

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
CENTRAL STATISTICAL AUTHORITY

REPORT ON SMALL SCALE MANUFACTURING
INDUSTRIES SURVEY

DECEMBER 2002

ADDIS ABABA
SEPT. 2003

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ABBREVIATIONS

CSA - Central Statistical Authority
E.F.Y. - Ethiopian Fiscal Year
G.C. - Gregorian Calendar Year
S.N.N.P.R. - Southern Nation, Nationalities and Peoples' Region
NEC - Not Elsewhere Classified
PHC - Population and Housing Census
SNA - System of National Accounts
IMPS - Integrated Micro-computer Processing System

PART I
INTRODUCTION AND OBJECTIVES

1.1 Introduction

The manufacturing industrial sector is the most dynamic component of the goods producing sectors of an economy. In particular, Small Scale Manufacturing Industries are playing an ever-increasing role in the manufacturing industrial structures of the developing economies of the world. Expansion and development of the manufacturing sector increases agricultural productivity through providing agricultural inputs and creating demand for agricultural outputs. Furthermore, manufacturing industries play a key role in stimulating other sectors of the economy such as trade, construction and services and in reducing the growing number of unemployment. Basic data on manufacturing output, input, employment, fixed assets, investment and capacity are paramount importance for designing and formulating industrial development programs, strategies and policies.

Owing to this fact and in an effort to provide comprehensive, accurate, reliable and timely data on a regular basis on the country's manufacturing sector the Central Statistical Authority /CSA/ has conducted for the second time in 1995 E.F.Y. a survey on the whole manufacturing sector, including Small Scale Manufacturing Industries.

Manufacturing is defined here according to International Standard Industrial Classification (ISIC Revision -3) as " the physical or chemical transformation of materials or components into new products, whether the work is performed by power - driven machines or by hand, whether it is done in a factory or in the worker's home, and whether the products are sold at wholesale or retail. The assembly of the component parts of manufactured products is also considered as manufacturing activities." For this survey grain milling services are also considered as manufacturing activities.

The survey of manufacturing activities are designed to provide basic information on the characteristics, structure and performance of Cottage and Handicraft, Small, Medium and Large Scale Manufacturing Industries. For the accomplishment of these objectives, manufacturing establishments are divided into three major groups. These are: -

- a) Large and Medium Scale Manufacturing Establishments, engaging 10 or more persons and using power -driven machines.
- b) Small Scale Manufacturing Establishments engaging less than 10 persons and use power -driven machines.
- c) Cottage/Handicraft Manufacturing Establishments performing their activities by hand (i.e., using non -power driven machines).

Among the above three major groups, the Central Statistical Authority /CSA/ has been conducting survey of Large and Medium Scale Manufacturing Industries each year and publish the results of the survey on annual basis, to provide users with reliable, comprehensive and timely statistical data.

Concerning Small Scale and Cottage/Handicraft Manufacturing Industries the Central Statistical Authority for the first time for the reference period 1988 E.F.Y. conducted comprehensive survey both in urban and rural parts of the country. In line with CSA's plan to conduct these surveys with regular time intervals and provide detailed information on the structure and performance of all groups of manufacturing industries CSA in 1995 E.F.Y conducted the following surveys for the second time:

- Small Scale Manufacturing Industries survey, and
- Cottage/Handicraft Manufacturing Industries survey.

This bulletin presents results of Small Scale Manufacturing Industries survey for the reference period 2001/02 (1994 E.F.Y.). The report provides information on objectives, scope, coverage and content, basic concepts and definitions, survey methodology, training of field staff, field organization and summary tables by regional states and urban centers and structure and performance of Small Scale Manufacturing Industries. Furthermore, the questionnaire and estimation procedures for the survey are attached as an appendix.

1.2 Objectives

The main objectives of Small Scale Manufacturing Industries Survey are to:

- a) Obtain basic statistical data that are essential for development policy makers, planners and researchers by manufacturing industrial group.
- b) Collect basic quantitative information on employment, volume of production and consumption of raw materials, structure and performance of the country's Small Scale Manufacturing Industries and their distribution by regional states and urban centers.
- c) Compile statistical data, which will be an input to the System of National Accounts (SNA) on Small Scale Manufacturing Industries as a whole and by manufacturing industrial group.
- d) Examine the interaction of the Small Scale Manufacturing Industries with the rest of the economy, particularly with the agricultural sector, and collect data that indicates its share in promoting export production and consuming imported raw materials.

- e) Obtain the number of people engaged in small Scale Manufacturing Industries and find out the major problems that creates stumbling block for their activities.
- f) Fill in the statistical data gap concerning the Small Scale Manufacturing Industries.

In this respect, it is expected that this survey will continue with regular intervals of three to five years.

PART II

SURVEY METHODOLOGY, DATA COLLECTION AND PROCESSING

2.1 Scope, Coverage and Content of the Survey

The survey of the Small Scale Manufacturing Industries is confined to those establishments, which engage less than 10 persons and use power driven machines. The survey covers all forms of ownership individual, share, private limited company, partnership and co-operative manufacturing industries in all regional states and urban and rural areas of the country, where establishments under the scope of the survey are found. The 1995 E.F.Y. survey of Small Scale Manufacturing Industries unlike the previous survey includes grain-milling services both in urban and rural parts of the country.

