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# An Example of Industrial Promotion

by C. J. Kenrick, Nairobi \*

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In the spring of 1963, the Aga Khan Shah Karim initiated and sponsored the establishment of a group of companies known as the Industrial Promotion Services (IPS). Initially, four companies were incorporated, one each in Kenya, Uganda and Tanzania, and their counterpart in Switzerland. These were soon followed by incorporation of IPS in Congo (Kinshasa), the Ivory Coast and Pakistan.

IPS was designed and launched to enhance the industrial development of emergent countries by coordinating energy of private entrepreneurs and government development agencies. The effectiveness of IPS's operations depends to a large extent on its own knowledge of the country in which it operates, i.e. of the country's resources and manpower, industrial requirements and national development policies.

## **Problem of Capital Formation**

One of the most trying problems faced by any developing country is the question of capital formation. In certain circles it is believed that capital formation is possible only with the help of foreign aid. Very few realise that domestic capital formation is just as good an alternative for development process. IPS has overcome the question of capital formation by establishing holding companies in East Africa. Every small investor who lacks financial resources and industrial and entrepreneurial know-how invests in these holding companies. Each holding company has a board of directors and is guided by its own investment policies. IPS has very close links with holding companies which are invited to participate in industrial projects. In this way, small investors are enabled to participate in numerous industrial projects. Thus, IPS has been able to invest up to 70 p.c. of E.A.£ 3.5 mn from capital generated domestically. Only 30 p.c. is represented by overseas capital.

Although IPS is committed to uplift the standard of living, provide employment and conserve foreign exchange of the country in which it operates, it does not do this by way of building infrastructure projects like schools, roads and hospitals. Neither does it involve itself in primary industry

such as agriculture or mining. It attains its aim through its principal object of assisting development of sound and commercially viable manufacturing industrial projects. Hence, its assistance in investigating, developing and implementing commercially sound projects is of vital importance. In this connection, IPS provides the services of assessing the market, working out technical and economic feasibility studies and planning entire projects before the actual investment of capital.

## **Assistance of Entrepreneurial Initiative**

On certain occasions, IPS has initiated projects and then sought local collaboration. On others, individuals have approached IPS with concrete project proposals and sought financial and technical assistance. IPS with its wide contacts throughout Europe, Japan, etc., with machinery and technical know-how suppliers, is in a strong position to assist such entrepreneurial initiative. IPS does not impose a minimum limit on financial participation in any project. However, too small a participation is not encouraged and the project partners have to contribute a substantial portion of the equity capital. IPS — sponsored projects always conform to the development policies of the respective countries. In that, labour intensive projects are preferred to capital intensive projects. Arrangements are always made with foreign experts to train local people in technical management so that projects are eventually controlled and run by local people. Nevertheless, IPS insists on competent management.

The steady growth of IPS in East Africa has been made possible by the economic and political stability of the three East African nations since their independence. The Governments of the three East African countries have recognised the value of IPS. The Government of Tanzania has participated by taking substantial shares in the equity of IPS (T) Ltd. through its National Development Corporation (NDC). Kenya Government has taken participation in the equity of IPS (Kenya). It is also envisaged that the Government of Uganda will do likewise and participate in the equity of IPS (Uganda).

## **Projects in Kenya . . .**

In Kenya, IPS, since its inception in 1963, has succeeded in generating capital to the extent of

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E.A.£ 900,000. This capital has been invested in projects that manufacture quality shirts, hosiery, insecticides, toiletries and perfumes, various aerosol sprays, inks and glues, woodscrews, ladies' garments, knitwear, suitcases and industrial rubber goods and footwear.

The completion in 1967 of a modern building in the heart of the city of Nairobi, to house the "Industrial Promotion Centre" for IPS and known as "IPS Building", was the result of Aga Khan's broad vision and foresight. As besides being a landmark in Nairobi, the construction of this building gave spur to real estate development activity which had come almost to a standstill in the country since independence.

#### ... and Tanzania

IPS has made a spectacular break-through in investment in Tanzania within a very short time. The total invested capital in this country in various projects is in the region of E.A.£ 2,000,000. These projects include the manufacture of textiles, pharmaceuticals, garments and shirts, blankets, suitcases, wire products, knitwear and hosiery.

The most ambitious project of all is the vertically integrated textile mill situated in Arusha. In this project, IPS has brought together local and foreign investors. Among the foreign partners are: the Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) GmbH of Germany, Jos. Hansen und Soehne, William Ploeger, also of Germany, and the Commonwealth Development Finance Co. Ltd. of UK. Local participants are Tanzania Development Finance Co. Ltd., and IPS (Tanzania) Ltd. This mill has already commenced production and produces finished cloth from local raw materials. It not only provides employment to nearly 650 people but saves Tanzania a large amount of foreign exchange by replacing the imported cloth by a locally manufactured product.

Yet another project has been implemented with Japanese Collaborators. They are Messrs Marubeni-Iida Co. Ltd. and Messrs Yamayao Blanket Manufacturing Co. Ltd. The project company,

Kilimanjaro Blanket Corporation Ltd., at Tanga, produces fine quality blankets. Recent developments by IPS(T) include the take-over of Tanzania Investment Promoters Ltd. (now renamed TIP Soap & Glycerine Ltd.), a Tanzania Shs. 4,000,000/= soap factory at Tanga. This project was taken over to develop further its potential to manufacture high class laundry and toilet soap, and to recover glycerol from spent soap lye.

#### Plans in Uganda

The total invested capital in Uganda in various projects is approximately E.A.£ 650,000. This investment was either through IPS initiation or by investing in already existing projects which needed expansion. The projects include Nylon Fish Nets, household brushes, footwear, hosiery and suitcases. Another project of considerable importance went into production recently. This project is connected with the manufacture of plastic articles such as PVC floor tiles, imitation leather, films and sheets by extrusion process, as well as bottles. This project has been established with foreign and local participations. The foreign partners are Farbwerke Hoechst A.G. of Frankfurt, Germany, and machinery and technical know-how suppliers Messrs Wilhelm Anger of Vienna, Austria, and USA: AID.

At present plans are at an advanced stage for the implementation of an ambitious programme of tourism promotion in all the three territories. In addition, IPS has also contributed to tourist industry in Uganda by investing in the Grand Hotel and has participated in the equity of African Ceramics Co. Ltd. — a project initiated by the Uganda Development Corporation and established with the help of Interkiln Engineering of USA and USA: AID.

Thus, ranging from a large fully integrated vertical textile mill to a small ink and glue manufacturing plant, IPS has identified itself with the industrial development of Kenya, Uganda and Tanzania, by assisting entrepreneurs to establish commercially sound and viable projects to bring prosperity not only to the individual but in the long run to the three independent countries of East Africa.



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