decades, especially for the last decade, have been characterized by the following features:

(a) The private sector has a minor role in economic activities and industrial development compared with the public sector;

(b) The overwhelming majority of private industrial enterprises are very small;

(c) Enterprises employing less than 10 people account for about 96 per cent of private enterprises;

(d) Private enterprises are largely engaged in manufacturing consumer goods such as food and clothes;

(e) Most private enterprises rely on the manual skills of their workers rather than on sophisticated technology in manufacturing their products. The enterprises lack appropriate technology and sophisticated production techniques;

(f) Industries for producing capital and intermediate goods developed good personal labour skills. Such skills and experience are considered vital necessities for establishing and developing workshops and factories utilizing modern technology in the future;

(g) Private industrial enterprises were better off in 1980 than in 1988, in terms of the total number of employees;

(h) The output of private enterprises satisfies a good proportion of market and consumer needs.

The number of private industrial enterprises declined from 25,057 in 1980 to 22,485 in 1988. The decline of the role of the private sector in the manufacturing sector between the years 1980 and 1988 is highlighted by the following statistics from the Iraqi Ministry of Planning published in June 1990:

1. Value of production

In spite of the increase in the value of production of private industrial enterprises from ID 832.7 million in 1980 to ID 1,561.4 million in 1988, its contribution to total industrial production declined from 45 per cent to 41 per cent. On the other hand, public-sector enterprises made a higher contribution in production value, which increased from 55 per cent in 1980 to 59 per cent in 1988.

Table 3. Iraq: manufacturing output by sectors
(Percentage)

Year	Share of public sector	Share of private sector
1980	55	45
1986	65	35
1987	62	38
1988	59	41

Source: Republic of Iraq, Ministry of Planning, "The Private Industrial Sector 1980-1988", June 1990.

2. Value added

The contribution of the private sector to manufacturing value added declined from 49 per cent in 1980 to 33 per cent in 1988. The leading role is clearly within the hands of the public sector.

Table 4. Iraq: manufacturing value added by sector
(Percentage)

Year	Share of public sector	Share of private sector
1980	51	49
1986	73	27
1987	73	27
1988	67	33

Source: Republic of Iraq, Ministry of Planning, "The Private Industrial Sector 1980-1988", June 1990.

3. Number of employees

There were 237,547 employees in 1980 in all industrial enterprises. This figure decreased to 213,660 employees in 1988. Private enterprises employed 43 per cent of the labour force in 1980, and 42 per cent in 1988.

On the opposite side the contribution of the public sector changed slightly, from 57 per cent to 58 per cent.

Table 5. Iraq: employees in manufacturing by sector
(Number and percentage)

Year	Public sector		Private sector		Total
	Number	Percentage	Number	Percentage	
1980	134 383	57	103 164	43	237 547
1988	124 461	58	89 199	42	213 660

Source: Republic of Iraq, Ministry of Planning, "The private industrial sector 1980-1988", June 1990.

The reason behind the decline in the number of employees in the private sector from 103,164 to 89,199 between the years 1980 and 1988 is that many employees joined the army during the Iraq-Iran war.

4. Fixed capital formation

The value of fixed capital formation in the private industrial sector declined during the period 1980-1988, from ID 25.5 million to ID 12.7 million at current prices, making a rate of annual decline of 8.3 per cent. At constant prices, the value of fixed capital formation declined to ID 7.0 million, making an annual decline of about 15 per cent.

The highest value was that of 1981 (at fixed prices); thereafter it started to decline. The war burden was certainly the reason behind this decline in investment.

Table 6. Iraq: fixed capital formation of the private industrial sector
(Millions of Iraqi dinars)

Year	At current prices	At fixed prices
1980	25.5	25.5
1981	33.3	31.3
1982	34.2	29.4
1983	36.7	29.3
1984	20.9	15.5
1985	25.1	17.5
1986	19.5	12.0
1987	19.5	11.4
1988	12.7	7.0

Source: Republic of Iraq, Ministry of Planning, "The Private Industrial Sector 1980-1988", June 1990.

At the beginning of 1987, the Iraqi Government reviewed many laws with the objective of improving the productivity of different economic activities and eliminating many of the negative factors which had entered the industrial development process. The reforms gave special and significant attention to the private sector, thereby creating a better climate for private industrial investment.

The reforms included:

(a) Cancellation of the upper limit on capital investment for private-sector projects. These limits had previously restricted the nature of projects the private sector could undertake;

(b) Freedom for the private sector to invest in all economic activities, except military industry;

(c) Incentives towards investment including provision of some credit facilities, exemption for five years from customs duties on imports of machinery and raw materials, leasing of industrial land, etc.;

(d) The privatization of more than 50 public enterprises;

(e) Permitting foreign Arab investment in Iraqi-based projects up to a maximum of 49 per cent of the capital;

(f) Easing of restrictions on imports of foreign goods;

(g) Removal of price controls;

(h) Exemption from taxes for a period of 10 years, effective from January 1989;

(i) In June 1990, the announcement of an allocation of ID 250 million to satisfy, in cash, the import needs of private enterprises.

Clearly these are far-reaching and significant reforms which could lead to a revitalization of the role of private enterprise in the future economic reconstruction and redevelopment of Iraq and which could reverse the declines of the private-sector's fortunes, particularly over the past decade.

However, the industrial development institutional support infrastructure is not currently geared to assisting the role of the private sector and small-scale enterprises. The Industrial Development Bank, while its mandate is to assist both large and small companies, has been starved of funds over the past decade due to the war efforts. The National Centre for Consultancy and Management Development, a government body providing training and consultancy services, has confined its services to ministries and public-sector enterprises. Likewise, the training centres in the Ministry of Trade and Ministry of Industry only provide training to the employees of public- and mixed-sector enterprises. Finally, as for the State Directorate for Organization and Assistance, the institution responsible for assessing every private company's needs for foreign raw materials and for issuing licences for raw-material imports, and the Central Organization for

Standardization and Quality Control, responsible for inspecting all enterprises with capital exceeding ID 50,000 to ensure that quality of products conforms to certain standard specifications, neither of these bodies provide counselling services to the private sector. The future development of the small-industry sector in Iraq will require institutional support in entrepreneurship training, extension services, information dissemination, land allocation and adequate financing schemes if the reforms of 1987-1990 are to realize their full potential.

E. Lebanon

The collapse of the institutional information infrastructure makes any analysis of the Lebanese situation extremely difficult. Fifteen years of political conflict have left the economy extremely weak and vulnerable and the escalation of violence in 1989/90, combined with the highly negative impact on the economy of the Gulf War, seriously worsened the situation. The prolongation of the Lebanese crisis had negative effects on Lebanese industry in two main ways. First, hostilities have taken place mainly in urban areas where most industrial plants are located, causing in the process great destruction and losses. Secondly, many industrialists became increasingly reluctant to replace obsolete capital stock. Additional difficulties stemmed from inadequate credit (industry's share of credit standing at only 9.7 per cent at the end of 1989), fragmentation of the market and the emigration of skilled labour.

In the few years that preceeded the outbreak of the latest round of fighting in 1989/90 but particularly in 1988, Lebanese industry made strides forward. In addition to maintaining its traditional and important presence in Arab markets, Lebanese industry succeeded in penetrating new markets in Europe and the United States, and in becoming increasingly accepted in the local market. The enhanced competitiveness of Lebanese industrial products benefited from: the depreciation of the pound down from 3.65 Lebanese pounds to the dollar in 1980 to over 800 Lebanese pounds to the dollar in 1991; the existence of excess capacity, stocks of raw materials and foreign exchange reserves; and the low level of labour costs. However, the accelerated inflationary trend in recent years and the significant increases in labour wages since 1990 have eliminated the positive effects of the depreciation of the local currency, and therefore led to a net increase in prices of Lebanese industrial products. Furthermore, the combined effects of the escalation of violence in 1989/90 and the onset of the Gulf crisis caused industrial output to decline by 30 to 40 per cent in the first 8 months of 1990, according to the Association of Lebanese Industrialists.

As table 7 shows, industrial exports were particularly hard hit, falling from $US 274 million in 1988 to $US 174 million in 1989 and to $US 111 million for the first 11 months of 1990. The Gulf States absorbed 37.3 per cent of total Lebanese industrial exports in 1989. Iraq took another 8.6 per cent while other Arab countries including Egypt, Jordan, Libyan Arab Jamahiriya and the Syrian Arab Republic accounted for 14.1 per cent. The balance was taken mainly by countries of the European Economic Community (25.4 per cent), North America (12.3 per cent) and other countries in Europe (1.8 per cent).

The Gulf crisis also had a negative effect on the country's hyperinflation rates. According to sources used by the Bank of Lebanon, the annual rate of inflation dropped from 487 per cent in 1987 to 155 per cent in 1988 and further to 70 per cent in 1989. By the end of July 1990, prices had risen by 43 per cent. However, in the three months which followed the outbreak of the Gulf crisis, prices increased by 58 per cent, bringing the total increase for the first 10 months of the year to 135 per cent. The sharp increase during the period August to October was associated with a steep depreciation of the pound, higher fuel prices and increased demand arising from spending by Lebanese returnees -- all elements linked to the crisis.

Statistics on the size of the industrial sector are not readily available. However, the contribution of manufacturing activities to GDP in Lebanon was estimated at 14.7 per cent for 1987 and industrial employment was put at 140,000 persons for 1988. The industrial development institutional infrastructure collapsed during the 15 years of civil war. The only existing development bank, the National Bank for Industrial and Tourism Development lacks the financial resources to provide adequate financing to the industrial sector. There is an almost total absence of extension services to industrial entrepreneurs. The responsible agency -- the Industrial Research Institute affiliated to the Ministry of Industry and Petroleum -- has been paralysed by the war, and there is a total lack of information services for industry.

Table 7. Lebanon: industrial exports by months, 1988-1990
(Thousands of US dollars)

	1988	1989	1990
January	18 298	17 390	3 441
February	18 839	16 198	3 663
March	26 719	20 915	11 303
April	28 869	13 634	6 876
May	26 808	13 033	9 651
June	21 507	12 485	10 560
July	21 131	12 872	14 496
August	24 131	11 879	10 717
September	22 147	12 659	9 894
October	23 793	16 232	17 830
November	22 225	13 281	12 442
December	19 844	13 716	
Total	274 309	174 294	

Source: Ministry of Industry and Petroleum.

