



**TOGETHER**  
*for a sustainable future*

## OCCASION

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



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

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

## FAIR USE POLICY

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

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)

D00765

ID/WG.22/29

---

REPORT OF  
THE MEETING ON  
INDUSTRIAL INVESTMENT  
PROMOTION SERVICES

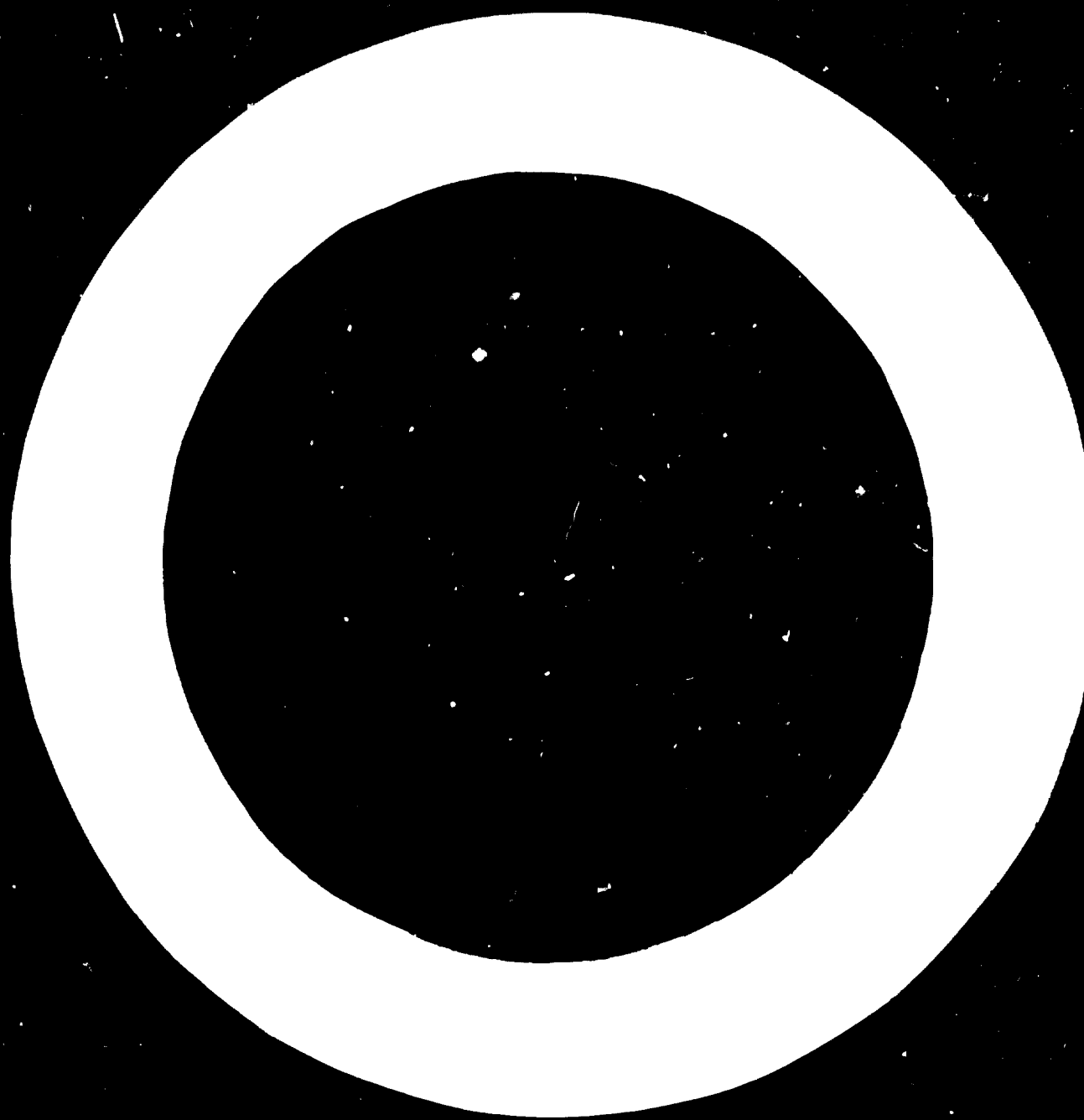
Vienna, 23 - 26 September 1968

---



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION, VIENNA

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



**REPORT OF  
THE MEETING ON  
INDUSTRIAL INVESTMENT  
PROMOTION SERVICES**

**Vienna, 23 - 26 September 1968**



**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION, VIENNA**

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of its frontiers.

