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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

CYPRUS INDUSTRIAL STRATEGY

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Report of the Consultation Mission

Ms. Beckley

Prepared for the United Nations Industrial Development Organisation on behalf of the Government of Cyprus

Institute of Development Studies

May 1988

THE CYPRUS INDUSTRIAL STRATEGY

Report of IDS Consultation Mission

Prepared for the United Nations Industrial Development Organisation
on behalf of the Government of The Republic of Cyprus

by

Institute of Development Studies

University of Sussex

Contents

I	General Report	
	Summary of Recommendations	1
II	Food Processing	19
III	Clothing	35
IV	Footwear	48
V	Furniture	70
VI	Metal Working	89
VII	Appendices	
	1. Terms of Reference	99
	2. Cyprus Industrial Strategy recommendations; progress and further action	100
	3. Sector Plans of Action	119
	4. CIS Technical Assistance timetable	121
	5. List of persons consulted	122
	6. Members of the January mission	124

Report of return visit of the Cyprus Industrial Strategy Team, January 1988.

1. Purpose of visit

The Cyprus Industrial Strategy was received by the Cyprus Government in October 1987, and was extensively discussed within the government in the ensuing months. In addition copies of relevant sections had been distributed in industrialists to obtain their views of the analysis and recommendations contained in the CIS. The return visit of the original sector specialists and team leader in January 1988 was to:

- discuss the report with industrialists and others concerned with the restructuring of Cypriot industry
- consider, in conjunction with the industrialists, measures which they could take, with or without government support, to further the process of restructuring.
- formulate a plan of action for the general recommendations, and those contained in the specific sub-sector reports.

The team leader was further expected to discuss the general report with all parties concerned, consider ways of taking forward the general recommendations, and what technical assistance would be required for this and for the sub-sectoral action plans. The precise terms of reference are included in Appendix 1

Conduct of the visit

The team as a whole were in Cyprus for one week. Their time was devoted to meeting industrialists, individually and collectively, civil servants, banks, trade unions and sector specialists in parastatal organisations such as the ITA, the HTI, and the CPC.

A series of sector public meetings were held, at which each specialist presented their report and discussed their conclusions. In addition, 12 meetings took place with the industry associations. The full list of those consulted and the conclusions reached are given in the sub sector reports which follow.

The team leader stayed for a second week, to discuss, primarily with government officials, the general report and the recommendations arising therefrom. These discussions concentrated in particular on:

- the structure and functions of the proposed Strategic Planning Council
- the proposed complex to promote industrial design

Sector discussions and consortia

The CIS put a major emphasis on the need for industrialists to develop links between themselves on a consortia basis. Given the lack of success of previous policies to encourage the growth of large firms, inter-enterprise co-operation was seen as a necessary way of obtaining access to services normally only available to larger firms. Such services included joint representation overseas, export market information, specialist technology, strategic sector information, specialist skills programmes and so on.

Since the original CIS mission a year before, two of the sectors - clothing and footwear - had taken steps to promote such co-operation. During the 1988 visit, the clothing industry association of the Employers and Industrialists Federation prepared detailed plans for a common resource centre, jointly funded by industry and government, and for a skill centre devoted to specialist clothing skills. The footwear association likewise prepared plans for a skill centre, and a joint representative in the European clothing market. In addition discussions were held about the possible expansion of the Footwear Testing Unit at the Higher Technical Institute, into a more wide ranging sectoral resource centre.

In the furniture sector, an initiative had already been launched in May 1987 by 12 Limmasol furniture makers. They had set up a joint retailing company, which by January 1988 had three main shops, in Nicosia, Limmasol and Paphos. Each member enterprise produced a specialised product for the shops, allowing greater scale economies while at the same time contributing to a full product line within the shops. Systems of quality control and prompt delivery had been developed, and interior design consultants engaged to provide a service to customers. The firms were giving technical advice to each other, and had recently begun joint purchasing of inputs. This initiative, which has allowed the member firms to cut costs, while improving quality and customer service, is an excellent example of the advantages of inter-enterprise co-operation in action. We understand that since our visit, a second consortia has been started by another group of Limassol furniture makers.

The furniture industry association also made progress by establishing a series of working groups on areas of strategic importance for the sector, design, quality and production systems, materials development, training and education, export promotion, and inter-firm co-operation, particularly in the field of retailing.

The food processing sector is distinguished by being composed of distinct sub-sectors, and it is at this level that co-operation may be most effective. There exist strong sub-sectoral groups, and as the result of the January visit the meat processors are considering ways of extending their co-operation into the production and marketing field. Proposals were also discussed for a sector wide resource centre to be linked to the Hotel and Catering Institute.

The metal working sector is likewise composed of distinct sub sectors, but they have made progress in discussing a number of joint initiatives affecting the sector as a whole, and establishing a working group to take forward the recommendations of the CIS metal working section.

The overall conclusions from this part of the mission are as follows:

i) the return of the sub sector specialists and the discussion of their reports acted as a catalyst to industrialists (as well as those working for the government and parastatals) to consider strategic issues and ways in which they could practically co-operate.

ii) substantial headway was made during the week in planning projects in more detail, particularly the sub sectoral resource and skill centres.

iii) the industrialists' associations have played an important role in encouraging these initiatives, circulating material, holding initial review sessions, hosting meetings, taking minutes, and maintaining the momentum.

iv) the sub sectoral officials of the trade unions have responded positively to the project for restructuring in their industries.

v) the discussions provided a useful means for officers from the government and the parastatals to meet with industrialists to discuss sub sectoral strategic issues.

vi) there was a positive response to the strategies from user groups, notably the Hotels Managers Association, and the Cyprus Consumer Association. The involvement of such groups is important as a means for improving quality, and producer responsiveness to demand.

Detailed discussions of these points and the resulting sectoral action plans are contained in the sub sector reports which follow. A time chart is also attached as Appendix 3. One general recommendation we make as a result of the experience of these discussions is that similar return visits by the sector specialists should take place periodically (say once a year) during the first three years of implementation.

The Strategic Planning Council

The discussion with government officials during the second week centred on the Strategic Planning Council. This had been one of the principal proposals of the CIS main report, as a means of encouraging industrial strategic planning in Cyprus. The proposal involved the following:

- a multipartite Council, comprising members of the Government, industry, trade unions, banking and the quasi public bodies.
- an Executive Committee made up of the Ministers of Commerce and Industry, Finance, Labour, Education and Agriculture.
- a small strategic planning secretariat to act as a support unit to the Council, comprising four professional officers and three support staff.
- sector working groups, made up of one or more members of the secretariat, short term secondees from the sector in question, and from relevant parts of the Government service, as well as independent consultants as appropriate.
- these bodies were to be independent of existing Government structures, reporting directly to the Council of Ministers.
- they were also to be temporary, initially running for the four years until 1991.
- they were to be responsible for producing a range of industrial strategies, for progress chasing, and monitoring, but were not themselves to have executive responsibility. Execution would remain the tasks of the current Ministries and quasi public bodies.

There was full support for such a Strategic Council from all sections of the government, from the industrialists and the trade unions. However, there was extensive discussion and some disagreement over the details of the original CIS proposals. Matters were further affected by the recommendations of a Technology Mission, which also visited Cyprus in January, and which also favoured the establishment of a strategic agency with respect to technology. The government held a number of meetings, attended by senior civil servants, quasi publics, and representatives of industry and commerce, at which both the team leader of the CIS mission, and the members of the technology mission were present. There was no conflict of view with the technology mission: indeed we saw the recommendations as complementary. The government, too, wished to ensure the compatability of the proposals. What follows is a summary of the main issues raised, and our recommendations as the UNIDO/UNDP CIS mission.

i) **composition of Council.** There were two main issues raised:

- whether the Council should include trade unions. The industrialists were of the view that this would delay proceedings, though this was not a view shared by senior civil servants.

- the need for non government representatives to be in a majority, with the chair of the Council being independent, possibly drawn from industry, as is the case with the Cyprus Development Bank.

Comment:

- We are firmly of the view that the trade unions should be included in the Council. We say this because it is central to the CIS that a consensus is achieved around its proposals. As the Japanese have shown, achieving a consensus may slow down decisions, but it speeds up implementation. With labour playing so important a role in the proposed strategy of industrial restructuring, it would be unwise to exclude the main trade union organisations.

- the SPC should be seen first and foremost as multipartite, with an emphasis on producing robust and generally supported strategies, rather than as an arena for exercising power. The prime consideration should be how to ensure that all major institutions concerned with the strategy, inside and outside government, are properly represented. Since the Council's focus will be on government policy and action (it having no formal authority over any party in the industrial or voluntary sectors) different sections of the Government will necessarily have a major voice in the proceedings. In the proposed composition which follows, the proportions of Government, and non Government representatives are approximately half and half.

- proposed composition of the SPC:

  Representatives of the Ministries of Commerce and Industry, Finance, Labour, Education, and Agriculture, and the Planning Bureau.

The Directors of the Higher Technical Institute, the Cyprus Productivity Centre, the Industrial Training Authority, the Export Promotion Organisation, and the proposed Cyprus Design Centre.

Representatives from the Industrialists and Employers Federation, and Cyprus Chamber of Commerce, and from the industry associations of those sectors which are the focus of the SPC's work at any one time.

Representatives of the Trade Unions

The Governor of the Central Bank, and the chief executives of the Cyprus Development Bank, the Commercial Bank, and the Popular Bank.

A representative from the Cyprus Consumers Association.

The body would comprise a minimum of 20 and a maximum of 28 persons.

The Minister of Commerce and Industry should be in the chair.

ii) scope of the SPC

Some clarification was required on the scope of the SPC, and in particular whether it was to be an executive as well as an advisory agency.

Comment:
There are a number of distinct functions involved in strategic planning: strategy formulation; consultation; financial allocation; execution; progress chasing; monitoring. We recommend that the SPC should not be concerned with execution. Neither the Council nor the support unit will have the necessary time or staff to execute decisions. At the same time, the SPC will be more than a consultative body. In addition to its consultative role it should:

- formulate strategy - through its support unit and sector working group;

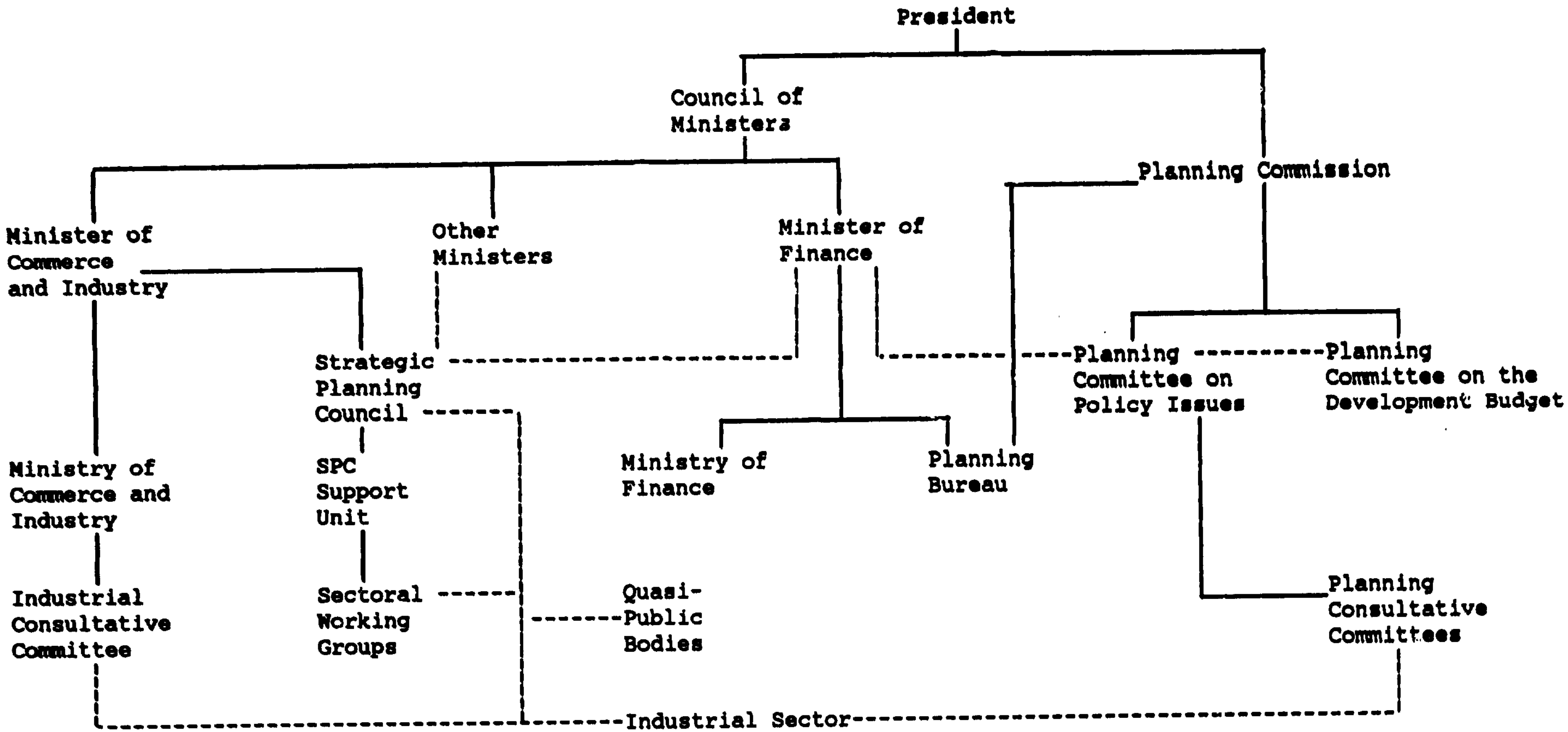
- advise the Council of Ministers on policy;
- allocate a restructuring budget between executive agencies, subject to the agreement of the Council of Ministers;
- set out the terms of reference governing the expenditure of finance;
- monitor the implementation of its decisions, through a system of regular reports, including the reports of a strategic audit. The strategic audit would operate as an independent unit, reporting directly to the Council, and would assess the effectiveness of those units charged with implementing strategy.

Progress chasing and some monitoring will be responsibility of the economic Ministries: but ultimate responsibility for monitoring would lie with the SPC.

iii) The SPC and the structure of public administration.

The current structure of industrial administration within the Government is summarised in Figure 1. On the one hand there is the lead Ministry, the MCI, within which there is an industrial consultative committee which has met only sporadically. On the other, there is the planning mechanism. The highest body is the Planning Commission, comprising the relevant ministers, and chaired by the President. On general policy issues the Commission's decisions are final, though they will be passed on to the Council of Ministers and House of Representatives when necessary.

It meets irregularly. The Commission has two sub committees, one concerned with policy, the other with the budget. They comprise the senior civil servants in the relevant Ministries, and are chaired by the Minister of Finance, with other Ministers attending for matters of immediate concern to them. There are consultative committees involving the private sector which are advisory. The Planning Bureau acts as the servicing unit to the planning structure, with its head reporting directly to the Minister of Finance, and - as far as the Planning Commission is concerned - to the President himself. Other economic ministries, notably the Ministry of Labour, have structures similar to that shown for the Ministry of Commerce and Industry. Thus there is a Labour Advisory Committee, involving both



———— lines of responsibility

- - - - - - membership

Figure 1. Industrial administration in the Government of Cyprus: structure and representation.

industrialists and trade unions, which has an advisory function vis a vis the Ministry of Labour.

The most pressing issue of discussion within the government with respect to the CIS is how the council and its support unit should fit into this structure. We consider first the Strategic Planning Council itself. There are three main alternatives:

- the SPC should have the status of other consultative committees - in this case reporting through the MCI. It would stand alongside the existing industrial consultative body, or might effectively replace it.
- the SPC - again like the planning consultative committees - could report through the planning structure, through the Planning Bureau to the Planning Committee on Policy, and from thence to the Planning Commission itself.
- the SPC could report directly to Ministers and the President, either through the Council of Ministers, or the Planning Commission.

The argument for the first alternative is first administrative simplicity. There is already formal provision for a consultative body within the MCI framework. Secondly, the work of the SPC will be concerned with industry, and thus should fall within the province of the Ministry. Thirdly, the Ministry has to date lacked a strategic capacity, and the Council would help to remedy this. It would give a strategic thrust to the work of the Ministry.

The argument for the second alternative, is that the SPC involves the inputs of a number of Ministries, and issues which do not fall directly under the MCI. These would include labour questions, agriculture, education, design training and so on. For this reason it may be appropriate to link the SPC into the existing planning structure, which is by its nature inter-departmental.

The argument for the third alternative is that (a) industrial restructuring is a major priority for the government for at least the next four years; (b) direct reporting to the Council of Ministers or the Planning Commission gives greater authority to the SPC; (c) if

Ministers are to take part in the SPC, it would be inappropriate for that body to report to the Council of Ministers or the Planning Commission through the mediation of a civil service department; (d) the modification or delay of the SPC's decisions prior to their presentation to the Council of Ministers would undermine the authority of the SPC; (e) existing consultative committees, particularly that within the MCI, lack the authority which the SPC requires, and have not in practise become effective points of initiative within the general Government structure.

Comment:

If the Government wishes to give Industrial Restructuring a high priority, and if they see the SPC as both a co-ordinating body and one that cuts through administrative difficulties in order to achieve rapid results, then there are strong arguments for the SPC reporting, through their Chairman, the Minister of Commerce and Industry, to Ministers and the President directly. We therefore recommend the third option.