The ability of Lebanese industry to cope with the legacy of 15 years of internal disturbances and the consequences of the Gulf crisis will depend on:

(a) Continued improvement in the internal security situation;

(b) Availability of credit to repair damage, overcome losses and replace obsolete capital stock;

(c) Maintaining the successful export drive to Europe and North America;

(d) Curtailing inflation.

In the correct economic and political environment, Lebanon has a great potential for entrepreneurship development in building on its previous business experience and available managerial expertise. International assistance in rebuilding industrial support agencies is urgently required.

F. Egypt

The industrial and mining sectors, according to the latest available figures for 1988/89, contribute 17.6 per cent of total GDP in Egypt. The industrial sector, however, continues to be dominated by public-sector enterprises, which account for 65 per cent of Egyptian manufacturing output. As many small companies operate in the informal economy, exact statistics on the number of industrial enterprises are not readily available. However, the General Organization for Industrialization (GOFI) has a data bank of 22,000 industrial enterprises employing more than 10 workers, and they estimate a further 10,000 such companies are operating in the informal sector. According to some estimates the so-called informal economy in all sectors in Egypt accounts for as much as 25 per cent of GDP. The Government is pressing ahead with a policy of liberalization and rationalization of the public sector, including a process of privatization. Investment Law No. 230, approved in July 1989, was designed to encourage the free-market sector and particularly to reduce the influence of bureaucracy upon business. It reaffirms investors' protection against the appropriation of assets without compensation and establishes a more or less level playing field for all types of investment, including improved tax treatment for new ventures.

However, Egyptian industrial entrepreneurs still have to cope with a government bureaucracy suspicious of private business and devoted to a multitude of rule books and form filling. There are, for instance, 7,100 different fiscal stamps, a minimum of three of which are gummed to all official documents. The simplest export/import deal attracts a minimum of 20 different stamps. While industry is the fastest-growing part of the Egyptian economy, it still faces major challenges. While the economy registered growth of 1.8 per cent in 1989 and 1.2 per cent in 1990, consumer price inflation and commercial bank lending rates at approximately 20 per cent, increases in electricity costs and the necessary but harsh economic reform programme, which is holding back domestic demand, are all difficulties which the private-sector industrialist is having to cope with. On the positive side, foreign currency reserves are healthy and the plan for Egypt's Social Development Fund (SDF) has been drawn up with the objective of creating around 150,000 new job opportunities in the next four years. The World Bank-regulated fund is designed to cushion the impact of Egypt's economic reform programme on low-income groups. Loans ranging from LE 10,000 to LE 50,000 will be offered for projects that upgrade small industries and create new job opportunities with limited capital investment. The projects themselves will act as collateral. The fund will begin work in 1992 with an initial "urgent" nine-month phase. This will entail the funding of programmes in cooperation with businessmen's societies and industrial federations, concentrating on cottage industries and schemes for assisting investors. An "intensive" stage will begin in the second

half of 1992 and continue for three years, which is the provisional life-span of the fund. During this stage, programmes allocating credit facilities to small industries and civil projects will be funded, along with training and social service schemes.

Egypt's industrial development institutional infrastructure is well advanced and includes:

(a) General Organization for Industrialization (GOFI);

(b) Industrial Design Development Centre (IDDC);

(c) Egyptian Organization for Standardization (EOS);

(d) Vocational Training Department, Ministry of Industry (VID);

(e) Federation of Egyptian Industries (FEI);

(f) National Research Centre (NRC);

(g) Engineering Faculties and Faculty of Applied Arts;

(h) Industrial Development Bank of Egypt (IDBE);

(i) Egyptian Businessmen's Association (EBA);

(j) Environmental Quality International (EQI);

(k) Industrial Control Department, Ministry of Industry (ICD);

(l) Egyptian Export Promotion Centre (EEPC).

However, with an estimated population of 32,000 private industrial companies, the resources of development institutions are insufficient to cope with the demands of the private industrial sector.

V. NATURE AND CHARACTERISTICS OF SMALL-SCALE INDUSTRIAL ENTREPRENEURS

Any attempt at promoting industrial enterprise in the region must start with an analysis of the nature and characteristics of the typical small-scale industrialist. It is perhaps not surprising to find that entrepreneurs in all the countries covered by the study largely share the same characteristics; indeed a number of these characteristics are to be found in small-scale entrepreneurs world-wide.

Industrial entrepreneurs and enterprises in the region are characterized in the following summary:

1. Educational background

Educational background varies from entrepreneurs of no educational background -- particularly in Yemen where many entrepreneurs are illiterate -- to university graduates. However, in the main, small-scale entrepreneurs are of a low educational background, with the majority having primary or secondary school certificates. This low-level educational background is important to consider in any proposed schemes of promotion, training and counselling. However, lack of formal advanced education is to some extent compensated by practical business experience and intuition. The mean age of entrepreneurs is 40 to 50 years and most are nationals of the country in which they operate.

2. Employment background

The majority of small-scale industrial entrepreneurs in the region have backgrounds in trading businesses, where they acquired most of their business skills. Many, however, in entering the manufacturing sector underestimate the more complex nature of running a manufacturing business as compared to operating a trading concern. They are also inclined to carry with them into manufacturing short-term trading expectations of quick returns and do not fully take into account the longer-term investment return implicit in manufacturing. Those who have not come from trading operations tend to be former employees who have left a similar manufacturing venture to establish their own operation. These entrepreneurs tend to have good production skills but are normally lacking in marketing, financial and administrative acumen.

3. Business ownership/management

The great majority of enterprises are one-man owned and managed or alternatively family run. The problem of one-man ownership is that entrepreneurs are seldom willing to delegate decision-making within the organization and indeed are normally reluctant to take outside advice. Understandably, they are reluctant for cost reasons to recruit any management staff and confine themselves to hiring low-level clerical/administration staff to assist them in running the business. While the business remains small, this is normally not a problem. However, as the business expands, this reluctance to share management with other qualified staff can lead to serious difficulties, with the owner unable to cope, yet unwilling to share responsibility.

4. Decision-making

Decision-making by small industrialists in the region is largely based on gut feeling and instinct rather than empirical evidence. Decisions to establish operations are quite often taken without recourse to an adequate feasibility study, and operational decisions are made without sufficient internal management information, due to lack of systems or external data and to lack of business information services in the country. Decisions to establish particular businesses are quite often based on imitations -- with entrepreneurs copying successful projects in their own country or geographical location, often leading to over-capacity in the sector. For this reason and due to lack of raw materials due to currency restrictions, many businesses are operating below capacity.

5. Risk taking

Entrepreneurs in the region are risk takers who provide the great majority of capital for their projects in the form of personal equity and are prepared to invest in what can be a volatile business climate.

6. Motivation

From discussions held with a range of existing industrial entrepreneurs, their main motivates for establishing operations appear to be profit and a sense of achievement.

7. Training

Most existing entrepreneurs in the region display a marked reluctance to participate in formal management training for themselves or their employees. This can be attributed to factors including a reluctance to submit themselves to classroom-type training courses, lack of time to absent themselves from the day-to-day running of the business which they alone totally control and an unwillingness to pay the costs of training. They appear to prefer to educate themselves informally through contacts with others in a similar type of business, information gleaned from foreign suppliers of equipment and production processes, attendance and contacts at trade fairs and exhibitions and knowledge gained through foreign travel. The area of training which they appear to put the most emphasis on is technical training for their technicians. This general lack of interest in management training is a major challenge for national promotional agencies to overcome. The practical difficulties which entrepreneurs have in attending training courses once they have established their businesses and have become immersed in day-to-day activities underscores the need to provide management training opportunities to those considering starting their own businesses in the period before they do so and to devise times and formats of training for existing entrepreneurs which will not interfere with their need to be present in the running of their operations.

8. Nature of projects

The majority of small-scale enterprises in the region tend to be labour-intensive, low-technology activities which do not require a high level of capital to establish. Because of this low capital-entry barrier, many of the sectors in which small-scale entrepreneurs operate, including furniture, metal fabrication and clothing, are characterized by a high level of competition resulting in relatively low profit margins. This problem is heightened in countries such as the Syrian Arab Republic and Iraq where certain industrial sectors are closed off to investment by the private sector.

9. Research and development/innovation

In common with their counterparts world-wide, industrial entrepreneurs in the region pay little attention to product development and diversification, and no modernization of plant and equipment will be attempted if existing machinery is physically in good running condition. If competition introduces new technological changes, the entrepreneur will follow suit to preserve market share. In such cases, the entrepreneur will normally seek the advice of foreign suppliers of equipment and technology.

VI. ISSUE ANALYSIS OF THE CURRENT SITUATION AND RECOMMENDATIONS

In this section, the current situation of small-scale enterprise development in the six countries covered by the study is examined with regard to seven critical development issues. Recommendations are made for governmental initiatives at the national level to improve the industrial development environment and secondly, where appropriate, recommendations are made for an ESCWA regional action programme.

A. Bureaucracy

Recommendation 1

Each country should carry out a full study on the current official approvals and paperwork required by Government of small-scale industry, with a view to simplifying forms and eliminating all non-essential forms.

Recommendation 2

Each country should publish a guide to government forms, approvals and procedures for industry.

Recommendation 3

Each country should establish a special governmental body to handle all procedures required for the establishment of a firm; or create within a private institution a unit to handle all paperwork and obtain current official approvals required by various ministries and government institutions.

Recommendation 4

The proposed ESCWA regional project team should advise and assist national counterparts in the implementation of recommendations 1, 2 and 3.

Among the most significant barriers to enterprise development in the countries covered by the study are administrative procedures, e.g. industrial licences, registration, commercial licences, labour permits, import licences, export licences, customs documents, municipality land licences, price control documents, tax forms, etc., related to establishing and running a small-scale enterprise. In Egypt, for example, some private industrialists claim that it takes up to 30 official approvals before a start-up is possible, with a resulting loss in time and expense. Similar problems were highlighted in each of the country studies and were confirmed by discussions held during the field mission. The problem of multiplexity of forms is considerably worsened by the complexity of some of the forms, official delays in their processing and the fact that the different institutions dealing with licences, etc., are situated in different locations, resulting in the entrepreneur having to spend days and weeks moving among these administrative institutions. When one takes into account the fact that the small-scale entrepreneur himself normally has to look after the administrative affairs of the business and the fact that many

small-scale entrepreneurs are of a limited educational background, it is easy to see why many entrepreneurs are discouraged from proceeding with their business plans or alternatively opt to operate in the informal economy.

