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PLANNING AND PROGRAMMING FOR THE
DEVELOPMENT OF SMALL-SCALE ENTERPRISES 1/

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I. WHAT IS A SMALL SCALE ENTERPRISE?

1. Although it is unnecessary to formulate any precise definition of a small scale enterprise it is essential to arrive at some general description in order that there may be co-incidence of thought when considering problems and solutions and strategies for development. There is not, and cannot be, any universally acceptable definition. The definition which was adopted by the Government of India in 1967 and which fixed the limits of small scale industry as being any industry which employed not more than 50 persons if power was used and not more than 100 persons if power was not used would encompass more than 90% of all industrial undertakings in some of the least developed countries. Even so, the definition which was adopted in India had to be changed within two years and has had to be changed again on several occasions since to cater for the needs of progress.

2. A definition which, with some modification, was used fairly extensively in the English speaking countries of Africa in the later 1960's has the elements of a more acceptable definition but is too cumbersome for practical use. This definition was:

"Any undertaking which is conducted for the purposes of profit and on a whole time basis, in which between one and twenty persons are employed including working proprietors but not including apprentices, and which can be started and operated with relatively limited financial means and skills, but excluding enterprises wholly or mainly engaged in primary agricultural

production or forestry or fisheries, and also excluding enterprises engaged in the handling of money or conducted for the purposes of entertaining or gambling; excepting that enterprises with up to fifty persons employed should not necessarily be excluded from the small or small scale categorization where it is beneficial to the National interest that they be so regarded. In any case industrial co-operative societies should be included within the definition of small scale industries irrespective of the number of their members."

3. There are a number of aspects of this definition which are worth consideration, and which may be acceptable in arriving at co-incident thinking. The first is that only those activities which are conducted for the purposes of profit are included. Unless profits occur there cannot be development. It is not impossible that an enterprise is established as a 'Company not for profit' but this does not mean that the aim is not to make profits; it only means that such profits as may be made are not distributed to the members of the company but are wholly employed in furthering the objects of the enterprise. In some countries there may well be a social or political requirement to ensure the continuance of subsistence type activities but if such activities have no developmental potential they cannot logically fall within the province of an economic development programme, and expertise and finances provided for development should not be applied to merely maintaining a status quo.

4. The inclusion, in the above definition, of the phrase 'on a whole time basis' is worthy of consideration. This is really the dividing line between handicrafts and small scale industry. This is the point at which entrepreneurship starts; the point at which the risk of abandoning the comparative security of paid employment or traditional farming occupations, which may be supplemented by spare time earnings, is accepted.

5. Whether or not enterprises engaged in primary agricultural production or forestry or fisheries are excluded depends upon the thinking in the particular country and whether or not such activities are catered for adequately by any agricultural development programme.

6. The exclusion of businesses established for the purposes of the handling of money or for entertainment or gambling arises from experiences in the operation of loan funds in certain countries where funds were disbursed in support of private money lenders or for the establishment of dance bands or football pools agencies, which are hardly acceptable as developmental businesses although they may be sources of considerable profit.

6. Despite the attempt at comprehensiveness, the definition which is quoted above still misses the main objective of any programme for small scale enterprises development, as, also, does the Indian definition. The word 'small' or the expression 'small scale' can be misleading in that there can be a confusion between these descriptions and the word 'unimportant' or the idea of 'lesser importance'. This is far from the truth as will be demonstrated later.

7. The main objective has nothing to do with the encouragement of the establishment, or the support during operations, of businesses of any particular size. The main objective is to provide assistance and support for business enterprises which are wholly or mainly owned and managed by citizens of the country, other than publicly owned businesses. The objective is to encourage and develop local private entrepreneurship so as to bring about a reduction and the eventual elimination of non-citizen domination of the industrial and trading sectors which is a feature of most developing countries.

8. It is true that by the very nature of things most of the locally owned and managed businesses will commence at a small scale level but a programme which has a 'cut off point' for the provision of assistance based upon some arbitrary limit of numbers employed, or capital invested, or value of output, can be self defeating. It is, surely, the interest of any country to provide priority and continuing assistance to the entrepreneur who makes rapid progress. The basis of any programme for educational development must include provisions for assistance for students who show capabilities for benefiting from secondary school and university education. In similar fashion any programme for the development of local entrepreneurship must provide for continuity of assistance for successful entrepreneurs and must, in fact, give priority of assistance to such persons.

9. The use of the description 'enterprises' in preference to 'industries' is chosen deliberately. In the first place, any programme for the development of local entrepreneurship should cater for the provision of assistance in the establishment and expansion of local ownership in trading and servicing activities as well as in industry. Many of the most successful locally owned industries develop from local traders who, having recognised the existence of a demand for particular products, decide to establish manufacturing businesses to substitute for products which they have previously imported or purchased from non-citizen sources.

10. More important is the implication that an 'enterprise' is enterprising, or has capacity for growth. 'Enterprising' and 'having development potential' are synonymous.

II. WHY SHOULD LOCAL ENTERPRISES BE DEVELOPED?

11 In derogatory terms, England has been described as a 'Nation of Shopkeepers' to indicate that people were so much pre-occupied with their own small business enterprises that they were not concerned with national and international affairs. But the involvement of the local people in their own business affairs has resulted in the avoidance of civil strife and peaceful emergence for 300 years. The first requirement for political stability is that the people of a country should be given the opportunities and assistance to participate in the benefits of independence and economic development.

12 Political independence which is not accompanied by economic independence; or the prospect of attainment of economic independence, is, to say the least, a frangible state. And thus the involvement of the local people in the economic development of their own country is a matter of prime importance.

13 It is a common axiom that, if you are a foreign tourist, you do not select a restaurant to eat in unless that restaurant is well patronised by the local population. In the same way, foreign investors are shy of establishing larger scale industries in countries where there is an absence of local entrepreneurial activity. Apart from the fact that a flourishing local industries and business sector gives the expatriate investor a feeling of confidence, it also gives such investors the assurances of being able to find ancillary suppliers and repair and maintenance services.

14. The employment generative factor is another important consideration which must be taken into account in the arguments in favour of local enterprises development. Most non-local investment interest in manufacturing is concentrated upon capital intensive projects or upon large projects which may require large numbers of workers but which are concentrated upon the main urban areas. Most of the developing countries are faced with the dual task of employment opportunities

creation whilst ensuring that the rural areas are not denuded of their population by the attractions of employment and wage earning opportunities confined to one or two main urban localities.

15 In one developing country the small enterprises development project with a total capital investment of the equivalent of between \$600 000 and \$700 000, including capital invested by Government in small industries estates and in the equipment leasing/purchasing scheme and the materials procurement scheme, together with the investments of the local entrepreneurs, has resulted in 550 new whole time jobs and a smaller number of part time jobs with wages totalling about \$300 000 per annum and spread over six locations in different parts of the country. In the same country the wood pulp mill and the large scale sawmill have an investment/employment ratio of about \$15 000 per job. It can be seen from this example that in the small enterprises project less than the equivalent of \$1 million in capital funding has resulted in the creation of 550 jobs. In the large scale industry sector \$8½ million would need to have been found to provide the same level of employment and, in any case, this employment would have been confined to not more than two locations instead of being spread around the country.

16 The effect of local enterprises in retarding the drift of the population, and especially the younger element of that population, from the rural areas by providing wage earning opportunities is dually important. If nothing is done to halt this drift the social services and welfare and residential facilities in the urban areas become overstrained. At the same time agricultural output diminishes due to the fact that the services and help of the younger members of farming families which are needed to supplement the regular farming workers in times of harvest and planting are no longer available.

17 Nor should the effect of a well conceived local enterprises development programme in harnessing the latent capital resources in the developing countries be ignored. In most of these countries there are considerable reserves of capital which are hidden away and which, either as a result of mistrust or lack of understanding never find their way into the banking system or into any savings programme. This latent wealth emerges when the owner knows that it can be used to induce other capital into the establishment of an enterprise over which he has control.

III. HOW CAN A LOCAL ENTREPRENEUR BE IDENTIFIED?

18 In any programme for the development of small enterprises or locally owned enterprises this is the most problematical question of all. Entrepreneurial capability and technical ability should never be confused. Out of the many persons who have the requisite technical know-how and abilities only a small proportion may have the capacity for commercialising those abilities and know-how. Many of the technically capable are content to find regular and safe employment and to let their employers profit from their abilities.

19 It may be easier to identify entrepreneurship amongst a number of self employed artisans or shopkeepers than it is to do so amongst a number of persons who have never been other than employees, but there is still no certainty that the identification will be true. The fact that a man, or a woman for that matter, has chosen self employment rather than employment under someone else's 'roof' is not necessarily any proof of a desire to be an entrepreneur. The self employment may have been induced as an act of desperation because other employment was not available. It may have been induced by a dislike of discipline and routine or by some other preference for self convenience. Nor is the fact that the person already owns a store or other small business any proof that the person has genuine entrepreneurial capabilities. In the developing countries especially, store ownership is frequently regarded as a means of acquiring social status rather than economic advancement. Entrepreneurship is often defined as the preparedness to take risks. However, risks may be taken up to a limited extent to satisfy social ambitions, without the person being a true entrepreneur who is prepared to continue taking risks.

20 When it comes to trying to select persons with entrepreneurial talents or intentions from those who have not yet broken away from the ranks of employed persons the task is even more difficult.

21 There are no yardsticks whereby real entrepreneurs or potential entrepreneurs can be clearly identified. To some extent the preparedness of the entrepreneur or potential entrepreneur to invest his own finances in his own business can be taken as an indication of an overriding entrepreneurial spirit. There must be a strong desire for profit. It is worth repeating that without profit there cannot be development and the applicant for assistance who gives as his motive the wish to help other people or to help the National interest is not an entrepreneur.

22 Based upon a considerable number of case studies in India, Morgan Jaal demonstrated that entrepreneurial talent could be identified with a reasonable measure of certainty with the use of a technique of semantical graphology. This method involves the introduction into what appears to be normal interview questions, of words and phrases and controversial statements and assessing the interviewee's responses and reactions in terms of a 1 to 7 rating with 1 being strongly negative, 4 being unresponsive, and 7 being strongly positive. The system is, unfortunately not generally acceptable, especially in developing countries, because the results may be distorted by insufficient fluency in the local language by the interviewer or insufficient fluency in the language of the interviewer, by the interviewee. There is also the problem of having trained appraisers available.

23 More simple techniques such as a deliberate attempt to discourage applicants with a view to ascertaining their determination to become self employed and to be included in any

provision of assistance have limited effectiveness although they may have some usefulness. Such methods may be more useful in 'weeding out' non-entrepreneurs rather than in discovering true entrepreneurial talents.

24 Thus, it has to be accepted that any programme for the development of local enterprises is, inevitably, a high risk project - in other words, the programme for local enterprise development must be risk oriented or entrepreneurially conceived itself. Intuition rather than scientific proof may have to be the guiding principle.

