

THE MANAGEMENT OF INDUSTRIAL DEVELOPMENT IN  
KUWAIT

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**DEDICATION:**

For my wife Amal, my daughters Rana and Lana, and my sons Zeyad and Aziz for their support all these years.

**MOAYED AL-RASHIED**

## SUMMARY:

This thesis examines the concept of the Management of Industrial Development in Developing Countries with particular reference to Kuwait. Whilst development Administration in Developing Countries has been the focus of much previous work less attention has been devoted to the distinct problems and needs of manufacturing industry in such countries. The thesis therefore responds to this gap in the literature.

The first stage of the research entails a detailed analysis of the Kuwaiti economy which makes clear the heavy dependence on oil revenues, and the pressing need for the diversification of the economy. In particular the future prosperity of Kuwait will be heavily dependent on its ability to develop a more competitive industrial structure.

The second stage of the research involves an evaluation of both the existing organizational arrangements and the legislative framework for the management of Industrial Development in Kuwait. The principle conclusion from this review is that there are considerable weaknesses in the management of industrial development in Kuwait. The weaknesses cause major problems for manufacturing industry leading to both inefficient and ineffective performance by many industries.

The final part of the research study is devoted to two major surveys, one focusing on key actors in the Public Sector charged with the responsibility for the Management of Industrial Development; the other is a survey of a sample of manufacturing companies. The results of these surveys confirm both the inadequacies of the existing system and point to a number of future directions.

The research concludes that it is imperative to introduce major changes to the existing administrative system by the creation of a new structure in which the Public and Private sectors play an equal role.

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Key Words:

Kuwait; Management; Industrial Development; Evaluation.

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# CHAPTER ONE

## INTRODUCTION

1.1 Aims and Objectives:

The general objective of this thesis is to introduce the concept of the management of industrial development in developing countries. The thesis states that while development administration is the overall management of economic development in developing countries, the management of industrial development is the distinct planning and organization associated with the activities of industrial development in these countries. The issue which the thesis focuses on in this regard is that in Kuwait – as in other developing countries – the majority of industries are not in a position to provide for themselves the services they may need from their internal resources. Thus it is necessary to establish one or more such organizations in public and/or private sectors to provide a variety of these services. These organizations, their policies, activities, and the services they provide to industry constitute what is identified by this thesis as the management of industrial development. Many developing countries are still experimenting with various approaches towards the organization of the management of industrial development in an attempt to find the most effective formula. This thesis will attempt to recommend such formula with respect to Kuwait by related conclusions and recommendations.

The specific objective of this thesis centres around the importance of industrial development to the Kuwaiti economy. Hence it contains information and analysis about economic development in Kuwait including a detailed assessment of the magnitude and composition of industrial development identifying the need for further industrialization and how best to achieve it, with an assessment of the roles of both the public and private sectors. Obstacles facing industry in Kuwait are analysed focusing on the main obstacle namely the absence of an integrated organization for industrial development. The thesis explores the need for the development of such organization including the need for a well established organizational set-ups, planning and policy – making procedures and better utilization of human and other resources. To achieve this objective the thesis contains a critical assessment of the existing system, planning and legislative framework for the management of industrial development identifying strengths and weaknesses of the existing arrangements for the management of industrial development together with an assessment of the availability of

industrial strategies and policies as well as the evaluation of the efficiency and effectiveness of the existing management structure, roles, and procedures leading to the recommendation to introduce an improved system for the management of industrial development in Kuwait with related developed organization and structures. Such improved system for the management of industrial development will result in the enhancement of industrial development in Kuwait with a better achievement of industrial objectives within the framework of the objectives of the socio-economic development in the country.

Among the aims of this thesis is to bring together diversified information about industry in Kuwait which was not put together before. Such information shall assist in the formulation of industrial plans, policies, and procedures to be adopted by the management of industrial development in Kuwait.

## 1.2

### Method.

The research study was carried out in the following steps:-

1. Literature search into aspects related to industrial development in developing countries, administration of industrial development in developing countries and overall development administration. The object was to obtain sufficient background information and knowledge of the importance of industrialization to developing countries and to introduce the concept of management of industrial development and its relationship with overall development administration in these countries.
2. Literature search was also conducted into aspects related to industrialization in Kuwait including economic and industrial development, related planning and legislative frame work through the study and examination of available documents, reports, and memoranda from various Ministries and Government Authorities. The object was to establish an overview of the magnitude and composition and importance of industrial development in Kuwait.
3. Structured interviews were conducted with selected industrialists and executives of the existing management of industrial development to

explore in detail the characteristics of existing management arrangements and formulate ideas for further development.

4. A field survey study was carried out by the researcher in order to assess industrial strategies and policies, existing management structures and procedures and to examine the need for a new frame work for management of industrial development in Kuwait. The field survey was based on the use of a detailed questionnaire which was answered by a selected sample of participants either in direct interviews or to be completed by the participant and returned to the researcher. The composition of the sample was based on adequate representation of industrialists from the private industrial sector and members of the existing management of industrial development in Kuwait. Kuwait was chosen as a case study because it fulfils major criteria of developing countries yet represents a unique example with surplus investment capital, while the economic development options have been narrowed to a point where the importance of industrialization is fully realised with emphasis on the related management of industrial development.

The thesis attempts to establish certain academic basis but its analysis and approach are mainly pragmatic. It includes practical recommendations for the enhancement of management of industrial development in Kuwait which may also be used in other developing countries with similar economic conditions.

### 1.3 Structure of Thesis.

This thesis consists of four parts. These are: Part (1) –Aims background and rationale of the research study. Part (2) – Industrialization in Kuwait. Part (3) – An evaluation of the management of industrial development in Kuwait, and part (4) –Conclusions and recommendations of the research study. The thesis also includes (5) – appendices.

Chapter (1) Presents objectives, methodology and structure of the thesis while Chapter (2) discusses the subject of industrialization in developing countries with an introduction to the concept of the management of industrial development in developing countries by giving examples of some typical

institutions in various developing countries and discussing the organization and management of industrial development agencies.

Chapter (3) discusses general characteristics of the Kuwaiti economy and provides relevant information and statistics, while Chapter (4) assesses the structure of industrial development in Kuwait since the establishment of an organized industrial sector in the early sixties. Chapter (5) presents and assesses planning practices and the existing legislative framework associated with industrial development in Kuwait.

Chapter (6) describes existing arrangements for the management of industrial development in Kuwait by explaining the role of various organizations dealing directly or indirectly with the administration of industry while Chapter (7) conducts a critical assessment of such existing arrangements with emphasis on the present role and functions of the Department of Industrial Affairs – the main organization responsible for industry in Kuwait – as compared with its prescribed role and responsibilities in the relevant Ministerial decisions. Chapter (8) contains the results of the Field survey study for assessment of existing industrial strategies and policies, existing management structures and procedures and the evaluation of need for a new frame work for management of industrial development in Kuwait.

Chapter (9) identifies final conclusions of the research study while Chapter (10) presents its final recommendations.

## CHAPTER TWO

### BACKGROUND AND RATIONALE

2.1 Introduction

This Chapter discusses the role of industrialization in accelerating economic development in developing countries through the development of the means of production and the optimum utilization of human and material resources and hence its importance to these countries.

The Chapter defines industry where relevant to this study namely manufacturing industry and gives justifications for such definition. Then the concept of the management of industrial development is presented identifying its relationship with both development administration and the management of production units. The Chapter then presents results of literature search into the institutional framework for industry in various developing countries with special reference to the role played by the public sector. Then the organization and management of industrial development agencies in developing countries are discussed.

2.2 Industrialization in Developing Countries.

"Industrialization is an aspect of modernization in general and economic development in particular. "Modernization" is used here to mean that artificial process by which natural development of a material culture is intensified. A material culture naturally develops as a result of innovative factors arising within the community and transcultural factors materializing consciously or unconsciously from contact situations.

Industrialization has been identified as the most dynamic means of accelerating economic development through seemingly unlimited potential for economic development through development of the means of production and the optimum utilization of available human and material resources for improving the living standards of the majority of the population and satisfying their ever rising basic needs.

Therefore industrialization does not simply mean a quantitative increase in the volume of production. It's real significance lies in its capacity to produce a well balanced and integrated fabric of production able to overcome the obstacles

facing economic progress.

As an artificial process of intensifying developing it calls for the introduction of certain changes in the economy, culture, mode of life and even the form of political organization to allow for the incorporation of these changes into the realities of every state. Change has no value in itself. What gives it meaning is what it is intended for and what it can accomplish.

Industrialization cannot be planned without knowing what needs to be changed, why it needs to be changed and how!" (1)

"Manufacturing Industries with their sophisticated technologies and high levels of productivity were seen to be the source of both rapidly rising living standards and national prestige in Europe and the United States of America and of the motivating power of Japan's spectacular growth. They provided highly productive inputs in mining and agricultural production, and their impact transformed transport, commerce and other service industries.

From a purely economic point of view, principal potential of industrialization was seen in its contribution to rapid economic growth. When developing countries began to formulate their economic strategies in the late 1940's and early 1950's, the emphasis was on bridging the gap between their own living standards and those of industrialized countries. Basic social, political and infrastructure facilities were rudimentary. So it was clear that social, political and economic difficulties would make the development of rural areas a slow task. Manufacturing industries with limited geographical infrastructure requirements promised a much more rapid increase of productivity and capital accumulation, and thus of further investment and growth, with commensurate rises in living standards." (2)

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(1) Industrial Development Centre for Arab State (IDCAS) information paper 1 (unpublished) (undated) PP.1,2.

(2) Hughes, Helen; Industrialization and Development a Stocktaking; in Industry and Development No. 2. UNIDO, New York, 1978. P.1.

"The objective of industrialization, like those of development, have never been merely economic. The ability to handle machines, to manage complex processes and to produce synthetic products have been closely associated with national self confidence and with military capability. The use of modern equipment meant the ending of slow, exhausting, unproductive manual labour that brought little remuneration ....." (1)

"The critical problems of industrialization have been sharpened by changing international economic relations and by changing perceptions of priorities in economic development. They are different for countries at different levels of industrialization and with different political goals." (2)

Nehru described the importance of industrialization to developing countries when he said "Real Progress must ultimately depend on industrialization". (3)

"Manufacturing industry represents, in sense, a higher stage of production. In advanced countries the development of manufacturing industry has been concomitant with these countries spectacular economic progress and rise in levels of living; many of its products are indeed almost symbolic of a high living standard. Not least in the under developing countries, the productivity in manpower in industry tends to be considerably greater than in the traditional agricultural pursuits. Industrialization, and the growth of that part of the population that is engaged in industry, is therefore a means of rising national income per capita..."(4)

"In 1977 the developing countries accounted for about 9 percent of world manufacturing output and 62 percent of the world's population. If the same pattern of growth experienced since 1960 were to continue in the future, by the year 2000 the developing countries could expect to provide only 13.5 percent of the world manufacturing output while accounting for 71 percent of the world's population"....

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- (1) Hanson, A.H.;Public Enterprise and Economic Development, London Routledge and Kegan Ltd., 1965 PP.243 – 244.
  - (2) Ibid P.3.
  - (3) Jawaharlal Nehru, Speeches March 1953 – August 1957, New Delhi, quoted by Bryce, M.D.;Industrial Development A Guide for accelerating economic growth, New York 1960 P.3.
  - (4) Myrdal, G.; An Industrial Economy, New York 1956 P.226, quoted in Bryce, M.D. (Op. Cit.) P.4.

"The significance of the problem has been recognised by the State members of the United Nations who have called for more equitable distribution of world output as one of the basic goals of the Lima Declaration and have set the target for the share of the developing countries of at least 25 percent by the year 2000". (1)

Arab countries are considered to be part of the developing countries. In his book "The Economic Challenge of the Arabs" G.P. Casadio describes the type of Industrialization in these countries by stating: "Industrialization in the countries considered is based on the policy of import substitution within the frame work of local markets and concentrating on consumer industries. The result has been that productive capacities are not fully employed, due to limited size of the market, the rise in cost of production.... there is also increasing dependence on the outside world both to build new production capacities and to maintain existing capacity..." (2)

G.P Casadio recommends further: "It has therefore become necessary to consider an outward-looking industrialization strategy with particular emphasis on export industries and Arab industrial co-operation..." "Such policy implies that domestic industry is linked permanently with international industrial development in respect of production technology/management techniques and higher efficiency. In this way, the comparative advantage, specialization and adequate development of the industrial structure and its technologies would facilitate production of goods whose quality and cost is broadly equal to similar products in the advanced countries, whether such goods are produced for export or for import substitution". (3) On the other hand Professor A.H. Hanson explains the difficulties facing industrial development in developing countries : "True, heavily established industries in under developed countries are normally high cost industries....., for the entrepreneur has to do battle against a formidable

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- (1) United Nations Industrial Development Organization (UNIDO); World Industry since 1960: Progress and Prospects, New York 1979 PP. 2&4
  - (2) Casadio, G.P.; The economic challenge of the Arabs Saxon House Studies London 1976 P. 107.
  - (3) Ibid PP. 107 - 108

variety of hostile elements: shortage of skills, inexperience of industrial management, irresponsible attitudes to work, the primitive condition of wholesale and retail trade outlets, the inefficiency of the State's administrative machine., and so on". (1)

It is evident that industrialization is a common target shared by the majority of developing countries and the development of industry has special characteristics which puts more emphasis on the management and organization of such development.

For the purpose of this study, "Industry" refers to those enterprises private or parastatal, nationally-capitalised or joint ventures with foreign participation involved in the production of goods and services according to a relatively new mode of production. This mode of production started in England in the 18th century and spread through Europe and America. In it, the simple tools of the craftsman were replaced by power-driven machines, installed in large "factories" where much larger numbers of workers drawn mainly from the countryside tended the new machines. The production process itself was split into a number of well defined steps, each allocated to a particular group of machines and workers.

This "revolution" in the mode and locale of production has been developing continuously and impacting on many other types of economic activity, as well as on the social structure and balance of power between different groups in society. It has also triggered a closer relation between science and its application as technology in the production of goods and services. Consequently the types of machines used, the organization of the work place, the quality and types of products have all changed continuously ever since.

Many developing countries saw in industrialization an efficient engine of economic growth for acceleration of national development. This view was in harmony with a natural desire of industrialized countries to export their machines and expertise to the developing countries.

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(1) Hanson, A.H., Public Enterprise and Economic Development, London, 1965, P.10.

Industries are generally classified into three categories. We are concerned here with the second, viz, manufacturing industry, in large and small enterprises, light or heavy industries.

The reasons for concentrating on this category can be summarised as follows:–

1. In Kuwait, a small country in a semi–arid region, the main activity in the primary sector is the extraction of oil, an exhaustible resource. Marketing crude oil involves very little value–added locally and is particularly susceptible to the vagaries of international politics and to a lesser extent to the balance between supply and demand in world markets.
2. Manufacturing Industry results in a sizeable value added through the processing of raw materials to produce goods.
3. It is a viable means of diversifying economic activities in the national economy.
4. It impacts favourably on the prevailing value system and promotes improvements in the educational system and intellectual level of society at large.

Against these benefits, industrial development in developing countries has not been without undesirable effects. Most important among these we may cite:

- a) Unruly urbanisation due to uncontrolled immigration from rural areas to the centres of industry. In countries that depended mainly on agriculture this has resulted in deterioration in food production and living conditions in the country side. In countries endowed with considerable natural resources, particularly oil, and a small demographic base, this has resulted in large influxes of foreign labour at a high social and economic cost that could result in a negative national gain.
- b) In most developing countries, industrial development has been heavily subsidized by the agricultural sector. The result was further deterioration

in rural areas and more immigration to urban conglomerates. This spawned slum areas and shanty towns on the periphery of cities and eventually lead to serious breakdowns in social amenities and infrastructural services.

- c) Very little attention is usually given to protection of the environment in hasty programs of industrialization in developing countries. The impact can – and has been – very serious deterioration of the environment calling for considerably expensive remedies.

## 2.3

### Management of Industrial Development in Developing Countries:

Available literature emphasises the economic parameters of industrial development e.g. contribution of the industrial sector to GDP etc. as well as aspects of technology transfer from developed to developing countries. Little is said of overall management of industrial development. In one of the rare write-ups concerning location of the management of industrial development in the structure of management of the economy in developing countries at UNIDO monograph of industrial development addresses the issue by stating "The Fundamental decision about an industrial service – the decision which will largely determine its chances to be effective – is whether it is to be a government unit or a private one and where it is to be placed: within the structure of the government or in the private sector. This choice dictates where the control of the service and its policy will lie and how it will be related to government services ... If the Government is to assume responsibility for an industrial service – as is commonly the case in developing countries – it usually chooses one of the three courses of action: a) The service can be established as a division of one of the ministries, b) It can be set-up as an autonomous unit, or part of such a unit, subject to a degree of Governmental control but free from usual Civil Service Regulations, c) It may be established by the organised private sector either independently or jointly with Government. In this case the Government may provide Financial subsidies or other support." (1)

This thesis explores features of the Management of Industrial Development in Kuwait as a developing country and presents recommendations related to organisation, polices and procedure of such management.

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(1) UNIDO: Industrialization of Developing Countries; Problems and Prospects, Administrative Machinery, New York 1970. P.7

a) Development Administration and Management of Industrial Development:

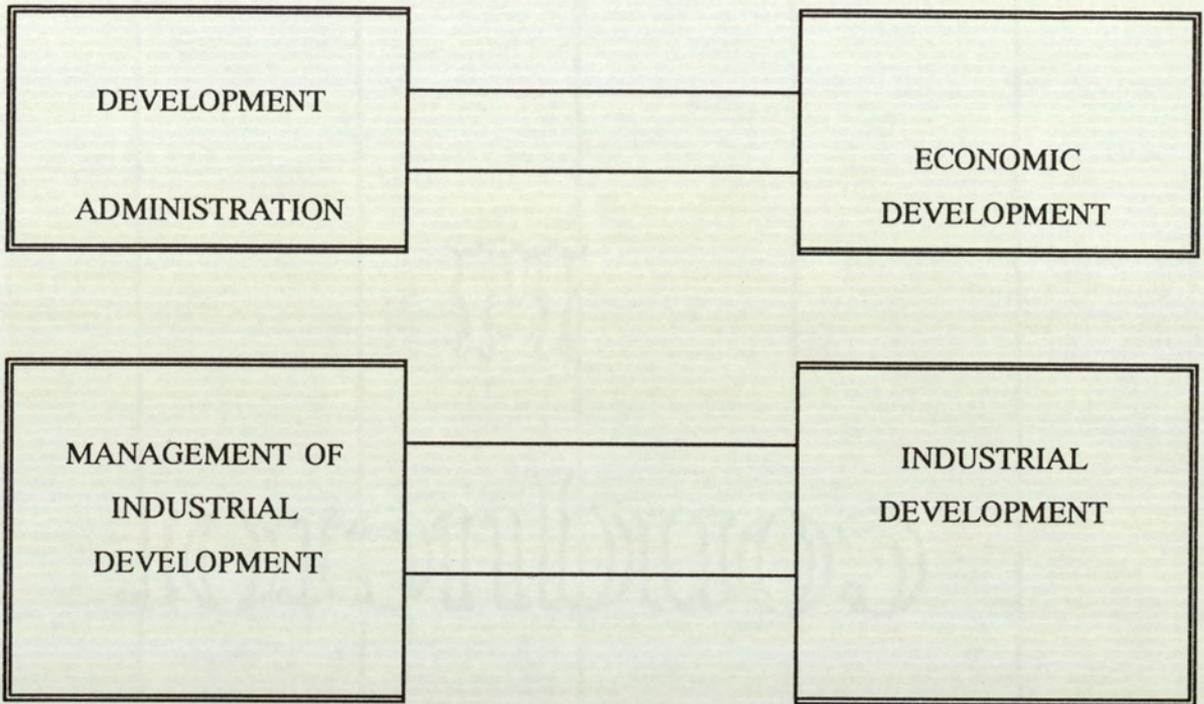
Figure (1) demonstrates the interaction between Development Administration and Management of Industrial Development in developing countries.

"...Both" Development Administration "and" Administration Development" have arisen in the modern literature of public administration partly out of the process of modernization which is going on to-day throughout the new emerging nations of Asia, Africa, and Latin America. Both concepts refer to administrative problems which the governments of these nations face as they seek to promote agricultural, industrial, educational, and social progress and to improve public organisation and bureaucratic practices which necessarily accompany these processes."(1)

"The broadness of the term "Development Administration" as Esman and Montgomery points out, comes from the fact that it includes the whole range of activities, public and private, organized and individual, professional and political, involved in organizing and applying scientific knowledge to improve the quality of human life." (2)

"..... The final outcome is that development in developing countries leads to a new concept of public administration namely development

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- (1) A1-Kubaisy, A. Theory and practice of Administrative Development in New Nations, 1971, Ph.D. Dissertation Xerox University Microfilms, Ann Arbour, Michigan, U.S.A., P.27.
- (2) Esman, M. and Montgomery, J. "Systems Approach to Technical Co-operation: The role of Development Administration" Public Administration Review, Vol.29, No.5 (Sept-Oct, 1969), P.529, quoted in A1-Kubaisy, Op, Cit. PP.19-20.



**Fig (1)** Interaction between Development Administration and the Management of Industrial Development.

administration. Development administration leads to the setting-up of various public organizations needed for the administration development....." (1)

The management of industrial development is a specialized division of development administration. It applies the concept of development administration with respect to the development of the industrial sector in any developing country.

Hence, development administration is the overall management of economic development in developing countries while management of industrial development is distinct planning and organization associated with the activities of industrial development in these countries.

Meanwhile, Continuous feedback is essential between management of industrial development (macro level) and management of production units (micro level) to ensure the achievement of overall industrialization objectives at national level.

A1-Kubaisy discusses the balanced theory of development and refers to Merle Fainsond 'The Structure of Development Administration' as a balanced administrative system having the following requisites: "These must be better treatment of specialists, planning and implementation must be made more compatible, greater decentralization of authority and there must be training at all levels that will stress economic development and problem solving." (2)

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(1) Rashid, A.: Development Administration for Developing Countries, Cairo, 1985 (Arabic), P.22.

(2) In Swerdlow, I.S.(ed) Development Administration: Concept and problems. Syracuse, N.Y. Syracuse University Press, 1964, Quoted in A1-Kubaisy, A. Op. Cit. P.112.

A1-Kubaisy refers to Riggs work on 'Administrative Development.' In one place he says: "If the term administrative development is to become meaningful for us, therefore, it will involve some kind of change in the way that accountability is exercised in the decision process, and that instrumental means are utilized to achieve goals." (1)

b) The Evolution of Industrial Service/Management of Industrial Development in Developing Countries:

A UNIDO monograph of industrial development describes the evolution of industrial service administrative units by stating:

"As a country becomes more industrialized, the industrial component of many of these activities will become large enough to warrant separate institutions. Thus, an industrial planning unit will be required within the general planning machinery. Specialized industrial financing institutions will be created within the country's financial structure. Particular schools, labourites etc. will be established to serve specific needs of industry or even of specialized type of industry." (2)

The monograph concludes, "Thus nearly all countries find that the location of existing industrial services within the Government structure is more a matter of historical chance than of logical decision. Although such a decision can some times be made for a completely new service, generally the problem is one of grouping a number of existing services into a more efficient whole." (3)

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- (1) Riggs.F. "Administrative Development: An Elusive Concept" in Montgomery, J.D. and Siffin,, W.J. (eds) Approaches to Development, Policies, Administration and change (New York:Mcgraw-Hill Book Co., 1966 P.227, Quoted in Kubaisy, A. Op. Cit. PP. 23-24.
- (2) UNIDO, UNIDO Monographes of Industrial Development No. 15 "Administrative Machinery" P.8.
- (3) Ibid P.9.

"Increasingly, developing countries are trying to establish a single body which can plan, guide and accept political responsibility for all activities associated with Industry co-ordination is this facilitated and industry has a single organization with which it can deal and to which it can look for help.

While there is a growing agreement on the value of a principal agency for National Industrial Development, there are still wide differences of opinion and practice as to whether that agency should come within the general government structure, as in the Ministry of Industry, or should be autonomous, as an industrial development board or corporation....." (1)

c) The Management of Industrial Development and the Management of Production Units

The management of Industrial development plays mainly a promotional role. "Each of the following, for instance, is promotional in one sense or another. Planning, programming, feasibility studies, project evaluation, implementation and follow-up, research and laboratory testing, standardization, financing, technical and management training, advisory and extension services, administration incentives, fairs and exhibitions of patents, trademarks and designs, licensing etc....." (2)

Figure (2) indicates the relationship between management of industrial development in developing countries and management of the production units. It clearly shows that management of industrial development is concerned with the industrial sector at the macro level. It involves a variety of tasks and activities. These include overall industrial planning and formulation and implementation of industrial policies, licensing, industrial incentives, promotion and many other activities exercised by overall administration of the industrial sector.

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(1) Ibid P.10.

(2) UNIDO: Industrialization of Developing Countries: Problems and Prospects Administrative Machinery, 1970. P.52.

MACRO Level

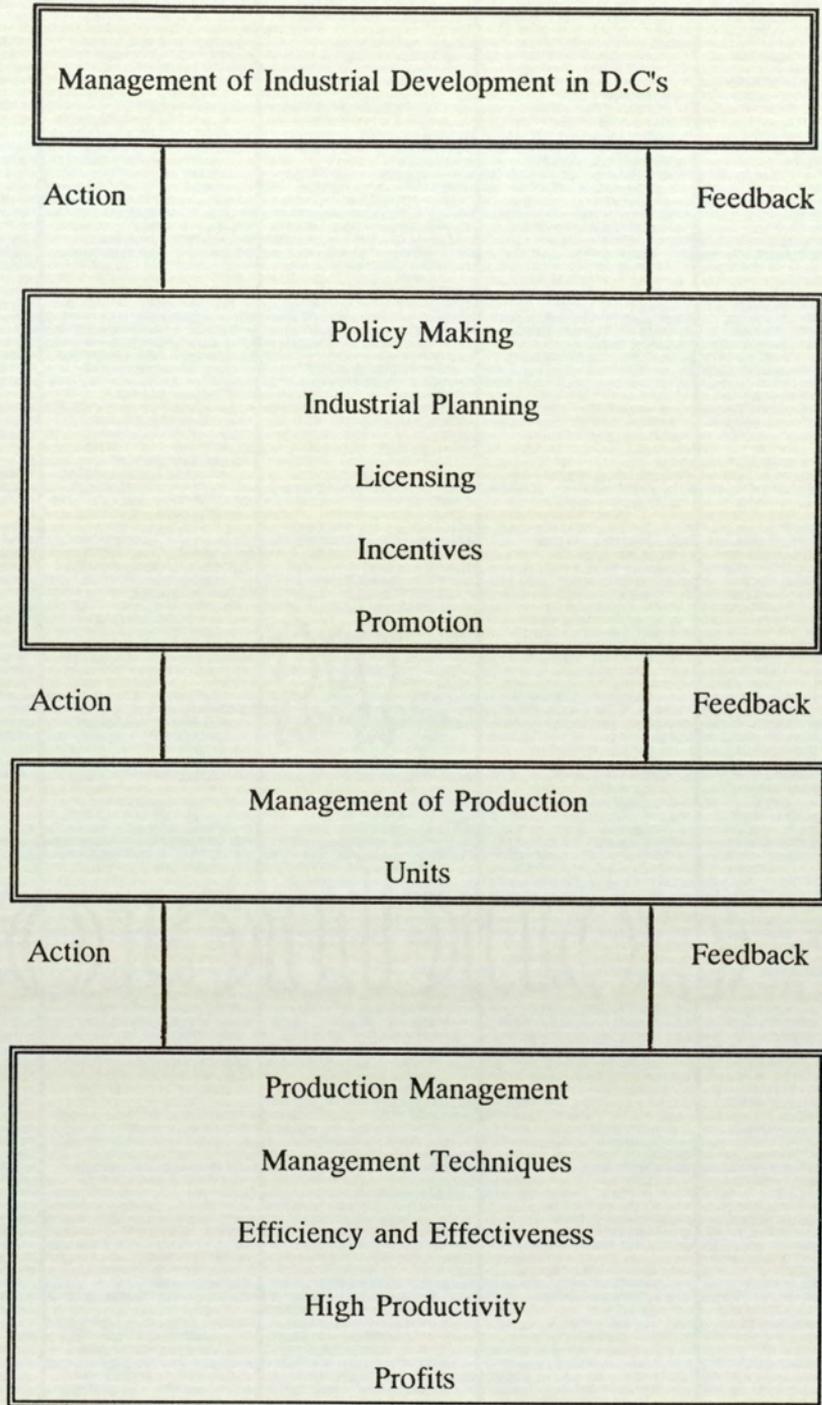


fig. (2) Required Interaction between Management of Industrial Development in D.C's and Management of Production Units.

Meanwhile, various managements of production units exist at the micro level. These are concerned with direct production management, production techniques, increasing efficiency and effectiveness in individual plants and targeting for higher productivity and increased profits.

Micro level management and operational decisions are necessarily to be left in the hands of plant management for effective decision making and implementation of control procedures.

Interaction and feedback is essential between the two types of management to ensure development of an integrated and efficient industrial sector. This thesis will explore such interaction and will concentrate on the needs of production units which are to be provided efficiently and effectively by management of industrial development in developing countries.

### 2.3.2

#### Some Typical Institutions in Developing Countries

- a) The public Sector played a leading role in the industrialization process of most if not all developing countries. One of the early examples in this respect was the establishment of the Sumer Bank in Turkey in 1933. "Although called a Bank, it was no mere credit or holding company but a state industrial enterprise of the 'Public Corporation' type.... Its functions as defined by law were: (i) to run factories transferred to it by the Office of State Industry, (ii) to prepare projects for new factories and to establish and operate them, (iii) to participate in or to support financially industrial establishment whose creation or enlargement would appear to be beneficial to the national economy, (iv) to establish schools for the training of personnel and to offer scholarships for industrial training in Turkey or abroad, (v) to give credit to industrial establishments and to perform general banking functions and (vi) to study measures for development of national industry and to advise the Ministry of Economy on such measures when requested to do so." (1)

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(1) HANSON A.H.; Op. Cit.; P.P. 119–120.

A report which was published by the Sumer Bank in 1986 describes the Sumer Bank as an "Industrial Giant in Turkey" by stating "To many, the rise of Sumer Bank is synonymous with the rise of the Turkish Republic, especially in the area of industrialization. On the one hand, Sumer Bank stimulated infant industry to expand, while on the other hand, it provided the basic needs of working people.

Today, Sumer Bank has 44 branches and 466 outlet stores scattered throughout Turkey's 67 provinces. The bank itself is supported by 33 institutions, 5 factories and 4 associated companies active in such diverse fields as cotton, leather and wool processing, design and apparel making, carpet weaving and porcelain casting.

In addition to on-going studies to improve technology and capacity of the various facilities, Sumer Bank also maintains wide ranging research and development studies in order to better meet the demands of domestic and foreign markets." (1)

In Mexico in 1944 "...The Government, .... established a Federal Industrial Commission (Comision Federal de Fomento Industrial) to promote industries which private investors had not been willing to undertake but which were deemed essential to a rounded and rational industrial development." (2)

In India an Industrial Development Corporation was established in 1954. "With investigatory and promotional functions ... Formally, it (was) authorised to engage in the promotion and establishment of industries for the manufacture and production of plant, machinery, implements and goods of any description likely to promote industrial development and to aid and assist any industrial undertaking owned be private companies with capital and other resources for establishing new industries and for running their existing businesses." (3)

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(1) Sumer Bank; Catalogue and Report, Ankara Turkey, 1986 P.19.

(2) HANSON, A.H.; Cit. P.136

(3) Ibid P.165

As the public industrial sector has assumed an increasing role in the industrialization of developing countries these countries have adopted different approaches to co-ordinate and control the public industrial sector. "For instance Argentina, Guyana, Malaysia and Mexico have set-up a separate Ministry of Public (including industrial) Enterprises in order to place under one Ministry a wide range of functions, such as investment and pricing policies for industry, appointment of board members, setting of financial and other objectives, approving capital and structure, borrowing arrangements and undertake efficiency audits. Other developing countries have created advisory-cum-supervisory bodies formulation and co-ordination and to enhance overall efficiency. For example, India has established the Bureau of Public Enterprises, Nepal the Corporation Co-ordination Council and Trinidad and

Tobago the Statutory Authorities Service Commission. Another institutional device that has become well known is the establishment of holding companies such as Ghana Industrial Holding Corporation, the National Development Corporation of Tanzania, the Industrial Development Corporation of Zambia and Bolivian Development Corporation." (1)

b) Institutional Frame Work for Industry in various Developing Countries:

The institutional frame Work for Industry adopted in some of the developing countries is as follows:

In Argentina, the Ministry of Economy Combines under its authority most of the centralized and decentralized government organisations with responsibility for industrial activities. For example, the Secretary for Industry and Mining is responsible for formulation and co-ordination of industrial policy. The Under-Secretary of Industrial Development is in-charge of the application of the Industrial Promotion Law and a number of other sectoral norms. It contacts the National Institute of Industrial Technology and the National Directorate of

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(1) United Nations Industrial Development Organization (UNIDO); World Industry since 1960; .... Op. Cit., P.328.

Industrial Property, former of which has a Technology Park with various centres working in applied research, a programme of short courses for industry personnel and provide technical assistance to manufacturing industry – including quality control services.

The Secretary of Commerce is responsible for domestic and foreign trade activities, the National Bureau of Price Analysis which control price of domestic products; the National Commission of Defence of Competition, the anti-monopoly body; and the application of import and export regulations and incentives.

The under-Secretary of Economy controls the Foreign Investment Register and draft legislation proposals on economic affairs.

The Finance Secretary is responsible for the National Budget and decides the level of subsidies and incentives to be granted to industrial promotion projects.

In Uruguay, the Secretary of Planning, Co-ordination and Diffusion (SEPLACODI) created in 1976, formulates national development plans and programmes and co-ordinates the policies of various ministries. It presides over the Advisory Unit which is in-charge of authorising foreign investments. It also provides assistance and information to prospective investors in Industrial Projects.

The Ministry of Economy and Finance grants final authorization of foreign investments, regulates and controls prices ..... and administers taxes.

Co-ordination of all industrial activities, implementation of plans and programmes, supervision of pre-investment activities and participation in the study of credit application made to the Central Bank is done by the Ministry of Industry and Energy.

Applications of research in industry are handled by the National Centre for Technology and Industrial Production, while technical standards for industry are a responsibility of the Uruguay Institute for Technical Norms.

Similarly in Kenya, an enormous network of institutions deals with industries. The major distribution of activities and responsibilities is done through the Department of Industry, which has two main divisions.

Industrial Promotion Division and the Industrial Development Division. The latter houses the Secretariat of the Committee for authority for the establishment of new industrial projects.

Financing of industries is accomplished mainly through the Industrial Development Bank for projects requiring more than K.Shs. 250,000, while Kenyan Industrial Estate Ltd promotes and finances small scale industries upto an investment of K.Shs. 5,000,000.

There is Kenyan Industrial Training Institute for training, Kenyan Industrial Research and Development Institute to undertake industrial research on local raw-materials input, to identify priority areas for industrial research and to co-ordinate industrial research being undertaken by other Government Departments.

Kenya Bureau of Standards provides testing facilities for locally manufactured and imported goods.

Investment Advisory and Promotion Centre is responsible for promoting local and foreign investment, co-ordinating between approving authorities and implementation of projects.

In Indonesia, again there are various organizations dealing with industry. These include the National Development Agency –responsible for the preparation of Indonesia's five year development plan which incorporates an industrial sector plan. The agency plays a central planning and co-ordinating role vis-a-vis the individual ministerial departments, including the Department of Industry.

The Department of Industry is headed by the Minister of Industry, assisted by four Directorate Generals in the field of Basic Metal Industry, Basic Chemical Industry, Multifarious Industry and Small Industry, as well as an Agency for Industrial Research and Development and a centre for Industrial Education and Training.

Another non-departmental government agency directly under and responsible to the President of Indonesia, is the Agency for Assessment and Application of Technology. Among its responsibilities are to formulate general policies for consideration by the President regarding programmes for the assessment and application of technology for national development, to provide overall and integrated co-ordination for the execution of programmes for the assessment and application of technology, to provide services to both government and private organisations in the same field for national development and to conduct activities in technology assessment and applications which support government policy on the application of technology for development.

It is apparent that all above mentioned developing countries have established a basic frame-work for the administration of the industrial sector activities, and in some cases even planning for development of the industrial sector has been entrusted to independent agencies.

The following sub-section will discuss the requirements of such organisation and the logic of their formation.

### 2.3.3 The Organization and Management of Industrial Development Agencies:

In his paper on the Organization and Management of Development Agencies Martin K. Boodhoo (1) identifies various reasons behind the strategy for the establishment of independent agencies to be entrusted with the task of industrial development in developing countries as follows:-

"The Justification for the adoption of this strategy is based on a number of arguments. First, that industrialization could be more successfully approached through an autonomous or semi-autonomous body action outside of the arena of general government administration. This is perhaps the old argument of taking 'development out of politics' and giving an agency a free rein while the government in the final analysis can still pull the emergency brake. The nature of the autonomy actually enjoyed, however, is a polemical question.(1)

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(1)

Second, it is envisaged that a separate corporate body, enjoying the rights, privileges and obligations of a legal entity, can act with flexibility and independence, and take its own decision expeditiously and avoid unnecessary delays and re-tape with which the civil service has been traditionally associated. (1)

Third, such an organization would provide a forum and a workshop to which could be attracted entrepreneurial, managerial, technical and skilled expertise from all sections of community and even outside of the country. In this way, without entering into a contract for permanent employment, experts from a varying number of fields could be assembled together to plan and discuss development projects. As the board members serve on a terminal basis, changes can be effected to suit the changing priorities and objectives of the government and the quality, experience and knowledge of available directors.

Fourth, a corporate body possesses the element of continuity and this permits the establishment of a career structure in which expertise could be build up over time, and retained within a single organisation. Compared with the frequent changes in ministers of government and permanent secretaries and other staff in the civil service, this is regarded as conducive to stability and efficiency.

Fifth, it is argued that because of the necessity for a commercial orientation, these agencies should follow the pattern of business management in the private management in the private sector rather than be forced to observe stringent civil service financial regulations. Managers of industrial agencies expressed the view that unless they can be free to take financial decisions with the minimum of outside hindrance their commercial viability can be adversely affected. The point has been reinforced by Stuart Holland who indicates that the success of many Istituto per la Ricostruzione Industriale and Ente Nazionale

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(1) United Nations, Some Problems in the Organization and Administration of Public Enterprises in the Industrial Field, N.Y., ST/TAA/MF, 1954,P.6 Quoted in Boodhoo Op., P.222.

Hydrocarbon companies has been largely due to the autonomy and independence the managers of the enterprises enjoy in management. (1) Furthermore, it is argued that Financial independence is necessary if productive or manufacturing undertakings are to become cost conscious and ultimately self-financing, especially when they operate in a competitive environment.

Sixth, these organizations can much more readily enter into partnerships with the private sector to manage specific projects/enterprises than a government department. The great advantage here is that shares can be bought and sold and the private sector – either corporate or individuals – can be encouraged to invest in undertakings. Again, expertise from the private sector, not necessarily local only, could be attracted to share its experience and knowledge, if this can be useful to an enterprise. Because of historical factors or economic socialization it seems that private investors would be more happy to put funds into an organisation in which there is a possibility of participation in decision-making than one in which decisions are left to civil service bureaucrats or exposed to undue political pressures or public surveillance.

