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**ESTABLISHMENT OF AN "INTERNATIONAL INFORMATION CENTRE
FOR CAPITAL GOODS" FOR THE IMPROVEMENT OF THE TRANSPARENCY
IN THE WORLD MARKET FOR CAPITAL GOODS**^{1/}

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I. The Problem

1. Basic Situation

The more transparent a market is, the better it is possible for the classical rules of demand and supply to come into effect to the profit of the market partners. If there is an absolute market transparency, the supply of goods tends to the lowest price and the highest quality. In the long run, production, thus, technically and from the point of view of costs has the tendency to an optimal combination. At the same time, this results in a maximum profit for the economy as a whole.

Absolute market transparency is an ideal that probably can never be reached, especially not in the market which hereinafter will be discussed - the international market for capital goods. The more nonhomogenous a market, the smaller the number of partners in the market, the more constant their composition, and the smaller the geographic market area, the easier it is to achieve transparency. In the market for capital goods, however, these conditions, unfortunately, are hardly to be found.

So, is there a way to improve the transparency of this market, and is there sufficiently high interest to enter upon such a way? This paper tries to answer the question.

The general question became of topical interest because of the problems which the development banks have to face in connection with project financing, which they have to

face because of their different experience with producers of capital goods and through their efforts to achieve sufficient market transparency - at least in individual cases - by exchange of experience with colleague-institutes.

Interest in an improvement of market transparency is to be found, at least theoretically, with the producers of capital goods as well as with the buyers of capital goods (hereinafter referred to as 'investors'). The producers already participating in the market should be interested in a knowledge as comprehensive as possible of all potential investors and their specific intentions, since knowledge about future sales prospects is worth more than the rough picture got on the basis of cogently imperfect market analyses. Equally more promising is the possibility of direct contacts with potential partners than is a widely distributed advertising. More comprehensive knowledge of market prospects and closer contact to the market partners do not only put the producer in a better position to adjust his production to market conditions, but it also gives the opportunity to start the production of additional capital goods at better prospects for success. Finally, an increased transparency offers greater prospects for success to the producer newly entering the market.

Exempt are those producers whose sales are favoured just by a lacking transparency. In the interest of the overall economy they should be deprived from this protection through intransparency. If, nevertheless, they maintain their market position, their qualification is proved; if they cannot maintain their position without protection, this is to be regarded as a process of self-purification in the interest of the overall economy.

The investors are interested in an improvement of market transparency without any reserve.

It would be an inadmissible simplification if one would identify the interests of the producers with those of the industrialized countries and the interests of the investors with those of the developing countries. Still today, investors are principally to be found in the industrialized countries. The same applies to the production of capital goods - but today it is no longer the exclusive domain of the industrialized countries since competitive productions have been achieved in some developing countries. Nevertheless, special interest in an improvement of transparency can be supposed to exist, in particular, in the developing countries.

Especially with the producers of capital goods in these countries because, in general, they are newcomers to the international market or still have to make their first step into the international market. Their sales chances would increase essentially through an improvement of transparency. In addition, trade between the developing countries - the so-called "intra trade" - and also the extension of industry sales of the developing countries to the industrialized countries would so be stimulated in the interest of world economy.

The investors of the developing countries are specially interested because the degree of transparency is generally essentially lower for themselves - due to the present market constellation - than for the investors of the industrialized countries.

In industrialized countries the knowledge of supply-possibilities, of quality and price-worthiness in the capital goods sector is still relatively good. The lower the state of industrial development is in a country, the more imperfect is, generally, this knowledge. The experience and the possibilities for contacts are lacking or there are one-sided ties to former suppliers which perhaps are no more competitive in the world market.

The problem is, in addition, of different importance to small-scale investors and large-scale investors. The large-scale investor who invites world-wide tenders provides himself with a high degree of market transparency; the small-scale investor is not able to do so. His national development bank can surely give him its assistance for choosing the capital goods, however, getting a clear survey on international supply-possibilities is possible for such institutes only to a limited extent.

Only few investors are able to keep continuously posted of the technical development of their branches. Especially in lesser developed countries and with entrepreneurs who start a new production without having relevant previous knowledge of it, the know-how of the newest and most economic methods of production is lacking. If because of this ignorance obsolete capital goods are procured, the competitive chances of the new production will diminish.

