



TOGETHER
for a sustainable future

OCCASION

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



TOGETHER
for a sustainable future

DISCLAIMER

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

FAIR USE POLICY

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

CONTACT

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

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

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

ml

07276

UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

Distr.
RESTRICTED
UNIDO/IOD.30
29 April 1976
English

INDUSTRIAL PROMOTION AND MANAGEMENT CONSULTANCY,

DP/CAR/73/001

EAST CARIBBEAN,

Terminal report

Prepared for the East Caribbean Common Market
by the United Nations Industrial Development Organization,
executing agency for the United Nations Development Programme

Based on the work of S. Hudes, Project Manager

Id. 76-1784

CONTENTS

<u>Chapter</u>		<u>Page</u>
I.	BACKGROUND	3
II.	PROJECT ACTIVITIES	5
III.	PROBLEMS EXPERIENCED	8
IV.	CONCLUSIONS AND RECOMMENDATIONS	11
<u>Annex.</u>	Status of allocation resolution projects	13

I. BACKGROUND

The expert's assignment to the East Caribbean Common Market (ECCM) secretariat commenced on 6 May 1974 and concluded on 19 August 1975. This period included two contract extensions, one of three months and one of two weeks.

The project activities, accomplishments and problems experienced must be viewed in the context of the prevailing economic, political and social situations.

The Caribbean Community (CARICOM) comprises 12 countries, of which four are, in a regional context, designated More Developed Among Developing Countries (MDC) (Barbados, Guyana, Jamaica, Trinidad and Tobago). The remaining countries (Anguilla, Antigua, Belize, Dominica, Grenada, Montserrat, Nevia, St. Kitts, St. Lucia, St. Vincent) are designated Least Developed Among Developing Countries (LDC) all of which, except Belize, comprise the ECCM. The LDCs enjoy some advantages within the CARICOM treaty in respect of more favourable economic development treatment and incentives than are accorded the MDCs.

The LDCs face problems stemming from their geopolitical structure. Their 500,000 inhabitants are scattered over a vast area and the countries consist of an assortment of progressive and conservative states with few identified natural resources and no single national market large enough to support industry on an economic scale.

The ECCM states suffer from chronic unemployment and inflation, the latter in part due to global economic patterns beyond local control or influence. As the population is educated, trained and highly literate this has resulted in political and social distress. A high degree of economic nationalism and group-protection has ensued among the LDCs, but in general the ECCM countries have competed rather than co-ordinated with each other in all areas of economic development, i.e. industry, agriculture, and commerce.

Political unification is an objective often mentioned by both CARICOM and ECCM, but so far it has proven to be elusive. It is now believed in some quarters that economic unity may lead to political unity.

The ECCM countries suffer severe unfavourable balances of trade and do not have the capital-generating ability to finance their own development. Although

regional development bank facilities exist, so far their contribution has been largely infrastructural, while capital-generating projects are minimal. Therefore, these countries must import the capital required for economic development, and would be well advised to import the technology and expertise needed to assure successful start-ups in commercial, agricultural and industrial projects. Financial and technical assistance for planning, programming and other auxiliary activities are also required on national and regional levels.

II. PROJECT ACTIVITIES

The expert assisted the secretariat staff in planning an industry selection and allocation scheme which was presented to the Ninth Meeting of the Council of Ministers of the ECCM. On 10 June 1974 the Council adopted a resolution directing the secretariat to implement the programme as presented.

The expert, together with several members of the secretariat staff, embarked upon a series of visits to each ECCM member state to explain the allocation programme to the Government and the private sector and to select appropriate industries and entrepreneurs. During these visits, discussions were held with members of various government ministries, chambers of commerce, manufacturers' associations and entrepreneurs. Development and commercial banks were visited to apprise them of the programme and its progress.

More than one hundred markets were reviewed and, matching industries with interested entrepreneurs, an allocation of 35 industries was made. Prefeasibility studies were made for approximately 18 of these industries. This total was limited by lack of manpower, the available resources being needed to perform market data acquisition and analyses, to cull the list to 35, to perform the necessary efforts to select entrepreneurs, to obtain approval of the allocations from each Government individually and then collectively, to seek out joint venture partners, plan and effect project starts, etc.

At the Tenth Meeting of the Council of Ministers, 17 and 18 February 1975, 28 of the 35 industries allocated were approved. The secretariat was directed to increase the list to 35, to develop an allocation scheme for agro-industries and to continue its studies on selecting one large-scale industry for each of the projects in each island.

On 27 June 1975 the status of the projects was as delineated in the annex. Detailed documentation relating to the allocation programme has been submitted to the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO) with periodic progress reports on an ad hoc basis.