Seventh, the prevalence of this type of administrative machinery in a large number of developing countries suggests that the view is widely held that an industrial promotional policy could be more smoothly and effectively managed through a development agency of one form or another than either government departments or a large number of related statutory agencies which are subject to laws and regulations of one kind or another.

Generally the objectives of the development agencies with which this study is concerned are to stimulate and facilitate economic development, especially in the industrial sector, by assisting directly in the provision of development capital for new projects of the expansion and/or modernization of existing ones, establish joint ventures in

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(1) Stuart Holland (ed)., *The State as Entrepreneur*, Weidenfeld & Nicolson, 1972. Quoted in Boodhoo Op. Cit. P.223.

partnership with the private sector, undertake investment in those sectors of the economy which private industrialists may be either unable or unwilling to undertake, mount rescue operations to preserve employment or protect status enterprises, provide consultancy or managerial/technical services of one kind or another and the provision of infrastructural and other ancillary facilities, e.g industrial estates, communications, etc, to promote development." (1)

With respect to the structure and status of the Industrial Development Agencies in Developing Countries Boodhoo writes the following:-

"Industrial development agencies are instruments of public policy and, as such, operate within the political framework of the country concerned. As creatures of parliament operating within the public sector, they are subject to political supervision and control, though the methods may differ especially in the case of state companies operating under the companies' ordinance.

Generally speaking, the administrative hierarchy is built on the principle of allocating responsibility for a development agency to a board which is accountable to a Minister who in turn is responsible to the Cabinet.

Whatever the status of a development agency, it must not be overlook that it operates within the context of a general political structure and as such is subject to ministerial/ presidential supervision. This main purpose of ministerial supervision is to ensure that the agency conducts its activities in accordance with the social and economic objectives of the government concerned. This is necessary from a point of view of the final public

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(1) Boodhoo, M.J. Op. Cit. P.P. 222-223.

accountability of the responsible minister. But it is precisely this area that has led to a great deal of conflict between the political authorities and development agencies which are generally regarded as 'autonomous' bodies operating outside of the general governmental policy.

The reconciliation of the requirements of autonomy with the demand for public accountability is a problem that every public enterprise faces. In no area is this reconciliation more trying than that of the relationship between the minister and the board of the enterprise. Some feel that such relationships could best be secured through legal enactments, other, like the late Lord Morrison of Lambeth, are of the view that '.... it would work much better if allowed to evolve on the basis of good sense and tradition; rather than if embodied in formal law or regulations'. (1) A system that is too legalistic may turn out to be too rigid whereas one built purely on mutual understanding and respect may be too vague and easy subvert, especially if the Minister concerned or the board is weak. The best approximation to the idea would seem to be not in an 'either-or' approach, but a mixture of both – the proportion of which be of necessity determined by the situation prevailing in a given socio-economic context. In one-party states such as Zambia one recognises the close relationship between the Party, the Government and the Parastatals. Yet in a sense they are separate entities. Under such circumstances it becomes even more difficult to devise definitive lines of responsibility." (2)

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- (1) Austin Albu, "Ministerial and Parliamentary Control", in M.Shanks (ed), *Lessons of Public Enterprise*, Jonathan Cape, 1963, P. 91 Quoted in Boodhoo Cp. Cit. P.225.
  - (2) In the *Zambian Industrial and Mining Corporation (ZIMCO)* (a Holding Company), for example. Dr. K. Kunda, the President of the Republic, is the Chairman and Ministers of the Government are Chairmen of the main subsidiary companies, e.g Mindeco, Findeco, Quoted in Boodhoo Op. Cit. P-225.

Boodhoo then addresses the issue of Ministerial/Presidential Control of Industrial Development Agencies by asking "How does supervision and control work in practice?"

He replies that : "a review of the statutes and customs governing the operation of industrial development agencies suggests that ministerial/presidential supervision could take one or a combination of the following forms.

1. Policy directions of a general nature.
2. The appointment of the chairman/director and board members.
3. The approval of top-level appointments.
4. Budgetary control – approval of loans and capital projects over a certain amount, as in the West Pakistan Industrial Development Corporation.
5. The assignment of mandatory and indicative targets.
6. Directions on matters of public interest and on such subjects as training and research and labour relations.
7. To call for returns, reports, accounts and other information and to give directions to achieve standards in proper auditing and matters of recruitment, discipline and pension; and, finally, but by no means the least important
8. Consultation – formal and informal – with chairman and board members.

A good deal of ministerial control and supervision rests on conventional practice but in many countries the statute/order governing the agency. Sets out quite explicitly the powers of the governing authority. In Guyana, for example, the Council of Ministers/Minister has the following power:-

1. The Council of Ministers may give to a corporation directions of a general character as to the policy to be followed in the exercise and performance of its functions and the corporation shall give effect to any such directions.
2. In carrying out such measures of re-organisation, or such works of development as involve substantial outlay on capital account, and in dealing with subsidiaries, a corporation shall act in accordance with a general programme settled from time to time in consultation with the Minister charged with the responsibility for development and planning." (1)

Furthermore Boodhoo describes the types and function of the Board of Directors of Industrial Development Agencies by stating:-

"Responsibility for the operations of each development agency is given to a collegiate body called the Board or Committee of Management or the Board of Directors in the case of those agencies incorporated as state companies under the companies ordinance. These boards are responsible for second-level as opposed to top-level policy which is handed down by the political authorities through the responsible minister.

In the delegation of responsibilities a distinction must, however, be made between boards which are purely policy making where no administrative/executive responsibility is assigned to any board member as in the Industrial Development Agency in Barbados and Trinidad and Tobago, as opposed to functional boards where specific managerial/technical responsibilities are given to one or more board members as in Jamaica.

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(1) Section 16 of the Guyana Public Corporations Ordinance, No. 23 of 1962. See also, the Public Corporations (Amendment) Act, 1971 of Guyana; Act No. 14 of 1971, and Statutes, governing the Regional Development Corporation in Venezuela for similar provisions. Quoted in Boodhoo Op. Cit. P. 225-226.

It is not possible within the limitations of this study to make any definite statement or set of convictions as to which type of board is more effective but simply to indicate some of the more obvious advantages/disadvantages that were expressed in different countries. It has been stated in some functional boards that there is a tendency to a narrow outlook which has militated against the broader interests/objectives of the agencies. Members who carry full-time responsibilities, for example, have in many cases, become so involved in their managerial/technical tasks, that they make little contribution to overall policy. One of the consequences of this tendency has been organisational empire-building which has resulted in the establishment of unbalanced priorities so that development of coherent overall policy for the agency has been thwarted. Furthermore, when these full-time directors are numerous or when they have strong political connections, unnecessary operational details or extraneous political factors get into the board room and slow down the decision-making process.

Protagonists of functional boards, on the other hand, have argued that a full-time member has more opportunities for acquiring detailed knowledge of the agency and the aims and objectives of the board, and, as such, is in a better position to ensure the effective implementation of the board's policy, rather than when left to the administrative/managerial staff as in a policy-making board. Another advantage of these functional boards is that they receive reports on such matters as work in progress and levels of expenditure on particular projects, directly from one of their directors/managers who can be held accountable, as opposed to when such reports are submitted through the normal administrative channels which tend more often than not to be slow and unreliable. These advantages were realised to a lesser or greater extent in development agencies both in the Caribbean and Africa. (1)

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- (1) H. Harlander and D. Mezger, *Development Banking in Africa*, Weltforum Verlag, Munich, 1971, P.31, point out, for example, that the Managing Director of Banque Ivoirienne de Development Industrial (BIDI) of Ivory Coast, is a member of both the Board of Directors and the Executive Committee and further that this practice corresponds to the American management concept., Quoted in Boodhoo Op. Cit. P.227.

Policy boards, on the other hand, have the advantage of overseeing the operations of an enterprise from a detached point of view and, as such, avoid becoming involved in day-to-day affairs. Theoretically, these boards formulate policy within the board directions of the political authorities but leave the executive responsibilities to the officials of the organisation. This detached view, it is argued, is intended to give the members a chance to think about major policy and to reflect on plans for future overall development. In this way they are supposedly aloof from minor problems and become more conscious of the enterprise's obligations to the public and to government's policy. Furthermore, it is said, that such a system can permit devolution of responsibility and thus gives scope for initiative and decentralisation of authority. But this detached and objective approach that is so desirable in 'ideal administration' is surely lacking in many of the boards of industrial development agencies in a number of developing countries because of the quality, experience and tenure of members and the tendency to emphasise section interests – political and otherwise. Furthermore, it has been reported that these boards have been ineffective in the supervision and implementation of policy and have been subverted by strong-willed chairmen and managers or by-passed by politicians.

Harlander and Mezger, for example, have reported, in respect of Uganda, that:

Whereas during the first decade of the Corporation's existence, the Government had restricted itself mainly to giving general policy directions, it has since taken, to an increasing extent, to interfering directly with individual Board. (1)

The fundamental problems of policy boards in these states appears to lie in the differentiation between policy and administration, as members of boards are often tempted to intervene in matters which properly fall within the sphere of executive administration. It has been said that such

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(1) Harlander, H. and Mezger, D. Op. Cit. P.92 Quoted in Boodhoo Op. Cit. P.227.

a situation is conducive the ministerial intervention and, in the long run, robs the enterprise concerned of its autonomy, and indeed of the advantages of a policy-making body.

The size and composition of boards as can be expected is variable over the countries surveyed by Boodhoos' study. In Lesotho, for example, the National Development Corporation Act provides for a membership of not less than for and not more than six directors, (1) and in the Ugandan Development Corporation at least four but not more than twelve, whereas in the Guyana State Corporation the number is 'elastic'. In addition to the President, Vice-President, and not more than five persons nominated by the Prime Minister, it shall consist of the chief executive officers of the other public corporations established under the Public Corporations Ordinance or by another law and 'such persons designed by the President of the Corporation as representatives of other corporate bodies in which the controlling interest is vested in the state or in any agency on behalf of the state' (2). Harlander and Mezger record that the number is usually 6-10 directors, in a few cases more or less, but the trend is towards a smaller number.

It was found, as is indeed desirable, that smaller boards which work as a team are yet large enough to represent varied interests that are relevant to the operation of the agency are much more effective than large boards where many of the members may have divergent views which could and have, in fact, adversely affected the decision - making process.

The tenure of members varies between one to three years with the right of re-appointment. If a director is also the managing-director, it is quite likely that the term would be longer as in Swaziland where it could be

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- (1) Lesotho National Development Corporation Act No. 20 of 1967, part II, Section 8 (2). Quoted in Boodhoo Op.Cit. P-227.
- (2) Section 2 (2A) of Guyana Public Corporations (Amendment) Act, No.14 of 1971. Quoted in Boodhoo Op. Cit. P.228.

for five years. The terms and conditions of board members are usually determined by the appointing authority. Except for functional directors who receive salaries, part-time board members receive allowances of one kind or another.

The tenure of members is obviously related to the qualifications of members and the sources from which they were recruited. In the Industrial Development Corporation of Trinidad & Tobago, the ordinance spells out in general terms the qualification of membership, such as:

....from amongst persons who have special qualification in, and have had experience of matters relating to business management, economics, engineering, agriculture, accountancy or banking (1)

Similar provisions exist for many development agencies in Africa.

In some countries there may be specific requirements for the representation of certain groups/offices on boards. In the Instituto Fomento Industrial of Colombia, for example, the Junta Directiva (Board of Directors) consists of the Minister of Economic Affairs, Minister of Finance, the Managing Directors of the Banco de la Republica and of the Banco Central Hipotecario, and a representative of the President of the State. (2)

There is clearly no uniform pattern for constituting the boards of industrial development agencies. Legal provisions seem to be influenced by historical factors, conventional practice and special needs and circumstances in each country.

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- (1) Section (d) of Act No. 9 of 1969 to amend certain enactments of the Statutory Authorities in Trinidad & Tobago. Quoted in Boodhoo Op. Cit. P.229
  - (2) Manfred Nitsch, *Entwicklungsfinanzierung in Lateinamerika dargestellt am Beispiel Columbiens*, Schriftenreihe des Instituts für Iberoamerikakunde, Band 16, 1970. Quoted in Boodhoo Op. Cit. P.229.

Valuable contributions have been made by private sector representatives and others persons possessing special abilities or experience of one kind or another. So far, the consensus of opinion would seem to be that these persons are the most able – technically and administratively – to serve on the boards of industrial development agencies. (1)

It seems that private sector representatives would play a leading role on boards of industrial development agencies. For some time yet Harlander & Mezger express the view that:

Even in a wholly government owned development corporation of a socialist country, such as the National Development Corporation of Tanzania, four of the ten directors are selected for their professional, industrial and commercial competence and experience. This probably reflects the experience that civil servants are seldom qualified to operate the corporation on commercial lines. Furthermore, experience has taught that absolute power of either the state or a strong private group may be abused to a degree which paralyses the economic development of the institution. (2)

This observation should not detract from the importance of the services of civil servants in many countries.

Civil servants could act as buffers to an undue degree of commercial orientation in public agencies that have wider social and economic objectives to fulfil. In spite of the criticism levelled against civil servants it should not be overlooked that they have a vital role to play in many countries for a number of reasons.

Firstly, a civil servant whether he is from the supervisory ministry or not is usually regarded as someone who is in better position to assess whether an agency is carrying out the official policy laid down by the government.

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(1) H. Harlander & D. Mezger, *Op.Cit.*, P.30 Quoted in Boodhoo *Op. Cit.* P.230

(2) *Ibid.*, P.30 Quoted in Boodhoo *Op. Cit.* P.230

Secondly, it is still generally believed and accepted in many developing countries that civil servants are better qualified to serve on these boards because of their administrative experience and their understanding of public responsibility to the political authorities.

Thirdly, they are still among the best educated people in many developing countries. It is not surprising, therefore, for them to carry the boards on many occasions, especially when the private sector cannot provide or is different to provide the services of its personnel or when there is a predominance of party political representation that is more interested in bestowing patronage than efficiency in the organisation. (1)

2.4

### Conclusions

Industrialization has been identified as the most dynamic means of accelerating economic development through the development of the means of production and the optimum utilization of available human and material resources. It is evident that industrialization is a common target shared by the majority of developing countries.

Industries are generally classified into three categories. This study is concerned with the second category namely manufacturing industry. Reason, for such concern includes that manufacturing industry results in a sizeable value added through the processing of raw materials to produce goods and that it is a viable means of diversifying economic activities in the national economy.

The development of industry has special characteristics which emphasize the need for the management and organisation of such development.

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(1) Boodhoo Op. Cit. PP. 226 – 231.

The development process in developing countries lead to a new concept of public administration namely Development Administration which is the overall management of economic development in developing countries; while the management of industrial development is the distinct planning and organisation associated with the activities of industrial development in these countries. Meanwhile a continuous feedback and interaction are essential between the management of industrial development operating at the macro level and the management of production units operating at the micro level to ensure the achievement of the overall objectives of industrialization at the national level. It is concluded by this that the management of industrial development plays mainly a promotional role vis-a-vis industry in any developing country.

The public sector played a leading role in the industrialization process of most, if not all developing countries. However, these countries adopted different approaches to con-ordinate and control industry. Literature search into the institutional frame-work for industry in various developing countries concludes that these countries have in most cases established a basic framework for the administration of the activities in the industrial sector; and in some cases even planning for the development of the industrial sector has been entrusted to independent agencies. Further literature search into the organization and management of industrial development agencies in developing countries concludes that in most cases the strategy adopted was to establish independent agencies to be entrusted with industrial activities. With respect to the structure and status of such agencies they were regarded as autonomous bodies operating outside the general government policy. However, most of these autonomous agencies were controlled by "Board of Directors" chaired by a member of the cabinet. Board of directors generally included representatives from both the public and private sectors.

## CHAPTER THREE

# ECONOMIC DEVELOPMENT IN KUWAIT

### 3.1 Introduction.

This chapter discusses the general characteristics of the Kuwaiti economy and provides relevant information and statistical data. It identifies the major role played by production and export of crude oil since 1946 and the resulting financial revenues, the distribution of such revenues and its effect on development of the country. The contribution of various sectors (including the manufacturing sector) to the Gross Domestic Product (GDP) are tabulated and assessed. Furthermore the organization and management of the Kuwait economy, the major role of the Government Sector and the role of the private sector are presented and discussed with related information and tables.

### 3.2 Kuwait – A Background.

Kuwait, as a state covers about 17,818 Sq. Km., is located in a desert zone and has a continental climate. It has a total population of about 1.7 million (Census 1985) which is broken down into about 681,000 Kuwaitis and about 1.01 million non-Kuwaitis. (1)

The discovery of oil in 1938 has slowly changed the face of Kuwait which is now identified as one of the important member states of the Organization of Petroleum Exporting Countries and a significant contributor to world oil supply.

Economic development really began with the export of oil, which still is the major contributor to the economy.

### 3.3 Crude Oil Production and Revenues.

The discovery of oil (1938) and the beginning of oil production and exportation (1946) was considered the turning point whereby Kuwait emerged from a mere desert primitive society dependant on sea trade, i.e pearls, fish, dhows and a limited agricultural life, to a fast growing society with a variety of facilities and services.

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(1) Ministry of Planning, Annual Statistical Abstracts (1986); Table 9, P.25.

Kuwait concentrated during the fifties on building basic elements which were either non-existent or in very bad shape. We can clearly see the rapid expansion in this direction represented by modern new residential areas, roads networks, electrical power station, desalination plants, schools, hospitals, public services, etc....

Although the discovery of oil in commercial quantities in Kuwait can be dated to the 2nd quarter of the 20th century, awareness of this source may be dated back to the year 1911. Wars and an unstable political climate delayed any real progress towards production of oil until December 1933 when Kuwait Oil Company, jointly owned by Anglo-Persian Oil Company and Gulf Oil, was founded. The first oil-concession agreement was signed in December 1934 which granted the Shaikh Rs. 474,000 (about US\$ 178,000) on signature. Rs. 3/- per ton 'won and saved' oil or Rs. 95,000/- per year, whichever be larger until oil be declared obtainable in commercial quantities. after that, Rs. 250,000/- (about US\$ 94,000/-) per annum or Rs. 3/- per ton royalty whichever may be larger, plus in lieu of all taxes and dues, 4 annas (about 9 cents) per ton of oil on which royalties were payable. This agreement was written for 75 years. (1)

The first well was drilled in 1936 at Bahrah, which proved to be dry but oil was discovered in February 1938 in Burgan – later to be recognised as the world's largest single oil-field.

However, the oil wells were plugged in 1942 due to the spread of World War II to the Middle East, to be reopened only in 1945. Since 1945, activity has been almost feverish and Kuwait saw a sudden boom in its revenues which resulted in rapid development in later years.

Almost exclusively, the changes in the step-wise development of Kuwait's social, economic and industrial structure is directly related to exploitation of the country's natural resource, oil.

By the end of the 6th decade of the 20th century the following was apparent:-

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(1) Al-Ebraheem, H.A., Kuwait – A Political Study (Kuwait University, 1975).

- a) Government expenditure increased substantially during the decade.
- b) Import expanded quite rapidly and reached a level of over US\$ 780/- per capita by 1960 from US\$ 280/- per capita in 1952. (1) This indicates not only the increased buying power of the residents but also a heavy dependence of foreign produced goods.
- c) The growing economy attracted a number of foreigners in search of better business and employment prospects.

### 3.4

#### Gross Domestic Product.

The main structural development of the economy of Kuwait may be evidenced by the growth of GDP and contribution of various sectors to the worth.

Table-2 (2) shows the GDP of Kuwait at current prices, while Table-3 (3) shows the distribution of Government revenues by ways of expenditure.

In Table - 2 oil production and revenues there from are listed under Mining and Quarrying. The percentage of oil revenue as compared with total GDP is as under:-

Oil Revenues as % of GDP	Years ----->								
	1984	1983	1982	1981	1980	1979	1978	1977	1976
	52.2	49.2	45.9	59.7	65.3	64.6	59.5	61.3	65.8

- (1) Khoja, M.W, Sadler, PH.; The economy of Kuwait; (London, MacMillan Press Ltd., 1979)
- (2) Ministry of Planning, Annual Statistical Abstract (1986), Table 220, PP.254
- (3) Ministry of Planning, Annual Statistical Abstract (1986), Table 226, PP. 260.

The annual growth rate of GDP, on the other hand, could be listed as under:-

% growth of GDP over previous year	Years ----->								
	1984	1983	1982	1981	1980	1979	1978	1977	1976
	+4.5	+2.6	-11.1	-11.0	+13.3	+60.8	+5.0	+10.1	-8.5

It is quite evident from analysis of the GDP contributing sector that like many developing countries, Kuwait also depends, to a very large extent on production and export of a single primary commodity, oil. While the percent contribution of this sector has varied noticeably during the last twenty years, its dominance in the economy remains.

Since 1976 upto 1984, the oil sector contributed between 46 percent and 66 percent of the Gross Domestic Product of Kuwait.

As for other sectors, the percentage contribution can be listed as under:-

Activity	Year ----->								
	1984	1983	1982	1981	1980	1979	1978	1977	1976
- Agriculture & Fishing	0.38	0.4	0.4	0.35	0.18	0.17	0.2	0.19	0.18
- Manufacturing	5.3	5.8	6.3	4.8	5.6	8.3	6.5	5.9	5.9
- Elec., Gas and Water	(2.6)	(3.4)	(3.6)	(2.4)	(0.9)	0.4	0.5	0.5	0.4
- Construction	3.8	4.5	4.6	3.8	3.7	3.2	4.1	3.8	3.2
- Wholesale & Retail Trade	10.3	10.8	12.6	9.6	8.1	6.3	9.3	9.1	7.9
- Transport, Storage & Communications.	3.8	4.0	3.9	3.1	2.2	1.7	2.0	1.9	1.9
- Finance, Insurance, Real Estate & Business Services	9.8	11.7	13.4	8.4	6.5	6.2	6.6	6.1	5.4
- Community, Social & Personal Services.	15.8	15.8	15.0	11.5	8.5	8.4	10.0	9.8	8.4
- Import Duties	0.9	1.2	1.3	1.0	0.8	0.7	0.9	1.1	0.8

The proportional share of the oil sector in GDP sustained marked increases simultaneously with the increase in oil revenues. The first occurred in 1970/71 as a result of the combined effect of higher production and prices. Two years elapsed before growth effects could spread to other sectors of economy, causing oil's share in GDP to fall from 67.9 percent in 1970/71 to 59.9 percent in 1972/73. With the increase in oil prices in 1973 the share of this sector in GDP reached a record level of 77.1 percent in 1974/75. Again, the growth effects were spread to other sectors by 1976/77 when this sector's share reduced to 61.3 percent.

Community, Social & Personal Services constituted 15.8 percent of GDP in 1984, followed by Wholesale & Retail trade (10.3 percent), Finance, Insurance & Real Estate (9.8 percent) and Manufacturing (5.3 percent) which reflects a low contribution of manufacturing sector to GDP. Other sectors like construction (3.8 percent), Transport & Storage (3.8 percent) and Agriculture & Fishing (0.38 percent) have declined relatively in recent years.

### 3.5

#### Organization of Economy.

Organization of Kuwait's economy may be viewed by classifying the different sectors and then reviewing forms and controls of these sectors.

#### 3.5.1

##### The Government Sector.

Since 1971 there has been an enormous change in GDP of Kuwait, largely due to world prices of oil and changes in ownership of oil producing companies in Kuwait. During 1970/71 government accounted for about 48 percent of the local expenditure component of GDP and by 1974/75 this proportion had reached almost 60 percent. However, as excess of oil revenues over imports is largely controlled by government, the relative role of government in overall GDP accounted for upto 70 percent in 1970/71 and 87 percent in 1974/75.

Table 4 shows government revenues and expenditures since 1982/81 to 1986/85 (Budget estimates).

It can be seen that oil income is relatively so immense in the total revenues that interpretation of other sectors may be very misleading.

However, another form of income may continue to grow. That is investment income.

As long as oil and related income has been sufficient to cover Government expenditure investment income will have cumulative effect. Also, additional foreign investments made possible by further surpluses will have an accelerating effect on investment income.

The investment income since 1982 is reported us under (1):-

Investment Income	Year ----->							
	1985		1984		1983		1982	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
(Million Dinars)	195	1092	284	1718	197	1658	217	1926

It is apparent from the above breakdown of investment income that it has already started playing an important role in total Government revenues.

### 3.5.2

#### The Private Sector.

The importance of the private sector in Kuwait's economy cannot be stressed too highly. The country has developed on the basis of private enterprise and trade with the outside world.

The success of state policies on the private sector are difficult to gauge in the face of the tremendous progress of oil and the way it focuses attention on the public sector.

The modern day development of the private sector began with government revenues from oil being redistributed in the economy. In fact development in the private sector has on occasions gone ahead at such a pace that services provision by the state has been unable to keep pace.

According to the Annual Statistical Abstracts, and the data available from census reports, during 1970 the total labour force in Kuwait numbered 242,196, out of which 65,369 were Kuwaitis and 176,827 were non-Kuwaitis. This has increased to a total labour force of 670,385 in 1985, out of which 126,410 are Kuwaitis and 543,975 are non-Kuwaitis.

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(1) Ministry of Planning, Annual Statistical Abstract (1986), Table 231, PP. 266.

Table 4 (1) gives details of the labour force in Kuwait by employment status and Table 6 details the number of establishments in accordance with their legal status as per census of 1975 and 1980.

Oil sector growth lead to a relative growth in the number of establishments and the labour force employed by them, when revenues were re-distributed within the economy.

The following may be noted from the above mentioned tables.

### 3.5.3

#### Number of Establishments:

During 1975 to 1980 changes in the business environment were obvious. The growth in the number of establishments was as over page:-

<u>Type of Establishment</u>	<u>% increase in number during 1975-1980</u>
- Individual Proprietorship	20.4
- Partnership Company	82.5
- Defacto Company	21.6
- Joint Stock Company	261.5
- Limited Liability Company	128.2
- Shareholding Company	86.2
- Limited Liability Partnership	(28.5)
- Co-operative Society	73.0
- Non-profit Organisation	55.4

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(1) Ministry of Planning Annual Statistical Abstracts (1986) Tables 107 and 108 PP. 119-110.

In the census report of 1975, 23,603 establishments were reported, many of which had more than one branch. By 1980, the total number of establishments had increased to 30,552, the major increase in percentage terms being in joint stock companies, and in terms of numbers, in individual proprietorships.

The joint stock companies, which increased from 9 in numbers to 141 by 1980, again shows the dominance of Government participation in the re-distribution of revenues. Table 6 shows changes in the types and numbers of establishments during 1975 to 1980.

#### 3.5.4

#### Employment & Labour Force.

Table 5 shows employment status of Kuwaitis and non-Kuwaitis during 1970 to 1985. The total increase in employment figures since 1970 to 1985 were as under:-

	<u>Change during 1970 to 1980</u>		
	<u>Kuwaitis</u>	<u>Non-Kuwaitis</u>	<u>Total</u>
- Employers	76.2	71.7	73.1
- Self Employed	-30.9	-14.9	-17.7
- Employees	124.3	259.5	223.4
- Un-paid Workers	53.8	-51.2	-25.6
- Unemployed	-41.7	178.8	21.3
TOTAL	93.4	207.6	176.8

The increase in Government revenues led to an increase in the number of establishments as well as an increase in the total labour force.

Co-operative Sector.

This is an interesting phenomenon in Kuwait business activity and has developed entirely in the consumer market. In contrast to most developing countries, where co-operation is usually encouraged in production in order to spread mechanisation, mobilise savings, or to maintain maximum of value added in the hands of producers, in Kuwait, co-ops are to ensure consumers benefit as much as possible from their own consumption expenditure.

As per 1980 census, there existed 211 Co-operative Societies in Kuwait in 1980. The movements commenced in the sixties and the co-operative union received its own charter in 1971. Membership of individual co-ops is open to Kuwaiti citizens and is established by purchase of shares. Even in the current environment the co-operatives are expanding at a regular rate.

Fiscal Policies and Budget.

The annual budget totalled KD.3116 Million in 1985/1986. The relative significance of allocations to each sector is an indicator of the importance and the place of that sector in the undeclared and unwritten scales of government priorities in the year in question.

Table 3 details distribution of government revenues by way of expenditure. To interpret the table and analyse the direction of the economy shall be misleading be the on-going conditions in the country, in the region and in the world in general.

One opinion could however be formed that the economy of Kuwait is managed monetarily well with a high degree of collaboration to the benefit of all concerned parties.

Management of the Economy.

Administration of the economy in Kuwait is be cabinet. Vital decisions in the economic field are prepared and processed by administration

bodies in various sectors of the economy. They are discussed, appraised and recommended by an economic steering committee which is composed of ministers with economic portfolios. The recommendations of this committee serve as a basis for decisions of the cabinet.

Theoretically, all decisions are taken up within the framework of visualised but never ratified plans. Ministers of the various Ministries act upon these visualised concepts, available or prepared on adhoc or short-term bases with due regard to the foreseen developments in their respective fields of action.

The Ministry of Planning co-ordinates all other and tries to carry to each Ministry the views of the others so that a co-ordinated decision may take place. It acts frequently as an impartial source of advice to the government. The major fields of operation for this Ministry are:-

- 1) The preparation of short, medium and long-term plans for the socio-economic development of Kuwait.
- 2) The co-ordination of technical co-operation with the outside world.
- 3) To collect, process, tabulate and publish statistical data about the economy and society of Kuwait.

The two latter duties are carried out correctly. In the performance of the first assignment, the Ministry has prepared two draft plans, the first was for a five year span covering 1970/1971 and 1974/1975 and the second one was for the years 1976/1977-1980/1981. Neither of them were officially passed or ratified by the Government.

Technically speaking both draft plans were mere investment programmes with lists of major projects intended for implementation during the period in question. The second plan introduced some technical betterment on the structure of the plan by specifying financial and sectoral goods and defining ways and means to implement it. The main defect in these plans (aside from their indicative nature) both for private

and public sector is that they lack a strategic frame work and a clear-cut illustration of priorities. policies have never emanated from these plans or made any reference to them.

The plans remain as documents of an informative nature for public relations.

The third five year plan of 1985/1986 to 1989/1990 was the first economical social plan to be ratified by the General Assembly (Parliament) and to be proclaimed by law in 1986.

Content of the third plan was more elaborate and contained clearer objectives and policies for adoption by various authorities.

3.8

### Conclusions.

Economic development in Kuwait really began with the export of oil in 1946. This is still the major contributor to the economy in general. Kuwait concentrated during the fifties on building basic economic elements which were either non-existent or in a very bad condition. We can clearly see the rapid expansion in this direction represented by new residential areas, roads network, electrical power stations, desalination plants, schools, hospitals, public services, etc..

It is evident from the analysis of GDP contributing sectors that like many developing countries, Kuwait also depends to a very large extent on production and export of a single primary commodity-oil. From 1976 to 1984 the oil sector contributed between 46 percent to 66 percent to the Gross Domestic Product of Kuwait. Hence the Government Sector plays a major role in the Kuwait Economy. During 1970/1971, Government accounted for about 48 percent of the local expenditure component of GDP and by 1974/75 this proportion had reached almost 60 percent. Meanwhile, the importance of the private sector cannot be stressed too highly in the face of the tremendous progress of oil and the way if focuses attention on the public sector plays a major role in the economy, the role of the private sector should be further enhanced and developed for more active participation in economic development.

Administration of the economy in Kuwait is by cabinet. Economic policies are appraised and recommended by the economic steering committee which is composed of Ministers holding economic portfolios. Recommendations of this committee serve as a basic for the decisions of cabinet and hence of management of the Kuwait economy.

## CHAPTER FOUR

# INDUSTRIAL DEVELOPMENT IN KUWAIT

#### 4.1 Introduction.

The objective of this chapter is to critically analyse and assess the structure of industrial development in Kuwait since the founding of an organized industrial sector in the early sixties. The progress of industrialization is presented with the identification of major constraints faced during that time.

Both the role of government and private sectors in the establishment of major industrial activities are discussed and presented with relevant statistics and data.

The chapter then analyses the structure of the manufacturing sector and growth of each sub-sector. The contribution of the manufacturing sector to the national economy in terms of percentage contribution of Gross Domestic Product (GDP) is then analysed in more detail.

#### 4.2 Industry in Kuwait.

While discussing the Kuwait strategic options Dr. El-Beblawi and Professor Shafey mentioned "It is convenient to conceptualize these options as revolving more or less around her (Kuwait's) resources. Accordingly, the following list, classification and ranking of strategic option may be furnished:-

##### A. Major Options :

- i) The Crude Petroleum Option
- ii) The International Finance Option
- iii) The Industrialization Option
- iv) The Human - Capital Formation Option

##### B. Minor Options :

- v) The Fisheries and some Agriculture Option
- vi) Industrial Services Option (Shipping, Airline, Hotels, etc)

vii) The Re-Export Trade Option

The above classification and ranking does suggest that the various options are of unequal importance. The Crude Petroleum Option is evidently at the present time the primary major one from which all other major and minor options are derivable or heavily dependent for their existence or development. But the relative importance of the Crude Petroleum Option will decline over time as oil wells get depleted and resources get channelled into other alternative options will be respectively pursued over the years will be governed, among other things, by the ranking of objectives and the impact of constraints in the given time frame". (1)

In presenting the industrialization option to Kuwait they stressed that "The industrialization option is more important for Kuwait on the basis of its future and potential role than for its present accomplishments. The contribution of industry, in Kuwait and elsewhere, to the objectives of growth and security in terms of increased value added and lesser dependency, are selfevident. The contribution of industry to the objective of equity; in particular intergenerational equity in the allocation and ownership of economic assets and creation of employment opportunities within Kuwait, are not to be over looked.

The industrialization option for Kuwait acquires an increasing significance when considered in a comparative frame work with other main options. Not only is the Crude Petroleum Option – so far predominate in the economy – a depletable option, it is also an outward – oriented option which is incapable of creating significant production and consumption linkages in the economy, other than its handsome contribution to the state budget. But also on the other hand, Kuwait's second major option, the international finance option, now practised as recycling most of the petroleum wealth toward advanced countries, has world wide inflationary consequences and to that extent has equivocal real growth and security prospects.

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(1) El-Beblawi H and Shafey E., Strategic Options for Kuwait, The Industrial Bank of Kuwait Papers No. 1 July 1980, P.12.

The proper question therefore is not whether Kuwait should industrialize but in what direction and to what extent. The question of 'what direction' can be answered in terms of comparative advantages in a given time frame and expected changes therein. The question of 'what extent' depends on cost-benefit calculus of individual projects." (1)

Industrialization in Kuwait is considered a main objective for support of the national economic framework which at present is mainly dependent on the oil sector. As such, Kuwait has increasingly concentrated on the industrial sector since the early sixties.

Industrial development in Kuwait during the past 30 years was not oriented toward long term planning but was based on decisions made specially for the establishment of certain industrial projects which were set up in response to the demand and need of the market for these industries, such as building materials and export industries (eg. Fertilizers).

In spite of the strategic importance of industrialization we still find the industrial sector has not yet reached an important role in the national economy. Except for expansion in the Fertilizers Industry in the seventies, we cannot indicate any other development worth mentioning in the industrial sector.

In addition to the above, the existing industries (for many reasons) were not able to create enough motivation for the participation of Kuwait manpower. The percentages of Kuwait manpower to total manpower in the industrial sector is 1.1%, according to the last statistic made in March 1981 (Ref. Annual Statistical Abstract 1985, Ministry of Planning, Table 136 PP. 138/139). the above percentage is considered very low compared to the amount of manpower in governmental offices.

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(1) Ibid PP.

The main characteristic of the last 30 years has been the number of organizations involved in management of the industrial sector, which lead to repetition, lack of co-ordination and delay in decision making needed for the development of industry.

In spite of the availability of the basic elements needed for an organized industrial development eg. the availability of oil and gas as basic sources for raw materials and energy, investments and the strategic location of the country, we find the development in petroleum and petrochemical industries has been very slow.

Existing industries depend on government participation in provision of capital and operation of major industries while we find the private sector has a minor role. The Chamber of Commerce is mainly concentrating on the prosperity of commercial activities in Kuwait. This has resulted in a small number of industrial projects.

In addition to the above we find the relationship between the public and private sectors is not clear or well defined.

The major part of industries established in the early sixties was initiated in view of the demand of the local market for reasons of increase in population and the standard of living. One of the most important industries was the building material industry whereby the establishment was announced of the National Industries Company (1961) as a shareholding company (one of the first companies in the joint sector).

A main turning point in the industrial development process was the development of Shuaiba Industrial Area when it was designed for the petroleum, petrochemical, and the by industries (1964).

Fertilizers plants were established (1966), then Shuaiba Refinery (1968), power stations and water desalination plants (1966) and other industries in the area.

At the same time some companies were developed for new industries eg. food industries such as flour mills, salt, dairy products, soft drinks, etc...

### Progress of Industrial Development in Kuwait.

With the achievement of full independence in 1961 it was decided to establish Shuaika Industrial Area to help promote industrialization in Kuwait.

This was the beginning of industrialization in Kuwait not including water desalination and power generation activities already started.

### Oil and Related Industry.

Over the years the administrative structure of the oil sector has changed considerably. It was re-organized in 1980 when Kuwait Petroleum Corporation was set up as an umbrella organization to rationalise and over see all aspects of Kuwait's Oil and Gas industry. Initially the re-organization involved four companies as under:-

1. Kuwait Oil Company - Crude Oil and Gas production and drilling and exploration programme.
2. Kuwait National Petroleum Company - All refining and LPG processing and the sale of products within Kuwait.
3. Petrochemical Industries Company - All fertilizer plants, downstream petrochemicals.
4. Kuwait Oil Tankers Company - Transport and shipment of crude oil.

In the neutral zone, oil production is carried out by K.O.C. and Getty Oil Company on shore and Arabian Oil Company off shore.

During the seventies Kuwait's oil production policies were adapted to a high level of conservation. It is now estimate that at a current production ceiling of 1.25 million bpd, Kuwait has the longest oil life-span of any OPEC Country - over 150 years.

Fertilizers: The first relatively small fertilizer plant was commissioned in 1966 by Kuwait Chemical Fertilizer Company, a joint venture between Kuwait (PIC), Gulf Oil and B.P.. The initial capacity was 400 TPD of ammonia and 550 TPD of urea.

By 1970 Petrochemical Industries Company (PIC) was proceeding with a larger project now known as plant B, which was commissioned in 1971. The design capacity was 1600 TPD of ammonia (two units). Both these plants were merged in 1973 when PIC purchased the equity shares of its foreign partners. Presently, the Fertilizer Plant in Kuwait is one of the largest in the world for production capacity in a single location. This stands at 3000 TPD of ammonia and 2500 TPD of urea.

#### Desalination and Salt and Chlorine Plants.

In order to overcome the major geographical problem of water scarcity, Kuwait's first desalination plant was commissioned in 1953 with a design capacity of almost a million gallons per day of portable water from the sea. Since then the water desalination plant has become almost equally important, if not more, as the production of oil. The desalination capacity was increased rapidly. The increase has been phenomenal – from about 300 million gallons in 1954 to almost 7 billion gallons in 1971 (an average of 136 percent per year). By 1980 the per capita consumption had risen to 23,192 gallons and is still rising.

Another industrial activity associated with the desalination of sea-water was the production of salt and chlorine. The production of table salt, hydrochloric acid, sodium hypochlorite, hydrogen, caustic soda and chlorine was started mainly for local consumption to avoid reliance on exports.

It should be noted all the above activities were controlled by the Government who also provided incentives and encouragement for development of industries in the private sector.

However, the major constraints limiting growth and development of the industrial sector in the otherwise affluent society of Kuwait may be

listed as follows:-

- a) Scarcity of local raw material.
- b) Insufficiency of local market.
- c) Shortage of skilled manpower.