ID/WG.22/29

THIS DOCUMENT HAS BEEN REPRODUCED WITHOUT FORMAL EDITING

**TABLE OF CONTENTS**

<b>Preface</b>	<b>5</b>
<b>PART I. <u>REPORT AND CONCLUSIONS</u></b>	<b>7</b>
<b>I. Introduction</b>	<b>7</b>
<b>II. Industrial Investment Promotion Programme of the UNIDO</b>	<b>9</b>
<b>III. The Objectives and Organisation of the Meeting on Industrial Investment Promotion Services</b>	<b>11</b>
<b>(a) Objectives</b>	<b>11</b>
<b>(b) Organization</b>	<b>11</b>
<b>(i) Invitations</b>	<b>11</b>
<b>(ii) Selection of Participants</b>	<b>11</b>
<b>(iii) Participants</b>	<b>12</b>
<b>(iv) Plan of the Meeting</b>	<b>13</b>
<b>(v) Inauguration of the Meeting</b>	<b>13</b>
<b>(vi) Election of Officers</b>	<b>15</b>
<b>IV. The <u>ad hoc</u> meetings</b>	<b>17</b>
<b>(a) Concept and purpose</b>	<b>17</b>
<b>(b) Organization</b>	<b>17</b>
<b>(c) Number of <u>ad hoc</u> meetings</b>	<b>18</b>
<b>V. Discussion of issue papers presented at the meeting</b>	<b>21</b>
<b>A. Machinery and techniques of industrial investment promotion in developing countries</b>	<b>21</b>
<b>(a) Investment promotion machinery</b>	<b>21</b>
<b>(b) Other basic problems of investment promotion</b>	<b>23</b>
<b>(c) Summing up</b>	<b>24</b>
<b>B. Promotion of industrial investment at the project level</b>	<b>25</b>
<b>(a) Promotional efforts</b>	<b>25</b>
<b>(b) Selection of projects</b>	<b>26</b>
<b>(c) Identification of sources of investment and/or financing</b>	<b>28</b>
<b>(d) Feasibility reports</b>	<b>28</b>
<b>(e) Summing up</b>	<b>29</b>
<b>C. Summing up of Two Previous Days Discussion</b>	<b>30</b>
<b>(a) National efforts</b>	<b>30</b>
<b>(b) Organization</b>	<b>30</b>
<b>(c) Promotion at the project level</b>	<b>31</b>
<b>(d) Follow up action</b>	<b>32</b>

<b>D.</b>	<b>The establishment of a portfolio of project reports on investment opportunities in developing countries, facilities available in developed countries, and the exchange of information between delegates from developing and developed countries aiming at the promotion of industrial investment</b>	<b>33</b>
	(a) Views of the UNDP	33
	(b) Views of the World Bank Group	33
	(c) Views of other delegates	34
	(d) Summing up	35
<b>E.</b>	<b>The Role of UNIDO</b>	<b>35</b>
	(a) Views of the B.I.A.C.	37
	(b) Discussion	38
	(c) Summing up	41
<b>VI.</b>	<b>Conclusions and Recommendations</b>	<b>43</b>
	(a) Summary of discussion	43
	(b) Conclusions and recommendations adopted by the participants	46
	(c) Concluding statement by the Executive Director of UNIDO	50
<b>VII.</b>	<b>Annexes</b>	<b>53</b>
	Annex 1. Introductory statements	54
	Annex 2. Annotated agenda	63
	Annex 3. List of participants	69
	Annex 4. List of documents	77
	Annex 5. UNIDO's activities in the institutional, training, and advisory fields	81
	Annex 6. List of selected industrial projects discussed and negotiated at <u>ad hoc</u> meetings: India, Iran, Israel, Kenya, Malaysia, Nigeria, Pakistan, the Philippines, Senegal and Thailand	87
<b>PART II.</b>	<b><u>PROCEEDINGS</u></b>	
<b>I.</b>	<b>The Organization and Operation of an Investment Promotion Centre: Issues and Alternatives</b>	<b>103</b>
<b>II.</b>	<b>Promotion of the Transfer of Capital and Technology from the Industrialized to the Developing Countries, at the Level of the Project</b>	<b>117</b>
<b>III.</b>	<b>The Establishment of a Portfolio of Project Reports on Industrial Investment Opportunities in Developing Countries</b>	<b>131</b>
<b>IV.</b>	<b>The Role of UNIDO. Current Operations and Suggestions for Future Action</b>	<b>149</b>



PREFACE

The Meeting on Industrial Investment Promotion Services sponsored by the United Nations Industrial Development Organization was held at its headquarters in Vienna from 23-26 September 1968.

