



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

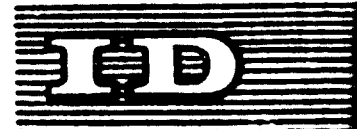
CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



05090



Distr.
LIMITED

ID/WG.167/1
19 November 1973

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

**Seminar on Financial Assistance and Extension
Services for the Promotion of Small-scale
Industries in the Caribbean Area**

**Bridgetown, Barbados
3 to 8 December 1973**

ANNOTATED PROVISIONAL AGENDA

AND

PROPOSED ISSUES FOR DISCUSSION[✓]

The following points have been prepared at UNIDO headquarters with a view to facilitating the discussion at the Seminar

- Item 1. Inaugural session - Opening addresses**
- Item 2. Adoption of the agenda - Election of Chairman and Vice-Chairman**
- Item 3. The contribution of small-scale industry to the development of the Caribbean countries**

The main theme of the Seminar is the role of small-scale industry in the programmes of over-all economic development, and in particular, plans for industrial development in the countries of the Caribbean.

✓ This document has been reproduced without formal editing.

id.73-7693

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. The first question might be that of the definition of small-scale industry in these countries. Is a rigid definition necessary? How can it be adapted to the small size of most of the Caribbean countries and to the limited scope of their economies? Is the purpose of a definition to set a limit to the eligibility for special measures of assistance? Or is it enough to make a distinction between locally- and foreign-owned enterprises without regard to size?
2. Participants are invited to express their views on the characteristics of small-scale industries already existing or that could be expected to develop in the Caribbean area. Would these be predominantly local enterprises promoted and established by entrepreneurs from the countries or territories or would they rather involve a local small entrepreneur together with some outside partner? If so, what are the most likely forms of partnership that could assist the development of small-scale industry in the Caribbean? Are there any special problems in the determination of policies and priorities both between different sectors of the economy (agriculture, public works, industry, etc.) and between the different industrial fields?
3. As regards the characteristics of small-scale industry in the Caribbean, what type of industries could be expected to develop on a small scale? Would they cater to the local market or is this too small even for small-scale industries? Participants might give information on the numbers and types of small-scale industries in their country or territory and the special problems confronting the expansion of such industries or the creation of new ones. What sectors lend themselves best to development? Small consumer goods industries, producing for the local or foreign markets, or producer goods industries? Industries catering mainly to the public institutional market, to building and construction or

possibly to the tourist trade? As regards the institutional market, the question might be discussed of how this market could be clearly identified and what measures should be taken to promote the purchase by local institutions of goods produced by local entrepreneurs.

4. Are there any possibilities for the development of ancillary industries in the Caribbean area, i.e. small industries undertaking subcontracting work for larger enterprises located inside or outside the region? What factors would influence the development of subcontracting and what measures could be taken to promote the development of ancillary industries?
5. What handicrafts exist in the Caribbean area and what possibilities are there for transforming some of them into modern small industries? What sort of assistance do the local artisans need? Is there scope for special programmes as have been carried out in Jamaica for instance (creation of "Things Jamaican")?
6. Another question which might be discussed is the source of entrepreneurship in small-scale industry. One group may consist of merchants or importers who might wish to engage in the manufacturing of items which until now they have been selling. A second group might be traditional craftsmen who might be prepared to establish a small industry in the field in which they previously carried out their craft, e.g. a carpenter who might set up a furniture factory. A third group could be those formerly engaged in agriculture. This is most likely to happen in the development of small agro-industries or small-scale services (repairing of agricultural implements, etc.) or industries in the agro field. Less clearly defined groups who might nevertheless provide a few entrepreneurs are former government servants, returning emigrants, recent graduates or workers in larger enterprises. This last group is of course the most common traditional source of small

industry entrepreneurs in more developed countries, but in the Caribbean large enterprises are few, and it is not certain whether this source could provide many potential small-scale industrialists. Participants might discuss their own experience on the source of entrepreneurship in the Caribbean countries.

7. Participants might also discuss the programmes, policies and objectives of local development agencies. What sort of people should they recruit and how should they carry out their work? How can their staff be adequately trained for their work?

