KENYA INDUSTRIAL ESTATES LIMITED

(A WHOLLY-OWNED SUBSIDIARY OF ICDC)

BUILD KENYA - BUY KENYAN

ICDC

ANNUAL REPORT 1970/1971

KENYA INDUSTRIAL ESTATES LTD.

P. O. Box 18282, Liverpool Road, Nairobi.

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Permanent Secretary,	—	Ministry of Finance & Planning (or his representative)

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General Manager

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Bankers

National Bank of Kenya Ltd.

Lawyers

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FOREWORD

Mr. E. Matu Wamae

During the last three years ended 30th June, 1971, 22 factories occupying 24 factory premises in the Nairobi Industrial Estate have come into normal production. The first 14 units, although hardly 3 years old, have broken a psychological barrier in would-be African entrepreneurs.

The 22 factories and the one which has come after the period under review, have demonstrated beyond any doubt that African entrepreneurs have a will and talent to work hard in their own businesses if suitable assistance and guidance are given to them. It must be remembered that during the initial stages of this project, there was great doubt as to the success of the programme in as far as lack of entrepreneurs was concerned. With the type of Kenya historical background where the indigenous population have had no experience whatsoever in running their business, leave alone venturing into industrial field which is more complicated, success was considered a remote possibility. However, the Government was determined to experiment and did not hesitate to go ahead with the programme which has now astonished its critics. As a matter of fact, the people who have had a long experience in this type of industrial promotion consider that the Phase I of Nairobi Industrial Estate has been a successful undertaking by any standard.

What might be called experimental stage has now been passed. The second Phase of Nairobi Industrial Estate which is now nearing completion has been planned and constructed with greater degree of confidence. It is therefore hoped that subsequent industrial estates in the country will no longer be considered as pilot schemes but will be planned on the basis of experience gathered so far and therefore their implementation period will be much shorter than before.

It must be said that this project has been one of those schemes which have been worked with "Harambee Spirit" without which it would not have been possible to achieve whatever has been done so far.

Phase I of the Nairobi Industrial Estate has cost a total of Shs. 9,283,973.00. This figure includes the construction of the buildings and civil works, cost of machinery and equipment, cost of tool-room machinery in the Technical Service Centre and the working capital. The 22 working factories produced during the year goods and services worth Shs. 4.9 million and employed 370 persons.

As stated earlier, the second phase of Nairobi Industrial Estate is about to be completed.

It consists of 24 standard sheds plus 3 special ones ranging from 1350 sq. ft to 9,000 sq. ft. When fully implemented, Phase II is expected to cost Shs. 13 million (both infrastructural and machinery costs). I am happy to report that up to the end of the period under review, my board has approved project feasibility studies for about 75% of the sheds in Phase II. This shows that its implementation is bound to be much faster than the first phase.

Plans are also underway for the construction of an Industrial Estate at Nakuru. Later on, it is intended to construct other industrial estates in Mombasa, Kisumu and Eldoret.

As Chairman of this Company, I must thank all the Directors of the Board of Kenya Industrial Estates Limited and various Ministries particularly Commerce & Industry and Finance and Planning without whose co-operation and assistance our programme would not have reached the stage where we are. I would also like to place on record the Company's gratitude to the governments of West Germany and India for their technical and other assistance. Finally I thank the Management of Kenya Industrial Estates Limited for their good work and hope that they will continue to work even harder in the rest of the programme especially now that their activities include the Rural Industrial Development Programme.

E. Matu Wamae,
Chairman,
Kenya Industrial Estates Ltd.,
November, 1971.

INDUSTRIAL ESTATE PROGRAMME AND ITS PLACE IN THE NATIONAL ECONOMY

Mr. K. A. Ng'eny

I. INTRODUCTION

In developing countries Kenya included, industrialization especially development of small scale industries has assumed paramount importance because of the social and economic needs. It is realized that in the long run, establishment of industries will be the only answer to the problem of unemployment and other economic and social ills. Experience elsewhere has shown that industrial estate concept is one of the most effective means of encouraging industrial development in general and small scale industries in particular.

Indigenous population in the past had no opportunity to show their talents in the industrial field and as a result there was complete absence of industrialists of African origin in the country. Since Independence, the Government has pursued a policy of

Africanization of the economy and the industrial estate programme is one of the implementation aspects of this policy. It must be mentioned that the would-be African entrepreneurs lack capital, technical know-how, and the business experience which greatly hinder them from going into industry. To induce the entrepreneurs, the Government through the I.C.D.C. decided to give loans for machinery up to 100%, in addition to provision of factory premises on rental basis along with technical extension services. Without these facilities, it would be extremely difficult if not impossible in the immediate future for any African to establish any meaningful industry on his own. The role of the industrial estate programme in the National Economy is, therefore, not only creating employment opportunities but also encouraging the African population to take active part in the economy of the country.

II. RURAL INDUSTRIAL DEVELOPMENT PROGRAMME

The Government attaches great importance to the development of Rural Sector of the country's economy and in her efforts to achieve accelerated development of rural areas, a number of schemes have been included in the current development plan one of which is the Rural Industrial Development Programme. By the nature of Kenya Industrial Estates' operations and the already existing basic staff for Industrial Estates Programme, the Government decided in June, 1971, to widen the scope of Kenya Industrial Estates Limited by including rural industrial development programme under its auspices. The programme envisages development of rural industrial centres throughout the country. Already 14 such industrial centres have had preliminary industrial surveys conducted. Four are expected to be operational during 1971/72 financial year. These are Nyeri, Embu, Machakos and Kakamega. The basic objectives of rural industrial development programme are similar to those of Industrial Estates except that R.I.D.P. unlike Industrial Estates Programme emphasises on rural areas.