IV. WHAT ARE THE OPPORTUNITIES FOR SMALL SCALE AND LOCAL ENTERPRISES?

25 The extent and variety of opportunities for local entrepreneurs to establish and expand their own business enterprises will, of course, be materially affected by the extent to which Government is prepared to provide sheltered conditions for such enterprises. In most developing countries a certain level of protection is afforded and this may range from the complete reservation of certain types of industry or certain categories of trading activity for local entrepreneurs to fairly modest levels of tariff protection or preference in the allocation of Government tenders. It is, however, a fallacy to imagine that small scale and local enterprises cannot be established and operated viably without such special provisions. Small scale and local enterprises have a rightful and natural place in the economic structure and it is necessary to recognise this even when subsidization and protection is being contemplated.

26 A market profile in any country and in respect of almost any category of goods will show three main segments. The middle segment, which is by far the largest in terms both of quantity and total sales value is the mass consumer market supplying articles of standardised design and quality to serve the needs of the general population. In order to be a successful supplier in this segment of the market the producer must have a high and well organised output and a sophisticated selling organisation. Viability depends upon maintaining high turnover on low profit margins and this, in turn, demands skilled management and extensive capitalisation. This is not the segment of the market which is suited for the small scale industry or the local entrepreneur in the early stages of his development. Either side of this middle segment are the

segments which provide for the needs of the very low income buyers or for the demands of those buyers who prefer specialised products and whose incomes make it possible for them to afford non-average items. It is towards this last mentioned segment of the market which the small scale and local producer should look, and it should be towards assisting the small scale industry to cater for this segment of the market that technical assistance and small enterprise development programmes should be directed. The concept of starting off the small scale and local entrepreneur with the objective of catering for the very low income group market is an erroneous one. The possible margins of profit are so low as to make it impossible for any portion of those profits to be reserved for expansion and development. Furthermore, the entrepreneur who is accustomed to considering production at the lowest possible costs with no concern for quality is not the type of entrepreneur to be encouraged.

27 In most of the developing countries small scale and local industries have particular opportunities in developing the utilisation of local resources and this is a field in which they should be encouraged. These may be natural resources or skills resources. The small entrepreneur who is reliant upon imported materials can be in a dangerous position in view of the fact that his requirements are rarely sufficient for him to be able to import directly at advantageous prices or on reasonable payment terms and he may become much too dependent upon middlemen importers unless there is any Governmentally sponsored scheme to assist with such imports. The local industry which is based upon the conversion of locally available materials is in a much more secure position and, in addition, is much more valuable economically in that it is able to initiate the utilisation of materials which are in insufficient supply to attract any large scale conversion industry or to make export a worthwhile proposition.

28 In the encouragement of local skills the smaller industry has a special rôle. In the larger and mass productive industries the requirement is for imitative skills and initiation at the production levels is not greatly encouraged. In the smaller industry inventive skill is given more freedom and greater rein and the worker is more of an individual than an accessory to a machine.

29 The value of a thriving local and small scale enterprise sector as an inducement to larger scale investment has already been touched upon. Most papers and discussions on small enterprises development point to the important rôle of small enterprises as ancillary suppliers to larger undertakings. In this context the small scale supplier and the larger scale user are partners and the local or small entrepreneur should never feel that his position as an ancillary supplier is an inferior one. Even in the so called economically developed countries the large industry is very much dependent upon a multitude of small scale producers and none of the leading producers of motor cars, for instance, would be able to survive if there were not suppliers at hand to provide the thousands of items which are needed to fabricate a completed vehicle and where the quantities needed are too small to make it economic for them to be produced by the main assembler.

30 Import substitution is a rôle which is frequently prescribed for small scale and local industries. Whilst this is an important rôle the implications must be fully understood and these implications will be modified from country to country. In most of the least developed countries the market for consumer goods is very small in terms of both quantities and value. Because of the smallness of the market an industry which is wholly oriented to import substitution production may be unable to achieve proper economy of scale and may only be able to survive with higher sales prices than those which are possible in the case of imported goods. In such a case the general public may be required to subsidise local production. Alternatively, the local unit may sell at the same price as would be charged for imported goods but the public revenues lose the benefit of

import duties which would be levied on the imported items. The conservation of foreign exchange may be a determining factor but even so the preference must be for export and foreign currency earning enterprises.

31 In the field of export oriented industries small scale and locally owned enterprises have a much greater potential than is generally acknowledged. The broad division of the consumer market into three main segments has already been recognised. In the more developed countries the top segment, i.e. the segment which has a preference for special quality and non-average design items is much more pronounced than it is in the developing countries partly because of the higher buying power and partly because of the growing anathema towards standardised products. The diminishing availability of hand finished and specialised items produced in the developed countries makes the opportunities for such products from the developing countries more pronounced. In addition to the opportunities for the export to the developed countries of finished products there is a growing tendency for the developed countries to 'sub-contract' processes which need a high proportion of hand labour to the developing countries. Examples of this may be found in the production of electronic components and in the exportation from Europe of jewels to be processed into watch bearings or into cut and polished stones, and re-exported to Europe.

32 There are also numerous examples of materials and parts being exported from the developed countries for finishing or assembly in one of the developing countries in order to acquire a new origin so that the finished goods are acceptable in countries which have quota or other restrictions upon goods from the country which supplies the materials or parts.

33 A rough guide to some of the opportunities which exist for the establishment of industries can be prepared from the import export figures although a qualified and well experienced analyst may be needed to interpret such figures. An analysis of such returns will show which categories of goods are being imported in sizable quantities and from this it may be deduced that a market exists within the country for those items which are imported regularly and in substantial quantities. Expert opinion will be able to identify which of these categories of imports are producible with the modest skills and unsophisticated equipment which is normally available to small scale and local enterprises.

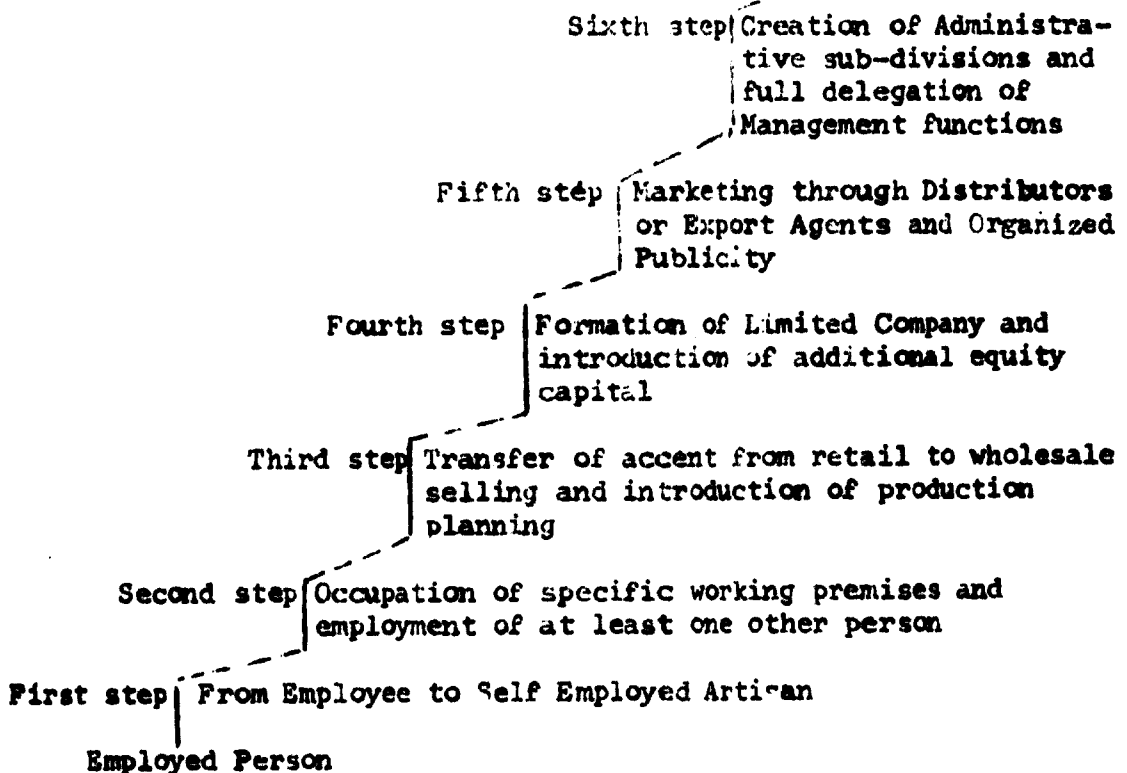
34 If, at the same time a list is prepared of the resources and materials which are available within the country and this is set at the side of the list of imported manufactured goods it is possible to establish a first priority list for new industries by identifying those goods for which a market exists and for the production of which at least some of the materials already are available within the country. This first priority list may be further confirmed by comparison with a list of the natural skills which are available within the country.

35 The exports figures are also useful as these will show what raw materials are being exported and expert appraisal can often identify areas where the establishment of local processing industries may be feasible so that, instead of the country's resources being exported in the form of raw materials, exports can be, at least partially, in the form of processed or semi-processed materials.

36 There is one field of opportunity for small scale and local industries which can provide many opportunities but which is frequently ignored, and this is the utilisation and conversion of waste materials. No country, and least of all the developing countries, can afford to throw away any part of its resources if it has ambitions to achieve rapid development. And yet it will often be found that the larger industries and agricultural projects which become established in the developing countries do have waste materials which remain unutilised and are, often, an embarrassment. For instance, the offcuts and rejects from a large scale saw mill may well be in sufficient quantity to support a group of small scale enterprises producing wooden toys, or simple furniture, or packing cases and a dozen more items. A large scale abattoir and meat processing plant will often be found to be destroying offals and glands which are the potential sources for the production of certain types of pharmaceutical chemicals, or this same large scale unit may be destroying or selling off at nominal cost hairs and bristles which could be the basis for the establishment of a brush industry.

V. HOW DO LOCAL ENTERPRISES DEVELOP?

37 The pattern of development of an enterprise cannot be represented by a straight line graph. Development is much more a series of steps interspersed by periods of comparatively low level progress as the following diagram illustrates:



The above diagram does not purport to show any time scale, and certain enterprises will start at more advanced levels. In some cases the steps of progression will come about in a different order from that which is illustrated and there may even be cases where two steps may be taken co-incidentally.

38 The purpose of this diagram is to show that there are critical periods of re-adjustment in the progress of development of any growing enterprise. At each of these periods the entrepreneur is faced with a major decision. Here we can see a parallel between the infant enterprise and the human infant.