Discussion papers:

- Country papers by participants
- The Economics of the Smaller Caribbean Islands and the Perspective for the Development of Small-scale Industry, by Carleen O'Loughlin
- Some Problems of Project Development in the Eastern Caribbean, by V.A. Richardson
- Transformation of Handicrafts into Small Industries in the Caribbean Area, by D.N. Saraf
- Small-scale Industries in Rural Scotland, by D. Ogilvie
- Development Possibilities for Small-scale Industries in Specific Fields of Industrial Activity, by A. Neilson (part of a UNIDO publication on Small-scale Industry in Latin America)

Item 4. Technical Services and Assistance for the Development of Small-scale Industry

1. This type of assistance can be divided into that given to established small-scale industries and to new small-scale industries, respectively. As regards the technical services for established small-scale enterprises, this may include investments and consultations, in-plant studies and question-and-answer services.
2. Participants are invited to discuss the main problems confronting small industrialists. The attempts to modernize small industries or artisan activities often encounter psychological obstacles as

well as economic and physical ones. How does one create an awareness in the small-scale entrepreneur of the need to introduce changes and to proceed with modernization? There are also physical obstacles such as the unsuitability of premises. Can changes be introduced gradually so that the small entrepreneur can realize the need for modernization?

3. In the case of new small industries, technical advice may include help in selection and installation of machinery, product development and assistance in putting the plant into operation. Can assistance be given in determining the scale of production facilities to be set up? Can help be given in obtaining the machinery required or, even more important, in finding out who the potential suppliers of the machinery are?
4. A discussion might take place on equipment appropriate for small enterprises. A great deal has been written and discussed on the fact that most of the technologies proposed for small enterprises are inadequate for their needs and are more suited to large industries. Should appropriate technologies permitting a suitable choice of equipment be evolved for small-scale enterprises in small countries? What are the characteristics of such appropriate technologies? Is it just a question of finding labour-intensive methods to provide as much employment as possible, or are there additional factors to be taken into consideration, such as quality, skills and appropriate product design?
5. What type of information is needed to encourage local potential entrepreneurs to set up small-scale enterprises? Are market information and detailed studies of potential markets both within the country and outside of special importance? How can the market be determined without excessive investment in studies, given the size of the industry to be created?
6. Discussion is also invited on the possibility of combining technical services with training. What are the training needs of small

enterprises? Do they differ from those of large-scale industries, if such exist in the country? What are the advantages and disadvantages of combining technical advisory services with training? Is it efficient to combine the two, i.e. extension work and training, or would such combined efforts place too much emphasis on the training side and too little on the direct advice which the small-scale entrepreneur may really need?

7. Participants are invited to express their opinions on the type of training that might be given to entrepreneurs setting up small-scale industries. What are the needs in the field of management training? It has often been stressed that the management of a small enterprise requires a different approach than the carrying out of a management function within a large organization. If this is so, what sort of management training and advice should be given in the case of the small industrialist? Is it enough to set up bookkeeping systems and simple forms of control? Are there ways of improving the entrepreneurship of a man through training so that he is more ready and able to assess the possibilities before him and make decisions accordingly?
8. A discussion is invited on the role that industrial estates might play in the promotion and development of small-scale enterprises in the Caribbean. This could take different forms: improved tracts of land in which individual entrepreneurs would be allocated plots and would then build their own factories; construction of standard factory buildings for rent to small entrepreneurs, which would ease their capital problem and enable them to start producing without delay. Clearly the latter arrangement has financial implications since the government or a development institution would have to finance considerable investments. In small countries the industrial estate can be of a very simple nature, consisting merely of a row of workshops to enable artisans and other entrepreneurs to start industrial operations. At a later stage,

if the worksheds are successful the entrepreneur could proceed to build his own small factory. Participants are invited to discuss this approach which has been used in some of the less developed countries with a certain degree of success.

9. Are investments in industrial estates justified and do estates really stimulate the growth of small-scale industries? The experience of Barbados, Trinidad and Jamaica might be of interest in this connexion. If an industrial estate is to be built, what are the criteria for deciding its location? Are larger estates preferable in a single location or would it be better, in the case of the Caribbean, to have a few small industrial estates? The latter might have the advantage of dispersing industrial development and employment opportunities, but might increase the administrative and infrastructure costs. How should the industrial estate be managed? Participants are invited to express their views on whether it should be administered by a development corporation or handed over to a separate organization. Is there a role for private companies in the development of industrial estates?
10. Should industrial estates be started on the basis of economic rent right from the beginning or is there a need for a period of subsidising rents as an incentive? Should account be taken in assessing rentals of the costs of infrastructure investments or should these be considered as the state's contribution?
11. In some countries industrial estates have been established by groups of industrialists either in the form of a co-operative or an association. Is there scope for this type of "self-help" in the countries of the Caribbean? If so, what can be done by governments and institutions to foster this type of initiative, which is clearly desirable?