A number of worthwhile efforts in the member States have been made to tackle this problem, with mixed results. Jordan has abolished the requirement to obtain an industrial licence, and the Industrial Estates Corporation which administers the Sahab Industrial Estate near Amman acts as a "one-stop shop" for many of the administrative forms required by manufacturing units. Industrialists spoken to on the estate expressed their satisfaction with these arrangements. However, wider efforts to tackle the problem in Jordan have not been successful, due to entrenched bureaucracy and interests. In Yemen, the new investment law, enacted in 1991, established the General Investment Authority, which will administer the law as it relates to industry; this Authority will act as a one-stop shop for foreign-labour visas, commercial licences, import licences, etc.

Nevertheless, the scale of the problem in all the countries continues to be very significant. Many entrepreneurs even have difficulty obtaining information on what approvals and forms are required in establishing and running a small-scale industry and which are the relevant authorities to approach in this regard.

Lack of financial resources prevents Governments in many countries of the world and also in the six States of this study from undertaking many policy initiatives aimed at small-scale industrial development. However, lack of finance would not prevent the removal of some of the bureaucratic obstacles which seriously impede enterprise development. On the contrary, reforms in this regard can actually have the twin benefits of increasing the rate of start-up of small businesses while at the same time reducing public service administration costs.

It is recommended that a private institution in each of the countries carry out a full study on the current official approvals and paperwork required by industry with a view to simplifying all forms and eliminating all non-essential paperwork, particularly in regard to small-scale enterprises. It is further recommended that a guide to government forms, approvals and procedures for industry be issued in each country, setting out simple instructions and identifying for the entrepreneur the responsible ministries and agencies who administer procedures. It is fully recognized that breaking down established bureaucratic procedures is not an easy task. But where possible, one-stop shops for administration of approvals should be established -- or alternatively a unit within a private institution (such as the chamber of industry) should be created with the aim of handling for the entrepreneur all paperwork and current official approvals required. This unit also may assist companies who are experiencing genuine administrative delays in expediting their individual applications. As this process of study and recommendations for simplification/elimination of procedures and of issuing a guide to government forms, approvals and procedures for industry will cover similar ground in all of the countries involved in the study, it is recommended that the proposed ESCWA project should have as one of its objectives assisting and advising the national counterparts in this work.

B. Extension services

Recommendation 5

(a) Each of the countries in the study should establish within a nominated ministry or governmental or non-governmental institution currently involved in industrial development activity, a small-business advisory unit to supply extension services to small industry;

(b) The unit would confine itself to providing services from its own staff in a number of functions:

(i) Financial and cost-accounting systems;
(ii) Marketing advice;
(iii) Low-level production technical advice;

(c) The ESCWA regional project team would run intensive regional training courses for the designated national counterpart agencies' staff in the above functions to upgrade their skills;

(d) At the Government's request in each country, commercial banks, universities and large public-sector industrial firms would nominate a professional in their organization, who would be available one or two days a month free of charge as advisor to assist the small-industry advisory units with particular requests for advice from small firms;

(e) The small-industry advisory units would compile a register of national and regional consultants to whom specialized requests for assistance beyond the capabilities of the unit and its advisors, could be referred. Such assistance would have to be fully paid for by the small industry seeking assistance;

(f) The services of the small-industry advisory units would require the payment of a small fee to the unit by the firm seeking assistance. While this fee would not be intended to cover more than 25 per cent of costs, it would ensure that companies were serious about their requests for service and that the unit provided a reasonably professional service. In time, as the quality of the service improved and became accepted, the fee cost could be gradually increased;

(g) The small-industry advisory units would develop a programme that would help small firms in innovating and identifying new products, including links with universities so as to commercialize research results;

(h) Funding of the ESCWA project should include funding for 12 months of consultancy services from regional consultants which would be used by the national small-industry advisory units in their start-up phase;

(i) The small-industry units should be based in the same organization or have direct links into the national small-business information centres recommended in chapter VI, part D of this report.

The provision of extension services to small-scale enterprises is an important ingredient of any national enterprise-development programme. The review below of the services being offered in the countries included in this study show the infrastructure for the provision of such services to private-sector, small-scale industry to be underdeveloped in Jordan and Egypt and almost non-existent in Yemen, the Syrian Arab Republic, Iraq and Lebanon.

1. Jordan

(a) Ministry of Industry

With the exception of the preparation of project profiles, no programme of extension services is currently being offered by the Ministry. However, the ministry recognizes the need for such services and is currrently designing a unit in the Planning and Research Department, whose aim is to provide low-level advice/assistance to industry.

(b) Industrial Development Bank (IDB)

The main function of the Bank is in the provision of finance. IDB provides loans to its clients to obtain technical assistance.

(c) MMIS Management Consultants

MMIS Management Consultants, an autonomous section of the Industrial Development Bank, is a full-scope management consulting unit established by the Jordanian Government/United States Agency for International Development (USAID) in 1988. It is staffed by experienced Jordanian consultants and supported by the international consulting firm A.T. Kearney. MMIS provides a range of consultancy services in Jordan and the region that is on a par with consulting services provided internationally. It began operations with an 80 per cent aid subsidy but now has to operate on a full-fee basis, which means its services are relatively expensive for small industry. Its services are focused on medium/large industry. USAID was prepared to establish a separate small-industry advisory centre but this has not proceeded, as the Jordanian Government was not prepared to assist it vis-à-vis its long-term financial needs.

(d) Vocational Training Corporation (VTC)

VTC is currently establishing three vocational training and industrial extension services units (Amman, Aqaba and Irbid) that will offer extensive management and technical services to small/medium enterprises in at least three "priority" manufacturing sectors, with an aim to improving their competitiveness, productivity and profitability.

In summary, there is a major need for extension services to small-scale industry, particularly in the areas of marketing, product design and quality control, productivity and packaging.

2. Egypt

(a) General Organization for Industrialization (GOFI)

GOFI is a government agency belonging to the Ministry of Industry. It maintains the industrial register and formulates national industrial policies and plans. GOFI prepares prefeasibility studies and collects data on industrial production. The agency has a Small-Scale Industry Department with 14 engineers who offer a low level of advice to small companies.

(b) Industrial Design Development Centre (IDDC)

IDDC is a government agency affiliated within the Ministry of Industry. IDDC has an Extension Services and small and medium enterprises (SMEs) department comprised of:

Technical Services Section
Management Services Section
Sub-Contracting Exchange Section
Economic Research Section.

Extension Services officers provide pro-active services on a free diagnostic basis with a paid service follow-up.

(c) Egyptian Export Promotion Centre

This Centre is a government agency affiliated within the Ministry of Economy and Trade which offers advice to exporters. To date it has concentrated on support to large public companies. In the future the Centre will place more emphasis on SMEs.

(d) Friedrich Ebert Stiftung

This German-funded foundation provides two experts supported by a panel of national consultants, who in conjunction with the Central Productive Co-Op Union provide advice to craftsmen/workshop cooperatives in the furniture, leather, clothing and metal sectors.

(e) Credit Guarantee Corporation for Small-Scale Enterprises

A very promising USAID-backed project operating as a private company, the Credit Guarantee Corporation is staffed with 30 professionals assisting small-scale enterprises with loans and information (2,500 clients to date). The Corporation also uses the services of IDDC and voluntary overseas personnel to provide technical services to clients and promotes its services on a regular television programme on commercial activities.

(f) Industrial Development Bank of Egypt

The Bank's main function is the provision of finance. It offers some advice to its clients and would welcome ESCWA project support in the form of training its staff.

In summary, while useful services are offered by IDDC, Credit Guarantee Corporation and others, they are only able to cover a fraction of the companies requiring services in a country with more than 12,000 firms employing ten or more employees.

3. Yemen

With the exception of the Small Enterprise Development Unit in the Industrial Bank of Yemen, which provides extension services to the clients it approves for loans, there are no extension services offered to industry in Yemen and virtually no private management consultancy firms in the country. The Ministry of Industry recognizes the need for advisory services to small-scale enterprises and has been seeking a mechanism for two years to provide them. Small-scale enterprises need assistance in the preparation of accounts, costing, maintenance, general management skills, marketing and particularly quality control. The World Bank proposed an extension services project involving a loan of $6 million but the Yemeni Government rejected it as too ambitious and with limited outputs. The Ministry of Industry has expressed interest in the proposed ESCWA project, which they feel should train local counterparts and make use of regional expertise, with services provided on a sectoral basis and if possible on a commercial basis.

In summary, there is an almost total lack of extension services in a country which badly needs them.

4. Syrian Arab Republic

(a) The Industrial Bank

Basic advisory services are provided to the Bank's limited client portfolio.

(b) Management and Productivity Development Centre (MPDC)

Established in 1967 as a joint project between the Ministry of Industry and the International Labour Organization, the purpose of MPDC is to develop management staff at the top, middle and lower levels of enterprises through:

(i) Training programmes from three days to three months covering financial accounting, cost accounting, inventory control, marketing, management skills, etc.,

(ii) Providing management consultancy services to companies free of charge.

MPDC provides its services only to public-sector enterprises.

(c) Ministry of Industry

An office has been established at the Ministry of Industry to advise entrepreneurs on their proposed projects. While this is a useful initiative, the unit requires additional staff and training for its staff members.

(d) Chamber of Industry

The Chamber of Industry, which has a staff of 50, would like to be able to provide additional advisory services to small-scale enterprises. The Chamber currently runs seminars on problems of individual sectors and has also produced a booklet on industrial project opportunities.

In summary, there is now a need to match recent government initiatives to give a greater role to the private industrial sector with support services to the small-scale industrial sector, particularly in the areas of internal accounting and management information systems.

5. Iraq

(a) Industrial Bank. The Bank does not offer advisory services or carry out industrial studies.