The Meeting was called primarily to provide constructive criticism and guidance to UNIDO on its newly developed micro approach to the problem of transfer of capital and know-how from industrialized countries to developing ones. The essence of this micro approach is the organization of the transfer of capital and know-how on the basis of specific industrial projects. This approach is explained at length in the introduction.

Apart from this central objective, the Meeting provided a basis for discussion of general issues on machinery and techniques for industrial investment promotion in developing countries. It was also designed to enable participants to express their views on the advisability of UNIDO establishing a portfolio of project reports for the benefit of prospective sources of investment and/or financing. Finally, the Meeting provided a forum for the expression of views on the role that UNIDO could play in the field of industrial investment promotion.

A notable feature of the Meeting was the organization of private and confidential ad hoc meetings among the proponents of specific industrial projects from developing countries and prospective suppliers of capital and know-how for the purpose of beginning discussions and negotiations on a specific project or projects. Such meetings were set up at the request either of a proponent of specific projects from a developing country, or a prospective supplier of capital and know-how on an ad-hoc basis.

The meeting was attended by participants from nineteen developing countries and thirty-four capital-exporting countries. The latter included participants from countries with private enterprise economies and those with centrally planned economies.

In addition, the meeting was attended by representatives from the United Nations headquarters and of other international agencies interested in stimulating the flow of capital and know-how from industrialized countries to developing ones.

It was chaired by Mr. Roberto Heurtematte, Co-Administrator of the UNDP. Mr. Edgardo L. Tordesillas of the Philippines and Mr. Per Boman, Joint General Manager of the Svenska Handelsbanken, were elected Vice-Chairmen of the meeting.

The meeting was inaugurated by Mr. F. Le Guay, Director, Division for Industrial Policies and Programming.

## PART I. REPORT AND CONCLUSIONS

### I. Introduction

To accelerate the rate of industrial development in developing countries, an ever-increasing flow of external resources and know-how in their industries is required. However, the fact is that the current flow of external resources and know-how in their industries is inadequate compared to their needs, and compared to what foreign investors (public or private) are capable of providing.

One of the principal reasons for this discrepancy is the lack of facilities and programmes for the active and systematic promotion of resources, i.e. identification and preparation of economically worthwhile and commercially attractive projects (in line with planning priorities), and the location of competent foreign enterprises, and where needed, of supplementary sources of financing for their effective implementation.<sup>1/</sup>

The United Nations General Assembly is also conscious of the need for further efforts to close the gap between the need of developing countries for external resources and the volume of actual flow. By its resolution 2152 (XXI), it assigned the United Nations Industrial Development Organization the function, among others, of supplying "assistance at the request of Governments of developing countries in obtaining external financing for specific industrial projects by giving guidance on the preparation of requests, by providing information on the terms and conditions of the various financing agencies, and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing".

To tackle the underlying problem in the spirit of this mandate, UNIDO has developed a programme for the promotion of the flow of external resources and know-how in the industries of developing countries. The programme is called the Industrial Investment Promotion Programme.

The meeting on Industrial Investment Promotion Services was called by UNIDO to test the soundness of the programme, and to obtain views of the participants for its further refinement.

<sup>1/</sup> United Nations: Foreign Investment in Developing Countries (Sales No. E.68.II.D.2), p.1.

It may be advisable to recapitulate briefly this programme before discussing the proceedings of the meeting proper. The programme is explained in the next chapter.

## II. Industrial Investment Promotion Programme

The industrial investment promotion programme consists of:

- (1) assisting developing countries in establishing or improving appropriate institutions for the promotion and financing of industrial investment;
- (2) training of nationals in techniques used in the promotion of industrial investment;
- (3) providing investment promotion advisers; and
- (4) assisting developing countries in promoting specific industrial projects.

The provision of assistance to developing countries in institutional, training, and advisory fields has been a feature of the UN programme of technical assistance since its inception, and is therefore generally well known. It is not necessary to elaborate on these features in this part of the report; they are explained in detail in Annex (vii).