In this survey, detailed information on number of establishments, number of persons engaged and number of employees by industrial groups, sex, nationality and occupation, initial and current paid up capital, gross value of production, industrial and non-industrial costs, operating surplus, value added, value of fixed assets, investment, quantity of major manufactured articles and raw materials by industrial group, number of persons engaged by literacy status, highest grade completed and type and duration of training for the country and selected items by regional states and urban centers are presented.

2.2 Basic Concepts and Definitions

- i. **An Establishment:** - is defined as the whole of the premises under the same ownership or management at a particular address (e.g. a bakery, sawmill...etc.).
- ii. **Initial Paid-up Capital:-** is that part of the issued capital of an establishment that has been paid by the owners/shareholders to start the operation.

- iii. **Current Paid-up Capital:** - is that part of the issued capital of an establishment that has been paid by the owners/shareholders up to the survey period for operation of the establishment.
- iv. **Working Proprietors, Active Partners and Family Workers:-** include all unpaid working proprietors, active partners and members of their household who actively participate in the operation of the establishment.
- v. **Administrative and Technical Employees:-** include salaried directors and managers, technicians, superintendents, research workers, draftsmen and engineers, chemists, architects, accountants book-keepers, office machine operators, receptionists , sales persons, delivery personnel, guards and other office staffs.
- vi. **Production workers:-** workers directly engaged in production i.e., persons engaged in fabricating, processing, assembling, maintenance, repair, janitorial, record keeping, and other associated activities.
- vii. **Apprentices:-** include both production and administrative workers, who are working to gain experience with or without payment.
- viii. **Seasonal and Temporary Workers:-** include workers who are employed for a whole or a part of the year. These workers are not regularly on the payroll of the establishment.
- ix. **Number Employed:-** includes all persons on the payroll whether seasonal or temporary workers. The number of seasonal and temporary workers has been adjusted to give equivalent of full-time workers.
- x. **Number Engaged:-** includes paid employees, unpaid working proprietors, active partners, unpaid family workers and paid and unpaid apprentices.

- xi. **Wages and Salaries:-** includes all payments in cash or in kind made to employees during the reference year in connection with work done for the establishment (this excludes employee benefits).
- xii. **Employee Benefits:-** refers to the total of commissions, bonuses and cost of living allowances, medical and educational expenses, etc.. Paid by the employer.
- xiii. **Total Labour Cost:-** includes wages and salaries and employee benefits paid by the employer during the reference year.
- xiv. **Revenue from Sales:-** represents the total sales value of all products and by-products during the reference year valued at market price.
- xv. **Receipt from Industrial Services Rendered to Others:-** includes receipt from manufacturing services done to others on the raw materials supplied by customers such as grain milling services and repair and maintenance.
- xvi. **Other receipts:-** include rental income from lease of machinery and equipment, income from sales of scrap and the value of fixed assets produced by the unit for its own use.
- xvii. **Difference of Stocks in the Value of Finished Goods and Semi-Finished Goods:-** is the net change between the end and the beginning of the reference period in the value of finished and semi-finished goods.
- xviii. **Gross Value of Production:-** includes the sales value of all products of the establishment, the net change between the beginning and end of the reference period in the value of finished goods and the value of work in-progress, the value of industrial services rendered to others and other

receipts. The valuation of Gross Value of Production is in terms of producers' values where indirect taxes are included in the value of sales of the establishment and the value of subsidies received is excluded.

- xix. Raw Materials:-** include all raw and auxiliary materials, parts and containers which are consumed during the reference year. The value of local raw materials is the value of locally produced raw materials and is the cost at the factory which includes the purchase price, transport charges, taxes and other incidental costs. The value of imported raw materials is the value of raw materials produced in other countries and obtained directly or from local source and is the cost at the factory which includes the purchase price, transport charges, taxes and other incidental costs.
- xx. Other Industrial Services Rendered by Others:** - refer to contract, repair and maintenance work done by others in the reference year on materials controlled by establishment. Included are also the cost of all goods purchased and resold without any transformation during the reference year and the cost of water consumed.
- xxi. Industrial Cost:** - Includes the cost of raw materials, fuels, electricity and other supplies consumed cost of industrial services rendered by others, cost of goods bought and resold without any transformation or processing.
- xxii. Non -industrial Cost:** - includes payments like professional fees, postage, telephone, insurance, advertising, hired transport, rental payments, etc.(depreciation is excluded).
- xxiii. Census Value Added (at Market Price):** - is the difference between gross value of Production and Industrial Cost. Census value Added at market price minus indirect taxes net (i.e., indirect taxes less subsidies) gives census value added at factor cost.