If the SPC is placed under a mediating department of Ministry, we would expect the following:

- a weakening of the SPC's standing
- the possibility of delays
- a greater difficulty in achieving a consensus if any consensus reached at the SPC can be unpicked later by one of the departments concerned.
- greater difficulty for the SPC in establishing an independent strategic culture, which is particularly necessary in the current situation.

Our advice has also been influenced by what has been achieved to date. None of the existing consultative bodies have become a sufficient force for strategic industrial thinking. Attempts have been made on a number of occasions to stimulate strategic work in the industrial field. They have not succeeded, and are recognised as not having succeeded by those involved. This is not a reflection on the individuals involved, but rather the structures within which they operate. In the original Cyprus Industrial Strategy we recommended ways in which those structures could be improved. - notably in the

Ministry of Commerce and Industry - in order to cope with the challenge of the next decade. Until those changes have been introduced we think it unwise to locate the SPC within those structures - certainly for the initial period until 1991. In matters of organisation it is not the rational structures of organisation charts which are of prime importance, but the effectiveness of those structures. It is the difficulties which have been encountered in developing strategic industrial thinking within the government which has been a determining factor in influencing our recommendation.

There is a more general consideration. The key to the success of the SPC is a strengthening of the horizontal links between Government departments, and the various industrial institutions, and a reduction of the vertical layers. Such structures have been key to Japanese industrial success. The fewer the vertical layers, the greater the authority of the body involved - in this case the SPC - since it is closer to the apex of the pyramid of power, and the more effectively it can then forge the horizontal links. Such organisational principles are a part of what in corporate circles has come to be known as 'the new administration' - a set of principles aimed to replace the inflexibility of earlier centralised bureaucratic structures with ones which encourage innovation, decentralised initiative and flexible response.

As to the appropriate ministerial body, in as much as some Planning Commission decisions have to be passed on to the Council of Ministers, the principle of the 'fewest layers' suggests that it would be simplest for the SPC to report to the Council of Ministers, through its Chair, the Minister of Commerce and Industry. This is the path we have indicated on Figure 1.

Both the Ministry of Commerce and Industry and the Planning Bureau have a proper concern that their views be adequately taken into account on matters of central interest to them. To give these due weight before the SPC takes its decisions, as well as to ensure that the Council of Ministers are aware of departmental views, we recommend a system of <u>concurrent reports</u>. These are brief reports prepared by the relevant departments for the SPC meetings, and forwarded to the Council of Ministers as appendices to the main SPC report and recommendations. Such a system encourages any deliberative body - her the SPC - to take account of the views of those writing the concurrent, since a hostile concurrent will weaken the chance of the main recommendations being accepted. As an administrative practice, they have proved an inducement to compromise, and an insurance that key departmental views are registered at every level of decision taking.

iv) the support unit, and its legal status

Linked to the question of the SPC's line of reporting is the location of the support unit. One view is that it should be placed within the Ministry of Commerce and Industry: this was the view not only of the Ministry itself but of the Planning Bureau, who have emphasised the need to expand the strategic capacity of the MCI. An alternative view was that it should be a free standing unit, working to the chair of the Strategic Planning Council, namely the Minister of Commerce and Industry.

Comment:
For the same reasons as we favour the free standing Strategic Planning Council, we recommend that the secretariat be independent of existing departmental structures. It may also be advisable for both the Council and the unit to be established as a semi governmental organisation. This would allow the unit to employ secondees from the private as well as the public sector, and to determine employment practises appropriate for working with the industrial sector. Like other semi governmental organisations such as the Industrial Training Authority, it will be easier for such a unit to establish the necessary organisational culture if it starts as a separate institution.

v) temporary nature of the SPC.

The CIS recommended that the Strategic Planning Council be set up as a temporary measure, for the period of the current plan up to 1991. A number of people have commented that if strategic planning is so important, then the SPC and its support unit should be permanent.

Comment:

There are two problems with permanent structures. They usually take longer to set up; the Cyprus Export Promotions Organisation for example has taken many years to get going. They also take longer to close down, a step that may be necessary either because the need is less pressing, or because they are not functioning effectively as institutions. In the case of the SPC, the need for speed of start up is paramount. But equally it would be wise for any government to retain the option to restructure the SPC after the initial four year period in the light of changing strategic needs and the development of strategic capacity elsewhere in the civil service.

We were advised that civil servants would be reluctant to transfer to a temporary institution. Incentives would have to be provided as part of a formalised leave of absence as a counterweight to such reluctance.

vi) technology strategy.

The Cyprus Technology Mission recommended that any restructuring council should also be responsible for technology strategy, as well as for strategic work on sectors such as agriculture, retailing, energy and the environment, which fall outside the immediate rubric of an Industrial Council. The support unit would similarly have to be expanded from the four professionals proposed in the Cyprus Industrial Strategy, to six in order to cover the technological tasks. Some officials took the view that the SPC should remain predominantly an Industrial Council. Others that its scope should be widened in the way suggested by the Technology Strategy.

Comment:

Our approach to this question is pragmatic. As the original CIS suggested, industrial strategy requires links to be made with related fields - of which retailing, tourism and agriculture are all examples. The same is true of the general issues of technology. The terms of reference of the SPC should therefore be drawn broadly enough for the work of the Council to be extended beyond manufacturing industry as narrowly defined. The proposals of the technology strategy are fully consistent with those made in the CIS and which are elaborated here.

vii) the name

We received comments that the term 'planning' in the Strategic Planning Council was confusing in the light of the existing planning structures. The Cyprus Technology Strategy suggested that a strategic agency should be called 'the Restructuring Council'.

Comment:
Any confusion over the word 'planning' should clearly be avoided. We therefore suggest the adoption of CTS proposal, so that the SPC would become the 'Cyprus Restructuring Council'.

viii) time scale

The idea of a Strategic Planning Council with a support unit has been widely accepted, by Government departments, industrialists and trade unions. It should be noted, however, that there are different views among the various parties, particularly on the proper organisational location of the SPC.

Comment:
Some means of reconciling these views is urgently needed, if delays are to be avoided. We say reconciliation because it is important that all views are fully taken into account and talked through so that the new institution has general support. In this respect informal discussions are likely to be more effective than formal meetings, in encouraging creative thinking about these issues and in reaching a consensus. What is required is for someone to be given responsibility for achieving such agreement against a tight timescale, say the end of September 1988.

In this report we have given our views on these matters as we were asked to do. But over-riding any particular proposal is the consideration that agreement be reached soon, and that any new structure - whatever its form - should be flexible, subject to monitoring, and adjustable in the light of performance.

Technical Assistance

Discussions were held and a draft programme drawn up with respect to the type and extent of the external assistance required to assist the implementation of the Cyprus Industrial Strategy, over a three year period. Appendix 4 indicates a timetable for the proposed technical assistance programme.

Summary of general recommendations

1. There should be regular return visits by sector specialists, say once a year, to advise on and monitor the implementation of the industrial sector strategies.

2. Trade unions should be represented on the Strategic Planning Council (SPC), together with industrialists, banks, the consumer association, relevant quasi-public bodies, and the principal Ministries and Government departments, as set out in the text.

3. The chair of the SPC should be the Minister of Commerce & Industry.

4. The SPC should be concerned with consultation, strategy formulation, policy advice, allocation, the setting of budgetary terms of reference, and monitoring implementation. It should not, however, be an executive agency.

5. The SPC should report directly to the Council of Ministers via its chairman, the Minister of Commerce and Industry.

6. The SPC should adopt the practise of concurrent reports, carrying the views of the Ministry of Commerce and Industry and the Planning Bureau on any recommendation, and append them to the main SPC reports submitted to the Council of Ministers.

7. The SPC support unit should be an independant body, working directly to the Strategic Planning Council through the SPC's Chairman.

8. The SPC and its support unit should be established for four years in the first instance.

9. Civil servants working for the support unit should do so through a formal leave of absence, and on terms which compensate for any detriment suffered in working for a temporary body.

10. The terms of reference of the SPC should be drawn broadly to allow it to cover restructuring in other sectors of the economy, and issues of technology.

11. The name of the SPC should be the 'Cyprus Restructuring Council'.

12. Agreement on the outstanding issues concerning the Restructuring Council should be reached at the latest by the end of September 1988.

FOOD PROCESSING

Food Processing

The following progress report for the Cyprus food processing industry is based on the recommendations of the UNDP/UNIDO Report, Cyprus Industrial Strategy, Sector Report No. 1: Food Processing (December 1987).

1. Purpose of visit:

The original report on the food processing industry in Cyprus had suggested that there was only limited scope for expanding mass production in a small domestic island economy. It suggested however that there was scope for developing a range of Cypriot products for niche marketing to higher price markets, initially the tourist market, but subsequently within Europe and further afield. To maximise impact and profitability in such markets it was necessary for small Cypriot producers to cooperate in purchasing technical support and marketing.

The priorities of the second visit were:

a) to discuss with industrialists, trade unions, government official and other concerned parties the content of the CIS Food Processing report and its recommendations.

b) to consider how to take the recommendations forward, and produce a plan of action to this end.

2. Consultation

Two initial open meeting were held for industrialists, and other interested parties to discuss the Food report and its recommendations. These meetings and other informal discussions highlighted five main issues.

- means of improving the quality of food products in the face of a variety of cost cutting pressures

- measures to strengthen consumer influence on the industry

- ways of increasing co-operation between food processors in the field of purchasing and marketing

- steps to establish a food industry technology centre

- arrangements for discussing long term food industry strategy within Cyprus.

Of the original recommendations, those concerning bar codes (5 and 6) were considered to be adequately covered by existing practises, while those calling for a study of the catering industry (18 and 20) and the sectoral organisation of the MCI and training of MCI staff (22 and 23) were covered in the wider programme outlined in the main CTS report.

3. Food quality

From discussions with food industry managers, it was clear that downward pressure on margins, encouraging a lowering of quality, continued. The pressure appears to come mainly from the tourist trade and retailers. One meat processor, for example, said that he had been forced to turn down an offer to make a breakfast meat product for a major Cypriot tour operator because the price offered could only have been met by a lowering of product quality. Such price squeezes were common in the view of the industry.

Furthermore, the Cyprus Tourist Organisation appears to reinforce this emphasis of price at the expense of quality. The first guide to cafes and restaurants for tourists in 1988 rates the premises by their facilities alone and makes no attempt to assess food quality. This is a serious omission since lower food quality standards can only lower the reputation of tourism in Cyprus.

Some retailers also put a premium on price rather than quality. In this they are missing an opportunity. For retailing companies introduced many of the quality niche market products which have been successful in Britain. The first report therefore suggested that a retail consortium might be an appropriate grouping to promote such product development in Cyprus. Two supermarkets were interviewed - one with an aggressively price based market strategy and the other, based on cooperative principles, with a wider commitment to benefitting the consumer. The importance of such companies is growing - one producer suggested that two supermarkets now control 90 percent of cheese sales in Larnaca - but none are yet organised on a national basis. Central delivery and own-label packaging is however used for commodity items such as sugar bought in bulk from overseas. Even thou the Coop representative did claim that Cypriot consumers were motivated more by quality than price, the buying policies of both companies seemed to be determined primarily by price. Quality checks were limited to weight control and following up customer complaints. Neither company seemed to have considered the use of own-label to introduce new products or premium versions of existing lines.

In seeking how best to encourage Cyprus food producers to upgrade the quality of their output, the hoteliers were identified as a group which potentially had an interest in promoting rather than merely cutting price. Leading members of both the hotel managers' and hotel directors' associations were spoken to - all of whom represented 4 or 5 star hotels. Their comments upon fresh fruit and vegetables, fresh meat, meat products, wine, preserves and butter all centred around the problems of obtaining local supplies cf adequate quality or consistency. It may be that the concerns of their purchasing officers and chefs or the concerns of lower grade hotels would be more orientated towards price. However the representatives claimed both hotel trade associations would welcome constructive and regular meetings with food manufacturers associations aimed at improving the quality of local supplies. This concern over quality was echoed by the director and staff of the Hotel and Catering Institute.

Responsibility for the development of closer cooperation between the hotel industry and food processors remains primarily with the trade associations in each case, This point was noted by the industrialists, and by the Cyprus Chamber of Commerce who are in a good position to encourage such meetings. But the government itself could also take a number of steps in support of a quality, niche market led strategy for food. We recommend the following:

1. **The Ministry of Commerce and Industry should discuss with the Cyprus Tourist Organisation the role the latter could play in improving food quality as part of a wider strategy to upgrade the quality of Cyprus tourism. The CTO should be asked to produce a public policy document on this subject by the end of 1988.**

2. **The Ministry of Commerce and Industry should review current food sampling and testing rates to ensure they adequately guarantee the**

quality of food supplies to domestic and export markets. A recent case in which the Swedish public authorities turned back a consignment of Cyprus grapes because of high pesticide residues suggests that there are deficiencies in the food inspection service as it is currently constituted.

3. **The enforcement of food laws should be made more effective by an increase in fines. Currently companies like Seven Up have continued to employ banned additives in spite of prosecutions.**

4. **A Cyprus Food Commission should be established as a matter of urgency. In addition to the functions outlined for it in the initial CIS report, it could play a monitoring role with respect to the food inspection service, and conduct a review of the food laws as indicated above.**

4. Strengthening consumer influence

In Western Europe and North America, a strong consumer movement has also been found to be an important means of improving product quality, as well as ensuring continued attention to the link between food and health. Discussions were held with the Cyprus Consumer Association on the CIS food strategy, and on their own organisation. Theirs was largely a voluntary organisation depending on a high level of individual commitment outside working hours. With only one full-time administrator they produced a regular journal, sat on a number of consultative committees and ran courses on diet and health in local schools. They saw food as their primary current cause of concern, and had raised the issue with all candidates in the recent Presidential election campaign. By inviting past senior civil servants to join their council, the Association had access to highly trained technical advice. We were most impressed by their degree of commitment and the level of technical support they had amassed. Arising out of these and subsequent discussions with officials in the government and parastatal institutions, a number of positive ways of strengthening consumer influence and health awareness in the food industry emerged. We recommend these in addition to the proposal for the Food commission in the original report:

1. **The Department of Health should provide resources to promote courses for healthy eating in schools. This should not have to fall on the scarce human and financial resources of the Consumer Association.**

2. **The Ministry of Commerce and Industry through the Department of Prices and Consumer Protection should provide supplementary funds to the Cyprus Consumers Association to allow it to expand its activities, particularly with respect to the food and beverage industry.**

3. **The Consumers Association should be closely involved in the establishment of a Cyprus Food Commission.**

4. **The Cyprus Tourist Organisation should provide information and promotional support for the Cyprus Good Food Guide.**

   This project is now being developed by the Consumers Association in cooperation with the Cyprus Development Bank. The Guide will be based on the British model, and is intended to act as an encouragement to improve the quality of Cypriot catering and as a source of independent funding for the Consumers Association. Given the Association's current limited resources, it is important that the preparation of this guide can draw on the work of the government and tourist authority inspectors, provided this does not compromise the guide's independence. By listing only good cafes and restaurants the Guide will avoid threats of libel from those premises which have reacted angrily when criticised by the Consumers Association in the past. The representatives of the hotel trade to whom we spoke all welcomed the idea of the Guide.

The CTO is in a good position to promote it once published, and were it to sell to only 1 percent of its potential market of 1 million tourists per annum, it would be a good revenue earner for the Association. Progress on the Guide was one of the most positive steps to have arisen as the result of the January mission, and contact has since then been made by the consultant with the Consumers Association in London to sound out their willingness to support the initial stages of the project.

5. Cooperation between food processors in the field of purchasing and marketing.

Members of the food industry were generally enthusiastic about suggestions that there needed to be more cooperation in purchasing and marketing, particularly in overseas marketing. The outstanding success of overseas marketing has been the Cypriot potato. Through total control over varieties and acreage grown and monopoly control over overseas sales, the marketing board has in 20 years transformed an industry on the verge of collapse to one which accounted for 11.4 percent of Cypriot exports in 1986. It was generally agreed that monopoly control was of more importance than national branding to such an export strategy. Indeed, potato varieties are varied according to season and markets yet this enhances the reputation of Cypriot potatoes. Monopoly marketing is required to prevent suppliers refusing to meet commitment as occurred with a past initiative in the clothing industry,. It must ensure production of the quality and at the time required - an objective so far unmet by the Milk Marketing Board.

Both in overseas and domestic markets, cooperation between smaller producers should be treated as a priority. Distribution synergies between the various chilled food sub-sectors make this a prime area for cooperation, particularly in view of the expansion of prepared chilled food sales in Western Europe and the growing number of self-catering tourists. This is one example of potential cooperation across the sub-sectors. In most cases, however, it is advisable to concentrate first on establishing cooperation within sub-sectors. During the January visit the most positive steps in this direction were taken with respect to the meat sub-sector.

As the result of discussion with the meat processors, the Cyprus Chamber of Commerce has agreed to pioneer cooperative strategies using the meat processing sub-sector as a pilot for food processing sub-sectors more generally. At an initial meeting of virtually all members of the meat producers association the following areas were identified for possible future cooperation:

- standardised quality pricing discounts and minimum quality standards

- joint shareholding in a separate distribution company

- monopoly marketing policy following entry to EEC markets

- joint financing of an EEC standard meat processing factory

- joint approach to hotel and catering trades to identify market opportunities, promote quality and establish common distribution

- joint trade visits to Europe particularly to study cooperation between meat processors elsewhere and the latest, computerised chilled product delivery systems

- the establishment of a technical support centre, discussed in Section 6

- joint action to reduce costs of "sale or return" and to promote better control of "sell by" date rotation.