Major raw materials available to Kuwait entrepreneurs were oil and gas related petrochemicals which were already being produced by the Kuwait government sector. It was therefore logical to develop downstream industries. However, requirements of a larger market and high initial investment levels limited the entry of private investors in this area.

However the private sector did rise to the challenge created by rapid development and growth in Kuwait and its limited participation in the industrial sector is discussed in the following section.

#### 4.4

#### Private Sector Participation in Industrial Field

Industrialization is more important for Kuwait on the basis of its future and potential role than for its present contribution/accomplishments. Petroleum is a national depletable wealth and the value of oil and gas out-put should be treated not as value added to current national products but as a decrease in national assets matched by an off-setting increase in money or some other form of assets.

Re-distribution of petroleum wealth requires the study of any intricate future fabric in the light of the country's goals.

Where as larger industries with long term returns and fringe benefits are still in the government or semi-government sector, development of smaller size industries/manufacturing units must be designated to the private sector. The government's role in providing incentives support and encouragement for industrialization in the private sector is of paramount importance due to the fact that, "any industrial investment by citizens

must, over a comparatively short period of time, generate commercial profits which are comparable, if not better, than any other available alternative option." Unlike the majority of trading forms, the industrial sector generally requires larger initial investments and operating costs and generates 'slower' profits. In the case of Kuwait, industrialization faces the following impediments:-

- a) Scarcity of raw materials other than oil and gas.
- b) Lack of industrial skills.
- c) Comparatively small size of the market.
- d) Lack of industrial know-how, design and appraisal capabilities.

On the other hand The Kuwait Government provides the following to compensate for the above mentioned impediments.

- a) Industrial plots leased for long-terms at nominal rent (KD. 0.075/s.q.m./yr.).
- b) Infrastructure facility
- c) Low cost utilities.
- d) Customs duty/tax exemption for machinery and raw materials.
- e) Customs duty protection at a rate determined according to the condition of each industry.
- f) Quantitative import restrictions in selected cases, and
- g) Preference in Government purchases to local production of comparable quality at a 10 percent price premium.

The industrial Bank of Kuwait was also established in 1974 to provide long-term loans at a low rate of interest and also for equity participation when needed to stimulate private investments in new industries.

Industrial development in the private sector in Kuwait does not follow any classical pattern. The imbalance in demand and supply equation is the motivation for industrialization in the country.

Like any affluent developing country the first major commercial activity in Kuwait was in the construction sector, resulting in industrial activities for manufacturing construction materials as the starting point. From then onwards the industries started covering a wider variety of products which provided a comparative advantage in savings the freight and transportation costs as a major incentive.

After establishment of The Industrial Bank of Kuwait almost all industrial activities were part financed by IBK. Table 1 (1) lists projects financed by IBK since 1974 to 1985. The following may be noted from the distribution of products in different areas:

- a) A maximum number of projects fall under the category of construction materials (total of 100 until 1985) with a total project cost of KD. 179.3 million, followed by chemical products (total projects - 58), metal and engineering products [55], food and beverages [46], paper, paper products and printing [42], furniture and other products [21] and others.
- b) In so far as the number of products (2) in each category is concerned the percentage distribution of attractiveness of the sectors can be stated as follows:-

	<u>No.</u> <u>Projects</u>	<u>% of</u> <u>Total</u>
1.	Construction materials.	100
2.	Chemicals.	58
3.	Metal & engineering products.	55
4.	Food & beverages.	46
5.	Paper, paper products & printing.	42

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(1) Annual Statistical Abstract, 1986, Ministry of Planning, Kuwait, PP276  
 11th Annual Report - 1985, Industrial Bank of Kuwait, Kuwait  
 12th Annual Report - 1986, Industrial Bank of Kuwait, Kuwait  
 (2) Annual Statistical Abstract, 1986, Ministry of Planning, Kuwait, PP276

6.	Furniture & other products.	21	5.9
7.	Marine & services.	13	3.7
8.	Textiles, yarn & fabrics.	8	2.3
9.	Miscellaneous.	13	3.1
<hr/>			
	TOTAL	354	100

For a rapidly developing country like Kuwait with its oil affluence and potential for growth during the mid-seventies the above activity distribution is revealing. With any affluent society attempting to catch up with the rest of the technologically developed world the first and foremost task is the construction and building of the physical aspect of the country for better living conditions. This task was accomplished by Kuwait at a considerably greater pace than normal utilizing income from its natural resource – oil. This funded extremely rapid and active civil construction and also created a demand and supply imbalance of construction materials. The private sector rose to fill the vacuum this created with a rigorous industrialization of the construction sector.

Major activities were devoted to manufacturing concrete blocks, cement, floor and wall tiles, bricks, marble and prefabricated houses with some activity in glass, wiremesh and insulating materials.

The construction industry was followed by the chemical industry which comprised 16.4 percent of the total 354 projects by 1985. However, the chemical sector was not involved in producing any basic or industrial chemicals but was actively participating in the construction business by producing mainly paints and reinforced fibre glass products – mostly tanks for water storage and plastic products like PVC tiles and conduit pipes.

Another segment of the chemical industry took advantage of the opportunity created by a sudden influx of foreign personnel and thereby a population increase to produce items like plastic bags, bottles, bottle crates, foam mattresses and other chemical products such as detergents, cleaning and sanitary preparations, concrete admixtures etc...

Until 1982, however, there was not a single chemical industry supplying the needs of another – showing that almost no interaction existed among the

industries of 1970s. This was due to a comparatively small consumer market.

Metal and engineering products took third place in the number of projects established since 1974, constituting 15.5 percent of the total number in 1985. This activity covered a wider range of products than any other. Manufacturing/fabrication was spread from aluminium extrusion, vehicle bodies, metal cans, wire drawing and fencing, electrical equipment, heat exchangers, anodizing, ship building and repairs to foundry products.

Part of these products were catering again for construction activities while other were a result of a sudden market build-up due to the filtering of oil affluence into almost all other sector.

Demand created by the rise in population set in motion the food and beverage industry which quickly engaged in activities like fresh meat and poultry, bakeries, biscuits, ice-creams, soft drinks bottling, fast food and snacks etc. By the end of 1985 there were 46 plants (1) engaged in food and beverage manufacturing, constituting 13 percent of the total number of industrial projects.

Also, increased business traffic created a potential for paper, paper products (eg. carton boxes, envelopes, etc.) and printing. In total, 42 projects were established during 1974 to 1985.

Some activity was seen in manufacturing furniture for offices as well as residential complexes to cater for the need of businessmen as well as employees.

Oil affluence also created a large se-traffic of goods and commodities at Kuwait Ports. The country quickly expanded its ports and services to cope with increased traffic. This was not the case with nearby countries like Saudi Arabia, Iraq and Iran, where the impact of increased oil revenues was almost similar but handling facilities for sea traffic were still inadequate.

It is worth mentioning here that ships had to wait sometimes more than 2 months before unloading in these countries. As all these countries are also accessible from Kuwait by road, and as the waiting time in Kuwait was less, a new form of trading (re-exports) started among these countries from Kuwait.

Not only did local trader find it profitable to re-export foreign imports to nearby countries but local industries in Kuwait also found an increased business potential for 'Made in Kuwait' goods.

A short term business 'boom' created a need for establishment of services in the marine sector. Shipyards and maintenance facilities were hence established in Kuwait, constituting about 37 percent of the total 354 projects until 1985.

The cost distribution (1974-1985) in various segments of industry can be stated as follows:-

<u>Activity</u>	<u>Total Project cost</u> (Million KD.)	<u>% of Total</u>	<u>No. of Projects</u>
1. Construction materials	179.34	29.8	100
2. Food and Beverages	93.74	15.6	46
3. Chemicals	90.64	15.1	58
4. Metal and Engineering	88.60	14.7	55
5. Paper, Paper products & printing	45.62	7.6	42
6. Marine services	42.12	7.0	13
7. Furniture & others	17.07	2.8	21
8. Textile, yarn & fabric	15.96	2.6	8
9. Miscellaneous	28.25	4.7	11
<b>TOTAL</b>	<b>601.35</b>	<b>100</b>	<b>354</b>

It should be noted that although the construction sector still retains its top position in the list it is followed by the food and beverages sector, instead of chemicals.

This also means that maximum value added benefits could be expected from the construction sector, followed by food and beverages, chemicals, metal and engineering, paper, paper products and printing, marine services, furniture and other, textiles, yarn and fabric and miscellaneous.

The average cost of projects, the Industrial Bank's financing by way of long term low interest loans (the Bank charges an interest rate of 5% annually on loans granted to new projects, increasing to 6% annually in cases of expansion to existing projects) (1) and equity participation is as follows:-

Activity	Average Cost of project (Million KD)	Average IBK Financing (Million KD)	Average Pct. Investment (Million KD)
1. Construction materials	1.8	0.87	0.93
2. Food & beverages	2.0	1.0	1.0
3. Chemicals	1.6	0.70	0.9
4. Metal & engineering	1.6	0.76	0.84
5. Paper, paper products & printing.	1.1	0.54	0.56
6. Marine services	3.2	1.88	1.32
7. Furniture & others.	0.8	0.40	0.4
8. Textile, yarn & fabric.	2.0	0.62	1.38
9. Miscellaneous	2.6	0.61	1.99
<hr/>			
TOTAL (AVERAGE)	1.7	0.80	0.9

The above analysis shows the average cost of projects in the private sector to be about KD. 1.7 million including almost 47 percent financing by IBK.

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(1) The Industrial Bank of Kuwait; Guide to Industrial Projects Financed by IBK, 1979-1984. 1st Edition, Sept. 1985.

In other words, average private investment required by an entrepreneur for an industrial projects is almost KD. 1.0 million. In a not so affluent society of the developing world, this figure would be on the high side. However, investors in the affluent society of Kuwait were expected to have this amount of surplus cash available for investment.

This average figure also seems to be the maximum that can be expected to be available from investors for ventures into the industrial sector of areas of industry requiring higher initial investment eg. most of petrochemical plants are almost beyond the reach of a private investor.

Table 2 shows selected industrial production during 1976 to 1985 – a time segment when increased oil income had already filtered down to commerce and trade in Kuwait.

The growth performance in various sectors of selected industries may be summarised as follows:-

	Production		Total growth	Av.growth/Yr.
	1976	1985	(%)	(%)
- Food manufacturing (000 MTONS)	151.3	258.1	70.6	6.1
- Industrial chemicals (000 MTONS)	530.1	392.7	-26.0	-4.0
- Fertilizers (000 MTONS)	530.1	595.0	12.1	1.3
- Cement (000 MTONS)	351.1	1066.5	204.0	13.1
- Hydrated lime (000 MTONS)	12.3	52.4	3.30	17.5
- Reinforced concrete pipes (000 MTONS)	29.2	47.2	61.6	5.5
- Ready mix concrete (000 M3)	42.7	35.6	-16.6	-2.0

- Asbestos pipes & sheets (000 MTONS)	32.8	29.6	-10.0	-1.1
- Metal pipes (000 MTONS)	65.0	76.0	16.9	1.7

This is a good indicator of the production trend in various manufacturing sectors for selected products in Kuwait over a period of 9 years.

As a general rule, products whose consumption depends almost entirely on the local market have shown a steady production increase. eg. food manufacturing.

On the other hand the industrial chemicals sector has shown a negative growth and a decline over the same period of time indicating a lack of local absorption capacity.

The increase in production quantities of other products like cement, hydrated lime, reinforced concrete pipes and metal pipes may almost certainly be attributed to feverish development project in the construction sector and an influx of foreign personnel resulting in comparatively improved consumption figures.

It should be noted that although these production figures contribute directly to the gross domestic product of the country, their dependence on export markets remains unquestionable.

The following section briefly discusses the impact of manufacturing activity on the national economy.

#### 4.5

#### Contribution of Manufacturing Industry to the National Economy.

Since the first oil shipment out of Kuwait in 1946, the country's economy has gradually become more dependent on its natural resources – oil. However, changes in oil output in recent years, price fluctuations and realisation of the depleting nature of this resource make it necessary to reassess the whole economic structure and re-emphasise the need for development of alternative

contributory activities to the national economy.

An overview of Kuwait's economy can be seen in Table 3 and Table 4 which list the country's Gross Domestic Product at Current and Constant prices respectively.

Further analysis of Table 3 (GDP at current prices) shows the following trends:-

Activity	& Contribution to GDP Growth %			Av/Yr.
	1974	1984	Total	
- Agriculture & fishing	0.2	0.6	527.1	20.2
- Mining & Quarrying	79.3	45.3	-3.7	-0.4
- Manufacturing	4.4	7.5	184.4	11.1
- Electricity, gas & water	0.3	6.7	240.9	13.0
- Construction	2.0	4.9	406.7	17.6
- Wholesale, retail trade, restaurants & hotels.	3.0	10.9	375.6	16.9
- Transport & storage & communications	1.3	3.7	317.6	15.4
- Community, social & personal services	5.6	15.5	369.1	16.7
- Import duties	0.4	1.2	494.1	19.5
TOTAL			68.5	5.3

It is apparent from the above analysis that at current prices all the sectors contributing to GDP (with an exception of mining & quarrying) have shown a substantial growth. The total GDP increased by more than 68 percent during 1974 to 1984 or about 5.3 percent annually.

The largest contributor to GDP in 1985 was still the sector of mining and quarrying (oil), followed by community, social and personal services, wholesale, retail trade, restaurants and hotels, manufacturing, electricity, gas and water, construction, transport and storage and communications, import duties and finally agriculture and fishing.

The manufacturing sector took 4th place, contributing 7.5 percent to the GDP at current prices in 1984.

The picture changes markedly when GDP at constant prices (1972) is considered. Table 4 shows GDP at constant prices of 1972 during 1974 to 1982 by type of economic activity:-

Activity	& Contribution to GDP Growth %			
	1974	1982	Total	Av/Yr.
- Agriculture & fishing	0.3	0.7	138.1	11.5
- Mining & Quarrying	53.3	15.7	-32.7	-13.7
- Manufacturing	6.4	8.8	53.3	5.5
- Electricity, gas & water	1.0	2.5	179.2	13.7
- Construction	3.8	8.7	151.3	12.2
- Wholesale, retail trade, restaurants & hotels.	8.8	16.9	111.8	9.8
- Transport & storage & communications	3.0	6.7	147.4	12.0
- Finance, insurance, real estate, business services	7.9	15.6	119.6	10.3
- Community, social & personal services	14.6	21.8	65.6	6.5
- Import duties	0.8	2.6	242.3	16.6
TOTAL			10.9	1.3

All sectors other than Mining & Quarrying showed a positive growth at constant prices during 1974 to 1982.

The total GDP increased by only 10.9% (as against 63.1% increase at current prices) in 8 years or about 1.3 percent annually.

Mining & Quarrying (oil) showed a decline not only in percent contribution to GDP but also in term of value.

The manufacturing sector was placed in 5th position at 8.8% contribution to GDP at constant prices.

It should be noted that although the manufacturing sector has shown, near-consistent growth during 1974 to 1982, it could only be due to nearly non-existent manufacturing in the early seventies. Hence the potential was available.

The total contribution of the manufacturing sector to the GDP at current prices (6.4% in 1983) and at constant prices of 1972 (8.8% in 1982) still remains quite low and needs to be improved.

The above mentioned percent contribution is somewhat misleading as it includes manufacturing industry related to oil eg petroleum refineries. In order to be able to make comparative study the following breakdown must be considered:-

Breakdown of manufacturing industry's contribution to GDP:

	Contribution to GDP at Current Prices (Million KD)				
	1974	%	1984	%	Av. Growth yr
- Petroleum refinery	92.1	54.6	221.0	46.1	9.1
- Fabricated metal products	9.5	5.6	70.5	14.7	22.2

- Non-metallic minerals	7.7	4.6	41.0	8.5	18.2
- Chemicals, Fertilizers & plastics	36.6	21.7	38.0	7.9	0.4
- Food, beverage & tobacco.	6.7	4.0	33.0	6.9	17.3
- Textiles, wearing apparel & leather products	6.9	4.1	29.0	6.0	15.4
- Wood & Wood products	4.8	2.8	20.0	4.2	15.3
- Paper, printing & publishing	1.8	1.1	20.0	4.2	27.2
- Basic metals	1.8	1.1	5.5	1.1	11.8
- Other manufacturing	0.7	0.4	1.5	0.4	8.8
TOTAL	168.6	100.0	479.5	100.0	11.0

This breakdown throws further light on the structure of the manufacturing sector. The following emerges from these figures.

- Since 1974 to 1984 the manufacturing sector has shown a compounded growth rate of 11.0 percent per year. As mentioned earlier, this could only be due to virtually non-existent manufacturing industry.

- The maximum contribution of GDP through this sector has traditionally been by petroleum refineries which constituted about 55% of added value in 1974 and about 46 percent in 1984.

- Chemicals, fertilizers and plastics which took second place in 1974 (21.7% of the manufacturing sector) showed a slower growth to become 4th largest contributor in 1985 (7.9 percent). This sub-sector comprised mainly oil and gas based industries and showed a slower (sometimes even negative) growth due to adjustment of the production of ammonium sulphate and sulphuric acid caused by a sharp fall in international market prices.

- Other sub-sectors showed an impressive growth rate, eg. :-

Fabrication metal products	22.2%
Non-metallic minerals	18.2%
Paper, printing & publishing	27.2%
Food, beverages and tobacco	17.3%
Textiles, wearing apparel	15.4%
Wood and wood products	15.3%
Basic metals	11.8%
Others	8.8%

- Stagnation of the chemical sub-sector combined with fast growth in other sub-sectors led to a substantial structural shift. Thus while the chemical sub-sector shrank from 36.6% to 7.9%, fabricated metal products, non-metallic minerals, paper, printing and publishing, food, beverages and tobacco increased in relative importance within the manufacturing sector from 5.6% to 14.7%, from 4.6% to 8.5%, 1.1% to 4.3%, 4.0% to 6.9% respectively.

It should be noted that petroleum refineries cannot be considered as an example of industrialization itself but as a basic pre-requisite for the process of industrialization. They provide much of what would be necessary in the event establishment of manufacturing industries in Kuwait besides providing a diversification of Kuwait's exports and increasing value added benefits to the economy.

Hence, if the value added by Petroleum refineries is not considered part of the manufacturing sector the contribution of this sector shrinks from 7.5 percent to 4.0 percent in 1984 - a low figure by any standards.

#### 4.6

#### Conclusion.

Industrialization in Kuwait is considered as one of the main objectives for sustained economic development of the country. At present it is mainly dependent on the oil sector. However, industrial development in Kuwait during the last 30 years was not oriented towards long term planning but was based on decisions made to establish industries in response to demand and need of

the local market (eg building materials) or to utilize available raw materials (oil and natural gas) to produce export products (eg chemical fertilizers). The majority of industrial activities such as oil related industries, petro-chemicals industries and other major industries were introduced by the government.

The government also provided policies and incentives to encourage private sector involvement in the manufacturing sector. These incentives included provision of industrial areas with infrastructure and utilities supplied to industries at nominal subsidized rates, custom duty exemption for machinery and raw materials imported for industry, custom duty protection at a rate determined according to the condition of each industry, and limited preference in government purchases to local production of comparable quality to imported similar products. Meanwhile, the government controlled Industrial Bank of Kuwait provided long term loans at a comparatively lower rates of interest and also participated in equity of new industrial projects to stimulate the private manufacturing sector in Kuwait. This still faces several impediments. These include scarcity of raw materials other than oil and gas, small size of the local market and the lack of industrial skills and capabilities.

Therefore, the contribution of the manufacturing sector to the national economy in terms of contribution to GDP – namely 7.5% at current prices in 1984 – remains quite low and needs to be substantially improved – especially if the national economic objective of the diversification of economic sources is to be attained. The low percentage contribution of the manufacturing sector to the economy as a whole re-emphasises the need for future expansion and better utilization of available capital and other resources. The question is not whether Kuwait should industrialize but to what extent and in which direction.

## CHAPTER FIVE

# PLANNING AND LEGISLATIVE FRAMEWORK FOR INDUSTRIAL DEVELOPMENT IN KUWAIT

5.1 Introduction.

The objective of this chapter is to present and assess planning and legislative frame work associated with industrial development in Kuwait. It begins with reference to the Industrial Law of 1965, the incentives this law introduced to stimulate industrial investment and considerations in granting industrial permits. Then the process of industrial planning and the resultant industrial plans are presented with special emphasis on it's objective, components and polices. The present 1986–1990 industrial plan is discussed in more detail including an assessment of implementation of the plan's policies by concerned government departments.

5.2 Industrial Law No. 6 of 1965.

By 1965 industry had become an important feature in the Kuwaiti economy and industrial orientation become a major demand. In addition to many other important policies needed for the development of industry on a proper basis the industrial Law (1965) developed the establishment of an Industrial Development Committee (1) with polices included the followings:–

- Industrial foundation to be exempted from taxes during the first ten years.
- Raw materials, machinery and semi produced commodities used in the production of such foundations to be exempted from custom taxes.
- To increase custom taxes on imported commodities similar to local production for a maximum period of ten years or more in the event some economic circumstances arose which necessitated such protection.

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(1) Law No. 6 for the year 1965 for the issuance of the Industrial Law (Kuwait Govt. Press). PP 5–7

- To exempt industrial exports from tax (if any)

- To exempt industrial exports from tax (if any)
- To designate free industrial plots required for building factories.
- To provide technical information and studies from the Ministry to the owners of industrial projects.
- Priority in giving loans will be made to owners of industrial foundations.
- Government purchase to give priority to local products.

The Industrial Law of 1965 contained a definition of industrial firms and their functions and necessary procedures for their establishment. The law specified that the following considerations shall be taken into account on the issue of industrial permits (1):-

1. Economic requirements of the country and the possibilities of local consumption and export.
2. Requirements of the country's social and economic plan.
3. The purpose of the firm not to be inconsistent with public order or public interest.

Meanwhile the Industrial Law empowered the Minister of Commerce and Industry by issuance of all necessary resolutions required for its implementation.

### 5.3 Industrial Planning.

Although the first "Planning Board" was established in Kuwait in 1962 no comprehensive plan for economic and social development was adopted until 1985. "The main question: Why did Kuwait continue without a formal

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(1) Industrial Law; Op-Cit. P.4.

comprehensive plan in spite of general interest in planning and (public) demand for it? and why were previous (planning) attempts not complete?" (1)

However, "the need for planning was not totally neglected. The economic and social circumstances and developments prevailed in the country dictated another type of planning in some sectors and activities. These include electricity and water sectors, government housing, the oil sector and public Health Services".(2)

Overall plans were formulated by the Planning Board and then – from 1976 onwards – by the Ministry of Planning while plans for the industrial sector were prepared by the Ministry of Commerce and Industry. However, all these plans were shelved until 1985 when the third Five Year Plan (1986–1990) was officially announced for implementation. As for industrial sector, "we have to mention that although industrial progress was achieved in the past without an adopted plan the truth remains that more progress could have been achieved if a plan had been evolved for implementation. There is a need for clear formulation of future objectives of industrial developments and the development of necessary policies to achieve them in the light of general economic and social objective." (3)

#### 5.4 The First Five Year Plan for Economic & Social Development (67/68 – 71/72), Industrial Sector.

In October 1968 the Planning Board issued a final document for the First Five Year Development Plan. This included the

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- (1) Al-Mousa Ali, The Planning Experiment in Kuwait.  
– Looking for a proper formula, in The Seventh Discussion Session to evaluate Planning experiments in the Arab World.  
The Arab Planning Institute – Kuwait, 1984 (Arabic) P.352.
  - (2) Al-Mousa Ali, Opt-Cit, PP 361–362.
  - (3) Mulla Hussein, F. The Role of Planning in industrial development in "Papers of the Industry in Kuwait Seminar; Kuwait Foundation for Scientific Advancement, 1983, (Arabic) P.40.

industrial sector and concentrated on various objectives for development of the industrial sector in Kuwait eg. (1):-

1. To adopt a scientific basis for establishment of an industrial, co-ordinated sector with a view to fair competition and to diversify the national income from various sources (and not only oil).
2. To increase capacity of existing industries and their production standards.
3. To establish new industries taking into consideration the necessity to ensure a complete industrial framework whereby new industries complement existing and those anticipated for the future. Industrial investment should take into consideration manpower availability and the joint Arab Market.
4. To invest local economic resources on the basis of proper production.
5. To initiate a suitable environment for industrial development by establishing the following bodies and on a co-ordinated basis.
  - a. Team for the study, finance and execution of industrial projects.
  - b. Public Authority for standard and specifications.
  - c. Training centres for administration and accounts.
  - d. Training centres for supervisors, inspectors and labourers.
  - e. Industrial areas with all necessary facilities.

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(1) The First Five Year Plan for the economic and social development – Industrial Sector, Planning Board 1968 (Arabic).

The Second Five Year for the Industrial  
Sector. (1)

The Ministry of Commerce and Industry produced the Second Five Year Plan for Industrial Development. The Ministry proposed to increase the size of the industrial investments by 20% per annum. Required investments were anticipated at 140 million KD., out of which 120 million KD. was concerned with export industries while 20 million KD. were designated to those industries needed for local consumption.

The Ministry requested co-ordination between the Industrial Development Plan and social and economic government development programmes. Objectives of the plan were those previously announced in its various programmes, limited to the following three objectives:-

1. To diversify national income sources.
2. To develop manpower in technical and administrative fields.
3. To utilize disguised unemployment in the commercial market and public occupations (government Offices).

The Ministry had formulated these objectives when clear observation was made that the industrial sector had the greatest potential for development and activity as far as an increase in income sources were concerned. It was also felt to be the most active sector in developing the cultural status of the nation.

The Ministry had concentrated on the importance of co-ordination between all those concerned with industry in Kuwait.

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(1) The Industrial Sector Development Plan for the years 71 - 76/ Industrial Affairs Department, Ministry of Commerce and Industry.

Brief reference to Plan formulation and implementation (Arabic).

The Industrial Development and Consultancy Office was established in the year 1973 in co-ordination with the U.N Industrial development organization and Development Programme for the preparation of studies and evaluation of industrial projects and to provide services and consultation to industrial foundations.

During early 1974 the Industrial Bank of Kuwait was established, a joint sector company associated with some national companies in order to participate in developing the Kuwait economy and to verify the production structure by means of establishing new industries and backing up existing industries by giving technical and administration advise and required finance.

5.6 The Second Five Year Plan for Economic and Social Development (1976-1980) – Third Plan for the Industrial Sector. (1)

The Ministry of Commerce and Industry had prepared in November, 1975 the Third Five Year Plan for Development of the Industrial Sector for the years 1976 – 1980. The Planning Council had collected observations from foundations concerned with industry regarding the Plan, for inclusion in the final publication.

Mentioned projects included a group of 74 projects of various industrial sectors and sizes. The investments were anticipated to be 1,227 million KD. and required manpower was estimated at 11,000. This was in addition to projects which the Industrial Bank of Kuwait might successfully promote during the course of the Plan.

The Plan indicated that development of the industrial sector should be considered as stated policy of the government for future development of the Kuwaiti Economy. Depending on industrial development as a base for the continuation of economic power was not seen to jeopardize development in other activities such as financial services and various productive services or eventual achievement of a solid productive basis.

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(1) The Industrial Sector Development Plan (1976 – 1980) – Government of Kuwait, Ministry of Commerce and Industry (Arabic).

The Present Five Year Plan (1986 – 1990).

The government work programme for the Five Year Plan (1986 – 1990) specifies the following objectives for the non-oil manufacturing sector (1).

- Contribution in the achievement of the strategic objective of the plan to increase the annual growth rate of non-oil manufacturing industry during the Plan and accordingly increase its contribution to the gross domestic product.
- Increase quantitatively and qualitatively the production of existing industries to meet the needs of local markets and exports.
- Raise the rates of productivity in industry and add a series of new industrial projects (to be financed by public/joint and private sectors),
- Increase utilization of local raw materials and intermediates manufactured locally.
- Prepare industrial areas and provide them with necessary services and facilities for new industrial projects.

The plan anticipated that production of non-oil industries would increase from 518.8 million KD in 1984/85 to reach 1003 million KD. in 1989/90 using 1984 prices, achieving an annual growth rate of 14%. (2).

The Present Industrial Plan Objectives and Policies.

The 1986 – 1990 industrial plan included two main objectives. These are: 1. Encourage suitable conditions to develop the industrial sector, and 2. The Encouragement of existing industries. Ratified policies in the plan to achieve the first objective are:-

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- (1) Council of Ministries, the Government work programme – The Development Plan for the Years (85/86 – 89/90) Part (3) Productive Sectors – 1985 – Unpublished (Arabic), P.40.
  - (2) Council of Ministries, Opt-Cit. PP. 55–56.

1. Establish a Public Authority for Industrialization to take care of industrial development.
2. Provide actual data and precise information on a periodical basis about the growth of the industrial sector.
3. Conduct preliminary feasibility studies for the promotion of new industrial projects.
4. Form an Information Bank to include studies of possibilities for product marketing at local, Gulf, Arab, and international levels.
5. Support individual initiatives to enter industrial activities according to recognised feasibility studies.
6. Support and develop industrial co-operation with Arab countries in general and Gulf countries in particular to take relative advantage of each country and to enlarge the market available for industries.
7. Conclude agreements for technology transfer with countries with economic relations with Kuwait.
8. Urge national industrial companies to obtain the best use of technology in accordance with the local environment and in co-operation with suppliers.
9. Extend industrial areas and equip them with necessary facilities.

While adopted policies to achieve the second objective are:-

1. Protect national industries against dumping operations by foreign countries.
2. Restrict imports of goods similar to national products.
3. Give priority in government purchases to locally manufactured products.

Implementation of the Policies of the Present Industrial Plan by  
the Ministry of Commerce and Industry

The following outlines various actions, measures and procedures undertaken by the ministry of Commerce and Industry towards implementation of various industrial policies adopted in the present industrial plan. (1):-

- Policy : Establish a Public Authority for industrialization to take care of Industry.
- Measures Taken:
  - Ministry of Commerce and Industry have drafted a law to establish a Public Authority to supervise industrial areas.
  - The Ministry awaits results of a comprehensive study being conducted by the Investment Public Authority which is being executed by a team of international economists, through which a decision will be taken towards the establishment of a Public Authority for Industrialization. (2).
- Policy: Provide Actual Data and precise Information on a periodical basis about the growth of the Industrial Sector.
- Measures Taken:
  - First publication of a Kuwait Industrial Guide is imminent.
  - A Computer is used for Industrial Licenses Supervision.

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- (1) Based on unpublished reports by the Ministry of Commerce and Industry (Arabic).  
 (2) This study recommended the establishment of a Public Authority for Industry and Technology, but this has not been published officially yet.

- An annual report is to be issued on accomplishments of the Industrial Development Committee.
- Policy : Conduct preliminary feasibility studies for promotion of new industrial projects.
- Measures Taken :
  - Decision to form a committee for organizing and developing the Development and Consulting Office to improve it's efficiency.
  - Co-ordination with the Arab Organization for Industrial Development and the Gulf Organization for Industrial Consulting to study investment opportunities in Arab countries who are members of those organizations.
- Policy : Form a nucleus of an information bank to include studies of possibilities for product marketing at local, Gulf, Arab and international levels.
- Measures Taken :
  - Introduction by the Ministry of computers in the Department of Industrial Affairs.
  - Review and evaluation by the Ministry of a study prepared by the Kuwait Institute for Scientific Research for establishment of an information research centre.
  - Development by the Ministry of a library of publications and references regarding industry and commerce.
  - Updating of data related to establishments producing household apparatus in collaboration with the Gulf Organisation for Industrial Consulting.

- Policy : Support individual initiatives to enter into industrial activities according to recognised feasibility studies.
- Measures Taken :
  - Share holding company established for metal shredding in co-operation with private sector companies dealing in scrap metal.
  - Share holding company established for activities related to crushing, marketing and importing of aggregate.
  - Cabinet issued a recommendation approving establishment of a company for waste recycling.
  - The Ministry offers it's consulting services to encourage investors to enter into industrial activities.
- Policy : Support and developing industrial co-operation with Arab countries in general, and Gulf Countries in particular to take relative advantage of each country and to enlarge the market available for industries.
- Measures Taken :
  - Ministry participation in meetings of the Gulf Organization for Industrial Consulting. It represented Kuwait in the 8th Ordinary Session of the Council of the Arab Industrial Development Organisation.
  - The Ministry issued a report to the Ministry of Education about UNIDO study to establish educational industries to meet Gulf Countries needs.
  - Ministry participation in Islamic Development Bank meetings and UNIDO meetings for the development of mutual projects.

- Ministry participation in drafting specifications and measurements on Gulf and Arab levels as well as preparation of projects and formation of technical committees in addition to distribution of drafts of specifications to Gulf countries. The Ministry also made contacts with about 20 laboratories in car manufacturing countries.
- Ministry participation in seminars and training sessions at Gulf level.
- Ministry participation in the ordinary meeting of the Gulf Organisation for Industrial Consulting held in Riyadh to discuss a float glass project and aluminium smelter plant in Doha.
- A meeting in Kuwait attended by representatives from UNIDO, Arab Industrial Development Organization and Gulf Organisation for Industrial Consulting during which areas of co-operation and UNIDO's technical assistance were discussed.
- Policy : Conclude Agreements for technology transfer with countries with economic relations with Kuwait.
- Measures Taken :
  - Agreement signed on 15/06/1988 in Luxembourg within the context of co-operation between European Common Market and Gulf co-operation Council in the fields of science energy, industry, economy, agriculture, fisheries and environment.
- Policy : Urge national industrial companies to obtain the best use of technology in accordance with the local environment and in co-operation with supplier.
- Measures Taken :
  - Ministry policy to encourage the use of modern technology suitable for local conditions in industry with respect both to specifications

of equipments and materials.

- Policy : Extend industrial areas and equip them with necessary facilities.

- Measures Taken :

- New industrial area established in Shudediya and reorganisation in Amghara area in co-ordination with Kuwait Municipality and Shuaiba Area Authority.

- Ministry received 360,000 Sq.M. of land for ready mix and asphalt plants.

- Several meetings held between the Ministry and the Public Warehousing Company to develop basis for distribution of industrial units to entrepreneurs at Sulaibiya and Jahra industrial estates.

- Policy : Protect national industries against dumping operations by foreign countries.

- Measures Taken :

- Study in preparation by the Ministry to set basis and criteria for protection of national industries.

- Policy : Restrict import of goods similar to national products.

- Measures Taken :

- Ministry continues prevention of imports of wheat, flour, asbestos and spiral welded steel pipes.

- Decisions taken to continue customs protection of several local products.

- Decision taken to ratify 23 national standards and specifications.

- Policy : Give priority in governmental purchases to locally manufactured products
- Measures Taken :
  - Ministry preparation of a study to remove obstacles standing against implementation of Ministerial Decision No. 6/1987 giving priority to purchase of local products.
  - Central Tenders Committee gives priority in government purchases to local products which are in line with approved standards and specifications.

#### 5.10 Assessment of Present Plan Objectives and Implementation.

1. Upon review of targets and objectives of the Industrial Plan it appears they were formulated without a clear strategy for the manufacturing sector. Such a strategy must specify the expected size of investment in industry as a means of diversification of national income sources, accompanied by identification of priorities of industrial activities. This is in addition to identifying clear solutions for known major problems such as market narrowness, scarceness of workforce, non-availability of raw materials and severe competition in the field of petrochemical industries in the region and world wide. Planners formulated targets and policies for the industrial sector in an attempt to co-ordinate between the major target of the plan – amending population build-up – with diversification of national resources. This is characterised by the followings:-
  - A. Continuity of the present manufacturing sector volume by encouragement and protection of existing industries.
  - B. Continuity of privileges and incentives to industry such as industrial lands, customs protection and priority of government purchases of national products.

- C. Developing and improving public services to serve the industrial sector such as establishing an Authority for Industrial Development and supplying data to industry in addition to conducting essential feasibility studies for potential projects.
2. Review of measures taken by government departments responsible for implementing objectives and policies of the Industrial Plan shows that:
  - A. The majority of measures taken were merely continuation of administrative and executive roles of those departments, such as attending international meetings, preparing standards and measurements, supplying data, provision of industrial plots, ascertaining good utilization of them and providing custom protection to industrial products.
  - B. Measures were inadequate for implementation of certain important policies such as preparing feasibility studies for new projects. Also the policy concerning establishment of a Public Industrial Authority ended in preparation of a study by an international team of experts whereas such studies should be conducted within an integrated plan and within certain time limits.
  - C. Some positive measures were taken to establish new industries such as the formation of companies for metal shredding and waste recycling. Although such industries are important they do not represent a significant development in the manufacturing sector in Kuwait.
3. A review of quantitative changes in the sector shows negligible growth. From 1/7/1987 to 30/6/1988 Industrial Investment was limited to 15 million dinars. Also the type of these industrial activities is mainly an extension of existing industries producing goods to meet increasing local market demand such as gas bottles and computer paper prints. Other industries are merely small service workshops such as those for making aluminium windows and doors, iron and exhaust boxes.

One of the deficiencies in assessing the development of the manufacturing sector is the lack of data identifying the percentage of industrial contribution to the national income and the development and composition of the national workforce in industry.

4. Review of the Second Annual Report issued by the Ministry of Planning covering the period from 1/7/1986 to 30/6/1987 of the plan shows most of its attention was given to social aspects and development of public services such as population, workforce, administrative development, education, housing, public health .... etc, whereas the industrial sector was referred to in a few lines under the article, "Supporting Productive Structure" which made a brief presentation of agricultural and industrial sectors and real estate investment. These lines contained only major government measures taken to support industry such as KD. 1.3 million in loans granted by the Industrial Bank of Kuwait during that year.
  
5. The plan did not amplify a number of matters which are important for support of the industrial sector in Kuwait such as:-
  1. Increasing the percentage of Kuwaiti nationals working in the industrial sector. This matter is of great importance in building-up a national workforce in industry.
  2. The government role in marketing local products within the context of international trade agreements.
  3. Linking the industrial sector with the scientific research sector (Kuwait Institute for Scientific Research) for further development of the use of limited raw materials available in Kuwait in addition to the enhancement of technology and solving industrial and technical problems in the manufacturing sector.
  4. Since most non-oil industrial activities are within the private sector it was necessary for the Plan to develop linkages between the private sector and government departments either through the Kuwait Chamber of Commerce and Industry or by other means.

Enactment of the Industrial Law in 1965 provided an adequate frame work for regulation and enhancement of industrial activities in Kuwait. Various incentives stimulated establishment of new industrial plants and the expansion of existing facilities.

With respect to the process of industrial planning there was a continuous need for clear formulation of industrial objectives and policies within the frame work of general economic and social objectives. The First Industrial Plan was issued in 1968 as part of the First Five-year Plan for Economic and Social Development (1967/68 – 1971/72).

This early planning of the industrial sector in Kuwait incorporated well formulated objectives and structures for required enhancement of industrial activities. The second Industrial Plan (1971/72 – 1975/76) was prepared by the Ministry of Commerce and Industry. The Plan was ambitious, calling for major expansion in the manufacturing sector with required investment estimated and KD. 140 million. The Plan identified and industrial sector as having the greatest potential for development and activity related to the increase of income source and the most active sector for development of the cultural status of the nation.

The Third Plan for the Industrial Sector (1976–1980) was also prepared by the Ministry of Commerce and Industry. The Plan was based on a project-1st of 74 industrial projects requiring a total investment of 1227 million KD.. The plan indicated that development of the industrial sector should be considered a stated policy of the government as basis for future development of the Kuwaiti economy. There was no National or Industrial Plan for the period 1981–1985. The present National Development Plan for the years 1986–1990 included the non-oil manufacturing sector. The Plan called for an increase in annual growth of non-oil manufacturing industry during the Plan years with an increase in its contribution to the Gross Domestic Product. The Plan included two main objectives. These are: providing suitable conditions to develop the industrial sector, and the encouragement of existing industries. Twelve major policies were ratified in the plan to achieve the above objective, the foremost is establishment of a Public Authority for Industrialization to supervise industrial development in Kuwait.

