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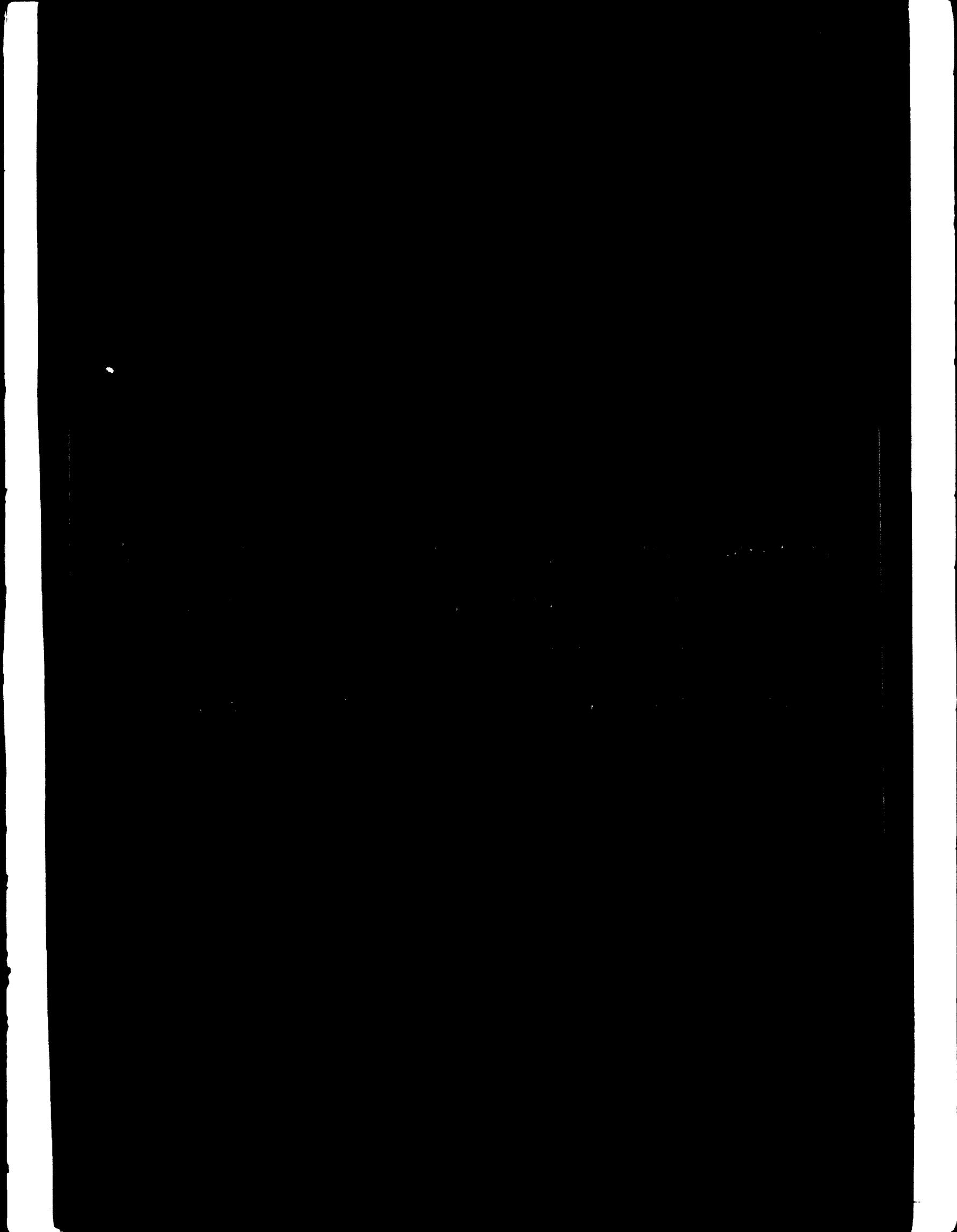
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INDUSTRIAL AREA AND INDUSTRIAL
ESTATE NEAR SALONIKA^{1/}

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GREECE .

Technical reports: extension services

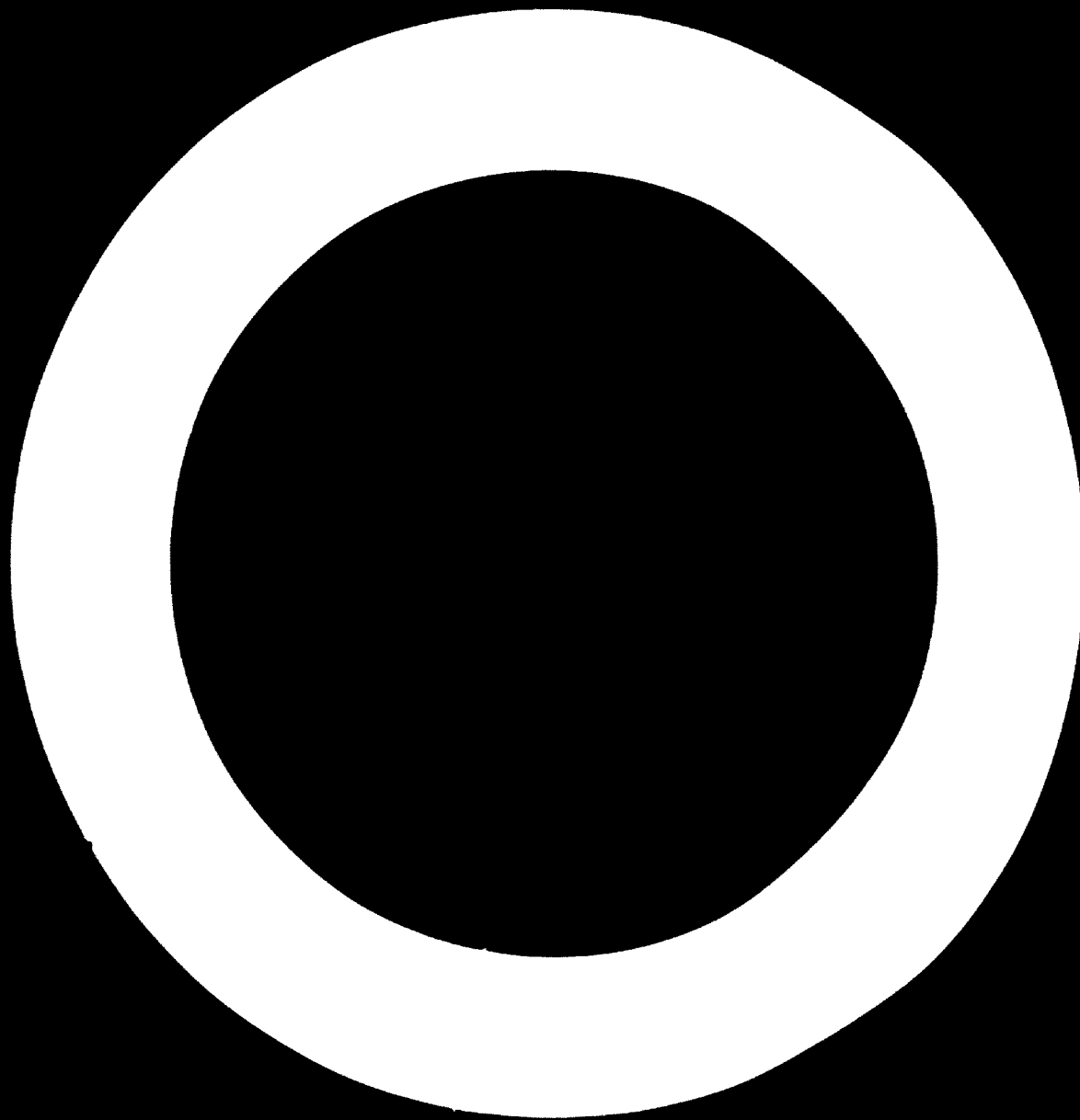
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Vienna