III. NAIROBI INDUSTRIAL ESTATE

It is encouraging to know that with implementation of the first phase of Nairobi Industrial Estate, some of the aims and objectives of this programme are being fulfilled and no doubt the impact will still be felt as the programme advances to other centres in the country. Of course it cannot be pretended that the first phase of Nairobi Industrial Estate has been without problems. This has been so particularly in those industries which produce import substitution goods. However, with a more effective control of licences, signs of improvement are already visible and it is hoped that in the very immediate future majority of industries in the first phase of Nairobi Industrial Estate will show a considerable improvement compared with the past performances. It is relevant to mention here that phase I of Nairobi Industrial Estate was a pilot scheme and naturally a number of things which could not be anticipated have in one way or the other affected the performance of some industries in the estate.

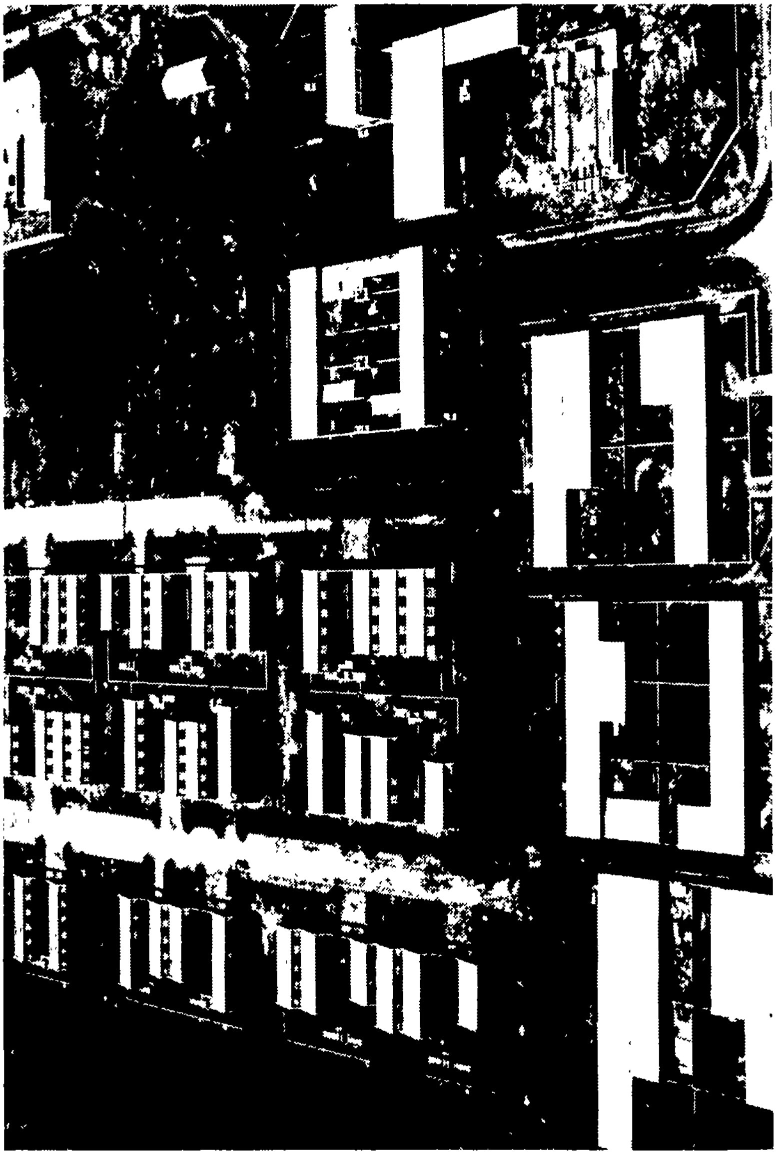
However, in the second phase of Nairobi Industrial Estate and other subsequent industrial estates, experience gained in phase one will be utilized to improve on the performance of the enterprises. Needless to emphasize, protection is absolutely essential for the development of industries particularly during initial stages. In case of import substitution industries, their success or failure depends very much on whether protection is effective or not.

IV. ORGANIZATION

Kenya Industrial Estates Limited is a wholly owned subsidiary of Industrial and Commercial Development Corporation, an autonomous body of the Ministry of Commerce and Industry, and is charged with the implementation of Industrial Estates and Rural Industrial Development Programmes. The running of the Company is entrusted to the Board of Directors composed of the Chairman who is also the Executive Director of the I.C.D.C. and the Permanent Secretaries of the Ministry of Commerce & Industry, Finance and Planning and three persons appointed from private sector. The Secretary of the I.C.D.C. is also the Secretary of this Company.

The day to day operations of the Company are run by the General Manager assisted by his Deputy. The main functions of the organization are to identify and carry out market surveys for various items which are considered suitable for small scale industries, preparation of feasibility reports, appraisal of the feasibility reports of various projects, the running of the Technical Service Centre, installation and putting into operation of machines for various types of production, repair and technical services to industrialists, planning and laying out of various factories for the projects already approved, planning and implementation of other industrial estates and Rural Industrial Development Programmes as given in the National Development Plan.

K. A. Ng'eny,
General Manager,
Kenya Industrial Estates Ltd.,
29 October, 1971.



Aerial View of Nairobi Industrial Estate

KENYA INDUSTRIAL ESTATES

I IMPLEMENTATION OF THE PROGRAMME

The first phase of Nairobi Industrial Estate has been completed. This phase consists of 25 units of various sizes. It can be said with satisfaction that the first phase has been successfully accomplished. There are, however, some teething problems which are expected in any undertaking of this nature. With the assistance of the Government, these initial problems are being tackled by the industrialists with confidence and there is no doubt that the programme is already a success in Kenya.

Second Phase - Nairobi Industrial Estate

Constrution of factory buildings for the Nairobi Industrial Estate second phase which started during the last quarter of 1970 is nearing completion. Based on previous experience, the factory premises in the second phase, are bigger in size than those in the first phase. Parallel with the construction of the factories, feasibility studies of various industrial projects have been worked out for implementation. The number of units in this phase will be 24. It is hoped that by the end of 1971 or early next year a number of units will have gone into production.