Summing up, it can be said that an improvement of market transparency is in the interest of most of the producers of capital goods and in the interest of all of the investors. Especially great interest can be found with producers and investors of the developing countries because they wish to make up for the existing disadvantages

concerning information. At the same time, the improvement of transparency also lies in the interest of world economy, especially of international development policy. With the procurement of the technically best and cheapest capital goods and with the international extension of their own supply-possibilities, the chances for the development of the developing countries increase. Improvement of transparency in the international market for capital goods is thus an important component of the international financial and technical development aid.

2. Effects

It has to be stated generally, that lacking market transparency prevents to achieve the optimal level of investment and thus the optimal level of production in the world. Lacking possibility to compare prices for capital goods and thus ignorance of the reasonable price make investments more costly. Lacking possibilities to compare the quality of capital goods make investments less efficient. Lacking knowledge of the different technical possibilities of production may raise the price as well as deteriorate the efficiency of investments. In any case, this impairs quality and price of the produced goods and thus the profitability of the enterprises.

More than in the case of other goods, lacking transparency is especially disadvantageous in the capital goods sector because the prices for these goods are comparatively high, their installation often causes considerable extra costs, their economic effect is of particular long duration and because in most of the cases they are integrated parts of a greater unit of production.

Unfortunately, the negative effects of lacking transparency hit especially the less developed countries already suffering from natural information disadvantages which also neutralize part of the international development aid. An additional disadvantage to a small developing country lies in the proportion of investments to the economy as a whole. In the case of a big industrialized country a misinvestment rarely has negative consequences for the investor himself, but its effect on the overall economy, generally, is only small. In a developing country the results of a misinvestment may have effects on a broad scale, be it only indirectly through discouraging further domestic investors or directly through negative influence on the balance of payment or on the labour market and through a rise in the price level.

But not only the absolutely wrong investment, also the investment of over-expensive, technically obsolete or qualitatively insufficient capital goods may have aggravating consequences for the overall economy. The wrong dimensioning of a smaller part of a plant may considerably lessen the production and the productivity of an enterprise. The effect of obsolete production techniques works in the same direction. Bad quality of the delivered capital goods has similar effects. Diminished production and productivity lessen the profitability, similar is the effect of too high prices for capital goods. The negative effects, finally, are reflected in the consumer goods' market through higher prices of the produced goods or through reduced profits in the entrepreneur's propensity to invest or, finally, in income reductions for the employees.

Because of insufficient competitiveness of the produced goods the export results, aimed for, are not achieved or the planned replacement of formerly imported goods fails - both is disadvantageous for the balance of payment.

This chain of effects can be prolonged considerably. In each case, one will find that a deviation from the optimal investment will cause disadvantage for the overall economy which in a less important single case may, of course, be looked upon as *quantité négligeable* which in the cumulation through insufficient market transparency, especially in developing countries, however, may be of great importance.

It is not at all the case that the fault for a misinvestment is principally to be charged to the supplier. If, due to ignorance, the investor decides, for instance, in favour of a supplier whose production program does not contain the appropriate dimensions of capacity or the necessary processing plants required for impure raw material, the main fault lies with the investor. On the other hand, investors' ignorance makes it easy for unfair suppliers to sell equipment which would be known from the beginning on as inappropriate if economic or technical alternatives were known, or if a price- and quality-comparison between competitive equipments were possible. Likewise, because of insufficient market transparency still today equipment can be sold in developing countries which in no way corresponds to the achieved technical standard. Of course, the most modern machine does not necessarily have to be the right answer to an investment problem, be it from the point of view of the enterprise or overall economy, but transparency, at least, should allow to reach the appropriate correction

in price in case of a deviation from the highest technical standard.

To what extent losses may incur to the developing countries becomes evident when a first offerer is induced by competitive offers to reduce his price by more than 20 per cent, or when a supplier who has been urged by the developing country into a financial participation in the enterprise being supplied by him, in case of failure writes off his 20 per cent participation as lost profit because it had been calculated anyhow in his profit margin from the beginning on.

Grave consequences may incur for an economy if a misinvestment is an integrated part of a greater investment. A processing plant for agricultural products, the cultivation of which has been organized or intensified especially for this processing may in case of a technical misinvestment reflect gravely on wider agricultural districts. But also in a smaller context a not working or wrongly proportioned conveyor-belt may disturb the course of production in such a heavy way that the loss of profitability is unrelatively high in comparison to the price of the conveyor-belt. As in most cases we have to start from the fact that capital goods are working more or less integratedly, be it in a small or in a large context, the damages of such misinvestments are usually much greater than is expected at the first glance. In addition to this, there is the already mentioned damage from the point of view of the overall economy which comes into effect through the products manufactured by means of capital goods.