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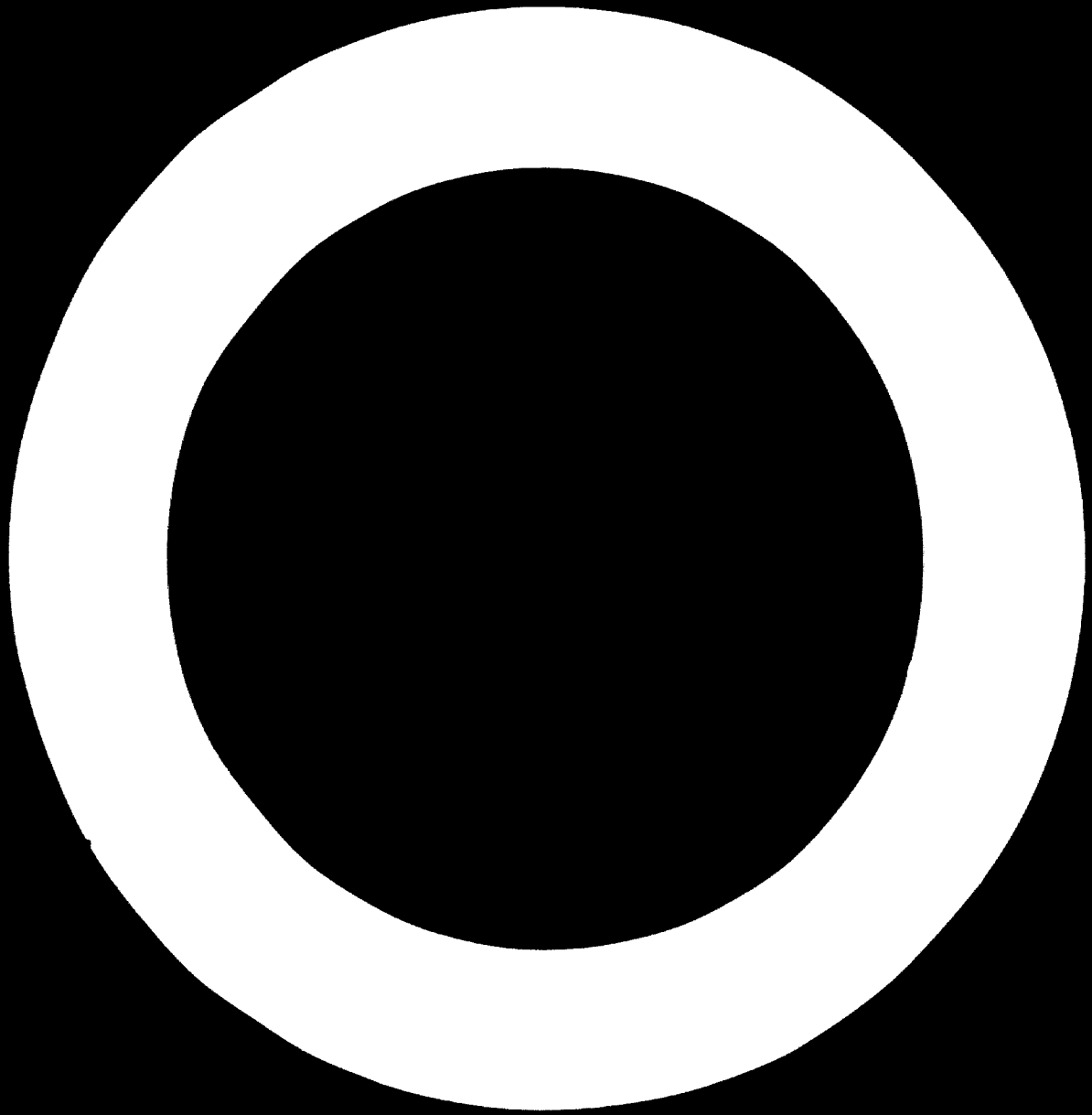
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INTRODUCTION

1. Origin and Objectives of the Project:

One of the principal policies of the Greek Government in reference to the Industrial Sector has been the promotion of industries in the less developed regions of the country. To decentralize industry from the Athens Area a programme was prepared for the establishment and development of industrial areas in the major urban districts of the country.

The Government through Law 4458/1965 (Industrial Area), entrusted the H.I.D.B. S.A. (Hellenic Industrial Development Bank S.A.) as the institution to carry out the mentioned programme.

Salonika, the second largest city in Greece, with presently about 800.000 inhabitants, was selected as the site for the first of a series of planned industrial areas.

The Government in 1969 applied for assistance from UNDP (United Nations Development Programme) for the planning, setting up and operation of the Industrial Zone selected, situated in Siados, 14 km off Salonika.

UNIDO (United Nations Industrial Development Organization) was nominated as Participating and Executing Agency of the programme. The project manager began his assignment in February 1971 and the project became fully operational with signature of the Plan of Operation in April 1971.

The H.I.D.B. had already acquired more than 300 hectares of land and was acquiring about 350 more when the programme started. During 1972 a master plan was provided for the establishment of an Industrial Area, an Industrial Estate and a Free Customs Zone on the land purchased.

During the following years several experts were provided according to the requirements of the project.

During the Project Revision held in November 1974, on which occasion the project operations were extended until September 1976, the importance of the extension services post was stressed. The expert should advise the interested parties on the steps necessary for their relocation in the Industrial Estate. The starting date for filling this post was established at the beginning of 1975 and should continue for 24 months until September 1976.

During 1975, the construction of standard factory buildings were initiated in the Industrial Estate site, the first phase corresponding to 49 premises with 17.000 sqm covered. The buildings were ready to be occupied on June 1977.

2. Terms of Reference:

The job description that defines the duties of the Expert in Extension Services for Small-scale Industries (post 11-03 revised during 1974), states as the main objective of this post "the provision of assistance to existing small factories in the greater Salonika Area and to existing or new entrepreneurs intending to relocate or establish their factories in the Industrial Estate at Salonika."

From discussions with the national counterparts of the project (mainly Mr. J. Gerakis, Director, Industrial Areas Division) and from information and advice given to the expert at UNDP office, some minor changes were made to adapt the post to the actual conditions existing on arrival of the expert. The principal duties were established as:

- a) assist in the selection of existing industries interested in being relocated to the Industrial Estate. Advise the selected industries in business and industrial management;
- b) advise in policies concerning the establishment in the Industrial Estate as sales and/or lease policies, charge for services, admission policies and related policies;
- c) assist in the selection of new entrepreneurs wishing to establish themselves in the Industrial Estate. Assist the selected ones in the preparation of the definitive project;
- d) co-ordination of UNIDO programmes in relation to fellowships, quality control equipment, short-term experts, free-customs zone, tanneries.

3. Duration of mission:

The contract was initiated on 27 June 1975 for one year. Later it was extended three times for short periods (9 months, 6 months, 3 months) until 26 December 1977. Taking into consideration the annual leave, the duration of the mission in Greece will be of approximately 2 years and 2 months (see appendix II List of Agency Personnel).

4. Existing Situation:

On arrival of the expert the situation of the programme was the following:

4.1. Counterpart Project Staff

A list is presented in Appendix III. All the posts were covered, as stated, in the Plan of Operation (Project Revision November 1974). The H.I.D.B. nominated two of them, the Chemical Engineer and the Promotion Officer, to assist the expert. The Chemical Engineer would act as the real counterpart, but due to his duties as Engineer in Charge of sewage problems of the Industrial Area, only approx. 70 % of his time could be devoted to the extension services action.

4.2. Status of Resident Manager

There was no clear delegation of authority for the Resident Manager. The expert noticed that on several occasions employees of the Industrial Area Office received orders directly either from the Industrial Areas Division or the Branch Office. The Resident Manager was not notified on time, if he was notified at all.

A team of UNIDO experts had studied the general organization of the Industrial Areas Division and recommendations were made to set up a separate body for industrial estates (see Appendix IV).

4.3. Standard Factory Buildings

The first phase had been initiated on June 1975. The total covered area is 17.000 sqm. approximately, using five different standard types with sizes varying from 50 to 1.200 sqm. (50, 200, 300, 400 and 1.200). The general opinion was that the 50 sqm. premises would not be demanded.

This phase was scheduled to be finished by August 1976. The total cost of this stage had been estimated at 90 million drs., not including the following costs: land, general infrastructure, studies, capital used.

The engineering plans for the second phase were under negotiation with the Polytechnical School of Athens.

The Chamber of Small-scale Industry of Salonika had informed that more than 800 small-scale industrialists were looking forward to be relocated in the Industrial Estate.

4.4. Sub-service Centre

The Centre includes the following buildings:

Technical Advisory and Training Centre (Quality Control
Laboratory),
Satellite Medical Centre,
Satellite Works Service Depot,
Cafeteria,
Employees' Office

The tendering for the construction of this centre has been
scheduled for August 1975. The total cost had been estimated
at 14 million Drs.

WORK OF MISSION

1. Work Programme

In order to accomplish the objectives of the mission, the expert submitted to UNIDO a Work Programme during September 1975. With minor changes the programme was submitted to the Industrial Areas Division of the Bank in November 1975 and was approved in December 1975.

The detailed work programme is presented in Appendix V.

A summary follows:

- a) Co-ordination of UNIDO programme concerning fellowships, equipment (laboratory) and short-term experts;
- b) Follow-up of Time-Table concerning the construction of standard factory buildings and the Sub-Service Centre;
- c) Assist in preparation of policies concerning the relocation of small-scale industries;
- d) Study and selection of criteria to be considered for being accepted in the Industrial Estate;
- e) Analysis of the requisitions of small-scale industries wishing to be relocated (handed over by the Chamber of Small-scale Industries of Thessaloniki). Selection of a first stratified sample (20 factories);
- f) Information visits of the first sample of industries. Verification of interest for relocation, cost of rent, internal problems, etc.;
- g) Analysis of visits. Preparation of a standard form for Diagnosis;
- h) Diagnosis visits of a second selected group of industries. Repetition of the process in order to have a suitable number of entrepreneurs wishing to relocate;
- i) Assist in final selection. An Industrial Estate Committee should select and give the final approval on the basis of established policies;
- j) Technical assistance of industries selected. Advice would be given specially in the selection of machinery and equipment, preparation of a project for financing and plant lay-out. Once the factory has become operational, the entrepreneurs must be advised in business and production management.

2. Principal Activities

- 2.1. In Appendix VI is presented a summary of progress reports showing the activities of the expert during his mission. **There is only shown the evolution of the activities concerning directly the**

Extension Services post as Relocation of Small-scale Industries, Standard factory buildings, Sub-Service Centre and Fellowships. The development of activities related with the project in general as Master Plan, Free-Customs Zone, Relocation of Tanneries, Effluent Treatment Plant and Main Service Centre are not shown.

- 2.2. With reference to the work programme indicated before, it was not possible to accomplish it completely due to the prevailing situation. Points a) and b) were observed easily since they are mainly a follow-up of activities. Points c), d), e), f), g) and h) with minor changes, they were included in the report prepared by the expert in June 1976 and completed in October 1976 when 160 factories had been visited.

Points i) and j) could not be accomplished because of delays in the establishment of the general policies for disposal of standard factory buildings and the position taken by the local Chamber of Small-scale Industry in not accepting the terms set up by the Bank in April 1977.

- 2.3. The evolution of the principal activities follows:

1) Standard Factory Buildings:

The first phase consisting of 49 premises with 17.000 sqm covered surface (50, 200, 300, 400 and 1.200 sqm) was scheduled to be finished by August 1976. Actually the construction was completed in January 1977. The power supply was connected during March and the factories were ready to receive tenants in June 1977.