Nakuru Industrial Estate

Plans and report for architectural and civil works for Nakuru Industrial Estate were completed by the end of last year. The signing of the German loan agreement having been delayed, tender forms could only be finalized late during the year under review. It is expected that tenders would be invited soon during 1971-72. Nakuru Industrial Estate is planned for implementation during 1971/73 financial years. It is hoped that provided funds and personnel were available, the project could be accomplished within the planned period. The project which is estimated to cost about eleven million shillings will consist of about twenty industrial units.

Mombasa Industrial Estate

Plans are underway for acquisition of land for the implementation of Mombasa Industrial Estate which is planned to be put into operation by 1973. Due to non-availability of suitable government land, it has become necessary for the Government to have compulsory acquisition of industrial land in the Changamwe area of Mombasa a part of which will be allotted to Kenya Industrial Estates Limited.

Other Industrial Estates

Other industrial estates which are envisaged to be implemented during the plan period are Kisumu and Eldoret. The former is expected by the end of 1973 and the latter by the end of 1975.

II. NAIROBI INDUSTRIAL ESTATE

Financial Structure

The total costs of Phase I of the Nairobi Industrial Estate which included an administration block for the whole Estate Programme and Technical Service Centre were as follows:-

Buildings	Shs. 3,021,696
Civil Works	Shs. 852,277
TOTAL	Shs. 3,873,973.

As at 30th June, 1971 the total productive investment was as follows:

Machinery & Equipment	Shs. 3.005 million
Working Capital	Shs. 1.880 million
TOTAL	Shs. 4.885 million

This excludes the cost of the tool-room machinery in the Technical Service Centre valued at Shs. 525,000.

Thus the total investment in Phase I of the Nairobi Industrial Estate (infrastructure, machinery and working capital) as at the close of the period under review was Shs. 9,283,973.

Performance During the Year

The Nairobi Industrial Estate is a general-purpose estate, containing within itself different types of small scale industries viz:- manufacturing, assembly, repair and servicing workshops. Most of the industries equipped with modern though relatively less capital-intensive machines and equipment produce consumer goods. However the repair and servicing and sheet metal units, though producing/rendering quality goods and services, employ simpler machines and for the most part depend on manual labour.

Articles Manufactured and Services Rendered

There were as many as 22 factories occupying 24 premises as on 30th June,1971, These factories are engaged in the manufacture of Paper Pins, Staple Pins, Paper Clips, Door Hinges (Steel and Brass); Spacer Bar Sadles; Suit Case Hinges; Repair & Assembly of Scales; Metric Weights; Wire Nails; Armature Rewinding; Sheet Metal Goods like Dust Bins; Animal Cages, Traps, Buckets and Water Cans; Steel

Windows; Down Pipes; Gutters; Ready-Made garments; Uniforms; Shoe Laces; Zip Fasteners; Buttons; Wooden Furniture; Books and Magazines: Coat Hangers; Mattresses and Pillows; Cloth Pegs; Printing of Forms; Litho Plates and Printing Blocks; Ladies Hand Bags; P.V.C. Rain Coats; Curios and Game Skin Articles. In addition to these working factories, machines in respect of Panga Handles had arrived and were being installed when the year closed. Thus with the occupation of the 25th premises, the entire first phase buildings of the Nairobi Industrial Estate had been occupied.

Broad Economic Indications

As stated earlier, there were 22 factories functioning in the Nairobi Industrial Estate as on 30th June, 1971. These 22 factories together had a total productive investment of about Shs. 4.885 million of which machinery, equipment and other fixed assets like electrical fittings and installations and motor vehicles accounted for about Shs. 3.005 million and the rest of about 1.880 million was working capital. These 22 factories provided employment to about 370 persons and produced/rendered goods/services worth about Shs. 4.90 million during the year 1970/71. These industries added a total value of about Shs. 2.300 million on the raw materials, both imported and local. In other words, value added by local manufacture as a percentage of total value of output was 47. Some of the industries viz: Hinges, Staple Pins and Paper Clips and Game Skin Articles apart from selling locally have been sending their products since 1969-70 to the neighbouring countries of Uganda, Tanzania, Zambia and Congo and also exporting them to Japan, Italy and Germany.

The value of exports which stood at Shs. 133,000 during 1969-70 rose to Shs. 294,000 during the year under review.

The different economic indicators relating to the performance of the Nairobi Industrial Estate as on 30th June, 1969-70 and 1970-71 have been summarised as follows:-

	30th June, 1970	30th June, 1971
i) No. of Factories in Commercial Production	16	22
ii) Capital Investment		
a) Fixed capital (without building)	Shs. 2.219 Million	Shs. 3.005 Million
b) Working Capital	Shs. 1.681	Shs. 1.880
Total	Shs. 3.900 Million	Shs. 4.885 Million
iii) No. of Workers employed	250	370
iv) Value of output	Shs. 4.002 Million	Shs. 4.900 Million

v)	Value Added by Manufacture	Shs. 1.493 Million	Shs. 2.300 Million
vi)	Value Added by Manufacture as percentage of value of output.	37.5%	47%
viii)	Value of Exports to Neighbouring countries and Germany, Italy & Japan during the year.	Shs. 133.000	Shs. 294.000

Some Inferences

An analysis of the above figures would indicate that the Nairobi Industrial Estate, which was started on an experimental basis for promoting entrepreneurship among Africans has been on the whole a great success. Against a loan of Shs. 3.005 million advanced by the Government (which in any case is repayable), the entrepreneurs have contributed Shs. 1.880 million. This implies that the private enterprise has responded well by investing Shs. 0.62 against every shilling invested by the Government. This appears to be no mean achievement considering the fact that the capacity of the average African to save capital till 1963 was almost negligible.