In the same way as the human infant needs particular encouragement, guidance and especially moral support at the critical re-adjustment stages of its life, such as when it takes its first steps, or when it joins its first school, or when it seeks its first job, so does the entrepreneur need to be assured that advice and guidance will be available to him whenever a transition is due to occur. Although a programme which is established in one of the least developed countries may only provide, in its initial phase, for the provision of assistance through the third or fourth stages of the progress diagram there must always be an awareness of the further needs of the entrepreneur and a preparedness to expand the programme's scope as the need becomes evident.

VI. THE REQUIREMENTS FOR ASSISTANCE FOR
SMALL-SCALE ENTERPRISES:

39 The importance of locally owned and small scale enterprises has been shown, some of the methods of identifying local entrepreneurs have been discussed, examples of the opportunities for local entrepreneurship participation have been examined, and the pattern of growth of an enterprise has been studied. It is now appropriate to consider the types of assistance which are needed in order that a flourishing local enterprises sector may become a reality.

40 It is still possible to encounter statements to the effect that entrepreneurship flourished in what are now the developed nations long before any schemes of technical assistance were dreamt of. It is argued that because these entrepreneurs in the developed countries had to stand on their own feet from the very beginning they readily achieved self reliance. But it is also possible to hear statements that 'in the good old days' agricultural production flourished without the use of fertilizers. What is forgotten, when such statements are made, is the fact that when the surge of economic development started in the more developed countries competition was sparse. Even more important is the fact that the industrial sectors in the least developed countries, and, more especially, the participation of a substantial number of local entrepreneurs in the industrial and commercial sectors, have to be built up in one or two decades whereas this same development in the economically advanced countries has taken fifty to one hundred years to achieve.

41 In the least developed countries especially, the involvement in true entrepreneurial activity is a new experience for the majority of the local population. Whilst it is certain that a number of local citizens will be found who are engaged in very small scale trading activities or who work as self employed artisans many of these are content to exist at subsistence level or, perhaps, have never considered that it is possible for them to progress. The background of potential entrepreneurs in the least developed countries is, most likely, one of traditional agriculture where, to a large extent, there is an acceptance of fate as the eventual arbiter of success or failure, with the person's own efforts being subsidiary to circumstances which are beyond his control, such as adequate and well timed rainfall, or the fixing of a favourable price by some distant authority or customer. Unless there is a comprehensive and properly integrated programme of assistance there will never be a strongly based local enterprises sector.

42 If the entrepreneurs and potential entrepreneurs are asked to state the reason for their lack of progress or their reticence to establish their own enterprise, between 75% and 90% will say that the restraint is lack of capital. It is, indeed, a fact that local entrepreneurship development in the developing countries is seriously hampered by insufficient finance and restricted access to sources of additional capital. Entrepreneurial talents and ambitions are stultified by financial insufficiencies, and this is especially true of the more youthful sections of the population who are the potential entrepreneurs of tomorrow, and who should be the precursors of a new phase in economic independence.

43 Whilst acknowledging the need for a strong element of financial assistance to be provided in any local enterprises development programme, no programme which merely aims to supply

additional capital is likely to be of benefit. There are, in fact, many examples of loan schemes for local entrepreneurs which have been established without any form of complementary assistance and which have resulted in the downfall of local entrepreneurs by encumbering them with loans which they have no real hope of repaying because their business knowledge is inadequate.

44 If an expert analysis is made of the same entrepreneurs who stated that their problem was lack of capital, the results will show that a good proportion of these entrepreneurs do not progress because they have no proper understanding of the usages of finance, or that they could embark on their own business undertakings if they were properly directed towards an undertaking which is possible of establishment with their resources.

45 Any programme for the development of local enterprises in the least developed countries needs to cater for the following forms of assistance. These requirements are complementary and each is an essential requirement and the omission of any one of these elements is likely to result in an unbalanced programme and distorted or unsatisfactory results.

- a) Pre-project advice and guidance.
- b) Technical extension services and training.
- c) Business management extension services and training.
- d) Governmental policy formulation.
- e) Common facility services.
- f) Provision of working premises.
- g) Raw materials and parts procurement.
- h) Machinery and equipment procurement.
- i) Working capital procurement.
- j) Marketing services.

Each of these elements of necessary assistance requires to be examined in detail in order that the assistance may be properly oriented towards the needs of local entrepreneurs and particularly in relation to the needs of small scale entrepreneurs in the least developed countries.

VII. PRE-PROJECT ADVICE AND GUIDANCE:

46 In this context pre-project advice and guidance may refer to advice and guidance to the new entrepreneur or to the existing entrepreneur who has an expansion project. Good pre-project advice and guidance is the key to any successful local enterprises development programme. It is far easier, and certainly more rewarding, to start a new enterprise or an expansion project on the right lines than to try to mount a rescue operation for a project which has run into difficulties because no proper guidance was provided when the enterprise commenced its activities. But the provision of pre-project advice and guidance is the most difficult task in any local enterprises development programme. In the least developed countries the limitation of both human and financial resources does not permit the evolution of local entrepreneurship on a trial and error or 'survival of the fittest' basis.

47 Frequently the new entrepreneur will have preconceived notions of the type of enterprise which he wishes to initiate although he may be shy to reveal his intentions. In many cases his ideas will have originated from a recommendation of a friend who has another friend who thinks that a certain type of business ought to be an enormous success. In other cases it will be found that the budding entrepreneur has seen that another person is making good profits from a certain type of activity and he wishes to cash in on this same type of business. Even with successful established entrepreneurs there is the tendency to believe that there is more profit in some other type of enterprise than the one they are engaged in and that diversification is the secret to further progress.

48 Very often the pre-project adviser or consultant has little in the way of information on the experience of the potential entrepreneur which might guide him and he may have to work by instinct rather than facts. Whilst it is the responsibility of any pre-project adviser to prepare feasibility and potential viability studies for any project proposal, he has to remember that in the case of small scale and locally owned enterprises in the least developed countries the preparation of such studies is a vastly different exercise from preparing feasibility and viability studies for large scale units of for almost any size of enterprise in the developed countries.

49 In the least developed countries too much stress can be placed upon trying to assemble the tangible aspects of the project and producing from them a projection of the potential viability of the project when, in fact, the success or failure of the project may depend to a larger extent upon the intangibles such as the personality and the determination of the entrepreneur himself. The enthusiasm of the local entrepreneur, which the project is aiming to develop, may well be quenched because of long delays on the part of the pre-project consultancy service in an insistence upon detailed market surveys and the interpretation of figures. There is an essential difference between the preparation of feasibility and potential viability studies for the large scale enterprise in the more developed countries and for the small scale and local enterprise in the lesser developed nations. In the case of the larger scale project in the more developed countries the feasibility examination starts with an assumption that the enterprise has the capacity and capital resources to undertake the production of a specified product or group of products. The primary aim is to establish whether a market of sufficient volume and value exists or can be induced in order to make economy of scale production possible. Having established that a suitably sized and valuable market exists there is then an examination of the availability of resources with the assumption that, provided that all the other factors are existant, the necessary capital will be forthcoming and the necessary skills can be hired.

50 In the case of the small scale and local enterprise in the less developed countries the feasibility and viability study will start at the other end and proceed in a diametrically opposite direction. Instead of examining what resources are needed to produce a certain type or group of products, the feasibility or viability study must be oriented towards an assessment, in the first place, of the capital and skills resources which are available and projecting from this information what product or group of products it is feasible to produce and sell within the limitations of such resources.

51 In the least developed countries it is not always sufficient to sit in an office and give verbal or written advice and guidance to an entrepreneur or potential entrepreneur regarding the types of products which he ought to produce. The 'show and tell' technique can be especially effective. This technique requires the establishment of a Production Initiation Centre (PIC), which, in some ways, is not dissimilar to the prototype production centres which are frequently established in the more developed countries as a facility within the small industries development programme. These Production Initiation Centres may also be described as pragmatic feasibility centres. They may be established as independent centres or as sections of the Common Facility Service Centres which will be discussed later. It is easier to describe the purposes and activities of such a centre by citing actual examples. In one particular country one of the potential entrepreneurs who approached the small enterprises development service was a jobbing carpenter who wanted to establish his own enterprise with comparatively little capital and had no clear idea of what type of product he should specialise in. Timber was available and it was known that there was a market for domestic sofa sets, but, at the early stages of his activities as an independent industrialist it was not possible to overload the entrepreneur with machinery and equipment for the production of mass type furniture. There

was the additional problem that the proposed location of the enterprise was a considerable distance from the potential market with consequent heavy transport costs on bulky furniture items. The Product Initiation Centre was able to design furniture capable of being reproduced by the entrepreneur with the hand tools and elementary equipment and machines which were readily available to him. At the same time the problems of transport were known and understood so that the PIC could develop the furniture in such a manner that it could be delivered in knocked down form. After working out the design the PIC produced three or four examples and in the course of this production the costs of both materials and labour were calculated and the most economical timber sizes were worked out. The marketing section of the small enterprises development service was then able to show an actual example of the proposed design to potential buyers and, on the basis of the costs worked out by the PIC could give price indications.

52 This was a much more effective way of testing market reaction than showing a photograph or merely trying to describe the item, and in accordance with potential buyers reactions the product design could be modified. Once the market potential had been established it was easy for the entrepreneur to establish production with cost details and materials requirements already calculated and with an actual prototype to copy from instead of the entrepreneur trying to struggle with an understanding of drawings and measurements.

53 In other examples, entrepreneurs have been started off in the manufacture of simple chemical and plastic products as a result of the work of the PIC in translating formulae which are in grammes or fluid ounces, which are not understandable to the local entrepreneur, into teaspoonsful or tablespoonsful which the entrepreneur can understand.

54 Such techniques can overcome the problems of language in the least developed countries and the explanation which is inherent in an examination of the finished item is far clearer than any amount of verbal or written explanation.

55 Providing that there is a marketing expert or officer available within the main small enterprises development project it is possible to establish the Production Initiation Centre with one senior expert as the Director supported by the services of a number of volunteers each of whom is a technical specialist in a different field. If such a centre is to be set up as a separate unit, rather than as a section of a common facility service centre, the equipment needs are modest in view of the fact that experimentation and prototype development is intended to be carried out, in the main, with the same equipment, tools, and machinery which the entrepreneur at the very elementary stages of activity would have available to him.

VIII. TECHNICAL EXTENSION SERVICES AND TRAINING

56 The technical training element of a local enterprises development programme is intended to show entrepreneurs and their employees how to apply the skills which they possess in production and how to improve these skills in order to increase productivity quantitatively or qualitatively, or both. The only 'certificate' which such training is concerned with is a bank statement or a balance sheet showing an improving position.

57 It is, of course, essential for officers and experts who are involved in any small scale and local enterprises development programme to maintain very close liaison and working relationships with officers and experts who are concerned with education and, especially, with vocational training. Many of the future local entrepreneurs will be earlier trainees of any vocational training institution which may exist, and the training within the local enterprises development programme should be geared towards extending the vocational training.