The second phase's engineering plans were scheduled for 1976 and they were to be given to a consultants' office. The last decision was to prepare the complete set of plans internally. In April 1977 the architect of the Industrial Area Office of Sindos initiated the study for plots 18 and 19 with standard factory sizes of 200, 400, 600 and 1.200 sqm. The programme is to build 40 premises with 57.000 sqm. of total covered surface. The final approval has to be given by the Industrial Areas Division and the call on tenders is planned for the end of the current year.

2) Sub-service Centre:

The construction was scheduled to be initiated by June 1976. Actually, it was initiated in September 1976 and scheduled to

be finished by December 1977. In June 1977 the Satellite Health Centre (27 sam) was terminated.

3) Fellowships: (see Appendix VII)

During the second semester 1975 the fellowships for the architect, civil engineer, mechanical engineer and chemical engineer were approved by the Bank. Later, the mechanical engineer cancelled his nomination for personal reasons.

During 1976 the architect and chemical engineer accomplished half of their planned fellowships. The civil engineer completed his.

In January 1977 the architect completed his planned fellowship. Fellowships for the Resident Manager and chemical engineer were scheduled for the second semester 1977.

The fellowship for the mechanical engineer is still not fulfilled, because the Bank has not nominated yet an officer to be in charge of the quality control equipment.

4) Relocation of Small-scale Industries:

At the end of October 1975, 835 requisitions for relocation in the Industrial Estate were submitted by the Chamber of Small-scale Industry of Salonika to the Industrial Estate. The analysis of these forms permitted to eliminate some of them, because of duplication or for not being classified as manufacturing activities. The actual demand was set in 689 requisitions, which are shown by activity in Table I in Appendix VIII.

In November 1975, owing to different circumstances, the Bank had not yet established the policies concerning the terms and conditions for selling or renting the standard factory buildings. Since it was urgent to get basic information concerning the industries mentioned in order to determine certain criteria to pre-select those which could be accepted for the Industrial Estate, the study for relocation was initiated without having a policy regarding prices (purchase and orrent), conditions of sale, possibilities of low interest loans, special concessions, etc.

From the whole of these requisitions a selection was made following stratified random sampling techniques. In order to have a suitable number of entrepreneurs for pre-selection as well as good estimates of the whole population, the sample size

was fixed at 160 applications.

The survey initiated during November 1975 was completed in September 1976. A preliminary report with the findings of the survey was submitted to the Bank (see Appendix IV). In Appendix VIII a series of chartes is presented with the relevant data concerning these industries:

Chart II	Industries visited
Chart III	General information regarding employment, sales, rent, etc.,
Chart IV	Preferences of industrialists for buying or renting the premises
Chart V	Space requirements
Chart VI	Monthly rent per square metre for each factory
Chart VII	Capital requirements for new equipment

Other chartes shown in the relocation report were: sample; appraisal of site, buildings and space; export grades; frequency distributions of employment, sales revenue, value of equipment, covered area; percentage of actual covered area; ownership of premises.

The report also included:

- a) Analysis for determining priorities for admission;
List of possible criteria;
- b) Analysis of policies for disposal of factories;
Terms of conditions.

The complete information was thoroughly discussed by the expert with officers of the Industrial Areas Division who were in charge of preparing alternative solutions concerning prices and policies for disposal of factories.

In January 1977, in a meeting with the "Working Team" (Mrs. Kakaounakis, Mr. Egonopoulos, and Mr. Manousakis) the expert mentioned that prices for the buildings could be established between a minimum of 30 drs. and a maximum of 48 drs, based on the findings of the survey.

During February 1977 the Industrial Areas Division submitted to the Board of Directors a final report proposing terms and conditions under which the standard factory buildings will be offered to the small-scale industrialists of Salonika. In March the general policies were approved by the Board of Directors of the Bank. Besides a Committee for the admission of interested parties to the Industrial Estate was nominated.

The list of the members of the Selection Committee is given in Appendix IX.

The cost analysis prepared by the Economic Studies Section established 7.627 drs. per sqm. as the cost of the buildings and 1.719 drs. per sqm. for the yards. The proposal was to recover the capital cost in 30 years at 11,5 % annual interest. Taking into consideration a government grant of 40 %, the prices for renting were set at:
46 drs./sqm. for the buildings;
10.30 rs/sqm. for the yards.

Concerning the policies for disposal of factories, the main points proposed were:

- 1) In general they are going to be offered either on a rent basis or on hire-purchase terms or for sale;
- 2) For the first 3 to 5 years they are offered only for renting;
- 3) After the renting period there are several alternatives for the sale of the premises, such as:
 - to buy in cash,
 - 25 % down-payment, balance over 8 to 10 years with current interest,
 - 20 % down-payment, balance over 2 to 3 years without interest,
 - to continue renting until the total cost of the unit has been paid.

These alternatives should be revised during the trial period in order to establish the definitive ones.

The conditions and prices were published in the local newspapers, first on 29 March, secondly on 10 May.

On 19 April the Chamber of Small-scale Industry published an insert refusing to accept the mentioned policies.

On 11 May the Industrial Area Office initiated officially the "relocation operation". From this date the interested parties could submit application forms for relocation to the Industrial Estate. Due to the conflicting situation mentioned above, or for other reasons, only 4 industrialists had submitted applications at the end of August.

On 19 August the Bank proposed to the Chamber a new policy concerning renting prices and conditions of selling. The

rents were established at 36 drs./sqm for the buildings and 7 drs./sqm. for the yards. Later the Chamber accepted the new policies.

On 23 September they were published in the local newspapers.

At the beginning of October 1977 the interest from the industrialists in being relocated to the Industrial Estate was not yet noticeable. A total of 7 applications were under study by the Industrial Area Office (details please see page 19).

3. Major problems

3.1. General Policies for Disposal of Factories

From the beginning of this mission the expert was asking for a definition regarding the lease or sale policy and the terms and conditions for the standard factory buildings of the Estate. It was understood by the authorities of the Bank that this was one of the key factors for any decision on relocation.

This matter was discussed at high level on several occasions. In July 1975, on the occasion of a Tripartite Co-ordinating Committee Meeting, it was mentioned among other subjects, the importance of defining as soon as possible the policy regarding the Industrial Estate at Sindos (prices, sale or lease, incentives). During a second meeting of the same Committee, held in November 1975, the subject was mentioned again. The preliminary report concerning the relocation, submitted to the Bank in June 1976, included several references about general policies for disposal of the standard factory buildings.

In July 1976 the Economic Studies Section of the Bank responsible for establishing alternative solutions concerning prices and policies, submitted a report to the Director of the Industrial Areas Division. The main points were the following:

- a) determination of actual cost of standard factories;
- b) proposals for price policies, either for rent or for sale;
- c) recommendations. It was mentioned that the rent could be 32 to 38 drs./sqm for the buildings and 2,3 to 2,7 drs. per sqm. for the yards.

The subject was also mentioned on the Expert's Progress Reports of December 1975, June 1976 and December 1976.

Nevertheless, for different reasons, the Board of Directors took the decision of establishing policies only in March 1977. Unfortunately, the Chamber of Small-scale Industry of Salonika, representing more than 17.000 associates, did not accept the terms set by the Bank.

The stationary situation so created was maintained until August 1977 when the Bank issued a new policy reducing the prices of renting to 36 drs/sqm. for the buildings and 7 drs/sqm. for the yards.

3.2. Counterpart Professional Personnel

a) Extension Services Post

The chemical engineer of the Industrial Area Office was nominated by the Bank as counterpart of the Extension Services Expert. Due to different circumstances, especially his engagement in the field of effluent disposal problems, his assistance was rather limited. This problem was discussed with the Director of the Industrial Areas Division on several occasions and mentioned in the Expert's Progress Reports of June 1976, December 1976 and June 1977.

Several alternatives to solve this problem were studied. The various promises of the Bank to provide a better support were not fulfilled because of policies regarding new hirings.

b) Quality Control Post

The mechanical engineer of the Industrial Area Office was nominated by the Bank as the national officer to be in charge of the Quality Control Laboratory. A fellowship was planned for him for training in the field of quality control before the arrival of the quality control expert.

In December 1975 the mechanical engineer officially nominated by the Government to make use of the granted fellowship, cancelled his nomination for personal reasons. The nomination of a new engineer was urgent.

This subject was discussed on different occasions with high authorities of the Bank. Also it has been mentioned in the Expert's Progress Reports of June 1976, December 1976 and June 1977.

The UNIDO original programme was to send the mechanical engineer abroad for training for at least six months before the equipment for laboratories arrives. This arrival was estimated for October 1977, so the mechanical engineer should be hired during the first semester 1977. Actually, the equipment started to arrive in September 1977. Moreover, the quality control expert was planned to be fielded by November 1977.

During the last Tripartite Review Meeting held in April 1977 at the H.I.D.B. in Athens, the complete counterpart assistance was thoroughly discussed, but owing to different reasons the Bank has not taken any action yet.

4. Present situation

At the time of departure of the expert the situation of the programme is the following:

4.1. Counterpart Project Staff

The economist and the mechanical engineer, who resigned in February and March 1977 respectively, have not been replaced.

The chemical engineer has been absorbed by water effluent problems and administration duties, acting as assistant to the Resident Manager. Due to the stationary situation concerning the relocation operation, his duties as a counterpart of the extension services expert have been reduced to a minimum during the last five months.

The promotion officer is keeping accounts of the Industrial Area office since January 1977.

4.2. Standard factory buildings

The first phase, 49 premises with 17.000 sqm, were ready for occupation in June 1977. The second phase, 40 premises with 57.000 sqm. is under study. Construction work could start during the first semester 1978.