Last but not least, the already above-mentioned damage for the capital goods supplying country with regard to its future chances as supplier will have to be put into account. The success of decades of efforts by renowned firms of a country may rapidly be destroyed within a region or a branch through leaking-out that bad goods have been delivered. Especially in the international markets individual experiences of a positive or negative kind are easily liable to be generalized and prejudice often consists longer than is justified by the matter. If a supplier only looking for quick profits thoughtlessly destroys such positive prejudice which exists for his country, he should be ousted from the market, also in the interest of the qualified suppliers of his country, before he can cause further damage.

The effects pointed out here, make it desirable especially in the interest of the developing countries to achieve an as high as possible degree of transparency in the international market for capital goods and this as quickly as possible.

II. Possibilities for the Improvement of Market Transparency

1. Maximum Solution

Absolute market transparency can never be achieved in any market. The greater a market is in the number and variety of its goods and market partners and the bigger the geographic area, the more difficult it is to achieve transparency. Even in the case of such a homogenous and widely required commodity as gold, the wide extension of the market with its political boundaries and possibilities for manipulation of the market partners under this protection, is an obstacle to market transparency. Far more intransparent is, of course, the world market for capital goods since the variety of products is so large that great technical knowledge is required in order to weigh one capital good against another which serves the same purpose, except if they are standardized types of a bulk commodity as e. g. simple motors.

If one should try to achieve the highest possible degree of transparency in spite of these difficulties, the data of all capital good supplies, of all capital good investments and any opinion on these capital goods (opinions of supplies, buyers, financiers, and technicians) would have to be made available to all interested parties in a central place. For different reasons it is not possible to reach this aim:

- (a) The delivery of the necessary information cannot be forced. Therefore, a complete registration is excluded.

- (b) Even if the technical data and prices of capital goods could be registered on a reliable basis, the opinions on prices and quality would necessarily be subjective ones. Experience shows that e. g. a supplier normally tends only too readily to charge the responsibility for deficiencies of investments to the investor and that the investor, on the other hand, rather charges the responsibility to the supplier. Even a neutral bank which finances the investment will only seldom be in a position to give an objective opinion on whether prices or quality of the delivered goods are appropriate.
- (c) Opinions, especially those concerning larger plants cannot be compressed in a judging mark or in a short form without risking an inadmissibly rough statement. A plant may basically be quite good but a single part may be the reason because of which it does not work properly. Would this be enough to give a negative global opinion?
- (d) Even if objective opinions would be centrally available, no institution could dare take the risk of passing on negative opinions to interested parties since, automatically, legal proceedings against the informant because of business impairment would be the result.

2. Realistic Solution

Considering the afore-mentioned difficulties it is the task to find a realistic solution which certainly cannot achieve maximal but - under the given conditions - still

optimal transparency. Taking into account the aforementioned difficulties, the solution can be outlined as follows:

- (a) The supply of the necessary information will have to be on a voluntary basis. In order to maximize the volume of information, incentives for the informants are necessary.
- (b) A collection of opinions is not possible. However, in order to provide the interested parties with the possibility to get to know the experience of investors and financiers, the addresses of these holders of experience will have to be collected as completely as possible. In connection with the assumed principle of voluntary co-operation referred to under (a), this means that the suppliers of capital goods will furnish references.
- (c) It is left to the initiative of the interested investor to what extent he will take recourse to these references, to what extent he wishes to collect his own impressions at the place of investment or to what extent he will be content with personal or written information and whether he thinks himself sufficiently capable of forming his own opinion in order to make full use of the opinions of others or whether he rather prefers the assistance of experts.
- (d) There are no obstacles to the transmittance of data and addresses furnished voluntarily for this purpose, as far as these data have been made available by the suppliers of capital goods. Additional information of an information centre itself should only be of a general kind and not refer to a scheduled capital good or a cooperating supplier.

The solution outlined here is suitable for achieving within the range of suppliers' co-operation an almost absolute transparency of the market for capital goods. The investor can - by his own initiative in using the given addresses - add to the supplied data the experience and opinions of investors and financiers, thus finding an opinion of his own.