58 It has already been seen that a very considerable mental adjustment has to be made by the local entrepreneur who has emerged from a background which is not industrially or commercially oriented. In his traditional background training has usually been carried out by the father showing the son how things must be done. If this father and son relationship can be achieved between the expert or the programme officer and the entrepreneur then, and only then, will the entrepreneur become receptive to training. It is a fact that people in the developing countries and particularly in the least developed countries, where mainly agriculture pursuits persist, are extremely conservative and suspicious of new ideas. Considerable patience has to be exercised in order to demonstrate in the entrepreneur's own workshop and with the entrepreneur's own tools and equipment that new ideas and new techniques are valuable, and to build up the entrepreneur's confidence in the ability of the expert or the training officer. Once this state

of affairs has been reached it is possible to institute academic or 'classroom' type training and to receive a positive response to such training.

59 Even then the training can only be properly effective if it is organised with due regard for the entrepreneur's situation. The local small scale entrepreneur cannot reasonably be expected to divorce himself from his enterprise for any length of time. If, during any extended absence, his enterprise suffers losses or a diminished amount of trade because there is no suitably qualified person to take charge of the business in his absence, the entrepreneur will be very ready to decry the benefits of attendance at a training course.

60 Furthermore, the entrepreneur can suffer mental constipation and become confused if he is fed with too many new ideas and techniques without having had an opportunity to digest them properly. An appreciation of these factors will indicate that when classroom type training activities are commenced they must be restricted to short term courses of two to three days' duration at most. Each course must be concentrated upon one particular aspect or technique and a sufficient period must elapse for the entrepreneur to test out his new found knowledge in practice, and for the extension services to follow up to see that the entrepreneur applies this knowledge effectively in his business, before another course is offered.

61 Although it has been said earlier that the aim of training amongst local and small scale entrepreneurs is not to qualify them for any certificate other than a healthy balance sheet or bank statement, this should not be interpreted to mean that certificates for merit in course studies should not be awarded. The issuance of a certificate to entrepreneurs who attend courses is of considerable psychological value particularly in the less developed countries where many of the entrepreneurs may have little formal education. In addition, the receptivity of

entrepreneurs to training can be measurably improved if the granting of financial assistance is made conditional upon attendance at any training courses which may be available as proved by the certificates earned.

62 Effective training which has the objective of equipping the entrepreneur with the skills needed to operate more advanced machinery and equipment and to modernise production processes can be provided as one of the features of common facility services.

63 There is one aspect of training within the local enterprises sector which is frequently overlooked, and yet has considerable potential. In most small scale and locally owned enterprises in the developing countries young persons are employed as general assistants and these may frequently be found to be children who have had no access to anything other than primary education - if, indeed, they have even had access to any formal education. There is considerable scope, with potentially worthwhile results, in the institution of apprenticeship training within a local enterprises development programme. Such a programme may need to be supported by the provision from Government funds, or some similar source, of a subsistence allowance or a subsidy to the entrepreneur to compensate him for the partial non-availability of the very cheap labour which he has been used to having readily available.

64 Whenever training for local and small scale entrepreneurs is discussed it is inevitable that the question should arise as to whether or not any charge should be made for such training. Whilst it can never be expected that the small scale entrepreneur in the least developed countries can ever defray the true cost of the training which is provided to him in the early

stages of his career, some charge should be made. There is very little doubt that any person, whether he be a citizen of a developed or developing country, places very much less value upon something which is available free of charge, and on this basis alone an entrance fee should be charged for any training course even if the in-workshop training is provided free of cost.

IX. BUSINESS MANAGEMENT EXTENSION SERVICES
AND TRAINING

65 It is possible for a person to establish and operate a successful business enterprise with little or no technical skills either by embarking upon trading activities or by employing technical assistants in a manufacturing enterprise. But it is not possible for any person to establish and operate a successful business without adequate business management know-how. Even the highly skilled technician who intends to employ another person to maintain the accounts of the business and to look after the finances must have an awareness of business management practices to ensure that his employee is not defrauding him.

66 The remarks which have been made in the previous section regarding the necessity to establish rapport with the entrepreneur and the requirement for training to be provided in small dosages are equally valid in the case of business management training. Bookkeeping and accountancy, costing and pricing, banking, marketing, credit management and similar business functions are more of a mystery to the average local entrepreneur at the small scale level in the developing countries than are more sophisticated production processes and technologies. The value of good management can be illustrated by the following equation:

$$P = M (I + W + C)$$

where P = Productivity or Profitability

I = Ingenuity or Inventiveness

W = Work

C = Capital

I, W, & C are the constituents which have to be combined to create a business enterprise. In any equation the constituent outside the brackets has the effect of multiplying the sum of the other constituents. In this case the constituent outside the brackets is M or Management. If the value of this constituent is a negative or minus value there will be minus profitability irrespective of the value of the ideas or the work or the capital which is put into the business.

67 For the entrepreneur in the early stages of his career and in the less developed countries, long term business management courses are not appropriate for the same reasons which have been discussed in the preceding section. Even more so than in the case of technical training, the emerging entrepreneur can be frightened off from any interest in business management training if he is faced with a syllabus which purports to cover all aspects of business management.

68 As in the case of technical training the officers and experts of any local enterprises development programme should maintain close liaison with their counterparts in the educational system with the object of encouraging the introduction of pre-entrepreneurial training into the normal schools curricula in the form of commercial arithmetic and letter writing and similar subjects.

69 There are a number of important activities which should be included in any business management extension service. One of these is the preparation and publication of a 'Business Book' or simplified bookkeeping record system, which can be made available to all entrepreneurs at low cost and which will indicate the progress of the business and be capable of revealing sufficient information about the business whenever the entrepreneur applies for financial assistance.

70 There is also need for the business extension service to produce and make available a model partnership deed and a model set of Memorandum and Articles of Association for small private companies. In the least developed countries many enterprises are precluded from obtaining financial assistance or suppliers credits because they have no legal status and yet the costs of private legal services in the formation of a partnership or a private limited company are prohibitive in such countries.

71 The most effective method of providing business training is the same as with technical training when small scale and local entrepreneurs at the beginnings of their entrepreneurial careers are being catered for, and that is by demonstration in the entrepreneur's own place of business and with the actual figures of the business. It is worth emphasising once again that the newly emergent entrepreneur has difficulties in relating esoteric training to the practice of his own enterprise. It is by no means unusual to find that if, during the course of explanation of costing for small scale entrepreneurs, an example of how to calculate costs in a carpenter's workshop is used, a number of the trainees will be inattentive because they are engaged in metal working or some other trade and find it difficult to understand that the principles of costing relate equally to different types of industry.

72 Where this method of in-workshop (or in-office) training is adopted care must be taken to ensure that the training is absorbed and that the entrepreneur does not come to regard the training officer or expert as his permanent bookkeeper. If the entrepreneur cannot undertake his own bookkeeping or costing or estimating for one reason or the other and needs to have the continuing services of an accountant then such services may be provided as a common facility. If the object is training then the training officer or expert may, for a period of one or two weeks do the actual work in the presence of the entrepreneur and, thereafter, gradually phase out from doing the actual work to supervising the entrepreneur and then to less frequent checking. One important aspect of business management training is that the essence of such training is to develop a businesslike attitude in the entrepreneur and with this in mind the training must be provided in a businesslike manner with regular visits at specified times.

X. GOVERNMENT POLICY FORMULATION:

73 It is appropriate that the officer who is made responsible for any small enterprises development programme, together with any expert who is assigned to advise and assist him in his duties should be protagonists for the sector of the economy with which they are most concerned and must help Government to formulate its policies for this sector. But such officers and experts must acquaint themselves with the development plans and programmes for other sectors and be fully aware of the wider complexities of national economic and social development. It is unrealistic to try to detach local and small scale enterprises from the remainder of the industrial and commercial sectors and try to bring about their development in the euphoric atmosphere of an isolated and protected environment. Government policies do change from time to time, frequently because conditions have changed due to circumstances over which the Government has no direct control. It may be preferable to advocate to Government a strong but modest policy for small scale enterprises development which has the capabilities of continuing uninterrupted, than to urge Government to adopt a high intensity programme calling for massive financial support and which might have to be curtailed if unexpected demands upon revenues occur.

74 The reasons why there should be a programme for developing locally owned and small scale enterprises include economic considerations, social considerations and political considerations. There must be an understanding as to which of these considerations was most influential in motivating the Government to establish a programme of assistance for small scale enterprises. Such an understanding will help to determine the type and extent to which Government policies may be further 'tailored' for the purposes of assisting the development of this sector.

75 Subsidisation is not an automatic requirement in a small scale enterprises development programme but if there is a substantial level of unemployment and Government is having to provide funds to alleviate the hardships of the unemployed or underemployed, there is a genuine argument for such funds to be

allocated, at least in part, to the small enterprises development programme to enable the programme to accelerate the pace of its activities in the creation of new enterprises and new job opportunities. In these circumstances a policy may be formulated whereby working premises can be provided at sub-economic rents or where the machinery and equipment leasing purchase scheme may be operated without financing charges being levied upon the entrepreneur. Many of the least developed countries are highly dependent upon more advanced countries for supplies of manufactured and consumer goods and it may be eminently desirable both for economic and political reasons to give special emphasis to local enterprises development in order to reduce the extent of this dependency. Special stimulus may be needed and it could well be a matter of Government policy to evolve a special system of rebates of import duties in respect of goods and parts needed for manufacturing or assembly work in an enterprise which is owned and managed by local entrepreneurs.

76 In most, if not all of the least developed countries the Government is, by far, the largest purchaser. It is not unusual to find that the value of Government's purchases is equal to the total purchases of all other buyers. Some countries have adopted a general system of preference for local enterprises so that a tender is awarded to a local supplier even though the tendered price may be 10% to 15% in excess of the lowest outside tenderer. There may be another 10% to 15% concession in favour of locally manufactured goods. In other words a local trader offering locally made products would get a combined preference of between 20% and 30% vis-a-vis a non-local trader offering non-local items. Although such arrangements mean that public expenditure is enhanced there may well be, in the long run at least, additional accruals to public revenue through local taxation both on the enterprises and their employees.

77 A number of the developing countries have introduced systems of reservation of certain categories of trade or industry for locally owned enterprises. This may be a valid method of encouraging local entrepreneurship but it does tend to detract from efficiency unless there are sufficient numbers of local enterprises to maintain a competitive attitude.

78 Government policies with regard to the encouragement of larger scale industries can be formulated with the development of the local and small scale enterprises in mind. The granting of industrial licences can be made dependent upon an element of locally produced products or parts being utilised, or additional tax incentives can be granted according to the extent to which the large enterprise buys parts or semi-finished items from small scale local enterprises.