Of these recommendations, those which should most easily be achieved are to jointly meet hotel trade representatives, to arrange the trade visit to Europe and to agree requirements for the technical support centre. The hotel associations were extremely interested in improving liaison between the sectors.

We recommend that the government should agree to part funding of any trade visit to Europe by the Cypriot meat processors.

6. Food Industry Technology Centre

Recommendations in the first report that such a centre be established were discussed and considered correct in principle for the following reasons:

- many firms could benefit from food technological advice on a consultancy basis but few could justify employing a full-time technologist

- current statutory advice on hygiene standards,often lacking amongst food processors, tells manufacturers what they should not do rather than advising, say, on how best to invest a given sum of money on improving standards

- current analytical services in the government laboratory are biased towards chemical analysis since this is what is normally required to enforce food standards. Food manufacturing support requires a centre devoted more towards testing the physical and microbiological properties of food ingredients and products.

Discussion with industry and educational representatives suggests that the Centre would be best located at the Hotel and Catering Institute (HCI) for the following reasons:

- the Ministry of Labour has already agreed in principle to fund a technical centre at the institute but the £30,000 initial allocation remained unspent due solely to the other commitments of those charged with administering it.

- student numbers would still be adequate to justify a food technology course at the Higher Technical Institute (HTI). It would however be possible to include a Food Technology "block" within the catering courses which could then form the basis for short courses for food industry personnel

- existing catering courses would be improved by access to microbiological facilities which permitted practical demonstrations of the dangers of poor hygiene

- the technical advice service on improving hygiene design in food factories would be equally applicable to catering establishments.

One difficulty in the way of early development of the Centre is the workload of the HCI directorate involved as they are with the establishment of a new curriculum and building the conference centre next to the Philoxenia Hotel. A nominated staff member and an industry sub-committee of the main board would be necessary as a support to the Director in order to progress this project rapidly.

7. Long term food industry strategy

Many of the recommendations in the original report concerned medium to long term strategic issues, including the development and expansion of new markets (recommendations 2, 9, 10, 11, 12 and 13) developing new product ranges (recommendations 7 and 8), linking agricultural policy and food processing strategy (recommendations 3, 4, 19 and 25) as well as the issues of improving product quality, and inter firm cooperation which we have already discussed. The Strategic Planning Council will be one vehicle for progressing work and discussion on these issues. But following the industry and government discussions, it emerged that a conference and seminar programme would be an immediate and productive way of taking forward discussion on a number of the key strategic recommendations from the initial report.

Draft conference programme:

1. Improving distribution

Existing food distribution structures in Cyprus

Fresh fruit and vegetables - cold chain and controlled atmosphere systems

Computer in the cab - a review of computerisation and van sales

Buying for quality - systems and staff requirements

2. Contract sales

Potential Cypriot markets, size and points of access

Fruit and vegetables - the requirements of a large supermarket buyer

Cypriot ethnic foods - access to Europe's retail shelves

The dangers of over-reliance on multiple retail outlets

3. National marketing schemes

Current Cypriot marketing schemes - strengths and weaknesses

Market-led development in vine products

Marketing milk and milk products

Finding new markets

4. Tourism and food

Current Cypriot tourist food sales - size and trends

Opportunities for import substitution and barriers to change

Cypriot food as a tourist attraction

Following the tourist home - strategies for success

Each theme would be covered in 3 stages. In the first, detailed and possibly conflicting analyses of a particular food system strategy would be presented by overseas and Cypriot experts in a particular field. The second would permit a public discussion of the issues between speakers and participants whilst the third would be a more intimate meeting between nominated representatives of the various relative sub-sectors to establish practical steps for progressing strategy in the area outlined.

We recommend that a food industry strategy conference programme be organised jointly by the Government and industry, either as a one week conference or as sequential meetings, prior to the end of March 1989.

8. Technical assistance requirements

The following are the main short term technical assistance requirements:

a) advice in establishing the Cyprus Food Commission

b) advice, preferably from the Consumers Association the UK, in preparing the first edition of the Cyprus Good Food Guide.

c) financial and organisational support for industry visits to Europe to study cooperation between food processors (particularly in the meat industry) and to assess the latest computerised chilled product delivery systems.

d) technical advice on improving catering products

e) technical advice on the state of the art testing procedures in use by progressive European companies to be provided in the Food industry technology centre, as well as on the best sources for such equipment.

f) assistance in identifying potential contributors from overseas for the strategy conference programme, as well as assistance during the programme and its writing up.

9. Summary of main recommendations:

1. The Ministry of Commerce and Industry should discuss with the Cyprus Tourist Organisation the role the latter could play in improving food quality as part of a wider strategy to upgrade the quality of Cyprus tourism. The CTO should be asked to produce a public policy document on this subject by the end of 1988.

2. The Ministry of Commerce and Industry should review current food sampling and testing rates to ensure they adequately guarantee the quality of food supplies to domestic and export markets. A recent case in which the Swedish public authorities turned back a consignment of Cyprus grapes because of high pesticide residues suggests that there are deficiencies in the food inspection service as it is currently constituted.

3. The enforcement of food laws should be made more effective by an increase in fines. Currently companies like Seven Up have continued to employ banned additives in spite of prosecutions.

4. A Cyprus Food Commission should be established as a matter of urgency. In addition to the functions outlined for it in the initial CIS report, it could play a monitoring role with respect to the food inspection service, and conduct a review of the food laws as indicated above.

5. The Department of Health should provide resources to promote courses for healthy eating in schools. This should not have to fall on the scarce human and financial resources of the Consumer Association.

6. The Ministry of Commerce and Industry through the Department of Prices and Consumer Protection should provide supplementary funds to the Cyprus Consumers Association to allow it to expand its activities, particularly with respect to the food and beverage industry. The Consumers Association should be closely involved in the establishment of a Cyprus Food Commission.

7. The Cyprus Tourist Organisation should provide information and promotional support for the Cyprus Good Food Guide.

8. We recommend that the government should agree to part funding of any trade visit to Europe by the Cypriot meat processors.

9. We recommend that a food industry strategy conference programme be organised jointly by the Government and industry, either as a one week conference or as sequential meetings, prior to the end of March 1989.

Appendix 1

Organisations contacted during Cyprus visit, January 1988

Cyprus Tourist Office

Athienitis Supermarket

Ministry of Agriculture

Ministry of Commerce and Industry

- Agricultural Trade
- Industrial Trade

Hotel and Catering Institute

Coop Supermarket

Pittas Dairy Industries Ltd.

Higher Technical Institute

SEK

PEO

Quail Marketing Cooperative

Chamber of Commerce

Meat Processing Trade Association

Consumers Association

Export Promotion Organisation

Milk Marketing Board

Hotel Managers Association

Hotel Directors Association

Export Promotion OrganisationT

Cyprus Development Bank

CLOTHING

Clothing

The following action plan for the Cyprus clothing industry is based on the recommendations of the UNDP/UNIDO Mission, Cyprus Industrial Strategy, Supplementary Report no. 2: Clothing (December 1987). These recommendations have been revised, prioritised, costed and timetabled after extensive discussions with representatives of both the private and public sector during the week of 10-17 January 1988. A list of persons and organisations visited is contained in Appendix III. All recommendations concerning the Clothing Manufacturers' Association and the trade unions have been jointly agreed with representatives of those organisations.

I. Clothing Resource Centre

A sectoral resource centre should be established for the clothing industry in Cyprus.

1.1 Functions: the resource centre should consist initially of the following services:

- A fashion forecasting facility. This facility would purchase the full range of international design intelligence reports and elaborate them for local firms through seminars, presentations and publications. Its staff should also set up a register of free-lance designers and establish contact with designers abroad willing to work with Cyprus firms, as well as compiling a fabric library and maintaining up-to-date information on fabric sourcing.

- A computer-aided design (CAD) bureau. This bureau should include facilities for pattern development, grading, lay planning and marker making, which would be made available to firms on a commercial basis. The possibility of adding a computer-controlled cutting service should be considered at a future stage.

- A technological information service. This service should compile up-to-date information on technological developments abroad and elaborate it for local firms through seminars, presentations and publications. It should also build up a register of management consultants willing to work with Cyprus firms. With financial support from a UNDP programme of technical assistance (see recommendation 3.1 below), two foreign consultants should be brought to Cyprus for a period of one year to advise local firms on management information systems, production control and work organisation; these consultants should undertake specific projects for individual companies at subsidised rates while also running public seminars under the auspices of the information service.

- A skill training centre (see recommendation II below).

- A sector-specific export marketing service (see recommendation IV below).

1.2 Constitution: control of the resource centre should be vested in a Board of Directors consisting of two representatives of the public sector and four representatives of the Clothing Manufacturers' Association.

1.3 Administration and Staffing: the resource centre should be run by an administrative director, together with three section heads. The administrative director, who should also be responsible for marketing the centre's services, should be a Cypriot. Given the absence of suitably qualified personnel in Cyprus, the section heads should be recruited from abroad for the first two years of the centre's establishment, during which time they should be responsible for the training of a Cypriot counterpart. Two domestically-recruited employees will be required for the fashion forecasting facility, two for the CAD bureau and one for the technological information service. The administration of the resource centre will also require a receptionist/telephonist, a secretary, and an accountant.

1.4 Budget: see Appendix I

1.5 Funding: the funding for the resource centre should be raised in the following manner. Capital costs should be divided equally between the public authorities and the Clothing Manufacturers' Association, except in the case of the CAD bureau, in which the public authorities should be responsible for the capital costs (including the costs of the building) and the Association for the running costs, to be raised through commercial charges for the users. The public authorities should also act as guarantors for the Association in obtaining a loan to cover its share of the capital costs of the building. To enable the centre to build up support at the outset, running costs for its other services should be divided between the public authorities and the Association on the following basis: during the first two years, 60 percent from the public authorities and 50 percent from the Association; during years three to five, 50 percent/50 percent; and after five years, 25 percent from the public authorities and 75 percent from the association. All services of the resource centre to be available to non-members of the Association at slightly higher rates.

1.6 Timescale:

- Representatives of the Clothing Manufacturers' Association should undertake as soon as possible a 14 day study trip to Italy and Britain. In Italy they should visit the Centro Informazione Tessile Emilia Romagna (CITER), and if possible a commercial CAD bureau. In Britain, they should visit the West Midlands Clothing Resource Centre in Smethwick, Birmingham; the Newcastle Fashion Centre at Newcastle Polytechnic; and meet with representatives of the major CAD suppliers. The cost of the trip (approximately C£5000) should be divided equally between the Association and the public authorities, with possible support from UNDP.

- On the basis of these visits, the budget and staffing plan for the centre should be reviewed and revised as appropriate.

- The target date for opening the centre should be autumn 1988.

II. Skill Centre

A specialised skill centre should be established for the clothing industry in Cyprus. Initially there should be one centre in Nicosia, but if it proves successful additional centres might subsequently be established in Larnaca and Limassol.

2.1 Functions:

- The skill centre should offer high-quality initial training for sewing machinists and mechanics based on a combination of off-the-job instruction and in-company placements. At a subsequent stage, the provision of upgrading courses in these areas might be considered.

- The initial training course for sewing machinists should consist of six weeks classroom instruction at the skill centre, followed by six weeks in-company placement. The maximum class size should be set at twenty trainees, with a ratio of one instructor to every ten trainees. At the outset, therefore, the centre would run eight courses per year for a total of 160 trainee machinists. In-company placements should be monitored by a separate instructor, and companies which lack adequate training facilities of their own should be able to sponsor trainees by paying an appropriate fee for in-house training in other firms.

2.2 Constitution: the skill centre should be controlled by the Board of Directors of the Clothing Resource Centre, though not necessarily housed in the same building.

2.3 Administration and staffing: the skill centre should be administered by an administrative secretary who would also be responsible for timetabling the courses. Four first-class instructors would also be required: two for the machinists' courses, one for the mechanics' courses, and one to assist with in-company placements. Given the absence of suitably trained instructors in Cyprus, it would be vital to bring in a foreign expert to train the instructors for the centre. This expert should be brought to Cyprus for one year with financial support from a UNDP programme of technical assistance (see recommendation 3.2 below), and would also be able to assist with training for in-company instructors more broadly.

2.4 Budget: see Appendix II.

2.5 Financing: the skill centre should be financed on the same basis as the Clothing Resource Centre itself. Capital costs should be divided equally between the Clothing Manufacturers' Association and the public authorities. Running costs should be divided as follows: during the first two years, 60 percent from the public authorities and 40 percent from the Association; during years three to five, 50 percent/50 percent; and after five years, 25 percent from the public authorities and 75 percent from the association. All services of the skill centre to be available to non-members of the Association at slightly higher rates. Subsidies for the trainees themselves to be provided by the Industrial Training Authority on the normal basis.

2.6 Timescale: training for the skill centre instructors should take six months from the arrival of the foreign expert. If the expert arrived in September 1988, the target date for the opening of the centre should be March 1989.

III. UNDP Technical Assistance

The UNDP should undertake a programme of technical assistance for the clothing industry in Cyprus. This programme should consist of the following components:

- Managerial Consultancy and Technical Advice: in collaboration with the technological information service of the Clothing Resource Centre and the extension service of the Ministry of Commerce and Industry, the UNDP should provide financial support to bring two foreign consultants to Cyprus for a period of one year (see recommendation in 1.1) to advise local firms on management information systems, production control and work organisation; these consultants should undertake specific projects for individual companies at subsidised rates while also running public seminars under the auspices of the information service. The estimated cost of salaries for these consultants would be C£15,000 each, or a total of C£30,000.

- Training Instruction: the UNDP should provide financial support to bring a foreign training instructor to Cyprus for a period of one year to assist in training instructors for the proposed skill centre (see recommendation 2.3 above). This instructor should also work jointly with the skill centre, the Industrial Training Authority and the Cyprus Productivity Centre to train instructors for in-company courses in the industry more broadly. Estimated cost: C£15,000.

- Incentive Payment Consultancy: the UNDP should provide financial support for a foreign management consultancy to design new incentive payment systems for the clothing industry in Cyprus. The consultant's brief should emphasise the need for compatibility of proposed payment systems with growing requirements for flexibility and multi-skilling in Cyprus firms, and provision should be made for training employers and trade union representatives in the calculation and negotiation of wages under such systems. The recommendations of this consultancy could then form the basis for the negotiation of collective agreement between the Clothing Manufacturers and the trade unions (SEK and PEO) on the introduction of incentive system in the industry. Representatives of each of these organisations have expressed their willingness to sponsor a consultancy project in this area. The cost of this project would need to be determined through discussion with an appropriate consultancy firm: one possible candidate would be Kurt Salmon Associates, the leading international consultancy firm specialising on clothing and textiles.

IV. Export Marketing

A sector-specific marketing service should be established for the clothing industry in Cyprus. This service should be linked to the proposed Clothing Resource Centre (see recommendation in 1.1 above) and to the new Export Promotion Organisation (EPO). In conjunction with the fashion forecasting facility of the Resource Centre and the EPO, it would undertake research on the characteristics of demand in foreign markets and their potential accessibility to Cyprus manufacturers. The export marketing organisation should undertake promotion campaigns for Cyprus garments in targetted markets, as well as providing technical and logistical support for individual companies. A key function of this body should be to impose stiff quality standards on the firms which use its services in order to overcome Cyprus' image as a down-market producer. Funding for the service should be jointly provided by the Clothing Manufacturers' Association and the EPO. The establishment of this service will therefore depend on the launch of the EPO later this year, and a target date should be fixed for some time in 1989.

V. Advanced Training and Labour Supply

5.1 The provision of sector-specific training for managers, technicians, supervisors and designers should be improved, and these fields should be given priority in the allocation of public subsidies for study abroad. (Action: Industrial Training Authority, Cyprus Productivity Centre, Ministry of Labour).

5.2 Clothing design, pattern-cutting and allied skills should form an integral component of the proposed Design College (see main report).

5.3 The Ministry of Labour should be directed to relax restrictions on the employment of foreign personnel as managers, technicians and designers in the clothing industry. The Ministry of Labour has granted only one permit to employ a non-Cypriot in the clothing industry during the past year.

5.4 Subsidised day nurseries should be established on the industrial estates to assist in the retention of skilled women operatives. Finance should be provided jointly by industrialists and the public authorities. This proposal was strongly supported both by the Clothing Manufacturers' Association and the trade unions. (Action: Social Welfare Department of the Ministry of Labour, municipalities).

VI. Raw Materials and Finishing Processes

6.1 A feasibility study should be conducted on the possibility of establishing a collective fabric converting operation which would purchase grey cloth and have it finished to local firms' requirements.

6.2 An investigation should also be conducted into the possibility of creating a consortium of clothing firms to provide additional investment for dyeing and finishing processes on the island, whether in new or existing installations.

6.3 The costs of these feasibility studies should be borne jointly by the Clothing Manufacturers' Association and the public authorities. (Action: Ministry of Commerce and Industry, Cyprus Development Bank, Clothing Manufacturers' Associations).