Review of measures taken by government departments responsible for implementation of the Plan's policies reveals that the majority of measures taken were merely a continuation of administrative and executive roles of those departments. Major policies are yet to be implemented for establishment of a Public Authority for Industrialization and the preparation of feasibility studies for new projects.

Hence the formulation of planning and legislative frame work for industrial development in Kuwait was ahead of the implementation of such a frame work. This is attributable to inadequate organization and management. This is discussed in the following chapters of this thesis.

## CHAPTER SIX

# EXISTING ARRANGEMENTS FOR THE MANAGEMENT OF INDUSTRIAL DEVELOPMENT

6.1 Introduction.

In Kuwait – as in most of the developing countries – the management structure of industrial development is divided among various Ministries and government organizations. This chapter presents existing arrangements for the management of industrial development in Kuwait. It describes the role of those organizations dealing directly or indirectly with administration of industrial development in the country. The chapter outlines the composition and responsibilities of the Industrial Development Committee established by the Industrial Law of 1965 under the chairmanship of the Minister of Commerce and Industry. Then the role and organisation structure of the Department of Industrial Affairs – the main government department in charge of industry – are presented. Further, this chapter deals with other government ministries and authorities having different impact on the existing management of industrial development in Kuwait. These include the Ministry of Commerce and Industry, the Shuaiba Area Authority, the Department of Standards and Measures, the Industrial Bank of Kuwait, the Kuwait Petroleum Corporation, the Department of State Properties, the Ministry of Social Affairs and Labour, the Public Authority and the Applied Education and Training, the Environment Protection Council, the Ministry of Planning, the Public Investment Authority and the Kuwait Municipality. Their respective roles are identified with respect to the management of industry in Kuwait.

It is evident that the multiplicity of organizations with different responsibilities and policies is one of the main problems facing industry in Kuwait.

6.2 The Industrial Development Committee.

Management of industrial development in Kuwait is based on Decree No. 6 of 1965 promulgating the "Industrial Law." The law sets main objectives of industrial development of Kuwait and specifies procedures and guidelines for organization of industry.

Article [4] of the Industrial Law formulated the "Industrial Development Committee" (1) as follows:-

1. The Minister of Commerce and Industry or his deputy as chairman.
2. A representative of Ports and Customs Administration of the Ministry of Finance and Oil. (Now Ministry of Finance).
3. A representative of the Industrial Affairs Department of the Ministry of Commerce and Industry.
4. A representative of the Ministry of Commerce and Industry.
5. A representative of the Planning Board. (Now Ministry of Planning)
6. A representative of the Credit and Savings Bank.
7. Three representative from the private industrial sector nominated by the Kuwait Chamber of Commerce and Industry.

In 1980 the Industrial Development Committee was enlarged and new members representing other organizations were added to the Committee. These include representatives from the Ministry of Electricity and Water, the Ministry of Oil, Kuwait Municipality and from Shuaiba (Industrial) Area Authority. The representative of the Credit and Savings Bank was replaced by a representative from the Industrial Bank of Kuwait. Since then the total number of members of committee is [12] together with the chairman, namely The Minister of Commerce and Industry.

Article No. [5] (2) of the Industrial Law specified responsibilities of the Industrial Development Committee as follows:-

1. Study and consideration of methods and proposals pertaining to development of national industries through the adoption of protective measures, the organization and encouragement of such industries and submission of necessary recommendations.

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(1) Industrial Law No. 6 of 1965, Kuwait Government Press-1966, PP. 1-2.

(2) Ibid ..... PP. 2-4.

2. Study applications for industrial permits and issue final recommendations.
3. Submit necessary recommendations pertaining to measurements and specifications of industrial production and to the means of combating adulteration in products, pending the issue of special laws and resolutions to be followed by industrial firms.
4. Consideration of all matters falling under its jurisdiction in accordance with the Law.

### 6.3 The Department of Industrial Affairs.

The Department of Industrial Affairs is the executive organisation for the Industrial Development Committee. It was established firstly in 1966 within the Ministry of Commerce and Industry by Ministerial Decision No. 1/1966. In 1973 a new Ministerial Decision No. 10/1973 (1) was issued detailing the role of the Department of Industrial Affairs as follows:-

1. To organize the Industrial Sector and supervise it within the limits specified in the Industrial Law and related explanatory decisions.
2. To develop the industrial sector and to prepare plans and programmes to develop and increase its contribution to the formulation of national income.
3. To protect and encourage the industrial sector and public and private capital invested in it and make suggestions to assist increase in volume and return.
4. To control the industrial sector and to ensure adherence to the rules of the Industrial Law of those working in it.
5. To formulate standards and measures and to supervise the application of approved standards and measures with the objective of raising the qualitative level of local production and lowering its costs.

6. To collect and collate and circulate statistics, data and information related to the industrial sector in co-operation with specialized organisations in the state.
7. To conduct geological surveys and to investigate the availability of natural resources – expect oil – and to supervise its utilization.

Figure No. [3] depicts existing organization of the Department of Industrial Affairs within the Ministry of Commerce and Industry and shows its relationship with the Industrial Development Committee. While Figure (4) shows the Ministry of Commerce and Industry and other major economic authorities within the structure of the Kuwaiti Government.

#### 6.4 Other Government Organization dealing with Industrial Development.

In addition to the Industrial Development Committee and the Department of Industrial Affairs (directly in charge of industrial development in Kuwait) there are several government ministries and authorities which have a different impact on the existing management of industrial development in Kuwait. These include the following:-

##### 6.4.1 Ministry of Commerce and Industry.

The Ministry of Commerce and Industry was granted the following responsibilities related to industry by Amiri Decree (1) issued on 7/1/1979 :

1. Organization of industrial activities. Support and protection of national industry and provision for its needs.
2. Allocation of plots for industrial and commercial purposes.
3. Supervision of the Shuaiba Area Authority according to laws and regulation thereof.

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(1) Amiri Decree issued on 7/1/1979 in Al Kuwait Al Youm (Official Gazette) (Arabic).

4. Supervision of specifications, measures and standardization.
5. Supervision of areas assigned for extraction of quarry materials.
6. Development and promotion of national exports to external markets and enhancement of Kuwait's commercial and industrial ties with Arab and foreign states and organizations.

#### 6.4.2 The Shuaiba Area Authority (SAA).

This government authority was established in 1964 as the "Shuaiba Industrial Development Board", an independent public corporation. In 1970 it was replaced by the present Shuaiba Area Authority without financial and managerial independence and linked to the Ministry of Commerce and Industry.

Shuaiba Area Authority undertakes co-ordination and provision of industrial utilities and services for the major industrial area in Kuwait, namely the Shuaiba Industrial Area where oil refineries, petrochemical plants, power and desalination plants and major engineering and building material industries are located.

#### Duties and responsibilities of the Shuaiba Area Authority: (1)

1. Formation of a general plan for the area, projects to be constructed, facilitating services and public utilities required including relevant expansion and development.
2. Setting out conditions for compliance by industries in the Area.
3. Approval of industrial projects and establishments in the area, allocation of industrial plots, extension of such projects and installations for increase of their production capacity or alteration of their intended purpose without violating licence conditions stipulated under Industrial Law No. 6 of 1965.

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(1) Shuaiba Area Authority Brochure 1976/1977 P.9.

4. Supervision, administration, execution and operation of services projects within the area, including harbour facilities.
5. Entering into agreements and taking necessary steps towards social and economic progress and development in the area.
6. Acting according to commercial and industrial principles in a manner not contradictory with laws and regulations enforced by the state.

The Authority is also in charge of controlling safety and environmental matters in industrial areas under its control.

#### 6.4.3 Department of Standards and Measures.

This Department is one of four departments of the Department of Industrial Affairs, However it was established by the Decree No. (128) of 1977. (1) The Department is considered the main authorized reference for standardization and quality control. The basic task of the department is to achieve standardization especially simplification, unification, organization, improvement and multiplication of efficiency and co-ordination of national activities in the production and services sectors and to achieve savings in the cost of raw materials, resources, energy, time and effort. To achieve cost reductions, give security and improvement and quality for the possibility of the exchange of industrial goods.

Approval of industrial standards and measures is entrusted to the Higher Standardization Committee chaired by the Minister of Commerce and Industry with members representing various government ministries and other institutions.

#### 6.4.4 The Industrial Bank of Kuwait.

The Bank was established in 1974 with a government equity of 49% of total capital, the rest was subscribed by commercial banks, insurance companies and major industrial companies. Objectives of the Bank as stipulated in its proclamation law (2) are :-

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- (1) Amiri Decree No. 128 issued in 1977 in Al-Kuwait Al-Youm (Official Gazette) (Arabic).
  - (2) The Industrial Bank of Kuwait, Annual Report 1979. P.8.

1. Participation in developing a long term strategy for industrial growth in Kuwait, identifying those sectors and activities which would best fit local conditions and constraints.
2. Initiation of industrial projects and investments in promising sectors.
3. Provision of equity and medium and long term credits for new projects and expansion of existing facilities.
4. Finance of projects outside Kuwait with emphasis on the Gulf Region, especially where Kuwaiti participation is involved.
5. Bring needed technology to Kuwait and identify foreign partners with the necessary expertise.
6. Support development of domestic money and capital markets in co-operation with other major financial institutions. Development of these markets will facilitate the channelling of private savings into industry.

#### 6.4.5 The Kuwait Petroleum Corporation.

The corporation was established in 1980 and supervises the government (public) industrial sector engaged in the fields of petroleum and petrochemical fertilizers, liquid urea, salt and caustic soda mainly for export). KPC controls the major strategic industrial sector in Kuwait through its subsidiaries, namely: the Kuwait National Petroleum Company (KNPC), the Petrochemical Industries Company (PIC), the Kuwait Oil Tanker Company (KOTC) and the Kuwait Oil Company (KOC).

#### 6.4.6 The Department of State Properties.

This is one of the departments of the Ministry of Finance. The Department of State Properties concludes contracts with owners of industrial projects to provide them with necessary industrial plots in various industrial areas.

#### 6.4.7 Ministry of Social Affairs and Labour.

This ministry supervises the labour force working in the industrial sector through the application of the law for work in the private sector and issues work permits for residence purposes, and provides security and safety for workers in the work

place.

6.4.8 The Public Authority for Applied Education and Training.

This Authority was established by law No. 63 of 1982. The law specified objectives of the authority as provision and development of national manpower to counter any deficiency in the structure of national manpower and to meet development needs in the country.

6.4.9 Environment Protection Council.

The Environment Protection Council was established in 1980, chaired by the Minister of Public Health with representatives from various government ministries. Article (3) of Law No. 62 of 1980 regarding protection of the environment stipulates the duties of the Council as follows:- (1)

1. Suggest a general policy for protection of the environment, including appropriate scientific and health standards for residential areas, industrial and urban developments and exploitation of natural resources in a way that insures safety of all premises and the working population and protection of the environment in general.
2. Suggest short and long term integrated work plans concerning all activities related to protection of the environment. Train domestic groups from various state institutions and the private sector in ways and means of protecting the environment and supervise implementation of the work plan by executive bodies concerned.
3. Co-ordination of the activities of different departments concerned with the protection of the environment. Supervise and evaluate their activities in this field and prepare an annual report on the condition of the national environment.
4. Study of problems resulting from pollution or deterioration of the environment and suggest appropriate control measures.

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(1) Environment Protection Council, Law No. 62 for the year 1980 regarding protection of the Environment, PP. 6-8.

5. Participate in formulation of research policy in the field of environment protection in co-ordination with concerned organizations.
6. Prepare bills, regulations and orders for protection of the environment and supervise their enforcement.
7. Study of regional or international agreements or conventions related to environmental affairs and decide in co-ordination with the department concerned whether or not to ratify them.
8. Advise on relations between Kuwait and regional and international organizations concerned with protection of environment.
9. Set a general framework for environment education and encouragement of citizens as groups or individuals to take part in protecting the environment.
10. Suggest an annual budget to cover Council expenses.

#### 6.4.10 Ministry of Planning.

The Ministry of Planning is concerned through its departments or committees with development of the industrial sector taking

an overall view of development of the state to facilitate achievement of its objectives through diversification of national income and production and the erection of new productive capacities.

#### 6.4.11 The Public Investment Authority.

This Authority was established in 1984 as an independent public corporation in charge of Kuwait local and foreign investment. The Authority supervises the affairs of public and mixed sector industrial companies through the appointment of government representatives in the various boards of directors. Since its establishment it has been concerned with studying the feasibility of operation of continuously loss making industries. The Public Investment Authority now plays an important role in organization of public and mixed sector industrial companies.

Kuwait Municipality has responsibility for planning and allocation of industrial areas and estates in the State of Kuwait according to considerations laid down in the Kuwait Master Plan developed by the Municipality.

With the exception of the Shuaiba Industrial Area, infrastructure and utilities in various other industrial areas in Kuwait are provided by the Ministry of Public Works and the Ministry of Electricity and Water.

The main feature of existing arrangements for the management of industrial development in Kuwait is the vast number of ministries and government organizations dealing with the industrial sector and the differences between their functional and administrative roles with respect to development and implementation of industrial activities. This is considered one of the main problems facing industry in Kuwait. However the main two organizations presiding over industry in Kuwait are the Industrial Development Committee and its administrative arm the Department of Industrial Affairs.

The Industrial Development Committee (established since 1965 and Chaired by the Minister of Commerce and Industry) is entrusted with powers to make policy and other pertinent decisions related to the development of national industries including licensing, industrial plot allocation, adoption of industrial protective measures etc.. The Department of Industrial Affairs (established in 1966 within the Ministry of Commerce and Industry) is responsible for organization and supervision of the industrial sector within limits specified in the Industrial Law and subsequent Ministerial decisions and regulations. Other organizations with an active role in industry include the Shuaiba Area Authority (established in 1964) which undertakes the co-ordination and provision of industrial utilities and services for the major industrial area in Kuwait, namely the Shuaiba Industrial Area where oil refineries, petro-chemical plants, power and desalination plants and major engineering building materials industries are located. An example of overlapping in responsibilities between the Industrial Development Committee/ The Department of Industrial Affairs on one side and the Shuaiba Area Authority on the other side is related to the allocation of industrial plots for industrial projects. Another example of over-lapping is between the Shuaiba Area Authority and the Environment Protection Council with respect to issuance of environment Protection Council with respect to

issuance of environmental regulations and standards in the industrial areas.

There are more than fourteen authorities and institutions dealing with industry in Kuwait from which industrial entrepreneurs and companies need one approval or another at various stages of promotion, development, implementation and operation of their industries.

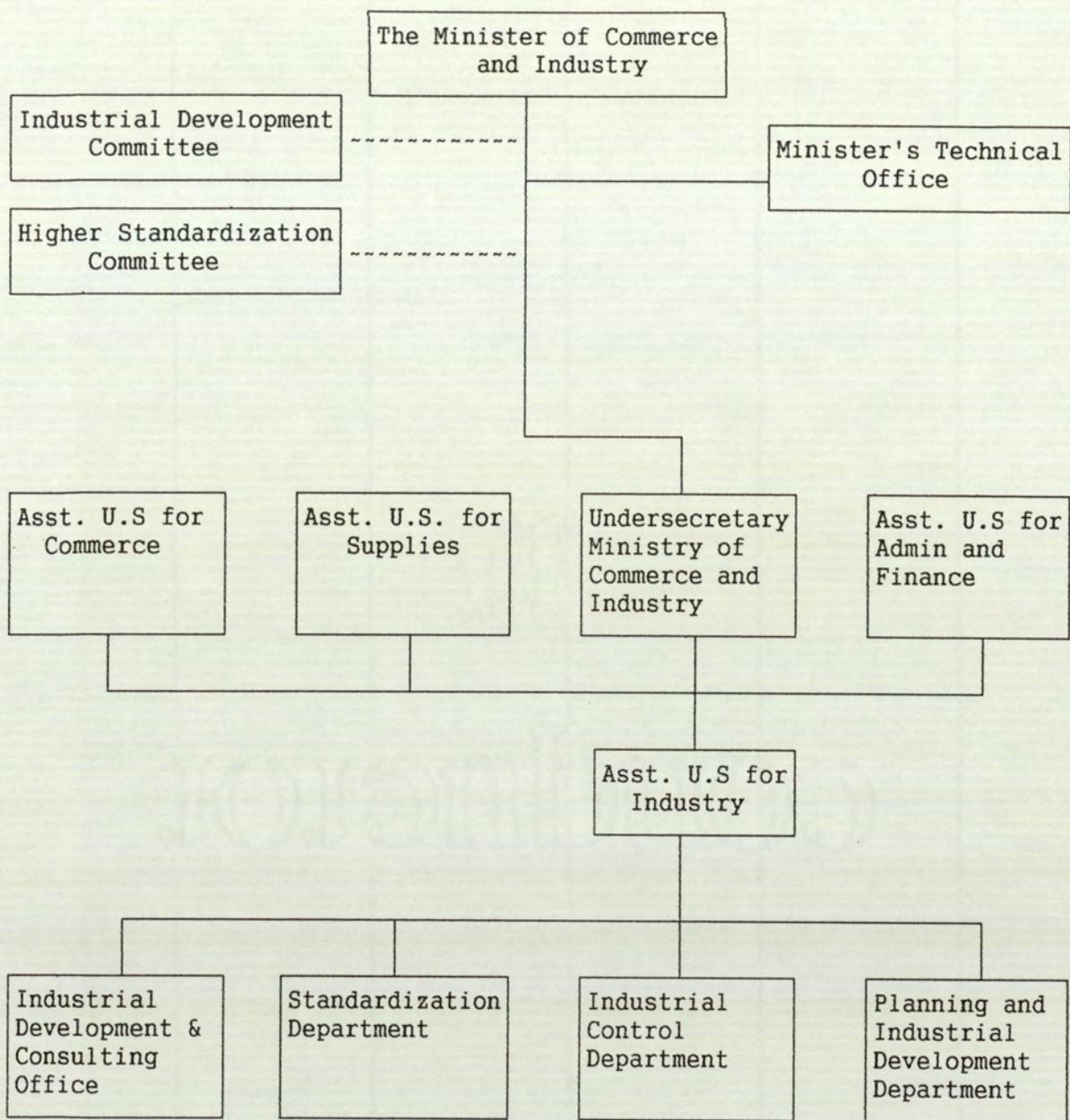


Fig No. (3)

The organization chart for the Department of Industrial Affairs in the Ministry of Commerce and Industry.

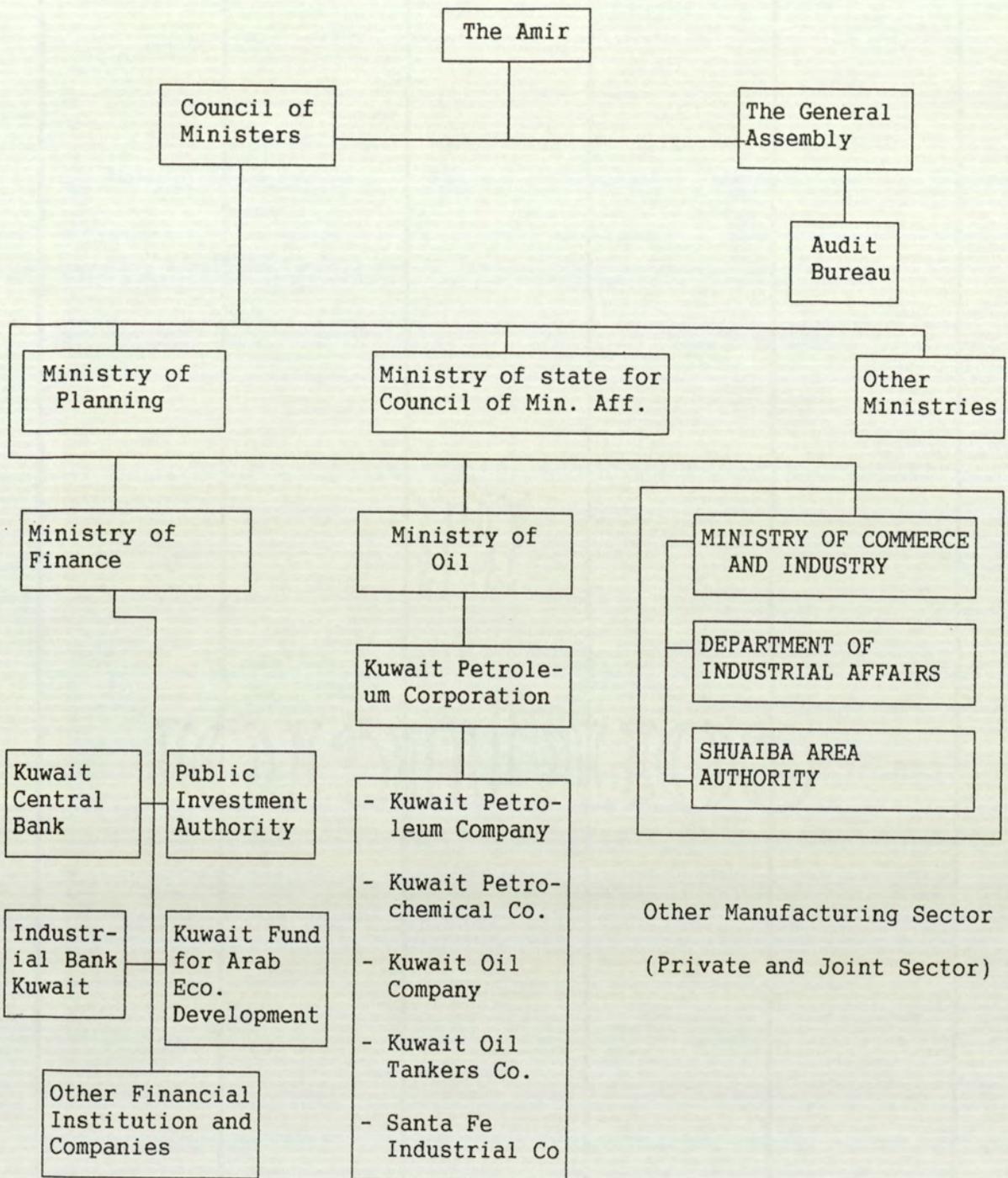


Fig No. (4)

- The Kuwait Government's Basic Petroleum and Petrochemical Industrial structure with major economic authorities Sector (Govt.)

Area of Study

## CHAPTER SEVEN

# A CRITICAL ASSESSMENT OF EXISTING ARRANGEMENTS FOR MANAGING INDUSTRIAL DEVELOPMENT

7.1 Introduction.

The purpose of this chapter is to make a critical assessment of the present role and functions of the Department of Industrial Affairs as compared with its prescribed role and functions as outlined in Ministerial Decision No. 10 of 1973, (see Chapter 6, section 6.3 of this thesis). The organization, structure and role of each of the four main departments forming the Department of Industrial Affairs are presented as specified in the above mentioned Ministerial Decision. At the end of each section an assessment is formulated of the present role as practised by each department. The Chapter also contains a report on activities of the Department of Industrial Affairs in 1986 in order to demonstrate the work load and typical achievements of the department. An annex to this chapter provides a typical case study on the cycle and procedure of industrial project licensing, including evaluation of time consumed by such a cycle.

The chapter is based on study and review of available documents and reports collected from the Department of Industrial Affairs as well as meetings and structured interviews with leading industrialists, executives and management members of the Department.

The chapter concludes with a number of observations on features and characteristics of the present arrangements for managing industrial development as exercised by the Department of Industrial Affairs within the Ministry of Commerce and Industry.

7.2 Organization Structure and Role of the Various Departments within the Department of Industrial Affairs

As developed by the researcher fig. [5] depicts the detailed existing organization structure of the Department of Industrial Affairs which consists of the following departments:-

1. Department of Planning and Industrial Development.
2. Department of Industrial Control.
3. Industrial Development and Consulting Office.

4. Standardization Department.

The size of the workforce in 1988 at the Department of Industrial Affairs reached (43) specialists and technicians in addition to (138) employees for Clerical and secretarial activities.

The following will give an outline of defined tasks of each department as originally specified in the Ministerial decision which established the Department of Industrial Affairs in 1973 (1) as well as the actual role practised by each department.

7.2.1 Department of Planning and Industrial Development.

This Department was assigned the following role:

1. Suggesting industrial development plans and means of execution.
2. Conducting economic feasibility studies for small and medium size industrial projects where conducts by others.
3. Providing technical assistance to businessmen in preparing licence applications or when drawing up specifications or tenders for importing equipment.
4. Working to raise productivity existing industrial projects by means of efficiency audits and training in collaboration with owners.
5. Industrial co-operation with other authorities concerned in matters of planning, development and industrial control at Ministry, national or international level.
6. Preparation for meetings of the Industrial Development Committee and follow-up of its decisions.

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(1) Ministry of Commerce and Industry Ministerial Decision No. 10/1973 (Arabic)

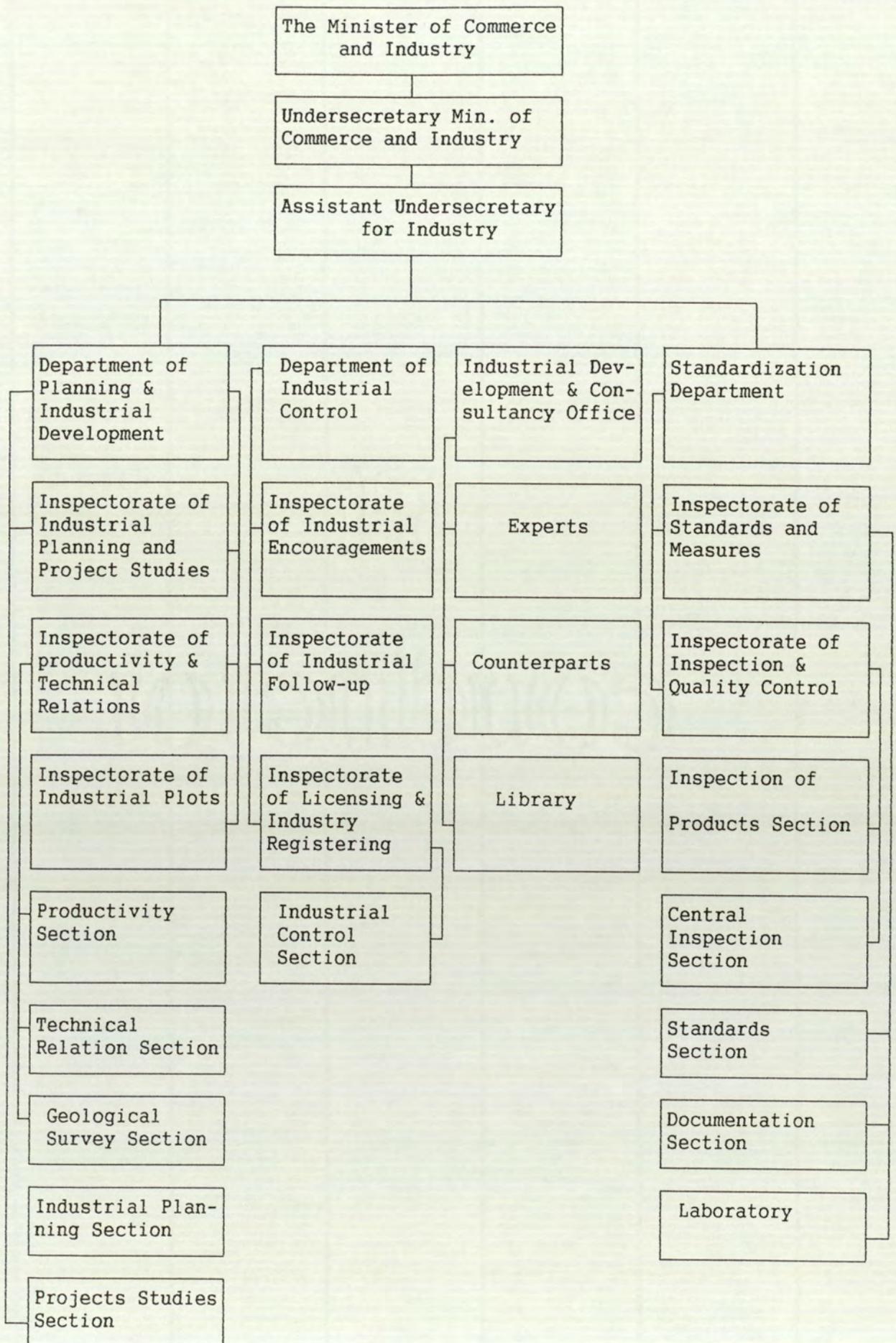


Fig (5) Detailed existing organisation structure of the Department of Industrial Affairs at MCI. (Developed by the researcher)

The Department of Planning and Industrial Development is divided into the following inspectorates and sections :-

1. Inspectorate of Industrial Planning and project studies, which comprises:-
  - . Industrial Planning Section
  - . Project Studies Section.
  
2. Inspectorate of Productivity and Production Relations. Which comprises:-
  - . Productivity Section.
  - . Technical Relations Section.
  - . Geological Survey Section.
  
3. Inspectorate of Industrial Plots.

The specified roles of various inspectorates and sections within the Department of Planning and Industrial Development are as follows:-

7.2.1.1 Industrial Planning Section :

1. Assisting in the establishment of industrial development plans and suggesting time programmes for implementation.
  
2. Collection of statistics relating to the industrial sector, classification and publication for other sectors concerned with industry in co-operation with The Information Centre within the Ministry's integrated information frames work.

7.2.1.2 Projects Studies Section :

1. Conducting economic feasibility studies required for small and medium size projects and evaluating studies submitted for industrial licences or for expansion of existing industries and preparing related memoranda for submittal to the Industrial Development Committee.
  
2. Assisting businessmen in conducting economic feasibility studies where requested and assisting them in preparing license applications and other service related to establishing and operating industrial projects.

3. Contracting with specialized consultants to conduct and evaluate feasibility studies for major projects requested by the state.
4. Co-ordinating with the Inspectorate of Standards and Measures of the Standardization Department with respect to the specifications of raw materials, products and measurement systems when preparing memoranda related to licences of project and industrial expansion.
5. Assuming the role of Secretariat to the Industrial Development Committee and follow-up implementation of its recommendations and preparation of related correspondence.

#### 7.2.1.3 Inspectorate of Productivity and Technical Relations :

This Inspectorate is assigned the role of conducting studies aimed at setting of performance standards and advising industrial projects of the most appropriate means to raise performance standards and productively. The Inspectorate is also responsible for strengthening relations with Arab and international organizations concerned with industrial productivity and to maximize benefits from Kuwait's participation in these organizations.

The roles of various sections within the Inspectorate of productivity and Technical Relations are as follows:-

#### 7.2.1.4 Productivity Section :

1. Conducting studies related to manpower, machines and use of materials to raise productivity in existing plants.
2. Formulate suggestions towards raising industrial productivity and follow-up implementation.
3. Conducting or participating with authorities concerned with industrial development – eg. training of individuals in existing industrial plants with the aim of increasing productivity.

#### 7.2.1.5 Technical Relations Section :

1. Participation in the preparation for joint Committees of Industrial Affairs and recommending candidates for such Committees. Record progress and follow-up implementation.

2. Preparation and organization of local conferences, seminars,, training courses in the field of industry and follow-up of recommendations.
3. Participation in international seminars, conferences and training courses related to industrial affairs and nominate Kuwaiti delegates.
4. Follow-up activities of Industrial Committees, technical and industrial co-operation agreements involving Kuwait and keep related reports on implementation of recommendations.

#### 7.2.1.6 Geological Survey Sections :

This section is responsible for preparation of geological maps of Kuwait and direct exploration operations of quarry and mineral resources.

#### 7.2.1.7 The Inspectorate of Industrial Plots :

1. Evaluation and review of applications for land and plots for industrial projects and services. Co-ordination of allocation and handing over of plots.
2. Supervision of proper utilization of plots and taking of necessary measures against violation of allocation principles.
3. The role of Secretariat to the Services Plots Committee and keeping records and files of this Committee.
4. Periodical inspection of industrial areas and preparation of maps of such areas in co-ordination with Kuwait Municipality.
5. Supervision of quarries for allocation of sites, handing over to tenants, inspection and renewal of utilization contracts.

#### 7.2.1.7 The present role of the Department of Planning and Industrial Development :

Based on field investigations, meeting, and structured interviews referred to in the introduction to this Chapter it is established that the Department of Planning and Industrial Development is merely working as a Secretariat for the Department of Industrial Affairs and for the Industrial Development Committee. The present role of this Department is limited to the following activities :-

1. Providing investors with copies of the industrial license application (form 1) and feasibility study contents (form 2) for completion by investors and return to the Department.
2. Advising investors on industries which are not open for more licensing.
3. Receipt of industrial licence application forms together with economic feasibility studies and catalogues of equipment and machines proposed for new plants.
4. Forward industrial applications with attached feasibility studies and documents to the Industrial Development and Consulting Office for study and evaluation.
5. Prepare agendas for meetings of the Industrial Development Committee and distribute the same with related documents and reports to the members of the Committee.
6. Advise industrial applicants of the decisions of the Committee regarding licence, plots allocations and related matters.
7. Co-ordinate allocations of industrial plots to new industrial projects or expansion of existing industries with Kuwait municipality and the Shuaiba Area Authority.
8. Prepare annual internal reports on activities of the Department of Industrial Affairs.

#### 7.2.2 Department of Industrial Control.

This Department supervises activities related to the issuance of industrial licences and registration of industrial projects and industrial professions and crafts. It is also responsible for formulation and implementation of policies for industrial protection and incentives. Meanwhile it undertakes routine inspection and follow-up of industrial installation to ensure compliance with industrial licences and the rules of the Industrial Law No. 6 of 1965.

The Department is divided into :

1. Inspectorate of Industrial Encouragement.

2. Inspectorate of Industrial Follow-up.
3. Inspectorate of Licensing and Industry Registration.

Responsibilities are as follows :

#### 7.2.2.1 Inspectorate of Industrial Encouragement :

1. Receipt of applications submitted by industrial companies for exemption from customs and export duties in addition to customs protection applications. Ensure conformity with legal conditions and preparation of related memoranda and recommendations to the Standardization Department.
2. Follow-up implementation of decisions of the Industrial Development Committee related to customs exemption or protection (with the cabinet, customs and the applicant).
3. Delivery of exemption certificates to the concerned party and registration of exempted applications identifying in detail exempted material and equipment.
4. Receipt of sessional reports from each industrial installation exempted from custom duties indicating how this exemption is utilized.
5. Sessional clearance, supervision and annual clearance of exempted raw materials packaging materials and spare parts. Review installation register and submit related reports to the Industrial Development Committee.
6. Act in co-operation with concerned parties internal external to the Ministry to facilitate receipt of finances required by industrial companies.

#### 7.2.2.2 Inspectorate of Industrial Follow-up :

1. Inspection of industrial installations and registered crafts to make sure of compliance with licence conditions and to eliminate violations to the Industry Law No.6 of 1965. Submit recommendations to the Industrial Development Committee for

punishment in accordance with the law.

2. Follow-up the establishment of new industrial projects and craft for two purposes :
  - Ensure the projects are applying licence conditions in all implementation stages.
  - Provide necessary back up during the establishment projects.

#### 7.2.2.3 Inspectorate of Licensing and Industry Registering :

1. Receipt of applications for industrial licences, expansion or modification and ensure their compliance with legal conditions.
2. Follow-up study of these applications and related decisions with the Department of Planning and Industrial Development and the Secretariat of the Industrial Development Committee and handover official licences to the applicants.

#### 7.2.2.4 The present role of the Department of Industrial Control :

Based on detailed investigations, meetings and structured interviews referred to in the introduction to this chapter it is concluded that the Department of Industrial Control is working on a purely routine basis. Its main task is to process applications for customs exemption and industrial protection as submitted by various industries.

The department has no defined criteria for evaluation of such applications and recommendations to The Industrial Development Committee are made on adhoc basis. The department does not play any significant role vis-a vis the control over industry. This results in abundant non-licensed industrial projects and another register for licensed industrial crafts.

#### 7.2.3 The Industrial Development and Consultancy Office.

This office specializes in achieving the following objectives and activities:-

1. Technical consultation with respect to preparation of strategy, plans and programmes for industrial development and suggesting practical

means for achievement.

2. Establish investment opportunities in the industrial sector by means of conducting economic feasibility studies for small and medium size projects.
3. Conduct economic feasibility studies necessary to establish major industries directly or through specialized consultants and evaluate if studies are prepared by others.
4. Provide technical support in evaluating studies or licence applications for set-up of industrial projects or expansion of existing. Also offer technical assistance to businessmen in preparing industrial licence applications in accordance with applied regulations.
5. Provide technical support to owners of industrial projects in drafting specifications and tender documents for importation of industrial plants and provide judgement with respect to the validity of foreign investors, equipment suppliers, contractors and other matters related to implementation and follow-up of industrial projects.
6. Provide technical assistance for construction and operation of new industrial project until they reach full production capacity.
7. Train Kuwaiti technical cadres on work of experts on order to assume full future responsibility.
8. Set-up a documentation and reference library for the use of the Department of Industrial Affairs.

#### 7.2.3.1 The present role of the Industrial Development and Consultancy Office.

As a result of detailed investigations, meetings and structured interviews referred to in the introduction to this Chapter it is identified that the main task of this office is review and study of licence applications together with related feasibility studies submitted by investors and the preparation of necessary memoranda which either recommend licensing or not licensing of the project for submission to the industrial Development Committee.

The work is processed within the office by assigning each industrial application to an expert, a senior engineer or an economist assisted by a Kuwaiti counterpart. It is noted that individual responsibility (not a team) results in a less effective evaluation process.

Staff in the office do not make decisions. The Industrial Development Committee normally approves recommendations of the Industrial Development and Consulting Office.

The form used in evaluation of licence applications consists of the following basis items : general description of the project, market survey and marketing potentials, technical study, economic study and notes and recommendations.

There were several trials to draft industrial plans or programmes for the State of Kuwait in the early stages of the office in the seventies in collaboration with UNIDO. However, all these documents remained unutilized as discussed in Chapter 5 of this thesis. In spite of the delicate and sensitive responsibility of the office it failed to attract Kuwaiti capabilities similar to problems in other departments of Industrial Affairs.

#### 7.2.4 The Standardization Department.

This department specializes in the followings:-

1. Recommends publication and drafts of standards and specifications and amendments and submits the same to the Higher Standardization Committee and acts as a Secretariat to the Committee.
2. Suggests the ratification of certain local or international standards as Kuwaiti standards and submits the same to the Higher Standardization Committee.
3. Approves the registration of trade marks and keeps related records.
4. Supports the adoption of Kuwaiti standards in various activities.
5. Keeps register of National Standards and undertakes verification of measures and publishes related certificates.
6. Operates laboratories for tests, experiments and research related to standards and measures and quality control of production.

7. Publishes and issues publications related to standardization and distributes them to concerned parties.
8. Develops co-operation with agencies and institutions working in the field of standardization.
9. Keeps publishes and exchanges information and references related to standardization.
10. Organizes lectures, seminars, conferences, training courses, exhibitions and museums in order to extend knowledge of standardization and training on quality control.

The specified roles various inspectorate and sections within the Standardization Departments are as follows:-

#### 7.2.4.1 Inspectorate of Standards and Measures :

This inspectorate consists of the following sections and related responsibilities:-

##### 7.2.4.1.1 Standards Section :

1. Prepare standards description programmes.
2. Conduct ratified standards description programme.
3. Follow-up of technical work of similar organizations.
4. Follow-up of co-ordinate tests and experimental activities.
5. Participate in studying industrial projects related to specifications of materials and products.