- xxiv. Value Added in the National Account Concept (at Market Price):** - is defined as the difference between the gross value of production and industrial and non-industrial costs. To get the same indicator at factor cost indirect taxes net (i.e., indirect taxes less subsidies) are subtracted.
- xxv. Fixed Capital Assets:** - are those with a productive life of one year or more which are intended for the use of the establishment including fixed assets made by the establishment's own labour force for its own use. They are valued in this report at book value end of the reference year, that is the net book value at the beginning plus new capital expenditure minus those sold and disposed and depreciation during the reference year.
- xxvi. New Capital Expenditure (Investment):** - is the cost of new or used capital equipment bought during the reference period.
- xxvii. Operating surplus:** - is defined here as the difference between value added in national account concept at factor cost and total wages and salaries and employee benefits.
- xxviii. An Individual Proprietor:** - is a person who owns and controls an establishment.
- xxix. Partnership:** - is an establishment owned and operated by more than one person with unlimited liability.
- xxx. Share Company:** - is a business organization formed by an agreement made between at least 5 or more persons with limited liability. The shares are transferable.
- xxxi. Private limited Company:** - is a business organization formed, by an agreement between two or more persons but not exceeding fifty, with

limited liability. The shares are not transferable except with consent of 3/4th of the members.

xxxii. Co-operatives:- an establishment owned and run jointly by its members with profits shared between them.

xxxiii. Other Forms of Ownership: - includes legal form of organizations different from those mentioned above (28 -32), such as establishments owned by joint -venture, Government, Municipalities, etc.

xxxiv. Urban Dweller's Association (UDA) (Kebele):- is the lowest administrative unit in an urban center with its own jurisdiction. It is an association of urban dwellers (commonly known as Kebele) formed by the inhabitants, and usually constitutes a part of the urban center.

xxxv. Urban Center:- is in principle defined as a locality with 2000 or more inhabitants. However for practical purposes an urban center includes the following regardless of the number of inhabitants.

a) All administrative capitals

i. Regional capitals

ii. Zonal capitals not included in (i)

iii. Wereda capitals not included in (i) and (ii)

iv. Localities with UDAs not included in (i) - (iii)

b) Municipal towns not included in (a) above

c) All localities which are not included either in (a) or (b) above having a Population of 1000 or more persons, and whose inhabitants are primarily engaged in non -agricultural activities

2.3 Survey Methodology

The 1995 E.F.Y. Small Scale Manufacturing survey was designed to cover both urban and rural areas in all regions of the country except pastoralist areas, three zones of Afar and six zones of Somali Regional States. Except for grain mill service industries all small-scale manufacturing industries were covered on census basis while grain mill services were covered on sample basis.

2.3.1 Sampling Frame

A fresh listing of small scale manufacturing industries had been generated at the beginning of the survey in all urban and rural areas of the survey domain and from this listing only required number of grain mill service industries were sampled according to the sampling methodology.

2.3.2 Sample Design

For the purpose of the survey, the survey areas are grouped into three categories, namely rural, major urban centers and other urban domains. Zones in each region for rural and other urban center categories are considered as strata while major urban centers and regional capitals are treated as strata in urban centers category. In general there are fifty-six reporting domains these are thirty-four urban, ten regional and twelve country levels, aggregating over all strata in the region as to make a reporting level.

2.3.3 Sample Selection Scheme

A systematic simple random sampling method was used to select three-grain mill service industries per wereda for rural category and two-grain mill service industries per urban center for other urban centers category. On

the other hand for large urban centers and regional capitals category a predetermined sample size was selected. Grain mill services in Aysayta, Jigjiga, Assosa, and Gambella were covered on census basis. In each zone of Addis Ababa 30 grain mill services were selected. Totally for all three categories about 3626 grains mill service industries are covered on sample basis. The distribution of sampled and covered grain mill service industries in each category is given in the Tables 2.1 and 2.2.

Table 2.1: Distribution of Sample Grain Mill Industries Major Urban Center Category

Killil	Urban Center	Sample Establishment	Covered Establishment
Tigray	Mekele	30	20
Affar	Aysayta ¹	Census	4
Amhara	Gonder	30	30
	Dessie	30	29
	Bahir Dar	30	30
Oromia	Jimma	30	30
	Nazreth	30	22
	Debre Zeit	30	24
Somalie	Jigjiga ¹	Census	15
Benshangul Gumuz	Assosa ¹	Census	14
SNNPR	Awassa	34	34
Gambella	Gambella ¹	Census	11
Harari	Harar	30	24
Addis Ababa Admin.	Addis Ababa	176	176
Dire Dawa Admin.	Dire Dawa & Melka Jebdu	30	30
Total			493

¹ In these urban centers all available grain mill industries are covered by census in the survey.

Table 2.2: Distribution of Sample and Covered Grain Mill Service Industries In Rural and Other Urban Category

Killil	Sample Grain Mills		
	Other Urban	Rural	Total
Tigray	109	102	211
Affar	19	6	25
Amhara	523	401	924
Oromia	694	561	1255
Somali	24	17	41
Benshangul Gum.	42	47	89
SNNPR	293	274	567
Gambella	12	7	19
Harari			
Addis Ababa		1	1
Dire Dawa		1	1
Total	1716	1417	3133