However, rendering of assistance in promotion of specific projects is a technique at an early stage of development. Therefore, it would be helpful to elaborate the concept behind it, and the practice of it, a little further.

### Assistance in the Promotion of Specific Industrial Projects

The raison d'être of such assistance is the premise that there exist in a number of developing countries industrial projects that are viable economically, financially and technically, but in order to transform them into operating enterprises, adequate promotion is needed to interest foreign sources of investment or financing in them.

UNIDO's programme is designed to assist developing countries provide such promotional effort. The purpose of the whole exercise is to facilitate the transfer of capital and technology from developed countries to developing countries on the basis of specific industrial projects.

To conform to the policy of a developing country on the importation of capital and technology, and the type of assistance desired by it, three types of promotion can be considered:

- (a) The first type is promotion in the form of a credit, whether a long-term loan or other financing facilities such as export credit. This type of promotion provides external financing for locally-owned industrial projects, whether private or public.
- (b) The second type of promotion is to develop a joint venture enterprise which associates domestic capital with foreign capital. This formula is often preferred by countries whose need for foreign know-how - whether technical, managerial or marketing - is greater than their need for external financing.
- (c) The third type is the promotion of direct foreign investment which would result in foreign ownership of industrial assets in a developing country.

Promotion at the level of the project, regardless of the type, consists of:

- (a) Collection of all the information available on a specific industrial project.
- (b) Scrutinization of the information available on individual specific projects, and preparation from it on each of the projects standardised brief reports, containing information adequate enough to enable a prospective investor and/or financier to take a decision in principle of his interest in a specific project.
- (c) Location of appropriate sources of investment and/or financing, submission of the selected projects to them, and stimulation of their interest.
- (d) Assistance in the stimulation of a dialogue between two interested parties, nurturing it, and orientating it towards a positive result based on a balanced reciprocity of interest.

### III. The Objectives and Organization of the Meeting on Industrial Investment Promotion Services

A brief restatement of the objectives sought to be attained through the meeting, and a description of its organization would put in a proper perspective the proceedings of the plenary sessions of the meeting. Therefore they are explained in this chapter.

#### (a) Objectives

The meeting was called to serve a number of objectives. Foremost among them was to enable UNIDO to test, expound and develop its approach to the question of assisting developing countries in the promotion of specific industrial projects. At the same time the meeting was to provide a forum for developing contacts, and stimulating a dialogue between promoters of industrial projects in developing countries, and investors and financiers from industrialized countries, for furthering co-operation among them in the field of industrial investment promotion. The dialogue was to be centred on specific proposals emanating from either developed or developing countries for the promotion of external investment or financing at the level of a single industrial project or a group of projects.

Apart from this central objective, the meeting was to provide a forum for discussion of general issues of machinery and techniques for industrial investment promotion in developing countries. It was also designed to enable participants to express their views on the advisability of UNIDO establishing a portfolio of project reports for the benefit of prospective sources of investment and/or financing. Finally, the meeting was also to provide a forum to elicit the views of the participants on the role that UNIDO can play in the field of industrial investment promotion.

#### (b) Organization

##### (i) Invitations

The above-mentioned objectives determined the organisation of the meeting in general, including the selection of the participants and the plan of the meeting.

##### (ii) Selection of Participants

The basic criterion used in the selection of the

participants was the role that they played or could play in the transfer of capital and know-how from developed countries to developing countries, especially at the level of specific projects. Other criteria used were:

- the status of investment promotion machinery in a developing country
- the extent of interest in a developing country in establishing or improving its investment promotion machinery
- the availability of specific industrial projects in a country
- interest in investing in developing countries
- interest in fostering investment in developing countries.

(iii) Participants

The following developing countries sent delegates to the meeting: Argentina, Brazil, Ethiopia, Ghana, India, Iran, Israel, Ivory Coast, Kenya, Malaysia, Malta, Nigeria, Pakistan, Philippines, Senegal, Singapore, Sudan, Thailand, Tunisia.

The participants from capital-exporting countries, including both private enterprise and centrally planned economies, represented individual specialised institutions. These institutions themselves could be sources of investment and/or financing, or could be of help in locating prospective sources of investment and/or financing and know-how in their respective countries.