##### 7.2.4.1.2 Documentation Section :

1. Organize and prepare standards' library.
2. Maintain, print, register, distribute and sell Kuwaiti Standards and other publications of the Department.

3. Obtain data and documentation related to activities of other standardization organizations.

#### 7.2.4.1.3 Laboratory :

1. Calibration of measurement devices owned by industrial agencies and plants.
2. Calibration of measurement equipment related inspection and branding of jewellery.
3. Conduct industrial research to assist in solving problems associated with quality control.
4. Conduct industrial research to assist in solving problems associated with quality control.
5. Conduct necessary experiments on materials, semi-finished products and finished products to test their compliance with Kuwaiti Standards.
6. Conduct tests to ascertain the quality of imported goods.
7. Train the industrial workforce for operation of inspection and quality control methods.

#### 7.2.4.2 Inspectorate of Inspection and Quality Control :

This Inspectorate consists of the following sections and related responsibilities:-

##### 7.2.4.2.1 Inspection of Products Section :

1. Control conformity of imported and local products with Kuwaiti Standards.
2. Verification of the right of branding quality trade marks.
3. Co-ordinate with the Inspectorate of Industrial Encouragement.

7.2.4.2.2 Central Inspection Section :

1. Brand gold and silver jewellery after analysis and provide actual weights.
2. Test precious stones and specify their types and purity.
3. Brand weights and measures.
4. Inspect commercial shops to control weights and measures.
5. Inspect gold merchants' activities.

7.2.4.3 The present role of the Standardization Department :

Results of a detailed study of available documents, meetings and structured interviews conclude that the present role of the Standardization Department is limited to routine office and library work by reviewing various foreign standards for materials and products and using these standards as background in drafting Kuwaiti National Standards and then submitting them to the Higher Standardization Committee for final ratification and approval..

However, there is not enforcement of Kuwaiti Standards by the Department. Also the Department has no control or inspection on factories to ascertain compliance of their products with Kuwaiti Standards. The Central Inspection Section is the main section in the Department implementing it's specified functions. But limitations in skills and facilities creates bottlenecks in operation of the section which results in delays to clients.

7.3 Activities of the Department of Industrial Affairs in 1986.

In order to assess prevailing workload and achievements of the Department of Industrial Affairs the relevant part of the 1986 annual report of the Ministry of Commerce and Industry is presented as follows:- (1)

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(1) This part is based on the Annual Report of the Ministry of Commerce and Industry for 1986 dated February 1987 (Arabic) (unpublished).

The manufacturing industries sector recorded a slight growth in 1985 during which its participation in the G.D.P rose to KD. 363.9 million against KD 351.1 million in 1984. This was an increase of 3.6%, compared to a decrease of 4.6% in the previous year. This increase is a result of the growth in contribution of petroleum products by 15% and chemical, fertilizers and plastics by 10.7% while the contribution of all other industries decreased.

Hence the manufacturing industries sector has participated by 6.1% in the G.D.P. in 1985 when it reached KD. (5942.8) million against 5.3% in 1984 when it reached KD. (6574.7) million at current prices.

It is worth mentioning here that the national industrial sector received major government interest during the last two years within the context of a plan to develop other sources of income other than oil.

Among procedures undertaken by the Government in this aspect was the Cabinet's decision No. 28/86 dated 1/6/1986 obliging all ministries, companies and co-operative societies in addition to contractors (including international companies) to purchase all their requirements from local industries. If a dispute arises about standards or prices parties should refer to the Ministry of commerce and Industry.

The cabinet also issued another decision No. 60/86 dated 14/12/1986 by which it reviewed ways and means of boosting the industrial sector, including necessary co-ordination procedures between the Ministry of Commerce and Industry and the Ministerial Committee for Public Services to develop a comprehensive view on implementation of decisions and regulations for development of the industrial sector.

In 1985 the Cabinet issued Decision No. 40/85 dated 12/8/1985 setting regulations for the protection of local industries. It specifies the following:-

- Authorizing The Industrial Development Committee to give protection to industries by imposing higher custom duties on similar imported products, with authorized production capacity covering 40% of the local market as a minimum for 3 years. The may be renewed for a similar period according to the following framework:-

1. A protection rate of 25% to industries achieving an added value not less than 40%.
2. A protection rate of 20% to industries achieving an added value not less than 30%.
3. A protection rate of 15% to industries achieving an added value not less than 15%.
4. The protection rates for consumption industries are to be set at a minimum level and not exceeding 5%.
5. The Industrial Development Committee may submit a report to the Cabinet to increase protection rates if needed by some industries.
6. The Ministry of Commerce & Industry to conduct necessary technical and economic studies to facilitate functions of the Industrial Development Committee.
7. This decision was put into action as from 12/8/1985.

### 7.3.2

#### Industrial Projects Approved During the Year.

In 1986 the Industrial Development Committee approved licences to establish two new industrial projects, one for the Petrochemical Industries Company to produce Polypropylene with production capacity of 259,000 tons per annum at a cost of KD. 28.3 million, the other for setting up a general carpentry plant.

In 1985 the Committee also approved two other industrial projects, one for paper manufacturing and printing presses and the other for mining non-mineral crudes.

#### Approvals Issued For Expansion During The Year.

Licenses were issued during 1986 to eight industrial installations in order to expand their activities either by an increase of production capacity or by introducing new products by approval of the Industrial Development Committee as shown by the table on page 118.

7.3.3. Means of Supporting and Boosting the Industrial Sector.

First : Industrial Plots.

Total area of plots allocated to the Industrial Sector in 1986 was 199,043 Sq.M. including (166,043) Sq.M for new industrial projects and (33,000) Sq.M for expansion of existing industries against (213,953) Sq.M approved in 1985 out of which (165,000) were given to new projects and (48,953) Sq.M. for industrial expansion.

The table on page 119 shows distribution of plots in 1986 classification of industrial activities:-

Second : Customs Exemption.

The total value of customs exemption granted to industrial establishments during 1986 reached KD.506,338/- on their imports of equipment, machines, spare parts, raw materials and others valued are KD.12.7 million against a total exemption of KD.754,498/- for imports valued at KD.18.9 million in the year 1985 as shown in the table on page 120.

Name of Industrial Establishment.	Authorised Products	Annual Production Capacity
National Industries Company.	Light Bricks	290,000 Bricks
Kuwait Tanning Company.	Sheep Leather	560,000 Nos.
Ahliya Company for Designing and Manufacturing of Electric Plates	Low Voltage Plates	750 Nos.
Kuwait Prefabricated Buildings Company.	Iron Anti-Fire Doors	1,500 Nos.
Gulf Paper Manufacturing Company.	Paper Tissues	500 tons per working shift
Al-Ujail Smithcraft Plant.	Arabian Ovens	12,000 Units
Kuwait Company for Bottling (Pepsi Cola)	Pepsi Slice and Pepsi Lemon	Within the existing capacity
Kuwait Danish Dairy Company.	Tomato Cream	5,400 Tons

Industrial Activity	Areas (Sq.M.)	Distribution %	No of Establishments
Foodstuff, Tobacco	3,500	1.8	3
Wood, Wood Products	5,000	2.5	3
Paper, Press, Printing	9,000	4.5	4
Chemicals, Petroleum products, Plastics	121,500	61.1	7
Non-Mineral Crudes	38,043	29.1	5
Mineral Products	2,000	1.0	1
TOTAL	199,043	100 %	23

Exempted Materials	Value of Material		Value of customs exemption	
	1986	1985	1986	1985
Industrial Equipment	4,677,379	4,283,744	187,095	171,350
Raw Materials	7,038,228	13,243,403	281,530	529,739
Spare Parts	942,820	1,335,286	37,713	53,412
<b>TOTAL</b>	<b>12,654,427</b>	<b>18,862,433</b>	<b>506,338</b>	<b>754,498</b>

Third : Customs Protection.

Two ministerial decisions were issued during 1986 giving customs protection to local products. These were:

1. Ministerial Decision No. 7 of 1986 issued on 8/2/1986 imposing custom duties on imports similar to products manufactured locally as follows:-

<u>Products</u>	<u>Protection Rate</u>
Plastic Pipes.	25%
Aluminium Plates	20%
Paints.	25%
Carpets.	15%
Refrigerators.	25%
Cables.	20%
Super Market Refrigerators.	25%
Irosol.	20%
Sponge.	25%

Central Air Conditioners.	25%
Low and Medium Voltage Electric Plates	15%
Carton Boxes	20%

The decision was effective 60 days from publishing it in the Official Gazette (16/2/1986) but excluding goods already at customs during and before that date.

2. Ministerial Decision No. 45 of 2986 issued on 19/6/1986 imposing custom duties on imports similar to products manufactured locally, as following :-

<u>Products</u>	<u>Protection %</u>
Tents.	15
Pipes.	20
Polystyrene Products	20
Expanded Perlite.	20
Fermokelite.	15
Humidity Separators.	25
Office Furniture.	20
Glass.	25
Envelopes	20
Cartons/Boxes	25
Steel Structures (KIRBY System)	25
Plastics.	20
Wood Furniture	25

Cologne and perfumes 20

Metal Construction Products. 25

#### 7.3.4 Industrial Control.

##### 1. Cancelled Licences due to Non-Execution.

The Industrial Development Committee decided in 1986 to cancel licences of 20 industrial projects due to non-implementation by licensee during the specified time.

##### 2. Violations of Industrial Establishments.

During visits carried out by industrial affairs inspectors, 20 violations were recorded in 1986 of Industrial Law No. 6 of 1965 and subsequent regulations. All these violations were delivered to the Commercial Affairs Court for commencement of legal proceedings.

#### 7.3.5 Achievements of the Standardization Department in 1986.

- 30 Technical Committees were formed to draft Kuwaiti Standards.
- 32 Kuwaiti Standards were completed.
- 20 Kuwaiti Standards were ratified in addition to 41 Gulf Standards by the Higher Standardization Committee.
- Ministry Quality Control Laboratories started their activities in 1986. These included a construction materials laboratory, chemistry laboratory and paints laboratory. They conducted experiments on various materials and products such as steel, cement, and, mineral water and paints.
- The Ministry is participating in various activities of the Gulf Standards and Measures Authority and its various Technical Committees as well as activities of the Arab Organization for Standards and Measures.

This office has conducted 18 studies related to industrial projects in 1986, these include:-

1. Amending licences for production of secondary aluminium ceilings.
2. Producing plastic barrels (P.V.C.).
3. Producing solid glass.
4. Ammonia production project for Gulf Organization for Industrial Consulting.
5. Steel manufacturing project.
6. Polypropylene project for Kuwait Petroleum Corporation.
7. Expansion of carton production.
8. Expansion of gypsum production.
9. Production of toilet soap.
10. Production of anti-fire gates.
11. Expansion of paper production.
12. Production of aluminium cans.
13. Expansion in production of mosaic floors.
14. Production of cotton underwear.
15. Production Arabian gas ovens.
16. Production of orange juice.
17. Production of polythene and polypropylene pipes.
18. Producing inks.

The office also participated in preparation of a study on utilizing residue of slaughtered animals in co-ordination with Kuwait Municipality in addition to another study on producing unmelted steel pipes for arabian market.

7.4

Conclusions:-

The main characteristics and features of existing management for industrial development in the Department of Industrial Affairs is shown as follows through study of available documents meetings and structured interviews with senior management members of the Department and with selected industrialists directly affected by decisions and practices of the Department:

7.4.1

No Defined Objectives, Plans, and Policies.

It is clear that the Department has no defined objectives vis-a-vis the industrial sector. Furthermore, there is no implemented plan for the industrial sector or for the Department of Industrial Affairs and work is executed on a project by project basis. Policies are formulated as a result of pressure from groups in the industrial sector and not initiated by specialists in the Department. An example is the policy of 1986 defining customs protection levels for various industries. These policies were not formulated adequately and decisions were rushed, resulting in acute market repercussions.

Work is initiated from by investors looking for investment opportunities in the industrial sector. There are no initiatives from the Department of Industrial Affairs for promotion of the manufacturing sector by (for example) the development of feasibility studies for industrial projects.

7.4.1

Weakness of the Existing Organization and the Lack of Skilled and Trained Personnel:\_\_\_\_\_

Existing organization is marked by acute administrative weakness, not in the organizational frame work. There is acute shortage of required technical and management standards amongst existing staff required to operate the organization.

Although the number of employees in 1988 reached 181 in all categories, the majority of this number are in unproductive employment or working in routine and clerical jobs. there is not a sufficient number

of required skilled technical staff to prepare industrial plans and policies or to conduct the minimum number of studies in the required time.

Meanwhile there is no plan for development of Department manpower nor is there a training plan or programme for the staff of engineers, economists and technicians. This results in stagnation of staff knowledge and expertise. There is no incentive programme to attract highly skilled staff to the department or to replace Non-Kuwaitis by Kuwaitis.

Each department is working and making decisions on a separate basis and there is no integrated, interdepartment decision making.

The organization is characterised by bureaucratic and government department shortcomings. The Industrial Development Committee prevail every where within the organization. The function of the Assistant Undersecretary and his assistants is not to satisfy the needs of industrial development in Kuwait but to satisfy members of the Industrial Development Committee, which in turn is merely an Industrial Licensing Committee.

#### 7.4.3

##### Routine and Delay in Decision Making:

Procedures move very slowly and a new industrial project requires one to two years before a licensing decision is reached.

Formats and forms for licence applications have not been improved or developed for over 20 years. Investors become subject to frustration when dealing with the Department of Industrial Affairs.

There is sufficient evidence and awareness among industrialist of the inadequacy or ineffectiveness of management policies and particularly of the decision-making process and the administrative apparatus.

Despite announced intentions to liberalise and simplify procedures the system seem to have acquired a momentum of its own attempt to reduce its procedural rigours or to make peripheral improvement are rejected by the system itself.

#### 7.4.4

##### The Lack of Defined Criteria for Project Evaluation.

It is evident that there is a lack of defined criteria for project evaluation

in the Department of Industrial Affairs. When asked about the limits used to evaluate the economic parameters of projects, experts in the Industrial Development and Consultancy Office – the department in-charge of project evaluation – replied that there are no clear instructions in this respect but there are common standards known to experts in the office; furthermore real economic evaluation judgement depends on the views of each individual expert and his personal experience. Hence there is no fixed criteria for project evaluation by Department of Industrial Affairs of Industrial Development Committee. In addition, time taken in evaluation and licensing renders feasibility studies out of date and in need of re-evaluation.

An example of the weakness of the evaluation process is the evaluation of the marketing potential of the new projects. The office concentrates on the figures of import/export and local consumption and assumes the new project will capture a certain proportion of the market. This is an over simplification of the problem, resulting in an inaccurate determination of the market share. Market study criteria should be upgraded to take into consideration actual competition with similar available local or imported products and the potential reaction of exports, such as the possibility of dumping.

Another example of present evaluation practices relates to the procedure used in financial analysis for projects. There is no use of discounted cashflow or analysis of cost/benefits. Furthermore, social and environmental impacts are not taken into consideration.

#### 7.4.5

##### Complicated Industrial Project Licensing Procedures.

The procedure for submittal of industrial applications put a heavy burden on the individual investor with respect to the amount and complexity of information and documents required by the Ministry of Commerce and Industry. Preparation and completion of such information and documents are the sole responsibility of the investor with no assistance from the Ministry.

The Ministry demands certain documents (eg export contracts and technology licence agreements) that the investor may not be able to submit with his application but will be subject to future submission. While the Industrial Development and Consultancy Office does not assign sufficient qualified staff for evaluation of licence applications due to

limitations of resources. This in turn results in inappropriate evaluation and delay in processing of applications. Therefore time required for project licensing as presently practised by the Ministry of Commerce and Industry normally exceeds one year and, in certain cases, two years. This is a clear violation of Article No. 9 of the Industrial Law (1) which stipulates that granting or refusal to grant the permit will be issued within sixty days from the date of application.

#### 7.4.6

#### Final Conclusion.

Rapid development of the industrial sector in Kuwait during the last twenty years resulted in a substantial increase in the volume of work at the Department of Industrial Affairs. This was not accompanied by a corresponding increase in specialised and technical manpower. The result was a working situation where the Department exercised only a few of its specified tasks as outlined in the Ministerial Decision No. 10 of 1973. This is reflected by acute delay in decision making with respect to license applications from industry and in completion of specialised studies and researches. Meanwhile the Department is lagging badly with respect to implementation of industrial control and follow-up functions.

It is clear that the organizational framework and functions of the Department of Industrial Affairs as set-up in the early seventies met the needs and requirements of the industrial sector. However, the problem was in the difficulties of implementing all these functions and responsibilities under conventional management and organization methods of a government department. Therefore, the Department of Industrial Affairs was unable to develop itself any further. Hence it is evident there is a need to develop more effective arrangements for managing industrial development in Kuwait.

## CHAPTER EIGHT

# ASSESSMENT OF THE EXISTING SYSTEM FOR THE MANAGMENT OF INDUSTRIAL DEVELOPMENT IN KUWAIT

### 8.1 Introduction.

The conclusions of the detailed investigations, meetings, structural interviews with leading industrialists and management members of the Department of the Industrial Affairs together with the review of available documents and information at the Development as outlined in the proceeding Chapter established the need for further investigation and research in order to explore different sets of perceptions and views and to generate more details and conclusions for the research study. Therefore, a detailed field survey study was carried out by the researcher with the following distinct objectives:-

1. To assess industrial strategy and the existence of related industrial policies.
2. To evaluate the efficiency and effectiveness of existing management structures and procedures of the administrative machinery for industrial development in Kuwait.
3. To test the need for a new framework for the management of industrial development.
4. To generate sufficient information to assist in the development of plans, policies and procedures to be adopted by the management of industrial development in Kuwait.

The field study was based on the use of a detailed questionnaire. This was answered by a selected sample of participants either in direct interviews or was completed by the participant and returned to the researcher.

### 8.2 The Sample.

A selected sample of (50) participants was chosen for the field survey study. Composition of the sample was based on adequate representation of industrialists from the private sector and members of the existing management of industrial development in Kuwait. The sample consisted of two groups:-

1. Group A: (25) Managing Directors and General Managers of industrial plants directly influenced by the management of industrial development in Kuwait.

100% response was received from this group of participants which reflects a maximum interest in issues raised by the study.

2. Group B: (25) Senior Government Officials and other individuals related directly or indirectly to the process of the management of industrial development in Kuwait. This group included the following:-
  - 1 - (4) Senior officials of the department of Industrial Affairs in the Ministry of Commerce and Industry.
  - 2 - (6) Members of the Industrial Development Committee.
  - 3 - (2) Senior Officials of the Shuaiba Industrial Area Authority.
  - 4 - (3) Senior executives of the Industrial Bank of Kuwait.
  - 5 - (2) Senior executives of the Kuwait Petroleum Corporation.
  - 6 - (2) Senior officials of the Kuwait Chamber of Commerce and Industry.
  - 7 - (6) Industrial consultants and advisors from various institutions and organizations.

Total response of Group (B) was 84%. This also reflects a high level of interest in the study, although slightly less than that of the complete response of Group (A).

Aggregate response by the two groups in the total sample was 92%, a fairly high response and considered adequate for the purposes of the study.

Face-to-face interviews were applied to 20% of the sample.

### 8.3 The Questionnaire.

A detailed and comprehensive questionnaire was developed for the field study.

The questionnaire consisted of a total number of (224) questions and statements to be simply answered by a choice between a "Yes", "No" or "I Don't Know" or to give no reply at all. However, there are certain questions which required written feed back from the participants.

The number of questions and statements in the questionnaire are as follows:-

Part I : "General Information"

Total number of questions (7)

Part II : "Industrial Strategy and Policy Issues"

Total questions (56) Total Variables (222)

Part III : "Review and Evaluation of Existing Management Structures and Procedures"

Total questions (71) Total Variables (284)

Part IV : "Testing the need for a New Framework for the Management of Industrial Development"

Total questions (90) Total Variables (399)

Total questions and statements of the four parts of the questionnaire and total variables measured by the questions are as follows:-

Total questions and statements = 224

Total number of variables = 1082

Therefore, the use of a personal computer (IBM/AT) was essential to analyses results in detail.

This led to conclusions and recommendation for the development of the management of industrial development in Kuwait.

### 8.3.1 Structure of the Questionnaire.

The questionnaire was divided in four parts as follows:-

Part I : Includes general information of the participant and his industrial company, it's operation, products, manpower and capital.

Part II : This part is titled "Industrial Strategy and Policy Issues" comprising questions and statements which reflect the availability of industrial strategy and the existence of various industrial policies. This part was intended to identify components of an industrial strategy for Kuwait together with associated industrial policies for comments and response by participants.

Part III : This part is titled "The Review and Evaluation of Existing Management Structures and Procedures". It concentrates on the efficiency of existing organizations in the provision of various services required by industry as well as development of internal procedures and methods for various tasks assigned to the Department of Industrial Affairs, such as project evaluation, licensing, feasibility studies etc. and to assess the role of the Industrial Development Committee in charge – among other responsibilities – of industrial project licensing and its procedures.

Part IV : This part is titled "Testing and need for a new Framework for the Management of Industrial Development Organization". It presents participants in the field study with questions related to need and justification for establishment of a new organization for the Management of Industrial Development in Kuwait. It then questions structural organizational and procedural aspects of such an organization and attempts to identify the priority of various tasks and services to be provided to serve industry at large. This part also includes identification of major problems facing industrialists with the existing management of industrial development.

#### 8.4 Analysis of the Field Survey.

In this section we identify responses and views of the participants related to key questions with major impact on the research study. Complete results of the computer analysis of the Field Survey appear in the Appendix to this thesis.

##### 8.4.1 Part I : General Information.

Information collected from the sample (especially group (A) ) reflects the diversity of industries covered in the Field Study. Such industries included major industrial establishments incorporating three or four industrial complexes with capital of KD. 25 million or a small industrial plant operating as a family interest-cum-management style with capital of KD.0.25 million. Products from industries associated with group (A) of the sample include building materials, engineering products, food products, leather and related products as well as various other industrial products produced mainly for the local market and

proportionally for export to neighbouring countries.

Numbers of workers in these industries varied from 25 labourers to 2000 labourers, thus providing a wider spectrum of industries covered.

#### 8.4.2 Part II : Industrial Strategy and Policy Issues.

Analysis of key questions selected from Part – II to assess the response of the field sample to these keys questions/statements are as follows:-

##### 8.4.2.1 Review of Industrial Strategy Issues.

Q2.4. One of the basic criticisms of Kuwait Industrial Policy is the absence of an integrated and clear industrialization strategy.

Answer:	Yes.	No.	I don't know.	No Response
%	97.83	0.00	0.00	2.17

Observation: The very high percentage of response agreeing with the statement reflects the fact that existing management of industrial development failed to develop an integrated and clear industrial strategy.

Q2.6 Is there a need for the development of an integrated and more competitive industrial sector?

Answer:	Yes.	No.	I don't know.	No Response
%	86.96	13.04	0.00	0.00

Observation: The high percentage of "Yes" responses confirms the need of development of an integrated and competitive industrial sector in Kuwait. This also confirms that industrial development is essential for the Kuwaiti economy. Therefore, the management of such a development should be highly efficient and effective.

Q2.15 The issue is not "industry" or "no industry" but the adoption of a clear industrialization strategy and policies with identified objectives and priorities.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>93.48</u>	6.52	0.00	0.00

Observation: This very high percentage of "Yes" response confirms the followings:

1. Industrial development is essential for the Kuwait economy.
2. Industry should be developed according to a clear industrialization strategy and policies. Such a strategy should identify industrial objectives and priorities.
3. The non-existence of industrial strategy in Kuwait.

Q2.8 Although there is no approved strategy, there is a practised one based on the following components:

- 2.8.1 The development of oil and gas based industries and their derivatives which have economic feasibility using modern internationally available technologies.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>76.09</u>	19.57	4.35	0.00

- 2.8.1 The setting-up and development of import substitution industries which prove feasible within the framework of a free initiative economy prevailing in Kuwait.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>71.74</u>	13.04	6.52	8.7

Observation: An over 70% favourable response to the above statements indicates there is a non-official strategy for industry in Kuwait which constitutes the setting-up of oil gas based industries and feasible import substitution industries. This reveals that although existing administrative machinery in charge of industrial development in Kuwait failed to develop and adopt a clear strategy for industrial development it did practice an unofficial strategy for industrialization in the country.

#### 8.4.2.2

#### Formation of Industrial Objectives, Policies and Plan.

Q2.11 Is there a defined target for the manufacturing sector growth rate?

Answer:	Yes.	No.	I don't know.	No Response
%	15.22	<u>69.57</u>	13.04	2.17

Observation: This response indicates that the manufacturing sector in Kuwait is operating without efficiently defined targets. This reflects a deficiency in the planning mechanism with the management of industrial development.

Q2.13 Do you think there are plans, programmes and policies for industrial development in Kuwait?

Answer:	Yes.	No.	I don't know.	No Response
%	15.22	<u>80.43</u>	4.35	0.00

Observation: This high percentage of "No" responses endorses the non-existence of industrial plans, programmes and policies needed for industrial development. This makes it certain that a real problem exists with the planning machinery within the management of industrial development, since the absence of well developed industrial plans, programmes and policies results in an industrial sector developed on a haphazard basis.

Q2.25 Do you agree to set an objective for industrial contribution (excluding the oil sector) to GDP to be 15% in the year 2000 (5% in 1985) to give a real meaning to the objective of diversification of the national income?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>84.78</u>	13.04	2.17	0.00

Observation: A very high response approves the setting-up of a defined target for contribution by the industrial sector to GDP. The proposal to increase its contribution from 5% in 1985 to 15% in the year 2000 is also approved. This requires the furtherance of an advanced industrial sector, which in turn demands a highly efficient overall sector management.

#### 8.4.2.3 Government Control Over Industry.

Q2.30 Does government control of the industrial mixed sector result in more administrative bureaucracy?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>73.91</u>	21.74	4.35	0.00

Q2.31 Should the mixed sector be left to private sector management for more efficiency and effectiveness?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>76.09</u>	15.22	4.35	4.35

Observation: Response to the above two questions related to government control of industry indicates the desire to link the industrial sector (including the mixed industrial sector) with private sector management to avoid administrative bureaucracy and to increase efficiency and effectiveness.

### 8.4.3 Part III : Review and Evaluation of Existing Management Structures and Procedures.

#### 8.4.3.1 Assessment of the Role of the Department of Industrial Affairs.

Q3.1 Do you think the main department responsible for industry in Kuwait (Industrial Affairs) undertakes effectively any of the following tasks:

##### 3.1.1 Planning, Programming of Industry:

Answer:	Yes.	No.	I don't know.	No Response
%	2.17	<u>93.47</u>	4.34	0.00

##### 3.1.2 Feasibility Studies and Project Development:

Answer:	Yes.	No.	I don't know.	No Response
%	8.70	<u>84.78</u>	6.52	0.00

##### 3.1.3 Project Evaluation:

Answer:	Yes.	No.	I don't know.	No Response
%	15.22	<u>76.09</u>	6.52	2.17

### 3.1.4 Licensing:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>50.00</u>	47.83	2.17	0.00

### 3.1.5 Follow-up of Implementation:

Answer:	Yes.	No.	I don't know.	No Response
%	26.09	<u>65.22</u>	4.35	4.35

### 3.1.6 Standardization & Setting of Specifications:

Answer:	Yes.	No.	I don't know.	No Response
%	15.56	<u>73.91</u>	4.34	2.17

### 3.1.7 Technical Assistance:

Answer:	Yes.	No.	I don't know.	No Response
%	0.00	<u>95.65</u>	2.17	2.17

### 3.1.8 Technical Management Training:

Answer:	Yes.	No.	I don't know.	No Response
%	0.00	<u>93.48</u>	4.35	2.17

### 3.1.9 Export Promotion:

Answer:	Yes.	No.	I don't know.	No Response
%	6.52	<u>78.26</u>	10.87	4.35

### 3.1.10 Protection of Industry against dumping:

Answer:	Yes.	No.	I don't know.	No Response
%	26.09	<u>67.39</u>	4.35	2.17

Observation: Except for the task of licensing it is clear from the responses to the above ten selected tasks that the Department of Industrial Affairs – the main department responsible for industry in Kuwait – is not undertaking effectively the various tasks for management of industrial development and enhancement of industry in Kuwait.

Identification of the Government Role as related to Development of Industry.

Q3.3 The Government encouraged industry through the following:

3.3.1 The setting-up of infrastructure and industrial areas with services:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>95.65</u>	2.17	0.00	2.17

3.3.2 The setting-up of organization and advisory agencies for project development:

Answer:	Yes.	No.	I don't know.	No Response
%	17.39	<u>71.74</u>	8.7	2.17

3.3.3 Provision of Industrial Loans:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>95.65</u>	0.00	2.18	2.17

3.3.4 Exemption from Taxes and Custom Duties:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>95.65</u>	4.35	0.00	0.00

3.3.5 Protection of Local Industry by increasing customs duties on imports:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>93.48</u>	6.52	0.00	0.00

3.3.6 Preference to Local Products:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>67.39</u>	28.26	2.17	2.17

3.3.7 Participate with Private Sector in the establishment of joint Industrial Project:

Answer:	Yes.	No.	I don't know.	No Response
%	<u>71.74</u>	23.91	2.17	0.00

3.38 Active role in promoting and participating in Gulf and Arab Joint Industrial Projects:

Answer:	Yes.	No.	I don't know.	No Response
%	41.3	41.3	17.39	0.00

Observation : The responses indicate that the government encouraged industry in different ways and means. However, the response to the key statement relating to the establishment of an organization for project development is unfavourable. This confirms the need for further development of existing organization and structure.

8.4.3.3 Testing the need to develop the present Industrial Law.

Q3.4 The Industrial Law No. (6) of 1965 requires extensive changes to meet new circumstances of industrial development in Kuwait.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>82.61</u>	0.00	15.22	2.17

Observation : The above response confirms the need for extensive changes in the legal and institutional framework existing since 1966 in order to meet the requirements of the new industrial environment.

8.4.3.4 Evaluation of the effectiveness of the Industrial Development Committee

Q3.5 Has the Industrial Development Committee developed industrial strategies, polices and plans ?

Answer:	Yes.	No.	I don't know.	No Response
%	6.52	<u>73.91</u>	19.57	0.00

Q3.6 Adopted a comprehensive technique for project evaluation and licensing ?

Answer:	Yes.	No.	I don't know.	No Response
%	10.87	<u>69.57</u>	19.57	0.00

Q3.7 Are decisions of the Industrial Development Committee based on a scientific and objective criteria?

Answer:	Yes.	No.	I don't know.	No Response
%	13.04	<u>63.04</u>	19.57	0.00

Q3.8 Are the influenced by informal contacts?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>58.70</u>	17.39	21.74	2.17

Q3.9 Are they biased towards the interest of members of the Committee?

Answer:	Yes.	No.	I don't know.	No Response
%	26.08	21.73	<u>52.17</u>	0.00

Q3.10 Did the Industrial Development Committee issue guidelines to investors for project development?

Answer:	Yes.	No.	I don't know.	No Response
%	8.7	<u>60.87</u>	30.43	0.00

Q3.11 The role of the Industrial Development Committee is limited to licensing of industrial projects.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>63.04</u>	28.26	2.17	6.52

Q3.12 The Industrial Development Committee did not develop plans for the development and protection of national industry.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>47.83</u>	30.43	17.39	4.35

Observation : Responses to the above (8) key questions and statements (intended to evaluate the role and effectiveness of the Industrial Development Committee) lead to the conclusion that the Committee did not develop industrial strategies, polices or plans and did not adopt comprehensive techniques for project evaluation and licensing and that the Committee role during more than 20 years since its establishment by the Industrial Law in 1965 limited its function to the licensing of industrial projects. For example the responses indicate that the Committee did not issue any guidelines to investors for the development and promotion of industrial projects.

Evaluation of Organization and Procedures of the Department of Industrial Affairs

Q3.13 Due to prevailing circumstances the Department became a unit operating on a purely routine basis.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>84.78</u>	4.35	8.70	2.17

Q3.18 Project evaluation in the Department of Industrial Affairs is entrusted to employees with limited experience which results in a long delay in processing industrial applications.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>73.91</u>	2.17	17.39	6.52

Q3.19 The project evaluation may take as long as a full year which affects the original feasibility of the projects.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>78.26</u>	2.17	13.04	6.52

Q3.20 There are no standards for the evaluation of the land required by the industrial project.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>73.91</u>	17.39	8.70	0.00

Q3.21 Project licensing by the Ministry of Commerce and Industry and approval of industrial loans by the Industrial Bank of Kuwait take as long as two years which results in higher project costs and the loss of available opportunities.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>78.26</u>	10.87	8.70	2.17

Q3.22 The approval of plant design and drawings takes longer periods with various government departments due to lack of standard formats and diversity of information requested by each department.

Answer:	Yes.	No.	I don't know.	No Response
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%	<u>86.96</u>	4.35	8.7	0.00
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Q3.23 There is a lack of detailed statistics to help industrial investors in their project identification studies.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>95.65</u>	0.00	4.35	0.00

Q3.24 In evaluation projects the real economic cost of the project is neglected and emphasis is made only on commercial profitability.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>78.26</u>	4.35	8.7	8.7

Observation: Responses to the above statements (intended to evaluate the mechanism of project evaluation by the Department of Industrial Affairs and hence to reflect its effectiveness) reflect excessive delays associated with the process of evaluating industrial projects. It also reflects the lack of detailed statistics and information needed by industrial investors for their projects identification studies. Furthermore the lack of standard formats and procedures for project evaluation results in further delay and higher project cost and the potential loss of available opportunities.

#### 8.4.3.6 Evaluation of forms and methods used by the Department of Industrial Affairs

Q3.26 Are present forms used for submission of industrial application adequate?

Answer:	Yes.	No.	I don't know.	No Response
%	15.22	<u>56.52</u>	20.09	2.17

Q3.27 Is sufficient data provided to the industrial investor by the Industrial Affairs prior to the submission of industrial application?

Answer:	Yes.	No.	I don't know.	No Response
%	6.52	<u>73.91</u>	19.57	0.00

Q3.28 Are you aware of criteria used by the Ministry of Commerce and Industry for the evaluation of industrial projects?

Answer:	Yes.	No.	I don't know.	No Response
%	34.78	<u>50.00</u>	13.04	2.17

Q3.29 Do you think that the process of evaluation of industrial applications by the Department of Industrial Affairs is efficient?

Answer:	Yes.	No.	I don't know.	No Response
%	10.87	<u>65.22</u>	21.74	2.17

Observation : Responses to the above questions (intended to evaluate procedures and methods, forms and criteria used by the Department of Industrial Affairs in the processing of industrial applications and project evaluation) indicate that present forms used for submission of industrial applications are inadequate to a certain extent while the overall process of evaluation of industrial application is inefficient.

Industry for project evaluation is unknown to a high proportion of the sample.

8.4.4 Part IV : Testing the need for a new framework for the Management of Industrial Development.

8.4.4.1 Testing the need for a new Central Organization to be responsible for management of the industrial sector.

Q4.1 Do you think that there is a pressing need for the setting-up of a central organization with administrative and financial independence to supervise the industrialization activities in Kuwait?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>89.13</u>	6.52	2.17	2.17

Q4.2 Do you approve grouping of various departments responsible for the industrial sector in one organization?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>89.13</u>	8.7	2.17	0.00

Q4.3 Do you agree that those departments should be transformed into an Industrial Development Authority?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>86.96</u>	6.52	2.17	4.35

Q4.4 A new Industrial Law should be developed to create the new independent industrial development authority with more powers to plan, co-ordinate and implement industrial activities.

Answer:	Yes.	No.	I don't know.	No Response
%	<u>91.3</u>	6.52	2.17	0.00

Observation: Responses to the above statement and questions confirms beyond doubt the need to establish a new Central Organization – namely an Industrial Development Authority – with administrative and financial independence and with more powers to plan, co-ordinate and implement industrial activities in

Kuwait. The new organization would be established by grouping various departments responsible for the industrial sector in one organization. A new Industrial Law could be developed to create a new independent Industrial Authority.

8.4.4.2 Structure and composition of a new Industrial Development Authority

Q4.14 Do you agree that an Authority for Industrial Development in Kuwait should be.

			<u>Answer / %</u>
4.14.1	Government Authority ?	:	Yes:10.87 No: <u>89.13</u>
4.14.2	Mixed Authority ?	:	Yes: <u>84.78</u> No:15.22
4.14.3	Private Authority ?	:	Yes: 4.35 No: <u>95.65</u>

Q4.16 Should the Industrial Bank of Kuwait be linked to the new authority for industrial development?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>67.39</u>	26.09	4.35	2.17

Q4.17 Should the Industrial Bank of Kuwait be transformed to an Industrial Development Bank?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>71.74</u>	15.22	10.87	2.17

Q4.19 Should Shuaiba Area Authority be charged with planning and operation of all industrial areas in Kuwait?

Answer:	Yes.	No.	I don't know.	No Response
%		23.91	<u>58.7</u>	8.7

Q4.20 Should Shuaiba Area Authority be merged with the new Authority for Industrial Development?

Answer:	Yes.	No.	I don't know.	No Response
%	<u>71.74</u>	19.57	4.35	4.35

Observation : Responses to the above questions identify a preference for a new Industrial Development Authority as mixed Authority between Government (the public sector) and the private sector. They also approve that both the Industrial Bank of Kuwait – after being transformed to an Industrial Development Bank rather than a specialized commercial bank – and the Shuaiba Area Authority to linked or merged with the new Industrial Development Authority.

8.4.4.3 Identify organizational aspects of the new Industrial Development Authority

Q4.23 Final decision regarding industrial development should rest with.