VII. Finance

7.1 The existing system of capital allowances should be reviewed in order to target incentives for investment towards specific categories of investment expected to bring particular benefits to the industry, such as computerised management information systems or CAD/CAM equipment. (See main report; action: Ministry of Finance).

7.2 The Cyprus Development Bank should be permitted to offer loans on more advantageous terms than the commercial banks to strengthen its role in the strategic direction of investment within the sector. (See main report; action: Ministry of Finance/Ministry of Commerce and Industry/CDB).

VIII. Government Services to Industry

To facilitate collaboration with the Clothing Resource Centre, the services currently provided by the Ministry of Commerce and Industry should be reorganised on sectoral lines. (See main report).

APPENDIX I: CLOTHING RESOURCE CENTRE BUDGET (all figures in C£)

A. CAPITAL EXPENDITURE

1. Computer-Aided Design (CAD) system	150,000-200,000
2. Building (of which 60% allocated to CAD system)	70,000 (48,000)
3. Multi-user computer system for administration	20,000
TOTAL COST	240,000-290,000

B. RUNNING EXPENSES

1. Fashion Forecasting Facility

a. Salaries	
Section head	16-20,000
Professional staff 2 @ 6000	12,000
b. Travel	6,000
c. Design intelligence reports	20,000
TOTAL COST	54,000-58,000

2. CAD Bureau

a. Salaries:	
Section head	16-20,000
Professional staff 2 @ 6000	12,000
TOTAL COST	28-32,000

3. Technological Information Service

a. Salaries:	
Section head	16-20,000
Professional staff 1 @ 6000	6,000
b. Travel, journals and reports	7,000
TOTAL COSTS	29-33,000

4. Administration

a. Salaries:	
Telephonist	2,500
Secretary	2,500
Accountant	6,000
Administrative Director	16-20,000
b. Other expenses	6,000
TOTAL COSTS	33-37,000

5. General Expenses

General Expenses	15,000

TOTAL RUNNING EXPENSES	159,000-175,000

APPENDIX II: SKILL CENTRE BUDGET (all figures in C£)

A. CAPITAL EXPENDITURE

1. Sewing machines	17,500
2. Cutting tables, pressers, work aids	5,000
3. Installation	4,500
TOTAL COST	26,500

B. RUNNING EXPENSES

1. Salaries	
a. 4 trainers @ 6500	26,000
b. 1 administrative secretary @ 5000	5,000
2. Materials	6,000
3. Electricity, water, charges	4,500
4. Maintenance	1,000
5. Buildings (rent)	7,500
TOTAL COST	50,000

APPENDIX III: LIST OF PERSONS/ORGANISATIONS INTERVIEWED

Private Sector

Clothing Manufacturers' Association

Clothing Exporters' Association

SEK (Mr. D. Kittenis)

PEO (Mr. V. Christodolou)

Public Sector

Ministry of Commerce and Industry (Mrs. S. Lambrianou)

Cyprus Development Bank (Mr. V. Vassiliou, Ms. M. Markidou)

Industrial Training Authority (Mr. K. Constantinides + assistants)

Cyprus Productivity Centre (Mr. K.K. Mahdessian + assistants)

Ministry of Labour and Social Insurance (Department of Labour: Mr. A.G. Callimachos and Mr. N. Neocleus; Department of Social Welfare: Mr. Konis)

FOOTWEAR

Footwear

The following progress report for the Cyprus footwear industry is based on the recommendations of the UNDP/UNIDO Report, Cyprus Industrial Strategy, Sector Report no. 3: Footwear (December 1987). The recommendations derived in the report have been revised, prioritised, timetabled and partially costed after extensive discussions with representatives of the employers, the unions, other relevant private sector organisations and the public sector during the week of 10-17 January 1988. A list of persons and organisations consulted is attached as Appendix 1. The format of the progress report follows the summary of recommendations included in the original published Report.

1. Discussion of Report with employers to encourage co-operation.

Four meetings were held with the Footwear Manufacturers' Association during January 1988: one, a larger open meeting, was intended to publicise the argument and recommendations of the Report more broadly and involved representatives from the unions, the banking community and the public sector; the other three meetings were more informal working groups intended to prioritise and detail specific recommendations. Members of the Manufacturers' Association had already read the Report and discussed it among themselves, both informally and with representatives of the Employers' and Industrialists' Federation (OEB). As several footwear manufacturers, including some who must play a significant role in the reorientation of the industry, do not read or speak English, the OEB must play an important role in the translation of the Report and the explanation of flexible specialisation. The Manufacturers' Association had taken the initiative in the areas of marketing in Europe and the improvement of training for the industry. These positive developments were accompanied by a noticeable energy and enthusiasm within the Association directed to the translation of the recommendations into a plan of action.

It is vital that the momentum be maintained by regular meetings in which the OEB with the Footwear Manufacturers elaborate and implement flexible specialisation within their industry. It is particularly important that the Association remain in touch with smaller members, of whom there are a great many in the Footwear industry, and whose understanding and involvement will be important to the strategy's success.

2. The Ministry of Commerce and Industry to provide information on other experiences of co-operation in footwear

The Director of the Ministry of Commerce and Industry reported that the Ministry was exploring the legal forms of association between firms common in the Italian footwear industry and promised a report in the near future. The manufacturers had discussed several privately initiated joint ventures, particularly in marketing and sourcing, but these discussions were of a preliminary kind and they felt that investigation of working arrangements elsewhere would be very helpful in guiding their own search for operational forms of organisation (see 3. below).

3. Visit of Footwear Industrialists to Italy

Support was expressed for a visit by representatives of the Association to Italy to investigate Italian collective marketing arrangements which the manufacturers consider of particular importance to their industry. The cost of the study trip for say five people for four days (£3,000 approximately) should be divided equally between the Association and the public authorities with possible support from the UNDP. The more organised and focussed the trip the more useful it will be and it would therefore be very helpful if the Italian groundwork was prepared in advance by someone familiar with both industries and the priority interests of the Cyprus manufacturers. UNDP assistance would be of value here.

4. Export Promotion Organisation to appoint two specialist footwear agents

The Footwear Manufacturers felt that help in developing the relatively unfamiliar European market was a top priority. Given existing trade links, the manufacturers agreed that the British market was the most likely spearhead into Europe but that the lack of specialist footwear expertise at the Cyprus Trade Centre in London limited the help they could be given in their individual attempts to investigate market opportunities. The appointment of an agent attached to the Centre could be of considerable assistance to break the ice in the new market. Significantly this appointment is probably the manufacturers' top priority among the original recommendations and they had already begun to draw up a job description which was developed in the course of the week's discussions. The Association proposed to formalise a job description on the basis of these discussions as minuted by the representatives of the OEB and submit it with a request for funding to the Export Promotion Organisation (EPO). Mr. Byron Kranidiotis, the President of the Footwear Manufacturers' Association, undertook to press this case forward.

The Manufacturers recognised that the agent's responsibilities would have to relate to sales development for the industry as a whole and that this precluded accepting orders and then distributing them among individual producers which would undermine the perceived impartiality of the service. The agent's agreed duties would include the provision of marketing intelligence to the Association which the latter undertook to disseminate to all members. In addition to an in-depth knowledge of the British and European footwear markets the agent would have to spend approximately one month in Cyprus to appraise the products and capabilities of the firms so as to be in a position to identify niche markets in Europe which offer export possibilities. The agent's general responsibility for promoting Cyprus footwear would involve his/her presence at the European footwear exhibitions to assist exporters in the promotion of their products, invite prospective buyers to Cypriot stands, help individual manufacturers with their initial approaches to buyers, help organise mini-exhibitions and set up a permanent but variable footwear exhibit at the Trade Centre. The agent would also be responsible for relaying design intelligence and its elaboration for local firms through presentations and displays.

Given: 1. the importance of exports to the economy generally; 2. that this service can only help in the medium term; and 3. that it is non-firm specific, there is an a priori case for government funding. Overhead costs would be minimised by housing the agent in the Trade Centre leaving the agent's fees and travel expenses as the main expense estimated at between £20,000-£30,000 per year.

5. Middle East Agent appointed by the EPO to explore export opportunities particularly in those countries of the region where Cypriot exporters have hitherto made little progress

There is a danger that the Footwear Manufacturers, distracted by the new opportunities of the European market, will neglect their traditional regional markets and particularly fail to develop new regional opportunities. Although not perceived as such a pressing priority as assistance in Europe it is important that the EPO monitor performance in the Middle East and provide footwear exporters with information on market developments in the region particularly in countries which have hitherto been marginal to Cypriot exports and where individual exporters have less well developed market contacts but where transport costs provide a comparative advantage. This kind of intelligence and assistance could be provided by the EPO's own regionally expert personnel.

6. Target for sales in Middle East to monitor agent's performance

The manufacturers' decision to concentrate any immediate assistance forthcoming from the EPO on their assault on the European (and initially British) market postpones the relevance of this recommendation.

7. Study of tourist demand for footwear

A study should be jointly undertaken by the Ministry of Commerce and Industry (MCI) and the Cyprus Tourist Organisation (CTO) in the coming tourist season. The primary objective is to ascertain both the level and composition of tourist sales: sales to be broken down according to nationality of the buyer and type of footwear to help identify overseas markets suited to Cyprus exports. The investigation should extend to the reasons for lost sales. Do potential customers leave a store without making a purchase because of an inability to find the size, colour or style that they want? The information will facilitate the expansion of sales to tourists, Cyprus's captive overseas customers, as well as the accumulation of intelligence on foreign preferences.

8. Subsidisation of collective overseas marketing

Initially subsidies to take the forms of financial aid from the MCI towards the visit by representatives of the Association to Italy to investigate collective marketing arrangements and the remuneration of the footwear agent in the UK by the EPO. The EPO's responsibility for the London agent means that his/her services are not directly dependent on the manufacturers and so not susceptible to pressure for short-term sales growth that may carry the consequence, as it did in the Middle East, that quality is sacrificed with adverse effects on the reputation overseas of Cyprus footwear generally. The EPO should demand good quality from the firms which use the services of the London agent in order to overcome Cyprus's image as a down-market producer. The EPO can employ the revamped Resource Centre to check quality at the initiative of the London agent or the EPO itself (see 10 below). The EPO should also have the discretion to determine whether subsequent applications for the public funding of collective marketing strategies worked out by sub-groups of manufacturers (in general endorsed as important to successful flexible specialisation) should enjoy some element of subsidy. The EPO's potential subsidisation of such collective marketing arrangements provides it with additional leverage to impose quality standards on firms hoping to benefit. Similarly the services of any future Middle East representative can also be traded against improved quality.

The EPO's financial responsibility for help with overseas marketing, although liberating these services from demands from the manufacturers for short-term results possibly at the expense of longer term market development, should not leave export promotion offices overseas or within the EPO free from assessment. Formal procedure for annual review should be established, appraisal to be carried out by a joint committee of representatives of the Footwear Manufacturers' Association and the EPO

9. Financial incentives to encourage increased design awareness

See 4. above and 11. below.

10. Establishment of Footwear Resource Centre with Computer Officer

The existing personnel at the Leather and Footwear Testing Unit produced a list of the equipment needed if the Unit was to develop into a Resource Centre as described in the Report including some preliminary costings which are attached as Appendix 2. The additional equipment detailed in the Appendix is required if the Centre is to be able to provide a wider range of testing services and carry out quality control checks on components (see 29. below). The need is increased by the additional responsibility that the Centre may be asked to assess quality at the instigation of the EPO or overseas agents (see 8. above).

Acquisition of the footwear specific softwear described in the text and listed on page 2 of Appendix 2 requires the cooperation of SATRA which appears unlikely in the immediate future. But Cyprus's entry into the European Customs Union must make any long run opposition to SATRA membership untenable and perhaps the United Nations could write formally to SATRA to clarify the position. In the short run a Computer Officer with the relevant expertise must be appointed to the Centre to identify and demonstrate materials utilisation, stock control and training softwear similar to the SATRA programmes described but which might be commercially available. Any purchase of equipment must be conditional on training the existing unit's personnel in its use. The Computer Officer's expertise is also needed to identify management information softwear geared to the requirements of footwear producers.

The absence of suitably qualified Cypriot nationals requires that the Computer Officer be recruited overseas on a short-term (two year) appointment. During this time, as is Cypriot policy, he/she must train a Cypriot counterpart. The salary and expenses of a computer officer (C£25,000 per annum approximately) may be an appropriate call on any grant monies which Cyprus obtains from the EEC to facilitate the industrial readjustment to the removal of protective duties.

In addition there is a longer run need discussed in the Report to monitor the application of CAD to footwear. Here the Centre should build links established by the existing Unit's officers with their sister institution in Greece. The latter is in the process of establishing a CAD bureau for footwear similar to that proposed for the Cypriot Clothing Sector. Monitoring of Greek progress would not only test the waters of CAD's relevance to the Cypriot footwear industry at this stage but provide a model which the Centre could eventually emulate. The Resource Centre's budget should therefore include regular liaison with the sister institution.

The suggestion in Appendix 2 that the current premises of the Leather and Footwear Testing Unit are inadequate as the site for an expanded

Resource Centre is accompanied by a proposal for purpose built accommodation at an estimated cost of C£50,000. The original Report envisaged the expansion of the Centre initially at least within accommodation at the Higher Technical Institute (HTI). If there is no room to expand cheaply on the HTI site and new housing is essential then the case for retaining the HTI location is less certain and serious consideration should be given to the alternative proposal favoured by some manufacturers that the Resource Centre be housed jointly with the Skills Centre (see 19. below).

The operations of the Leather and Footwear Testing Unit are inhibited by a basic confusion as to the unit's role. If resources are to be used to expand the unit's equipment and upgrade its personnel then the unit's role within the industry must be clarified. Some manufacturers regard the Unit's personnel as government inspectors of quality standards, a role they periodically have to play with respect to contracts for army boots, standards for safety footwear, etc. Consequently not all employers react constructively to factory visits by the unit's personnel and they may not use the service as often as they should for fear that contacts may provide information which may be used against them in the future. These difficulties may be exacerbated by the new responsibilities that the Centre will have for the quality control of components and testing at the initiative of the EPO. The widest possible use of Centre resources requires the development of trust between the officers and the manufacturers.

A way round these problems may be the functional sub-division of the Centre with a standards and quality control section and an extension service. It may be optimal to assign particular personnel to each function. Extension work should be routinised and clearly timetabled well in advance so that individual manufacturers do not suspect that a visit has any ulterior motive. For the same reason it is important that the Manufacturers' Association be represented on the executive of the Centre. The manufacturers must feel that the Centre is there to help not hinder and its services must be seen as relevant and useful.

Although these adjustments may help to increase participation in the Resource Centre's services in the longer term, encouragement in the short run is also important. The current (nominal) charges made for the testing services should be dropped. Instead, initially at least, the manufacturers' contribution to the Resource Centre should be organised in the same way as their contribution to training via the Industrial Training Authority. The manufacturers via the Association should be taxed according to the value of their output and the furds used to support the Centre's operating costs moving from a small contribution in the first years of operation (say 20 per cent) to a more substantial contribution when the Centre is fully established (say 75 per cent). Once the Centre is well established commercial charges for services rendered could be reconsidered as a source of private sector finance. The Centre could charge the EPO and the government for any specific quality testing undertaken at a commercial rate and non-members of the Association could be charged on an even higher basis. A tax on manufacturers instead of a charge for services provides an incentive not only to use the Resource Centre but to ensure that it works well and provides the kind of services that the manufacturers want. The regular scheduling of factory visits by the Centre personnel will help to publicise the services available and build up networks of information and trust.

It is desirable that the executives of the Resource Centre balance the need to be responsive to the manufacturers with the need to be relatively independent particularly given the quality control work for the government, possible contract work from the EPO, etc. It should therefore be controlled by a Board of Directors made up of two representatives of the manufacturers and three representatives of the public sector.

Although there was agreement about the need for a Computer Officer and the general desirability of the development of a Resource Centre, discussion about its housing, control and financing was ongoing. Within the Footwear Manufacturers' Association Mr. Dinos Tryandafyllou volunteered to organise the further development of these proposals.

11. Two new design scholarships abroad

The proposal was received well and could start immediately although the effects on the industry would be long term.

12. Agent in the UK to relay design information

See 4. above.

13. Integration of design intelligence in footwear with that in clothing

Footwear manufacturers, and the personnel of the Resource Centre and the Skills Centre, should be encouraged to attend any seminars and presentations held by the Clothing fashion forecasting facility and have access to trade publications and design intelligence in clothing acquired by the facility. In return their counterparts in the clothing sector should be invited to footwear design courses and seminars and appraised of any design intelligence from Europe available through the London agent (see 4. above).

14. Encouragement to whole look designs

The initiative has to come from sub-groups of manufacturers in footwear and clothing who are prepared to cooperate on coordinated designs. Individual manufacturers already cooperate with individual clothing producers in the presentation of their products at exhibitions such as Cypromode. Joint presentation should be encouraged in the logistics of Cypromode which should be more responsive to the views of the footwear manufacturers themselves who feel marginal to the organisation of the exhibition. Individual shoe manufacturers could exchange window space in their retail outlets for a showing in particular retail outlets in the clothing sector. Displays of coordinated footwear and clothing would not only make for much more sophisticated window dressing but would accustom shoppers to the whole look approach.