XI. COMMON FACILITY SERVICES

79 The basic conception behind providing common facility services is to make available to the local and small scale entrepreneur equipment, machinery and services which the entrepreneur needs in order to improve the productivity of his enterprise and the quality of the products or services with which he is concerned, in cases where it is neither economically nor financially sensible for the entrepreneur to acquire his own machinery or equipment. It has been seen earlier that the preferred place for the small scale entrepreneur is in catering for the demands for the upper segment of the market which is prepared to pay higher prices for specialised products. In the rôle of ancillary supplier the small scale enterprise will have to be capable of meeting fairly rigid specifications for standardised quality and regularity of production. If the enterprise is aimed at supplying the mass market and the enterprise is likely to be in direct competition with large scale producers, the small scale enterprise needs to have the benefit of cost-saving devices similar to those which the large scale enterprise has installed, as well as ^{having access} to quality control equipment. On the other hand the small scale and local enterprise may only need to use such equipment and machinery for a few hours each week and, in any case, the infant entrepreneur may not be acquainted with the techniques needed to operate such machinery and equipment.

80 The enterprise which acquires machinery and equipment at any substantial cost and which is only required to be used for a fraction of its potential capacity is in the same position as the trader who is in possession of dead stock. It is also in the country's interests to ensure that such amount of investment capital as is available is not tied up by the acquisition of partially idle assets.

81 It is not the intention of the common facility service centre to undertake free production processing for local entrepreneurs and, in so doing, to relieve them of the costs of undertaking such processes themselves. The enterprise may have certain processes carried out at the common facility service centre where it is not sensible for him to own the equipment and machinery for undertaking such processes or where such processes require skills which the entrepreneur does not yet possess or cannot afford to hire on a whole time basis. But the enterprise should be charged with the cost of such processing on a machine-time usage basis or some other basis calculated according to normal commercial practices. If these common facility services are provided free or at a highly subsidised rate the entrepreneur will never obtain his own machinery or equipment, or employ the required skills. Alternatively, if he does grow to the stage where it is feasible and sensible for him to invest in his own machinery and equipment he will suddenly find that his costs increase rather than decrease by such progressive moves.

82 The types of technical services which might be made available in a common facility service centre are too numerous to itemise. In a common facility service centre for woodworking enterprises they may include a seasoning kiln, the sawing and planing of timber, and even morticing and dovetailing etc. In a common facility centre for metal working enterprises, services may be included for electro-plating, heat treatment, stove enamelling and corrugating and bending, and even, for rough casting and forging, as well as screwcutting and milling. A common facility centre for ready made clothing may include pattern making and cutting, as well as silk-screen^{screen} production. These are merely a few examples of services which can be rendered through a common facility centre. In addition, the common facility centre should be able to provide quality control facilities for the type of industry for which it is established.

83 In the case of raw materials and parts, the small scale and local entrepreneur is often at the mercy of large suppliers who see an opportunity to dispose of sub-standard and faulty materials and goods when the small scale entrepreneur comes along. The common facility centre may assist the local entrepreneur individually in his purchasing by examining materials and parts which are offered, or, it can work in conjunction with any scheme of joint materials and parts procurement, such as is referred to later, to ensure that the small scale entrepreneur acquires materials and parts which are of at least equal quality to those which are available to his larger competitor. In the latter case the costs incurred by the common facility centre may be included in the costs of the materials or parts to the small scale enterprise.

84 The quality control of finished goods by the common facility service centre is a very valuable function in small industries development. The fact that there is an independent quality control service available may well be the deciding factor when a local enterprise is bidding for a Government tender or for an order from a large scale buyer. By providing a quality control service the common facility centre can often save the small scale enterprise from disaster. The quality of the production can be checked as production proceeds and any divergences from the specified dimensions or quality can be spotted immediately and the enterprise can effect corrections. If this service is not available the small scale entrepreneur may complete an order only to find that the goods are rejected by the customer because of a continuing fault or divergency.

85 Yet another function of the common facility service centre is in the preparation of estimates. One particular type of industry where this is essential is the building industry where one of the main hazards for the small scale enterprise is the preparation of bills of quantities and the submission of tenders. It is arguable as to whether this assistance should be regarded as a common facility service or a training exercise but even in the case of the more advanced local entrepreneur it is rare that

the services of a quantity surveyor and estimator can be afforded as a permanent employee and a common facility service which may charge for its services as a percentage of the tender value is a needed service up to quite an advanced stage.

86 Some reference has been made to prototype production in relation to the activities of a Production Initiation Centre. In this case prototype production was intended to produce examples of products which could be reproduced by a number of different enterprises. In the case of the common facility centre, prototype production is oriented towards producing designs and prototypes of products which have been specifically requested by one particular enterprise and the prototype and design is intended to be for the sole use of that enterprise providing that suitable payment is made for the work carried out in the design and prototype development.

87 Common facility services are most often thought of in relation to technical processes. However, the provision of common facility services of a business management nature is a very necessary adjunct in any local enterprises development programme. Such services may range from a typist service to a book keeping and accountancy service and an exhibition service. As the enterprises progress there becomes a need for a legal service as well as a company secretarial service.

88 When training was being reviewed mention was made of the potential value of common facility service centres in relation to more advanced training. If the small scale enterprise has need of the production process facilities which are available in the centre it must be assumed, with a few exceptions, that the enterprise will, eventually, ^{grow to} the stage where it needs to provide for such processes within its own four walls. So far as is possible there should be an insistence that the entrepreneur or one of his employees should be present whilst the processes are being carried out for the enterprise, and that the entrepreneur or his employee should participate in the processing. If this is done then the entrepreneur is already acquainted with the use of the equipment and machinery by the time he is ready to install his own.

89 One of the problems of providing common facility services is that there must be a sufficient number of enterprises which can avail themselves of these services before the investment on building^{and} machinery and equipment as well as expertise is warranted. This is a problem which will be considered later when the provision of small enterprises estates is examined.

XII. THE PROVISION OF INDUSTRIAL & BUSINESS PREMISES

90 One of the main factors which inhibits the development and expansion of local enterprises is the non-availability of premises at rates which such enterprises can afford. Unless this need is catered for the ambitious entrepreneur may be forced to mortgage all his personal and business assets and involve himself in heavy capital and interest payments in order to purchase premises,^{or} he may find himself bound by a punitive lease which absorbs all his profits without any increase in the asset value of the business.

91 The social aspects must also be considered. If the small scale entrepreneur does not have access to premises which are both convenient in situation and in cost he will establish his enterprise in a room or in the backyard of his residence, or, alternatively, he will set up a shack in the first available open space. What was intended to be a residential area soon becomes a patch-work of houses with lean-to workshops and temporary factories all overcrowded and far in excess of the capacity of any sanitary facilities. Working conditions degenerate and even young persons have to endure these environments which are absolutely conducive to all manner of ailments and chronic illnesses. From the economic standpoint such circumstances are wholly wasteful because there can never be any sensible approach to a proper workshop layout to induce improved productivity and machinery, equipment and tools deteriorate and stocks lose their value.

92 The planning and construction of estates for small industries is a very specialised and skilled activity. In the least developed countries where local entrepreneurship is at the most rudimentary stages the planning needs especial care and thought. Here is another example where, in the case of small enterprises development, the approach is the reverse of what might be the approach in other sectors. The first requirement is to establish what the local and small scale entrepreneur

is likely to be able to afford in the way of rentals and from this estimate determine what are the limits in the way of capital costs in respect of which the assessed rentals will be appropriate. Having established the maximum permissible capital costs the premises are designed to fit the costs. A working area of about 18 sq. metres or about 200 sq. feet is a reasonable size for a workshop for a first phase industry with up to four or five persons employed and using hand tools or simple equipment such as sewing machines.

93 With suitable assistance in other directions, the local entrepreneur can be expected to make fairly rapid progress in his early stages and to outgrow, quite soon, his original workshop. His next step could be a move into a small factory shell of about 45 sq. metres or a little under 500 sq. feet, so that he has room to employ up to about 12 persons provided that he is not using any space consuming equipment. The next progression will be into a factory shell of about 90 sq. metres or about 1 000 sq. feet, with room to continue his expansion until he has a workforce of 20 to 25 persons. A small scale industries estate will combine all these three types of premises but in view of the fact that not all new enterprises will progress at the same rate and that some of them will, in fact, be extremely slow in their development, the proportion may be 12 workshops of 18 sq. metres, 4 factory shells of 45 sq. metres and 2 factory shells of 90 sq. metres. By the time the entrepreneur has reached the stage where the standard 90 sq. metre factory shell is inadequate, it is usually possible to 'tailor' his future premises to the needs of further growth, and the land area of the estate should provide for this.

94 But a small industries estate which consists only of premises for the purposes of letting to local enterprises is by no means complete. Premises need to be provided for the training and common facility services which it may be proposed to offer, store-room accommodation for the joint procurement scheme which will be described later, a small amount of office accommodation for

the estate administration as well as parking space and toilet facilities for both the entrepreneurs and their workers and visitors. The aim is to create what is virtually an homogenous and self contained industrial nucleus where the conditions are all present to encourage and assist the local entrepreneur to establish his industry and to grow up in an atmosphere of development. The small scale entrepreneur who tries to struggle along in isolation often feels that the struggle is not worth while and that there is little or no hope of his ever making any progress. On the other the small scale entrepreneur who occupies premises on an industrial estate and is in the company of other small scale entrepreneurs has the benefit of the moral support and the example of others who started in circumstances similar to his own and who have prospered. If the estate arrangement is well thought out and provides the emergent and infant enterprise with ready access to those other forms of assistance which have been seen to be required for successful development, in addition to adequate working premises, very rapid progress can be anticipated.

95 In the least developed countries there is much to be said in favour of 'functionalised' industrial estates for local entrepreneurs. A functional industrial estate is one which is specialised in the provision of premises and assistance for one category of industry, such as metal working, wood working, chemical products, ready made garments and fabrics conversion, clay products and ceramics, and so on and so forth. Enterprises which have the same technical bases and similar needs for skills and materials and, frequently, complementary marketing services, can be gathered together and provided with such concentration of assistance as to eliminate almost all of the disadvantages which they would otherwise face vis-a-vis their larger competitors and contemporaries. Much of this assistance cannot be provided, or, at best, can only be provided in a very diluted fashion, when these small

industries are scattered over a wide area.

96 It has been seen that in the case of training there is need to use examples which are related to the type of activity in which the entrepreneur is employed, and much more effective training can be provided within a functional small industries complex where there are common bases of interest.

97 In the case of common facility services it is obvious that it is only possible to provide these adequately when there is a sufficient number of small industries which can take advantage of such facilities.

98 If the technical officer or expert has to try to provide advice and guidance and in-workshop training to small scale industries scattered over a wide area a large proportion of his time will be wasted in travelling and in any case his work will be far less effective because the frequency of his visits and his ability to follow up, to ensure that his assistance has been effective, is restricted and long intervals between each visit occur.