There will occur gaps as far as suppliers of capital goods are not willing to disclose their business. But since normally suppliers are interested to inform and attract potential customers as numerous as possible, it can be reckoned with a high percentage of information. It is less probable that suppliers avoid to supply any data on their products from the beginning on, than that they avoid to give references in individual cases of insufficient supplies or misinvestments. Since the supply of data is on a voluntary basis, it has to be reckoned with commensurate gaps.

If these gaps remain unknown, there will be a remainder of intransparency. But since in the international supply and financing system too many participants know about the carried out investments, a supplier cannot be sure that a misinvestment remains unknown. Therefore, he will rather give also a bad reference and name the reason for this misinvestment than run the risk that perhaps deliberately concealed facts will become known without him being able to give the necessary explanations immediately.

Incompetent suppliers will sooner or later be generally miscredited if, at all, they will join a central information system. On the other hand, however, a supplier who excludes himself from a central registration must be aware that possibly in many cases he will exclude himself also from chances to supply capital goods to developing countries because - if one day a central world-wide information centre has been established and is known by all interested parties - central financing- or planning authorities might only allow supplies from such firms which are centrally registered.

III. Interested Parties, Motives, and Willingness to Financial Contribution

1. Informants

(a) Suppliers of Capital Goods

Basis for the volume of information are the suppliers of capital goods, be they producers, traders, contractors, or may they have a mixed function. Their interests are orientated towards future sales profit. Their willingness to contribute increases with growing sales prospects. The same applies to their willingness for financial contributions. As the supply of information is also an act of direct and aimed advertising, a supplier of capital goods will make his calculations on this cost basis.

A division into a general fee for the inclusion of the informative data and a remuneration in the case of success for each furnished information would most likely correspond to the value of this publicity. On the other hand, such a division requires additional work at the information centre, since it presupposes a notification on each inquiry.

It is not necessary in this context to deal with suppliers of capital goods who have to fear a negative influence for their future sales prospects in the case of disclosure of facts.

(b) Financiers of Investments of Capital Goods

Under this category, development banks will have to be addressed to primarily but also other financing institutions and governments. Their willingness to furnish information is desirable for a completion of the global picture of all capital goods supplies and investments respectively. It is especially their information that allows a maximal registration at the beginning, and also the detection of gaps of information which are not filled by the suppliers of capital goods voluntarily.

The afore-mentioned parties have in common a general interest in the improvement and cheapening of the investments to be financed by them in future. Furthermore, each party, in addition, has the motive of wishing assistance for future decisions in financing matters as well as for the future avoidance of misinvestments. However, it will be more useful to deal with those questions in the following part 2 (b). Although, willingness to financial contribution may be assumed with some of these informants, it is rather so in connection with using the information centre, so this question as well will be dealt with in 2 (b).

(c) Authorities, Institutes, Consultants, and Others

Under this term all institutions are addressed which are concerned with investments, but which are not acting as financiers. To this belong e. g. national planning

institutions, consultants, and the like. With them, too, a general interest in the positive effects of greater market transparency can be assumed. However, willingness to financial contribution may generally not necessarily be concluded.

2. Parties seeking Information

(a) Investors

On principle, it can be assumed that the investor is interested in an optimal combination of price, quality, and technical perfection of his investment and that, therefore, he is genuinely interested in the informations made available. Those investors who regard investment as a way of opening up illegal sources of profit or who, in the case of public investment pursue a political object, can be left out of consideration. But even in the special case of somebody investing available funds for the purpose of a later disposal of the investment with profit, the optimal combination will be aimed at because, in doing so, the possibilities for maximation of the sales profit will become greater.

For these reasons, a willingness to financial contribution can generally be assumed. For a genuine valuation of the available information the levying of fees seems to be recommendable for psychological reasons since gratuitous services are likely to be undervalued. A kind of protective fee could be appropriate in order to avoid unnecessary use of the information centre. On the other hand, investors should not be charged with costs too high. A uniform rate which is only graduated according

to the capital goods costs which, however, does not take into account the extent of information with regard to the furnished data, seems to be the best way. The problem of shortage of foreign exchange could be solved by payment in domestic currency.