Another feature of the Nairobi Industrial Estate which may be more of an academic value is the fact that for providing employment to a single person in modern small and medium scale industries, the Government has to invest about Shs. 8,000. Although as further analysis would show, the amount of Government capital required for providing employment per person varies from industry to industry, this average with minor variations could be used for framing employment policies and targets in the Development Plans so far as the small industry sector is concerned.

The performance of most of the industries during 1970-71 has been much better than that in the preceeding year. This is apparent from the fact that the value added by manufacture as percentage of the value of output has risen from 37.5% during 1969-70 to 47% during the year under review. Obviously almost all the industries started during 1968-69 have worked to much better capacity than in the preceeding year. This also confirms our belief that given sound protectionist policies with equally sound implementation, the units in the Industrial Estate can cross the break-even point much earlier than that assumed in our project reports.

Keen Competition From Imports

An important point to be noted is that most of the factories which started functioning during 1968-69 viz: Hinges, Staple Pins and Paper Pins; Scales Assembly; Mattresses, Pillows and Wooden Furniture; and one of the Printing Presses, were able to function to about 60% or more of their capacities. However industries set up during 1969-70 and 1970-71 such as Zip Fasteners, Ready-Made Garments, Buttons and Wire Nails were able to work to much less than 40% of their capacity and here too, some of them had accumulated stocks of unsold goods. The reasons for the factories working to much less than their installed capacities are many and varied viz:-

i) Most of the items produced were new. Labour had to be trained; auxillary machines and tools had to be bought; production processes had to be set; and a number of other teething problems to be faced.

ii) Some of the factories such as Wire Nails and Ladies Handbags had certain management problems, which adversely affected the working of the factories.

iii) The local market held large stocks of cheap imported products from foreign countries. This has adversely affected the level of local production especially for Buttons and Zip Fasteners. However given appropriate protection by the Government, combined with effective implementation of the protectionist policies, it is expected that all those factories enganged in the production of different items would be able to reach 90% of their capacities within the course of 2-3 years. Thus with the same capital investment (Shs. 3.005 million in machinery, equipment and other fixed assets excluding building) employment by 22 factories can be expected to increase to about 420 and the output is expected to rise correspondingly.

Employment Policy

Except for three factories making hinges, ladies handbags and ladies garments, which have together employed 3 expatriates, the rest of the factories are working with local labour, who have received in-plant training in the factories. The Kenya Industrial Estates Limited generally arranges for short term training for the proprietors or their nominees at the works of machine suppliers in case of complicated items of manufacture. During the last two years, such training was arranged for the proprietor of the factory making zip fasteners and the foreman of the factory making buttons. In this manner, the necessity of engaging expatriates is considerably reduced.

Comments on the Performance of Groups of Industries

The factories are categorized into six broad groups viz:-

i) **Wire Products:** Staple Pins; Paper Pins; and Paper Clips

ii) **Textile Products & Accessories:** Ready-made garments; buttons, Zip Fasteners; and Shoe laces.

iii) **Wooden Products:** Furniture; Coat Hangers; nnd Cloth pegs.

iv) **Metal Products:** Hinges; Scales Assembly; Sheet Metal goods

v) **Printing Presses & Allied Services:** Printing of Books, Magazines and Forms; Block-making and Litho Plates for Printing Presses.

vi) **Miscellaneous:** Curios; Game Skin articles; Handbags; and Armature rewinding.

Information about capital-output ratio; labour-capital ratio; labour-output ratio and value added by manufacture as percentage of the value of output in respect of these six groups of industries is given below:-

Group Name	* Labour/ Fixed Capital Ratio	Labour Output Ratio	* Fixed Capital Output Ratio	Value added by manufacture as per centage of output
1. Wire Products	1:14,129	1:18,106	1:1.28	44
2. Textile Products	1: 4,598	1: 9,115	1:1.99	45
3. Wooden Products	1: 4,441	1: 7,215	1:1.62	64
4. Metal Products	1:11,338	1:13,080	1:1.15	50
5. Printing Presses and Allied Services	1:13,310	1:26,000	1:1.96	46
6. Miscellaneous	1:53, 68[illegible]	1:11,825	1:2.20	64

* Fixed Capital excludes the cost of land & building

III. MARKETING OF OUTPUT

The first phase of Nairobi Industrial Estate was launched as a pilot scheme. Thus it was very necessary to take every precaution to ensure the success of the project. The initial entrepreneurs having been shy in taking risks, it was considered necessary to encourage only those "safe" industries whose products would be easily marketable. Apart from the few fabrication workshops, printing presses, gameskin articles and similar units, stress was placed on import substitution industries.

Import Control

Whereas it is accepted that such industries would improve the country's foreign exchange position, it was also thought wise to start with them because their products would be easy to market; for the Government is in principle committed to protection of these industries as soon as they are in production. At the time of writing this report, ban had been placed on the importation of most of the items viz: Hinges, Staple Pins, Paper Clips, Paper Pins, Aluminium Zip Fasteners (light duty), and low priced Ladies Plastic Handbags. At the same time some of the other items viz: Shoe Laces, Buttons and Wooden Cloth Pegs had been placed on the licensing list. However, not much progress seems to have been made about restriction on the importation of wooden coat hangers. Thus on paper the importation of some of the items has been banned, while that of others considerably restricted.

But such control has not been altogether effective. Industries such as door hinges, staples, paper pins, paper clips, aluminium zip fasteners and buttons have had to compete with imported cheap varieties. The licensing of wooden cloth pegs and banning the importation of aluminium zip fasteners has not been truly effective as the dealers cleverly continue to import these items though the licences are issued for other types/sizes not manufactured locally. Secondly, many unscrupulous dealers with branches in other parts of East Africa do place orders for all such items and consign them to their Dar-es-salaam or Kampala branches. But after clearing them from the Customs at Mombasa, they easily deliver them to their shops in Kenya. This has had such bad bearing on the sales of the factories concerned that in some cases, such as buttons, aluminium zip fasteners and wooden cloth pegs factories, large manufactured stocks have remained piled up for long periods. This in turn has resulted in a number of employees being laid off. Ineffective implementation of tariff policy is certainly a great threat to the success of the Industrial Estates Programme.