Although products produced independently can sometimes be matched up successfully, more effective coordination of footwear and clothing entails cooperative product development which is more difficult and needs a longer term relationship. Cooperation at shows and exhibitions and in domestic retailing may encourage its extension into production. The Cyprus Development Bank might be interested in financing some cooperative clothing-footwear ventures.

15. Establish childcare facilities on industrial estates

All the available evidence suggests that labour supply is likely to act as a serious bottleneck to continued growth and development unless more women are induced to join the labour force or encouraged not to leave the labour force when they have small children (House and Stylianou, 1981; House, 1985). In January 1988 after a good year many footwear firms were experiencing difficulties with labour supply. The problems which high turnover already represents for management will be exacerbated by moves towards flexible specialisation.

Footwear producers have already responded to difficulties retaining and recruiting good women workers by introducing concessions to their domestic responsibilities for example letting certain workers leave early. But assembly line production does not accommodate widespread flexi-hours. Convenient childcare facilities are a more feasible option to assist in the recruitment and retention of skilled women workers. Their establishment was strongly supported by the Footwear Manufacturers' Association, the trade unions (both PEO and SEK) and the Pan Cypriot Equal Rights and Opportunities Social Reform Organisation, all of which expressed concern about the adequacy of existing provision in marked contrast to the view of the Social Welfare Department of the Ministry of Labour. The latter seemed unaware of existing studies projecting labour shortages (reflected in explicit government policy to encourage female participation). The faith expressed in the private sector's responsiveness is not justified. The adequacy of existing provision is called into question by the gap between the numbers of children with working mothers and the numbers of places available and by the lack of synchronisation between the hours operated by most childcare facilities and the factory workday. The gaps in provision are probably currently filled by the services of other family members and particular working women's own mothers but current cohorts of women accustomed to working for wages themselves will not be available in the future to provide this childcare reserve for their daughters.

In the short run, day nurseries conveniently located for working mothers near industrial estates, schools attended by older children and public transport, and operating the same hours as the factories should be established. Finance should be provided by the industrialists and the public authorities with perhaps some contribution from the parents according to their income. Expenditures by manufacturers to develop a stable labour force should be allowable under the Capital Allowances Scheme.

In the longer term a more systematic approach is needed. The Social Welfare Department should investigate the supply of nursery school places broken down by location and hours, and demand not simply in terms of those who currently use the available facilities but in terms of how many children must currently be looked after for part of the industrial workday. The projection of future demand must take into account a decline in the contribution of older women if their participation in paid work is to increase as the current cohorts move through the age structure, and new demand if the mothers of young children are not to leave the market or are to return earlier than in the past. The cost effectiveness of different kinds of provision should be looked at and particularly the suggestion of the Pan Cypriot Equal Rights and Opportunities Social Reform Organisation's suggestions for after-school programmes for school age children should be considered as a relatively cheap way of extending school hours to synchronise with the industrial workday and so assist the mothers of school-age children. The possibility of retraining currently unemployed graduates to run after school programmes and day nurseries also needs to be explored.

16. Incentives for improved facilities for workers

Recent labour shortages and a general agreement that the industry's high labour turnover is bad for the firms and does nothing to attract new recruits into footwear have convinced many manufacturers to offer better facilities. For example, one firm is already running its own bus for the convenience of workers who do not live on a public transport route. Expenditures geared to increasing the stability and upgrading the quality of labour are just as much investment in the industry as the acquisition of new machinery and should benefit from the capital allowances scheme as originally recommended. This includes contributions manufacturers make to a local childcare facilities.

17. Encourage industrial districts for footwear through industrial lettings policy

The manufacturers generally felt that the external benefits from proximity to other footwear firms offset any disadvantages related to competition for a locally fixed supply of labour, particularly as the collective provision of services (such as childcare and transport) would attract workers from further away. MCI policy should reflect this preference.

18. HTI to provide footwear training course

This recommendation has been superceded by developments in plans for training. It remains appropriate that the Resource Centre staff participate in the supervision of training in the factories which is readily combined with their extension service and in the provision of those sections of courses which deal with quality control and materials utilisation or which use computerised training or monitoring equipment and therefore require the expertise of the Computer Officer.

19. ITA management/vocational training scheme to include an action learning component

The recommendations about training have been overtaken by the Association and the ITA's joint initiative for a footwear Skills Centre. The proposal was not yet formalised but involves the rationalisation and centralisation of training provision. External training is to be reorganised around the curriculum detailed by Mr. Moore during his stay in Cyprus and closely supervised through the Skills Centre, where appropriate drawing on the expertise of the Resource Centre. Occasional seminars on particular topics and short courses taught by experts frequently from overseas, are to continue as currently. The Skills Centre is to be controlled by a Board of Directors from the ITA, the Association and perhaps other public sector institutions such as the HTI and the MCI. The relationship between the Skills Centre and the machinists' course run at the Cyprus Productivity Centre (CPC) remains to be clarified. The latter is useful but small scale and could be coordinated with the training organised through the Skills Centre. The manufacturers felt strongly that this new structure would help rationalise a training programme that is currently sometimes uncoordinated as well as make it more immediately responsive to their needs.

According to preliminary costings by the ITA the Centre involves a capital expenditure of about C£100,000: C£10,000 for the land, C£25,000-C£40,000 for the building, and C£40,000-C£80,000 for the equipment. The costs are sensitive to whether or not a new building proves essential, whether the building is to house both a Skills and a Resource Centre, and whether the land can be leased from the MCI at a nominal fee. The priority should be the quality and quantity of equipment. If a purpose built structure is judged essential then it would seem efficient to house the Resource Centre there too. The Skills Centre involves no increase in running expenses which will be the same as currently deployed via the ITA but with gains in efficiency from the elimination of duplication of provision, more relevant training and better supervision of in-house training.

The proposal for a Skills Centre responds to some of the criticism of training contained in the Report and is certainly consistent with the strategy proposed for the industry. The manufacturers are enthusiastic and would probably regard this as their second priority. Mr. Charalambides is the manufacturers' representative working with the ITA footwear specialists to develop the proposal.

20. Identification of Standard Management Information System softwear for footwear

A local softwear programme specific to footwear had been identified by the CDB. On inspection this turned out to be a stock control programme suited to footwear retail outlets. It could be interfaced with ordinary stock control, accounting and payroll programmes to make a useful package especially for footwear manufacturers/retailers. The retail stock control package is available for C£850 for a single shop and C£1,500 for multishops. The prices include installation and training of an operative. The programmes run on an IBM PC with a hard disc. A compatible stock/payroll/accounts programme would cost about C£2,000 again including the instruction of the operative. (Training costs would anyway be refunded by the ITA). Mr. Sparsis of the CDB agreed with the manufacturer, Novasys Softwear to sponsor a demonstration of the combined package.

Useful as this package may be to certain producers/retailers, it does not help with production planning and costing. The identification of a standard package which extends into these key areas of production remains a top priority (see 10. above).

The CDB agreed to advertise the availability of a special fund to finance computer related investment. The Association agreed to circulate members encouraging smaller firms which have not yet embarked upon computerisation to attend the CDB/Novasys seminar.

21. Softwear and hardwear for management information systems should be included in capital allowances

The existing system of capital allowances should be revised to target incentives more specifically towards investments geared to flexible specialisation such as computerised management information systems (see main Report). Action here is required from the Ministry of Finance.

22. Seminars and demonstrations of management information systems

See 20. above.

23. Expand research element of Leather and Footwear Testing Unit

See 10. above

24. Finance for travel abroad by Resource Centre staff

See 10. above

25. Cypriot footwear firms to join SATRA

See 10. above

26. Workshop on scientific materials management

Provision of education on scientific materials management should be a first task of the Resource Centre but will depend on the appointment of the Computer Officer.

27. Capital allowances for scientific materials management and equipment

See 21. above

28. Feasibility study of additional domestic leather finishing facility

The CDB should be encouraged to explore the possibilities of an additional leather finishing plant in the future context of free imports of leather from Greece and Italy and with the possible collective overseas sourcing of groups of firms.

29. Quality control of component suppliers with market power

The Resource Centre should establish standards for domestic components. The MCI should identify firms which have more than 20 per cent of the domestic market. Regular testing of components should be introduced and supplemented by checks at the instigation of a component's user. Lasts should be included as a component. Ensuring the quality of domestically provided components will become less problematic with the decline in duties on imports. Competition will push up standards in all price ranges.

30. Incentive scheme for softwear

See 21. above.

Additional Recommendations

1. Lasts to be treated as investment

Flexible specialisation will speed up the scrapping of lasts as firms respond to fashion changes. To encourage speed of reaction lasts should be included in the Capital Allowances scheme and not pay duty if imported. The duty on lasts imported from other Customs Union Countries should be reduced as soon as possible.

2. Timetable of tariff reduction

Duties on materials and components from Europe should be reduced ahead of the duties on finished products to give the manufacturers a competitive boost in the transitional period. Although duties on imported inputs are refundable if the finished goods are exported, the payments interrupt cash flow and tie up working capital which is expensive for the firms involved.

Bibliography

House, W.J. and Stylianou, O. 1981, Population, Employment Planning and Labour Force Mobility in Cyprus; An Interim Report. Nicosia, Department of Statistics and Research.

House, W.J. 1985, Cypriot Women in the Labour Market. Geneva, International Labour Office.

Appendix 1

Persons/Organisations interviewed

Private Sector

Footwear Manufacturers Association; 3 meetings with the Board of Directors plus 1 open meeting.

SEK (Mr. D. Kitteris)

PEO (Mr. V. Christodolou and Ms. M. Vanezou)

Novasys Softwear (Mr. S. Savvides)

Pan Cypriot Equal Rights and Opportunities Social Reform Organisation (Ms. M. Pyrgos)

Public Sector

Ministry of Commerce and Industry (Mr. P. Koutourousis)

Cyprus Development Bank (Mr. A. Sparsis, Ms. E. Nicolaedes, Ms. M. Markidou and Mr. S. Savvides)

Industrial Training Authority; 2 meetings one with Mr. K. Constantinides and staff and one with the footwear specialists, (Mr. G. Sikkeris and Mr. B. Hamilios)

Cyprus Productivity Centre (Mr. K. Mahdessian and staff and the V.T. Workshops Manager)

Ministry of Labour and Social Insurance (Department of Labour, Mr. A.G. Callimachos and Mr. N. Neocleus; Department of Social Welfare, Mr. Konis

Higher Technical Institute (Mr. Drakos and the staff of the Leather and Footwear Testing Unit)

Appendix 2

Estimated Costs for the initial setting-up of a Resource Centre for the Footwear Industry at the Higher Technical Institute

The existing premises of the Footwear Testing Unit will prove inadequate if the Unit is to be transformed into a Resource Centre for the footwear industry. It is therefore proposed that new accommodation be built at an estimated cost of C£50,000.

If the Testing Unit is to be in a position to supply industry with a complete range of testing services and at the same time carry out quality control checks on locally produced components, the following equipment is essential. Further additions will be required in the light of developments.

	C£
Conditioning cabinet	500
Laboratory press for adhesive joints	300
Fibre-board flexing machine	3,000
State of cure test machine	300
Needle holding jig	50
Safety Footwear impact tester	
Forepart/cap ficture	
Clearance measuring capsules	2,000
Friction checking fixture for clearance measuring capsules	
Backpart fatigue tester	4,000
Penetrometer plus stiffness tester	5,000
Jig for Ross flexing test	50
Break/Pipiness Scale	50
Chisel scuff tester	1,500
Shoe Flexing Machine	3,000
Total	19,750

In view of the need for the footwear industry to take full advantage of technological developments, it is recommended that the Testing Unit acquire from SATRA the following:

SATRASumm	£10,000
QuickSumm	N.P.A.
SATRAScope	"
Vision Stitch	"
Process Monitoring	"
Sixteen-bit computer to run the above	£ 500

Recent developments indicate that CAD/CAM will play an increasing role within the footwear manufacturing industry. It is therefore imperative that the Resource Centre acquire CAD/CAM capabilities for recycling to industry. The price quoted for British United's modular system is £120,000.

If the staff of the Resource Centre is to keep abreast of technological developments it is essential that periodic visits to exhibitions and trade fairs be carried out. It is estimated that five major exhibitions take place annually at an overall cost of approximately £4,000. It is also recommended that the staff attend technical courses and seminars overseas on a regular basis and a sum of £20,000 be set aside for this purpose.

FURNITURE

Furniture

The following progress report for the Cyprus furniture industry is based on the strategy and recommendations of the UNDP/UNDIO Report, Cyprus Industrial Strategy, Sector Report No. 4: Furniture (December 1987).

The CIS for furniture proposed a flexible specialisation strategy to upgrade the industry. The Furniture Report contained nine recommendations for programmatic actions. A series of discussions were held during a one week visit to Cyprus one year after the initial visit and several weeks after the widespread dissemination of the report. The purpose of the visit and the meetings was to get feedback on the strategy and recommendations and to agree to means of implementing both.

1. Strategic orientation

Responses to the proposed flexible specialisation strategy were made in the course of a series of meetings with industrialists, trade unionists and officials of the Employers and Industrialists Federation, the Cyprus Development Bank, the Cyprus Productivity Center, the Industrial Training Authority, the Ministry of Commerce and Industry, the Planning Bureau and member of the public.

Unanimous agreement was established on the broad outline of the strategy. Some disagreement was expressed with the emphasis on the priority given to conquering the domestic market by establishing high quality products before pursuing an export strategy. But general agreement was forthcoming on this as well.

The Furniture Report emphasised the importance of an acute awareness of the strengths and weaknesses of foreign competitors as a basis for shaping individual firm business plans. Independently the Employers and Industrialists Federation and the Cyprus Development Bank plan to visit and establish relations with the Italian furniture industry both to understand the competition and to seek sources of advice on the flexible specialisation strategy in areas such as creating networks and consortia, refining production methods, integrating design with production and technology transfer.

The CIS also emphasised the importance of ongoing dialogue in shaping and refining a sector strategy and providing a basis for developing networks that guide firm concepts toward product as opposed to price competition. Emphasis on establishing a competitive advantage on the basis of product quality, design and delivery times, for example, will make the Cyprus furniture industry collectively less vulnerable to foreign competition than pursuing a simple cost minimisation strategy.

A furniture industry working party was established at a meeting held at the offices of the Employers and Industrialists Federation that was attended by industrialists and officials of the Employers Federation, Ministry of Commerco and Industry, the various parastatal organisation and the consultants. After nearly four hours of discussion as to the best form of organisation it was agreed to form a series of problem related sub-committees each of which would contain three industrialists and one member of a parastatal agency. While some individuals initially argued for a single small committee that would address problems one by one, a consensus was achieved that everyones energies should be tapped and the best way to do so was to have people working on the problem that they either believed was most fundamental or for which they had a particular knowledge or affinity.

The problem areas for which sub-committees are to be formed are:

- interfirm cooperation, particularly in the area of retailing
- quality and production costs with an emphasis on plant layout, machinery and management systems
- design
- materials, including the role of the Cyprus Forest Industries Ltd
- training and education
- export promotion

It was agreed that the Association of Furniture Makers of the Employers and Industrialists Federation would take responsibility for selecting the industry sub-committee members. The industrialists would also propose a representative of a particular parastatal for each sub-committee.

To increase the participation of furniture manufacturers the Employers and Industrialists Federation is undertaking a Greek translation of the CIS furniture report to send to members and to use as a basis for meetings scheduled in Limassol and Larnaca. These meetings will extend the dialogue over the furniture industry sector strategy to firms that have not yet attended meetings. Both unions were translating the report as well.

2. Joint Retailing and marketing

To transcend the barrier to specialisation imposed by widespread manufacturer self-retailing a group of twelve Limassol furniture manufacturers formed a joint retailing company, A to Z Furniture Ltd. which is described in the appendix. A to Z is widely recognised as successful in the industry. One year ago most non-members argued that such cooperation was impossible and that the tradition of self-retailing would continue. A to Z provides a convincing example to other furniture makers of the crucial links within Cyprus between interfirm cooperation, specialisation, productivity and costs. Most recognise that advances in production effectiveness depend upon radically altering the existing links between retailing and manufacturing.

A to Z illustrates that advances in retailing can be made without choosing between either self-retailing or abandoning the retailing function to an autonomous retailer. A to Z had redefined the relationship so that manufacturers maintain a degree of control over retailing while enjoying the benefits of specialisation. A to Z is a private limited company owned and operated by the twelve manufacturers. It means that each manufacturer can withdraw from retailing his/her own products but continue to influence retailing decisions as an equal shareholder and a participant in the committee structure by which A to Z is managed. Through cooperation with other manufacturers each can maintain a consultative relation with retailing as opposed to being subjected to an impersonal market relationship with independent retailers.

A to Z has provided an important lesson for Nicosia furniture manufacturers. It is clear how rapidly a retailing entrepreneurial effort can impact on the industry. Nicosia manufacturers state that for the first time they have been discussing joint retailing in a serious way. Some of the bigger furniture manufacturers are establishing new expanded showrooms to counter A to Z. Unless production is upgraded a clear danger exists that such retailing outlets will be a conduit for the penetration of foreign made furniture. It is for this reason that the sub-committee on joint retailing within the Furniture Industry Working Party faces a formidable task. Unless the manufacturers move on the establishment of new retailing arrangements any efforts to reorganise production will be stifled by the need to produce large ranges of products.