(b) **Financiers**

Financiers, too, have a special interest in an optimal combination of price, quality, and technical perfection since the optimal combination is an essential prerequisite for economic success and improves the soundness of financing, be it in form of credit or participation. If the investor did not collect the necessary informations himself, the financier will surely like to extend his own basis for forming an opinion on the project to be financed. However, it has to be considered that the financier will show only little propensity to do this by himself subsequently since the information may then perhaps overthrow the whole former investment planning. It is more likely that he will make it an obligatory condition for the investors for whom he provides the means for financing, to see to it themselves that they get a sound basis for the investment planning and the procurement decisions through the information centre.

In so far, a general willingness to contribute does not seem to exist with the financiers. However, the normal protective fee could be demanded of them in case they want to use the information available.

(c) AUTHORITIES, ADVISORS, CONSULTANTS, AND OTHERS

Basically, the same that has been said concerning the financiers applies to this group, here, as well the optimal combination is the aim strived for, because at this combination the individual plans of the investors also allow an optimal utilization of a given frame of funds, be it the optimal use of a budget, of a credit volume, or of foreign exchange funds. In all of these cases the interest in reliable information is the same.

This group, too, following the trend of the financiers, will be inclined to make the previous use of the information centre by the investors a prerequisite for their decisions. Accordingly, here as well the levying of a fee will be an exception, but, in case of inquiries, it should be made prerequisite for the furnishing of information. In principle, for the groups dealt with in (b) and (c) payment should be made in the respective domestic currency.

IV. Holder of Information

1. Organized Information, already available

Apart from the efforts of suppliers to inform potential customers about their supply possibilities, other efforts have been made in the past to increase the degree of information in the capital goods sector. Government organizations or associations of producers have e. g. distributed surveys on the suppliers and the supply possibilities of their respective country. These publications differ very much with regard to extent and profoundness of information. Some of them are very detailed, others are limited to general statements and contain as valuable information the exact addresses of suppliers. Finally, there are classifications of selected plants which even give more or less vague ideas about prices. The undeniable value of such publications is, however, limited because they are produced for sales promotion and, therefore, cannot contain an objective information about price and quality. Furthermore, each of this publications reflects at least only a national section of the international capital goods market, so that a comparison with competitive products on a world-wide basis is not possible.

2. Occasional Exchange of Information

The lack of centrally available information certainly has caused a number of initiatives by the parties interested in closing this gap of information in this or that special case. In this sector, especially the international and national financiers and among those the development banks have become active.

They have been able to close single gaps through exchanging with colleague-institutes their knowledge about certain capital good supplies and suppliers and by giving the addresses of investors, possessing experience of specific investments. In addition, it has been possible especially for international financiers to exclude unreliable and unfair suppliers from the investments being refinanced by them. Such single measures certainly avoided a number of investment faults, market transparency, however, was only improved at certain points - although on an international basis.

3. The Necessity of central, neutral, and world-wide Information

The afore-mentioned partial solutions are a great help for the establishment of a central place of information, but they cannot replace it. On the contrary, a central information institution could obviate such efforts and the costs arising in connection herewith. The modern technical possibilities of communication and of registration of data facilitate considerably a world-wide solution as far as organization and costs are concerned. A world-wide registration is an inadmissible prerequisite for a maximization of market transparency. A perhaps thinkable division into regional centres for registration or information would not be rational in our modern world. It would not only be contradictory to the basic idea of a world-wide market transparency, but it could also impede the easy exchange of information between the continents.

V. Steps for setting up the Information Centre, Co-operators

To secure a quick and easy establishment of the centre, special attention has to be attached to the strategy to be followed. The easiest way would be to collect the information material on capital good supplies already available at certain places and to interrogate the respective suppliers:

- whether they are interested in a registration of these supplies in the central card-index,
- whether they are prepared to have the buyer registered as reference,
- whether they want to name further references,
- whether their program of delivery is fully registered herewith, or
- whether they want to have included further capital goods of their production and references pertinent to it.