(During the Seminar, a visit will be made to industrial estates in Barbados in the region of Bridgetown.)

Documents:

- The Economics of the Smaller Caribbean Islands and the Perspective for the Development of Small Industry, by Carleen O'Loughlin
- Small-scale Industries in Rural Scotland, by D.A. Ogilvie
- The Potential of Small Industry and Experiences in Setting up Industrial Liaison and Extension Services in Trinidad and Tobago, by K.V.S. Murthi

Item 5. Financing of Small-scale Industry

1. Financial assistance for small industries is clearly vital if such industries are to be developed. The question is how such financial assistance should be provided. Can it be left to the commercial banks to play a role similar to that which they play in more developed countries where they finance mostly the larger industrial undertakings? The prevailing view is that special financial assistance schemes are needed for small industries since the risks involved are beyond what the regular commercial banking institutions are prepared to accept. Participants are invited to discuss ways in which such financial assistance can best be organized. Is it feasible for government funds or guarantees to be given to commercial banks to encourage their lending to small industries?
2. On the other hand, it is necessary in some cases to set up separate financial institutions to provide credit for small industries. Credit schemes of this nature are often administered by government departments or by special development financing institutions. In several Caribbean countries these exist and it would be of value for participants to discuss their experience of the adequacy of these arrangements for providing the potential entrepreneur with the finance he needs to implement his project. Discussion is invited of the different forms of programmes of financial assistance for the small enterprise. How are the requests for financial assistance to be screened? This requires competent loan advisors or officials able to evaluate the feasibility of a project. It also requires

some ability or assistance for potential entrepreneurs to present their projects for financing in a "bankable" form, so as to be accepted.

3. What should be the role of regional financing institutions such as the Caribbean Development Bank in providing financial assistance to small industries?
4. It is stated that the process of credit screening should depend on a technical assessment of the prospects for the project as well as on an evaluation of the entrepreneur's capabilities. This suggests that not only the feasibility of the project is in question before financial assistance is approved but also the ability of the entrepreneur to carry it through.
5. The question arises what should the relationship be between financial assistance and extension work or technical counselling? It is clear that the two should be linked in some way since the provision of finance without technical assistance puts in jeopardy the success of the operation for which financing has been given. Can technical assistance be considered a form of security to ensure that the financial assistance is to be put to the use for which it is intended and that the beneficiary will be able to repay the loan made? This is the basis of so-called "supervised credit schemes". Participants are invited to discuss the question whether existing financing institutions are adequately equipped to carry out this role or whether there is a need for reorganization and additional staffing. The question also arises whether the recourse to technical assistance and training should be compulsory if the entrepreneur is to receive financial assistance.
6. Organisational problems may arise if the financing institution does not supervise the loans itself or if it is not able to provide technical assistance to borrowers. It may then be necessary to have different institutions for, respectively, financial assistance and

technical advisory services. When this is the case, how can their activities be co-ordinated? In practice, the technical advisory services are used not only to follow up by providing technical assistance to those granted loans, but sometimes they are also used to make technical evaluations in the screening of loan applications. Practically every industrial project, whether a new enterprise or the expansion and modernization of an existing one through the introduction of new products or production lines, requires technical evaluation. Such knowledge would not normally be available in a financing institution unless it has special staff for this purpose. If such capabilities do not exist in the financing institution, would it not be better, rather than hire such consultants, to use whatever technical institution is available? In small countries it may be difficult to find the technical capabilities needed to assess the project or provide technical assistance after it is approved. Discussion is invited how this can be overcome, either through the use of regional technical services or through the wider use of technical information services? Or are there other solutions?

7. In several countries it was found that the risk involved in lending money to small entrepreneurs could be reduced through the introduction of a hire-purchase scheme for the supply of machinery and equipment. Under this scheme the entrepreneurs are not actually given money when they need financial assistance; machines and equipment are procured by an institution according to what is indicated when the applications are made. The machinery and equipment do not actually become the property of the borrower until he has made all the necessary instalment payments. As long as this is not done, the machinery is the security. What is the applicability of a hire-purchase system for machinery for small-scale entrepreneurs in Caribbean countries?