4.3. Sub-service Center

The construction of the different buildings is under way. The Quality Control Centre is scheduled to be finished during December 1977. Part of the equipment for the Quality Control Laboratory arrived in Salonika during September 1977.

The Quality Control expert is due to arrive in January 1978.

4.4. Fellowships

Fellowships for the Resident Manager and the chemical engineer are still planned for October and November 1977 respectively.

CONCLUSIONS AND RECOMMENDATIONS

1. Conclusions

- 1.1. It is evident, after reading the preceding pages, that the participation of the Government has not been in accordance with the last project revision due to different reasons either financial or for local circumstances.

Therefore, most of the activities planned are or were behind schedule.

- 1.2. With reference to the Industrial Estate, activities related directly with the Extension Services expert, the delay in the construction of the first phase of the standard factory buildings followed by the delay in establishing the policies for disposal of these buildings, prevented the expert from accomplishing the main objective of his duties that is "to provide assistance to existing entrepreneurs intending to relocate in the Industrial Estate".

- 1.3. Furthermore, the delay in establishing the policies for disposal of buildings has postponed the selection of entrepreneurs and the later allocation of the factories to them. The empty factories signify a loss of income for the Bank of over 600.000 drachmas per month. On the other hand, financial reasons have been used to explain the continuous adjournment in replacing professional personnel badly needed by the Industrial Area Office of Sindos. There is a self-evident situation of resources wasted.

2. Recommendations

Taking into consideration the actual situation of the programme the expert recommends the following actions:

2.1. Counterpart professional personnel

It is most urgent that the industrial economist and the mechanical engineer are quickly replaced. The first one is to strengthen the Industrial Area Office occupying him either in administrative duties or for the eventual extension services that this Office will provide in the future. The mechanical engineer has to act as the counterpart of the Quality Control expert, who according to the project's programme was to be fielded next November. Without a qualified counterpart this action has no meaning.

One of the principal effects of United Nations assistance is the proper training of national personnel, so the programme under way will have a real principle of continuity.

It is important to establish realistic dates for nomination of personnel who will act as counterparts of experts. In this way UNIDO will be able to plan the arrival of experts in due time thereby improving the general productivity of the assistance.

For the time being the Quality Control expert is the only one considered in the present programme. New assistance in other fields not yet developed, as extension services (including assistance to relocate industries) and financial assistance, might be of interest to the authorities of the Bank. In this case, it is recommended that a revision of the programme and thorough discussions with the Resident Representative of UNDP and a representative of UNIDO Headquarters be made.

2.2. Technical assistance

The subject is already mentioned in the expert's work programme (see Appendix V, No. 14). The assistance is related especially with advice in business and production management for the factories installed in the Industrial Estate. A guideline for the preparation of diagnostics for small-scale industries is included as an Appendix. The analysis of an existing unit must cover each of the different functions affecting its behavior. All matters concerning organizational structure, purchasing, marketing, production, personnel, finance and accounting must be analyzed.

As the Hellenic Republic of Greece has not a legal definition to identify the small-scale industries, this term is understood here as those manufacturing units that have approximately the following characteristics:

Capital invested (in machinery and equipment)	up to US\$ 200.000
Annual sales	up to US\$ 500.000
Employment	up to 50 persons
Management	company's owner

During the information visits carried out to prepare the study for relocation, some defects of operation were observed principally related with bad distribution of plant and equipment, high inventories in raw materials, poor quality of finished products, lack of production controls, bad working conditions, lack of budgets in general.

The need for advice is evident. The Bank authorities are conscious of this matter and the prevailing idea is to organize a small consultant group within the Industrial Area Office. Alternatives to find a solution to this important subject have been discussed during the expert's mission, such as:

- a) to form a group with at least one experienced member in each of the three following fields: economics, engineering and accounting;
- b) to have a full-time extension service officer (industrial engineer or economist) with the assistance of KEBA (Centre of Development of Small and Medium-scale Industries);
- c) To depend entirely on the assistance of KEBA.

Even in alternative a) it would be necessary to have some external help, especially when the second phase of standard factories will be ready. By then, 90 factories could be installed in the Industrial Estate. Furthermore, a programme to continue establishing Industrial Estates throughout the country is already approved. This initiative will signify a tremendous increase of the industrial extension services needed.

A quick solution is urgent.

In the event that either a) or b) alternatives will be chosen, the personnel nominated must receive a theoretical as well as practical training. Fellowships from the United Nations could be demanded for this purpose. It is necessary to bear in mind that the formation of a practical adviser in management techniques could take several years (from 3 to 5 as a minimum). For this reason, the alternative c) has some advantages over the others. At least, at the beginning of the programme.

Evidently, the time required for the technical assistance to be given to a small-scale factory varies according to the characteristics of the unit and the problems found in the diagnostic visit. A compromise to study would be to establish an average maximum time per assistance during which the adviser will concentrate his efforts in only the critical areas. In this matter an average time of six man-weeks per unit could be used as a first approximation. Once the recommendations are given to the factory, it is very significant to check the results obtained after an interval of about six months. A working period of one man-week could be devoted for corrections and new proposals. This follow-up must be permanent.

Following these lines one adviser is able to attend about eight factories in the first year of operation of the programme, decreasing this quantity the next years in accordance with the time devoted to the following-up action. Using this general information the Industrial Area Office could estimate the personnel needed to execute a programme of this kind.

2.3. Relocation of existing factories

It is very important to re-activate this operation which was maintained in a stationary position during several months, because the attitude adopted by the Chamber of small-scale industry prevented its normal development. It is urgent to check the interest of the entrepreneurs visited during the survey 1975 - 1976 to be relocated in the Industrial Estate. This was the original plan to apply once the prices of renting and/or selling were established. Nevertheless, for special reasons this plan was abandoned when the prices were set in April 1977. The general instructions received by the Industrial Area Office were that applications have to be accepted, not only coming from the sample but also from other sectors. According to the survey, when 153 of 160 entrepreneurs indicated a strong interest in being relocated, it is estimated that at least 25 % of them would have accepted those prices. At present, with lower prices of renting and still weak demand in comparison to the desire demonstrated by the entrepreneurs interviewed, the personal contact is a very useful tool to find out the real interest of this group in being relocated.

Then, the procedure could be the following:

- 1) Once the interested parties from the mentioned group will be identified, an order of priority has to be determined according to the type of building or surface required. A set of charts for this purpose has been prepared and handed to the Industrial Area Office. They contain relevant data on the factories visited. Making use of these evaluation charts (basic and adjusting) shown in Appendix X, the different factories can be evaluated to determine a definite order of priority. According to this order the factories will be visited to ascertain their financial conditions, the predominant factor for the final selection.
- 2) Half of the standard factories could be reserved for this group (it was selected at random, consequently it must have the first option).

- 3) The other half of the standard factories would be distributed to other interested parties. They may belong either to the list of entrepreneurs submitted by the Chamber of Small-scale industry at the beginning of the survey (estimated in 500 units), or to newer demands. It is important that the entrepreneurs demanding relocation be at present established in critical areas of Salonika and not in the surroundings of the city. This is the objective of the programme.

For this unknown group (they were not interviewed, therefore it is not possible to determine in advance their interest), the Office has to wait for the interested parties to submit applications.

- 4) Once this group is identified it will be necessary to make a short visit to their factories to determine their characteristics in order to be able to evaluate them. The financial position will be determined with data collected on these occasions. With the mentioned antecedents, an order of priority will be established.
- 5) It is recommended to have as a minimum twice the number of applicants for each of the factory types offered. For instance, 40 applications would be necessary for type 200 sqm whose number is 20.
- 6) Once this preselection will be finished the applications (about 80 to 90) should be analyzed by the Selection Committee. This Committee will decide for definitive approval or rejection. This is the only solution to act rapidly and taking all the responsibility. The traditional solution would be that the Bank Headquarters will take the final decision and the corresponding delays will follow. Modern management implying decentralization of authority and responsibility leads to superior performance.

The estimation of time needed for the preselection as outlined above is difficult to fix. It is recommended to have at least one technical officer full-time devoted to this programme. To hasten it two or three assistants to help the technical officer will be necessary. All these people would later make part of the extension services group.

2.4. Financial assistance

It is urgent to develop a programme to provide small-scale industries with long-term loans to finance machinery and equipment modernization. The financial programme also must include short and medium-term loans for new requirements in working capital due