Such a procedure automatically demarcates the circle of co-operators of the first phase as follows:

1. Co-operators at primary Collection

(a) International Financiers

This group includes the multilateral as well as the bilateral financiers of capital aid and commercial financiers as e. g. the World Bank (IBRD), the regional development banks for Asia and Africa - Asian Development Bank (ADB) and African Development Bank (BAD) - ,

the regional Latin-American institutes - Inter-American Development Bank (IDB), Banco Centroamericano de Integración Económica (BCIE), and ADELA Compañía de Inversiones (Panama) S.A. - and the Private Investment Company for Asia S.A. (PICA). In addition, there are bilateral financing institutions such as the French Caisse Centrale de Coopération Economique (CCCE), the British Commonwealth Development Corporation (CDC) and the Commonwealth Development Finance Company Ltd. (CDFC), the German Kreditanstalt für Wiederaufbau (KfW) and the Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH. (DEG) and the American Agency for International Development (AID). To this group finally belong the national export financing- and insurance companies. At all of these institutes, numerous data about effected capital goods deliveries and the respective suppliers are most certainly available - due to the disbursement and authorizing procedure.

(b) National Financiers

Within this group it is especially the national development banks which play an excellent part. Because of the variety of branches financed by them, the different size of the projects and because of the spread of the financed capital goods imports on numerous countries, voluminous material on capital goods supplies effected during the last years is available at the development banks. It will, of course, show differences and deficiencies concerning the completeness of certain details, but it has the great advantage that the addresses of the investors who will possibly be quoted as references are probably registered exactly.

A comparatively great part of information on capital goods deliveries will be twice available, namely with the international as well as with the national financiers. However, to achieve a registration as complete as possible, both sources should be made use of, all the more since this at the same time allows a control of exactitude as well as a completion of the data.

(c) Government Planning- and Authorizing Bodies

In addition to the financiers, the government institutions which are concerned with the investment planning or the allocation of foreign exchange can be called upon as a further group for the primary collection of material. The material available at these places, too, will to a great extent be identical with the material of the financiers. But for the achievement of a maximal degree of exactitude and completeness, one should not go without the assistance of these institutions.

Starting the collection of material within the above described groups has, in addition, the special advantage that in this way also such suppliers are registered who until then were only of national or regional importance and who very easily would have been ignored without the co-operation of the aforementioned institutions. The suppliers in question are especially the newcomers in developing countries who lack international experience and international contacts and, therefore, are easily overlooked.

2. Technique of Collection

(a) Systematy of primary Collection

The systematy of the primary collection is determined, on the one side, by the degree of what can be demanded from the co-operators and, on the other side, by the technique of the data processing and by the desired content of the final information. Here, in any case, a compromise will be indispensable, making cuts from the extent of the desired final information and taking the respective quantities and qualities of the available data as a given basis. The co-operators for the primary information will anyhow not have to be overcharged because the completion of the data will be effected later on by the suppliers. So, a form which allows a preliminary classification of data for querying the suppliers should be sufficient. Essential components are the as exact as possible definition of the supplied goods and the exact addresses of suppliers and investors. For the goods to be registered an internationally used standard systematy would have to be made the basis from the beginning on, which also could remain valid for the final registration. The co-operators should be urged to range their data into the systematy and to mark doubtful cases as such.

(b) Method of Collection for the primary Material

For the collection of the primary information two different methods are possible. On the one hand through contact between the centre and the co-operators by way of post and by sending the forms filled in by the co-operators to the centre. Alternatively, teams can be delegated to the co-operators to fill in the forms with the assistance of the co-operators.

There is a similar example speaking for the usability of the first method; this is the world-wide registration of the most essential data on development banks. The success of this collection was quite good, however, here it was a self-description by the co-operators which did not require much preparation and greater effort and, in addition to this, international development banks - to which the co-operators to a certain extent felt obliged because of existing financial relations - had been set in as sub-centres. Therefore, it cannot be said definitely whether the same willingness to co-operate will exist in the case of a more laborious procedure. A certain encouragement, however, is also the successful attempt of UNIDO in which ten development banks and development institutions on request stated the supported investments naming the branch of production and the annual capacity. But it has to be considered that only a part of the group wanted for co-operation will be ready and capable to furnish complete information. For this reason, a compromise between the two possibilities for a maximation of the result of collection seems to be necessary.

Accordingly all institutions concerned should be addressed to and be supplied with detailed explanations of the task and of the aim, and at the same time a sufficient number of forms should be sent to them. They would be asked to express their general willingness to co-operate and to state the approximate date of delivery of the forms. If no declaration of willingness is given or if the forms are not delivered in time, a new contact would be advisable with the offer for sending a team for collection.