99 Equipment maintenance facilities are much more feasible on a functional estate where all the enterprises use wood-working machinery, for instance, than on a 'mixed' industrial estate where one enterprise uses sewing machines, and another uses welding and metal working equipment, whilst another uses a cement mixer and blockmaking machine, and yet another is equipped with a plastics plant.

100 In the case of a mixed estate which houses all kinds of small industries with differing materials requirements the possibility of arranging a joint procurement service is minimal. If there is $\sqrt{}$ co-incidental need by a number of local enterprises who are situated on a functional estate it becomes

sensible to group their needs and to buy on wholesale terms on their behalf. The advantages of functional grouping in the case of marketing are also important as will be seen when the provision of marketing assistance is discussed.

101 It is never suggested that all the small enterprises engaged in metalworking should, for all time, be concentrated at one location only, nor, in fact, that an entrepreneur who does not want to situate his enterprise in the appropriate functional estate should be completely barred from assistance. Furthermore, it is for the Government to decide whether it prefers to initiate its small enterprises development programme at one centre only and to create, at that centre, an industrial estate of fairly extensive dimensions with several functional wings or whether for political or other considerations, its preference is for initiating three or four smaller industrial estates spread around the country and with each one devoted to one function.

102 The first solution is, of course, the easiest to embark upon and to administer. In either case this first phase would be expected to lead to expansion both area-wise and in numbers of and sizes of premises. However, apart from the fact that it may not be sensible to try to encourage the manufacture by local enterprises of certain categories of goods because there is an insufficient market demand or because there is an absence of local skills in the particular field, or because materials cannot be obtained, there will be limitations on the number of different categories of industries which can be assisted due to the limitations of expertise to provide training and the other facilities. The pre-requisite to the planning of small scale industries estates is the carrying out of a survey to determine not only the most suitable locations from the aspects of availability of materials and infrastructural services such as water and electricity, etc. as well as access to markets, but also the locations where skills exist which are worth development aid.

103 Especially in the least developed countries it is almost inevitable that the small scale industries estates have to be in very close proximity to fairly well populated areas. The earlier chart showed that the local entrepreneur at the first phase of development relies very largely upon retail sales and if he is removed to any appreciable distance from the residential areas much of this trade will not be available to him.

104 So far the main focus of attention has been upon the provision of working premises for manufacturing enterprises. In the least developed countries there is a need to provide working accommodation for a different category of entrepreneurs who are extremely important and who are, in some cases, the potential manufacturing enterprises and may include metal workers or wood workers engaged in repairs rather than in manufacturing, or watch repairers, dressmakers, tailors, motor repairers and panel beaters, and even dry cleaners and undertakers or photographers. It should be an important function of a small and local enterprises programme to cater for the needs of such entrepreneurs by creating mini-estates which need to be situated in very close proximity to the normal market areas, either in towns or in villages, so that these elementary entrepreneurs can serve the community more efficiently and can start to be encouraged to develop.

105 Although it is not feasible to provide the other forms of assistance to such miniature entrepreneurs who are gathered together in a variety of activities, they can be provided with on the spot business training and advice and guidance, and the very fact that they are brought together into a specific area which becomes known to the public is a marketing service of substantial benefit to these very elementary enterprises.

106 Even the small scale local trader should not be ignored when it comes to providing adequate premises, and a number of countries have included shop complexes in their small enterprises development programmes so that the local trader with limited resources can rent premises which are properly designed for the purpose and are not only strategically situated but also ensure that the trader is able to maintain proper standards of hygiene.

XIII. RAW MATERIALS AND PARTS PROCUREMENT

107 One of the areas where local and small scale enterprises are often at a serious disadvantage vis-a-vis their larger contemporaries is in the procurement of materials and parts. In the first place the capital resources of the small scale enterprises are very limited and the enterprise has insufficient status to enable it to obtain suppliers' credits. Therefore materials purchases have to be done on an 'as needed' basis and paid for in cash, and the enterprise cannot afford to hold any sensible amount of materials stock. The quantities needed at each time of purchase are so small that the entrepreneur may have to pay the equivalent of retail prices which may be as much as 40% to 50% higher than the manufacturer's prices which the large enterprise can avail itself of.

108 In the least developed countries many of the materials which the enterprise needs may be imported and again the requirements of the local entrepreneur are so small that direct imports are ruled out and the local entrepreneur has to buy his materials and parts at the end point of the importation and distribution system by which time the profit margins of two or three different agents and wholesalers have been added. Furthermore, because of the small demands of the local entrepreneur the best that he can expect is to buy standard patterns and designs and he is barred from originality which may be all important in the case of clothing industries, etc.

109 Not only does the enterprise suffer from this incidence of high materials prices but instead of being able to make a buying trip once each month or at less frequent intervals, or, even, to have the supplier call upon him to take his orders, the small entrepreneur may have to go to the market every other day to buy one or two pieces of timber or a few yards of cloth or a couple of sheets of metal, and production comes to a standstill, or nearly so, whilst he is absent.

110 It will be seen, therefore, that if the programme of assistance can include a materials and parts procurement scheme one of the main problem areas of local entrepreneurs can be overcome. If such a scheme is properly initiated and operated it can help the local and small scale enterprise not only by costs saving and the elimination of waste in production time, but also in the matter of overcoming working capital problems by extending limited credit on materials purchases to the enterprise.

111 Even when the local enterprise has reached a more advanced stage it is unlikely that it will be able to afford its own materials and parts quality control arrangements and the provision of such arrangements can be part and parcel of the procurement scheme. The full advantages of such a scheme can only be realised where there is a number of enterprises which are using the same types of materials and parts. The ideal situation is the functional industrial estate which has the capability of providing a specialised materials procurement service and stockroom to which the enterprises have access at a few minutes notice and which can demand best terms from suppliers and can then afford to allow credit to the enterprises which are constantly under surveillance.

XIV. MACHINERY AND EQUIPMENT PROCUREMENT

112 Although the small scale and local entrepreneur will assess his problems with regard to the acquisition of improved machinery and equipment as problems of non-availability of capital there are also considerations of selecting the most suitable types of machinery and equipment, the availability of servicing and spares, and related problems which the small scale entrepreneur may not fully appreciate but which are of considerable importance.

113 It is by no means unknown for the small entrepreneur to be the victim of high pressure salesmanship which induces him to involve himself in an onerous agreement to purchase machinery and equipment on a hire purchase or other extended credit basis even though the machinery and equipment may well be unsuited to the needs of the enterprise or may have no adequate after sales service.

114 In most of the less developed countries the small scale and local entrepreneur has very little in the way of personal assets which can be offered as security for a loan and even his house or smallholding may be unacceptable as security because the land is tribal land or similar and no title issues to the occupant. The answer is to provide within the programme a leasing purchase scheme. Admittedly, this may be a high risk scheme but the whole programme of small and local enterprises development is a high risk programme which is undertaken because the risks are not acceptable to orthodox financing institutions.

115 The suitability of the equipment or machinery which the enterprise requests should already have been determined by the pre-project advisory service and the technical officers associated with the programme will be acquainted with the most suitable sources of supply. The machinery or equipment is then purchased in the name of the financing institution which provides assistance under the programme, and is rented to the

local entrepreneur. Provided that the enterprise has been regular in the payment of the rental charges it is given the option to purchase the machinery and equipment for a nominal sum as soon as the rental charges have reached a total which is equivalent to the original purchase price together with any financing and service costs.

116 Throughout the rental period the machinery or equipment remains the property of the financing institution so that if there is any default in rental payments or any misuse of the machinery or equipment it can be withdrawn from the enterprise immediately, and there are no long drawn-out proceedings as there may be under an hire purchase arrangement. The security for the financial assistance lies in the machinery and equipment itself together with any deposit which the enterprise may have lodged.

117 Unless a scheme of this nature is initiated the small scale and local entrepreneur is constantly frustrated in his efforts to improve his position because he is unable to offer acceptable security. In many countries such a scheme also gives the local entrepreneur certain tax advantages because the rentals payments are allowable as an expense.

118 Some of the local schemes which have been launched in the less developed countries with the object of assisting small scale and local entrepreneurs have failed because the small enterprises have been unable to meet demands for interest payments levied at six monthly or yearly intervals, or have been unable to pay annual insurance premiums or other necessary costs related to the machinery and equipment they have acquired with loan assistance. The entrepreneur at the early stages of his development does not always understand that he must budget for such items, or the charges occur during periods when his trade and income is low. If the leasing purchase scheme is properly arranged the monthly rental payment covers not only the repayment of the original capital cost but also a contribution to interest or financing charges and contributions to insurance costs and to maintenance costs.

119 The risks are of course minimised where the machinery and equipment is leased to an enterprise which occupies premises on one of the industrial estates operated under the programme, due to the fact that the usage of the machinery and equipment is constantly under supervision and the technical and business management services can help the enterprise immediately it is seen that the machinery and equipment is being misused or is standing idle. In these cases the deposit figure may be lower because of the reduction in risk.

120 In the case of the very small scale enterprise which may be not much more than a one man business the requirement may be for handtools rather than for machinery and equipment and it is quite possible to have a very simple scheme of tool hire where the artisan can rent his tools on a day to day basis but such a scheme is only really feasible, without extremely high risk, where there are a number of artisans or small entrepreneurs in sufficiently close proximity to the tool renting centre who are able to draw their tools each morning and return them at the end of the day.

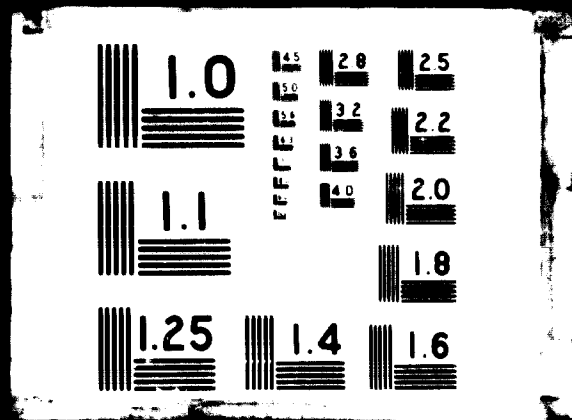
121 As an alternative to, or in addition to the leasing purchase scheme, a straight forward plant hire scheme can be a valuable method of providing assistance to local entrepreneurs in certain types of trades. This type of scheme operates where enterprises within a certain category of industry have a need to be able to obtain the use of plant or equipment at dispersed intervals. One particular type of industry where such a scheme is necessary is the building industry. Small scale motor repair industries may have a similar need to be able to hire a break-down vehicle.



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XV. WORKING CAPITAL PROCUREMENT

122 Generally speaking, and providing that the other forms of financial assistance have been made available to the local and small scale entrepreneur, there should be comparatively little need to provide the small scale enterprise with working capital in the form of cash. It is very unlikely that the man who has no cash available will ever become a successful independent entrepreneur. If he has any real entrepreneurship spirit he will have saved some money before contemplating the establishment of his own business - at least sufficient to maintain himself and to cover outgoings until the business becomes operative and produces an income.