4.23.1 The Minister of Commerce and Industry

Answer : Yes 8.7%

4.23.2 The Chairman of the new Industrial Development Authority

Answer : Yes 17.39%

4.23.3. The Board of Directors of the new Industrial Development Authority

Answer : Yes 73.91%

Q4.25 The new organization for industrial development should be:

4.25.1 Ministerial Department

Answer : Yes 4.34%

4.25.2 Public Corporation

Answer : Yes 86.96%

4.25.3 Public Company

Answer : Yes 2.17%

Q4.26 The new organization should be:

4.26.1 Linked to the Ministry of Commerce and Industry

Answer : Yes 2.17%

4.26.2 Independent and Chaired by the Minister of Commerce and Industry

Answer : Yes 32.61%

4.26.3 Independent and Chaired by a full time Chairman

Answer : Yes 60.87%

Q4.27 Member of the Board of Directors of the new Organization to be selected from:-

4.27.1 Government Officials only

Answer : Yes 0.00%

4.27.2 Government and Private Sector representatives

Answer : Yes 95.65%

4.27.3 Private Sector representative only

Answer : Yes 2.17%

Q4.28 Private Sector representatives to be appointed to the Board by:-

4.28.1 Council of Ministers

Answer : Yes 23.91%

4.28.2 Chamber of Commerce and Industry

Answer : Yes 10.86%

4.28.3 A Consultative group of Kuwaiti Industrialists

Answer : Yes 67.39%

Q4.29 Chairman of the Board to be

4.29.1 The Minister of Commerce and Industry

Answer : Yes 41.30%

4.29.2 Senior Government Official

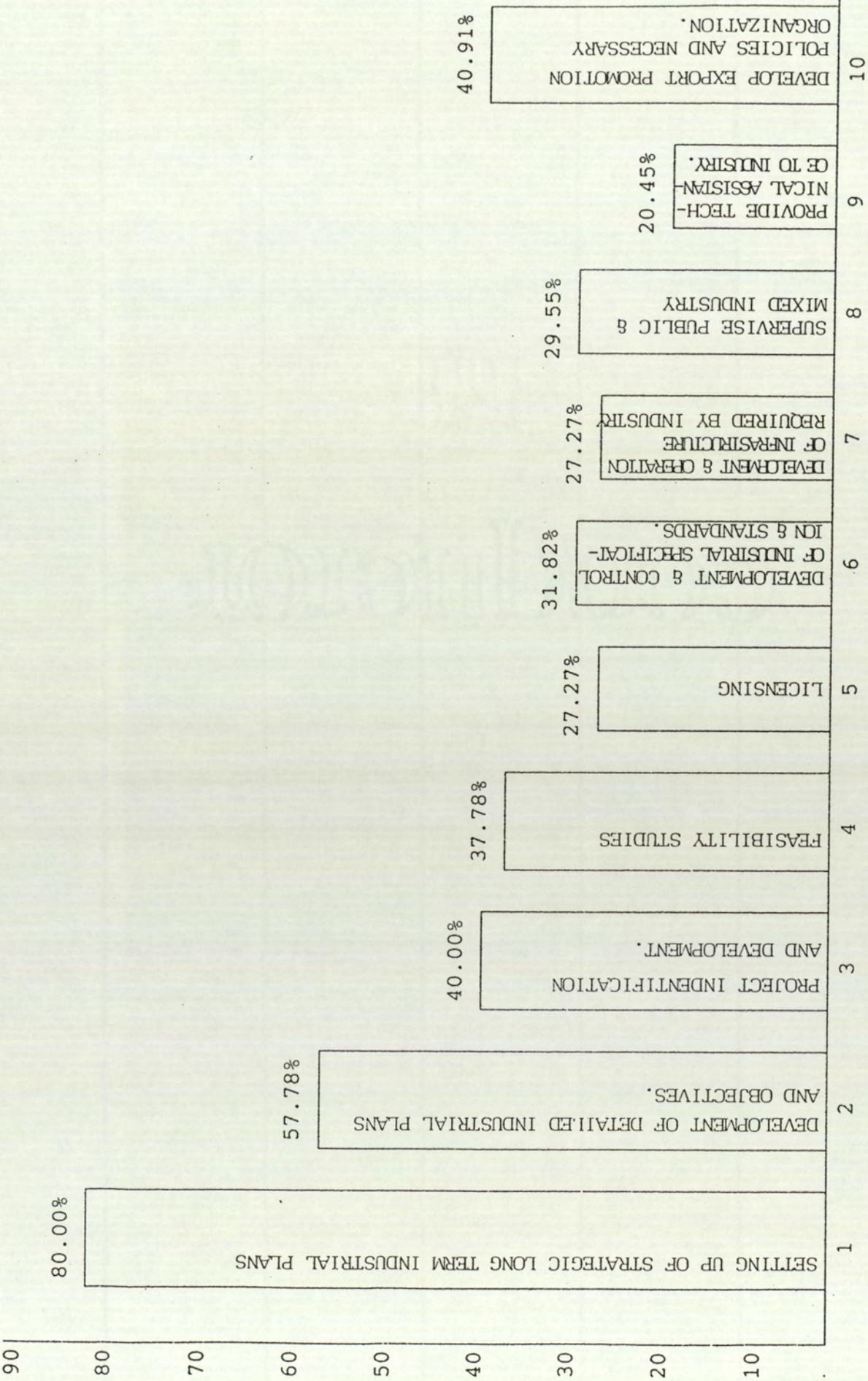
Answer : Yes 6.25%

4.29.3 Senior Industrialist from Private Sector

Answer : Yes 45.65 %

Observation : Responses to the above statements and questions – (intended to identify major organizational and structural aspects of the proposed new organisation for the management of industrial development) emphasise the independence of such an organization and that it should be of the public corporation type. They also confirm that the various decisions regarding industrial development should rest with the Board of Directors of the new Industrial Development Authority and not with the Minister of Commerce and Industry as in the present institutional framework. Certain preference is given to a full-time Chairman to be appointed for the new Authority and such Chairman should be a senior industrialist from the private sector. However, there is also a favourable trend for the Minister of Commerce and Industry to be appointed as Chairman of the Board.

Furthermore the responses endorse a more important role for the private sector in structuring the new organization and hence in the decision – making process in industrial development planning and policy – making.



ORDER OF (FIG NO. 6) PROPOSED TASKS OF THE NEW 1 DA IN ORDER OF PRIORITY TO INDUSTRY PRIORITY.

8.4.4.4 Identification of the various tasks to be undertaken by a new Industrial Development Authority.

Q4.31 List the following proposed tasks of the new Industrial Development Authority in order of priority to the industrial sector:-

- 4.31.1 Setting-up of strategic long term industrial plans
- 4.31.2 Development of detailed industrial plans and objectives.
- 4.31.3 Project identification and development
- 4.31.4 Feasibility Studies
- 4.31.5 Licensing
- 4.31.6 Development and control of industrial specifications and standards
- 4.31.7 Development and operation of infrastructure required by industry
- 4.31.8 Supervise public and mixed industries
- 4.31.9 Provide technical assistance to industry
- 4.31.10 Develop export promotion policies and necessary organization.

Answer: The following chart (figure 6) indicate a listing in order of priority to industry as conceived by participants in the field survey.

Q4.32 Should the new Industrial Development Authority Undertake any of the following tasks.

4.32.1 Setting-up strategic long term industrial plans

Answer	Yes.	No.	I don't know.	No Response
%	<u>91.30</u>	6.52	0.00	2.17

4.32.2 Development of detailed plans and objectives

Answer	Yes.	No.	I don't know.	No Response
%	<u>91.30</u>	4.35	2.17	2.17

4.32.3 Project identification and development

Answer	Yes.	No.	I don't know.	No Response
%	<u>91.30</u>	4.35	0.00	4.35

4.32.4 Feasibility Studies

Answer	Yes.	No.	I don't know.	No Response
%	<u>91.30</u>	6.52	0.00	2.17

4.32.5 Licensing

Answer	Yes.	No.	I don't know.	No Response
%	<u>84.78</u>	6.52	6.52	2.17

4.32.6 Selection of Technology required for industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>50.00</u>	36.96	6.52	2.17

4.32.7 Following of implementation of industrial projects

Answer	Yes.	No.	I don't know.	No Response
%	<u>78.26</u>	17.39	2.17	2.17

4.32.8 Development and control of industrial specifications and standards

Answer	Yes.	No.	I don't know.	No Response
%	<u>93.48</u>	2.17	2.17	2.17

4.32.9 Development and operation of infrastructure required by industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>93.30</u>	2.17	2.17	4.35

4.32.10 Grant Financial support to industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>56.52</u>	34.76	6.52	2.17

4.32.11 Conduct studies to support and protect industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>97.83</u>	0.00	0.00	2.17

4.32.12 Supervise public and mixed industries

Answer	Yes.	No.	I don't know.	No Response
%	<u>65.22</u>	30.43	2.17	2.17

4.32.13 Co-ordinate plans for Regional and Arab industrial investments

Answer	Yes.	No.	I don't know.	No Response
%	<u>84.78</u>	6.52	6.52	2.17

4.32.14 Provide technical assistance to industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>93.48</u>	2.17	0.00	2.17

4.32.15 Facilitate laboratory testing of products

Answer	Yes.	No.	I don't know.	No Response
%	<u>82.61</u>	8.70	4.35	4.35

4.32.16 Provide technical management training for industry

Answer	Yes.	No.	I don't know.	No Response
%	<u>78.26</u>	17.39	2.17	2.17

4.32.17 Develop export promotion policies and necessary organization.

Answer	Yes.	No.	I don't know.	No Response
%	<u>91.30</u>	0.00	4.35	4.35

4.32.18 Organize industrial exhibitions

Answer	Yes.	No.	I don't know.	No Response
%	<u>82.61</u>	8.70	6.52	2.17

#### 4.32.19 Administration of patents and trade marks

Answer	Yes.	No.	I don't know.	No Response
%	<u>71.74</u>	19.57	6.52	2.17

#### 4.32.20 Co-ordinate industrial investment abroad.

Answer	Yes.	No.	I don't know.	No Response
%	<u>63.04</u>	23.91	6.52	6.53

#### 4.32.21 Devise and keep register of technology/

Answer	Yes.	No.	I don't know.	No Response
%	80.43	8.70	6.52	4.35

Total:	Yes.	No.
	81.47	11.80

Observation: Responses to the above statements and questions except major tasks to the undertaken by the proposed new Industrial Development Authority. These tasks range from strategic planning for industry to organising industrial exhibitions and so forth. The listing of certain selected tasks identifies the task of strategic planning for industry. The development of detailed industrial plans and objectives,, together with projects identification and developments are of the highest priority to industrial development.

#### 8.4.5 Major Problems facing Industrialists with the eixsting Management of Industrial Development

Responses of industrialists to the question: "What are the most serious problems you have encountered with departments responsible for industry in Kuwait?" may be grouped in three categories:

- A. Problems related to industrial strategy and polciy issues.
- B. Problems related to management, organization and procedures, and.
- C. Other problems.

#### 8.4.5.1 Problems related to Industrial Strategy and Policy issues.

1. The absence of a defined industrial for Kuwait.
2. There is no clear vision of industry by the state.
3. There is no understanding of the current policy for protection and support of industry.
4. There is no attention paid to practical support of local industry.
5. There is no attention paid to studies submitted by industry to protect local industry.
6. There are no studies for the range of needs of the local market versus local production.
7. The difficulty in obtaining sufficient protection to industry.
8. There is no understanding of the needs of industry.

#### 8.4.5.2 Problems related to Management, Organization, and Procedures.

1. The non-existence of adequate management capabilities for study and decision making.
2. Reluctance and slowness in decision making.
3. Routine, enormous number of approvals and signatories, complications and adhoc decisions.
4. Decisions are mostly subjective, not based on real understanding and objectivity and are in contradiction with each other.
5. Delay in the approval of feasibility studies which results in the project becoming moribund.
6. The lengthy time taken to issue industrial licenses and to re-new them.
7. There are no specialists to evaluate feasibility studies and hence no appreciation of the special requirements of each type of industry.

8. Time which elapses between granting the industrial licence and start-up of production due to delays in land allocation and approval of designs by various authorities results in increase of costs.
9. The Non-responsive characteristics of the Ministry of commerce and Industry to any request made by an industry. Letters may take more than one year with no reply from the ministry.
10. The Department of Industrial Affairs at the Ministry of Commerce and Industry is the main problem – when granting protection, renewing of exemption etc.....
11. Non-availability of specialized experience to give relevant advice and guidance for industry.
12. Duplication between various departments with no co-ordination between them and prevailing favouritism in dealing with industry.
13. Too many responsible authorities.
14. There is no understanding of real industrial circumstances by those in responsible positions.
15. Negligence in decision making results in adverse consequences to industrial projects.
16. There is no co-ordination between the various ministries responsible for the industrial sector.
17. Non-availability of sufficient information and data to enable practical measures to be undertaken to help industry at large.

#### 8.4.5.3

##### Other Problems

1. Non-availability of skilled manpower locally and the difficulties in bringing it from abroad.
2. Difficulties in the renewal of industrial labour residences with the various ministries.

3. Difficulty in obtaining or renewing raw materials exemption from customs duties.
4. Difficulty in convincing those responsible for needs of industrial expansion.
5. Slow response to the needs of industrial expansion while approving the setting-up of new industries.
6. Difficulty in obtaining a decision for the allocation of sufficient land.
7. There is no co-ordination in standards and specifications of products.
8. Problems with the Industrial Bank and other Commercial Banks in re-scheduling industrial loans.

The above reveals that the majority of problems facing the industrialists in Kuwait are associated with the management of industrial development and related organisation and procedures. Therefore, existing management of industrial development in Kuwait requires extensive restructuring and the development of efficient organization and procedures to meet the real needs of industry.

## 8.5 General Recommendations to Strengthen Industrial Development in Kuwait

The following recommendations are among reactions to the question "What are your recommendations to strengthen Industrial Development in Kuwait?" addressed to the sample in the field research study (Chapter – 8) of both the Administrative Group and the Industrialist Group:

### A. Administrative Group:

- Set a comprehensive strategy identifying objectives of industry and identify suitable industries for Kuwait.
- Make decisions as to whether or not to create an industry. If yes, how to develop it by all possible means.
- Establish a responsible authority in charged of industry in Kuwait,

accompanied by a clear plan of strategy and priorities of industrial projects. Develop industrial manpower to manage these industries.

- Develop personnel with high qualifications to over see industry and be responsible for industrial affairs.
- Adopt rapid procedures to form suitable legal frame works to give financial, administrative and technical independence to the authority responsible for industry.
- Facilitate easier administrative procedures for investors.
- Strengthen the authority responsible for industry with relevant administrative, financial and technical manpower.
- Clarify state manufacturing policy.
- Conduct studies to clarify capacity/role of national industry.
- Develop suitable administrative staff, creating suitable regulations, in addition to specifying policies and targets.
- Establish an independent authority to completely supervise the industrial sector.
- Provide information and data to help industrial investors in addition to offering consultation and assistance to industrial projects in the field of modern technology and administration.
- Set a long term and clear strategy for industry.
- Form an independent Industrial Development Authority to operate within a clear strategy aimed at giving licences to feasible industries and to offer services of control and co-ordination.
- Form an Industrial Authority to conduct studies related to market requirements, participate in evaluating the needs of light industries for import substitution and being manufacturing products for export markets.

B. Industrialists' Group:

- Spread industrial consciousness among Kuwaitis that industry is one of the major pillars of any strong economic system.
- Facilitate procedures for goods imported by industrial companies.
- Evaluate existing laws and decisions and develop them.
- Specify industrial policy and strategy.
- Give financial support by means of "soft" loans.
- Facilitate procedures and removal of obstacles.
- Provide assistance to industry in selecting technology and procurement of raw materials.
- Provide local and expatriate workforce.
- Ascertain an established strategy for industry.
- Establish a geographical distribution of industry in line with availability of natural resources and infrastructure.
- Review financial support to industry.
- There must be a specified plan by the government, whether it wants industry in Kuwait or not. If yes, it should specify size and type of the industry in order that investors may work on a clear basis.
- Set plans and means to establish integrated industry in the country.
- In order to minimise the inherent risks of investment government should play a greater role in following and controlling projects so that no project is established without conducting a feasibility study.
- Government support for national industry should be broadened.
- Get rid of complicated routines in the Department of Industrial Affairs in addition to placing the right person in the right position.

The following are the main conclusions to be drawn from the field study.

1. The field survey confirmed the need for an integrated and competitive industrial sector in Kuwait and that industrial development is essential for the Kuwaiti economy.
2. Industry should be developed according to a clear industrialization strategy. Such strategy should identify industrial objectives and priorities. such an industrial strategy does not exist in Kuwait. However, there is an un-official strategy for industry based on the setting-up of oil and gas related industries as well as feasible import substitution industries.

The manufacturing sector in Kuwait is operating without clearly defined targets. Furthermore there are no adopted industrial plans, programmes and policies to enhance industrial development. This results in industrial sector development on a haphazard basis.

3. There is a desire to link actual operation of the industrial sector (including the mixed sector) with private sector management to avoid administrative bureaucracy and to increase efficiency and effectively and effectiveness.
4. Except for the task of industrial licensing the Department of Industrial Affairs (the main department responsible for industry in Kuwait) has not undertaken effectively various tasks related to the management of industrial development and enhancement of industry, feasibility studies and project development, project evaluation, follow-up of implementation, standardization and setting of specifications, technical assistance to industry technical industrial management training, export promotion and protection of industry management training, export promotion and protection of industry against dumping.
5. The Government of Kuwait has encouraged industry through various means and ways such as the setting-up of an infrastructure and industrial areas with services, provision of industrial loans, exemption from taxes and custom duties on imports, giving preference to local products an participation with the private sector in the establishment of joint industrial projects. However, it failed to set-up the required

organization and advisory agencies for industrial development.

6. There is a need for extensive changes in the legal and institutional framework existing since 1965 in order to meet the requirement of the new industrial environment prevailing in Kuwait.
7. The industrial Development Committee did not develop industrial strategies, policies or plans and did not adopt a comprehensive technique for project evaluation and licensing. During more than 25 years since its establishment by the Industrial Law of 1965 the Committee limited its main function to the task of licensing industrial projects. The Committee did not, for example, issue any guidelines to investors for the development and promotion of industrial projects.
8. The process of evaluating industrial projects by the Department of Industrial Affairs is associated with lengthy delays. There is a lack of standard format and procedure for project costs and the potential loss of available opportunities. There is also a lack of detailed statistics and information needed by industrial investors for project identification.
9. Major problems facing industrialists in Kuwait are mainly associated with the absence of strategy, plans, policies, delays, subjectivity, and contradiction in decision – making by government departments. There is a dearth of specialists with sufficient experience to provide required advice and guidance to industry. Duplication and non-co-ordination between the various departments causes even further delay.
10. There is a real need to establish a new central organization – namely an Industrial Development Authority – with administrative and financial independence and with more powers to plan, co-ordinate and implement industrial activities in Kuwait. The new organization could be established by grouping various departments responsible for the industrial sector in one organization. A new Industrial Law could be developed to create the new independent Industrial Development Authority.
11. The new Industrial Development Authority would be a mixed authority between government (the public sector) and the private sector. Both the Industrial Bank (after being transformed to an Industrial Development Bank rather than a specialised Commercial Bank) – and the Shuaiba Area Authority would be linked or merged with the new

12. The new Industrial Development Authority would be independent from the Ministry of Commerce and Industry and would be of the public corporation type. Various decisions regarding industrial development would rest with the Board of Directors of the new Industrial Development Authority and not with the Minister of Commerce and Industry as in the present institutional framework. A senior Industrialist from the private sector would be appointed as full-time Chairman of the new Authority or alternatively the Minister of Commerce and Industry himself would be the chairman. The private sector would be given a more important role in structuring the new organization and hence in the decision – making process in industrial development planning and policy – making.
  
13. Major tasks would be undertaken by a new Industrial Development authority. A task list of twenty one elements ranging from strategic planning for industry to organizing industrial exhibitions are all endorsed by participants in the field study which would be undertaken by a new Industrial Development Authority.

The listing identifies the task of strategic planning for industry, proposed for the new Authority in order of priority to industry, the development of detailed industrial plans and objectives, together with project identification and developments as of highest priority to industrial development in Kuwait.

## CHAPTER NINE

## CONCLUSIONS

9.1 Introduction.

The objectives of this Chapter is to identify the final conclusions of the research study. It begins with emphasizing the role played by the management of industrial development in developing countries. It refers to this role as mainly promotional including a variety of tasks, services, and activities ranging from overall industrial planning to industrial promotion services.

The Chapter then confirms the importance of industry for the Kuwaiti economy and the need for the development of an integrated and competitive industrial sector. Then the need for a well formulated industrial strategy is identified outlining major objectives and components of such a strategy. The conclusions also include main features of the result from the detailed assessment of industrial development in Kuwait. It refers to the large number of Ministries and government organisations associated with such management, and gives examples of duplication in their decision making. The main two organisations namely the Department of Industrial Affairs and the Industrial Development Committee.

The Chapter then includes conclusions related to the real need for a new management set-up to respond to a newly developed strategy through the setting-up of a new central organisation by grouping the various organisations responsible for industry in Kuwait. The Chapter then refers to the research's conclusion that a more active role should be entrusted to the private sector in participating in the industrial planning, organisation, and policy-making process.

Finally the Chapter concludes that – in Kuwait – overall legislation framework exists and human and other resources available. Hence the need is to develop existing legislation to meet the changing needs of the new industrial environment by introducing necessary structural and organisational improvements and developing and effectively utilizing available and future resources.

9.2 The Management of Industrial Development in developing countries.

The concept of development administration refers to the administrative responsibility of the governments of developing countries as they seek to promote agricultural, industrial, educational and social progress. The Management of Industrial Development is a specialised division of development administration. It applies to concept of development administration with respect to the development of the industrial sector in any developing country. Hence development administration is the

overall management of economic development in developing countries while their management of industrial development is the distinct planning and organisation associated with the activities of industrial development in these countries.

The management of industrial development in developing countries? mainly a promotional role. It involves a variety of tasks, services, and activities. These include overall industrial planning, licensing, industrial incentives, promotion, and many other activities exercised by overall management of industrial sector. Meanwhile, various management of production units exist at the micro level. These are concerned with direct production management, production techniques, increasing efficiency and effective in individual plants and targeting for higher productivity and increased profits.

### 9.3 Industry in Kuwait

It is confirmed by the research study that there is a continuous need for the development of an integrated and competitive industrial sector in Kuwait and that industrial development is essential for the Kuwait and that industrial development is essential for the Kuwait economy. Industry should be developed according to a clear industrialisation strategy. Such a strategy should identify industrial objectives and priorities and develop related policies and programmes. So far the Government of Kuwait encourage industry through various means and ways such as the setting-up of infrastructure and industrial areas with services, the provision of industrial areas with services, the provision of industrial loans, exemption from taxes and customs duties on imported equipments and raw materials, protection of local industry by increasing customs duties on imports, giving preference local products and participating with the private sector in the establishment of joint industrial projects.

### 9.4 Assessment of the Existing Arrangements for the Management of Industrial Development in Kuwait.

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Existing arrangements for the management of industrial development in Kuwait involves a large number of ministries and government organisations with different functional and administrative roles and policies. Industrial entrepreneurs and companies have contact at least fourteen authorities for certain approvals and decision during the various stages of industrial project identification, implementation and operation. There is evidence of duplication in decision making between the various government departments. Examples include the final allocation of industrial plots and issuances regulations and standards in industrial areas.

The main two organisations in charge of industry in Kuwait are the Industrial Development Committee and the Department of Industrial Affairs. The first-established by Industrial Law No 6 of 1965 – undertakes all decisions related to industry. These include project licensing, allocation of industrial plots and the adoption of protection measures and incentives. The second – established in 1966 and re-organised in 1973 – is responsible for organisation and supervision of the industrial sector through the departments' day-to-day activities or by means of reports and recommendations submitted to the Industrial Development Committee.

The industrial Development Committee did not develop industrial strategies, policies or plans and did not adopt comprehensive techniques for project evaluation and licensing. The Committee role during more than 25 years from its establishment is limited to the task of project licensing. The committee did not issue, for example, any guidelines to investor for the development and promotion of industrial projects.

The department of Industrial Affairs has no defined objectives plans or policies with respect to industry in Kuwait and work is executed on a project by project basis. Industrial policies are formulated as a result of pressure from groups in the industrial sector and not initiated by specialists in the Department. Examples are the policies were not formulated adequately and decisions were rushed, resulting in acute market repercussions.

Procedures within the department move very slowly and new industrial applications require one year, sometimes two years, for approval. There are no defined criteria for project evaluation and recommendations are based on individual experience and knowledge. The investor is burdened with the submittal of an enormous amount of information and documents with his industrial application without any assistance from the Department.

It is clear that the stipulated roles, organisation and functions of the Department are fairly adequate for the needs of industry. However, the problem is in implementing them under existing conventional management an organisation of a government department.

Except for the task of industrial licensing, the Department of Industrial Affairs has not undertaken effectively the various tasks required for the development and enhancement of industry in the country, such as planning and programming of industry, feasibility studies and project development, project evaluation, follow-up of implementation, standardization and setting of specifications, technical assistance to the industry, technical industrial management training, export promotion and protection of industry against dumping.

However, the formulation of planning and legislative framework for industrial development in Kuwait was ahead of the implementation of such framework. This is attributable to inadequate organisation and management.

#### 9.5 The need for a New Framework for the Management of Industrial Development.

The research study concludes that there is a real need to establish a new central organisation – namely an Industrial Development Authority – with administrative and financial independence and with more powers to plan, co-ordinate and implement industrial activities in Kuwait. The new organisation would be established by grouping the various organisations responsible for the industrial sector in one organisation. These organizations include the existing Department of Industrial Affairs, the Shuaiba Area authority and the Industrial Bank of Kuwait. A new Industrial Law should be developed to replace existing Industrial Law No 6 of 1965 and to create the new independent Industrial Development authority.

The new Industrial Development authority would be independent from the Ministry of Commerce and Industry. It would be of the public corporation type with a mixed Board of Directors representing both public and private sectors. Major tasks are expected to be undertaken by the new Industrial Development Authority include the tasks of strategic planning for industry, development of detailed industrial plans and objectives and project identification and development which are considered of highest priority.

#### 9.6 The need for Industrial Strategy

The results of the field investigation, literature survey and assessment of achievements of the industrial sector in Kuwait quite clearly point to the lack of any impressive development in this sector.

Although during 1974 to 1984 the contribution of the manufacturing sector to GDP has shown a compounded growth rate of 11.0 per cent, this was due to the virtually non-existent manufacturing sector in Kuwait. Meanwhile the largest contributor to GDP in 1984 was still the sector of mining and quarrying (oil) with 45.3 per cent while the manufacturing sector took 4th place contributing 7.5 per cent to GDP at current prices in 1984.

Apart from the Oil Director, which has shown a certain amount of vertical integration within itself, no other sub-sector of industry could achieve more than minor horizontal or vertical integration.

Scattered industries, fulfilling only short term goals, were established with limited achievements when related to long term goals and clarify of direction.

Limitations of existing development plans become more evident when it is seen that lucrative government incentive like land, subsidised utilities, customs exemptions and protection etc. Could not generate a sufficient industrial base.

Private Sectors role was limited to the demand of the limited local market by producing mainly construction materials, foods, beverages, chemicals, furniture and other miscellaneous products. Average private sector investment for an industrial project was around KD 1.0 million only.

These inadequacies created a lack of direction for industry in general.

Briefly, industrial development of Kuwait has so far shown –

- Limited growth
- Limited contribution to the national income
- Limited private sector participation

and – No clear direction

The above emphasises the lack of long term planning in Kuwait.

Various constraints have limited the growth of industry and these must be overcome if the country is to attain an acceptable growth pattern. These include scarcity of raw materials other than oil and gas, small size of the local market, the lack of industrial skills and capabilities, and the lack of efficient overall planning and management of industry in Kuwait. Inadequate government response has been unable to address these constraints and presently prevents rectification measures.

The contribution of the manufacturing sector to the national economy remains quite low and needs to be substantially improved if the national economic objective of diversifying economic sources is to be attained.

This fact alone makes it imperative to re–think industrial development strategy with a clear identification of goals and targets and an effective action plan.

Whereas short term plans could be derived for targets upto 5 years, a plan for a time frame of at least 15 years (upto the 2005) could be prepared for medium/long term steering of the industrial sector in a pre-defined direction.

Clearly, past experience would be beneficial for developing such a strategy.

The major objectives of such a strategy would be:

- To establish the desirable level of an industrial base.
  - To establish the desirable contribution of an industrial base in all aspects of the affairs of the country.
  - To define priorities and extent of industrial sub-sector.
  - To define goals and targets of such sub-sectors.
  - To establish anticipatory rectification procedures and alternatives.
  - To establish clear policies in line with the objectives of each sub-sector.
  - To define the extent of government support for creation of such an industrial base.
  - To define organisation, funding and policy requirements.
- and - To identify implementation procedures.

Such a comprehensive strategy must re-evaluate the adequacy and sufficiency of existing networks and plans and provide modification criteria procedures where needed.

The outcome of such a strategy should be translated into policies procedures and, organizations and management which must then implement the strategy and plans in accordance with pre-defined objectives and targets.

## 9.7 Government Control Over Industry and the Role of the Private Sector.

A new industrial administration unit should form part of Kuwait government organisation since the major source of expenditure is the government's fiscal budget. It is also necessary to link government project requirements with industrial production.

However, it was evident from the research study that there is a need to establish a balance between the role of government represented by the Council of Ministers and the Minister of Commerce and Industry and the role of private sector. Participants in the field survey called to participate in the industrial policy, planning and decision making process. Accordingly there is a need to establish a strong public authority to supervise industrial development with the backing of the experience and expertise of the private industrial sector. This can be accomplished through participation of the representatives should have extensive experience and knowledge of the manufacturing industrial sector. Furthermore the organisational structure of the authority could be reinforced by technical and managerial staff who worked and practised in the private industrial sector and are familiar with the sector's production, technical and administrative problems. The above two measures can be taken in addition to the setting-up of specialised task forces jointly from authority employees and those of the private industrial sector to assess industrial problems and prospects and develop plans and policies, especially in the field of licensing, export promotion, industrial incentives, project identification, etc..

A developing nation like Kuwait needs both the experience of the public and private sectors to develop a synthesis between them with the objective of developing a progressive and integrated manufacturing sector able to participate in the diversification of the national income and the provision of work chances for national manpower and the reinforcement of command over modern technology and its further development.

## 9.8 Final Conclusion

This thesis finally concludes that in order to enhance the process of industrial development countries – such as Kuwait – special emphasis should be placed on the structure and performance of the management of industrial development in these countries. Without a well balanced and structured legislation, organization and management utilizing both the authority of the public sector and the knowledge and expertise of the private sector, the progress of industrial development will be limited.

In Kuwait the research study concludes that an overall legislative framework exists and human and other resources are available. Hence the issue is not to add new resources, but to develop existing legislation in order to meet changing needs of the new industrial environment by introducing necessary structural and organisation improvements and developing and effectively utilizing available and future resources.

## CHAPTER TEN

### RECOMMENDATIONS

CHAPTER – 10 : RECOMMENDATIONS

10.1 Introduction.

The objective of this chapter is to present final recommendations of the research study. The chapter presents the main recommendation the establishment of a new independent Industrial Authority and identifies its objectives and major tasks and responsibilities as well as its detailed tasks and functions. The recommended organisation structure of the new authority is outlined, including composition and role of the board of directors, internal policies and procedures including policies for protection and support for industry and policies for industrial licensing. In Appendix (5) a detailed organization structure of the authority. The chapter also includes recommendations for the development of management efficiency and effectiveness, the development of procedures and methods and the development of management efficiency and effectiveness, the development of procedures and methods and the development of human resources and productivity, all as related to the management of industrial development in Kuwait.

10.2 Recommended New Industrial Development Authority.

The main recommendation of the research study is to establish a new independent Industrial Development Authority by issuing a new Industrial Law to replace the existing Industrial Law No. 6 of 1965.

Such objectives of the new Industrial Development Authority are: the development of industrial activities in Kuwait within the context of the national economy by supporting local industries and providing necessary protection for them, in addition to expanding the productivity base and the diversification of sources of the national economy.

The following are proposed major tasks of the New Industrial Development Authority:-

1. Set industrial plans within a general strategy to include a clear definition of industrial strategies and recruit a national technical workforce.

2. Administrate and operate existing industrial areas and establish new industrial areas as required by industrial development.
3. Monitor application of Kuwait specifications and standards defined by laws and resolutions to all products, imported or manufactured locally.
4. Support and develop production of strategies goods.
5. Set necessary policies for establishment of small industries and crafts.
6. Deepen industrial consciousness of citizens.
7. Co-ordinate between present and future industries in the Gulf Co-operation Council in particular and Arab Countries in general for further integration and avoidance of unnecessary competition.
8. Establish share holding industrial companies.

It is recommended that the Authority would have the right to exercise the following functions in order to achieve its objectives:-

1. Set regulations and procedures for issuing or cancelling of industrial licences.
2. Conduct studies related to industrial establishments.
3. Provide a work force necessary for industrial projects with a condition that Kuwaitis must not be less than 25% at every establishment as stipulated in the Industrial Law No. 6 of 1965.
4. Cancel any industrial licence and withdraw related privileges from any establishment which violates industrial laws, regulations or specifications.

### 10.3 Recommendations Tasks of a New Industrial Development Authority.

It is recommended that a new Industrial Authority should be entrusted with the following functions:-

1. Set up long term industrial plans with due consideration of overall economic policy and long term planning of the development of Kuwait.

2. Establish long term development targets for strategic and economic developments in the industrial sector.
3. Development detailed industrialization plans and objectives.
4. Identify and develop industrial projects for implementation by the private and joint sectors.
5. Prepare feasibility studies and techno-economic studies for potential industrial projects.
6. License and approve and industrial projects.
7. Develop financial polices and investment policies and investment policies for industrial projects.
8. Follow-up implementation of industrial projects.
9. Develop and control manufacture products specifications and standards.
10. Develop and control environmental protection standards.
11. Develop and control operator safety standards.
12. Develop industrial laws and regulations.
13. Monitor and control industrial laws, regulations and standards.
14. Develop and operate infrastructure, industrial areas and industrial estates required by industry.
15. Conduct studies and the necessary action to support and protect industry.
16. Develop customs exemption, customs increase, import restriction and industrial subsidies policies.
17. Co-ordinate plans for regional and Arab industrial investment.
18. Develop export promotion policies and set up necessary organization.

19. Provide technical advisory service an back-up to industry.
20. Provide laboratory testing of products.
21. Organize technical/management training for industry.
22. Organize industrial exhibitions.
23. Keep register and administer industrial patents and trade marks.
24. Co-ordinate Kuwait industrial investment abroad.
25. Devise and keep a register of industrial technology.
26. Supervise the activities of public and semi-public industrial enterprises.

One of the main tasks of a new Industrial Development Authority would be to investigate the conditions of existing industries problems and growth prospects.

#### 10.4 Recommended Structure of a New Industrial Authority.

##### 10.4.1 Board of Directors

It is recommended that a New Industrial Development Authority be run by a board o directors chaired by the Minister of Commerce and Industry, with the following membership:-

1. Four nominated full-time members one as deputy chairman and managing director and three deputy managing directors.
2. Four members representing the Ministries of Finance, Planning, Electricity and Water, Commerce and Industry. Each must not be lower than the rank of Assistant Under-Secretary at his Ministry.
3. Chairman of the Industrial Bank of Kuwait.
4. Three members from the private sector who are highly experienced in industrial affairs.

Appointment to the board of directors would be by the cabinet for a renewable three year term.

The Minister of Commerce and Industry would have the right to establish necessary procedures for the board's meetings and decisions.

The above formation of the board of directors would achieve the followings:-

1. Full-time member of the board would participate in policy making which they would implement in their respective departments.
2. Provide for a balanced representation of related government ministries in the board of directors for better con-ordination of policies.
3. Make more dynamic decision making process in the presence of private sector representatives.
4. The presence of the private sector on the board would enable the problems of industry to be brought directly to the attention of the entire board of directors.

The board of directors would undertake the following:-

1. Set general policies of the authority and apply them.
2. Form plans and development programmes and execute them.
3. Suggest laws and decrees related to industry.
4. Form regulations for distribution of industrial plots.
5. Set criteria for granting licenses to industrial establishments.
6. Devise level of support and protection for certain industries.
7. Suggest criteria for Kuwaiti specifications and standards.
8. Form regulations for operation of the Authority.
9. Establish the Authority's budget.

10. Set the organization structure of the Authority.

The deputy chairman and managing director of the Authority would be appointed by a decree upon recommendation of the Minister of Commerce and Industry. The deputy chairman would run the Authority and supervises it's technical and administrative activities. Appendix (5) outlines the recommended structure for the new Industrial Development Authority.

#### 10.4.2 Recommended Internal Policies and Procedures.

##### 10.4.2.1 The industrial policies and procedures sheet:

The Authority would have an internal policies and procedures sheet to consist of the following:-

1. Authorities of the chairman and the deputy chairman.
2. Financial, administrative and accounting regulations.
3. Regulations of staff, remuneration and salaries.
4. Regulations of the Authority's tenders.

The authority will have an independent budget prepared by the deputy chairman and ratified by the board of directors.

The sources of the Authority's revenues will be:-

1. Fees of services offered to others.
2. Fees of licences of industrial projects.
3. Revenues of industrial projects established by the authority.
4. Funds given to the authority by the state.
5. Any other revenue as approved by the Authority's board of directors.

##### 10.4.2.2 Policies for Protection and Support of Industry:

The board of directors of the Authority would form a committee to be called

"The Industrial Protection Committee". It would be linked with a specialised department to provide it with necessary information and back-up, to be titled the Incentives and Protection Department.

The Industrial Protection Committee would establish a basis and regulations for the support of industry and would take the following aspects into consideration:-

- a) Criteria of management efficiency and adequacy of individual plants seeking support.
- b) Conduct detailed studies on a case basis for establishment of support level.
- c) Suggest methods of application of the following means for industrial protection and support:-
  1. Administrative stoppage of imports.
  2. The use of a shares systems to establish market shares of local products versus imported goods.
  3. Increase of customs duties on imported similar products.
  4. Provision of direct financial subsidies.
  5. Direct government purchases to local products.
  6. Offer support in export markets.
  7. Exempt raw materials and production facilities from customs duties.

#### 10.4.2.3

##### Policies for Industrial Licensing:

It is recommended that it not be permitted to establish a new industrial installation or to extend existing facilities without first obtaining a licence from the Authority.

Approval or cancellation of licences would be by decision of the board of directors of the Authority within 60 days from the date of completing applications. These considerations would be taken into account when

issuing licences:-

1. Requirements and necessities of the country.
2. Requirements of the country's Social and Economic Plan.
3. Purpose of the establishment must be consistent with the economics regulations of the country.

Conditions for issue of an industrial licence would be as on follows:-

1. Membership of the Kuwait Chamber of Commerce & Industry.
2. Products to be according to Kuwaiti standards
3. Production to observe security and public health measures.
4. Co-ordination with the Kuwait Petroleum Corporation for licensing oil-based industries.

## APPENDIX 1

### THE KUWAIT ECONOMY

**Table I**

Year	Crude Oil Production (Million Barrels)	Revenues (Million U.S Dollars)
1946	5.9	0.76
1947	16.2	2.07
1948	46.5	5.95
1949	89.9	11.52
1050	125.7	16.09
1951	204.9	18.00
1952	273.4	57.00
1953	314.6	169.00
1954	349.7	194.20
1955	402.7	281.70
1956	405.5	293.70
1957	424.8	308.00
1958	522.4	356.00
1959	525.9	419.40
1960	619.1	445.80
1961	633.3	467.40
1962	714.6	484.40
1963	765.2	513.80
1964	842.2	554.40
1965	861.5	567.50
1966	907.2	598.30
1967	912.4	648.80
1968	956.6	736.70
1969	1011.7	690.20
1970	1090.6	784.00
1971	1116.4	963.00
1972	1201.6	1650.00
1973	1102.5	1795.20
1974	929.3	7094.90
1975	760.7	8641.20
1976	785.2	9202.80
1977	718.0	8963.10
1978	776.9	2575 *
1979	911.2	4421 *
1980	607.3	5062 *
1981	411.2	4124 *
1982	300.2	2814 *
1983	384.1	3095 *
1984	424.6	3431 *
1985	387.4	N.A.

\* 1987 onwards the unit used is Kuwaiti Dinars.