(c) Processing of the primary Material

The probably very voluminous primary material would have to be selected and arranged mechanically. On the one hand, a basic card-index which would be completed and corrected by later informations, but which especially would serve the purpose to control in how far the secondary and final informations are furnished or not, should be set up. On the other hand, the act of arranging ought to bring at the same time the required exactly addressed introductory letters to the suppliers named in the primary material.

(d) Secondary and final Registration respectively

For the querying of the suppliers the content of information set as the final aim must be the basis. Any data and particulars have to be asked which shall later on be made available to the customers of the information centre. We will yet have to deal with the extent of the information further down.

The suppliers would have to be informed in detail about the final aim of the information centre to be able to estimate for themselves how far their willingness to furnish information can go. Therefore, it is advised to emphasize especially the principle of voluntary co-operation, and it also has to be left at the option of each one whether he wants to leave out certain information or whether he only wants to give an answer with reservation. This applies especially to price quotations. In this field, it might perhaps be advantageous to provide from the start

for the possibility to limit each quotation to a respective date of validity. This would protect against mistakes when the price informations later are used in comparison.

Since gaps still will exist despite great efforts of the co-operators at the primary registration and the suppliers, an examination of the publications mentioned in IV, 1 by a special team would be desirable in order to have a kind of gleaning.

At this second selection too, a number of capital goods suppliers will not be registered. Unfortunately, they will mainly belong to two groups which are important for the achievement of maximal market transparency and the aims of development policy. Primarily, new suppliers will not be registered who have started production and sale of capital goods during the first phase of registration and who, therefore, have not been named. Secondly, new suppliers will not be registered who have started the production of entirely new developed capital goods which e. g. allow new methods for the production of new goods or which process new raw material. A big gap would remain if one would not distribute quickly the hereof resulting technical and development-political benefit. For this reason, the establishment of an information centre and the collection of information would have to be announced to the whole world and the suppliers of capital goods who are not yet registered should be invited to take up contact with the centre.

(e) Current Registration

The sectors above mainly deal with the steps which lead to the establishment of the information centre and result in a survey on the supplies of capital goods during the last few years. However, in order to give the latest possible state of information, a current supplementation and actualization of the material will be necessary. For a period of transition, the information centre will, for this matter, still be dependent on the support by the co-operators at the primary registration. However, it can be assumed that the registered suppliers in the case of good success will be sufficiently interested to actualize and complete their information currently.

As far as certain suppliers have not shown any desire to complete their data in a certain course of time, the information centre will have to become active in order to keep the informative data up to date. On the other hand, later too, the information centre will have to ask the co-operators at the primary registration for new information from time to time in order to secure admittance of the suppliers of capital goods newly entering the market. The information centre will also have to make efforts to win as co-operators the financiers newly entering the market. The best way to fill currently any gap of information is a sufficiently large publicity which should be conveyed regularly via the technical periodicals. Statements on successes and reports of success will most likely encourage suppliers and investors to furnish information and to make use of furnished information.

3. Systematy of final Registration

(a) Systematization of Material

For the systematy of the final registration there are several decisive points of view which primarily have to follow the interest situation of the customers. The customer will have to get as quickly as possible complete and exact information. Accordingly, the systematization of material will have to follow an internationally used pattern. To facilitate the selection of the information material it should be sorted out according to two main criteria, namely the branch of production in which the capital good is to be utilized and the type of the capital good. So, e. g. a machine for the production of hair spray tins would have the classification mark "main group machine-tools - sub-group machines for the production of tins" as well as the second classification mark "main group chemical industry - sub-group cosmetics". This classification would have to follow international norms. An index of these norms in the hands of all participants would considerably facilitate the use of the information centre. To make future translation unnecessary, the index should at least be published at once in the three world languages English, French, and Spanish, and a digit code should be created.

(b) Registered Data

For the selection of the data to be registered a compromise again is required. To avoid an unnecessary complication of the collection, a limitation to the essential

points at the expense of the information content will be unavoidable. Since the use of the centrally collected data is only the first step for the parties seeking information, which may be followed by further steps left to the discretion of the user, this limitation seems to be justifiable.

Most important are the data which allow a clear identification of the capital good. So, at least a statement on the capacity would have to be added to the classification marks given under (a) allowing for a demarcation of the selection according to the order of magnitude. If for some capital goods statements of capacity are of no evidence, another output factor indicating the size will have to be chosen.

Furthermore, the exact address of the supplier and the exact address of the references given by him are essential components of the information.