8. In some countries where the total volume of financial assistance cannot be very large, it might be preferable to use commercial banking channels as much as possible. This could be done either through channelling public funds through commercial banks or using these for disbursing the loan and the debt. Other possibilities include using government subsidies to enable banks to provide loans at lower than normal interest rates or to compensate the extra work involved in examining and handling small industry loan applications. A subsidy may also be used to encourage commercial banks to accept a higher incidence of risk than would normally be accepted. What is the experience with commercial banks in the Caribbean and could any of these methods be used to stimulate their greater involvement in small industry financing?
9. Participants might wish to discuss the possibilities of using guarantee schemes whereby loans made through commercial banks would be either wholly or partially guaranteed through public funds. This system has proved quite successful in some European and Latin American countries. Is there scope for guaranteed schemes in the Caribbean?
10. Is there a role for co-operative financing to provide small-scale entrepreneurs with loans or with guarantees for financing? Could this be applicable in the Caribbean?
11. Apart from the above aspects of financial assistance to small industries, other points might be discussed, such as the ways in which applications for credit should be handled by the institution, whether it should play a passive role and simply wait for small industrialists to take advantage of credit programmes or adopt a dynamic role in promoting financial assistance programmes.
12. The question could also be discussed of the processing of loan applications and in what form should the decision depend on public or semi-public committees? Participants might give their opinions

on the size of loans both as regards the use of maximum and minimum limitations with a possible gradation of authority based on amounts approved. Time can also be a factor. Many small industrialists complain of lengthy delays in obtaining the credits. How can the process be speeded up?

13. The question also arises on the purpose of financial assistance. Many small industries in small countries complain bitterly that whereas credit is available for the purchase of fixed assets, there are no such facilities for assistance with working capital. What schemes could be developed to overcome this difficulty?
14. Latterly some developing countries have found that financial assistance in the form of loans to entrepreneurs is inadequate either because there are too few entrepreneurs with any capital or because there is too little control over the project after the loan is given. They have therefore proposed new schemes of "equity financing" of small industries which involves the participation of a development corporation in the equity capital in partnership with the private entrepreneur. In countries at a very early stage of industrial development such as Swaziland and Botswana in Africa, development corporations have been established that set up small plants directly and then lease them to potential entrepreneurs. The latter may buy the enterprise or workshop which he has been leasing over a period on easy terms after he has shown that he is able to operate the facilities successfully. If not, the corporation changes the tenant leasing the enterprise. Could such systems be successful in the Caribbean islands?

Publications

- Integrated Programmes of Financial Assistance and Technical Advisory Services to Small Business, by R.J. Bowen-Ashwin