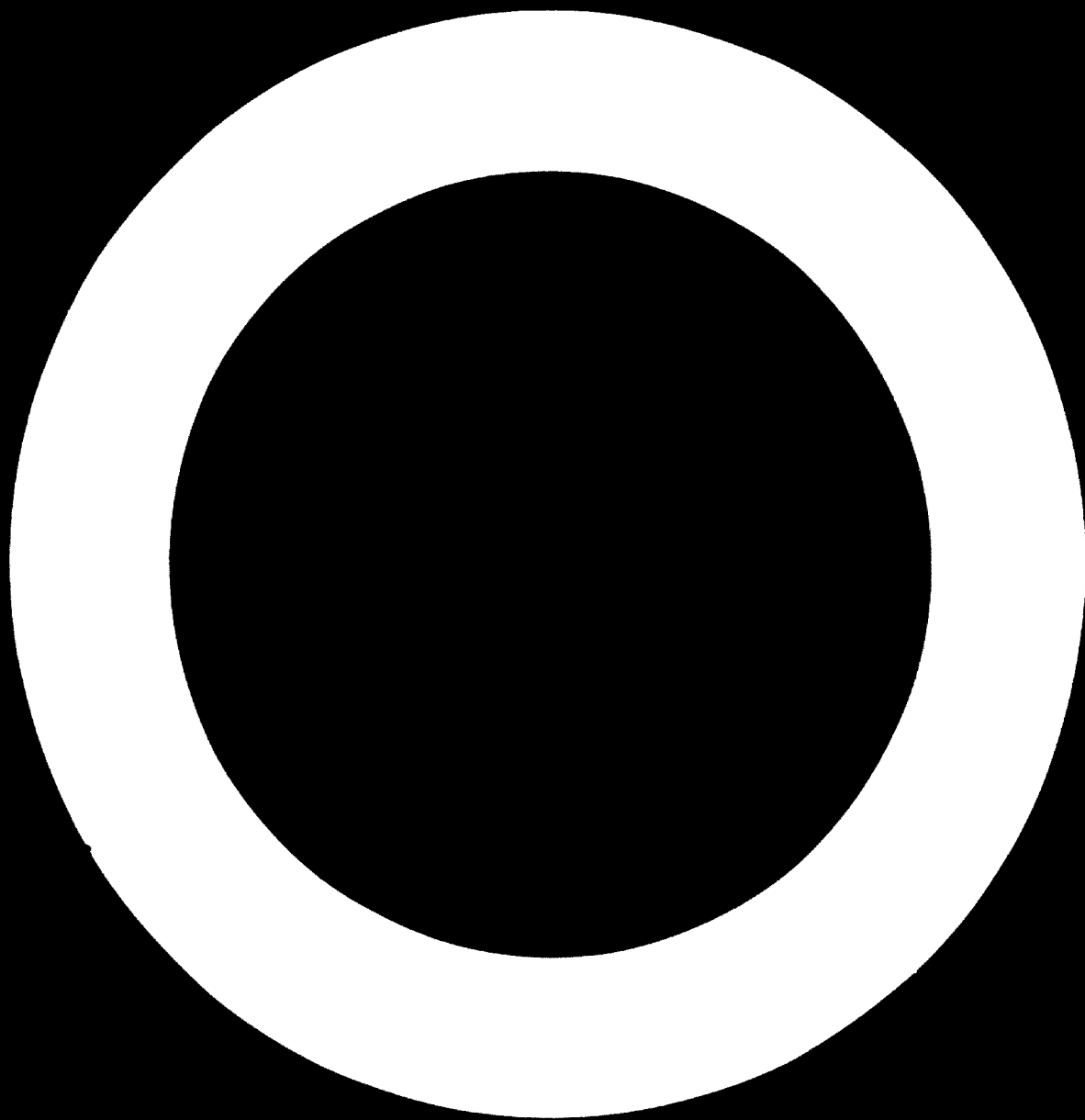
to the logical expansion of the modernized factories. The provision of an easy credit for working capital will permit an appropriate increase in inventory needs, such as raw materials, supplies and work-in-process.

Alternatives to provide the financial assistance could be the creation of a special section within the Bank or the formation of an autonomous body to handle all matters concerning the small-scale industry sector. The general opinion of the entrepreneurs interviewed during the survey 1975 - 1976 was that the Bank (HIDB) has to take this responsibility.

Development Banks of other countries usually participate in the development of small businesses and devote important resources for this sector. Some of them also have their own extension services advisory group. Whatever the arrangements a close co-operation should be maintained between institutions giving technical assistance (as KEBA at present) and institutions giving financial assistance to the small-scale industries (as most likely the HIDB in the near future). Financing for this sector is especially effective when it is closely associated to technical assistance. The practice to have both services in one institution has obvious merits.

At all events it is recommended that the financial assistance should be subordinated to the technical assistance whose advisers will be in charge of preparing the project for financing the acquisition of new machinery or for obtaining additional net working capital.

The terms and conditions for these loans and all matters related with a financial programme could be undertaken by the Economics Studies Section in Athens, with the aid of the Industrial Area Office of Sindos, provided the staff will be completed. This Office will be in a very good position to determine financial requirements when the relocation will be initiated. From the survey, the capital requirements for the purchasing of new equipment was estimated at about ONE MILLION DRACHMAS per factory as an average. The terms and conditions for these loans should be reasonable and not following the pure private banks schemes. Proposals for such policies are out of the scope of this final report.



APPENDIX I

List of Persons met during the mission

1. Government:
 - Mr. G. TRIANTAFILOPOULOS, Director
Technical Assistance Division
Ministry of Co-ordination and Planning
 - Mr. J. PELEKANOS, Chief
Department of Planning and Programme
Ministry of Industry
 - Mr. B. MELLOS, Director
Inspection of Industry
Ministry of Northern Greece
2. Hellenic Industrial Development Bank
 - a) Board:
 - Mr. G. SPENTZAS, Governor
 - Mr. K. KONTIDIS, Deputy Governor
 - Mr. D. KOPANITSAS, Deputy Governor
 - b) Industrial Areas Division:
 - Mr. J. GERAKIS, Director
 - Mr. D. KONSTANDINIDIS, Civil Engineer, Adviser
 - Mr. A. KOUROUPIS, Director Assistant
 - b.1) Studies Sub-Division:
 - Mr. N. KONSOLAS, Deputy Director
 - Mr. A. LIANANTONAKIS, Deputy Director
 - Mrs. A. ZOIDAKIS, Economic Studies Section
 - Mrs. B. KAKAOUNAKI, Economic Studies Section
 - Mr. P. MANOUSAKIS, Economic Control Section
 - b.2) Projects Sub-Division:
 - Mr. D. LAZARIDIS, Deputy Director
 - Mr. A. LIMBERAKIS, Deputy Director
 - Mr. T. KATRAOURAS, Plot Sales Section
 - Mr. S. BOBOLIS, Plot Sales Section
 - Mr. P. EGONOPOULOS, Construction Section

b.3) Thessaloniki Industrial

Area Offices: Mr. N. BEN-ZEEVI, Chief Adviser
Mr. A. SMALLMAN, Adviser on Industrial
Organization
Mr. D. BASSI-ZAMBELLI, Expert in
Extension Services

c) Thessaloniki Branch
Offices:

Mr. S. NIKOLAOU, Manager

3. Small-scale Industry Chamber of Salonika:

Mr. G. GOGOTIS, President
Mr. P. PETRIDIS, Secretary

4. K.E.B.A. (Center of Development of Small and Medium-Scale
Industries):

Mr. J. KANTZOURAKIS, Director
Mr. KARANTINIBOULOS, Engineer
Mr. VALTETSIOTIS, Engineer
Mr. ZAFRANTZAS, Economist

5. United Nations Development Programme:

Mr. H.W. KAMBERG, Resident Representative
Mr. R. SYMONDS, Resident Representative
(July 1975)
Mr. J.P. GERNAY, Assistant Resident
Representative
Mr. E. SMITH, U.N. Internal Audit Service

6. United Nations Industrial Development Organization:

Mr. N. BEN-ZEEVI, Chief Adviser of Project
(July 1975)
Mr. Ch. ZIMMERMANN, Industrial Operations
Division

7. Private Industry:

Over 200 representatives (owners, managers)
of small-scale industries of Thessaloniki

APPENDIX II

List of Agency Personnel
during expert's mission

<u>POST DESCRIPTION</u>	<u>NAME AND NATIONALITY</u>	<u>ARRIVED</u>	<u>DEPARTED</u>
Chief Adviser	Ben-Zeevi N., Israel	4/72	7/75
Adviser on Industrial Organization	Smallman A. Australia	8/75	9/75
Expert in Extension Services	Bassi-Zambelli D. Chile	7/75	10/77

- 2 -

APPENDIX III

List of Counterpart Project Staff

<u>POST DESCRIPTION</u>	<u>NAME</u>	<u>ON DUTY</u>	
		<u>FROM</u>	<u>TO</u>
General Manager	Broves Ch.	10/75	10/75
General Manager	Antonialis M.	10/75	
Promotion Officer *	Kerkinos J.	3/74	
Mechanical Engineer **	Theodoridis P.	3/74	4/77
Civil Engineer	Iordanidis D.	3/74	
Architect	Bouyoukas C.	11/71	
Chemical Engineer	Keremloglou S.	4/74	
Industrial Economist **	Mavroidis C.	8/72	2/77

NOTE:

* The actual job is to keep the accounting of the Industrial Area Office

** Without replacement up to this date (October 1977)

APPENDIX IV

Documents Prepared during the Mission

1. "Organization and Financial Planning for the Development of Industrial Areas"

By: Allan Smallman and Andrew Singer August 1975

The experts recommend specially that the Industrial Areas Activity must be carried out by a separate body. They propose a new organization structure and give general indications on financial planning, control and cost accounting.

2. "Relocation of Small-scale Industries of Salonika in the Industrial Estate of Sindos"

By: D. Bassi-Zambelli June 1976

It is based on a survey made on a sample of small-scale factories wishing to be relocated in the Industrial Estate. It also gives some antecedents useful to determine policies for disposal of the standard factory buildings.

APPENDIX V

WORK PROGRAMME

Prepared in September 1975.

1. Study and analysis of documents related to the setting up and operating of the Industrial Area and Industrial Estate at Salonika.
Estimated time: 5 weeks
2. Information meetings with the technical employees of the Industrial Area Office, especially with the Resident Manager, Chemical Engineer, Architect and Promotion Officer.
Estimated time: 2 weeks
3. Information meetings with different personalities of institutions related with small-scale industries, such as the Ministry of Northern Greece and the local Chamber of Small-scale Industry. Analysis of data received, list of industries interested in being relocated to the Industrial Estate, discussions of policies concerning incentives, etc.
Estimated time: 3 weeks
4. Co-ordination of the UNIDO programme related with fellowships, laboratory equipment, short-term experts, tanneries, free zones.
Estimated time: 1 day per month
5. Follow-up of Time-Table concerning the construction of standard factory buildings and the Sub-service Centre.
Estimated time: 1 day per month
6. Information visits to authorities of different institutions in Athens, such as UNDP, H.I.D.B., KEBA, etc.
Estimated time: 2 days per month

7. Study and analysis of Industrial Estates' experience in other countries. Assistance in the preparation of policies concerning the relocation of small-scale industries, establishment of new ones, cost of services, etc.