**GROSS DOMESTIC PRODUCT AT CURRENT PRICES**  
(Million K.D)

Table - 2

Type of Activity	Years →														
	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Agriculture & Fishing	25.07	26.21	27.13	23.97	14.07	11.78	9.98	7.69	7.15	6.47	4.69	3.64	3.18	2.98	2.49
Mining and Quarrying	3431.16	3095.20	2814.23	4123.36	5062.19	4420.79	2532.57	2482.60	2524.08	2459.00	3022.61	996.56	914.45	907.83	618.80
Manufacturing	351.15	368.12	388.04	336.76	436.05	565.72	277.58	241.30	229.82	195.05	168.63	77.81	65.42	54.19	42.78
Electricity, Gas & Water	(170.37)	(214.86)	(224.00)	(166.83)	( 73.93)	26.55	24.39	21.04	18.76	13.14	12.64	11.77	10.77	9.33	7.22
Construction	253.00	282.00	283.00	263.00	288.61	219.12	176.10	158.40	122.61	73.67	62.78	44.42	38.43	33.28	28.10
Wholesale, retail trade, Hotel & Restaurants	680.00	680.87	775.86	663.70	629.29	434.40	397.70	370.56	303.38	221.04	147.01	117.22	110.73	93.98	85.04
Transport, Storage and Communications	250.35	250.68	242.70	214.99	172.38	115.41	86.09	76.95	72.44	60.14	50.39	41.75	34.51	31.84	29.29
Finance, Insurance, Real Estate & Business Services	647.80	735.70	822.34	578.44	504.46	428.27	283.93	247.89	207.66	149.57	116.69	104.56	94.73	85.41	77.85
Community, Social & Personal Services	1042.36	994.37	921.66	794.79	657.86	573.18	426.02	397.30	317.25	282.74	212.70	195.26	182.47	154.94	126.93
Total	6510.52	6218.29	6831.98	6831.98	7690.98	6795.22	2414.36	4003.73	3803.15	3460.82	3798.14	1592.99	1454.69	1373.78	1018.50
Import duties	64.17	73.37	82.89	71.72	64.86	49.27	42.50	47.88	33.35	23.80	13.58	10.07	8.68	7.82	7.38
TOTAL G.D.P	6574.69	6291.66	6133.85	6903.70	7755.84	6844.49	4256.86	4051.61	3836.56	3484.62	3811.72	1603.06	1463.37	1381.60	1025.88

TYPE OF EXPENDITURE	YEAR											
	1986/85		1985/84		19 4/83		19 3/82		1982/81			
	%	A/C										
- Salaries & Wages	23.2	7231	24.6	675.1	20.5	652.2	24.8	646.2	18.0	542.2		
- Purchase of goods and Services	13.6	425.0	13.9	381.9	11.0	348.7	17.6	459.2	11.4	343.2		
- Transport & Equipment means	1.0	30.0	0.7	20.9	0.8	23.9	1.7	43.3	1.4	41.8		
- Construction Projects	22.3	694.0	22.9	628.8	18.2	577.5	20.9	542.8	16.9	508.5		
- Public Properties	4.8	150.0	5.5	150.0	4.7	150.0	11.5	300.0	10.0	300.0		
- Unclassified expenditure & exchangeable payment	45.2	1409.41	49.1	1348.2	40.0	1271.6	48.3	1256.8	35.8	1078.1		
- Fund added to the capital of K.F.A.E.D.	1.0	30.0	1.1	30.0	1.0	30.0	1.2	30.0	2.5	75.0		
- Fund added to reserve capital	(21.1)	(657.1)	(27.8)	(764.7)	(6.2)	(196.0)	(36.0)	(936.4)	(24.4)	(734.9)		
- Reserve for future generation	10.0	311.6	10.0	274.5	10.0	317.5	10.0	260.2	28.4	854.7		
TOTAL	100	3116.0	100	2744.7	100	3175.4	100	2602.1	100	3008.6		

(6) Ministry of Planning, Annual Statistical Abstract (1986), Table 226, PP. 260.

SUMMARY OF GOVERNMENT VENUES AND EXPENDITURE

Table - 4

REVENUES (000, KD)	1986/85		1985/84		1984/83		1983/82		1982/81	
	%	Budget	%	A/C	%	A/C	%	A/C	%	A/C
- Sales of crude oil, gas & refined products		2,706,984		2,448,034		2,798,483		2,230,212		2,649,184
- Taxes on net income and profits		63,188		34,543		88,370		91,506		90,859
- Taxes on real estate		3,500		1,879		4,718		8,749		11,264
- Taxes and fees on goods and services		36,284		26,938		40,426		16,939		25,590
- Taxes on international trade		116,713		61,312		67,426		79,851		86,848
- Service charges		180,289		159,974		166,628		164,340		137,149
- Capital revenues		9,142		12,030		9,400		10,454		7,670
TOTAL		3,116,000		2,744,710		3,175,445		2,602,051		3,008,564
EXPENDITURES - (Million KD)	%	Budget	%	A/C	%	A/C	%	A/C	%	A/C
- Salaries & Wages	23.2	723.1	24.6	675.1	20.5	652.2	24.8	646.2	18.0	542.2
- Purchase of goods and services	13.6	425.0	13.9	381.9	11.0	348.7	17.6	459.2	11.4	343.2
- Transport & Equipmeny means	1.0	30.0	0.7	20.9	0.8	23.9	1.7	43.3	1.4	41.8
- Construction projects	22.3	694.0	22.9	628.8	18.2	577.5	20.9	542.8	16.9	508.5

Table - 4 (Con't)

- Public properties	4.8	150.0	5.5	150.0	4.7	150.0	11.5	300.0	10.0	300.0
- Unclassified expenditure and exchangeable payments	45.2	1409.41	49.1	1348.2	40.0	1271.6	48.3	1256.8	35.8	1078.1
- Funds added to KFAED	1.0	30.0	1.1	30.0	1.0	30.0	1.2	30.0	2.5	75.0
- Funds added to reserve capital	(21.1)	(657.1)	(27.8)	(764.7)	(6.2)	(196.0)	(36.0)	(936.4)	(24.4)	(734.9)
- Reserve for future generation	10.0	311.6	10.0	274.4	10.0	317.5	10.0	260.2	28.4	854.7
TOTAL:	100.0	3116.0	100.0	2744.7	100.0	3175.4	100.0	2602.1	100.0	3008.6

(7) Ministry of Planning, Annual Statistical Abstract (1986), Table 225 & 226, P.260

LABOUR FORCE BY EMPLOYMENT (8)

Table - 5

	1980			1981			1982			1983		
	Total	Kuwaitis	Non - Kuwaitis									
Employers	11396	3613	7783	9394	9394	6909	7708	2189	5519	6583	2050	4533
Self- Employed	28477	4171	24306	39581	3283	36298	28527	6989	21538	34621	6042	28579
Employees	619722	114778	504944	434354	97071	337283	261570	77385	184185	191629	51161	140468
Un-paid Workers	900	454	446	715	635	80	610	408	202	1210	295	915
Unemployed	9890	3394	6496	7465	4286	3179	6167	4873	1294	8153	5821	2332
TOTAL	670385	126410	543975	491509	107760	383749	304582	91844	212738	242196	65369	176827

(8) Ministry of Planning, Annual Statistical Abstract (1986), Table 108 and 107 PP. 119-120

NUMBER OF ESTABLISHMENTS (9)

Table - 6

LEGAL STATUS	1980				1975			
	TOTAL	MAIN	BRANCH	SINGLE	TOTAL	MAIN	BRANCH	SINGLE
	- Individual Proprietorship	23236	550	1205	21481	19300	249	1087
- Partnership Company	1305	233	321	751	715	58	240	417
- Defacto Company	2230	233	175	1822	1833	36	150	1647
- Joint Stock Company	141	38	40	63	39	9	16	14
- Limited Liability Company	2674	770	1060	835	1172	137	550	485
- Shareholding Company	635	125	434	76	341	33	251	57
- Limited Liability Partnership	5	2	2	1	7	1	2	4
- Co-operative Society	211	28	181	2	122	16	103	3
- Non-profit Corporation	115	27	7	81	74	3	13	58
TOTAL	30552	2006	3434	25112	23603	542	2412	20649

(9) Ministry of Planning, Annual Statistical Abstract (1986), Table 133 and 135, PP. 142/143

**APPENDIX 2**

**INDUSTRIAL STATISTICS**

Table - 1

INDUSTRIAL SUB-SECTOR	CUMULATIVE (1975-1985)	1985	1984	1983	1982	1981	1980	1979
<u>CONSTRUCTION MATERIALS</u>								
- NO. OF PROJECTS	100	4	8	12	8	3	9	12
- TOTAL COST	179337	2046	8579	22825	24034	2476	28275	10670
- IBK FINANCING	87398	1201	3965	12735	13585	900	9474	6020
- IBK FINANCING AS PERCENT OF TOTAL	30.8	5.5	13.14	43.1	47.2	2.8	29.5	30.7
<u>CHEMICALS</u>								
- NO. OF PROJECTS	58	2	7	4	4	10	4	4
- TOTAL COST	90642	422	22303	6075	14596	22080	6880	1114
- IBK FINANCING	40080	385	11395	3438	7245	6785	2240	635
- IBK FINANCING AS PERCENT OF TOTAL	14.1	1.8	37.8	11.6	25.2	20.9	7.0	3.2
<u>FOOD AND BEVERAGE</u>								
- NO. OF PROJECTS	46	7	6	3	4	3	13	1
- TOTAL COST	93742	19209	8968	3113	9131	958	31391	1375
- IBK FINANCING	47334	11040	4535	1698	4470	485	15106	600
- IBK FINANCING AS PERCENT OF TOTAL	16.7	15.9	15.04	5.7	15.6	1.5	47	3.1

Table - 1 Cont'd

INDUSTRIAL SUB-SECTOR	CUMULATIVE (1975-1985)	1985	1984	1983	1982	1981	1980	1979
<u>PAPER, PAPER PRODUCTS &amp; PRINTING</u>								
- NO. OF PROJECTS	42	5	5	3	7	7	3	5
- TOTAL COST	55620	4285	5507	1009	3631	9101	1988	12261
- IBK FINANCING	22746	3110	3687	560	1869	4490	1166	6034
- IBK FINANCING AS PERCENT OF TOTAL	8	14.3	12.2	1.9	6.5	13.9	3.6	30.8
<u>TEXTILES AND WEAVING</u>								
- NO. OF PROJECTS	8	-	2	1	-	2	3	-
- TOTAL COST	15956	-	6930	160	-	4541	4325	-
- IBK FINANCING	4935	-	1040	80	-	1900	1915	-
- IBK FINANCING AS PERCENT OF TOTAL	1.8	-	3.5	0.3	-	5.9	6	-
<u>MISCELLANEOUS **</u>								
- NO. OF PROJECTS	11	-	3	2	1	1	1	2
- TOTAL COST	28254	-	4890	20318	350	1000	115	1200
- IBK FINANCING	6730	-	1560	4310	145	400	60	75
- IBK FINANCING AS PERCENT OF TOTAL	2.4	-	5.1	14.6	0.5	1.2	9.2	0.4

Table - 1 Cond't

INDUSTRIAL SUB-SECTOR	CUMULATIVE (1975-1985)	1985	1984	1983	1982	1981	1980	1979
<u>METAL &amp; ENGINEERING PRODUCTS</u>								
- NO. OF PROJECTS	55	8	3	8	3	7	7	2
- TOTAL COST	88602	10128	1637	7598	2693	9612	4634	11400
- IBK FINANCING	41820	5155	1060	3599	8432	3830	2094	5316
- IBK FINANCING AS PERCENT OF TOTAL	14.7	23.78	3.51	12.2	2.9	11.8	6.5	27.1
<u>FURNITURE &amp; OTHERS</u>								
- NO. OF PROJECTS	21	1	3	1	4	4	1	1
- TOTAL COST	17070	415	1047	290	1415	5254	107	289
- IBK FINANCING	8225	190	520	120	605	2100	50	100
- IBK FINANCING AS PERCENT OF TOTAL	2.9	0.9	1.72	0.4	2.1	6.5	0.2	0.5
<u>MARINE AND OIL FIELD SERVICES *</u>								
- NO. OF PROJECTS	13	1	1	3	-	2	-	1
- TOTAL COST	42123	1090	3725	5393	-	18278	-	2062
- IBK FINANCING	24375	600	2400	3000	-	11500	-	825
- IBK FINANCING AS PERCENT OF TOTAL	8.6	2.8	8.0	10.2	-	35.5	-	4.2

Table - 1 Cond't

INDUSTRIAL SUB-SECTOR	CUMULATIVE (1975-1985)	1985	1984	1983	1982	1981	1980	1979
TOTAL -----								
- NO. OF PROJECTS	354	28	38	37	31	30	41	28
- TOTAL COST	601346	38595	63586	66781	55850	73306	77715	40371
- IBK FINANCING	283643	21681	30162	29537	28761	32390	32105	19605
- IBK FINANCING AS PERCENT OF TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

\* Includes Oil-field services

\*\* Includes brooms, paint brushes production and assembly of telex machines.

- Ref. 1. 11th Annual Report - 1985, Industrial Bank of Kuwait, Kuwait  
 2. 10th Annual Report - 1984, Industrial Bank of Kuwait, Kuwait  
 3. Annual Statistical Abstract - 1985, Ministry of Planning, Kuwait, PP 276/277

(1976 - 1985)

Commodity	1985**	1984	1983	1982	1981	1980	1979	1978	1977	1976
<u>FOOD MANUFACTURING</u> (000 TONS)										
1. Flour	189.4	235.1	192.7	210.1	200.4	155.6	153.7	122.6	113.3	108.7
2. Bran	38.9	42.1	39.7	39.6	35.9	31.8	28.9	23.0	21.5	18.8
3. Macaroni	3.9	3.3	3.0	2.9	2.6	1.7	1.9	1.9	1.8	1.6
4. Biscuits	2.3	2.2	2.4	2.8	3.6	2.9	2.6	1.7	1.8	1.9
5. Bread	3.1	6.6	6.7	6.7	6.9	6.8	6.3	N.A	4.4	4.9
6. Table Salt	20.5	20.3	18.7	19.2	18.6	20.5	19.7	18.9	16.7	15.4
<u>INDUSTRIAL CHEMICALS</u>										
7. Chlorine (000 TONS)	9.2	7.9	7.2	7.7	7.9	8.0	8.2	7.0	5.8	5.4
8. Caustic Soda (000 TONS)	10.3	8.8	8.2	8.7	8.9	9.1	9.2	8.0	6.5	6.1
9. Hydrogen Gas (Million M)	0.04	0.04	0.04	0.04	2.5	2.6	2.6	2.3	1.7	1.5
10. Sodium Hypochlorite (Million Gallons)	0.4	0.4	1.01	1.18	2.15	3.00	2.46	2.61	1.20	1.3
11. Hydrochloric Acid (Million Gallons)	0.41	0.43	0.37	0.38	0.42	0.24	0.29	0.34	0.33	0.2

Table -2 Cond't

Commodity	1985**	1984	1983	1982	1981	1980	1979	1978	1977	1976
12. Ammonium Hydroxide (000 TONS)	368.6	383.0	353.0	414.3	463.7	331.1	502.1	522.9	487.9	513.8
13. Sulphuric Acid (000 TONS)	4.6	4.0	7.0	8.9	4.8	N.A	N.A	N.A	5.1	4.8
14. Detergents (000 MTONS)	1.4	1.5	1.6	1.65	1.90	1.64	1.09	1.00	0.77	-
15. Standard Accumulators (000 Units)	14.4	12.9	12.5	25.7	28.5	32.7	31.0	24.7	21.8	-
16. Ammonium Sulphate (000 MTONS)	-	-	-	-	-	-	12.0	-	-	-
17. Urea (000 MTONS)	595.0	548.9	441.8	436.3	463.8	466.2	662.1	663.7	550.6	530.1
<u>CONSTRUCTION MATERIALS</u>										
18. Cement (000 MTONS)	1066.5	1183.8	1124.4	1552.9	1549.4	1307.7	1040.2	621.3	329.3	351.
19. Hydrated Lime (000 MTONS)	52.4	5.5	65.9	10.2	21.6	17.7	5.6	3.8	19.7	12.
20. Sand Lime Bricks (000 M cu)	336.2	403.2	449.8	419.0	293.7	338.1	357.8	262.5	215.0	213.1
21. Concrete Slabs (Million M cu)	1.8	1.7	1.3	1.78	1.91	1.91	1.43	1.06	0.67	0.
22. Concrete blocks & Cable Covers (000 M cu)	19.8	50.5	41.1	36.1	50.6	51.4	55.9	18.1	38.9	57.
23. Kerbstone (Million M cu)	0.45	0.08	0.85	0.05*	0.94	1.20	1.21	0.86	0.59	0.

Table 2. con't.

Commodity	1985**	1984	1983	1982	1981	1980	1979	1978	1977	1976
24. Reinforced Concrete Pipes (000 MTONS)	47.2	29.9	29.3	36.7*	34.0	42.3	100.9	92.9	54.1	29.
25. Circular Concrete Pipes (000 MTONS)	15.4	14.0	13.3	24.7*	106.5	173.0	215.5	186.1	98.4	56.
26. Manhole rings and Shafts	-	2.6	3.6	13.8*	3.7	8.6	8.9	8.3	6.2	4.
27. Ready Mix Concrete (000 M. cu)	35.6	98.3	115.2	87.9*	67.8	43.0	49.3	63.3	46.1	42.
<u>NON-METALLIC PRODUCTS</u>										
(000 (MTONS))										
28. Asbestos Pipes	29.6	29.1	35.3	66.9	43.3	37.4	68.0	49.4	28.2	31.
29. Asbestos Sheets	-	1.0	-	-	-	-	-	-	1.2	1.
<u>BASIC METALS</u>										
30. Metal Pipes (000 MTONS)	76.0	48.0	14.6	24.9	21.1	29.9	10.3	26.5	38.6	65.

\* In 1981 quantity measures unit has been changed from M to M.cu.

\*\* Provisional data.

Ref. Annual Statistical Abstract, 1986 - Ministry of Planning, Kuwait, PP 204.

(Million K.D)

A C T I V I T Y	1984**	1983**	1982*	1981*	1980*	1979*	1978	1977	1976	1975	1974
1. <u>Agriculture &amp; Fishing</u>	37.0	34.0	31.0	27.8	17.4	16.7	13.5	13.0	10.3	8.8	5.
2. <u>Mining &amp; Quarring</u>	2912.0	3095.8	2814.2	4123.4	5062.2	4420.8	2532.6	2482.6	2524.1	2459.0	3022.
- Crude Petroleum & Gas	2902.0	3086.3	2805.5	4117.8	5059.2	4417.9	4417.9	2477.3	2519.7	2456.6	3020.
- Other Mining	10.0	9.5	8.7	5.6	3.0	2.9	5.3	9.3	4.4	2.4	2.
3. <u>Manufacturing</u>	479.5	422.1	388.0	336.8	436.1	565.7	277.6	241.3	229.8	195.1	168.
- Food, Beverage & Tobacco	33.0	32.1	30.6	27.7	25.2	21.2	17.6	15.6	15.3	13.4	6.
- Textiles, wearing apparel & Leather products	29.0	24.9	23.4	23.3	22.4	16.5	14.5	11.9	11.4	8.9	6.
- Wood and Wood Products	20.0	18.4	17.5	16.4	18.9	14.1	17.8	16.5	16.1	8.8	4.
- Paper, printing, Publishing	20.0	19.1	18.0	12.6	11.7	9.3	8.4	9.6	6.0	4.0	1.
- Petroleum refineries	221.0	180.0	160.8	136.5	238.7	402.9	125.4	108.8	109.8	75.3	92.
- Chemicals, fertilizers & plastic products	38.0	37.0	35.1	36.8	38.2	38.3	31.2	27.5	22.0	50.4	36.
- Non-metallic minerals	41.0	37.3	34.6	35.0	36.8	30.4	30.8	24.6	20.8	14.6	7.
- Basic metals	5.5	5.1	4.8	2.1	1.3	2.0	1.4	4.5	7.5	6.2	1.
- Fabricated metal products	70.5	67.0	62.0	45.2	41.1	29.5	28.1	21.9	19.4	12.4	9.
- Other manufacturing	1.5	1.2	1.2	1.2	1.8	1.5	2.4	1.4	1.5	1.1	0.

A C T I V I T Y	1984**	1983**	1982*	1981*	1980*	1979*	1978	1977	1976	1975	1974
4. <u>Electricity, Gas &amp; Water</u>	43.3	38.5	32.7	27.5	25.0	26.5	24.4	21.0	18.8	13.1	12.
- Electricity and gas	18.9	16.5	13.4	11.0	10.4	10.5	9.0	8.4	7.7	6.0	6.
- Water production & distribution	24.3	22.1	19.2	16.5	14.6	16.0	15.4	12.6	11.1	7.1	6.
5. <u>Construction</u>	318.0	289.0	283.0	263.0	220.0	195.0	176.1	158.4	122.6	73.7	62.8
6. <u>Wholesale, Retail Trade, Restaurants &amp; Hotels</u>	699.2	663.9	711.0	505.4	468.0	426.0	397.7	370.6	303.4	221.0	147.8
- Wholesale & Retail trade	637.3	606.9	659.7	485.0	449.0	408.0	381.1	352.4	288.8	211.3	140.
- Restaurants & Hotels	61.9	57.0	51.3	20.4	19.0	18.0	16.6	18.3	14.6	9.7	6.
7. <u>Transport, Storage &amp; Communications</u>	210.5	193.1	173.9	145.5	124.3	107.9	86.1	77.0	72.4	60.1	50.
- Transport and storage	152.0	143.0	130.0	110.5	96.0	88.5	71.1	65.4	63.5	54.6	46.
- Communications	58.5	50.1	43.9	35.1	28.3	19.4	15.0	11.6	8.9	5.5	4.
8. <u>Finance, Insurance, Real Estate &amp; Business Services</u>	647.0	625.0	568.0	477.2	401.2	347.9	283.9	247.9	207.7	149.6	116.
Financial Institutions	312.0	300.0	270.0	216.3	169.0	135.3	104.1	82.2	56.9	39.2	25.9
- Insurance	20.0	19.0	18.0	16.0	14.5	14.7	10.9	10.9	8.3	6.0	4.0
- Real estate & business services	315.0	306.0	280.0	244.9	217.7	197.9	168.9	154.8	142.4	104.4	86.8

Table - 3 Cond't

A C T I V I T Y	1984**	1983**	1982*	1981*	1980*	1979*	1978	1977	1976	1975	1974
9. <u>Community Social &amp; Personal Services</u>	997.7	978.6	913.2	759.5	628.2	568.0	426.0	397.3	317.2	282.8	212.
- Public administration and defence	407.6	402.4	370.4	330.2	262.9	234.3	177.4	165.1	125.8	114.0	90.
- Sanitary & similar services	37.2	34.2	28.1	19.7	15.7	14.8	11.8	11.8	11.5	8.7	6.
- Social and related services	420.5	413.8	393.3	327.6	276.5	252.3	177.7	166.2	131.7	118.0	83.
- Recreational & cultural services	36.7	34.8	31.4	28.5	24.5	23.1	18.7	15.7	11.6	11.5	9.
- Personal & household services.	95.7	93.4	90.0	53.5	48.6	43.5	40.4	38.5	36.7	30.6	23.9
10. <u>Total</u>	6344.0	6340.0	5915.1	6666.1	7382.4	6674.5	4217.9	4009.1	3806.3	3463.2	3799.
11. <u>Import Duties</u>	80.8	75.3	82.6	71.7	64.8	49.3	42.5	47.9	33.3	23.8	13.
<u>GROSS DOMESTIC PRODUCT AT PURCHASER'S VALUE</u>	6424.8	6415.3	5997.7	6737.8	7447.2	6723.8	4260.4	4057.0	3839.6	3487.0	3813.

\* Likely to be revised

\*\* Provisional date

Source: Annual Statistical Abstract, 1986, Ministry of Planning (Kuwait), PP 256/257

GROSS DOMESTIC PRODUCT TYPE OF ECONOMIC ACTIVITY AT CONSTANT (1972) PRICES

Table -4

(MILLION K.D)

A C T I V I T Y	1983**	1982**	1981*	1980	1979	1978	1977	1976	1975	1974
1. <u>Agriculture &amp; Fishing</u>	N.A	10.0	9.7	6.5	6.9	5.8	6.3	5.6	5.1	4.
2. <u>Mining &amp; Quarring</u>	N.A	231.4	315.3	463.2	695.9	594.0	549.1	599.8	580.0	708.
- Crude Petroleum & Gas		228.2	312.6	461.7	694.3	590.8	545.9	597.0	578.3	706.
- Other Mining		3.2	2.7	1.5	1.6	3.2	3.2	2.8	1.7	1.
3. <u>Manufacturing</u>	N.A	130.3	119.0	126.9	123.5	118.7	105.8	104.3	104.3	85.
- Food, Beverage & Tobacco		13.0	12.9	12.7	11.9	10.3	8.9	9.4	8.9	5.
- Textiles, wearing apparel & Leather products		12.0	11.3	11.5	9.4	8.9	7.2	7.3	6.1	5.
- Wood and Wood Products		8.1	8.0	9.7	8.0	10.8	9.3	10.3	6.0	3.0
- Paper, printing, Publishing		6.8	6.1	6.0	5.3	5.1	5.8	3.8	2.8	1.
- Petroleum Refining Chemicals, Fertilizers & Plastics		47.4	40.2	45.4	52.9	45.5	43.0	42.0	57.1	55.
- Non-Metallic Minerals		17.6	17.0	18.9	17.3	18.8	14.8	13.3	9.9	5.
- Basic Metals		1.0	1.0	0.7	1.1	0.8	2.8	4.8	4.3	1.4
- Fabricated Metal Products		23.8	21.9	21.1	16.8	17.1	13.2	12.5	8.5	7.0
- Other Manufacturing		0.6	0.6	0.9	0.8	1.4	0.8	0.9	0.7	5.

A C T I V I T Y	1983**	1982**	1981*	1980	1979	1978	1977	1976	1975	1974
4. <u>Electricity, Gas &amp; Water</u>	N.A	36.3	32.0	29.4	28.6	24.5	20.8	17.5	14.9	13.0
- Electricity and Gas		17.5	15.5	14.0	13.4	10.9	9.5	8.1	7.3	6.4
- Water Production & Distribution		18.8	16.5	15.4	15.2	13.6	11.4	9.4	7.6	6.6
5. <u>Construction</u>	N.A	128.4	128.6	115.5	109.4	105.8	103.3	87.0	55.1	51.1
6. <u>Wholesale, Retail Trade, Restaurants &amp; Hotels</u>	N.A	249.3	245.8	241.5	237.4	238.2	232.6	206.4	161.6	117.7
- Wholesale & Retail Trade		239.6	236.5	234.1	229.8	230.0	224.5	198.4	153.7	111.0
- Restaurants & Hotels		9.7	9.3	7.4	7.6	8.2	8.1	8.0	7.9	6.7
7. <u>Transport, Storage &amp; Communications</u>	N.A	99.2	85.5	80.0	70.3	59.1	54.9	56.0	45.6	40.1
- Transport and Storage		61.5	53.8	54.3	53.2	46.2	44.9	47.2	40.2	36.1
- Communications		37.7	31.7	25.7	17.1	12.9	10.0	8.8	5.4	4.0
8. <u>Finance, Insurance, Real Estate &amp; Business Services</u>		229.5	218.4	192.4	175.5	164.5	150.8	132.8	115.5	104.5
Financial Institutions		105.5	100.3	78.5	67.8	61.2	53.4	43.3	34.6	30.5
- Insurance		5.9	5.1	5.8	4.7	5.3	4.4	4.0	2.7	2.2
- Real Estate & Business Services		118.1	113.0	108.1	103.0	98.0	93.0	85.5	78.2	71.8

Table - 4 Cond't

A C T I V I T Y	1983**	1982**	1981*	1980	1979	1978	1977	1976	1975	1974
9. <u>Community Social &amp; Personal Services</u>										
- Public Administration and Defence	321.3	304.4	287.4	271.6	259.4	249.6	227.2	206.9	194.0	
- Sanitary & Similar Services	114.8	106.0	100.4	96.9	90.2	89.1	80.1	73.9	72.8	
- Social and Related Services	11.0	10.6	9.2	9.3	9.1	8.1	7.9	6.9	6.2	
- Recreational & Cultural Services	161.8	153.6	143.2	131.4	127.4	118.0	102.5	92.5	85.2	
- Personal & Household Services	14.5	14.2	12.8	12.9	11.9	11.9	10.3	9.1	8.7	
10. <u>Total</u>	N.A	1435.7	1458.7	1542.8	1719.1	1570.0	1473.2	1436.6	1289.0	1318.0
11. <u>Import Duties</u>		38.0	35.3	34.6	27.6	25.6	30.3	22.8	17.3	11.1
GROSS DOMESTIC PRODUCT AT PURCHASER'S VALUE	N.A	1473.7	1494.0	1577.4	1746.7	1595.3	1503.5	1459.4	1306.3	1329.1

\* Likely to be revised

\*\* Provisional date

Source: Annual Statistical Abstract, 1986, Ministry of Planning (Kuwait), PP 256/257

## APPENDIX 3

A CASE ON THE CYCLE AND  
PROCEDURES FOR PROJECT  
LICENSING AT THE MINISTRY OF  
COMMERCE AND INDUSTRY

A case study on the cycle and procedures for project licensing at the Ministry of Commerce and Industry.

1. Introduction.

Industrial project licensing is one of the main activities of Ministry of Commerce and Industry as represented by the Industrial Development Committee and the Department of Industrial Affairs. This case study is intended to assess the present cycle, procedures and time associated with industrial licensing practice of the Ministry.

2. Cycle and Procedure of Industrial Project Licensing.

A. Initially the investor contacts the Department of Planning and Industrial Development at the Ministry of Commerce and Industry to enquire about establishing an industrial plant to manufacture a specified product. This enquiry normally includes the following:-

- Number of existing factories similar product.
- Present market saturation of the product under consideration.
- Is the industrial license to manufacture the product closed or opened?
- Where the product represents new kinds of goods or the market is void of existing production and the industrial license is still open the investor receives the following documents:-
  - Licence application to establish an industrial project (Form No. 1).
  - Components of content for an economic and technical feasibility study to establish industrial projects in the State of Kuwait (Form No. 2).
  - The Directory of Industrial Establishment in Kuwait.

B. The investor submits the following documents to the general register at the Department of Industrial Affairs after conducting his own studies and investigations:

1. Licence application to establish an industrial project (Form No.1 adequately completed).
2. Economic and Technical Feasibility Study of the project (Based on Form No. 2).
3. Catalogues of machines and equipment required for the project.

4. Price quotations of:-
    - Machines, equipment and spare parts
    - Raw materials, semi-manufactured materials, wrapping materials.
  5. Receipt on paying application fees of KD.20/- to the Ministry.
  6. Initial contract in the event of establishing companies.
  7. If the project requires a foreign licence and expertise the investor should submit the following documents:-
    - Name of the foreign company offering technical expertise and/or licence and related previous experience.
    - Fees paid to the foreign company by the investor against obtaining technical expertise or licence and related documents.
    - Royalties of the foreign licence specifying if it will be a on-time lump sum, a percentage on sales value or a percentage on gross or net profits.
  8. Where a foreign company enters a partnership with Kuwaiti investors the percentage of shares of the foreign company in the capital of the project should be mentioned.
  9. If the proposed product is mainly for export (not less than 50% of capacity for export) the investor should submit initial contracts for exporting or other evidence to prove possibility of export.
- C. Where some of the above mentioned documents are not made available by the investor the Department of Planning and Industrial Development will summon him to complete required documents in order to transfer them to relevant departments for study and evaluation, otherwise his application will be considered incomplete.
- D. Where the application is complete it will be transferred to the Industrial Development and Consultancy Office for study and recommendation by the Industrial Development Committee.
- E. The Industrial Development Committee will make the following recommendations/decisions:-
- Approving/disapproving the project licence.

- Return the study to the Department of Industrial Affairs to ascertain certain information and submit further clarification.
  
  - F. If the project licence is approved the Inspectorate of Industrial Plots will be advised to assign the plot allocated to the project.
  
  - G. An industrial licence certificate is issued upon receipts of a special report by a follow-up committee who visit the establishment to ensure the projects' compliance with regulations for health,safety, pollution fire protection and application of Law No. 6 of 1965.
3. Evaluating Time required for Project Licensing.

The following table various activities associated with industrial project licensing from the day the licence application is submitted by the industrial investor upto approval and allocation of industrial plots required for the project. The average period taken is between seven to twelve months:-

Activity	Period
1. Investor submits application to the General Registry at the Ministry	-
2. From General Registry to the Under Secretary.	2-4 days
3. From Under Secretary to Industrial Registry.	1-2 days
4. From Industrial Registry to Department of Planning and Industrial Development.	2 days
5. From Department of Planning and Industry to Department of Industrial Development and Consultancy Office.	3-4 days
6. From Industrial Development and Consultancy Office to Secretariat of Industrial Development Committee.	3-6 months
7. Industrial Development Committee's decision.	2-3 months
8. If project is approved the Secretariat of the Industrial Development Committee will advise the Inspectorate of Industrial Plots to assign the plot allocated for the project.	2-3 months

APPENDIX 4

A COMPLETE COMPUTER ANALYSIS  
OF THE RESULTS  
OF THE

"FIELDS SURVEY STUDY"

PERCENTAGE FOR EACH RESPONSE IN THE QUESTIONNAIRE

PART II : INDUSTRIAL STRATEGY AND POLICY ISSUES :

QUESTION PERCENTAGE

- 20100 Do you agree that the Kuwaiti economy is a mixed economy in which the public and private sectors function side by side.  
YES = 93.48 % NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 20200 That the main objective is economic development of the Kuwait economy.  
YES = 82.61 % NO = 13.04 % I d'nt know = 2.17 % NO Ans. = 2.17%
- 20300 That industry helps to create the modern nationals with technological practical ability.  
YES = 93.48 % NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 20400 A basic criticism of Kuwait industrial policy is the absence of an integrated and clear industrialization strategy.  
YES = 97.83 % NO = 0.00 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 20500 There is a need for a defined government policy to distribute industries between public, mixed and private sectors.  
YES = 86.969 % NO = 13.04 % I d'nt know = 0.00 % NO Ans. = 0.00%
- 20600 Is there a need for the development of an integrated and more competitive industrial sector.  
YES = 93.48 % NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 20700 Is there a need for the development of comprehensive industrial plans which identify the frame work for industrialization & the projects to be implemented during the plans.  
YES = 97.83 % NO = 0.00 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 20800 Although there is no approved strategy, there is a practiced one based on the following componenet :-
- 20801 The development of oil and gas based industries and their derivative which have economic feasibility using modern internationally available technologies.  
YES = 79.09 % NO = 19.57 % I d'nt know = 4.35 % NO Ans. = 0.00%
- 20802 The setting-up and development of import substitution industries which prove feasible within the frame work of free initiative economy prevailing in Kuwait.  
YES = 71.74 % NO = 13.04 % I d'nt know = 6.52 % NO Ans. = 8.70 %
- 20900 There is no emphasis on any type of desired industry and development is on a project-by project basis.  
YES = 82.61 % NO = 10.87 % I d'nt know = 6.45 % NO Ans. = 2.17%
- 21000 Is it required to move more towards heavy, light industry, import substitution or export industry (if answer is yes please identify the type of industry).

YES = 89.13 % NO = 4.35 % I d'nt know = 4.35 % NO Ans. = 2.17 %

21100 Is there a defined target for the manufacturing sector growth rate?

YES = 15.22 % NO = 69.57 % I d'nt know = 13.04% NO Ans. = 2.17%

21200 There is no definition of the type of industries which may serve both the national economy and investors at the same time.

YES = 60.87 % NO = 30.43 % I d'nt know = 2.17 % NO Ans. = 6.52%

21300 Do you think that there are plans, programmes and policies for industrial development in Kuwait.

YES = 15.22 % NO = 80.43 % I d'nt know = 4.35 % NO Ans. = 0.00%

21400 The main features of industrialization in Kuwait are :

21401 Import substitution industry.

YES = 67.39% NO = 19.57 % I d'nt know = 4.35 % NO Ans. = 8.70 %

21402 Creation of new investment opportunities.

YES = 66.67% NO = 26.67 % I d'nt know = 2.22 % NO Ans. = 4.44 %

21403 Protection of local industry from foreign and local competition.

YES = 52.17% NO = 47.83 % I d'nt know = 0.00 % NO Ans. = 0.00 %

21404 No definition of national industry deserving support and protection.

YES = 43.48% NO = 47.83 % I d'nt know = 4.35 % NO Ans. = 4.35 %

21405 Emphasis on the commercial profitability of the project from the investors view point.

YES = 89.13% NO = 10.87 % I d'nt know = 0.00 % NO Ans. = 0.00 %

21406 Encouragement of the transfer of modern technology.

YES = 45.65% NO = 47.83 % I d'nt know = 4.35 % NO Ans. = 2.17 %

21407 Centralization of decisions related to the setting-up, expansion and development of industry.

YES = 63.04% NO = 21.74 % I d'nt know = 8.70 % NO Ans. = 6.52 %

21408 No defined priorities of the type of industry desired.

YES = 76.09% NO = 21.74% I d'nt know = 0.00 % NO Ans. = 2.17 %

21409 The abuse by some investors of incentive and advantages given to industry.

YES = 76.09% NO = 15.22 % I d'nt know = 4.35 % NO Ans. = 4.35 %

21500 The issue is not industry or no industry but the adoption of clear industrialization strategy and policies with identified objectives and priorities.

YES = 93.48 % NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 0.00 %

21500 Is there a need to shift from import substitution industry to export based industry can participate in the improvement of trade balance and the balance of payment.

YES = 67.39% NO = 21.74 % I d'nt know = 4.35 % NO Ans. = 6.52 %

- 21700 There is a continuous need for facilitating more capital investment in industry.  
YES = 89.13% NO = 6527.83% I d'nt know = 2.17% NO Ans. = 2.17 %
- 21800 Industry is one of the main economic sectors which will help indeversification of the national income and less dependence on oil.  
YES = 93.48 % NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 21900 Industrial development in Kuwait is linked in the medium & long term with further development & integration of Arab industries.  
YES = 80.43% NO = 15.22 % I d'nt know = 4.35 % NO Ans. = 0.00 %
- 22000 There is a need for a clear-cut polulation policy which taken into consideration industrial development needs.  
YES = 89.13% NO = 10.86 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 22100 There is contradiction between a more active government role in industry and the principle of free enterprise.  
YES = 43.47% NO = 52.17 % I d'nt know = 4.34 % NO Ans. = 0.00 %
- 22200 The state should continue to promote –as in the sixties– the concept of mixed sector and should initiate industrial projects with the private sector while considering the possibility of a full private sector ownership in the future.  
YES = 80.43% NO = 19.56 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 22300 Merger is recommended between industrial projects with similar products in order to imporve production efficiency & increase flexibility to react to changing demand.  
YES = 67.39% NO = 28.26 % I d'nt know = 0.00 % NO Ans. = 4.35 %
- 22400 The production of industry shall be limited to a certain time. Thereafter industry is expected to be able to fact competition utilizing its own resources.  
YES = 82.61% NO = 15.22 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 22500 Do you agree to set-up and objective for industrial contribution (excluding the oil sector) to GDP to be 15% in the year 2000 to give real meaning to the objective of diversification of the national income.  
YES = 84.78% NO = 13.04 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 22600 The role of the industrial mixed sector should be :-
- 22601 To encourage private sector and increase its role in industrial development especially in industries that require a capital exceeding the abilities of the private sector.  
YES = 89.13% NO = 10.87 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 22602 To encourage the private sector to enter industries in which the government takes the first initiative.  
YES = 93.48% NO = 4.35 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 22603 To participate in industrial development activities that the private sector is not ready to enter during early phases of development.  
YES = 89.13% NO = 8.70 % I d'nt know = 2.17 % NO Ans. = 0.00 %

- 22700 Private sector should concentrate mainly on import substitution industries.  
YES = 50.00% NO = 36.96 % I d'nt know = 4.35 % NO Ans. = 9.70 %
- 22800 Government authorities should develop a list of feasible insutrial projects for investment by the private sector.  
YES = 86.96% NO = 8.70 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 22900 Does the private industrial sector require more encouragement and support from government.  
YES = 91.30% NO = 8.70 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 23000 Does government control of the industrial mixed sector result in more administrative bureaucracy.  
YES = 73.91% NO = 21.74 % I d'nt know = 4.35 % NO Ans. = 0.00 %
- 23100 Should the mixed sector be left to private sector management for more efficiency and effectiveness.  
YES = 76.09% NO = 15.22 % I d'nt know = 4.35 % NO Ans. = 4.35 %
- 23200 Do you stand for the privatization of production activities in petroleum and petrochemical industry including oil refineries and fertilizer plants.  
YES = 21.65% NO = 78.26 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 23300 In case the absence of industrial education and training policies the problem of manpower continues to be among the basic problems facing industrialization in Kuwait.  
YES = 21.74% NO = 69.57 % I d'nt know = 2.17 % NO Ans. = 6.52 %
- 23400 Disguised unemployment in the governments should be trained and directed towards working in industry.  
YES = 95.65% NO = 2.17 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 23500 One of the objectives of industrialization of Kuwait is to transform society from a consumer society to a producing society through the development of productive manpower.  
YES = 93.48% NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 23600 There is need to build and develop trained and specialized Kuwaiti manpower able to undertake technical jobs through the various stages of production.  
YES = 97.83% NO = 0.00 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 23700 To concentrate middle and higher managment and technical jobs in industry in the hands of Kuwaitis in order to reach a 25% Kuwaiti manpower in industry by the year 2000.  
YES = 97.83% NO = 0.00 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 23800 The government should provide incentives for the industrial sector to train & recruit Kuwaiti nationals through defined programme.  
YES = 95.65% NO = 2.17 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 23900 To concentrate management and technical jobs in the hands of Kuwaitis in industry.  
YES = 93.48% NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 24000 The government shall enforce special laws on foreign/local companies executing government

contracts to by their requirements from local industries.