(b) Central Organization for Standardization and Quality Control (COSQC). COSQC is a government institution responsible for ensuring that the quality of products produced in Iraq conforms to standard specifications. The COSQC has the responsibility of inspecting all enterprises with capital exceeding ID 50,000. Because of the large number of enterprises, COSQC inspectors make an average of one visit every two months for every enterprise. Enterprises not abiding by the rules and specifications for product quality are subject to fines and closure. The available data in the COSQC indicate that there is great room for improvement in the level of product quality. This is particularly true in the private sector. The COSQC Industrial Promotion Quality Report dated July 1990 shows that 23 per cent of private companies inspected in 1990 required substantial improvement. Private enterprises and workshops producing food, chemicals, electrical components, construction materials and air coolers came at the top of the list. Whilst the low quality of raw materials (due to war restrictions) and lack of competition were contributors to this problem, lack of know-how of quality control amongst entrepreneurs is another major problem.

In addition to the above, neither the State Directorate for Organisation and Assistance (which licenses all imports of raw materials) nor the Federation of Iraqi Industries offer counselling services to small-scale enterprises. Specialists at these institutions admit the fact that important services could be carried out by them in this field.

In summary, there is an obvious gap in rendering industrial advice to investors and entrepreneurs.

6. Lebanon

There is an almost total absence of support and extension services offered to industrial entrepreneurs. The activities of the Industrial Research Institute, an affiliate of the Ministry of Industry and Petroleum, which operates as a private institution, are almost paralysed today, being confined to some laboratory tests of a few products. The Institute was established in 1953 with the support of the United States Government with the aim of providing various support services to the industrial sector, including

technology and managerial advisory services to existing industries, testing of raw materials and finished goods and the preparation of feasibility studies on project opportunities.

Through discussions held with the Ministry of Industry and Petroleum and the Industrial Research Institute, it appears there is a great need for training of staff in these two institutions in project formulation, preparation of feasibility studies and upgrading of skills for the provision of advisory services.

7. Problems in providing extension services

The difficulties involved in providing extension services to small industrialists should not be underestimated. The variety of assistance sought by companies can include:

(a) Advice on the designing and implementation of financial accounting systems;

(b) Advice on the design and implementation of cost accounting systems and management information systems;

(c) Advice on domestic and export marketing including channels of distribution, pricing, packaging, quality control;

(d) Advice on production techniques and technical problems covering many different product sectors;

(e) Advice on legal and insurance aspects;

(f) Advice on personnel and management problems.

Delivering these services would require a wide range of high-calibre personnel in a variety of specialities. As most of the development agencies in the region are government-sponsored bodies whose pay levels are relatively low, it is difficult to recruit and retain advisors with the high level of skills required to carry out all these functions.

8. Options for providing extension services

(a) Autonomous commercial small-industry advisory firm. While this would appear to be the ideal way of providing services to small industry, it is very unlikely that it would succeed in practice. The costs of operating a small-industry advisory firm with professional staff and overhead are not likely to be covered by the income generated from fees. Small industrialists in the region would not be able to afford the fees which such a firm would have to charge to cover its high staff costs, and even with government/international agency subsidies in the short term, the firm eventually would have to survive commercially in the long term. This would be extremely difficult at present;

(b) Upgrade small-industry advisory unit within existing development agency. At the present stage of development of small industry in the region, it is recommended that national extension services to small industry should be provided by an existing ministry or governmental or non-governmental development agency as set out in recommendation 5 above.

C. Finance for small-scale industry

Recommendation 6

The proposed ESCWA regional project team would develop a regional consultation and coordination network among the various industrial development banks, including the Industrial Development Bank in Jordan, the Industrial Development Bank of Egypt, the Industrial Bank of Yemen, the Industrial Bank in the Syrian Arab Republic and the National Bank for Industrial and Tourism Development in Lebanon. The team would facilitate the exchange of information and the transfer of expertise between the institutions, and provide advisory services for the upgrading of the region's industrial banks.

Recommendation 7

The proposed ESCWA regional project should include an international expert from the respective industrial development bank to advise the Governments of Egypt, Yemen, the Syrian Arab Republic, and Lebanon on measures to upgrade their industrial banks.

Recommendation 8

Greater skills in project assessment by industrial bank staff would facilitate lower collateral requirements. The proposed ESCWA regional project should include upgrading training of personnel from industrial banks in project assessment skills.

Recommendation 9

Industrial banks should reduce collateral levels, particularly for small-scale projects, and direct more of their financing to small-scale projects and start-ups.

Recommendation 10

Loan guarantee schemes similar to the scheme being implemented by the Credit Guarantee Corporation for Small-Scale Enterprises in Egypt and in Jordan should be examined by Yemen and Lebanon as a means of increasing the role of private commercial banks in the funding of small-scale enterprises.

Recommendation 11

In the absence of a private commercial banking system in the Syrian Arab Republic, additional funding should be sourced by the Syrian Government for the Industrial Bank. Financing schemes, such as venture capital that would allow the mobilization of additional sources of financing for entrepreneurs, should be developed in countries of the region.

The availability of short-, medium- and long-term loan finance is a critical factor in the start-up rate of small-scale enterprises, which must purchase buildings and equipment, and in the rate of growth of existing enterprises, which require additional working capital to finance raw materials purchases. This section reviews the financing aspects of small industry in the countries of the study and analyses the effectiveness of industrial banks, commercial banks and other institutional forms of providing loans to entrepreneurs.

1. Jordan

In common with other aspects of industrial development in Jordan, the financial infrastructure is relatively well developed compared to other countries in the study. Both the commercial banks and the Industrial Development Bank are well managed and have funds at their disposal; there are also a number of additional institutions and funds providing finance to small-scale enterprises. However, the full benefits of this infrastructure are not being reaped, due to an over-conservative approach in lending to industry both in the Industrial Development Bank and the commercial banks. This is particularly evident in the degree of collateral required for loans, which in most instances exceeds the value of the loans being sought, and in the bias displayed against small industry, with most loan funds being directed to the larger, soundly established enterprises.

(a) Industrial Development Bank

Established in 1965, the Bank is professionally managed with a mandate to:

(i) Finance industrial projects by means of medium- and long-term loans;

(ii) Carry out feasibility, technical and marketing studies of industrial projects;

(iii) Attract foreign capital to invest in industrial projects;

(iv) Provide technical and managerial advice for the industrial projects it handles;

(v) Issue guarantees and counter-guarantees;

(vi) Purchase debentures issued by industrial projects;

(vii) Subscribe to shares of industrial projects or guarantee their sale.

During 1990, the Bank approved 97 loans totalling JD 15.18 million, of which 86 loans totalling JD 13.33 million were extended to industrial projects and 11 loans totalling JD 1.85 million were extended to tourism projects. Of the 86 loans approved in 1990, only 18 were for the establishment of new industrial projects, with the remainder of the funding going to existing projects. Lending to industry by the Bank has been steadily increasing over the past five years, rising from JD 8.11 million in 1986 to JD 13.3 million in 1990. In 1990, 45 per cent of loans were for the purchase of machinery, with

27 per cent for raw materials and 12 per cent for tourism projects. During 1990, JD 15.45 million of loans were due for repayment, of which JD 13.42 million or 86.8 per cent, was received. A further sum of JD 2.04 million was repaid out of amounts due from previous years.

IDB interest rates are 4 per cent to 6 per cent below commercial interest rates, with repayment periods normally of eight years for fixed assets and three years for raw material funding.

Table 8. Jordan: Industrial Development Bank, approved loans, 1990
(Millions of Jordanian dinars)

Industry	Number of loans	Amount	Percentage of total amount
Chemical and plastic	25	4.13	30.98
Paper products	8	2.80	21.00
Food and beverage	9	2.16	16.20
Fabricated metal products	20	1.57	11.78
Non-metallic products	5	0.79	5.93
Services	4	0.64	4.80
Industrial estates	1	0.50	3.75
Wood and wooden products	4	0.37	2.78
Textiles and wearing apparel	10	0.37	2.78
Total	86	13.33	100.00
Tourism	11	1.85	
Grand total	97	15.18	

Source: Industrial Development Bank, Jordan, Annual Report 1990.

Table 9. Jordan: Industrial Development Bank, approved loans classified by purpose
(Millions of Jordanian dinars)

Purpose	1987	1988	1989	1990
Industrial projects:				
Construction	0.43	0.80	0.58	2.33
Machinery	4.23	6.05	5.41	6.83
Raw materials	2.82	4.45	2.87	2.02
Raw materials (revolving)	--	--	3.87	2.08
Risk capital	--	--	0.09	0.07
Total (industrial)	7.48	11.30	12.82	13.33
Tourism	0.23	0.10	1.26	1.85
Risk capital	--	--	0.04	--
Total (tourism)	0.23	0.10	1.30	1.85
Grand Total	7.71	11.40	14.12	15.18

Source: Industrial Development Bank, Jordan, Annual Report 1990.

Table 10. Jordan: Industrial Development Bank, approved loans and their averages

Year	Number of Loans	Amount (Millions of JDs)	Averages (Thousands of JDs)
1965-1985	1 072	75.60	71
1986	95	8.87	93
1987	58	7.71	133
1988	98	11.40	116
1989	116	14.12	122
1990	97	15.18	156

Source: Industrial Development Bank, Jordan, Annual Report 1990.

The Bank returned a net income of JD 701,990 for 1990 on total shareholders' equity of JD 10,008,332 and total assets of JD 69,590,186. The Bank also operates a Small-Scale Industries and Handicraft Fund, directing loans to companies employing fewer than five employees. The maximum loan is JD 8,000, with an interest rate of 6.5 per cent. The period of repayment is six years. In 1990, 119 loans totalling JD 599,600 were made, but this figure is far below the 404 loans totalling JD 1.24 million advanced in 1986. Noteworthy is the fact that demand for these loans increased dramatically in 1991 due to returnees.

Overall, the track record of the bank is praiseworthy. However, entrepreneurs complain of the level of collateral sought (1.25 times the loan) and the insufficiency of funds being directed to start-ups. The higher risks to the Bank of reducing the current high levels of collateral and directing more funds to start-ups could be reduced by improving the level of project assessment by further upgrading the skills of its staff. Of the 13 enterprises interviewed, it is interesting to note that only three had loans from either the IDB or commercial banks and that among those three, loan capital contributed only 22 per cent to 25 per cent of total capital invested in the projects.

(b) Commercial banks

Outstanding credit facilities of commercial banks extended to all sectors of the economy are summarized below.