Estimated time: 3 days per month (from October 1975 during 7 months)

8. Information visits to a stratified sample of small-scale industries (15 to 20) selected from previous contacts. These preliminary visits are very important to help the expert in becoming acquainted with the stage of development of the regional small-scale industry sector. The objective is to verify their interest for relocation, actual cost of rent, internal problems, etc. This activity will be initiated once the list of industries wishing to relocate has been received.

Estimated time: 2 weeks

- 9.a) Study and choice of criteria to be considered to select the interested parties in being relocated in the Industrial Estate, such as size of firms, activities with priorities, value added, capital intensity, quality of products, possibility of exports, adequate management etc.
- b) Thorough analysis of the list of small-scale industries and selection according to criteria chosen. It is assumed that a real demand for being relocated exists according to the information given by the Chamber of Small-scale Industry. This assumption has been mentioned in different documents and reports during the last 3 years. On this basis the expert thinks it is necessary to continue the programme as it is indicated in activities 10 and 11 that follow.
- c) Preparation of a standard form for diagnosis

Estimated time: 3 weeks

10. Diagnosis of industries selected (20 in a first operation) to:

- a) determine capital requirements for equipment and working capital,
b) identify major problems (business and manufacturing problems),
c) determine financial position and appraisal of management,
d) determine the feasibility of the firm to be relocated according to the analysis made,

Before starting this operation it is recommended to have a definite policy concerning prices (sales and lease) and special inducements (subsidies, grants, incentives, etc) to avoid later refusals.

Estimated time: 8 weeks

11. Diagnosis of a second selected group of industries and repetition of the process in order to have a suitable number of entrepreneurs wishing to relocate.

The expert estimates (optimistic hypothesis) that about 50 % of the industries visited could be accepted in principle. Also he thinks 70 would be the minimum for a definitive selection. Therefore it is necessary that visits to 140 industries in total be made.

Estimated time (120 industries): 24 weeks

To perform this task the expert thinks to utilize the scarce human resources available as follows:

- expert and promotion officer	60 industries
- counterpart	60 industries

Besides, the eventual help from KEBA could reduce the time involved.

12. Analysis of technical and economic feasibility of projects or studies presented by new entrepreneurs and later selection. Estimated time depends on number of projects to be examined and, undoubtedly, it is going to be a continuous process.
13. Final selection. An Industrial Estate Committee should select and give the definitive approval to the interested industrialists on the basis of established policies. This might be a continuous process during activities 10, 11 and 12.
14. Technical assistance for industries selected. The expert estimates that that the majority will come from existing industries, but it is possible to have also some new enterprises.
- a) For existing industries: advice would be given specially in:
- selection of machinery and equipment;
 - preparation of a project for financing;
 - plant lay-out,
 - production planning and control (once being installed);
 - business management (managerial controls) (once being installed).

This will be a continuous process during the life of the factory.

Average time (for the 3 first subjects): 3 weeks per unit

b) For new industries:

b.1) preparation of a feasibility project. This might include:

- market aspects
- annual capacity
- capital requirements (selection of equipment)
- financing
- elements of profit and loss account (operating cost and revenue estimates)
- profit and loss account
- cash flow estimates

b.2) Plant lay-out

Estimated time: 4 weeks per unit

Once the factory has become operational the entrepreneurs must be advised in business and production management, an almost permanent operation.

In general this activity would overlap activities 11 and 12. Because of the present limited human resources, some external help to accomplish this phase will be necessary. This help can be received from KEBA's technical assistance division.

The estimated time for the different activities of the above programme are only an indication to appreciate its possible duration. Actual working time will depend in the first place on the grade of accuracy desired, in the second phase on the experience of expert's counterpart in this kind of work, and for the most part on external contingent factors, such as obtaining the basic data, acceptance of industrialists to diagnosis visits, establishment of policies in due time, etc.

APPENDIX VI

Summary of Progress Reports

During the mission the following progress reports were submitted:

1. July - December 1975

References made principally on:

1.1. Project Activities

- a) Nomination of Mr. S. Keremloglou, Chemical Engineer, as counterpart of the expert (extension services post);
- b) Submission of expert's Plan of Work;
- c) Initiation of information visits to a sample of small industries wishing to relocate in the Industrial Estate (37 visits);
- d) Follow-up:
 - 1st phase of standard factory buildings, scheduled to be finished by August 1976.
 - 2nd phase preparation of plans scheduled for 1976
 - Sub-service Centre scheduled to be initiated by June 1976;
- e) Fellowships for architect, civil engineer, mechanical engineer and chemical engineer, approved by the Bank;
- f) Meetings of Co-ordinating Committee held on July and November.

1.2. Major Problems

- a) Lack of authority and definition of duties of Industrial Area Resident Manager;
- b) Refusal of Ministry of Finance to transfer the Industrial Area from category B to category C;
- c) Possible ratio demand-supply of standard factories too high (800/49);
- d) Lack of definition concerning the general policies for disposal of standard buildings (pieces and conditions).

2. January - June 1976

2.1. Project Activities:

References made principally on:

- a) Report concerning the relocation of small-scale industries after 100 visits submitted to the Bank (June).
- b) Follow-up of:
 - 1st phase of standard factory buildings scheduled to be finished by September 1976.
 - 2nd phase under study by a consultants' office.
 - Sub-service Centre should be initiated during July 1976.
- c) Architect and Chemical Engineer accomplished half of their planned fellowships. Civil Engineer completed his. Mechanical Engineer cancelled his nomination for personal reasons.

2.2. Major Problems

- a) Lack of authority of the Resident Manager still continues.
- b) General policies for disposal of factories still not established.
- c) Limited counterpart assistance. It was suggested to hire 1 or 2 persons to be trained in management subjects.
- d) Lack of an engineer to be trained in quality control matters.

3. July - December 1976

3.1. Project Activities:

References made principally on:

- a) Report concerning the relocation of small-scale industries completed after 160 factories were visited.
- b) Follow up of:
 - 1st phase of standard factory buildings practically finished in December.
 - 2nd phase under study by a consultant's office.
 - Sub-service Centre initiated during September, scheduled to be finished by December 1977. Quality Control Expert could start his mission in August 1977.

3.2. Major Problems

- a) General policies for disposal of factories still not established.
- b) Limited counterpart assistance continues. Several alternatives were again suggested regarding the solution of this problem.
- c) Mechanical engineer to be trained in quality control matters still lacking.

4. January - June 1977

4.1. Project Activities

References made principally on:

- a) Committee for the admission of small-scale industries in the industrial estate nominated in March.
- b) Policies for disposal of standard factory buildings published in the local newspapers (April and May).
- c) Follow-up of:
 - 1st phase of standard factory buildings (17.000 sqm). Completely finished and ready to be occupied in June.
 - 2nd phase (57.000 sqm) under study by the architect of the Industrial Area Office of Sindos.
 - Sub-service Centre construction under way, Quality Control Laboratory to be finished during December 1977. Quality Control Equipment should be ordered, Quality Control Expert could be fielded in November 1977.
- d) Architect completed his planned fellowship. Fellowships for Resident Manager and Chemical Engineer scheduled for the second semester 1977.
- e) Tripartite Review Meeting held in April.

4.2. Major Problems

- a) Relocation process in a stationary position because the Chamber of Small-scale Industry did not accept the terms established by the Bank.
- b) Limited counterpart assistance continues. Two of the counterpart project staff resigned during this period (Economist, Mechanical Engineer). Matter discussed thoroughly during the Tripartite Review.

APPENDIX VII

List of Fellowships

<u>POST DESCRIPTION</u>	<u>NAME</u>	<u>COUNTRY OF STUDY</u>	<u>STARTED</u>	<u>COMPLETED</u>
1. Architect	Bouyoukas C.	United Kingdom France	1/76	1/76
2. Civil Engineer	Iordanidis D.	Austria West Germany	2/76	4/76
3. Chemical Engineer	Keremloglou S.	United Kingdom	4/76	6/76

1. Visits of housing developing schemes and industrial areas
2. Visits of factories making pre-fabricated buildings
3. Attendance to a programme related with waste disposal systems.

TABLE I

APPENDIX III

Relocation of Small-scale
Industries of Salonika
in the
Industrial Estate of Sindos

Requisitions by Activity

Food Products	56
Textiles	19
Knitting	36
Footwear	46
Clothing	55
Household Textiles	6
Wood	51
Furniture	93
Paper Products	15
Printing	5
Leather Articles	10
Plastic Products	17
Chemical Products	13
Non-metallic Products	12
Metallic Basic Industry	29
Metal Products	139
Mechanical Machinery	25
Electrical Equipment and Products	35
Transport Equipment (vehicle repairs)	1
Miscellaneous	26
Total	<u>689</u> -----

TABLE II

INDUSTRIES VISITED

Food Products	13
Textiles	4
Knitting	8
Footwear	11
Clothing	16
Household Textiles	1
Wood	7
Furniture	26
Paper Products	3
Printing	1
Leather Articles	2
Plastic Products	5
Chemical Products	3
Non-Metallic Products	3
Metallic Basic Industries	4
Metal Products	34
Mechanical Machinery	5
Electrical Equipment and Products	9
Transport Equipment	1
Miscellaneous: - Jewelry	1
- Screen Printing	1
- Brushes	2
	<hr/>
Total	160

TABLE III

GENERAL INFORMATION

on

Small-scale Industries visited

(160)

<u>SURVEY DATA</u>	<u>TOTAL</u>	<u>MEAN</u>
Employment	2.078	13
Annual Sales Revenue (million drs.)	904	5.6
Present value of equipment (million drs.)	180	1.1
Covered Area (sqm)	50.700	317
Monthly Rent (drs.)	1.22 million	7.600
Monthly rent per sqm. (drs.)	24	24

EXPANSION ESTIMATES

Employment	3.160	23
Annual Sales Revenue (million drs.)	2.700	16.8
Value of new equipment (million drs.)	189	1.2

TABLE IV

PREFERENCES OF INDUSTRIALISTS
AND TYPE OF FACTORY DEMANDED

PREFERENCE	FACTORY SPACE (sqm)					TOTAL	%
	100	200	300	400	1.200		
Buy only	7	7	19	17	28	78	49
Buy, accept rent	3	13	14	10	13	53	33
Hire/Purchase	-	5	5	3	5	18	11
Buy or Rent	3	2	4	-	1	10	6
Rent	-	-	-	-	1	1	1

TABLE V

SPACE REQUIREMENTS

Production Area demanded:

(According surface of premises offered - sqm)

Number of Applicants

100	13
200	27
300	42
400	30
1.200	48

Appraisal of Space Requirements:

(According standard with future expansions)

	<u>Number of Applicants</u>	<u>Not interested in this stage</u>
100	10	1
200	38	2
300	53	2
400	27	2
1.200	32	-

Comments:

The demand for factory surface of 200 sqm. could be solved by the use of 2 units of 100 sqm. Similarly, for 400 sqm. using 2 units of 200 sqm., but in this case the possibility of expansion would be smaller.