Distribution

It is expected that the Kenya National Trading Corporation will soon take over the distributorship of most of the manufactures on the estate. When this happens, probably the sales position would improve. At present each factory has appointed a private distributor usually a firm that is well established in the particular line.

In regard to the jobbing workshops such as the armature rewinder, steel fabrication and the wood workshops, they do not have sales problems as such; for they manufacture against specific orders. Two units rely heavily on Government and civic tenders. Efforts are being made to change such mode of production and go into more generalised sales items. The clothing factory faces the toughest market competition in regard to ladies ready made dresses, but it is hoped that through time the unit's lable should become popular.

Lack of Effective Marketing Organisation

Although the Government has promoted the sales of the products of the Industrial Estate by banning their importation, it must be admitted that until the end of the period under review, the manufacturers themselves had yet to evolve an effective marketing or distribution organisation. With such varied background on the part of the entrepreneurs, many of them do lack the necessary marketing and/or business acumen and this has, to a certain extent, affected the degree of success in each factory.

Three years is a relatively short period within which to work out all the necessary regular functional details of a project such as this one. An effective marketing organisation for goods and services produced in the Nairobi Industrial Estate should as much as possible be designed and financed by the manufacturers themselves. Whereas the KIE management have been conscious of this need, the small nature of the enterprises and hence the limited financial resources have collectively been an inhibition on any efforts on designing a marketing organisation. For it would involve transportation, advertisement, personnel and other allied costs which the manufacturers can ill afford. On the other hand if the Government is to come in with a subsidy, there is need to determine the extent to which the Government should subsidize them without being accused of "spoon-feeding." At the close of the period under review, the manufacturers jointly with the KIE management were still engaged in discussion in search of a fair solution to the need for an effective marketing arrangement.

Exports

The manufacturers have not so far made any serious efforts to export their products. The main reason is that the capacities of most of the industries were based on the national market and the aim was to satisfy this market first. However in view of the increasing stocks of manufacture, it became necessary to launch an export drive especially to neighbouring African countries and some of the Asian and European countries. As indicated on page 12 small quantities of hinges, staple pins, paper clips and paper pins worth about Shs. 133,000 were sold in Uganda, Tanzania, Zambia and Congo during 1969-1970. The export performance during the year under review has been much better in that these articles, including game skin article worth about Shs. 294,000 were exported to the neighbouring countries of East and Central Africa, Japan, West Germany and Italy. The manufacturers aim at publicising their products through the Export Promotion Council with a view to popularizing them in such markets as Ethiopia, Congo, Zambia and countries of West Africa.

IV. THE ROLE OF TECHNICAL EXTENSION SERVICES

There is at the Nairobi Industrial Estate a fully equipped tool-room. It has all the basic tool-room machinery and renders common facility technical services to all the industries in the estate. It manufactures dies and fixtures needed by individual factories from time to time Also since most of the factories at the estate are equipped with special purpose machinery whose spare parts are not available locally, the Technical Service Centre is at times called upon to design and manufacture any necessary machine parts. Such services are rendered on no-profit-no-loss basis; and therefore the entrepreneurs are able to reduce their costs considerably on such services. It may also be mentioned that by manufacturing spare parts in the Technical Service Centre, the entrepreneurs save a lot of time that would have been otherwise wasted if they were to be ordered from abroad. In other words, the Technical Service Centre ensures continuity of production. Moreover such jigs, dies and fixtures, when imported are usually very expensive.

The machine shop is run by qualified engineers assisted by a qualified and experienced foreman. There are die makers and fitters, machinists and a general mechanic. Although there has been some difficulty in recruiting die makers and other qualified technicians, the Technical Service Centre is fairly adequately staffed. Efforts are being made to recruit more qualified technical staff so that in addition to rendering services to the entrepreneurs, the tool-room can also undertake jobs from the general market outside the estate.

Financial Implications

The Technical Service Centre is equipped with machinery and equipment worth about Shs. 525,000. To complete the list, heat treatment facilities are to be installed very soon. Also there are plans to equip it with an electroplating plant to service the growing number of units that require such facility. During the period under review, the centre carried out work worth in all Shs. 49,020 *(12,588). This compares favourably with an expenditure of Shs. 6,900 (8,428) on materials and tools excluding the salaries and allowances of the technicians which amounted to Shs. 122,360 (83,599) as shown in the accounts statement at the end of this report. On the other hand if the labour cost is considered in the total expenditure, it will show that the total revenue was little in comparison with the cost. Such a high cost could not be avoided as some of the workers had to be trained on the job thus necessitating wastage of materials, premature wear and tear etc. Furthermore, the Technical Service Centre is also a product development centre so that considerable sums of money had to be spent on developing certain items for regular manufacture on the estate. The workshop is expected to assume even greater role as the estate and Rural Industrial Development Programme develop.

*The figures in brackets are for 1969/70.

V. PROBLEMS

A period of three years within which 25 factory sheds have been allotted and construction of the second phase nearly completed appears to be reasonable in comparison with similar projects elsewhere. It has been one of the clear signs of success of the industrial estates programme. Yet there have been and continue to be a number of difficulties in the implementation of the programme:-

(a) Inadequate Working Capital

According to the present procedure, whereas an entrepreneur is given up to 100% loan for machinery and equipment, he is required to meet all the overhead costs i.e. working capital. His share of investment in most cases amounts to about 25% of the total capital involved in the industry. It so happens that most of the industries do depend on imported raw materials; and from the beginning of the period under review, the delivery period of these raw materials invariably increased. Thus materials which were hitherto delivered in three months now take up to five or six months to be delivered. This implies that the small industrialist must tie up his meagre working capital for such long periods. Added to this is the fact that the producer is of necessity compelled to give 30 days or more credit to his customers. This evidently has left most entrepreneurs with very inadequate working capital.