Table 11. Jordan: outstanding credit facilities provided by commercial banks
(Millions of Jordanian dinars)

Year	Industry	Mining	Tourism	General Commerce	Construction	Total
1986	176.743	44.281	37.530	338.744	353.678	1 395.412
1987	175.312	45.355	32.522	363.723	358.247	1 513.033
1988	188.158	33.282	27.036	402.480	374.476	1 634.012
1989	219.705	19.252	30.807	391.511	399.136	1 730.483
1990	224.611	12.282	33.263	407.765	422.684	1 863.765

Source: Jordan, Central Bank of Jordan, Monthly Statistical Bulletin, October 1991.

When one considers that the IDB had loans extended of JD 45 million in 1990, we can see that total commercial bank lending to industry is only five times greater than IDB lending. Recognizing the conservative nature of commercial bank lending to small-scale industry in Jordan, USAID established an interesting $5.5 million loan guarantee fund operated by the Industrial Development Bank. Projects approved under the fund can get a loan guarantee for 50 per cent of borrowings from commercial banks subject to a maximum guarantee of JD 10,000. Outside of Amman, the guarantee increases to 75 per cent. The fund guarantees all productive activities excluding the retail sector.

2. Egypt

The cost and availability of loans for small industry in Egypt is generally acknowledged as being a problem, and the Industrial Development Bank of Egypt is perceived as being more a commercial bank than a development bank. On a more positive note, USAID has initiated a number of financing schemes for small industry which could act as a useful model for financing the sector in the future.

(a) Industrial Development Bank of Egypt (IDBE)

The Industrial Development Bank of Egypt, a governmental financial institution affiliated with the Ministry of Finance, commenced operations in 1976. The bank aims at developing Egyptian industries and providing them with credit facilities (in local and foreign currency) for the establishment, expansion and renewal of operations in the private, public, cooperative, small-scale industry and artisan sectors. For the year 1988/89 the Bank loaned LE 193.7 million to 825 projects.

Table 12. Egypt: Industrial Development Bank of Egypt, distribution of approved loans during the period 1/7/1988 to 30/6/1989

	Number	Value (Thousands of Egyptian pounds)	Percentage of total value
Local currency			
Short term	290	69 008	35.6
Medium and long term	434	63 425	32.8
Foreign currency			
Medium and long term	101	61 219	31.6
Total	825	193 652	100.0

Source: Egypt, Industrial Development Bank of Egypt, Annual Report 1989.

From the distribution of approved loans according to the number of labourers, we can see that small industries employing fewer than 25 employees

received only 20.1 per cent of approved loans, whilst industries employing more than 100 employees received 39.6 per cent of approved loans, reflecting the bias in favour of large industry found in most of the development banks in the region. Most funding from the IDBE is at full commercial interest rates of approximately 20 per cent, with collateral levels of at least 100 per cent being sought.

(b) Commercial banks

Commercial banks in Egypt are very conservative in their lending practices and very collateral-orientated. Collateral requirements usually range from 100 per cent to 200 per cent of the value of the loan being negotiated. The commercial banks also prefer to lend to the commercial rather than the industrial sector, as the former is regarded as less risky and more short-term in its borrowing requirements. Lending to the industrial sector tends to be concentrated on the larger, established projects, with commercial banks regarding the small-scale sector as more risky and time-consuming vis-à-vis processing applications for small loans.

(c) Credit Guarantee Corporation for Small-Scale Enterprises (CGC)

CGC is a USAID-backed project. An Egyptian joint stock company (private sector) established 9 December 1989, CGC has nine Egyptian banks and one Egyptian insurance company as its founding members and participating institutions. Recognizing that SSEs are usually not able to raise funds for their activities from banks because they normally lack the collateral required, USAID founded CGC to encourage banks to extend loans, by guaranteeing 50 per cent of the value of loans that have insufficient collateral. The scheme works as follows:

(i) Bank analyses the loan or credit according to its regulations;

(ii) Bank applies for CGC loan guarantee for clients who do not have enough collateral;

(iii) CGC reviews the bank's application and notifies the bank of its approval within two working days of receiving the application;

Table 13. Egypt: Industrial Development Bank of Egypt, distribution of approved loans according to number of labourers, during the period 1/7/1988 to 30/6/1989

Number of labourers	Number of loans	Value (Thousands of Egyptian pounds)	Percentage of total value
1 - 9	419	15 146	7.9
10 - 24	164	23 693	12.2
25 - 49	106	35 496	18.3
50 - 100	73	42 599	22.0
More than 100	63	76 718	39.6
Total	825	193 652	100.0

Source: Egypt, Industrial Development Bank of Egypt, Annual Report 1989.

Table 14. Egypt: Industrial Development Bank of Egypt, distribution of approved loans according to their volume during the period 1/7/1988 to 30/6/1989
(Thousands of Egyptian pounds [L.E.])

Description	Number of loans	Value	Percentage of total value
Up to L.E. 16,000	214	2 091	1.1
16,001 - 51,000	273	9 048	4.7
51,001 - 100,000	102	13 835	7.1
100,001 - 500,000	155	58 015	30.0
More than 500,000	81	110 663	57.1
Total	825	193 652	100.0

Source: Egypt, Industrial Development Bank of Egypt, Annual Report 1989.

(iv) A 2 per cent annual fee is charged by CGC for the guarantee;

(v) The minimum guarantee offered to a bank loan for any one enterprise is LE 25,000, and the maximum is LE 700,000;

(vi) In recognition of the National Bank of Egypt's (one of the founding banks) initiative to allocate LE 50 million for loans to small-scale enterprises (SSE), CGC reduced the minimum guarantee from LE 25,000 to LE 10,000. Other banks could benefit from a similar reduction, if they allocate a special fund for SSEs;

(vii) CGC pays off the guaranteed amount within two working days of receiving the bank's notification of default by the customer;

(viii) The guarantees are for credit granted by banks in LE and for equipment and production requirements.

The CGC employs 30 highly educated and professional Egyptian staff, and it is intended that the organization will also assist small-scale enterprises by directing them to private international voluntary organizations who offer technical assistance. CGC is also in the process of developing a database of information of use to local entrepreneurs. The guarantees and services offered by CGC are open to enterprises in all economic sectors, except trade, with a total investment ranging between LE 100,000 and LE 2.5 million excluding value of land and buildings. To date most of CGC's efforts have been to train 1,500 bank officers in the participating banks on the operation of the guarantee scheme. While the project is at an early stage and its long-term success is yet to be proved, it is an ambitious and innovative scheme which could be replicated in other countries of the region as a means of increasing commercial bank lending to the private sector. The drawback of the scheme is that if not properly administered it could be destroyed by an avalanche of bad debts.

3. Yemen

The availability of finance for industry in Yemen is complicated by the fact that much of Yemeni industry, particularly small-scale industry, operates in the informal sector and also by the fact that considerable funding is maintained by individuals outside of the formal banking system. Nevertheless, it can be stated that enterprise development in Yemen is restricted by a lack of loan finance for industry and that much of the existing industrial sector has been operating well below capacity in recent times due to unavailability of raw materials arising from government quotas on the use of hard currency to purchase foreign equipment and raw materials. Enterprise development is further restricted due to the fact that the middle class lacks capital and governmental and commercial banking institutions are failing, with one or two exceptions, to act as financiers to industry.

(a) Industrial Bank of Yemen (IBY)

The IBY role in financing industry is confined to providing loans for buildings and equipment. No financing is provided for raw materials. Finance for up to 60 per cent of investment in buildings and equipment can be provided, but collateral of 125 per cent of the value of the loan being sought is required. In recent times, the Industrial Bank of Yemen, with the exception of its Small Enterprise Development Unit, is functioning in a mediocre way due to internal problems.

(b) Small Enterprise Development Unit (SEDU)

SEDU is a specialized unit within the IBY which advances loans to small-scale industry from a fund provided by the Netherlands and the United Nations Capital Development Fund (CDF). "Small industry" is defined as companies with total investment of less than $200,000. The Unit was established in 1991 and is assisted in its operation by two Philippino experts. As of 7 December 1991, 41 projects -- predominantly in the metalworking, garment and building materials sectors -- have been approved loans ranging from $1,000 to $100,000, with average loan of $50,000 and repayment periods of between two and seven years, with an average repayment period of three and a half years. Some particularly interesting aspects of this scheme are that 31 of the 41 projects approved were start-ups and that 1) of the entrepreneurs assisted were returnees and a further 15 were women. A second, $2 million programme is being planned, probably to be sited in Aden, and the Yemen Government is watching with interest the development of this promising scheme which they regard as a pilot programme.

(c) Yemen Company for Investment and Finance

Owned by the Yemen Bank for Reconstruction and Development, which is partly owned by the Yemeni Government, the Company provides working capital loans at 15 per cent and fixed-asset loans at 12 per cent. However, collateral of 150 per cent is required, and only seven loans, totalling YR 15,250,000, were extended during 1989 due to the country's diminishing foreign exchange resources. The company relies on foreign exchange allocations in the capital budget to finance its loans.

(d) Commercial banks

Commercial banks in Yemen provide only short-term loans, mainly for working-capital requirements.

As mentioned earlier, much of industry in Yemen is working below capacity due to lack of availability of raw materials, as a result of government restrictions on the use of foreign currency. However, private industrialists and others maintain that the foreign exchange restrictions imposed by Government were unnecessary and that the private sector was capable of providing its own hard currency from the informal sector and from currency held outside the country. In April 1991, the Government adopted a new investment law, shortly to be implemented, which should remove the previous problems associated with hard-currency quotas and considerably boost the pace of industrial development in Yemen.

4. Syrian Arab Republic

Lack of availability of loan finance for private industry and lack of availability of foreign currency are two major barriers to industrial development in the Syrian Arab Republic.

(a) Loan financing by the Industrial Bank

The Industrial Bank, established in 1958, is the sole provider of medium- and long-term lending to private industry in the Syrian Arab Republic. The Industrial Bank provides the following types of credit and banking services:

(i) Short-term loans up to one year;

(ii) Medium-term loans up to five years;

(iii) Overdrafts;

(iv) Discounting of industrial papers (not exceeding 300 days) arising from the sale of machinery and equipment, and of commercial papers (not exceeding 120 days) arising from the sale of manufactured products;

(v) Advances against export contracts, which are excluded from the credit ceiling requirement;

(vi) Advances against export bills of lading;

(vii) Issuing banker's acceptances and guarantees.