Another important point is the statement of prices. Here, certain difficulties may arise in so far as especially for greater plants no exact, binding prices can be stated. A practicable alternative would be the statement of an approximate price in connection with the date of validity or the statement of a 'from-up-to'-price. In addition, it could be left at the discretion of the suppliers to add to the references the respective price of the commodity and the date of delivery. Of course, it will have to be left at the suppliers' option whether at all they wish to state prices or whether they want to do without such a statement.

For a better identification of the registered capital goods, short statements on the employed technical procedure, the energy requirement, the consumption of raw material, and similar technical marks would be of further advantage. Here, space could be spared for correspondent remarks of the supplier - if the classification mark for the goods does not already make the necessary differentiation.

VI. International Information Centre for Capital Goods (IICCG)

1. Sponsor

If a maximum of material shall be registered and an optimum of world-wide information is aimed at, the organizer and sponsor of such an information centre can only be an institution which already has world-wide experience in the economic field, which disposes of a maximum of international contacts and which is regarded by all partners coming into question as being neutral - especially politically neutral. Only under the condition of this constellation the necessary willingness of all participants to co-operate can be won.

The above-mentioned conditions presently only seem to be given with the United Nations. Whether this organization itself is prepared and is in a position to take over this task or whether it will make available for this task one of its sub-organizations - e. g. the UNIDO which in particular seems to be suitable - or whether it regards it advisable to establish a new sub-organization which will take over only this task, will in the last analysis certainly be solved by a further international discussion on this subject.

2. Location

Choosing of the location of the information centre will have to be made with regard to an as smooth as possible execution as well as with regard to political considerations. If UNIDO is selected as sponsor organization, the natural

location will be Vienna and this without causing any problems. Otherwise, in the first place, another European location would come into question because here a special concentration of suppliers is to be found and an undesired one-sided national shift of importance can be avoided, as e. g. it has to be feared if the U.S. were chosen. At choosing the European country, again the as great as possible neutrality with regard to importance would have to be considered, so that besides Austria such countries as Switzerland, Denmark, or the Netherlands present themselves.

3. Costs

The problem of costs is facilitated by the fact that the information centre can perform its activities for reward. Only at the primary registration - i. e. in the first phase of establishment - costs will incur which will only later be wholly or partially covered. Concerning the suppliers, it can be assured that a fee will be levied for each information given, which e. g. is calculated on the basis of the price for the registered capital good. In addition to this, each subsequent correction of information can be made liable to a fee. Furthermore, a remuneration for success could be made in passing an amount for each information given on their capital goods in the course of the year to the suppliers' account. In a similar way, fees can also be demanded from the parties seeking information which are calculated according to the price of the capital goods and the number of information furnished. An investor,

e. g. who obtains a greater number of addresses of suppliers and references for the construction of a sugar plant, will have to pay the multiple sum of that one to be paid by the investor who asks for information on a conveyor-belt and who only receives a limited number of suppliers' addresses and references.

It should be made the principle for each levying of fees that it will be reckoned out in US dollar but that it may be paid in the domestic currency of the partner. In such a way development countries, poor in foreign exchange reserves, will not be charged additionally. The information centre, on the other hand, can afford such a procedure, because the necessary delegation of teams will cause expenses in the respective domestic currencies. To avoid any unnecessary red-tapism in settling the accounts, the information centre should leave the keeping of the accounts to a body particularly suitable for this task - as e. g. the Bank for International Settlement in Bale.

VII. International Central Information on Consultants

Closely connected with lacking transparency in the capital goods market is also the frequently observed lack of information about competent consultants. Again and again it can be noticed that supplies of capital goods unobjectionable as such, are not employed optimally because the investors do not only lack the required technical and economic knowledge, but because in addition to this they are not capable to fill this gap with the assistance of competent consultants.

Therefore, the question arises whether it would not be advisable to collect, together with the information on capital goods, also information on international consultants and, if so, whether this information should also be registered on the index cards in a single operation in order to deliver it automatically without additional work together with the information on capital goods.

The problem is simplified by the fact that the principle for classification according to branches and types of goods which has been made the basis for capital goods seems to be suitable as well for the registration of consultants. At a classification according to capital goods there will certainly be a great number of smaller capital goods in regard of which an automatical assignment of competent consultants is not possible. At a classification according to branches, however, it will be an almost automatic process to group competent or specialized consultants together with the capital goods of their main field of activity.





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