In addition, there were representatives from international agencies interested in fostering the flow of investment of capital and know-how in developing countries. The international agencies represented at the meeting were: The World Bank Group of International Financial Institutions; the United Nations Development Programme, Commission of European Communities, and Business and Advisory Committee to the OECD.

Participants and other institutions are listed in the Annex (viii).



Apart from the participants enumerated above, a number of financial and industrial institutions sent observers.

They are listed in the Annex (viii).

(iv) Plan of the Meeting

The meeting was held in two sessions a day, one in the morning and the other in the afternoon.

Out of the total of eight sessions over four days, six sessions were devoted to plenary meetings, and two to ad hoc meetings.

During the plenary sessions there was a general discussion regarding: the investment promotion machinery in developing countries; promotion of industrial investment at the project level; the establishment of a portfolio of project reports on investment opportunities in developing countries; the role of UNIDO; conclusions and suggestions for follow-up action.

The ad hoc meetings were held at the initiative of the participants. Any participant interested in the promotion of a specific project, or in general information about a particular developing country, could register a request to meet the representatives either from a developing country, or the sources of investment and/or financing. Once such interest had been expressed by a delegate, UNIDO Secretariat arranged ad hoc meetings between the interested parties in private rooms. The basic purpose behind such meetings was to initiate contacts and ultimately negotiations between prospective recipients and suppliers of capital and know-how.

(v) Inauguration of the Meeting

In the absence of the Executive Director of UNIDO, the meeting was inaugurated by Mr. F. Le Guay, Director of the Division for Industrial Policies and Programming.

In his inaugural speech, Mr. Le Guay welcomed the participants to the meeting, and explained the purposes behind the convocation of the meeting.

The central purpose of the meeting was to devise suitable means of promoting industrial investment in the developing countries. In this task, he added that UNIDO wished to

---

2/ For the text of Mr. Le Guay's statement please refer to Annex I, p.54

benefit from the experience and practice of the participants, which was more important than the theory of it.

He pointed out that the present time seemed to be an appropriate time to look for new ways of promoting investment and know-how in the industries of the developing countries. This was because considerable effort had been devoted in the fifties and early sixties to the building up of the social and economic infrastructure in the developing countries, to which the UNDP and the World Bank Group of International Financial Institutions had made no mean contribution. The presence at the meeting of delegates from these institutions testified to the importance that they attached to the search for new ways of promoting the flow of investment and know-how into the industries of developing countries.

Then Mr. Le Guay referred to the need of the developing countries for external investment and know-how, and their expressed desire to receive them. He also explained the material and other advantages to prospective foreign investors resulting from such investment.

He added that, despite the fact that the developing countries and the sources of external financing had generally recognized the principle of mutual advantage, the actual flow of capital was still insufficient.

He took note of the multilateral and bilateral efforts being made to organize and develop a movement for the transfer of capital and know-how from the industrialized to the developing countries.

However, he said that the movement was based on a macro-economic approach, and focussed on the aggregate flow. He added that there was reason to believe that, although less ambitious in terms of its quantitative results, wide-scale application of the micro-economic approach, aimed at promoting the transfer of capital and know-how from industrialized to developing countries at the level of specific projects, would be a useful means of supplementing macro-economic action. It is generally acknowledged that many developing countries have industrial projects that are

feasible economically, financially and technically and that consequently, adequate promotion of investment and financing in such projects would help to further the necessary transfer.

Then he explained the background to the UNIDO's programme of industrial investment promotion and how it hoped to meet the problems facing developing countries in this respect. He referred to the deficiencies in the promotional structure, and the problem of locating appropriate foreign enterprises.

Then he explained the plan of the meeting. He said that the meeting sessions were divided into plenary sessions and ad hoc meeting sessions. In the plenary sessions topics of general interest were to be discussed. In the ad hoc meetings interested parties were expected to initiate negotiations regarding specific projects.

In conclusion, he added that the idea of organizing ad hoc meetings between parties interested in specific projects was experimental. The results of the experiment would be of help in assessing the performance of UNIDO's programme for investment promotion at the level of specific projects.

(vi) Election of Officers

Mr. F. Le Guay, the Director of the Division for Industrial Policies and Programming, after his inaugural speech, proposed to the meeting the name of Mr. Roberto Heurtematte, Co-administrator of the UNDP, to be the Chairman of the meeting.

The proposal was put to a vote, and Mr. Heurtematte was unanimously elected Chairman.