Collateral of 125 per cent is required for loans received from the Industrial Bank. Acceptable loan security includes land and property, machinery and equipment, finished goods and personal guarantees. However, only part of an asset's estimated value is accepted as security. The percentages specified are as follows:

Land	85 per cent
Buildings	75 per cent
Machinery and equipment	50 per cent

The amount of Industrial Bank credit is very inadequate in relation to the financing needs of the private sector. During the four-year period 1986-1989, entrepreneurs invested LS 4,445 million of equity capital in new industrial projects. Industrial Bank lending over the same period was only LS 936 million, which represents only 21 per cent of the invested venture capital.

Table 15. Syrian Arab Republic: loans and advances extended by the Industrial Bank, 1986-1989
(Millions of Syrian pounds)

	1986	1987	1988	1989	Total
Private sector	153	212	384	187	936
Public sector	13	-10	74	89	166
Total	166	202	458	276	1 102

Source: Syrian Arab Republic, Industrial Bank, Annual Report 1989.

Lending activity by the Bank fell even further in 1990, to the extent that an annual report was not issued. The Bank recently received a loan of $15 million from Kuwait. However, additional sources of funds need to be found by the Bank if it is to play a meaningful role in industrial development in the Syrian Arab Republic. Since the Industrial Bank is currently the only source of medium- and long-term financing for industry, it is imperative that this happen, or alternatively that serious consideration be given to developing free financial markets in the Syrian Arab Republic to facilitate the pooling of national savings and their channelling into productive investments.

(b) Foreign exchange

As mentioned above, another important factor which impedes the development of industrial entrepreneurship in the Syrian Arab Republic is the non-availability of foreign exchange.

Law 24 of 1986 outlawed dealings in foreign currencies and made them subject to the severest monetary and prison penalties. Those who wish to sell foreign currency have to go to the government-owned Commercial Bank of Syria. Entrepreneurs who seek to buy foreign exchange for their imports of equipment and raw materials are constantly told "not available", resulting in a fall-off in industrial activity.

However, Law No. 10 of 1991 sets out new regulations to encourage investment in the Syrian Arab Republic. Article 16 of this new law specifies that an investor may open in favour of a project approved according to the rules of Law No. 10 an account in foreign currency at the Commercial Bank of Syria, recording the following on the credit side:

(i) 100 per cent of payments made in foreign currency from the project's equity capital and from loans granted to the project in foreign currencies;

(ii) 75 per cent of total foreign currencies realized from export revenues.

On the debit side of this account are recorded funds necessary for covering the project's requirements of foreign currencies, including the payments allowed to be transferred to the favour of Syrian expatriates, citizens of Arab and foreign countries and non-Syrians working in the project. Article 17(b) of the law allows for the payment to the entrepreneur of interest on foreign currency funds deposited in the project's account at the Bank. It remains to be seen whether these articles will significantly improve the problem of foreign exchange currently being experienced by the private sector.

5. Iraq

The problems faced by industrial entrepreneurs in Iraq prior to the Gulf war were very similar if not worse than those being faced in the Syrian Arab Republic vis-à-vis lack of financing sources and foreign exchange.

(e) Industrial Bank

As in the Syrian Arab Republic, the Industrial Bank in Iraq is the only source of funds for private industry, as commercial banks do not offer loans, even short-term, to industrial enterprises; this is considered a duty solely performed by the Industrial Bank. The objective of the Industrial Bank, which started operation in 1946, is to finance industrial projects in both the private and mixed sectors. With some minor exceptions, loans provided by the Bank range between 40 and 70 per cent of the total capital to be invested in the project. Projects in geographic areas which are designated by the authorities for industrial development receive loans for up to 70 per cent, while geographic areas which already have a high concentration of industry do not get loans of more than 40 per cent of invested capital. Similarly, there is a differential in interest rates paid between underdeveloped and developed areas, with interest charges ranging from 2 to 6 per cent. Bank loans are available for industrial projects in the private and mixed sectors whose capital exceeds ID 50,000.

Public enterprises are financed directly by the Government. Loans from the Industrial Bank are available only to finance the purchasing of machines and equipment as well as construction and installations. They are not available for working-capital needs. Loans from the Industrial Bank were to a large extent withheld during the Iraq-Iran War, due to the scarcity of foreign exchange. However, the situation improved considerably during the period 1989-1990, due to the administrative and economic reforms introduced by the Iraqi authorities during 1987-1988. Restrictions on imports of raw materials and equipment, which were severly hampering industrial development, were lifted, and in June 1990 an allocation of ID 250 million for satisfying in cash the import needs of private enterprises was announced. In the wake of the Gulf War, the scale of the difficulties being faced by the existing private sector can only be a source of conjecture.

6. Lebanon

As already set out in chapter IV, part E of this report, the Lebanese private sector faces many problems after 15 years of civil war. Not least of these is the absence of adequate financing facilities for the sector. The only existing development bank, the National Bank for Industrial and Tourism Development, lacks the financial resources to provide adequate financing to the industrial sector. Since by law the Bank can only operate in Lebanese pounds, the sharp and continuous depreciation of the local currency, from approximately 4 Lebanese Pounds (LL) to the dollar in 1982 to LL 2,300 to the dollar in 1992, has very seriously affected its operations.

The Bank was created in 1973 with a capital of LL 60 million ($US 20 million) and owned 51 per cent by the Government and 49 per cent by the private banking sector. The Bank operated effectively from 1973 to 1975 with a maximum loan ceiling to individual projects of $US 1.5 million. However, in the intervening period of civil war the loan ceiling fell dramatically, and in 1991 stood at $US 50,000. Furthermore, in contrast to its policy in the period 1973-1975 of supporting new industrial start-ups, approximately 90 per cent of its financing is today provided to existing projects, mainly for short-term working capital. The number of industrial projects financed by the Bank was only approximately 50 projects during the period 1987-1990, with a further 50 projects assisted in 1991. From table 16 one sees that the total value of loans provided in 1990 was only slightly more than $US 1 million.

Table 16. Lebanon: National Bank for Industrial and Tourism Development, loans approved in 1990
(Thousands of Lebanese pounds*)

Activity	Amount of approved loans	Percentage	Number of projects
Food and beverages	50 000	6.52	2
Textiles, clothing and leather	141 000	18.38	4
Footwear	69 000	9.00	3
Wood and furniture	25 000	3.26	1
Paper and printing	65 000	8.47	3
Chemicals and petrochemicals	157 000	20.47	4
Non-metallic mineral products	60 000	7.82	2
Metallic products	50 000	6.52	2
Other industries	25 000	3.26	1
Total manufacturing	642 000	83.70	22
Hotels	125 000	16.30	3
Grand total	767 000	100.00	25

Source: Lebanon, The National Bank for Industrial and Tourism Development, Annual Report 1990.

* Exchange rate of the Lebanese pounds in 1990:
End of period: $US 1 = LL 842
Period average: $US 1 = LL 695.09

Today loans are subject to an interest rate of 16 per cent for machinery and 18 per cent for working capital (the prime rate is 27 per cent); collateral can be either a bank guarantee amounting to 100 per cent of the loan plus interest, or land and buildings whose value is at least 200 per cent of the loan. Machinery and equipment are not acceptable as collateral.

The Bank, since its inception, has benefited from lines of credit provided by the Council for Development and Reconstruction (CDR), the central bank and the Ministry of Finance. In 1987 CDR allocated a budget of LL 400 million to the Bank and in 1981 increased this by a further LL 300 million. Other lines of credit were provided by the Central Bank in 1986 (LL 500 million) and by the Ministry of Finance (LL 700 million), while a further loan of LL 1.5 billion (equivalent to $US 1.7 million) was provided by the Ministry of Finance in 1990. However, the value of these loans was severely depreciated by the sharp drop in the exchange rate of the Lebanese pound. As a result the Bank today is seriously under-funded, to the point that it cannot play a significant role in industrial enterprise development. This situation is made worse by the fact that commercial banks are very reluctant to finance any economic activity, and in cases where they do, loan conditions are restrictive, collateral is very high and loan ceilings are very low.

7. Conclusions

(a) With the exception of Jordan, the industrial banks in the countries included in the study are failing to make any significant impact on industrial development and are in need of immediate regeneration;

(b) The levels of collateral being sought by industrial banks are excessive. Loans are available only to those who do not need them;

(c) There is a reluctance amongst industrial banks to lend to small-scale enterprises and start-ups;

(d) Private commercial banks are extremely reluctant to lend to small-scale enterprises, and initiatives are required to increase their role in financing the private industrial sector.

D. Business information services

Recommendation 12

A counterpart organization within a nominated ministry, government or private institution should be established in each country to act as a national small-business information centre for the collection and dissemination of business information.

Recommendation 13

The proposed ESCWA project would have responsibility for assisting in the establishment and training of staff in each country's counterpart organization and for building a network between them to facilitate a flow of information.

(a) In the modern business world it has become increasingly apparent that access to business information is a critical factor in the effective start-up and efficient operation of an industrial unit. Entrepreneurs must be able to obtain the necessary information to enable them to make sound decisions on all facets of their operations. Small-scale businesses in the countries of this study need:

(i) Technical information on equipment and products;

(ii) National and regional import and export statistics to guide investment and marketing decisions;

(iii) Details on suppliers of equipment and raw materials nationally, in the region and internationally;

(iv) Information on regional and international companies offering technology transfer and product-licensing opportunities;

(v) Schedules of international trade fairs and exhibitions;

(vi) Linkage and sub-contracting information;

(vii) Market statistics;

(viii) Details on existing companies and competitors in the country where the business is operated and in the region;

(ix) Lists of foreign buyers/importers;

(x) Information on support institutions (training bodies, consultancy firms, etc.) in the region;

(xi) Government regulations covering business activities;

(xii) Sources of finance;

From our study it was clear that entrepreneurs in the six countries under consideration are suffering from a lack of ready access to information services and would welcome a single source in each country which would act as a "one-stop shop" for the provision of business information;