3. Flexible specialisation

Joint retailing creates new opportunities for production specialisation but realisation will depend upon the development of production capabilities in terms of plant layout, increased machine utilisation, and upgrading of worker skills. A firm that specialises in turning, for example, will have to develop new methods of lathe operation to ensure that it can capture sufficient orders to both pay for the new methods and make it uneconomical for firms to do it themselves.

Successful specialisation means that every firm has access to high quality components, inputs and process activities without having to do it themselves. A strategy of flexible specialisation makes two additional steps. First, it involves creating overlapping networks of supplier relationships. The existence of such networks enhances individual firms capacity to engage in product innovation by experimenting with different possibilities and having access to specialists in a variety of activities without employing them directly. Such supplier networks are a crucial resource and explain, in part, both the flexibility and the success of the design led Italian furniture industry.

An industrial district of networked firms is not the only way to create flexibility. Big enterprises can be flexible but they can not be hierarchically organised along top down chains of command. For example, Henry Ford's production facilities for producing the Model T were specialised but inflexible. Establishing a competitive edge in today's furniture markets, either in Cyprus or abroad, depends on developing the capacity to produce short runs economically, to develop new products and to be capable of refining or modifying production processes to meet the needs of buyers. This can most easily be done by groups of small firms linked by social ties in cooperative networks rather than by a fragmented industry coordinated by impersonal markets or departments within big firms coordinated by managerial hierarchies.

The third element after specialisation and networking in a strategy of flexible specialisation is the utilisation of skilled labour. The capacity to shift production from one product to another economically depends upon skilled labour trained in driving down both lead times between the concept of a new product and its production and set up times.

A sub-committee of the Furniture Industry Working Party will concentrate its attention on these matters. Success will depend upon development of common resources for upgrading production capabilities. Each of the parastatals must be involved: the Cyprus Development Bank for strategy and finance, the Cyprus Productivity Centre for methods and expertise and the Industrial Training Authority for training. A close relationship with Italian machine tool, makers should be one goal that a collective effort could achieve. Linking up with already existing Italian networks is another possibility worth exploring, particularly in the area of metal and plastic accessories.

Implementing a strategy of flexible specialisation requires not only involvement but sustained dialogue amongst participating firms and parastatal agencies supplying production, financial and training expertise. Without such a dialogue and provision of joint services, firms can easily revert to individualised strategies that will rigidify the industry and recreate the conditions of industrial fragmentation.

4. Management systems for high quality, low cost production

Management control systems in the Cyprus furniture industry are presently inadequate in two ways: lack of quality control and lack of financial controls. Quality controls over raw material inputs and every stage of the production process could reduce the number of defective products, the time spent on repairing poorly produced goods and the excessive waste of poorly planned production methods. The Japanese have pioneered the development of self-inspection systems based upon statistical quality controls and today firms everywhere in the world are forced to either adopt the same techniques or face decline.

The very existence of high work-in-process levels signifies the lack of attention to promoting high quality production. The just in time system developed by the Japanese not only reduces working capital costs but signals defective parts before stocks have been accumulated. One means of illustrating these points to industrialists is the refinement of cost accounting packages that can be supplied by interfirm associations.

Each of the parastatals can play a role in management education according to the new quality control methods. It will be a long term process and will require the use of foreign experts to train parastatal personnel in the new methods before they can be effectively introduced into firms. The CDB, the CPC and the ITA are all aware of the need to develop such a capacity. It is crucial that all three work with the Employers and Industrialists Federation and the industrialists to develop a programme as quickly as possible.

5. Worker Education and Training

The ITA has completed a survey of the furniture sector which revealed that 60 percent of furniture workers have only a primary education, only 7 percent are graduates of technical schools, and 84 percent have no systematic training for their jobs. Presently the ITA and the CPC provide training services. The scale will have to be substantially increased if a strategy of flexible specialisation is to be implemented. It is crucial that the ITA and the CPC work closely with the Furniture Industry Working Party to focus the upgrading programmes and to develop an apprenticeship program that enhances the capabilities of the workforce in line with a flexible specialisation strategy.

6. Design

Presently, Cypriot furniture manufacturers copy Italian designs. The establishment of a design centre as proposed in the CIS dMain REport could go some way to developing an indigenous design capability within Cyprus. Presently, the lack of patent laws means that research and development costs on a new product cannot be covered by a period in which competition is restricted. One proposal is that the government directly subsidise design costs on a matching fund basis with industrialists.

The creation of a Cypriot design culture is crucial to an industry like furniture, particularly because the industry is increasingly being redefined in Europe as the interior design and furnishings sector. At least two furniture firms now have considerable design capabilities, as they are run by men with established reputations in design. At least two other owners rely upon family members with advanced degrees in design from England.

A vigorous design subcommittee of the Furniture Industry Working Party could provide initiative to whatever governmental efforts are made to enhance the Cypriot design culture. Without such input, governmental efforts to promote design could be largely disconnected from the needs of the furniture industry.

7. Material Procurement

A sub-committee on materials is being formed by the Furniture Industry Working Party. Presently a considerable amount of tension exists between the Cyprus Forest Industries Ltd. and furniture manufacturers over the price and quality of particle board and veneers. The furniture industry depends upon a supply of high quality materials and every effort must be made to ensure it is provided. Presently, furniture manufacturers are importing medium density fibreboard because it is tariff free and easier to work. But it is expensive and as tariffs come down, furniture manufacturers will need to shift to particle board.

CFI is a government majority owned company. The board of directors includes officials from the Ministry of Commerce and Industry and the Cyprus Development Bank. The furniture manufacturers association need a more direct input into CFI policies so that high quality performance can be promoted.

The problem of high quality materials extends well beyond the CFI. Here again the mutual provision of a raw material quality control facility could both reduce material costs and enhance the access of every firm to high quality inputs, both domestically and internationally supplied. Without such provisions, Cypriot manufacturers will be at a serious competitive disadvantage against European competitors.

Finally, both the Planning Bureau and the Ministry of Commerce and Industry must also become involved in these discussion because of the importance of the tariff structure in shaping material acquisition decisions.

8. Strategic advice and long term finance

The Cyprus Development Bank is developing a furniture sector strategy of its own which is entirely consistent with the strategy of flexible specialisation. On the basis of this strategy, CDB officials will proactively seek investment opportunities in firms. To contribute to the demand for CDB services the CDB will involve itself with the other parastatal organisation and the Furniture Industry Working Party subcommittees. In this way the CDB can play the role not merely of an intermediary between saving and investment of finance and industry but of an integrater of the two by promoting sector restructuring. The positive role that the CDB can play has already been demonstrated by the creation of A to Z Furniture Ltd.

Conclusions

The second visit to Cyprus succeeded in deepening the appreciation for a strategy of flexible specialisation and in reshaping the nine (now eight) point development programme summarised above. The next task is implementation. Successful implementation will be a long run process in which the root causes of each problem will be identified and collectively acted upon. The establishment of the Furniture Sector Working Party as an implementation vehicle was a big step ahead. Success in each of the problem areas can not be achieved by the industrialists themselves but will require cooperation with the parastatals in each specific area identified above. Finally the Working Party must develop a system for monitoring progress in each of problems areas. Hopefully this summary of where the implementation programme now stands will soon be out of date.

Appendix 1: From the Limassol 12 to A to Z LTd.

The most important development within the Cypriot Furniture industry between the first and second visit of the UNDP/UNIDO industrial strategy mission has been the formation of A to Z Ltd. by twelve independent Limassol furniture manufacturers. Before the formation of A to Z Ltd. each of the twelve manufacturers either retailed directly from the factory or from their exclusive retail shops for which each manufacturer produced the whole range of furniture required for a retailing outlet. The resulting lack of productions specialisation increased costs as production runs were short and the variety of products was large.

1. The Concept

The purpose of forming A to Z Ltd. was to transcend the barrier to production specialisation caused by the vertical integration of manufacturing and retailing. It began with an approach by several Limassol manufacturers to the Cyprus Development Bank (CDB) in August of 1986 to consider a merger. After discussion, the original manufacturers increased to twelve who agreed to hire the CDB to carry out a feasibility study to consider alternative forms of cooperation. In early 1987, the twelve formed A to Z Ltd. as a private showroom for the twelve manufacturers for which each manufacturer specialises on a single product line. Manufacturers can continue to maintain private showrooms but may not sell the same product offered in the A to Z showrooms.

The first common showroom was opened in an excellent location in Nicosia in May 1987. Since then two other shops have been opened, one in Limassol and the other in Paphos and a fourth will be opened soon in Larnaca, Sales have already exceeded projections.

A to Z Ltd. is pursuing a strategy of providing a quality product with short delivery times. Customers wait no more than 17 days for delivery. Any late delivery results in a fine according to an escalating fine structure starting with C£ 25 for the first, C£ 50 for the second, C£ 100 for the third and C£ 200 for the fourth. After four fines in one year, the same product line can be offered to another shareholding manufacturer.

Every delivery must be made to a common warehouse two days before it is due to the customer to be checked for quality. If an item of furniture fails to meet the quality standard it is returned to the manufacturers with a fine schedule identical to the one for lateness.

2. Organisational structure

All firms have equal shareholdings. A five member executive committee meets once a week after work to set policy and oversee the activities of the 20 employees of A to Z Ltd. as well as three subcommittees. Each of the sub-committees has three members of the company plus the A to Z manager.

A retail sub-committee does market research, oversee advertising and advises manufacturers about how to improve the attractiveness of their products to consumers. On the basis of a comparative study of retail costs A to Z recently raised prices by five percent, both at the manufacturing and retail level.

A design sub-committee coordinates designs, styles and colours as well as approving any alterations. It also oversees the design of the retails shops and seeks to enhance the interior design capacity of A to Z Ltd.

A costing sub-committee reviews the costs and prices of each member. Firms set a price that covers diıect costs plus a fixed percentage for overhead. Each member of the sub-committee visits every manufacturer to examine methods and provide advice on how to reduce costs it they are out of line. Any disagreements are settled by the executive committee which is composed of men with many years experience in furniture manufacturing.

3. Common Services

A to Z offers a range of common services to its members including the following:

a) retailing. For the first time the Limassol furniture manufacturers can offer their products in other Cyprus cities and can do so within attractive ıetailing outlets that are collectively owned and managed.

b) purchasing. Members have enjoyed discounts of as much as 25 percent on materials for joint purchases.

c) transportation. A to Z vans are shared by all members.

d) advertising. A to Z Ltd. engages in advertising in each of the cities in which it has shops, an activity that was not engaged in by most of the manufacturers before the formation of A to Z Ltd.

e) marketing. The A to Z staff includes two marketing staff members that engage in research and propose product developments.

f) interior design. A to Z has employed an interior designer both to do showroom layouts and to encourage common themes amongst the manufacturers.

g) consultancy. A to Z was formed on the basis of the first cooperative act in which the members engaged, paying a fee for the Cyprus Development Bank to carry out a feasibility study.

h) financial services. Eight of the member companies have borrowed from the Cyprus Development Bank on the basis of coordinated business plans.

4. Production and Cost Results

Manufacturers estimate that per unit costs on the specialised furniture is 20 to 25 percent less than before the formation of A to Z Ltd as a consequence of longer production runs. At least one of the manufacturers has moved into larger facilities and several have invested in new, more specialised machinery. The Union of Woodworking Firms in Limassol, which preceded the creation of A to Z Ltd., has organised seminars by a furniture expert at the Cyprus Productivity Centre which have been financed by the Industrial Training Authority. The same furniture expert has assisted several companies in reorganising production facilities to speed up the flow of materials.

Increased specialisation has meant that the member firms can increase the variety of ranges offered. Firms can increasingly pursue variations on a theme rather than the production of different products.

5. Employment and output effects

A to Z employs 20 people including drivers. Most of the member firms have increased employment, some substantially. One of the three firms we visited, a highly successful member, has more that doubled its employees from 7 to 15. A second, which started a new line with participation in A to Z LTd., also increased employment by 8.

Most of the firms are confronted with a shortage of skilled workers even though wages and benefits per worker amount to between C£ 100 and C£ 120 in the firms that we interviewed. This figure exceed pay in clothing and footwear by a substantial amount.

6. Interfirm cooperation and enterprise development. A community and industrial district

A to Z Ltd. has illustrated the positive benefits that can come from interfirm cooperation. Each of the participating firms has maintained its independent identity while enjoying opportunities that were not possible with individual action.

The twelve firms are all located within the Limassol region, several on the same industrial estate established by the Ministry of Commerce and Industry. Geographical proximity and interfirm cooperation ensure continuous consultation, botn horizontally across the firms and vertically between the manufacturers and A to Z.

Cooperation and consultation stimulate enterprise learning and facilitate the adaptation to change that sustains development.

New ideas in any member firms are not only quickly disseminated, but problem solving capabilities are enhanced. Solutions to problems are developed through dialogue and institution building as problems emerge. For example, the costing sub-committee identifies high cost activities and suggests means of reducing costs, and the 17 day delivery limit forces less streamlined firms to upgrade their operation or face mutually agreed upon penalties. Similarly, attention to quality at the A to Z warehouse puts pressure on each member company to meet the agreed upon standards or risk censure by colleagues. Each of these institutional developments represent group solutions to enterprise problems brought about by the increased problem solving capability of several firms working together. In so doing interfirm cooperation enhances the capabilities of every firm.

In fact, the member firms share a social life as well. For example, at Christmas, buses were chartered to transport the members and their families to a party in Nicosia. Such community provides the social cohesion that reduces the need for supervision. The success of A to Z depends upon member firms not cheating by offering A to Z furniture in individual showrooms at discount prices. Social disapproval provides a powerful disincentive to any member that engage in such an activity. A purely market relation has no such built in disincentives.

7. Assessment

A to Z Ltd. has introduced a new dynamic into the Cypriot furniture industry. Other firms must respond or risk losing market share. Two of the largest Cypriot furniture manufacturers are in the process of opening new much expanded retailing outlets. Many smaller manufacturers are discussing joint retailing activities for the first time.

Nevertheless, A to Z Ltd. has a number of problems to tackle if it is to survive and grow as the international competition increases.

a) production costs. A to Z Ltd. imports small amounts of Italian furniture to complement its range. From the prices charged, A to Z Ltd. staff estimate that members costs are roughly 40 percent above those of the Italian firms.

Sustained success depends upon the advance of product specialisation turing into activity specialisation in the long run. Activity specialisation demands the introduction of new machines and the further refinement in production methods if member firms are to enjoy the same networking advantages as their Italian competitors. An Italian furniture firm has access to a range of specialists in activities such as turning, carving, veneering as well as services.

Many advances have been made in modularising components of furniture, particularly in Germany. These development need not and should not be developed in all activities, but for certain products, such as kitchen cabinets, the modularised methods offer substantial cost economies.

b) quality. Progress is being made, but further steps are necessary. Today A to Z firms use medium density fibre board where the international competition uses the cheaper veneered particle board. Transition to the more costs efficient methods introduces a series of more difficult woodworking processes which will have to be mastered if quality is to be sustained.

A to Z is on the right track to seek a competitive advantage on the basis of quality, but quality control in woodworking is a most difficult achievement which will require the development of new management systems based upon self-inspection processes and the upgrading of existing worker skills on more specialised machines.

c) design. A to Z member firms rely upon imitations of Italian designs as opposed to developing an indigenous design culture. The successful integration of design and production is another prerequisite to effective resistance to the Italian imports in Cypriot furniture retailing outlets.

Increasingly the European furniture industry is turning into an interior design and furnishing industry. This demands that furniture retailing includes a substantial design component not only in furniture but in accessories made of fabrics, metals and plastics.

Appendix 2

List of persons and organisation with whom discussion were held:

Private Sector:

The Furniture Manufacturers Association, three meetings including one open meeting.

A.L. Savvides and Co Ltd

Spiliotis and Clappis

Savvas Leonides and Sons Ltd

La Qualité

A-Z Furniture Ltd

Employers and Industrialists Federation

Peo

Sek

Public Sector:

Ministry of Commerce and Industry

Cyprus Development Bank

Industrial Training Authority

Cyprus Productivity Centre

METAL WORKING

Metalworking

The action plan for the Cyprus Metalworking sector follows the visit by the CIS team in January, 1988 and is based on the recommendations of the UNDP/UNIDO Mission Supplementary Report No.5; Metalworking, December (1987).

The recommendations have been prioritised following discussions with the various Metalworking and Engineering representatives from both the private and public sector in Cyprus. In particular, the Short-Term action points reflect the agreement of the Metal Industry Working Group formed during the visit.

Action points are categorised as Short and Medium term and relate to the following time-scale:

		Action Time Scale
I.	Short Term	immediate to 18 months
II.	Medium Term	18 months to 3 years

Short Term

1. The establishment of Metalworking consortia to identify and discuss ways of co-operating at a Sub-Sector level on issues relating to standards, training, shared marketing (particularly exports), quality control and sub-sectional representations to Ministries and the financial sector. During the visit of 10-17 January, a core working group representing members from the solar heating, precision engineering, pumps, steel structures and engineering consultancy fields together with representatives from the Cyprus Productivity Centre, the Industrial Training Authority and the Ministry of Commerce and Industry, met to establish the first general consortium. Other groups from the refrigeration and water related sub-sectors also initiated meetings during this period.

The working groups hold the key to the successful formation of consortia capable of harnessing the energy that is required from the sector to implement the medium and longer-term strategies recommended in the Supplementary Report.