The selection and allocation of industry followed by an effective implementation programme are essential to the economic health of the ECCM states. Many bilateral and multi-national assistance projects have been attempted over a long

period, and although the approaches and techniques varied, none were without merit. However, all failed in implementation because no provision had been made for continuity of effort after the identification phase. Although this project contained provision for adequate resources and continuity, neither was forthcoming. It is possible, therefore, that the results achieved under this project may be relegated to an academic status. A properly selected programme and continuity of effort are mandatory for meaningful results.

The expert prepared a study of a vertically integrated cotton-textile-garment complex for the Government of Antigua. This project was under study at the expert's termination. A copy of the study was forwarded to UNDP and UNIDO upon its completion.

The expert participated in the regular meetings of the ECCM Industrial Development Co-ordinating Committee, minutes of which were forwarded as they were received to UNDP and UNIDO, together with various papers presented by ECCM and others. These meetings held much promise but were only marginally productive. In fact, in that they had little of either a co-ordinating or constructive nature, they can be considered to have been counter-productive.

Management consulting services were provided to the established business community in the outlying islands on an ad hoc basis during visits and by mail and telephone contact. This was quite inadequate, but manpower and travel restraints prevented the organization of this phase of the project. In Antigua a somewhat more extensive service was possible owing to the expert being in residence. A wide range of management assistance is required, in particular for organization, finances, marketing and production logistics (forecasting, estimating, procurement and scheduling).

In general, the established industry is badly in need of capital, which leads to many of the operating problems. Marketing is very weak. Machine utilization and maintenance is good, and manual and administrative skills are good.

The population is highly literate, well trained in basic skills, trades and crafts, and is capable of being easily trained to perform at all industrial, supervisory and managerial levels. Lacking are the capital to industrialize, the industries to provide jobs, and sufficient jobs to provide experience and upward mobility. An infusion of capital, technology and, for a finite period,

management and reorganizational expertise to assure successful start-ups and proper training, together with appropriate planning, are all that are necessary to begin the industrialization process in the ECCM countries. Politically, socially, academically and temperamentally, the ECCM Governments and people are well prepared for industrialization.

III. PROBLEMS EXPERIENCED

The expert experienced many problems during the assignment as the task cannot be performed by one person. Monumental demands are made by: (a) the geopolitical situation; (b) the necessity of obtaining co-ordination and agreement of policy and of the programme among seven scattered Governments and proliferous, and overlapping, regional and subregional institutions; (c) the inadequacy of available data with the concomitant necessity to perform much of the data collection and statistical analyses; (d) the work-load involved in selecting and allocating industry, then obtaining agreement and approval of seven Governments, and subsequently launching projects; and (e) servicing existing industry, which frequently cannot be separated from servicing new projects. The paperwork associated with each new project is quite extensive - market studies, industry profile, feasibility studies, cash flow, pro-forma profit and loss and balance sheets, equipment and raw material studies, financing plans, loan applications etc. - and this is accompanied by meetings and correspondence with entrepreneurs (actual and potential), investors (actual and potential), and joint venture partners (actual and potential). Although the ECCM countries are small their problems are large and are no less, and perhaps more, difficult to solve than those faced in similar programmes in homogeneous (single government) and better resource-endowed situations. To perform smoothly the necessary foundation efforts for seven Governments individually and collectively through their regional institutions, and at the same time launch an effective implementation programme which begins simultaneously in the seven scattered states is a task of magnitude and complexity. To assign one single expert is counter-productive in that programmes are formulated and hopes are raised, but progress is slow. Although budgetary provision existed for adequate staff, recruitment did not proceed with the alacrity and urgency required.

Frequent travel is required to properly service the seven states. The nature of the work makes it impossible to schedule long in advance the time, duration and route, as these matters depend upon the vicissitudes and exigencies of the moment. Further, the vagaries of the inter-island airline schedules and the difficulties in obtaining firm appointments with members of Governments, entrepreneurs and other principals complicate the situation. There was difficulty also in effecting travel plans owing to the fact that routes and schedules were arranged by people at the Vienna headquarters who were too far away to be available for quick decisions on rescheduling.

There is little reference material available in this region, and library and other extension services are meagre or non-existent. So much time was lost in communications back and forth between the expert and UNIDO concerning orders for material that very little of it was ever received (refer to the correspondence on the Japanese Profile series and the United States Agency for International Development (AID) series) and the expert was discouraged from further requests, although the project included adequate budgetary provision.

There were a total of four resident representatives and two UNDP regional offices during the expert's tenure of 15 months and 2 weeks. Only with the original regional office and resident representative were there facile communications and background knowledge of, and participative interest in, the project.