(b) Institutions in a number of the countries have made some efforts at information provision. In Jordan, the Chamber of Industry has a Department of Research which provides outline information on competitors in the country. The Jordanian Ministry of Industry and Trade, with United Nations assistance, operates a sub-contracting exchange. In Yemen, access to business information is extremely difficult. There is a similar shortage of information services in the Syrian Arab Republic, where it is difficult even to obtain details on existing companies and their products. Efforts are currently being made by the Chamber of Industry in Damascus to put in place a computerized information databank on companies in the Syrian Arab Republic and the Chamber would welcome ESCWA project assistance in this work. In Lebanon, while the Ministry

of Industry and Petroleum has data on most industrial enterprises, this data is of little use in the absence of computerized information and professional staff. The Association of Lebanese Industrialists is planning an industrial survey and information data bank. They have commenced contacts with sources of information such as International Trade Centre (ITC), the Organization for Economic Cooperation and Development (OECD) and the United Nations Industrial Development Organization (UNIDO). The database project will be financed by contributions from Association members. Egypt is perhaps more advanced, with useful company data banks in the General Organization for Industrialization (GOFI) and the Industrial Design Development Centre (IDDC); perhaps the most professional information service seen in the countries of the study is under development in the USAID-backed Credit Guarantee Corporation for Small-Scale Enterprises in Cairo, whose Management Information Services Department, currently staffed by eight professionals, is in the process of building a database which will include:

(i) Information on small-scale enterprises in Egypt;

(ii) Data collected from embassies on foreign importers of specific products;

(iii) Population and location statistics on regions in Egypt;

After completion, the information services from the Credit Guarantee Corporation data bank will initially be provided free as a means of promoting the service. However, from 1993 onwards fees will be charged, and the service will operate on a commercial basis. The Credit Guarantee Corporation will be on-line to both GOFI and IDDC to access the information available from both these organizations;

(c) In the highly developed European industrial economies and the United States, access to computerized databases on all kinds of business information is readily available. It is vitally important that the countries covered by this study act now to upgrade their sources of information, particularly for the small- and medium-scale enterprises who can least afford to waste scarce management time in lengthy searches for necessary information. It is recommended that an important ingredient of the proposed ESCWA project be to assist the counterpart countries in developing small-business information centres engaged in the collection and dissemination of relevant data. It is envisaged that in each of the countries a counterpart organization with the capability of and interest in being the focal point for business information collection and distribution be nominated. The counterpart organization could be a ministry, development agency or chamber of industry currently involved in supporting SMEs. Each counterpart organization would have responsibility for collecting designated types of business information within their own countries. The ESCWA regional project team would have responsibility for:

(i) Assisting the counterpart organizations in establishing management information systems for collecting and storing data;

(ii) Training information specialists in each country in the procedures for operating the centres;

(iii) Identifying relevant international sources of business information that all the national counterparts could access;

(iv) Organizing a working relationship among the national counterpart organizations to facilitate the flow of information among the countries in the region;

(v) In the initial stages, acting as a clearing house for requests of information from individual countries to the other countries in the region. As the counterpart organizations became effective, direct communication among national centres would take over;

(vi) Agreeing in conjunction with the counterpart organizations the type of business information to be collected;

In the course of the field mission undertaken as part of this report, a number of ministries and organizations in each country expressed interest in being the national counterpart body for the proposed scheme;

(d) The advantages of this proposed information network would be as follows:

(i) The facilitation of access by small- and medium-scale enterprises in each country to national information necessary to effectively operate their businesses;

(ii) Making possible a greater degree of regional cooperation by making available to companies in individual countries information from their neighbouring countries on:

- Regional suppliers of equipment and raw materials;
- Opportunities for regional linkage and sub-contracting;
- Availability of technical expertise in the region;
- Regional support organizations, e.g. training courses, consultancy firms;
- Regional joint-venture, technology-transfer and licensing opportunities;
- Import and export statistics;
- Regional trade fairs and exhibitions;

(iii) Ensuring access by local companies to international sources of information.

E. Entrepreneurial encouragement

Recommendation 14

National publicity campaigns should be launched in each of the countries of the region, to promote industrial entrepreneurship. These could include start-your-own-business brochures, start-your-own-business competitions, student enterprise award schemes, small-enterprise-of-the-year awards and television/printed media coverage of successful small-scale enterprises. A special target segment for this campaign should be returnees.

Recommendation 15

An ESCWA regional project team should advise counterparts on the design and implementation of the publicity campaign.

Promoting enterprise is an important factor in developing a vibrant small-scale industrial sector in any economy. National development policies should include a programme of activities designed to increase awareness of industry and promote an enterprise culture. Promotional activities of these kinds are necessary to highlight to the public at large the opportunities and rewards which operating a successful small business can bring and to encourage would-be entrepreneurs to come forward with their business plans. Publicity aimed at industrial-enterprise encouragement is lacking in the countries under study, and it is recommended that consideration be given to implementing schemes such as the following, which have been used successfully in newly developed industrial countries, to encourage enterprise and raise the profile of small-scale industry.

1. Start-your-own-business competitions. Run in conjunction with a national newspaper, the competition invites members of the public to enter a competition to find viable business ideas for starting a small-scale industrial enterprise. Entries, which consist of a short written submission in accordance with set guidelines, are adjudicated by a panel of judges, including perhaps a representative of the industrial bank, a commercial bank and a university business academic. The panel selects two or three winning entries which qualify for a monetary prize and also consideration for financing from the industrial or commercial bank. These schemes are beneficial to everybody in that they raise the profile of enterprise, give favourable publicity to the industrial and commercial banks and generate new business ideas, some of which are viable in the short or medium term and which may be implemented by the entrants themselves or passed on by them to others for implementation.

2. Student enterprise award schemes. Encouraging enterprise amongst the better educated is important. Many students too often have pre-set career ambitions which guide them to relatively secure positions in trading, banking and public service. It is important to highlight to undergraduates the opportunities and rewards which starting industrial businesses on their own or in conjunction with a second party can offer. To encourage enterprise in schools and universities, it is recommended that student enterprise award competitions, confined to students and with limited monetary prizes, be run

along the same lines as set out for the start-your-own-business competitions. While it is not intended that this scheme would necessarily result in students immediately establishing projects themselves, it does have the advantages of generating project ideas and planting the concept of enterprise in the minds of the country's best-educated people.

3. Start-your-own-business brochures. Already available in some of the countries of the study, a set of simple country-specific booklets in Arabic should be readily available to persons interested in establishing their own businesses. These booklets should cover the various factors involved in establishing a small industrial enterprise, including government regulations, financial planning, costing, marketing, management, production, etc.

4. Small-company-of-the-year awards. Another method successfully used to promote awareness of enterprise is to highlight existing successful small-scale industrialists through television and newspaper. The national media should be assisted and encouraged by development agencies to highlight entrepreneurs and their success stories through interviews and television profiles, and Governments and local authorities should institute company-of-the-year awards for outstanding performance by individual small-scale entrepreneurs in developing their businesses.

F. Management training and development

Recommendation 16

The Management and Productivity Development Centre in the Syrian Arab Republic, the National Institute for Management in Yemen and the National Centre for Consultancy and Management Development in Iraq should be redirected to playing a greater role in management training for the private sector.

Recommendation 17

ESCWA should facilitate the formation of a unit within existing national or regional institutes of management, with the aim of pooling ideas on management training in the region, coordinating and facilitating regional management seminars and allowing for cooperation and transfer of expertise among the management training institutes in the region.

Recommendation 18

In view of the importance of training and the reluctance of companies to undertake it, national authorities should consider the imposition of small training levies on all companies. Companies could in turn use the levy for paying for training courses for their staff. Alternatively, loans from development banks could be linked to attendance at specific management-development courses.

Recommendation 19

To facilitate small-scale entrepreneurs who cannot absent themselves from their business during normal working hours to attend training courses, training institutions in the region should endeavour to carry out on-the-job

training and to run management training courses specifically geared to small-scale enterprises and held outside of normal business hours (in the evenings). Arabic management training videos should also be produced and sold to business people who do not wish to engage in formal business training.

Recommendation 20

Emphasis should be placed on running start-your-own-business (SYB) courses in all the countries of the region. The current project being undertaken by ESCWA/UNDP in producing an audio-visual documentary on its SYB training workshop, the production of an Arabic SYB training manual and the regional seminar held by ESCWA/UNDP in April 1992 on 'Motivation, orientation and training techniques for enhancing industrial entrepreneurship in the ESCWA region' will be a valuable aid in this regard.

Would-be entrepreneurs need training in how to establish a small business, while existing entrepreneurs need training and development in the more efficient management of their enterprises. This training covers areas such as accounting, cost accounting, inventory control, production, marketing, management, organization and methods and quality control.

An examination of currently available management training in the countries included in this study are as follows:

1. Syrian Arab Republic

Only one institution offers management training and consultancy, the Management and Productivity Development Centre (MPDC), which was established in 1967 as a joint project between the Ministry of Industry and the ILO. The purpose of MPDC is to develop the management staff at the top, middle and lower levels of industrial enterprises through a variety of training courses which vary in duration from three days to three months. Its services, however, are confined to the public sector. Consequently, no management training is currently available to the private sector.

2. Iraq

In spite of the fact that there has been a deep commitment for many years by governmental institutions to training, the private sector has shown almost no interest.

The Government's concern for training is demonstrated in the establishment of training units in all ministries and other government institutions. Furthermore, the National Centre for Consultancy and Management Development (NCCMD) is a central government body supplying training and consultancy services to all Ministries and public-sector enterprises. Its mandate does not, however, extend to the private sector.

Training opportunities for private-sector entrepreneurs largely improved in the late 1980s when private training centres came into existence for the first time in the country. Ironically, most of their clients were managers from public enterprises. Private enterprise has largely ignored the need for training.

3. Lebanon

In Lebanon, management training for potential and existing entrepreneurs is all but absent. Some of the associations such as the Lebanese Management Association which in the past had given training courses in management for senior and middle managers have recently announced the resumption of operations.

4. Yemen

The need for management training is widely recognized by the authorities in Yemen. At present there is no such training for the private sector; the National Institute for Management mainly trains for the public sector.

5. Jordan

The availability of training facilities for the private sector is more advanced in Jordan, where the Jordan Institute of Management (JIM), with a full-time staff of 23, provides management training courses for both would-be and existing entrepreneurs. JIM, which was established in 1979, is an autonomous division of the Industrial Development Bank. It runs courses for upper and middle management personnel from all business sectors and trains approximately 1,200 people each year. Before the Gulf War, approximately 200 to 250 of its trainees each year came from outside of Jordan.

JIM's trainees come from: Industry, 23 per cent; banking, 30 per cent; commerce, 8 per cent; government, 25 per cent; transport, 8 per cent; others, 6 per cent.

However, industry personnel come almost exclusively from major corporations. Small companies do not participate because they do not believe in training and/or do not have the time available to attend training courses.