Role of Commercial Banks

Very little assistance to individuals came from the local commercial banks. The small industrialists being without tangible security to offer, were considered (and continue to be) credit unworthy. In some cases the management of the estate wrote to the banks pleading on behalf of the entrepreneurs for overdraft facilities but without much success. This is a disappointing aspect of small scale industrial development. The commercial banks live in their own world unwilling to accept any risk; and unless they are awakened to come to the aid of the small industrialists, it will take a very long time to achieve the national industrial goals.

Raw Materials Bulk Purchases Scheme

However at the end of the period, one local bank after long negotiations agreed to finance the KIE (not individual entrepreneurs) in the form of a Loans Against Merchandise Scheme. In other words the bank pays for bulk orders of raw materials and debits KIE. The materials are then stored under joint lock and key of the bank with the KIE. The entrepreneurs purchase on retail basis their requirements on cash basis thus obviating the need for having to tie up their meagre capital in such stocks.

But this still has not yet solved the problem of lack of adequate working capital. For the manufacturers still have got to tie up their resources in manufactured stocks. There is still need for liquid funds for wages and other expenses. Even in the case of exports, money takes time to come in and the need for bridging loan is obvious. This is a problem that must engage the estate authorities together with the manufacturers in the ensuing years.

Role of Confirming Houses

Many of the entrepreneurs in Phase I are people who had not been in business. Thus the part which confirming houses could play in their bulk purchases was not appreciated by them till recently when the estate management initiated contacts with a number of these houses overseas. It is gratifying to note that a number of the entrepreneurs began making use of these confirming houses during the period under review thereby avoiding tying up of capital for long periods. As the new Raw Materials Purchase Scheme grows, it is expected that Confirming Houses will play a diminishing role.

(b) Long Delivery Periods for Machinery and Materials

As mentioned above, it was difficult to keep the projected implementation targets because of the long delivery periods of machines and raw materials. Most of the machinery came from Germany and Japan and because of the industrial boom in these countries, our small orders could not receive preference. Thus it took an average of six months to get the delivery of machines and materials. This meant delay in implementing various projects. It may be noted that very little can be done locally to improve such a situation.

(c) Technical Personnel

The development of the industrial estate programme depends on the rate at which viable industrial projects can be worked out. This in turn depends on the availability of qualified engineers and industrial economists who jointly carry out feasibility studies. Whereas a local economist and mechanical engineer were employed in the previous financial year, the estate continued to depend on the services of expatriate experts; for it will take some time before the newly recruited officers can acquire the necessary experience.

The most formidable bottle-neck was lack of skilled technicians for the Technical Service Centre which is the technical life-blood of the estate. There was lack of qualified die and tool makers and efforts to recruit them locally were unsuccessful. Apart from one assistant die fitter locally recruited for further training, the centre relied on the services of two expatriate die makers. It is planned to recruit more local die and tool makers who can understudy the expatriate officers. Although the machinery were inevitably under-utilised, whatever technical staff that were available did their best to meet all orders from entrepreneurs for dies, tools, fixtures etc.

Training

Effort to recruit experienced technicians locally revealed that some skills were not available in the country. In fact die and tool makers were not trained in Kenya until recently when the Metal Box Company started their own training scheme to meet their own requirements. Those craftsmen who graduate from the technical schools do not possess the necessary practical experience and therefore are not immediately absorbable into production workshops such as the estate's Technical Service Centre. It is gratifying to note that the Government will soon introduce a bill to encourage apprenticeships.

During the year a turner/mechanist, Mr. Lucas Ogutu, was sponsored for a year's course in Japan. A die fitter and general mechanic were sponsored for 4 years sandwich course at the Kenya Polytechnic. In addition the entrepreneur for zip fasteners went to Germany for a short course on the running of his machines; this course has proved very useful. Messrs Chui Enterprises, manufacturers of buttons, sent their technician to Japan for 8 weeks for a course in the running of their machines. This technician is now solely responsible for the technical operation of this industry.

(d) Industrial Licensing

In the absence of a system of industrial licensing, in the country, the danger of duplication in investment was apparent. A case in view was recent importation of machinery for the manufacture of paper clips and pins by a local manufacturing firm. Since the capacities of these factories at the estate were based on the total national demand, such duplication in investment implies that the investors concerned will have unavoidable excess capacities. Moreover in the particular case under discussion, the new investor being a big manufacturer, is likely to "eat up" the estate's entrepreneurs. It is felt that a system of preventing duplication should be evolved in absence of industrial lincensing.

The following industries were in operation during the period under review:

	Product
1. **Bunyala Engineering Works**	Water buckets, dust bins, water tanks, watering cans, animal cages and other sheet metal products.
2. **F. K. W. Electrician**	Armature and motor winding, general electrical repairs.

3. Metal Pressings Limited	Steel and brass butt hinges, suit case hinges, saddle spacers.
4. Lenana Industries Ltd.	P.V.C. Raincoats and Ladies handbags.
5. K. K. Wahome and Partners	Steel door and window frames.
6. Macharia Printers Ltd.	Printed forms and general printing.
7. Mt. Elgon High Class Furniture	Mattresses, pillows and other general furniture.
8. Dawning Africano Enterprises	Paper pins and clips
9. Neptune Industries	Paper pins.
10. Masaku Rural Tanning Workshop	Game skin articles and other leather products.
11. Kenya Scale Company Ltd.	Assembly and servicing of weighing machines.
12. Equator Press Ltd.	Printing of books and other general printing.
13. Karatina Wiring Manufacturing Company	Wire nails
14. Mea Garments	Ready made ladies dresses, uniforms.
15. Pigeon Slide Works	Zip fasteners
16. Kenya Photo Engravers	Litho plates and printing blocks

Since June, 1970 the following have come into production:-

17. Chui Enterprises	Plastic and Polyester buttons.
18. Ngwataniro Enterprises	Wooden cloth pegs
19. Mt. Elgon High Class Furniture (2)	Wooden coat hangers.
20. Aturia Trading Company	Game skin articles
21. Kiatu & Allied Products	Shoe laces
22. Masaku Industries Cycle Limited	Steel furniture (tabular)

Anybody interested in any of the products may write to the:-

Kenya Industrial Estates Limited,
P. O. Box 18282,
Tel. 59546-8
NAIROBI.