123 It would be normal under the machinery and equipment leasing scheme to allow a grace period of, say, three months before the first payment becomes due so that the machinery and equipment can become productive and returns can accrue to the enterprise before any payments have to be made. The material procurement scheme can provide for credit for the small scale enterprise if there is a need for heavy purchasing of materials or parts for a particularly large order or contract. However, there are exceptions and it is necessary to consider other possibilities whereby the financial problems of small scale and local enterprises can be relieved. These may be alternatives to certain of the schemes which have already been examined or they may be supplementary to these other provisions.

124 The first possibility is the establishment of a credit guarantee scheme, which, amongst other things, may reduce the necessity for the materials and parts procurement scheme as well as the leasing purchase scheme, although it can never wholly replace such schemes.

125 The intentions of a credit guarantee scheme are to assist the local and small scale entrepreneur to obtain normal commercial credit until such time as his status and credit worthiness have been built up to the point where the enterprise is acceptable for credit by commercial suppliers. This type of scheme is particularly appropriate in the less developed countries where the availability of finances is insufficient to establish a full scale raw materials procurement scheme and sufficient manpower and expertise is not available to operate such a scheme.

126 By paying a modest premium, the local enterprise is able to obtain a policy of insurance which insures his suppliers against the risks of giving credit to the enterprise up to a specified amount. Such a scheme may include credit insurance which covers the normal commercial banks when extending overdraft facilities to small scale enterprises. Furthermore, such a scheme has the potential for assisting traders and service type enterprises and also for providing assistance to small scale enterprises where there is no possibility of grouping their buying needs with other similarly based enterprises to make a joint raw materials and parts procurement scheme a valid proposition. It is possible to show that with a reserve fund of the equivalent of \$20 000 it is possible to induce credit from commercial suppliers to a total value of at least the equivalent of \$100 000 or even more. The credit insurance scheme has further capabilities of assisting small scale and local entrepreneurs. In most countries there is a requirement for a performance guarantee before a Government tender is awarded, particularly in the case of building and construction contracts or service and maintenance contracts. Such guarantees may also be required by private large scale organisations where contracts for ancillary supplies are placed. Unlike the larger and well established firm, the small scale local enterprise has little hope of being able to provide the banker's guarantee which is normally called for, and the credit insurance scheme can fill the gap.

127 Another valuable method of providing assistance is the establishment of a Bills Discounting scheme. In many countries the small scale enterprise cannot afford to involve itself in Government tenders simply because the Governmental paying procedures are so slow and the resources of the small enterprise so small that the enterprise cannot continue to operate whilst it is waiting for payments which are due. Even larger private buyers may demand six to eight weeks' credit or require that the supplier allows a substantial early payment discount. When the enterprise becomes involved in exports, and this may happen quite early in the career of a handicrafts production enterprise, direct sales to overseas buyers may only be possible if Cash Against Documents terms or, even, Documents Acceptance terms are allowed by the supplier. With a Bills Discounting scheme the small scale entrepreneur passes over his invoice or bills payable to the scheme with the necessary authority that payment is to be made to the financial institution operating the scheme, and he is advanced 80% of the value of the invoices or bills with the remainder to be paid on collection. The scheme can, in the interests of small enterprises development, afford to operate on a small service charge to cover operating costs and bad debts.

128 There is a more sophisticated arrangement whereby the financing institution participates in the equity capital of the enterprise. It is a method of encouraging the establishment of locally owned and managed enterprises in the least developed countries without waiting for progression through all the stages which are depicted in the diagram which has been presented earlier. It is an arrangement which is especially suitable where the economy of scale requires that the industry must be established at an advanced level or where there may have to be a fairly long developmental period until the enterprise becomes fully viable. In such a case the

financial organisation takes shares in the enterprise equivalent to the value of the machinery and equipment and/or working capital which it provides, or it may provide part of this contribution as loan capital and part as equity. The enterprise benefits in that there are no commitments to repayments, or there are reduced repayment commitments during the working up stages. When the enterprise becomes profitable and dividends are declared the financing organisation receives its share of the dividends in cash and the contribution is recovered over an extended time period. The local entrepreneur(s) receive their share of the dividends by the transfer to him (them) of shares of the appropriate value from the financing organisation so that there is an eventual transfer of ownership into the hands of the private entrepreneur(s) who helped to initiate the project. Obviously, safeguards have to be made by agreement or by endorsing shares with different voting rights to protect the interests of the financing organisation after the majority equity shareholding passes to the control of the private entrepreneur(s).

129 Provided that the financing organisation has the management resources available to it this method of assistance can even be carried to the point where the whole of the capital is provided by the financing organisation with the shares being disposed of gradually to workers in the industry as they become capable of managing the enterprise.

XVL MARKETING SERVICES

130 It is, of course, part of the work of the pre-project service to investigate the market potential for products which it is proposed should be manufactured by small scale enterprises. It is one of the functions of the business management training service to train the entrepreneur to improve his marketing techniques. But the need to accelerate the pace of growth of local entrepreneurs requires additional and very specific assistance. The problem of smaller enterprises being unable to obtain ancillary supply contracts or Government tenders is only partially overcome by the provision of credit or performance guarantees. The production capacity of the small scale entrepreneur may not be large enough to enable him to satisfy the whole of the requirements of a Government tender or large private buyer, and neither in the case of Government nor the large private buyer is there a willingness to subdivide the total needs and issue several orders or contracts for the same item(s). The solution can be found if the organisation which is responsible for providing assistance is also capable of contracting to supply Government organisations and other large buyers and then sub-contracting the orders to a number of different small scale producers. If such a contracting service is available there is less need for a credit guarantee scheme as the organisation responsible for operating the contracting service has sufficient status to avoid the requirement for performance guarantees. The small enterprises' needs for working capital can also be relieved because the contracting service can buy the raw materials and parts and it can make progress payments to the enterprises.

131 A typical example might be found in the case of a Government tender for furniture for a new school. The contracting service tenders and obtains the contract and then places sub-contracts with one enterprise for the desks, with another enterprise for the chairs, with another enterprise for the blackboards

and easels, with another enterprise for the cupboards, etc. etc. In other cases it may only be a case of subcontracting by dividing up the total order for the same item amongst two or three different enterprises proportionately according to the capacity of each of the enterprises, and in such cases it does mean that even the very small scale enterprise who would have no chance of participating in Government orders on his own can share in this business.

132 As Government is the largest buyer in many of the less developed countries this is an important form of assistance. The possibilities of organising and operating such a contracting service are considerably enhanced if the enterprises are gathered together on a functional industrial estate with a common facility service centre which can undertake quality control.

133 If the small scale enterprises have any capability of exporting their products, as may be the case in handicrafts production or in hand-made and handprinted clothing, it is certain that they will need the assistance of a marketing service which can ensure that packing and shipping arrangements are properly executed and that the export documentation is properly attended to.

134 The marketing service also has the responsibility for participating in trade fairs and exhibitions on behalf of all the small enterprises which have products worthy of exhibition.

XVII. STRUCTURING THE PROGRAMS OF ASSISTANCE

135 As will be seen, the need is for a comprehensive and properly integrated programme of assistance and there are many different aspects of assistance which need to be provided. Although it may appear, at first sight, to be an impossible task to assemble all this necessary assistance a number of the less and least developed countries have done so and have achieved substantial results. Various forms of assistance can be provided by the same officers or experts and a programme of assistance can be established and can operate smoothly if it is sufficiently streamlined.

136 The order in which the various needs for assistance have been considered is not accidental. Pre-project advice and guidance, training, and Governmental policy formulation are all pure developmental activities which are the responsibility of Government to provide and finance from public revenues. (It is possible that, at a later stage of development, the more advanced local enterprises could be expected to defray costs of the pre-project consultancy services provided to them).

137 All the other forms of assistance are directly related to production and profitability of the enterprises and it is to be expected that the finances which are made available for these various schemes of assistance should replenish and, even, augment themselves. No direct financial subsidisation is advocated. Subsidisation is limited to subsidisation of know-how. Admittedly there may be some hidden element of subsidisation by reason of the fact that the Government may have available to it loan funding for the programme at long term and minimal interest rates and can, therefore, provide financial assistance at more favourable rates than the entrepreneur would be able to obtain from commercial lending and financing sources.

138 The assistance programme is best organised by establishing two separate but parallel and complementary units. The first of these is to be responsible for administering those aspects of assistance which are concerned with development and training and which are financed from public revenues, frequently with assistance under an international or bi-lateral aid programme. The other unit, which is to be concerned with the administration of those forms of assistance which have direct financial connotations, and which, as in the case of the raw materials procurement scheme and the contracting service, are involved in business contracts, is preferably organised as a private limited company.

139 One of the objectives of this dual assistance arrangement is to enable funds provided for training and development to be kept separate from funds provided for financial assistance. Unless there is such a segregation it may be found that training is not being properly carried out because the funds are being expended in the provision of financial assistance or, alternatively, funds which were intended for financial assistance are being disbursed in training and developmental activities. Furthermore, unless there is a clear cut division of responsibilities, it may be more difficult to obtain the financial and other assistance which the programme needs. In a number of cases the aid which is provided by international and bi-lateral aid agencies is specifically keyed to training and developmental functions and such aid may not be provided where there is a possibility that it may be dispersed in the form of financial assistance rather than in covering training and developmental costs. On the other hand, a properly organised and orthodox financing company which is fully committed to the provision of financial assistance on a business-like basis, and without any requirement to disperse its funds for activities which result in no direct financial accruals, has opportunities for obtaining finances from orthodox lending institutions.

140 In this conception of dual institutions the local entrepreneur who requires assistance is bound to approach the training and developmental institution first. Only if this institution approves of the project proposal as being in the national interest and as being capable of being serviced with training or, alternatively, has adequate skills available, is the application for assistance approved for submission to the financial aid unit, where the project proposal is re-examined on the grounds of bankability. This arrangement provides for check and counter-check in the provision of financial assistance and guards against the possibility of financial assistance being provided as a means of favouritism rather than because there are sound economic grounds for such assistance.

141 In some countries the local and small scale enterprises financing assistance is provided from the main national industrial development company but very often this is not found to be satisfactory. The techniques of providing assistance to small scale enterprises differ from the techniques which need to be adopted to provide finance for major industries and the creation of a specialised financing institution produces the best results.

142 It is by no means impossible to conceive of a small enterprises financing institution which will eventually be controlled by the small entrepreneurs themselves. This can be done by prescribing that the share capital be divided into different classes. One successful example has 24% of its equity in the form of 'A' class shares which are reserved for Government, 24% of its shares in the form of 'B' class shares which are reserved for the local development bank and 52% in the form of 'C' class shares which are reserved for local entrepreneurs. The 'C' class shares are not issued immediately and in the initial stages of operations

the company is entirely controlled by the 'A' and 'B' class shareholders. However, as local entrepreneurs gain a sense of responsibility they are allowed to buy shares in the company which has been established to assist them and, eventually, they have the controlling shareholding in the company which provides them and their contemporaries with assistance.