2. A feasibility study for the establishment of a Steel Stockholding company should be undertaken by the Cyprus Development Bank. The study should be funded jointly by the Ministry of Commerce and Industry and the Cyprus Development Bank on an equal basis. Estimated cost, £10,000 (CYP).

3. The Cyprus Productivity Centre should undertake to identify and commission consultants to advise specific firms on quality improvements. In particular, advice on building quality improvements into the production process through training should be provided. The estimated budget allocation for such consultancy should be in the region £75K to £100K (CYP)

4. The Ministry of Commerce and Industry in conjunction with the Engineering and Metalworking groups referred to above should take immediate steps to agree on the introduction and extension of common standards in the manufacture of solar heaters. These should reflect the quality and efficiency levels expected in export markets and currently in use by the leading competitors in these markets.

   In addition to the extension of quality and efficiency standards, a solar heating design consultancy fund in the region of C£25K should be allocated and administered by the Ministry of Commerce and Industry in conjunction with a solar heating sub-sector working group. The design consultancy should be organised in parallel with a feasibility study sponsored by the Export Promotion Organisation to ascertain the potential for market segmentation on the basis of exports of high quality, premium priced, solar heating systems into the export markets adjacent to Cyprus. The estimated cost of the EPO study would be approximately C£20K.

5. Representatives of the Engineering and Metalworking Industry group should undertake a visit to an Italian Metal Working Consortium. Ideally, these visits should attempt to examine the growth of small artisanal firms in Italy's Emilia Romagna region. The impact of computerisation and new production methods on the traditional jobs and forms of organisation in the Emilia Romagna metalworking industries has significant relevance to the Cyprus Sector. The continuing vitality of artisanal metalworking firms in the face of changes in technology and the global economy, and the resultant quality of jobs within the artisanal firms in the region, should be experienced at first hand by representatives from Cyprus. The insights into the management of possible sub-sector and firm level strategies could prove invaluable through such a visit.

   1. For advice on those to contact at regional representation level:

      Maura Franchi
      Assessoria Industria
      Regione Emilia Romagna
      Viala Aldo Moro 30
      Bologna

   2. At the level of artisanal firms:

      Irene Rubbini
      (Regional Secretary)
      Confederazione Nationale
      Dell'Artiginato
      Viala Aldo Moro
      40127 Bologna

      Tel: Bologna - 373393

6. A support policy for the aluminium extrusions industry should be developed between the Ministry of Commerce and Industry and the Export Promotions Council. A support programme for the Air Filter Industry should also be considered. This should take the form of the identification of potential European licensing arrangements following European market research on low volume, small batch, specialist air filter component segments that could be supplied from Cyprus.

7. Building on their earlier study, the ITA should undertake a further skill audit focussing on the needs of the metalworking sector in relation to the requirements for a technologically based, but small to medium batch size production sector, as outlined in the Cyprus Industrial Strategy. This would perhaps require the assistance of overseas consultants and therefore a budget allocation in the region of £15K should be made available by the Ministry of Commerce and Industry.

A skills audit linked to product/market developments in specific industries abroad would enable the ITA to design a new three year engineering apprenticeship course incorporating sub-sector strategies. Sector targets for training and continuing education should be set on the basis of the skills audit.

Discussions about ITA funding of "cover" costs while personnel are undergoing further training should be opened with the Ministries of Education and Labour. Government financial assistance in this area should be the focus of such discussions. The problems of skill shortage should be addressed in the short-term by a programme to attract personnel from abroad. The attraction of overseas personnel should be linked to employer training programmes through the introduction of "pairing" schemes in targeted sectors. The "pairing" of personnel at the skilled tradesman level should also be extended to Management positions.

8. The de-skilling trends experienced in the metalworking sector over the past few years should be discouraged by the diversion of engineering graduates back into industry. If the sector is to maintain any long-term success it must address the issue of matching future investment in equipment with investment in technically competent personnel. The successful application of flexible specialisation strategies based on design, quality and batch size efficiency must have its roots in trained and technically competent manpower. The "graduate" gap which has developed over the last ten years must be reversed. In this respect financial incentives enabling companies to support salary levels for professional engineers should be made available by the government. Indeed, as a key action point in reversing the trend

in Research and Development in the sector, positive salary levels should be set which will attract graduate engineers to the metalworking sector and away from the service sectors.

9. Certification of welding standards applicable across the structural steel and metalworking areas should be introduced. The formulation of standards should be a matter for joint discussions between representatives from the metalworking sector consortia referred to in 1 above, the Cyprus Productivity Centre and the Industrial Training Authority. In this respect the attainment of certification standards should be a prerequisite for continued sectoral level support by the Government beyond the short-term.

10. Connected with the increased recruitment of graduate engineers should be the annual allocation of two fellowships for CAD/CAM study at a major engineering centre overseas. These fellowships should be of a sandwich nature with personnel perhaps splitting their study between a University base and a leading engineering firm.

An example of such a scheme is that organised by Brook Crompton Parkinson Motors, part of the Hawker Sidley Group. In conjunction with Huddersfield Polytechnic, graduate engineers with an interest in computer aided design and its impact on the production of high standard quality products can be offered Teaching Company Associates. Schemes such as these should be evaluated with respect to the needs of the sector and fellowships funded by the Ministry of Education in conjunction with the Ministry of Commerce and Industry and the company from which the engineers would be seconded.

Medium Term

1. The establishment and work of the Engineering and Metalwork consortia should be consolidated over the next two years with the aim of cementing joint services across the sector. The formal establishment of a Marketing Service network - having both domestic and export divisions - funded by sector firms will facilitate the presentation of a more professional image to the markets selected as possible niches.

   The establishment of marketing standards equal to those being pursued at the level of production is of paramount importance in the development of sustainable product market strategies over the longer-term. Marketing and sales co-ordination within sub-sectors and across the sector as a whole should be integrated with the intelligence and research functions of the Export Promotions Organisation.

   The interaction of marketing networks representing the solar heating, refrigeration, pumps, switchgear, aluminium, steelwork and air conditioning sub-sectors with a "single door" organisation such as the EPO will ensure that a coherent approach is taken in matching export market demands with Cypriot offerings. The utilisation of networks has the advantage of providing a sectorally responsive framework to market opportunities without negating the competitive aspects of market development by individual firms.

2. As a major step in the pump manufacturing sector strategy, the establishment of a computer aided design/computer aided manufacturing link between the main casting facility at Nemitsas Pumps and the CNC capability of other manufacturers should be explored. It is theoretically possible for such links to be established and a feasibility study funded jointly by manufacturers in the pumping sector and the Cyprus Development Bank should be undertaken.

The pumps sector offers considerable scope for the development of a robust core of quality engineering output capable of sustaining a competitive advantage in Middle East Markets. The longer term success of the investment in the computerised casting facility could be in jeopardy given the lack of CAD and product development which is necessary to ensure penetration in what threatens to become a very sophisticated product market.

The ability to mould sub-sectoral responses to the problems facing Cypriot firms and the quickening pace of international competition, will most likely mean the differences between corporate collapse and growth in the sector. The estimated cost of a feasibility study on the creation of inter-firm links is estimated at £10K (Cyp). Funding of proposals aimed at linking the design, output and quality of the sector through CAD/CAM should be met from the technology (R & D) fund recommended in the Supplementary Report.

3. During the visit of the CIS team in January, 1988 a number of representatives from the Electrical and Electronic industries of Cyprus met to form their own sectoral association. The initiative for the formation of this association stemmed directly from the sectoral Studies of the CIS Supplementary Reports.

From discussions held with a leading firm in the electrical industry during the CIS visit in January, 1987 a consultancy assignment was undertaken by the Cyprus Development Bank into the feasibility of establishing a Printed Circuit Board (PCB) manufacturing facility in Cyprus. The study indicated that such a project would be viable within a five year period. However, following the feasibility study by the CDB no further steps have been taken to advance the project.

In view of the innovative nature of the Electrical and Electronic Industry Sectoral association formed in January, 1988 it is recommended that actions be taken to explore further the possibility of a joint venture between the sector firms and the CDB on this project.

While the discussion and organisational aspects of developing such a project clearly fall into the category of short term actions, the physical reality of the project would not be in evidence until late 1989/1990. For this reason the implementation of this action has been categorised as medium-term.

4. As the success of short-term actions are perceived at sub-sector and sectoral level the governmental input should not diminish. On the contrary the medium term phase of implementing strategies could be the most crucial time as momentum is gained but significantly measurable advances still lie ahead.

It is imperative in the medium term to enlarge the magnitude and extent of support which the Sector requires in order to break completely with the historical trends. In this respect financial incentives in the areas of Research and Development, software acquisition and the infusion of technologically advanced processes should be maintained at a higher level by the government.

Summary

The return visit to Cyprus in January 1988 and the consequent meetings, discussions and further investigations revealed that the trends identified in the Supplementary Report on the Metalworking Sector were unrelenting. Indeed, in particular firms the profitability crisis identified in the report was deepening.

While Middle East demand has plateaued, the Cyprus metalworking sector is still on a downward price spiral in these markets due to lack of product competitiveness in quality and sophistication. The general sectoral strategies contained in the Supplementary Report found unanimous approval amongst the manufacturers themselves, the public sector institutions and the trade union organisations visited.

The action points outlined above are intended to give the initial substance for concrete developments within the sector. The recommendations identify a potential funding requirement of approximately £185,000 (Cyp) for feasibility studies and consultancy fees in order to ensure further impetus to the restructuring process. This figure is by no means the definitive sum. Other sums relating to specific actions will be required. However, the estimation of these figures can only be arrived at by an assessment resulting from the discussions of the sub-sectoral working groups.

The imperative for the Sector is that the energy assumed in the action plan becomes a reality as soon as possible.

List of organisations with whom discussions were held.

Industry

Nemitsas Pumps Ltd

Metalco (Heaters) Ltd

Stylson Engineering

Cyems Ltd

Markou Pumps Industry Ltd

Proplan Ltd

Employers and Industrialists Feberation

Public sector

Ministry of Commerce and Industry

Industrial Training Authority

Cyprus Productivity Centre

Appendix 1

Terms of Reference for UNIDO/UNDP Cyprus Mission, January 1988

The team is expected to:

1) Make detailed presentation of the studies and reports to the private sector, industrial associations, industries, potential investors etc., elaborating the strategy and measures required for carrying out the findings and recommendations relating to the respective subsectors.

2) Provide techno-economic advice and guidance on the action to be taken by the private sector/industries for carrying out the recommendations in the respective reports;

3) Formulate a Plan of Action for systematically translating major sectoral/subsectoral recommendations into practical steps that will have to be taken by relevant authorities in the short, medium and long term.

The CTA is required to synthesize the sub-sectoral recommendations/plans of actions into an integrated Plan of Action for strengthening the structure, viability, efficiency and competitiveness of industrial sector/subsectors on the basis of the findings and recommendations of the team hitherto and within the framework of the country's industrial Restructuring and Promotion Plan and Strategy. He is also expected to assist in setting out the type and extent of the external technical assistance that may be required, particularly from UNDP and UNIDO in the implementation and follow-up of the project output thus far.

Appendix 2

Short term priorities. (1988-9)

General Recommendations	Progress	Further Action
1. Establishment of Strategic Planning Council and Secretariat	Extensive discussions. Decision expected shortly.	Need to establish shadow secretariat.
2. Establishment of consortia	Subject of industry discussion in Jan.88 and plans drawn up for joint resource centres for clothing and footwear sectors.	Arrange and fund overseas visits. Collect and circulate materials.
3. Establishment of Design complex.	Discussions held with Mayor of Nicosia, Min of Education, MCI designers, industrialists.	Need for pre-feasibility study in summer 1988.
4. Preparation of financial submission to EEC.	Discussion with MCI.	Preparation of estimates by MCI and PB. Min of Finance
5. Re-orientation of financial incentives		

Medium term recommendations. (1989-90)

1. Invite representative from National Confederation of Artisans to advise on national framework.		Visit to NCA in Rome as part of consortia programme
2. Study of German export cartels and Swedish joint marketing co-ops.		Discuss with EPO
3. Establish national framework for industrial consortia.		see 1 above
4. Restructuring of MCI		MCI to consider.

General Recommendations	Progress	Further Action
5. Expansion of CDB and reformulation of its terms of reference.		Min. of Finance/MCI/PB/CDB
6. Study of existing royalty agreements.	Undertaken as part of Cyprus Technology Strategy.	Awaiting consideration of report.
7. Annual Competition for Industrial Design.		Min of Ed/Municipality of Nicosia/MCI. Pre-feasibility study required.
8. Twenty Design Graduates Abroad.		Min of Education/PB
9. Design Fund		Min of Finance/MCI
10. Design information from Europe to Cyprus		EPO
11. Establishment of technology centres	Discussed with sector associations, the HTI & MCI.	Federation of Employers/MCI
12. Technology equipment fund.		Min of Finance
13. R & D fund		Min of Finance
14. Programme for improving working conditions.		Min of Labour
15. Speed up implementation of Health and Safety provisions.		Min of Labour
16. Programme of workplace nurseries	Discussions held with Min of Labour/Employers & Trade Unions.	Min of Labour/MCI/Federation & CCL/ PEO & SEK
17. Extension of Productivity Improvement education to all management and training courses.		Min of Labour

General Recommendations	Progress	Further Action
18. Productivity Improvement Fund.		Min of Finance
19. Realignment of overseas scholarship policy to industrial restructuring needs.		Min of Education
20. Management training expansion		Min of Labour
21. Training programme to take on multi skilling requirements.		Min of Labour
22. Labour Plan.		Min of Labour
23. Emergency Management Unit		Min of Labour/MCI/PB Consultant to draw up plan of emergency programme.
24. Management consultancy fund.		Min of Finance
25. Management Equipment Fund		Min of Finance
26. Review of management training		Min of Labour/MCI
27. Review of Cypriot Business School proposal.		MCI
28. EPO incentives to co-operative overseas marketing.		EPO
29. Joint overseas marketing fund		EPO
30. Programme for overseas visits by manufacturers.		EPO
31. Incentive scheme for joint distribution and retail facilities.		MCI

General Recommendations	Progress	Further Action
32. Studies of: retailing catering cultural industries other sectors.		MCI
33. Consultant to advise on retailing in five lead sectors.		MCI
34. Links between hotel managers and Cypriot manufacturers, and between UK forces and UN purchasing and Cypriot industrialists.		MCI
35. Extension of CTO survey to include questions on purchase and consumption of Cypriot products.		CTO
36. Cyprus Food Commission.	Discussions with Cyprus Consumer Association.	MCI
37. Programme of diffusion of CIS: further copies of CIS translation into Greek summary text as book production of CIS newspaper workshop materials/packs newspaper articles videos/TV programmes programme of training within each Ministry		MCI

Long term (1989-92)

General Recommendations	Progress	Further Action
1. Establishment of Cyprus Industrial Bank		Min of Finance/MCI/PB/CDB
2. Assessment of Free Trade Zone		MCI
3. Expansion of design in secondary school curricula.		Min of Education
4. Develop incentive systems		Min of Finance
5. Programme to encourage Cypriots to return		Min of Labour
6. Policy of industrial district as part of industrial estate programme.		MCI

Food Processing

Priorities for short run action

Recommendation	Progress	Further Action
1. Sectoral consortia	Meat producers have met to consider joint action: - withstanding price/quality cuts - joint distribution - monopoly marketing - EEC approved plant - trade visit to Europe - action over sell-by dates & sale or return costs - defining technical needs to HCI HCI - joint marketing to hotel trades	Further meetings to prepare detailed proposals/CCC C£5k required.
2. Food Technical Centre	Discussed with employers, HTI and HCI. Proposed it be established at HCI to cover: testing of raw materials, hygiene advice, data on contents etc. Linked also to a skills centre at HCI.	HCI Director to prepare project proposal.
3. Good Food Guide (as contribution to improved quality)	Feasibility study undertaken by CDB; Consumers Association talked to and in favour	CDB/CCA
4. Food System Conference	Discussed. Include papers on agricultural strategy, catering, new processed foods, health food food retailing, training, and sub sector papers.	MCI

Food Processing

Medium Term

Recommendations	**Progress & Comments**	**Further Action**
5. Cyprus Food Commission	Discussed, CCA strongly in favour	MCI. C£50k.
6. EPO survey of European multiples	Awaits establishment of EPO	EPO
7. EPO assess export growth areas	Awaits establishment of EPO	EPO
8. Establishment of Food Policy Advisory Group	Scientific Council for Food in existence. Needs to include CCA.	
9. Promotion of Cyprus ethnic foods	HCI and CDB interest.	
	To be promoted through paper to Conference.	HCI/CDB
10. Public purchasing to improve food quality and rationalisation.		
11. Study of potential sales of Cyprus food to catering industry	Discussion with hoteliers, HCI, and meat producers.	MCI
12. Food Processing School & Technical Centre	see 2 above.	HCI/ITA
13. Computer data base on tourist food demand		MCI/CTO
14. MCI re-organisation on a sectoral basis	No changes as yet	MCI
15. MCI staff training programme	To be developed.	MCI
16. Evaluation of co-operative marketing in Europe	Discussed with respect to the meat industry	

Food Processing

Subsidiary Proposals

Recommendations	Progress & Comments	Further Action
17. Revision of food sector subsidies	paper for Food System Conference	
18. Optimum use of newly productive land	Mainly citrus	None required
19. Introduction of bar codes.	Not seen as a major problem by producers. Idea needs promoting	EPO
20. Bar coding agency to improve labelling	Could be tied in to Design Centre	
21. Assessment of successful national export marketing strategies	Agricultural experience suggests monopoly marketing more important than brand names. see meat producers above.	
22. Consideration of marketing through single national brand name.	" "	
23. Oppose any application from foreign retailer	Widely agreed	
24. Co-operative purchasing by small retailers & wholesalers	Needs development in quality consciousness.	
25. Study of grain and grape subsidies	see Conference (item 4)	
26. Revision of Food sector subsidies	part of Conference (4)	
27. Feasibility study of potential for Cyprus to act as food broker between Europe and the Middle East	Needs joint marketing organisation first.	