APPENDIX I

ABOUT OURSELVES

Since its establishment, the Industrial Estates Programme has attracted entrepreneurs of various business backgrounds. This is what some of them say about themselves:-

MRS. D. KANJA
(Neptune Industries)

I was a teacher for eleven years. Six years ago, I decided to have a change of my career. I undertook training in operation of Accounting Machine and on qualifying, was employed by the Railways Administration.

My stay in the city for fourteen years exposed me to a lot of business activities. All these and the success of small business owned by my friends inspired me. I became determined to own a small business unit in my life time. To achieve this end, there was a lot of financial sacrifice to be made. My husband and I had to do without many things to save as much as possible. Having a moderate income and a family of five to maintain and educate, this was not a simple task.

Mrs. D. Kanja

The opportunity came up when in 1966 we learnt of the planned small scale industries to be financed by the I.C.D.C. We applied for one of them and luckily our application was successful. At last my wishes came true and I am now managing our manufacturing unit and supplying the whole country with paper clips.

Y. NYAMOLO OKAL
(Equator Press)

Mr. Y. N. Okal

My first interest in business was aroused when in 1964 Longmans employed me as their sales representative. I had been a teacher for eight years before I entered business.

I had worked with the publishing company for two years when I resigned and started my own publishing house in November 1965. The capital available, a princely sum of £250, was borrowed from a friend. This was all taken up by furniture, rents etc. Our first year was very difficult and is the case with every new business, but with the help of God our business survived the initial shock of two years when we struggled to publish our first few titles, which were even difficult to sell. Looking back I cannot help wondering how we survived at all.

We now run three separate businesses i.e. Publishing, Bookshop and Printing Companies. The stocks involved are considerable but with 60 people working, it is not impossible for us to co-ordinate. We have employed an honours graduate as our Publishing Manager and have a university graduate as our Printing Manager. This we consider a contribution bearing in mind that when we started Equatorial Publishers, it was only myself and an office assistant whom we have since sent overseas for training. We have also another employee sent to train in Germany in Printing and Publishing.

F. K. WAMAE
(F. K. W. Electrician)

Having served various companies like E. A. Posts & Telecommunications E. A. Power & Lighting Co., I became interested in establishing a business of my own. This was an electrical business since in all cases I have worked as an electrician. The experience I had gained, was sufficient for me to start my own business.


Mr. F. K. Wamae

Two years after starting my own business, I was informed of the Government's decision to establish an industrial estates programme in the country. I applied and fortunately I was among the first five to establish an industrial unit in 1968 on the dry plain, now Nairobi Industrial Estate.

Although this place is rather far from the city centre, our experience, skill, efficiency and reasonable charges attract many customers. The support of the estate's management has made it possible for this young unit to survive competition from the older established alien owned enterprises.

Honours go to the promoters who render consultancy services to entrepreneurs. Such people like Messrs L. J. Howse, Christian Zimmermann and J. M. Shrivastava should never be forgotten.

MR. ALEXANDER MAGIO
(Bunyala Engineering Works)


Mr. Alexander Magio

I started my technical career in 1955 when I joined the Ministry of Works. As a trainee in the Central Workshop, I progressed through the various trades - blacksmithy, welding, tinsmithy and fitting. In 1960, I passed Grade III trade test and in 1962 obtained Grade II.

In 1966, the Ministry of Works Central Workshop closed down and so I was forced to look for alternative job. It was that time that I met an Asian friend with whom we founded my present business—Bunyala Engineering Works. We started off in a small workshop in the city centre manufacturing a few sheet metal goods by hand. The business expanded and we started manufacture of many more items. By 1965, the business had expanded so that we had to move to bigger premises with a staff of six workers.

In 1966, I heard of I. C. D. C. proposal to assist citizens in business and as my partner was not a citizen, I bought off his shares and applied for a loan. With a loan from the I.C.D.C., I acquired the necessary machinery and was the first person to transfer my workshop to the Nairobi Industrial Estate when it opened in July, 1968. I may also mention here that my exhibits at the Fahari ya Kenya Exhibition last year won the first prize for the best private commercial stand. My workshop now has 12 employees apart from myself.

APPENDIX II

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30TH JUNE 1971

INCOME	£	£
Rents		9,270
Service charges	2,489	
Less: Expenses	291	
		2,198
		11,468
ADMINISTRATION EXPENSES		
Salaries and wages	27,996	
Management fees	600	
Directors fees and expenses	651	
Travelling expenses including overseas travel	556	
Vehicle running expenses	644	
Advertising	249	
Repairs and maintenance	655	
Insurance	233	
Printing and stationery	803	
Postages, telephones and telegrams	947	
Light, water and conservancy	316	
General expenses	1,451	
Newspapers and periodicals	21	
	35,122	
FINANCIAL CHARGES		
Interest on loan	9,396	
Legal and professional fees	95	
Audit fees	300	
Provision for doubtful debts	3,294	
Bank charges	23	
	13,108	
DEPRECIATION	8,621	
Total expenditure		56,851
LOSS FOR THE YEAR		45,383
Loss brought forward from 1970		63,579
NET ACCUMULATED LOSS TO DATE		£ 108,962