YES = 97.83% NO = 2.17 % I d'nt know = 0.00 % NO Ans. = 0.00 %

24100 Part of the government external aids through the Kuwait Fund or other means should be given as national products.

YES = 95.65% NO = 2.17 % I d'nt know = 2.17 % NO Ans. = 0.00 %

24200 Is there a need for the setting up on an intergrated plan to facilitate co-operation between local industry and investment abroad.

YES = 91.30% NO = 4.35 % I d'nt know = 2.17 % NO Ans. = 2.17 %

24300 Gulf industrial co-ordination is necessary and will achieve several objectives amongst the advantage of size, productivity, specialization and increasing bargaining power.

YES = 97.83% NO = 0.00 % I d'nt know = 2.17 % NO Ans. = 0.00 %

24400 Arab industrial co-ordination and integration is a long term objective which can be achieved through increasing the number of joint Arab industrial project.

YES = 91.30% NO = 4.35 % I d'nt know = 4.35 % NO Ans. = 0.00 %

24500 There is a need to improve energy utilization in existing and future industrial projects.

YES = 91.30% NO = 4.35 % I d'nt know = 2.17 % NO Ans. = 2.17 %

24600 The aspect of protection of the environment from pollution should be governing factor in approving industrial projects.

YES = 100.00% NO = 0.00 % I d'nt know = 0.00 % NO Ans. = 0.00 %

PART III: REVIEW AND EVALUATION OF EXISTING CONDITIONS :  
QUESTION PERCENTAGE

30100 Do you think that the main department responsible for industry in Kuwait (Industrial Affairs) undertakes effectively any of the following tasks :

30101 Planning, programming of industry.

YES = 2.17 % NO = 93.47 % I d'nt know = 4.34 % NO Ans. = 0.00 %

30102 Feasibility studies & project development

YES = 8.70% NO = 84.78 % I d'nt know = 6.52 % NO Ans. = 0.00 %

30103 Project Evaluation

YES = 15.22% NO = 76.09 % I d'nt know = 6.52 % NO Ans. = 2.17 %

30104 Licensing

YES = 50.00% NO = 47.83 % I d'nt know = 2.17 % NO Ans. = 0.00 %

30105 Follow-up of implementation

YES = 26.09% NO = 65.22 % I d'nt know = 4.35 % NO Ans. = 4.35 %

30106 Standardization & setting of specifications

YES = 19.56% NO = 73.91 % I d'nt know = 4.34 % NO Ans. = 2.17 %

30107 Technical Assistance

YES = 0.00% NO = 95.65 % I d'nt know = 2.17 % NO Ans. = 2.17 %

30108 Technical Management Training

YES = 26.09% NO = 65.22 % I d'nt know = 4.35 % NO Ans. = 4.35 %

30109 Export promotion

YES = 6.52% NO = 78.26 % I d'nt know = 10.87 % NO Ans. = 4.35 %

30110 Protection of industry against dumping

YES = 26.09% NO = 67.39 % I d'nt know = 4.35 % NO Ans. = 2.17 %

30200 Law No. 6 of 1965 – Article 10 mentions only general objectives to be taken in consideration in granting industrial licence namely:

1. The requirements of socio-economic plan in the country.

2. The the purpose of the establishment should not be in conflict with national interest.

3. The economic needs of the country and possibilities for local consumption and export.

Do you think that the above objectives are sufficient?

YES = 32.61% NO = 65.22 % I d'nt know = 2.17 % NO Ans. = 0.00 %

30300 The Government encouraged industry through the following:

30301 The setting-up of infrastructure and industrial areas with services.

- YES = 95.65% NO = 2.17 % I d'nt know = 0.00 % NO Ans. = 2.17 %
- 30302 The setting up of organization and advisory agencies for project development.  
YES = 17.39% NO = 71.74 % I d'nt know = 8.70 % NO Ans. = 2.17 %
- 30303 Provision of industrial loans.  
YES = 95.65% NO = 6.00 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 30304 Exemption from Taxes and customs duties.  
YES = 95.64% NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 30305 Protection of local industry by increasing customs duties on imports.  
YES = 93.48% NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 0.00 %
- 30306 Preference to local products.  
YES = 67.39% NO = 28.26 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 30307 Participate with private sector in the establishment of joint industrial projects.  
YES = 71.74% NO = 23.91 % I d'nt know = 4.35 % NO Ans. = 0.00 %
- 30308 Active role in promoting & participating in Gulf & Arab joint industrial projects.  
YES = 41.30% NO = 41.30% I d'nt know = 17.39 % NO Ans. = 0.00 %
- 30400 The industrial Law no. 6 of 1965 requires extensive changes to meet new circumstances of industrial development in Kuwait.  
YES = 82.61% NO = 0.00 % I d'nt know = 15.22 % NO Ans. = 2.17 %
- 30500 Has the I.D.C. developed industrial strategies, policies and plans?  
YES = 6.52% NO = 73.91 % I d'nt know = 19.57 % NO Ans. = 0.00 %
- 30600 Adopt a comprehensive technique for project evaluation & licensing.  
YES = 10.87% NO = 69.57 % I d'nt know = 19.57 % NO Ans. = 0.00 %
- 30700 Are decisions of the Industrial Development Committee based on a scientific and objective criteria.  
YES = 13.04% NO = 63.04 % I d'nt know = 23.91 % NO Ans. = 0.00 %
- 30800 Are they influenced by informal contacts.  
YES = 58.70% NO = 17.39 % I d'nt know = 21.74 % NO Ans. = 2.17 %
- 30900 Are they biased towards the interest of members of the committee.  
YES = 26.08% NO = 21.73 % I d'nt know = 52.17 % NO Ans. = 0.00 %
- 31000 Did the Industrial Development Committee issue guidelines to investors for project development.  
YES = 8.70% NO = 60.87 % I d'nt know = 30.43 % NO Ans. = 0.00 %
- 31100 The role of the Industrial Development Committee is limited to licensing of projects.

YES = 63.04% NO = 28.26 % I d'nt know = 2.17 % NO Ans. = 6.52 %

31200 The Industrial Development Committee did not develop plans for the development & protection of national industry.

YES = 47.83 % NO = 30.43 % I d'nt know = 17.39 % NO Ans. = 4.35 %

31300 Due to prevailing circumstances the department of industrial affairs became a unit operating on a purely routine basis.

YES = 84.78% NO = 4.35 % I d'nt know = 8.70 % NO Ans. = 2.17 %

31400 D.I.A. suffers from a shortage in the required number of highly skilled, economists, engineers and other specialists.

YES = 84.78% NO = 0.00 % I d'nt know = 15.22 % NO Ans. = 0.00 %

31500 Salary & compensation scale do not encourage people to work in the D.I.A.

YES = 58.70% NO = 6.52 % I d'nt know = 34.78 % NO Ans. = 0.00 %

31600 The Industrial Development & Consulting Bureau is the only specialized department in I.A. service the I.D.C.

YES = 39.13% NO = 23.91 % I d'nt know = 34.78 % NO Ans. = 2.17 %

31700 Other existing department I.A. such as industrial planning & project evaluation department, industrial control department and standardization department are merely routine departments and they did not contribute to any studies related to industrial development.

YES = 41.30% NO = 17.39 % I d'nt know = 39.13 % NO Ans. = 2.17 %

31800 Project evaluation in I.A. is entrusted to employees with limited experience which results in a long delay in processing industrial applications.

YES = 73.91% NO = 2.17% I d'nt know = 17.39 % NO Ans. = 6.52 %

31900 The project evaluation may take as long as a full year which effects the original feasibility of the projects.

YES = 78.26% NO = 2.17 % I d'nt know = 13.04 % NO Ans. = 6.52 %

32000 There are no standards for evaluation of land required by the industrial project.

YES = 73.91% NO = 17.39 % I d'nt know = 8.70 % NO Ans. = 0.00 %

32100 Project licensing by MCI & approval of industrial loan by IBK takes as long as two years which results in higher project costs and the loss of available opportunities.

YES = 78.26% NO = 10.87 % I d'nt know = 8.70 % NO Ans. = 2.17 %

32200 The approval of plant design and drawings takes longer periods with varous government department due to the lack of standard formats & diversity of information

YES = 86.96% NO = 4.35 % I d'nt know = 8.70 % NO Ans. = 0.00 %

32300 There is a lack of detailed statistics to help industrial investors in their project identification studies.

YES = 95.65% NO = 0.00 % I d'nt know = 4.35 % NO Ans. = 0.00 %

32400 In evaluating projects the real economic cost of the project is neglected and emphasis is made only

on commercial profitability.

YES = 78.26% NO = 4.35 % I d'nt know = 8.70 % NO Ans. = 8.70 %

32500 There are vast amounts of studies and reports prepared by committee concerned with the future of industry in Kuwait, but none of these studies & reports was adopted officially as government policy.

YES = 63.04% NO = 8.70 % I d'nt know = 26.09 % NO Ans. = 2.17 %

32600 Are present forms used for the submission of industrial application adequate.

YES = 15.22% NO = 56.52 % I d'nt know = 26.09 % NO Ans. = 2.17 %

32700 Is sufficient data provided to the industrial investor by the industrial affairs prior to the submission of industrial application?

YES = 6.52% NO = 73.91% I d'nt know = 15.57 % NO Ans. = 0.00 %

32800 Are you aware of the criteria used by MCI for the evaluation of industrial projects?

YES = 34.78% NO = 50.00% I d'nt know = 13.04 % NO Ans. = 2.17 %

32900 Do you think that the process of evaluation of industrial applications by department of industrial affairs is efficient?

YES = 10.87% NO = 65.22% I d'nt know = 21.74 % NO Ans. = 2.17 %

33000 The staff of D.I.A. should be strengthened with the following objectives:

33001 Provide necessary advise & guidance to investors

YES = 93.27% NO = 2.17% I d'nt know = 2.17 % NO Ans. = 2.17 %

33002 Expedite decisions related to industrial applications

YES = 100.00% NO = 0.00% I d'nt know = 0.00 % NO Ans. = 0.00 %

33003 Study industrial investment opportunites in Kuwait and the Gulf

YES = 97.83% NO = 0.00 % I d'nt know = 2.17 % NO Ans. = 0.00 %

33100 The higher committee for standardization created by Amiri Decree no. 128 on 9/10/1977 to develop policies for standards & measures for industrial production did not prove successful yet.

YES = 43.47% NO = 19.56 % I d'nt know = 36.95 % NO Ans. = 0.00 %

33200 Do you think that the department of standards & measures provides a service to industry?

YES = 32.61% NO = 50.00% I d'nt know = 17.39 % NO Ans. = 0.00 %

33300 Are you familiar with procedures for the development of industrial standards?

YES = 39.13% NO = 32.61 % I d'nt know = 28.26 % NO Ans. = 0.00 %

33400 Are industrial product testing facilities made available by the department of measures & standards?

YES = 17.39% NO = 43.48% I d'nt know = 39.13 % NO Ans. = 0.00 %

33500 Does IBK take long time for the evaluation & approval of application for industrial loans.

YES = 43.65% NO = 23.91% I d'nt know = 30.43 % NO Ans. = 0.00 %

- 33600 Are IBK procedures to grant industrial loans complicated?  
YES = 32.61% NO = 39.13% I d'nt know = 28.26 % NO Ans. = 0.00 %
- 33700 Should IBK provide industrial loans at a better conditions.  
YES = 73.91% NO = 17.39% I d'nt know = 8.70 % NO Ans. = 0.00 %
- 33800 Does IBK provide technical and management assistance to industry.  
YES = 19.57% NO = 56.52% I d'nt know = 23.91 % NO Ans. = 0.00 %
- 33900 The commercial banks have no specialized staff to assess the need of financing working capital needed by industrial projects.  
YES = 54.35% NO = 28.26% I d'nt know = 17.39 % NO Ans. = 0.00 %
- 34000 Do you think that SAA (Earlier SID B) played a significant role in industrial development in Kuwait.  
YES = 36.96% NO = 45.65% I d'nt know = 17.39 % NO Ans. = 0.00 %
- 34001 Does the Ministry of Planning play a role in the planning of industrial development in Kuwait.  
YES = 36.96% NO = 56.52% I d'nt know = 6.52 % NO Ans. = 0.00 %
- 34200 Does the Kuwait Chamber of Commerce and Industry play an active role in the enhancement of industrial development in Kuwait?  
YES = 17.39% NO = 73.91% I d'nt know = 8.70 % NO Ans. = 0.00 %
- 34300 Do you favour the establishment of a separate industrial chamber of industrial union for industry in Kuwait.  
YES = 82.61% NO = 10.87% I d'nt know = 2.17 % NO Ans. = 4.35 %
- 34400 KISR is increasing its efforts to assist industry in the selection of appropriate technology & obtaining fair technology transfer conditions.  
YES = 30.43% NO = 41.30% I d'nt know = 26.09 % NO Ans. = 2.17 %
- 34500 Kuwait foundation for the advancement of science is not contributing to industrial research & development in Kuwait.  
YES = 43.48% NO = 36.96% I d'nt know = 19.57 % NO Ans. = 0.00 %
- 34600 Are you aware of the role of KPC as related to industrialization in Kuwait?  
YES = 47.83% NO = 21.74% I d'nt know = 30.43 % NO Ans. = 0.00 %
- 34700 Do you think that execution of industrial activities in the petroleum & petrochemical sector should stay in the hands of KPC?  
YES = 47.83% NO = 36.96% I d'nt know = 8.70 % NO Ans. = 6.52 %
- 34800 Does Kuwait university provide graduates according to the needs of local industry.  
YES = 4.35% NO = 93.48% I d'nt know = 2.17 % NO Ans. = 0.00 %
- 34900 Do you think that industrialists should participate in formulating special courses in the university geared to the needs of industry?

YES = 93.48% NO = 6.52% I d'nt know = 0.00% NO Ans. = 0.00 %

35000 Does the Public Authority for Applied Education & Training provide technicians & skilled workers as needed in industry.

YES = 10.87% NO = 67.39% I d'nt know = 21.74 % NO Ans. = 0.00 %

35100 Should the authority co-ordinate with industry for the development of its educational and training programmes.

YES = 100.00% NO = 0.00% I d'nt know = 0.00 % NO Ans. = 0.00 %

35200 What are the most serious problems you have encountered with the departments responsible for industry in Kuwait?

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PART IV : TESTING THE NEED FOR A NEW INDUSTRIAL DEVELOPMENT ORGANIZATION  
QUESTION PERCENTAGE

- 40100 Do you think that there is pressing need for the setting up of a central organization with administrative and financial independence to supervise the industrialization activities in Kuwait?  
YES = 89.13% NO = 6.52% I d'nt know = 2.17 % NO Ans. = 2.17 %
- 40200 Do you approve of grouping of various departments responsible for industrial sector in one organization?  
YES = 89.13% NO = 8.79 % I d'nt know = 2.17 % NO Ans. = 0.00 %
- 40300 Do you agree that these departments should be transformed into an industrial development authority?  
YES = 86.96% NO = 6.52% I d'nt know = 2.17 % NO Ans. = 4.35 %
- 40400 A new industrial law should be developed to create a new independent industrial development authority with more powers to plan, co-ordinate and implement industrial activities.  
YES = 91.30% NO = 6.52% I d'nt know = 2.19 % NO Ans. = 0.00 %
- 40500 The new authority is to participate in – or to help, within the limmits of its own capital – the establishment and management of those industries that would be economically feasible for the country.  
YES = 56.52% NO = 39.13% I d'nt know = 0.00 % No Ans. = 4.35 %
- 40600 To train specialists for industry and to seek measures for the development of national industry.  
YES = 73.91% NO = 19.57% I d'nt know = 2.17 % NO Ans. = 4.35 %
- 40700 The new I.D.A. should co-ordinate with other ministries the planning and execution of industrial services in the various new industrial areas.  
YES = 93.48% NO = 2.17% I d'nt know = 0.00 % NO Ans. = 4.35 %
- 40800 The new I.D.A. should pla and execute the necessary services in the new industrial areas.  
YES = 86.96% NO = 8.70% I d'nt know = 2.17 % NO Ans. = 2.17 %
- 40900 The new I.D.A. should create the necessary atmosphere for industrial development through specialized seminars, publications and other means of public relations.  
YES = 95.65% NO = 2.17% I d'nt know = 0.00 % NO Ans. = 2.17 %
- 41000 To set up specialized companies, such as spare parts manufacturing, maintenance workshops & computer services companies in the various industrial areas.  
YES = 52.17% NO = 84.78% I d'nt know = 0.00 % NO Ans. = 4.35 %
- 41100 To co ordinate solving of industrial labour problems with other ministries such as the Ministry of Labour and Social Affairs.  
YES = 91.30% NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 4.35 %
- 41200 To co ordinate with Kuwait University and the Public Authority for Applied Education and Training to develop special programmes to meet the needs of industry.  
YES = 95.65% NO = 2.17 % I d'nt know = 0.00 % NO Ans. = 2.17 %

- 41300 To co ordinate with the Ministry of Commerce and Industry the opening of Kuwaiti commercial centres in Gulf, Arab and developing countries to exhibit Kuwaiti products.  
YES = 91.30% NO = 4.35% I d'nt know = 0.00 % NO Ans. = 4.35 %
- 41400 Do you agree that the authority for industrial development in Kuwait should be:
- 41401 Government Authority.  
YES = 10.87% NO = 89.13% I d'nt know = 0.00 % NO Ans. = 0.00 %
- 41402 Mixed Authority.  
YES = 84.78% NO = 15.22% I d'nt know = 0.00 % NO Ans. = 0.00 %
- 41403 Private Authority.  
YES = 4.35% NO = 95.65% I d'nt know = 0.00 % NO Ans. = 0.00 %
- 41500 Who controls and monitors the activities of the new authority? The Board of Directors, Higher Council, Council of Ministers.  
BD = 47.82 % HC = 34.78 % CM = 13.00 % NO Ans. = 4.35 %
- 41600 Should IBK be linked to the new authority for industrial development  
YES = 67.39% NO = 26.09% I d'nt know = 4.35 % NO Ans. = 2.17 %
- 41700 Should IBK be transformed to an industrial development bank.  
YES = 71.74% NO = 15.22% I d'nt know = 10.87 % NO Ans. = 2.17 %
- 41800 Should KPC be represented on the board of the new authority for industrial development & visa versa for better co ordinated and integration between the various industrial sectors.  
YES = 84.78% NO = 10.87% I d'nt know = 2.17 % NO Ans. = 2.17 %
- 41900 Should SAA be charged with planning & operating of all industrial areas in Kuwait.  
YES = 23.91% NO = 58.70% I d'nt know = 8.70 % NO Ans. = 8.70 %
- 42000 Should SAA be merged with the new authority for industrial development.  
YES = 71.74% NO = 19.57% I d'nt know = 4.35 % NO Ans. = 4.35 %
- 42100 The staff of the new authority for industrial development should be of the highest caliber available in government and industry.  
YES = 95.65% NO = 0.00 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 42200 Is there a need to set up a National Institute for industrial technology to provide technical assistance to industry in Kuwait.  
YES = 60.87% NO = 30.43% I d'nt know = 4.35 % NO Ans. = 4.35 %
- 42300 Final decision regarding industrial development should rest with:
- 42301 The minister of Commerce and Industry  
YES = 8.70 % NO = 91.30 %

- 42302 The chairman of the I.D.A.  
YES = 17.39 % NO = 82.61 %
- 42303 The board of directors of the new I.D.A.  
YES = 73.91 % NO = 26.08 %
- 42400 The representatives of government ministries departments on the Board of the I.D.A. to be from:
- 42401 The Ministry of Planning  
YES = 91.30 % NO = 8.70 %
- 42402 The Ministry of Finance  
YES = 67.39 % NO = 32.61 %
- 42403 The Ministry of Commerce and Industry  
YES = 93.48 % NO = 6.52 %
- 42404 The Ministry of Electricity & Water  
YES = 80.43 % NO = 19.57 %
- 42405 Kuwait Municipality  
YES = 73.91 % NO = 26.09 %
- 42406 Kuwait Petroleum Corporation  
YES = 86.95 % NO = 13.04 %
- 42407 Environmental protection council  
YES = 69.56 % NO = 30.44 %
- 42500 The new organization for industrial development should be:
- 42501 Ministerial Department  
YES = 4.34 % NO = 95.65 %
- 42502 Public corporation  
YES = 86.96 % NO = 13.04 %
- 42503 Public Company  
YES = 2.17 % NO = 97.83 %
- 42600 The new organization should be:
- 42601 Linked to the Ministry of Commerce and Industry  
YES = 2.17 % NO = 97.83 %
- 42602 Independent but chaired by the MCI  
YES = 32.61 % NO = 67.39 %

- 42603 Independent & chaired by a full time chairman  
YES = 60.87 % NO = 39.13 %
- 42700 Members of the Board of Directors of the new organization to be selected from:
- 42701 Government officials only  
YES = 0.00 % NO = 100.0 %
- 42702 Government and private sector representatives  
YES = 95.65 % NO = 4.35 %
- 42703 Private sector representatives only  
YES = 2.17 % NO = 97.82 %
- 42800 Private Sector representatives to be appointed to the Board by:
- 42801 Council of Ministers  
YES = 23.91 % NO = 76.09 %
- 42802 Chamber of Commerce & Industry  
YES = 10.86 % NO = 89.13 %
- 42803 A consultative group of Kuwaiti industrialists  
YES = 67.39 % NO = 32.61 %
- 42900 Chairman of the Board to be:
- 42901 The Minister of Commerce and Industry  
YES = 41.30 % NO = 58.70 %
- 42902 Senior Government official  
YES = 6.52 % NO = 93.48 %
- 42903 Senior industrialist from privat sector  
YES = 45.65 % NO = 54.35 %
- 43000 Check the major departments to be set up within the new I.D.A.
- 43001 Industrial development department  
YES = 76.09 % NO = 23.91 %
- 43002 Industrial protection and promotion department  
YES = 78.26 % NO = 21.74 %
- 43003 Industrial control and standardization department  
YES = 76.09 % NO = 23.91 %
- 43004 Industrial areas and estates department  
YES = 71.74 % NO = 28.26 %

43005 Industrial investment department

YES = 67.39 % NO = 32.61 %

43006 Others specify?

.....  
.....  
.....  
.....

43200 Should the new Industrial Development Authority undertake any of the following tasks:

43201 Setting up strategic long term industrial plans

YES = 91.30% NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 2.17 %

43202 Development of detailed industrial plans and objectives

YES = 91.30 % NO = 4.35 % I d'nt know = 2.17 % NO Ans. = 2.17 %

43203 Project identification and development

YES = 91.30 % NO = 4.35 % I d'nt know = 0.00 % NO Ans. = 4.35 %

43204 Feasibility studies

YES = 91.30 % NO = 6.52 % I d'nt know = 0.00 % NO Ans. = 2.17 %

43205 Licensing

YES = 84.78 % NO = 6.52 % I d'nt know = 6.52 % NO Ans. = 2.17 %

43206 Selection of technology required for industry

YES = 50.00% NO = 36.96% I d'nt know = 6.52 % NO Ans. = 6.52 %

43207 Follow-up of implementation of industrial projects

YES = 78.26% NO = 17.39% I d'nt know = 2.17 % NO Ans. = 2.17 %

43208 Development and control of industrial specifications and standards

YES = 93.48% NO = 2.17 % I d'nt know = 2.17 % NO Ans. = 2.17 %

43209 Development and operation of infrastructure required by industry.

YES = 91.30 % NO = 2.17 % I d'nt know = 2.17 % NO Ans. = 4.35 %

43210 Grant financial support to industry

YES = 56.52% NO = 34.78% I d'nt know = 6.52 % NO Ans. = 2.17 %

43211 Conduct studies to support and protect industries

YES = 97.83 % NO = 0.00 % I d'nt know = 0.00 % NO Ans. = 2.17 %

- 43212 Supervise public and mixed industries  
 YES = 65.22% NO = 30.43 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 43213 Co-ordinate plans for regional and Arab industrial investments  
 YES = 84.74 % NO = 6.52 % I d'nt know = 6.52 % NO Ans. = 2.17 %
- 43214 Provide technical assistance to industry  
 YES = 93.48 % NO = 2.17 % I d'nt know = 0.00 % NO Ans. = 4.35 %
- 43215 Facilitate laboratory testing of products  
 YES = 82.61 % NO = 8.70 % I d'nt know = 4.35 % NO Ans. = 4.35 %
- 43216 Provide technical management training for industry  
 YES = 78.26% NO = 17.39 % I d'nt know = 2.17 % NO Ans. = 2.17 %
- 43217 Develop export promotion policies and necessary organization  
 YES = 91.30% NO = 0.00 % I d'nt know = 4.35 % NO Ans. = 4.35 %
- 43218 Organize industrial exhibitions  
 YES = 82.61 % NO = 8.70 % I d'nt know = 6.52 % NO Ans. = 2.17 %
- 43219 Administration of patents and trade marks  
 YES = 71.74% NO = 19.57 % I d'nt know = 6.52 % NO Ans. = 2.17 %
- 43220 Co-ordinate industrial investment abroad  
 YES = 63.04% NO = 23.91 % I d'nt know = 6.52 % NO Ans. = 6.53 %
- 43221 Devise and keep register of technology  
 YES = 80.43 % NO = 8.70 % I d'nt know = 6.52 % NO Ans. = 4.35 %
- 43222 Others, specify :

.....  
 .....

43223 What are your suggestions to enhance industrial development in Kuwait?

.....  
 .....

## APPENDIX 5

# RECOMMENDED ORGANISATION STRUCTURE FOR THE NEW INDUSTRIAL DEVELOPMENT AUTHORITY

### 10.5.3 Recommended Organisation Structure for the New Industrial Development Authority

The attached figure (7) at the end of this Appendix depicts the proposed organisation chart for the new recommended Industrial Development Authority. It consists of four major divisions: the Industrial Development Division headed by a deputy managing director for Industrial Development, the Industrial Areas and Estates Division headed by a deputy managing director for Industrial Areas and Estates, the Industrial Incentives and Controls Division headed by a deputy managing director for Industries Incentives and Controls and the Administration and Finance Division headed by a director for Administration and Finance.

The Industrial Development Division consists of an Industrial Planning Department, Project Identification and Feasibility Studies Department, a Licensing and Promotion Department. Each department is headed by a responsible director.

The major industrial areas and estates each headed by a specialised director are all part of the Industrial Areas and Estate Division together with an Industrial Area Planning Department. The Division for Industrial Incentives and Controls consists of five departments each headed by a director: the Incentives and Protection Department, the Standards and Measures Department, the Export Promotion Department, the Follow-up and Control Department and the Technical and Management back-up Department.

The Division for Administration and Finance consists of Internal Auditing, Administration, legal, and public Relations Department.

### 10.5.4 Objectives, Role and Structure of each Division

The objectives and tasks of the proposed new Industrial Development Authority were outlined in Section 10.3 and 10.4. This requires a well established organisational structure capable of achieving these objectives and carrying out the tasks of the Authority within the administrative and developmental framework of the State of Kuwait. The objectives, role and structures of the various Divisions of the Authority may be identified as follows:-

#### 1. The Industrial Development Division:

The main objective of this Division is the development and implementation of the objectives of industrial development in Kuwait and to establish necessary linkages with the objectives of the country's socio-economic development plans. Its role centres on formulation and recommendation to the board of directors of quantitative and qualitative objectives for industrial development, the setting up of long term industrial plans and detailed plans. These functions are to be carried out by the Industrial Planning Department. The other activity of this division is in the field of industrial project identification, the preparation of feasibility studies and techno-economic studies for potential industrial projects Identification and Feasibility Studies Department.

The Industrial Licensing and Promotion Department will be in charge of promoting potential industrial project with entrepreneurs as well as licensing and approval of industrial projects, while the Investment Department will be responsible for the development of financial policies for industrial projects and the co-ordination of plans for regional and Arab industrial investment and to

supervise the activities of public and some-public industrial enterprises as well as the co-ordination of Kuwait Industrial Investment Abroad.

The Research and Statistics Department will conduct research, analysis, information and data collection and classification related to the industrial sector and make such information and data available for industry and potential investors.

## 2. The Industrial Areas and Estates Division:

The objectives of this division is the creation of a necessary infrastructure and environment needed for industrial development. The division will be responsible for the planning of the industrial areas and estates in Kuwait through the Industrial Areas Planning Department. The implementation and provision of services and utilities in these areas will be carried out by various department designated to the industrial areas and estates such as Shuaiba Industrial Area and Sabhan Industrial Area and Shuwaikh Industrial Area. Each Department will consist of technical and administrative sections required for the implementation, operation, and maintenance of industrial utilities and services. These Industrial Areas Departments will also be responsible for development and control of environmental protection standards and operator safety standards.

## 3. The Industrial Incentives and Control Division:

The objective of the division is the creation of a balance between the state's support and incentives to industry and the compliance of industry with good industrial practice. The Department of Incentives and Protection will conduct necessary studies and formulate policies to support and protect industry as well as the development of customs exemption, customs increase, import restrictions and industrial subsidy policies.

The other department namely the Department of Standards and Measure will be responsible for development and control of product specifications and standards and the provision of facilities for laboratory testing of products and checking compliance with national specifications and standards.

The Export Promotion Fund is a specialised set-up within the Incentives and Controls Division to be responsible for development of export promotion policies and its implementation. The follow-up and Controls Department will be in charge of the development of industrial laws and regulations and monitoring and control of their adherence to licensing parameters. The Technical and Management Back-up Department will provide technical and management advisory services to industry. It will also participate in the organisation of technical and management training programmes to industry.

The Department will also contribute to the organization of industrial exhibitions, keep registers and administer industrial patents and trade marks, assist industry in the process of assessment of appropriate technology and devise and keep registers of established industrial technology in Kuwait.

The Administrations and Finance Division is a service division to provide administrative, auditing, accounting, legal and public relations services to the authority.

## Effectiveness.

It is imperative that efficiency and effectiveness of the management of industrial development should be improved to achieve targets while minimising time delays generally associated with in-effectiveness. The main areas which would require attention would be as follows:-

### 10.5.1 Decision Making

Clearly, decision making processes must be quick and appropriate, using advanced management techniques to meet the immediate needs of industry without deviation from long term views and targets. While rigidity is needed to implement decisions, the right amount of flexibility would be required to arrive at decision which fulfil the demands of a particular time frame but do not influence overall future plans by more than an acceptable factor.

Delays in decision making must be avoided as well as incorrect decisions due to misleading information/interpretation.

Decision making must be developed to a level where effective decisions are quickly forthcoming and of consequent benefit to the industry.

### 10.5.2 Communication

No management can be efficient or effective if proper information exchange is not achieved within the organisation. Decisions are generally delayed due to lack of information and are inaccurate due to misleading information. Better decisions can only come out of better communication.

### 10.5.3 Interaction with Industry

Whereas improved internal communications would lead to better organization, the information source is local industry. Interaction with industry data/information feed back, leads to an improved understanding of the outcome of previous decisions. This will enable corrective measures to be taken (if needed) as well as appropriate adjustment to short term and long term policy decisions.

It is perceived that such an interaction must be developed further in the interests of achieving overall objectives of industrial development.

## 10.6 Recommendations for the Development of Procedures and Methods

Procedures and methods for approval of industrial licenses, industrial plots and financing require improvement. The following is emphasised:-

### 10.6.1 Simplification

Procedures adopted by the existing organisation are tedious, lengthy and complicated. In the enthusiasm to assess all possible aspects of the applications, the procedures have become too complicated resulting in time delays in decisions and over complication. This area must be re-evaluated and procedures simplified without loss of logical processes.

### 10.6.2 Standardization of Evaluation Procedures

Evaluation procedures tend to have a partial subjectivity if evaluation policies are unclear. In such cases results are only as good as the opinions of the evaluator.

The need for standardizing evaluation procedures and criteria is hence self evident.

Although each industrial project must be individually evaluated on its own merits, categorization of industries in the order of priorities and resultant benefits must be done in accordance with long term plan objectives. Standard evaluation procedures must be developed to assess each individual project within the categories and pre-established evaluation criteria and norms. This must be accomplished to minimise subjectivity of the evaluation and achieve clear, objective results.

## 10.7 Recommendations of Human Resources and Productivity

Human resources is an important area for continuous consideration. Constraints related to human resources in Kuwait are typical of a low-population, developing country. The main aspects which need attention are:-

### 10.7.1 The Issue of Scarce Human Resources.

Kuwait typically faces a scarcity of local skills in industrial disciplines. The main reason is the comparative infancy of industrialization. Sufficient time has not elapsed for local industrial skills to develop naturally. None the less, the limitations posed by this scarcity make it important to accelerate the development of these skills among Kuwaitis.

So far, the majority of industrial manpower has had to be imported from all over the world, together with typical problems associated with such a policy. However, more and more local manpower is becoming available and the development of local industrial skills has achieved a different perspective and importance. Whereas previously it was a quantitative scarcity. This issue must be addressed more aggressively for long term development in the industrial sector.

### 10.7.2 Incentives

Historically, Kuwait has been a trading country where the social and cultural fabric has been woven on a trading background. Even at the present time trading activities are generally preferred over industrial skills. although it is true that the natural laws of demand and supply would eventually create a base for industrial skills development, a catalyst must be invoked in the form of incentives.

Incentives must be planned, not only for the development of skills, but also to create potential for personal return upon acquisition of industrial skills.

### 10.7.3 Management Training and Development Programmes

Another aspect of human resource and productivity development which needs attention is the development of industrial management skills. Success or failure on any industrial unit largely depends on the degree of management input. Also, industrial management differs from normal trading management in the sense that production, purchase and sales are fully dependent on each other and planning integration is generally required.

Programmes must be developed to provide management training in the industrial sector to ensure that the proposed new Industrial Development Authority is managed properly and risks of failure are minimised as well as industrial units installed as a result of government support and incentives.

At present such programmes are almost non-existent and this area in general needs on going interest and attention.

#### 10.7.4 The use of computers

Limited use of computers is made within the existing Department of industrial Affairs. However, information exchange, appropriate recording, quick retrieval and desired direction of interpretation can only be achieved by intensive use of computers in all relevant areas. This must begin with proposed activities of the new Industrial Development Authority in the area of information recording, exchange, retrieval and planning, followed by execution of plans and fed back. Appropriate requirements of computerisation must be defined and serious expansion in the present use of computers must be achieved.

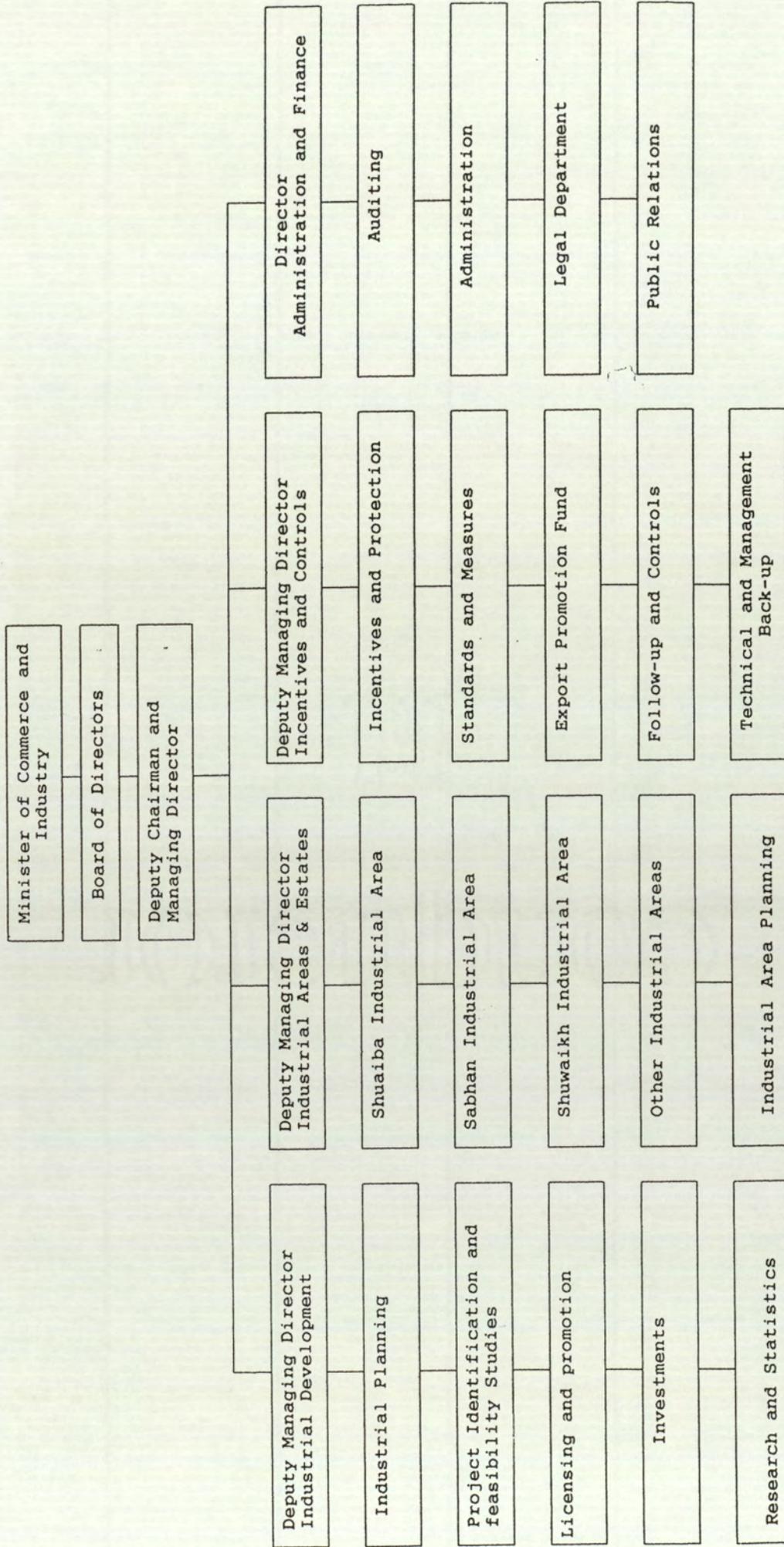


Fig. (7) Proposed Organisation Structure for the New Industrial Development Authority.

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