Clothing

Short Term Priorities

Recommendations	Progress	Further Action
1. Establish fashion forcasting facility 2. Establish CAD bureau	Agreed by Clothing Industry Association as part of sector resource centre.	Establish clothing centre by Sep 88: Cost: Capital C£ 290k Revenue C£ 185k
3. Establish joint technological information service	Project proposal prepared and costed	seek to raise finance by September 1988
4. Trip to Italy and UK	Agreed by clothing group. Two people to UK and Italy for two weeks.	C£25k Trip: June/July 1988
5. Skills centre for clothing industry	Project proposal prepared and costed. CPC only run upgrading not initial courses. Proposed new course in 6 week modules, 8 courses a year for initial training.	C£ 30k capital (equipment) C£ 50k current expenditure, of which £30k equipment
Other Short Term Measures		
6. New payments systems.	Discussed. Sectoral employers and unions open to consider proposal. Federation give low priority at present time, because of difficulties in early 1980s, with two consultants on incentives.	Need top level foreign consultants, such as Kurt Salmon. They should review incentive system for Cyprus, and prepare ground for drawing up of collective agreement, and training of unions and employers in this.

Clothing

Recommendations	Progress	Further Action
7. Extension service workers in MCI to attend main machinery and fabric exhibitions abroad		MCI. Cost C£1k.
8. Training the trainers for in company programmes	1 year required of foreign technical assistance.	C£15k ITA
9. Upgrade training standards	Discussed with ITA who are proceeding	
10. Technical assistance for improvement of production management	External assistance required for 1 year. Link to resource centre.	C£ 40k for two people 40-50% from charges to firms.
11. Subsidised child care centres on industrial estates	Approved by industrialists and trade unionists.	Study by Oct 88
12. Relation of restrictions on employment of foreign personnel in key posts.	Discussed with Ministry of Labour	MCI/Min of Labour
13. Programme of sector specific training for managers, technicians, supervisers and designers	Discussed with industrialists	ITA
14. CDB loan subsidies		MCI/Min of Finance/CDB
Medium Term Proposals		
15. Review of fiscal incentive system	Part of wider review	Ministry of Finance
16. Collective fabric converting operation	Discussed with industrialists	Consider in 1989 CMA to link with CDB
17. Expansion of dyeing and finishing plant	Discussed with industrialists	Consider in 1989 CMA to link with CDB
18. Establish export marketing organisation	Awaits EPO start up	Discuss with EPO. Action 1988 Feasibility study.

Footwear

Short Term Priorities

Recommendations	Progress	Further Actions
1. Establishment of footwear technology centre	Prepared and costed with HTI. Need for staff training of existing L & FTU employees. Also link to sister institution in Greece. Short term computer officer needed.	HTI/MCI
2. Establishment of footwear skills centre	Initiative from industrialists and ITA. Sector specific training using Moore's modules. Monitoring of in factory schemes through the skills centre.	Capital costs: C£100k No extra running costs above existing ITA funding.
3. Appointment of footwear marketing agent in London through EPO	Discussed with industrialists, who regarded European agents as as more important than Middle East agent as suggested in original proposal.	Full funding by EPO. Cost: C£20k p.a.
4. Establishment of small industrial areas concentrating on footwear - between 10 and 25 firms.	Benefits of proximity for sectoral co-operation Employers strongly in favour.	MCI
Other Short Term Measures		
5. Visit of footwear industrialists and unions to Italy	Discussed	2nd half of 1988
6. MCI to provide information on other experiences of co-operation in footwear.		MCI

Footwear

Recommendations	Progress	Further Action
7. Study of tourist demand for shoes.	Employers interested	MCI/CTO
8. Two new design scholarships abroad	Scheme could start immediately: effects long term	MCI
9. Integration of design intelligence in footwear with that in clothing.	London agent to work with joint clothing agents.	
10. Encourage whole look designs	Discussed. Up to individual employers.	
11. Establish childcare facilities on industrial estates.	Discussed with SEK/PEO/employers/ Min of Labour-Social Welfare/ Pancyprian Movement. Min of Labour doubted need; all others in favour, with part contribution by government.	Study by Sept 88.
12. Incentives for improving facilities for workers	Discussed. Part of strategy for upgrading labour and quality.	MCI/Min of Finance
13. Identification of standard package for management information systems	Discussed with HTI & CDB. CDB want to sponsor demonstration of footwear specific MI systems. Availability of special CDB fund for computer related investment. Association agreed to encourage members to attend seminar.	CDB

Footwear

Recommendations	Progress	Further Action
14. Finance for travel abroad of Technology Centre staff		HTI/MCI
15. Cypriot footwear firms to join SATRA	negative response from SATRA	United Nations.
16. Workshop on scientific materials management		HTI
17. Incentive schemes for software, scientific and materials management, and management information systems.		Part of overall review of Ministry of Finance.
18. Study of 2nd domestic leather finishing plant.		CDB
Medium Term Proposals		
19. Quality control of component suppliers with market power.	Discussed. To be operated through HTI	HTI
20. Middle East agent to explore countries less responsive to Cypriot exports.	Industrialists thought their Middle East networks adequate.	No immediate action. EPO to consider.
21. Subsidisation of collective overseas marketing	Awaits EPO	EPO

Furniture

Priorities For Short Run Action

Recommendations	Progress	Further Action
1. Establishment of Furniture Industry working group	3 meetings held. Proposals to be put to Association.	Project teams to be formed within FIWG
2. Trips by furniture makers abroad	Federation undertaking feasibility study of trip to Italy.	Preparatory work needed. Say 6 industrialists plus one from MCI. Budget £9k
3. Improvement of management systems for financial and quality control	Discussed. ITA and CPC are seeking a means of disseminating statistical quality control as a basis for quality circles. Deming methods are not available & have to be upgraded. Financial package part of CDB consultancy service.	Italian production consultants £20k. One week of joint consultancy on Deming to group of 20 industrialists. £5k
Other Short Run Action		
5. Increasing design inputs	CDB are preparing to expand design services for furniture	CDB
	problems of copying. Overcome not by patents, but design subsidies.	FIWG project team to work on this.
6. Integrate training and education programme	ITA survey completed. Meeting with 30 industrialists. Apprenticeship programme considered includes targetting of ITA's matching funds programme.	ITA/CPC/Trade Unions.

Furniture

Recommendations	Progress	Further Action
7. Encouragement of joint marketing ventures abroad		FIWG project team awaits establishment of EPO
Medium Term Action		
8. Action to expand high quality veneering, and reduce use of medium density fibre board.	depends on CFI strategy, and policy on CFI monopoly. also requires targetted training	project team of FIWG on materials. needs project and feasibility study
9. Improve consultative relations between CFI and furniture manufacturers.	potential for collective kiln drying to be set up at CFI for use by furniture industry	
10. Upgrading of MCI extension service	Discussed	MCI
11. Long term finance	Discussed with CDB. CDB are developing furniture sector strategy as basis for lending	CDB

Metal Working

Priorities For Short Term Action

Recommendations	Progress	Further Action
1. Establishment of consortia	Engineering and metal working group established	Groups to continue to meet to discuss strategy
	Refrigeration working group meeting	
	Water & water related sectors working group has had initial meeting	
2. Feasibility study for steel stockholding company	Discussed in EMWG	MCI subsidy of 50% to feasibility study by CDB (£5k)
3. Strategy for pumps sector, with particular reference to sharing of foundry	Urgently needed	CDB/
4. Consultants in production engineering for advice to industry	Discussed as priority in EMWG	EMWG/CPC (£30k)
Other Possible Short Term Action		
5. Visit to Italian metal working consortia	Discussed	Proposal to be drafted by EMWG JR to gather information on Italian metal working consortia
6. Extension of standards in solar heating	Discussed	MCI, and industry working group
7. Solar Heating Export Loan scheme		EPO study. MCI to check with Association Agreement
8. Solar Heating Design Consultancy Fund		£15k

Metal Working

Recommendations	Progress	Further Action
9. Support policy for aluminium extrusions		MCI consideration
10. Support programme for air filter industry (market research, identification of potential licensing arrangements in Europe)		MCI consideration
11. Skill audit and needs	Discussed with ITA and unions; suggestion of 3 year apprenticeships	ITA and unions
12. Sector targets for training and education	Discussed with ITA	ITA
13. ITA funds to contribute to costs of cover for those on training		ITA
14. Programme to attract skills from abroad		Min of Education/Min of Labour EMWG
15. Systematic employer training programmes		EMWG
16. 2 fellowships for CAD/CAM study		ITA
17. Management training course for metal working sector	Discussed	ITA
18. Certification of welding standards		ITA/CPC/MCI/MWG
19. Diversion of engineering graduates into industry		ITA

Medium Term

Recommendations	Progress	Further Action
20. Establishment of sector joint services	Discussed	To arise from work of EMWG
21. Establishment of CAD/CAM link between investment casting facility and CNC machines in pump sector	Discussed with CDB and Nemitsas	Part of pump sector strategy: depends on changing pump design
22. Establishment of PCB facility	Discussed with CDB	Further consideration to be given on basis of CDB study
23. Incentives for R & D, software, & new technology.		Ministry of Finance

Appendix 3

Sector Plans of Action

	1988		1989				1990		1991
FOOD	3rd ¼	4th ¼	1st ¼	2nd ¼	3rd ¼	4th ¼	1st ¼	2nd ¼	1st ¼
1. Tourism & food policy document.	*******	*******							
2. Review food samplings & testing rates.	*******	*******	*******						
3. Increased fines for breaking of food laws									
4. Cyprus Food Commission start-up	*******	*******	*******	*******					
5. School courses in healthy eating.		*******	*******	*******	*******				
6. Consumer Association support.				*******					
7. Good Food Guide	*******	*******	*******	*******					
8. European visits by meat processors.		*******							
9. Food Conference			*******						
CLOTHING									
1. Clothing Resource start-up	*******	*******	*******						
2. European visits		*******							
3. Clothing skill centre start-up	*******	*******	*******						
4. Technical assistance programme		*******	*******	*******	*******	*******			
5. Sector specific training & upgrading									
6. Design training						*******	*******	*******	*****
7. Hiring of skills from overseas									
8. Day nurseries start-up		*******	*******	*******	*******				
9. Fabric converting feasibility study				*******	*******				
10. Dyeing & finishing feasibility study					*******	*******			

	1988		1989				1990		1991
	3rd ↓	4th ↓	1st ↓	2nd ↓	3rd ↓	4th ↓	1st ↓	2nd ↓	1st ↓
FOOTWEAR									
1. Visit to Italy		*******	*******						
2. Appoint footwear specialist to Cyprus Trade Centre.			*******	*******					
3. Tourism and footwear study				*******	*******				
4. Footwear Resource Centre	*******	*******	*******	*******	*******				
5. Day Nurseries start-up		*******	*******	*******	*******				
6. Industrial Estates			*******	*******	*******	*******	*******	*******	*******
7. Footwear Skill centre start-up		*******	*******	*******	*******				
8. Softwear Seminar		*******							
9. Leather Finishing facility feasibility study		*******	*******	*******					
10. Last investment incentives			*******						
FURNITURE									
1. Visit to Italy	*******								
2. Consortia development	*******	*******	*******	*******					
3. Management education programme			*******	*******	*******	*******	*******	*******	
4. Furniture training programme			*******	*******	*******	*******	*******	*******	
5. Tariff review of material imports									
METAL WORKING									
1. Consortia Development	*******	*******	*******	*******	*******	*******	*******		
2. Steel stockholding feasibility study		*******	*******						
3. Quality consultants		*******	*******	*******	*******				
4. Solar heat standards		*******	*******	*******	*******				
5. Export market feasibility study			*******	*******	*******	*******			
6. Visit to Italy			*******	*******					
7. Skill audit			*******	*******					
8. Certification of welding standards			*******	*******	*******	*******			
9. CAD/CAM Fellowship start-up			*******						
10. Pump sector CAD/CAM link									
11. PCB proposal						*******	*******	*******	

Appendix 4

CIS Technical assistance timetable

		1988		1989						1990						1991			
		Sep Oct	Nov Dec	Jan Feb	Mar Apr	May Jun	Jul Aug	Sep Oct	Nov Dec	Jan Feb	Mar Apr	May Jun	Jul Aug	Sep Oct	Nov Dec	Jan Feb	Mar Apr	May Jun	Jul Aug
1. Policy Formation	i) Revision of incentive schemes																		
	ii) Tech. support for topic working groups.					---	---	---	---	---	---	---	---	---	---	---	---	---	---
	iii) New sector studies			***	***														
	iv) Labour Plan									***	***	***							
	v) Childcare project			***															
2. Strategic Capacity Creation	i) Setting up of Restructuring Council & Support Unit.	***	***	***	***														
	ii) Support for unit in initial period					***	***	***	***	***	***								
	iii) Upgrading of NCI staff.				*	*		*								-	-		
	iv) Upgrading of public sector staff				*	*		*								-	-		
	v) Support for development banking																		
3. Consortia	i) Arrange & accompany visits to consortia		***			***			***										
	ii) Arrange courses on consortia and course places.																		
	iii) Dossiers, videos on consortia	---	---	---	---	---	---	---	---										
	iv) Legal framework	---	---	---	---	---													
	v) Studies of consortia	---	---	---	---	---	---	---	---										
4. Design	i) Technical assistance for design complex	*		***						***	*	*				***			
	ii) Design lectures/videos/study tours	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
	iii) Start-up of design fund.			***															
5. Resource & Technology Centres	i) Assistance in start-up			***	***	***				***									
	ii) Assistance in first two years of operation						***	***	***	***	***	***	***	***	***	***	***	***	
6. Productivity Improvement Programme	i) Develop upgrading programme			***															
	ii) Overseas consultants			---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
	iii) Written and audio visual resources			---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
	iv Quality circles		---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
7. Information & Data Systems	i) Improved data systems			***						***									
	ii) Computerising government administration			***	***														
8. Special Projects	i) EEC Funding	***																	
	ii) Other special projects																		
	iii) Discussion/promotion of CIS			***						***						***			
	iv) Audio visual of CIS	***																	
9. Monitoring								*						*					*

Key: ------- assistance contributed from time to time over period

******* assistance provided continuously

Appendix 5

Those with whom discussions were held by Robin Murray

Public Sector

Ministry of Commerce and Industry

M. Erotokritos	Director General
P. Koutourousis	Director of Industry
B. Charalambous	Industries Officer

Planning Bureau

I. Aristidou	Director General
A. Malaos	Director of Planning
S. Matsis	Director of Planning
C. Karlettides	Senior Planning Officer
M. Jensen	Planning Officer

Ministry of Finance

G. Hadjianastasiou	Director General
S. Kiliaris	Director

Ministry of Labour

C. Christodoulou	Director General

Ministry of Education

N. Simeonides	Director General
C. Philokyprou	Inspector General Technical Education
A. Michaelidis	Inspector of Industrial Arts
S. Kontas	Inspector of Technical Education
A. Chrysocheo	Inspector of Art in Secondary Education

Export Promotion Organisation

A. Kaisis	Chairman

Higher Technical Institute

T. Drakos	Director
H. Paikkos	Footwear Quality Control Inspector

CDB

A. Stamatis	Director of Consultancy Division

Nicosia municipality

L. Demetriades	Mayor of Nicosia
G. Constantinides	Economist and Town Plnner
A. Petridou	Architect

Industrialists

P. Kareklas	Employers & Industrialists Federation
P. Loizides	Cyprus Chamber of Commerce & Industry
P. Savvides	A.L. Savvides & Co Ltd
K. Anayiotos	A.Z. Furniture Ltd
D. Clappis	Spiliotis & Clappis
C. Aspros	La Qualite
B. Kranidiotis	Scarpa Ltd

Members of the sector federations of industrialists in food, clothing, footwear, furniture and metal working.

Trade Unions

M. Ioannou	SEK
P. Dinglis	PEO
M. Vanezou	PEO

Design

E. Kouroussis	Graphic Designer
S. Vassiliou	Graphic Designer
S. Hadjinicolaou	Interior Designer
V. Charalambous	Ceramics
P. Lyssiotis	Electric Engineering Design
M. Papaiacovou	Furniture Designer

Appendix 6

IDS CYPRUS INDUSTRIAL STRATEGY TEAM

January mission

Consultants:	Robin Murray (IDS team leader)
	Michael Best (University of Massachussets) Jane Humphries (University of Cambridge) James Rafferty (SME Services and University of Buckingham) Peter Snell (London Food Commission) Jonathan Zeitlin (Birkbeck College, University of London)
Administration:	Bruce Claxton Zoe Mars Francine Spencer
Production:	Mary Shiner Irene Williams Sue Ong
Design:	Theresa Dearlove
Reprographics:	Kim Collins