In addition to JIM, the Queen Alia Social Welfare Fund is establishing a new training centre to train trainers involved in assisting very small-scale entrepreneurs, and the Ministry of Planning in association with GTZ is training people in product identification. The Amman Chamber of Industry recently ran a "How to improve your small business" seminar in conjunction with the ILO; the Ministry of Labour is considering a UNDP/ILO backed project for technical/management training for its technical graduates.

6. Egypt

Egypt, like Jordan, has a number of organizations providing management training, including the Industrial Design Development Centre and the Handicrafts Industries and Productive Co-ops. USAID is currently opening a service centre in Alexandria to train clients in bookkeeping, product design, etc., and the Federation of Egyptian Industries is considering establishing a training centre to train its members in management and technical aspects. Despite these bodies, however, given the size of the private industrial sector in Egypt, it is widely accepted that there is need for a higher level of management training.

As can be seen from the above, management training for existing private-sector enterprises is almost non-existent in the Syrian Arab Republic, Lebanon and the Yemen. In Jordan, Egypt and Iraq, on the other hand, the training which is available is being largely ignored by small-scale industrialists who have neither the inclination nor the time to attend training courses.

However, management training for small-scale entrepreneurs is an absolute necessity if they are to be successful in growing and developing their business.

G. Project identification

Recommendation 21

Each country, with the possible exception of Jordan, which already has significant activity with international backing, is recommended to separately seek support from international development agencies to upgrade the project profiles/sketches already produced and to carry out further project-identification work aimed particularly at opportunities for small-scale industry.

Identification of project opportunities is best accomplished by individuals working in the market-place, whether in an existing manufacturing business or in a trading concern, who through their daily working activities become aware of a gap in the market for a particular product which could be locally manufactured. It is for this reason that this report in chapter VI, part E emphasises the need for publicity and promotional activities to encourage individuals to come forward with their business ideas and in chapter VI, part F recommends the extensive use of start-your-own-business courses to equip people with the ability to proceed with their business ideas.

However, in view of the urgent need for job creation in the region and in view of the number of returnees to the region in recent times -- many of them having the capital and skills to establish small-scale industries -- there is also the need for national development agencies to assist those willing to start a business (but who have not identified a business opportunity) to do so. The current efforts being made at project identification by the agencies in the region show varying levels of activity. In Jordan a number of worthwhile initiatives are underway. A UNIDO-assisted project in the Ministry of Industry is currently preparing project profiles/sketches on 60 project opportunities. This is a three-year project involving Indian experts working with their Jordanian counterparts. The Ministry of Planning is currently undertaking a very small-scale enterprise development scheme in the regional areas, assisted by the German Agency for Technical Cooperation (GTZ). The first phase of the project involves GTZ providing training in project indentification. Finally, the Industrial Development Bank has a small unit for project identification.

There is currently no project identification work being undertaken by support institutions in Yemen. In the second half of the 1980s, a World Bank-sponsored project engaged in product identification was undertaken but was only marginally successful. In Egypt, the General Organization for Industrialization carries out short pre-feasibility studies for clients but finds it very difficult to obtain market information. The Industrial Development Bank of Egypt (IDBE) also has an Industrial Advisory Department which undertakes studies. They would welcome international assistance to train their staff in this work. In the Syrian Arab Republic the Chamber of Industry in Damascus recently issued a small booklet listing 125 project opportunities based on short studies carried out by the Chamber. Finally, in Iraq and Lebanon, there is no project-identification work being undertaken.

With the possible exception of Jordan, there is a need for increased activity at identifying project opportunities and putting more detail on the profiles/sketches which have already been produced. However, most of these profiles are country-based, and it would be very difficult in terms of resources and time for the proposed ESCWA regional project to become involved in this activity. It would be more appropriate for the individual countries concerned to separately seek support from international development agencies in this regard.

Annex

INSTITUTIONS AND PERSONS CONTACTED IN FIELD MISSION

The following are the institutions and persons contacted in Jordan, Yemen, the Syrian Arab Republic, Egypt and Lebanon during the field mission:

I. INSTITUTIONS AND PERSONS CONTACTED IN JORDAN
(1-4 December 1991)

1. Industrial Development Bank of Jordan
   - Mr. Taher Kanaan, General Manager
   - Mr. Ahmed Eid, Director, Investment Sector

2. Jordan Institute of Management/Industrial Development Bank
   - Mr. Mounir Zagloul, Director

3. Ministry of Planning
   - Mr. Suleiman Abu Kharmeh, Director, Regional Planning

4. Development and Employment Fund
   - Mr. Abdel Ilah Abu Ayyach, Director

5. Ministry of Industry and Trade
   - Mr. Merwan Awad, Secretary General
   - Mr. Samir Omeish, Director of Industry
   - Mrs. Tamam Al Goul, UNIDO Project Manager

6. Ministry of Labour, Vocational Training Corporation
   - Mr. Ahmad Atwan, Director General
   - Mr. Samih Jaber, Director, Instructor and Supervisory Training Institute

7. Amman Chamber of Industry
   - Mr. M. Halaiqah, General Manager

8. Jordan Commercial Centres Corporation
   - Ms. Rima Khalaf, General Manager

9. Marketing Management Informaton Systems, MIS
   - Ms. Salwa Bamieh, Director
   - Mr. Delbert Wible, Manager
   - Mr. Hani Al-Dajani, Consultant
   - Mr. Fawaz Abboushi, Senior Consultant
   - Mr. Khaled Touqan, Consultant

10. U.S. Agency for International Development (USAID)
    - Mr. Barry MacDonald, Director, Office of Trade, Investment and Production

11. Queen Alia Jordan Social Welfare Fund
    - Mr. Salem Al Ghaoui, General Manager

12. National Consultant
- Mr. Nassim Barhan

13. Two private small-scale entrepreneurs in the Industrial Estate of Sahab

- Shadi Aluminium (kitchen wares factory)
  Mr. Na'aem Khatib, General Manager
- National Textile Establishment
  Mr. Taisir Nahar, General Manager

II. INSTITUTIONS AND PERSONS CONTACTED IN YEMEN (SANA'A)
(5-8 December 1991)

1. Industrial Bank of Yemen
- Mr. Abdulkarim Al-Arhabi, General Manager

2. Industrial Bank of Yemen, Small-Enterprise Development Unit
- Mr. Ahmad Alruba, Manager
- Mr. Ignacito Alvizo, Senior Management Advisor and Project Team Leader
- Mr. A. Diamante, Technical Adviser

3. United Nations Capital Development Fund
- Mr. Arie Schuurmans, Field Implementation Officer

4. Royal Netherlands Embassy
- Mr. J. Carl Jurrjens, First Secretary (Economic and Commercial)

5. Federation of Yemen Chambers of Commerce and Industry
- Mr. Mohamed Al-Zubeiri, Vice Chairman

6. Ministry of Industry
- Mr. Ahmad Al-Aryani, Director, General Department for International Relations

7. Ministry of Planning
- Mr. Galal Mawlah, Director General Technical Cooperation Department

8. Yemen Company for Investment and Finance
- Assistant General Manager

III. INSTITUTIONS AND PERSONS CONTACTED IN EGYPT
(9-12 December 1991)

1. Ministry of Industry
- Mr. Yusef K. Mazhar, First Under-Secretary

- Mr. Abd Al Hariss Abd Al Rahim, General Manager
  International Relations

2. General Organization for Industrialization
   - Mr. A. Mongi, Deputy Chairman
   - Mr. Ahmad Mostapha, Director, Technical Affairs Department

3. Federation of Egyptian Industries
   - Mr. Ali Fahmy Razek, General Manager

4. Industrial Design Development Centre
   - Mr. Badran Mohammed Badran, Head of the Centre
   - Mr. Nabil Soliman, Director of the Small-Scale Industries Department

5. Industrial Development Bank of Egypt
   - Mr. Fouad Iskandar, Economic Consultant

6. Egyptian Export Promotion Centre
   - Mr. Abdel Salam Sultan, Director of Research Department
   - Mr. Nabil Abdel Sayed, Director, Department of Industrial Products
   - Mr. Ahmad Rajai, Director, Training Section

7. Credit Guarantee Corporation for Small-Scale Enterprises
   - Mr. Radwan Ahmed Radwan, Director, Management Information System

8. U.S. Agency for International Development (USAID)
   - Mr. Karl Jensen, Finance and Investment

9. Friedrich Ebert Stiftung, Cooperative Project for Developing Handicraft and Small Scale Industries
   - Mr. Klaus Beierlein, Project Manager
   - Mr. Ahmed El-Genedy, Consultant

10. Private Company - MOG

11. National Consultant
    - Mr. Nabil Soliman

IV. INSTITUTIONS AND PERSONS CONTACTED IN THE SYRIAN ARAB REPUBLIC (13-14 December 1991)

1. Ministry of Industry
   - Mr. Mamdouh El Monajed, Adviser
   - Mr. Barakat Chahin, Director, Private Industrial and Handicrafts Sector

2. Industrial Bank
   - Mr. Abdelkader Obeido, General Manager

3. Damascus Chamber of Industry
   - Mr. Abdul Hamid Malakani, General Manager

4. National Consultant
   - Mr. Ayman Midani

V. INSTITUTIONS AND PERSONS CONTACTED IN LEBANON
(23-27 December 1991)

1. United Nations Development Programme (UNDP)
   - Mr. George Abu Jaoudeh, OIC
   - Mr. Christian de Clercq, Special Assistant to the United Nations Coordinator

2. The National Bank for Industrial and Touristic Development
   - Mr. Hayyan Haidar, Assistant General Manager
   - Mr. Naji Hasan, Manager, Loan Department

3. Council for Development and Reconstruction
   - Mr. Ibrahim Shamseddine, Deputy Head
   - Mr. Gassan Siblani, Deputy head

4. Association of Lebanese Industrialists
   - Mr. Nabil Ladki, Director General

5. Ministry of Industry and Petroleum
   - Mr. Imad Nawam, Director of Industrial and Technical Department

6. Beirut Chamber of Commerce and Industry
   - Mr. Elie Maalouf, Director of Economic Studies and Documentation Centre

7. Secretariat General of the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries
   - Ms. Naila Haddad, Economic Researcher

8. Lebanese University, Faculty of Economic Sciences and Business Administration
   - Mr. Zouhair Chokr, Dean of the Faculty