The development efforts in the region are characterized by a proliferation of agencies and institutions - bilateral, multi-national, national, regional and sub-regional - whose involvements and efforts are frequently irrational, overlapping and at cross-purposes to each other. The Caribbean Development Bank (CDB), for instance, whose interests should be concentrated in lending and financial matters to encourage and foster the economic development of the region, is heavily staffed and expends much effort in promotion, while those institutions which are promotional in nature, the ECCM secretariat for example, are inadequately staffed and supported. This is ludicrous and results in anomalous situations. While the bank is engaged in promotional activities, it is highly criticized for the difficulties, and inordinate time required, in processing and obtaining loans.

In August 1974, Court Lives Ltd, the parent company of Leeward Islands Air Transport (LIAT), entered into bankruptcy. This inter-island carrier performs an essential service, and the demise of its corporate parent posed repeated threats of an imminent cessation of inter-island service. As a result the Governments of the ECCM member states were occupied with legal, financial and organizational matters of a critical and time-consuming nature. This pre-occupation and the demands on time and energy did not abate until the summer of 1975. As these matters affected and involved those members of Government with whom the project most closely worked, it was difficult during this period to progress as rapidly as might otherwise have been the case.

In October 1974 Antigua experienced a major earthquake. Among the effects was the loss of the premises occupied by the ECCM secretariat. Until February 1975 the secretariat was housed in temporary quarters, which were inadequate and inappropriate for effective functioning (crowding, files located at a remote distance etc.). This presented a hardship during the period involved.

IV. CONCLUSIONS AND RECOMMENDATIONS

The adviser was favourably impressed with the ECCM secretariat's professional staff. The executive secretary and all counterpart personnel are well trained and suited to the tasks and at all times were co-operative. They are dedicated, sincere and conscientious. The secretariat is under-budgeted and understaffed, a natural consequence of the member states being the LDCs of the region. It is to the credit of the seven states, and reflects well on their aims and aspirations, that the secretariat is supported to the extent that it is not withstanding the severe financial and budget constraints of each Government.

The expert, during his limited tenure, assisted the secretariat to create an atmosphere conducive to co-ordination, co-operation and understanding among the member states in respect of the need for organization and equitable allocation of industry. He further assisted the secretariat to draw-up an allocation scheme and obtain its acceptance by the ECCM Council of Ministers. This programme led to the selection, allocation and subsequent approval by the Council of various industries. Implementation of the projects was beginning when the expert's tenure was terminated.

Very limited progress will result unless future assistance is properly scaled and continuous. It is folly and wasteful to assign one or two advisers when six or more are needed - and the resultant inadequacies merely embitter the intended beneficiaries. The choice lies between adequate assistance or no assistance. Anything in between is counter-productive; a foolish squandering of money and tokenism. Intelligent, rational, knowledgeable people in the government and private sectors are being dealt with, they know and understand their need for assistance, quantitatively and qualitatively, and they recognize and react to a less than full measure.

In addition to the provision of properly-scaled assistance, the expert staff must receive proper support, administrative and substantive. Such matters as travel and provision of budgeted supplies and equipment must be made routine, facile and appropriate to the project needs. UNDP and UNIDO are institutions of assistance and must direct their energies and activities to supporting experts in the field who are the dispensers of this assistance. Within the budgetary constraints accepted by all parties to the project document, the

field staff must be accorded a degree of responsibility and discretion appropriate to their professional status, responsibility and accountability. These latter qualities are not the exclusive domain of regional and headquarters staffs far removed from the arena.

A deep-rooted problem is the proliferation of agencies and institutions involved in the regional development process. This often results in simultaneous functional overlaps and gaps, cross purposes, conflicts of objectives, inter-institutional envy and politics etc. While the situation prevails it is essential that the expert team establish and maintain close liaison and harmonious relations with the other organizations concerned. It is to be hoped that this situation will be resolved by the establishment of clear-cut, well defined, rational roles for those institutions that survive. In the meantime, it is a matter to contend with.

A clear-cut understanding of the role of the UNDP office at Guyana will immeasurably lighten the burden on expert staff. Direct lines of communication in all directions should be clearly delineated and the scope and extent of the authority and responsibilities of, and operational practices to be followed by, this office well defined.

Annex

STATUS OF ALLOCATION RESOLUTION PROJECTS

Antigua

1. Paint: Feasibility study completed. Discussions underway with potential joint venture partners.
2. Dry cell batteries: Not yet started.
3. Biscuits: Feasibility study completed. Entrepreneurs preparing loan applications etc.
4. Arawak nuttler: Three prototypes made, factory now being set-up, production expected to commence early 1976.

Dominica

Total allocation in abeyance pending decisions by Government.

Grenada

Total allocation in abeyance pending decisions by Government.

Montserrat

1. Leather products: Not yet started.
2. Plastics: Factory in production. Planning expansion and financing to introduce new product lines.
3. Matches: Feasibility study completed. Will commence project planning and implementation shortly.
4. Paper tableware: Not yet started.
5. Biscuits: Not yet started.