KENYA INDUSTRIA

BALANCE SHEET

1970 £		£	£
	SHARE CAPITAL	Authorised	Issued and fully paid
	Shares of Shs. 20/- each	2,000	4
36,074	CAPITAL RESERVE		63,574
	REVENUE RESERVE		
(63,579)	Net accumulated loss to date		(108,962)
(27,501)	TOTAL CAPITAL AND RESERVES		(45,384)
	INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION		
250,008	Loan account	387,473	
21,573	Current account	28,218	
271,581			415,691
	CURRENT LIABILITIES		
473	Creditors		714
244,553			371,021

STATES LIMITED

30TH JUNE 1971

1970 £		£	£	£
	FIXED ASSETS	Costs Valuation	Depreciation	
14,424	Land	41,924	—	41,924
58,280	Buildings	248,043	11,338	236.705
45,724	Roads, drainage and land improvements	58,810	3,014	55,796
19,563	Machinery	24,336	6,547	17,789
	Furniture, fittings and office equipment	3,871	915	2,956
2,107	Motor vehicles	1,264	253	1,011
—				
		378,248	22,067	356,181
40,098				
	CURRENT ASSETS			
2,573	Debtors less provision for doubtful debts		5,624	
1,582	Bank balance		9,216	
4,455				14,840

J. KERAGORI (Director)

A. K. BIY (Director)

244,553	£ 371,021

NOTES ON ACCOUNTS FOR THE YEAR ENDING 30TH JUNE 1971

1. The balance on capital reserve is made up as follows:-

Land allotted by Kenya Government for phase I of the industrial estate at a valuation	£ 14,423
Land allotted by Kenya Government for phase II of the industrial estate at a valuation	27,500
Donated machinery at a valuation	21,651
	£ 63,574

2. Fixed assets are shown at cost with the exception of land value at £ 41,924 and donated machinery valued at £ 21,651

3. No letter of allotment has yet been issued in respect of the plot of land on which phase II of the industrial estate is constructed.

4. There were capital commitments of approximate at 30th June 1971 £ 95,425

5. Directors emoluments were:- As directors £ 227 (1970 £ 137)

6. These accounts are expressed in Kenya pounds.

REPORT OF THE AUDITORS

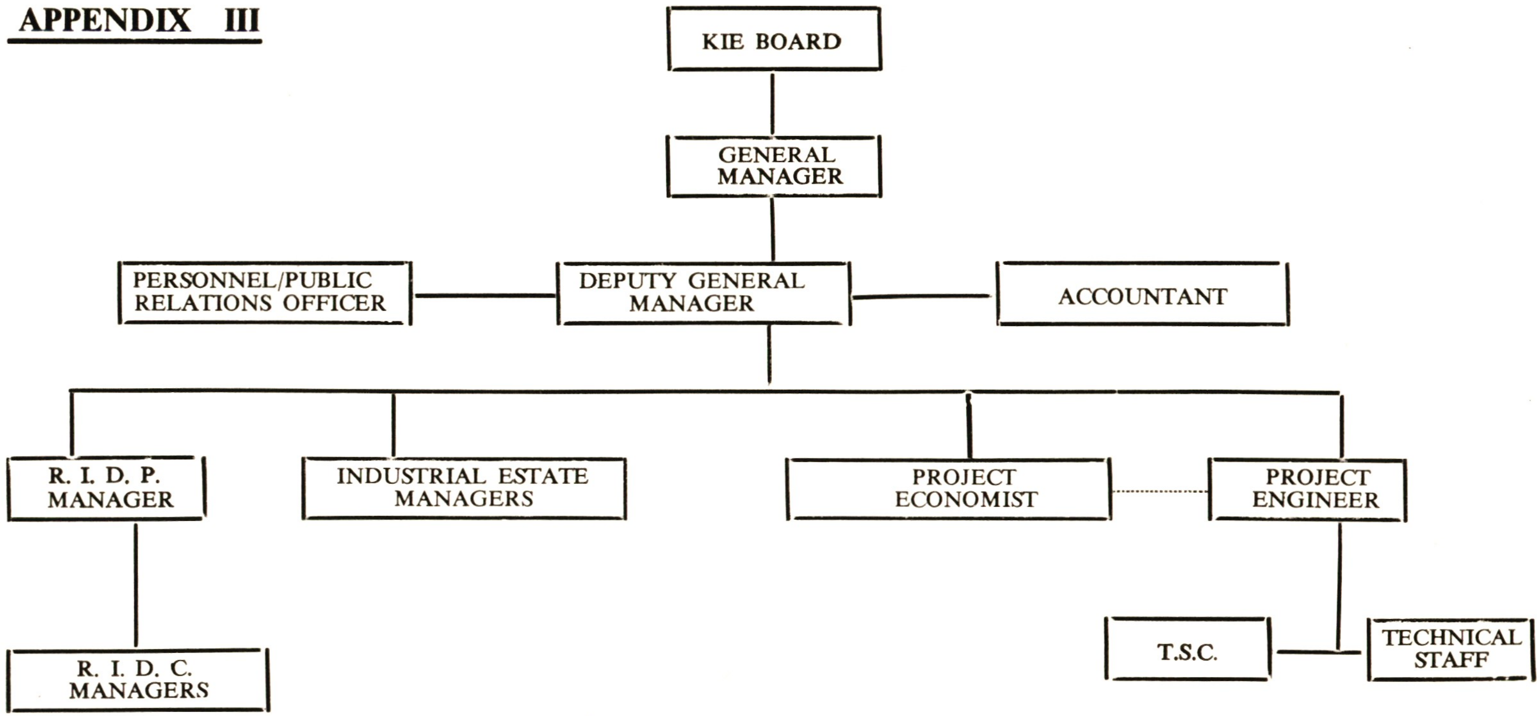
The accounts set out on pages 26 and 27 are in agreement with the books which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion, the accounts read in conjuction with the notes above comply with the Companies Act (Cap 436) and give a time and fair view of the state of affairs and the results of the company.

COOPER BROTHERS & CO.

P. O. Box 30158
NAIROBI — Kenya.

APPENDIX III



KIE ORGANISATIONAL CHART

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