In general, the use of 2 or more units of a same building could solve some problems of space once the applicants will be preselected.

TABLE VII

CAPITAL REQUIREMENTS FOR NEW EQUIPMENT
(1.000 Drs.)

			<u>Number of Applicants</u>
Up	to	400	29
401	to	1.000	58
1.001	to	2.000	29
2.001	to	4.000	9
4.001	to	6.000	7
Over		6.000	3
None			16
Not programmed			9

Comments:

As a general information it is mentioned here that 23 of the industrialists interviewed (14% of total) stated they were able to autofinance the total investment in new machinery and equipment (15% of total capital needed).

10 of them declared that they would be financed from one third to one half of the new investment needed (about 7% of total capital).

Other sources of financing mentioned were loans from Commercial Banks (8 of them), and credits from suppliers of machinery.

The rest (60%) did not know with certainty where to seek financing and/or how much they could raise by themselves. Nevertheless, a great majority believe that the BANK has to take this responsibility.

Comments:

The majority is concentrated in those paying between 11 to 30 drs. 94 factories with 72% of total surface. Over 31 drs. there are 55 factories with 21% of total surface. 70% of these are located in sites classified as "A" (residential and commercial areas).

APPENDIX IX

Selection Committee for Standard Factories
Salonika Industrial Estate

- | | |
|--|-----------|
| 1. Mr. Mellos
Director
Inspection of Industry
Ministry of Northern Greece | President |
| 2. Mr. Gogotsis
President
Small-scale Industry Chamber
of Thessaloniki | Member |
| 3. Mr. Papailiou
Supervisor of KEVA
Salonika | Member |
| 4. Mr. Antoniadis
Manager
Thessaloniki Industrial Area Office | Member |
| 5. Mr. Keremloglou
Chemical Engineer
Thessaloniki Industrial Area Office | Member |
| 6. Mr. Bouyoukas
Architect
Thessaloniki Industrial Area Office | Member |

TABLE VI

MONTHLY RENT PER SQM PER FACTORY *

(Including Estimates of owned premises)

	<u>No. of Factories</u>	<u>% of total surface</u>
Up to 10 drs.	11	6.3
11 to 20 drs.	55	47.9
21 to 30 drs.	39	24.4
31 to 40 drs.	19	6.2
41 to 50 drs.	20	10.4
51 to 60 drs.	5	1.9
61 to 70 drs.	9	2.8
Over 70 drs.	2	0.1
Total	<u>160</u>	<u>100.0</u>

* Factory: It has 1 or more premises

PRESENT RENT AND FACTORY SPACE REQUIREMENTS

(Number of Applicants)

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>1.200</u>
Up to 10 drs.	-	4	6	-	1
11 to 20 drs.	-	8	18	13	16
21 to 30 drs.	2	9	15	5	8
31 to 40 drs.	2	6	7	3	1
42 to 50 drs.	3	4	4	5	4
51 to 60 drs.	1	3	-	-	1
61 to 70 drs.	1	3	3	1	1
Over 70 drs.	1	1	-	-	-

APPENDIX X

Evaluation Tables for Establishing Priorities

BASIC EVALUATION TABLE

Criterion	A	B	C	D	E
1. Site	Bad (15)	Non-satisfactory (10)	Satisfactory (5)	Good (0)	--
2. Building	Bad (10)	Non-satisfactory (6)	Satisfactory (3)	Good (0)	--
3. Space	Bad (5)	Non-satisfactory (3)	Satisfactory (1)	Good (0)	--
4. Export capacity	Over 40% actual exports (20)	From 21 - 40% actual exports (16)	Up to 20% actual exports (12)	Satisfactory (6)	Little (3)
5. Domestic market	Over 60% out of Northern Greece (10)	From 31 - 60% out of N. Greece (6)	From 15 - 30% out of N. Greece (3)	---	---
6. Branch Activity	Clothing Food Metallic Basic Metal Products Mechanical Mach. (15)	Electrical equipment Footwear Knitting Textiles	Chemical Products Furniture Plastic Goods	Leather Articles Paper products Printing Wood	
7. Sub-contracting	Actual sub-contracting within the Industrial Area (10)	Actual sub-contracting with industries of surroundings (7)	Potential sub-contracting in surroundings (3)	---	---
8. Raw materials	Over 75% local or regional, rest national (15)	From 30 - 75% local or regional, rest national (12)	Up to 10% imported, rest local, regional or national (9)	From 11 - 25% imported, rest local, regional or national (6)	From 26 - 50% imported, rest local, regional or national (3)

ADJUSTING EVALUATION TABLE

C r i t e r i o n	A	B	C	D	E	F
1. Rate of growth of employment (period 3 years)	Very high (over 500%)	(5) High (101 - 500%)	(3) Medium (31 - 100%)	(2) Low (up to 30%)	(1) Stationary (0)	Negative (-1)
2. Rate of growth of sales revenue (period 3 years)	Very high (over 500%)	(4) High (101 - 500%)	(2) Medium (31 - 100%)	(1) Low (up to 30%)	(0) Stationary (-1)	Negative (-2)
3. Ratio sales/Equipment	High over standard (over 100%)	(3) Over standard (50 - 100%)	(1) standard (\pm 50%)	(0) below standard (-1) (50 - 100%)	High below standard (-) (over 100%)	
4. Appraisal of Management	Good	(3) Satisfactory	(1) Non-satisfactory (0)			
5. Appraisal of age of Manager	Young	(2) Middle	(1) Old	(0)		

Appendix XI

GUIDELINE

For the Preparation of a

Diagnostic for a

Small - Scale Industry

General Understanding :

Capital Invested (Machinery and Equipment)	- up to U.S.\$ 200,000
Sales (annual)	- up to U.S.\$ 800,000
Employment	- up to 80 persons
Management	- Company's owner

GENERAL DESCRIPTION OF ENTERPRISE
.....

1. Identity

Firm Name (Trade Name) :

Legal Status :

Individual Proprietorship

Partnership - General

- Limited

Corporation

Other

Owner / Partner Name :

Address / Telephone :

Year Founded :

Commercial Bank Accounts:.....

Commercial Registry :

(Enrollment)

2. Fixed Assets

Land sq.m.

Buildings sq.m.

Machinery and Production Equipment

Office and Transport Equipment

3. Manpower

Managerial Staff

Technical Staff

Office Staff

Skilled Labour

Unskilled Labour

4. Products (Trade Marks)

.....
.....
.....
.....
.....

5. Sales Revenue

197
197
197

Geographical extent of market (last year) :

Domestic Regional
National
Export

6. Materials and Supplies

197
197
197

Geographical extent (last year) :

Domestic Regional
National
Import

ANALYSIS OF FUNCTIONS
.....

1. ORGANIZATION STRUCTURE

1.1. Organization Chart (Number of Employees by Department)

1.2. Organization Manual

(Description of functions : define the nature and extent of the authority and responsibility assigned to each position).

Who are responsible for :

- PURCHASING
- MARKETING
- PRODUCTION
- PERSONNEL
- FINANCE
- ACCOUNTING
-

Regular Contacts : (Meetings, Committees)

-
-
-

2. PURCHASING

2.1. Materials and Supplies (Including fabricated parts)

NO.	<u>PRINCIPAL MATERIALS</u>	<u>ANNUAL REQUIREMENTS</u>	<u>PURCHASING CONDITIONS</u>	<u>UNIT PRICE</u>	<u>TOTAL PRICE</u>
		(Indicate units in which items are ordered)			
1.
2.
3.

2.2. Materials Control and Storekeeping

NO.	<u>ORDER QUANTITY</u>	<u>PRINCIPAL SUPPLIERS</u>	<u>COUNTRY OF ORIGIN</u>	<u>DELIVERY TIME</u>	<u>STOCK MAXIMUM</u>	<u>STOCK MINIMUM</u>
1.
2.
3.

Quantity Control YES . . . NO . . . ITEMS . . .

Quality Control YES . . . NO . . . ITEMS . . .

Inventory Control YES . . . NO . . . How often . . .

Records and Procedures (include forms)

Storage Areas (Surface, Physical Characteristics, Layout, Equipment):

.....

.....

2.3. Budgets and Policies

Materials Budgets YES NO Frequency

Records and Procedures (include Forms)

.....
.....
.....

3. MARKETING

3.1. Principal Products

<u>NO.</u>	<u>ITEMS</u>	<u>ANNUAL QUANTITY</u>	<u>SALES CONDITIONS</u>	<u>UNIT PRICE</u>	<u>TOTAL PRICE</u>
1.
2.
3.