St. Kitts/Nevis/Anguilla

1. Foot-wear: Facility being prepared, production expected to commence early 1976.
2. Roof and floor tiles: Not yet started.
3. Nails and allied products: Entrepreneurs now planning project.
4. Plastics: Not yet started.
5. Hand tools: Not yet started.

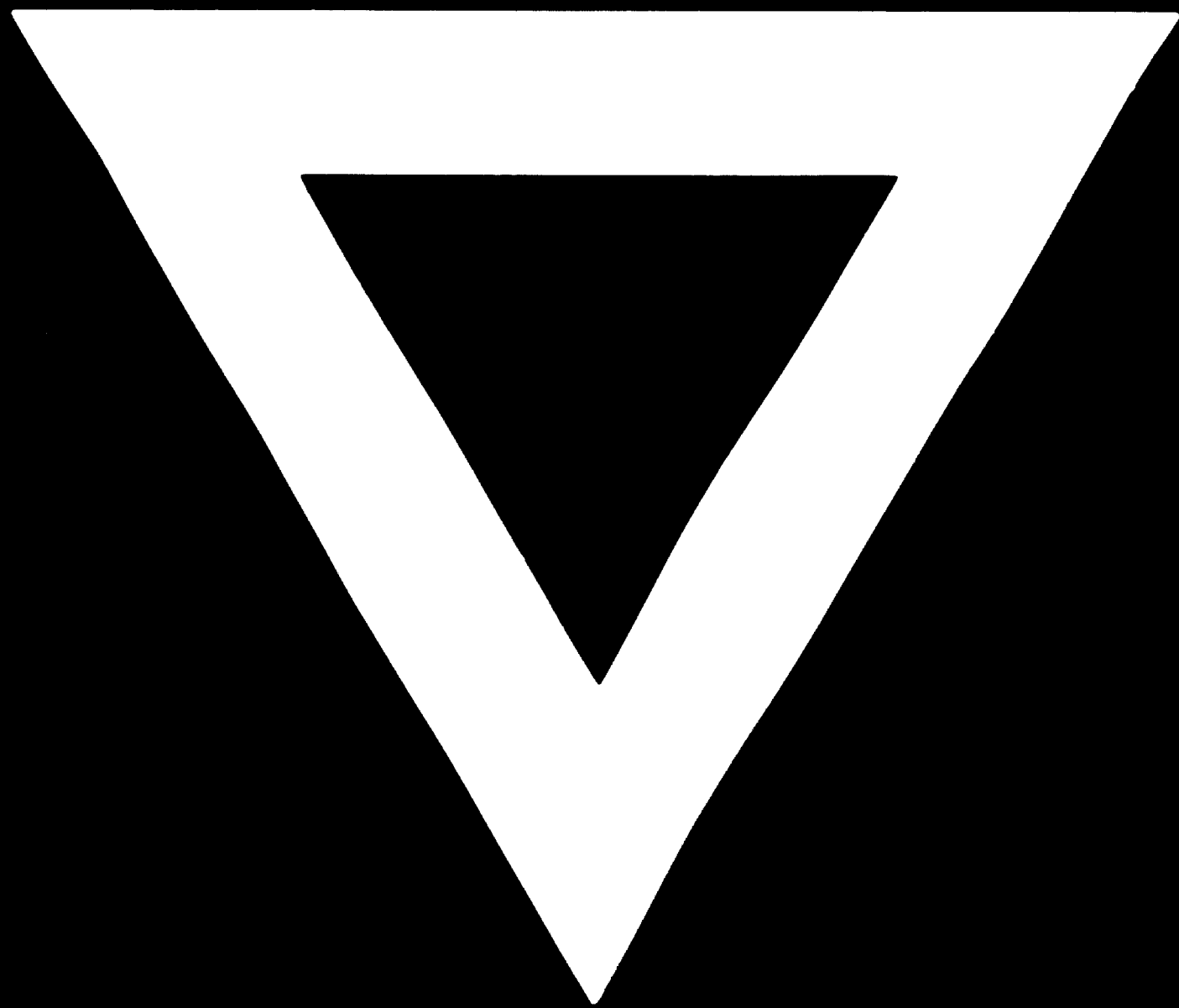
St. Lucia

1. Bottles: Technical studies into sand etc. underway.
2. Clay block, roof and floor tiles: Not yet started.
3. Margarine and shortening: Factory in operation. Edible oil is now being processed and bottled. Laundry soap manufacture has recently begun. Margarine and shortening production will commence in early 1976.

St. Vincent

1. Coir Products: Machinery and equipment on order, production expected to commence early 1976.
2. Automobile exhausts: Plant being prepared, production expected to commence early 1976.
3. Greeting cards: Plant being prepared, some production now, full production early 1976.

G-331



77.09.23