143 It is a typical complaint that commercial banks in the developing countries are unwilling to make loans to small scale local entrepreneurs. There is a good measure of justification for this complaint but the reason for this unwillingness is not so much a matter of discrimination against local enterprises as the lack of staff to process a large number of small loan applications and, also, the necessity to require security, which the local enterprise cannot offer, in order to protect the depositors' interests. It may well be found, however, that the commercial banks will provide funds to assist small scale local enterprises by providing bulk overdraft or loan facilities to the financing company so that the financing company can extend assistance to the individual small scale enterprises.

XVIII. THE TECHNICAL ASSISTANCE CONTRIBUTION TO THE PROJECT

144 Most of the least developed countries have an understanding of the importance of initiating programmes for the development of small scale and locally owned enterprises but are aware of the fact that they do not have the expertise to launch a successful programme and do not have manpower available with sufficient experience and qualifications to provide the assistance which small scale local enterprises need.

145 The expertise which may be provided under a UNIDO programme of technical assistance for the purposes of helping one of the lesser developed countries initiate and implement such a project will, of course, provide advice and guidance and training directly to the local entrepreneurs if called upon to do so. However, this is not the real function of such expertise. The real function of the experts who are provided is to train local officers who are assigned to the programme so that they may become experts in providing advice, guidance, training and other forms of assistance to entrepreneurs and potential entrepreneurs within their own country. There is no better way of doing this than by assigning one or more local officers as counterparts to work with each International Expert so that they can learn from his example.

146 The conception of the international expert as being restricted to a purely advisory rôle who needs to have a local counterpart capable of assuming the responsibility for the project or for specific administrative functions is not correct. It is possible for an expert to be assigned under OPAS arrangements if the Government feels that no local officer is available who has the necessary experience and qualifications to assume administrative responsibility for the project or for a specific section of the project. Under the OPAS arrangement the international expert is assigned to fill a post which has been provided for in the Establishment of the Ministry which is responsible for the project. The expert is paid by the Government the same salary and allowances as would be paid to a local officer in the same post whilst UNIDO/UNDP pays the remainder of the salary and allowances which are necessary to attract a top level international expert. In such a case the international expert is recruited as an officer of the

Government which he is to serve and he has the same executive and administrative responsibilities as a local officer would have in the same post and he is bound by the same security requirements as the local officer would be.

147 In the least developed countries there are many demands upon the UNDP's technical assistance provisions such as the I.F.F. or Special Programme of Assistance for the Least Developed Countries and it may be considered that only a very modest and very gradual programme for the development of local enterprises can be afforded. When there are two or three or more least developed countries within reasonable proximity the pooling of available aid can help to accelerate the project development. Country 'A' can, for instance, request the services of two technical experts in woodworking and leathercraft industries. Country 'B' can request two experts in, say, metalworking and chemical products (such as soap making and disinfectants and other household products). Country 'C' can request two experts in, say, ready made garments and small scale plastics industries. The two experts in Country 'A' can each have three counterparts, one from country 'A', one from Country 'B' and one from Country 'C'. In a similar fashion the experts in countries 'B' and 'C' can have counterparts from the other two countries as well as counterparts from the country to which they are assigned. Although each pair of experts is essentially occupied with the development of the type of industry with which he is concerned in the country to which he is assigned he can make the occasional trip to one or both of the other countries to help with preparations for expanding their programmes to include his particular type of industry. At the end of their assignments in one country the experts can move over to one of the other countries having already prepared the ground and having already trained a counterpart and they can still be available to pay occasional visits to the country which they have left in order to follow up and help to maintain the pace of the project.

148 It is by no means impossible that the financing companies of two or three countries can also be interlinked through a holding company which, because it is representative of two or three countries may have greater access to funds than the financing institutions of individual countries would have.

149 Technical assistance under the UNIDO programme for the development of small scale enterprises is by no means limited to the provision of experts. It is normal when a long term expert is assigned, for provisions to be made to supply also the machinery and equipment which he needs to enable him to provide adequate assistance to enterprises within his field of expertise. Most, if not all of the machinery and equipment which is needed for training and common facility services can be provided in this way.

150 It is acknowledged that local officers who serve as counterparts to experts need to be provided with additional training and need to have an opportunity to see more advanced methods of production or management in operation than can be found in their own countries. Therefore provisions are made for fellowships to defray the costs of travel and training in overseas countries for such counterparts who show promising results after tutelage by the experts. Fellowships may also be made available in cases where there is need for an officer to receive special training and where an expert cannot be assigned or where there is a course or seminar of special interest and value to the programme.

151 For the purposes of carrying out an initial survey and helping to identify the parameters of the project as well as to draw up the project memorandum and the assistance request, or for special consultancy activities in supplementation of the main programme, short term consultancy missions can be provided. In

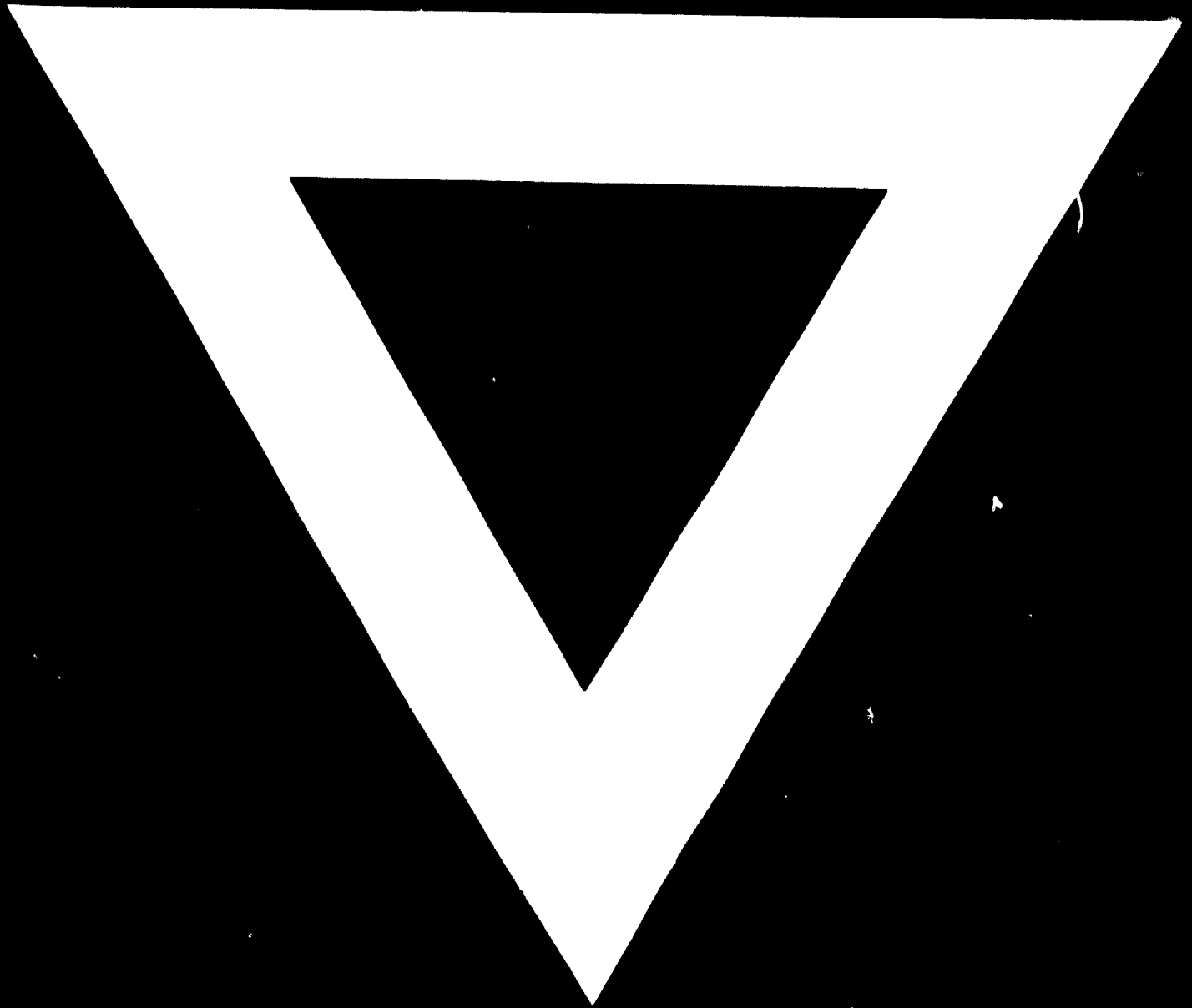
the latter case these may be financed under the provisions of the UNDP/UNIDO Special Industrial Services programme of assistance, provided that the period of the consultancy mission is not longer than six months. This method of financing is additional to any funds which are allocated under the I.P.F. or under the UNDP Special Programme of Assistance for the Least Developed Countries. Apart from assistance in the carrying out of the original survey for the purposes of identifying the needs and possibilities for establishing a small enterprises development programme, the particular fields in which assistance under UNDP funding through UNIDO or one of the other specialised agencies of the UN family may be provided to any one of the least developed countries include:

- a) The drafting of legislation for the purposes of fostering local enterprises development.
- b) Carrying out surveys of local raw materials potentials as the basis for small scale and local enterprises development.
- c) Advising upon the sources of finance for small and local enterprises development programmes and upon the methods of establishing financial institutions for the purposes of providing assistance to small scale and local enterprises.
- d) Planning of industrial estates
- e) Industrial extension services.
- f) Common facility services.
- g) Inter-scale liaison (i.e. conversion by small enterprises of materials produced by large scale units; small scale enterprises sub-contracting to large scale units; utilisation of large scale industries wastes and by-products, etc.)

- h) Marketing and export promotion of small enterprises products.
- i) Establishment and operation of demonstration plants.

152 The programmes of assistance for the development of locally owned and small scale enterprises which are operated by UNIDO and other specialised UN agencies are financed from a number of sources. These include the Regular Programme of Technical Assistance financed from the United Nations Budget, the UNDP I.P.F. the UNDP Special Programme of Assistance for the Least Developed Countries, and the voluntary contributions which provide the financing for the S.I.S. Programme. In addition, programmes can be financed from Funds in Trust which are funds which are deposited by a Government with UNIDO or one of the other agencies for specific projects or for the provision of assistance to specific countries for pre-determined projects. It is the responsibility of the expert who is assigned to assist the particular country to plan and programme its policies and needs for assistance in the promotion and development of small scale and local enterprises to consult with the agency from which he is assigned in order to advise the Government which are the most appropriate sources of assistance.





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