3.2. Sales Control

Are consumers usual ?

Household Industrial Government

Are these potential consumers ?

Household Industrial Government

Do you know the consumers' reactions concerning :

Prices ?

Quality ?

Other Features ?

Sales Budgets YES NO Frequency

Sales Records YES NO

Clients Records YES NO

Number of Clients

Geographical extend of market (% and location) :

Domestic

Export

Channels to domestic consumers
Channels to foreign consumers
Records and Procedures (Include forms).....

3.3. Competition

Is it important? YES NO

Name of principal competitors

.....
.....
.....
.....

3.4. Advertising and Sales Promotion

Advertising YES NO. . . .

T.V.

RADIO

MAGAZINES

NEWSPAPERS

DIRECT-MAIL

OTHER

Sales Promotion YES NO

PREMIUM

FREE SAMPLES

PRIZES (in cash or merchandises)

OTHER

4. PRODUCTION

Number of shifts

Working hours per week

per shift

per year

4.1. Products

Production conditions	Job	%
	Batch	%
	Mass	%

Quality Control ? YES NO

In every process?

4.2. Production Planning and Control

Production Budget YES NO Frequency

Production Control YES NO

(Control of activities, materials, tooling, due dates, quantity, replacements, materials handling).

Records and Procedures (include forms)

4.3. Work Analysis

Have you established standard times for the principal operations ?

YES NO

Which ones

.....

.....

4.6. Working Conditions (Very Good, Good, Satisfactory, Unsatisfactory, Bad).

- Cleanliness
- Drinking water and hygiene
- Lighting (day-light, artificial).....
- Tidiness (order)
- Ventilation (natural, artificial).....
- Heating
- Cooling (air-conditioning)
- Colour
- Noise
- Work Places (space and seating).....
-
-
-
- Fire Prevention
- Accident Prevention (safety colour code).....

4.7. Factory Building (sq.m.)

- Total Space
- Covered
- Opened
- Stories

- Production

- Office

- Auxiliary
- (Locker Rooms, Washrooms, Toilets, Rest Rooms, Dispensary, Cafeteria, others).

Age of Building

Conditions and Materials of :

Floors

Walls

Ceiling

Roofing

Columns

Beams

Expansion possibility

4.4. Machinery and Equipment

Full list indicating :

<u>NUMBER OF ITEM</u>	<u>TYPE</u>	<u>POWER</u>	<u>QUANTITY</u>	<u>AGE</u>	<u>CONDITION</u>	<u>PURCHASING PRICE</u>	<u>PURCHASING DATE</u>
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(Production, Office, Transport)

Estimate Utilization (%)

Equipment Maintenance YES NO

Indicate requirements of new equipment and estimate cost :

Electricity consumption kwh/month

Water consumption cu.m./month

4.5. Plant Lay-Out

Continuous process ?

Repetitive ?

Intermittent ?

Flow Diagram (Prepare a plan to scale of the factory or shop;
show the path of movements of the materials or
products under consideration).

Flow Process Charts (Indicate sequence of the flow of the
item under study).

5. PERSONNEL

5.1. Policies

Is there a policy concerning. (explain it) :

- Selection
- Training
- Wages & Salaries
- Merit Rating
- Promotion

5.2. Manpower

Number of Shifts Employees per shift

Working Hours : From In

List of manpower and salaries (per hour / per month)

Include social charges and calculate annual total

Indicate qualification :

- highly - skilled operatives
- skilled operatives
- semiskilled operatives
- unskilled operatives
- manager
- accountant
- technician
- office clerk
- driver, etc.

Labour turn over =
$$\frac{\text{Number of total separations (one year)}}{\text{Average number on the payroll (for the same period)}}$$

FINANCE

6.1. Financial Statements (Include Forms)

Balance Sheet (last 3 years)

Income Statement (summary of incomes and expenses).
(last 3 years)

6.2. Financial Status

(Following are indicated some of the most useful ratios utilized in financial analysis. It is recommended to calculate specially : 1 - 4 - 6 - 9)

	<u>Years</u>		
	<u>197 ..</u>	<u>197 ..</u>	<u>197 ..</u>
1. Current ratio (current assets/ current liabilities)
2. Acid-Test ratio (total cash+ receivables/current liabilities)
3. Working Capital (current as- sets-current liabilities)
4. Rate of return on equity (net profit / ownership)
5. Rate of return on sales (net profit / net sales)
6. Rate of return on cost (net profit / total cost)

- 7. Debt - equity ratio (long-term liabilities/ownership)(over 1 year).
- 8. Turn-over of total capital (total net sales/total assets)
- 9. Return on total investment (net profits / total assets)
- 10. Debt-service-coverage ratio (net profits before interest+depreciation accruals / interest charges+principal installments)
- 11. Inventory turn-over (total net sales/average level of inventories)

6.3. Financial Resources

Sources of funds available from (indicate current loans) :

- Commercial Banks (names)
- Industrial Banks
- Investment Banks
- Savings Banks
- Insurance Companies
- Others

Difficulties in obtaining loans (explain)

.....
.....
.....

6.4. Estimates of Capital Requirements

Buildings and site facilities (explain : improvements, expansion, etc.)

Machinery and equipment (include list)

Working capital (indicate : raw materials, supplies , goods in process, finished goods).

6.5. Budgets

Financial Budgets	YES . . .	NO . . .
(Income and Expenses)	Frequency	
Records and Procedures (include forms)	

6.6. Profit-to-Volume Analysis

For determining the break-even point :

(a) Total annual sales
(b) Total variable cost
(c) Total fixed cost
(d) Break even = $\frac{(c)}{1 - \frac{(b)}{(a)}}$

7. ACCOUNTING

7.1. Characteristics of the accounting system in use

(Indicate how are recorded, classified and summarized the different transactions)

7.2. Costing

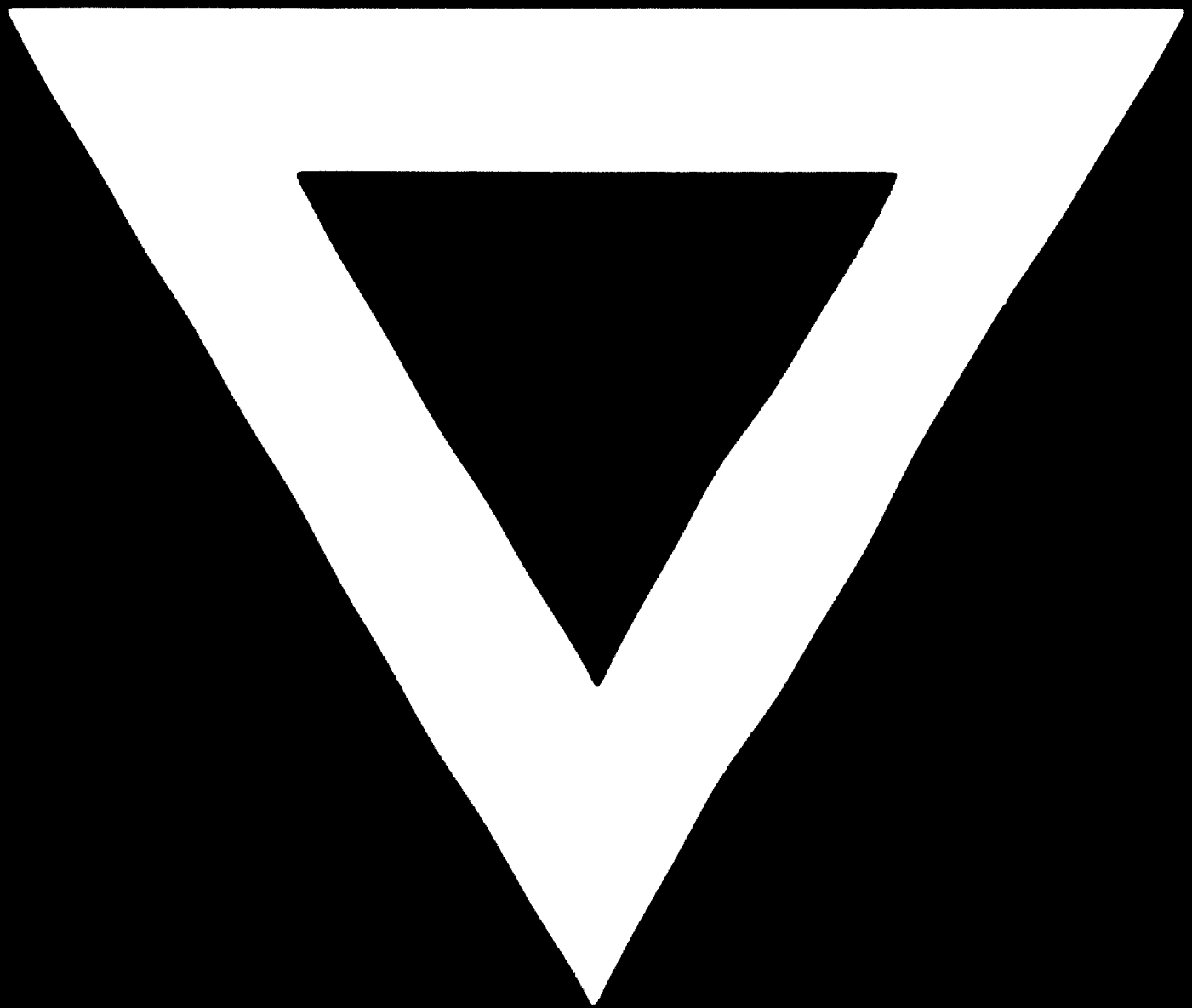
How is the cost of the products established ?

Date:

Prepared by :



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