Item 6. Regional and international co-operation

Local and international co-operation in the field of small-scale industry

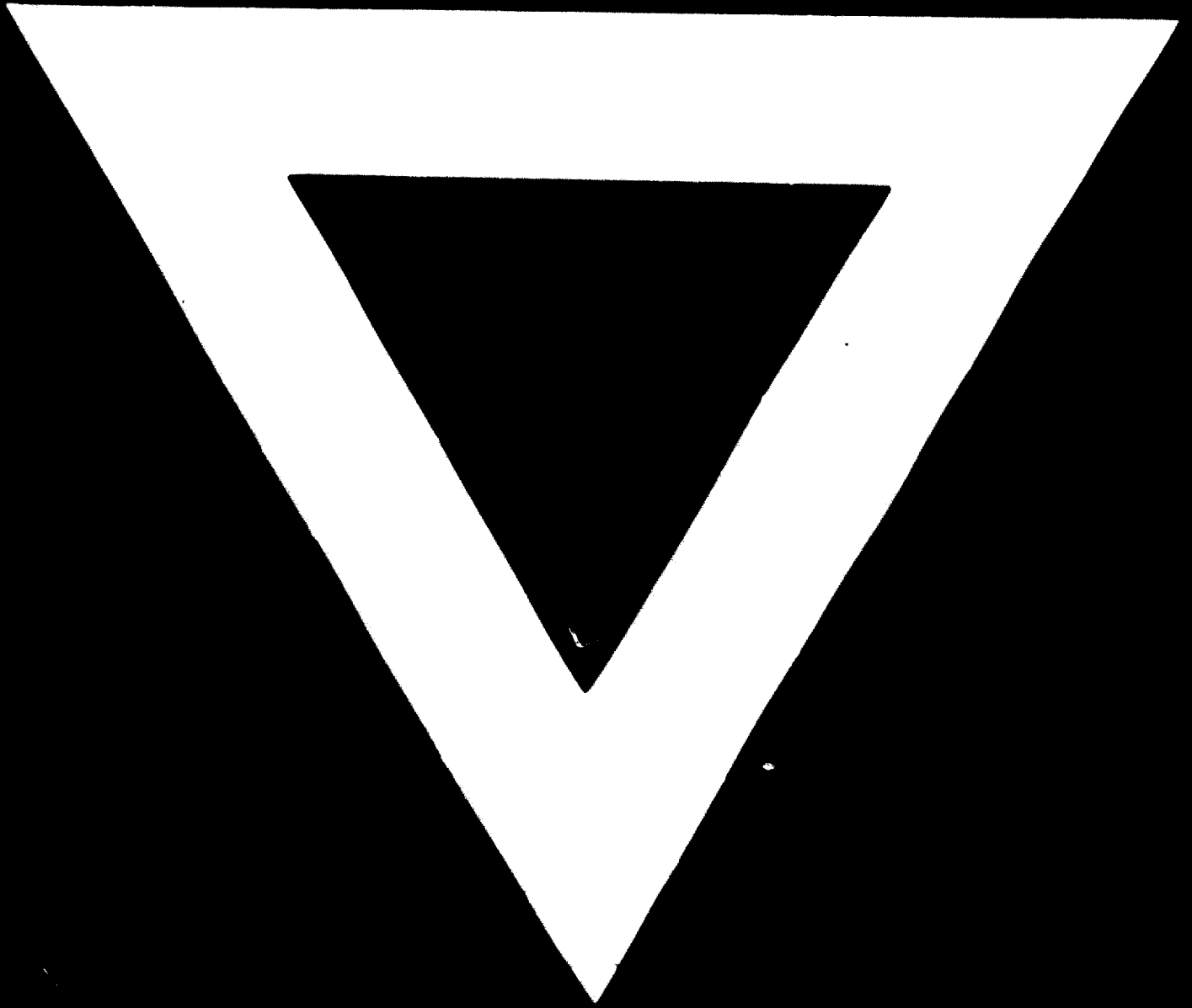
1. The Caribbean is an area with different groupings for regional integration. The smallness of some of the islands and territories makes some forms of economic co-operation and integration vital and in recent years considerable progress has been made within the Caribbean Community (formerly the Caribbean Free Trade Area), which brings together all the countries of the English-speaking Caribbean area. Also the ECCM, or Eastern Caribbean Common Market, has been created, which includes the small islands of the Eastern Caribbean. Both of these groups will play an important role in the economic development of their different member territories.
2. The question deserves discussion as to whether there is scope for promotion of small-scale industries through regional co-operation. Participants might like to recount their own experience and opinions on regional co-operation in assisting small industry development. The Caribbean Development Bank already operates a Small Business Loans Service and it would be extremely relevant to hear more of its experience and some evaluation of the operation of the programme. The Caribbean Research Institute (CARIRI), centred in Trinidad, has tried to promote some research development activities for the whole Caribbean although concentrating in the first phase on Trinidad. Is there more scope for handling these problems of providing technical advice on a regional basis through regional institutions? A project for a management and industrial promotion service for the whole Caribbean area is being planned on a regional basis. How can this be effective in assisting small entrepreneurs?
3. Both the Caribbean Community and the Eastern Caribbean Common Market have been involved in pre-feasibility studies for new industries, in some cases of a regional or sub-regional character.

However, in some cases larger enterprises for single islands have been or are being studied. Is there scope also for these regional or sub-regional organizations to make studies on potential small industries or industrial estate projects for groups of small enterprises?

4. So far, international technical co-operation, particularly that from UNIDO, in the small industry field has mainly been confined to the larger islands: Trinidad, Jamaica and Barbados. What is the scope for further technical assistance from UNIDO in the small industry field? Would it be possible to develop projects of a regional nature, where some technical advisory services would be given through experts located in one centre but available for travel throughout the small islands? Is, in fact, the idea of some regional technical service feasible, and how could it be developed with international technical assistance? Participants might wish also to discuss projects that would combine financing through international or regional financial institutions, such as the International Bank for Reconstruction and Development, the Inter American Development Bank and the Caribbean Development Bank, and technical co-operation projects of the type that UNIDO might assist.

Publications:

- The Economics of the Smaller Caribbean Islands and the Perspective for the . . .
Development of Small-scale Industry, by Carleen O'Loughlin
- UNIDO Project in the Small-scale Industry Field in the Caribbean Area



2 . 9 . 74