Mr. Heurtematte made a brief speech from the chair. He said that the meeting was in line with the efforts of the UNDP over the last ten years to promote investment in the industries of developing countries. In the earlier years it became evident that industrial development was retarded because of shortage of technically skilled manpower and the absence of the necessary infrastructure. UNDP, along with other international agencies, had been making efforts

---

3/ For the text of Mr. Heurtematte's statement please refer to Annex I, p.59

to remedy the situation. It had assisted developing countries in acquiring technical know-how, and in building the necessary economic and social infrastructure.

As part of this programme the UNDP had assisted developing countries in preparing 900 pre-investment studies on a number of projects in various fields of endeavour. Each of these projects involved an investment of over \$2 million. 25 per cent of the projects were in agriculture. The number of projects in industry was rather inadequate.

Today it was more necessary than before to have more sound industrial projects on hand. This was because of the change in the general situation with regard to the supply of capital. Five years ago there was a general shortage of capital relative to the projects needing investment. But today capital was in excess supply compared to the number of sound projects available.

In addition, the amount of capital available to developing countries through governmental aid was decreasing. Therefore, it was all the more necessary to have viable industrial projects that would appeal to investors in the private sector. So the burden was upon us to produce better industrial projects and conduct more feasibility studies for the purpose.

The UNDP was prepared to finance additional feasibility studies through UNIDO, to close a gap in the investment promotion structure. For this reason this meeting was of interest to the UNDP.

There was also the problem of finding the right investor for the right investment. The feasibility studies did not always meet the needs of individual investors. The UNDP was prepared to help finance supplementary studies to meet the needs of individual investors.

The success of this meeting would be a guide to further work of the United Nations in the field of development.

Mr. Heurtematte proposed Mr. Edgardo L. Tordesillas of the Philippines, and Mr. Per Roman, Joint General Manager of the Svenska Handelsbanken, as Vice-Chairmen of the meeting.

They were elected Vice-Chairmen unanimously.

#### IV. The Ad Hoc Meetings

An outstanding feature of the UNIDO-sponsored meeting on industrial investment promotion services was the organization of ad hoc meetings among the participants. They were called ad hoc meetings because they were organized on an ad hoc basis by the UNIDO Secretariat at the request of any participant. Such meetings were set up either to discuss specific projects in a developing country, or its investment climate, policies and investment opportunities.

##### (a) Concept and Purpose

The motivation behind the organization of ad hoc meetings becomes clearer when one recalls the objective underlying the sponsoring of the meeting on industrial investment promotion services. The meeting was to provide a forum for developing contacts and stimulating a dialogue between developed and developing countries for furthering co-operation among them in the field of industrial investment promotion. The dialogue was to be centered on specific proposals emanating from either developed or developing countries for the promotion of external financing at the level of a single industrial project or a group of projects.

Therefore, delegates from developing countries had been requested to supply to UNIDO a list of projects for which they were seeking foreign capital and know-how, together with information they had on them.

Delegates representing financial institutions of developed countries were requested to attend the meeting with information on the facilities for the transfer of know-how and capital to developing countries available in their respective countries.

UNIDO scrutinized the information supplied by the developing countries on the projects that they wished to promote through the ad hoc meetings. Then it prepared from this information brief reports on such projects containing information adequate enough to enable a prospective investor and/or financier to take a decision in principle of his interest in a specific project.

##### (b) Organization

Any participant in the meeting on industrial investment promotion services could register a request for the setting up of an ad hoc meeting. In the form provided for the purpose he had to state the

name of the other participant that he wanted to meet and the purpose of the meeting, whether it was to be a general briefing session or for discussing specific projects.

Once a request for an ad hoc meeting had been registered, the Secretariat of UNIDO assigned the time and place for the meeting. Special rooms adjoining the main hall were provided for such meetings. The underlying idea was to provide a forum so that the confidential nature of the meeting could be preserved.

At the request of parties participating in each ad hoc meeting, a member of the UNIDO Secretariat was present. His task was to be an observer, and to supply the participants with information, if necessary, regarding the services that UNIDO could provide with regard to the materialization of the specific projects which were being discussed at the ad hoc meeting.

To facilitate the work of the meetings, UNIDO Secretariat had prepared brief reports on the specific projects that the developing countries wanted to promote through such meetings.

In subsequent paragraphs an account of such meetings is given.

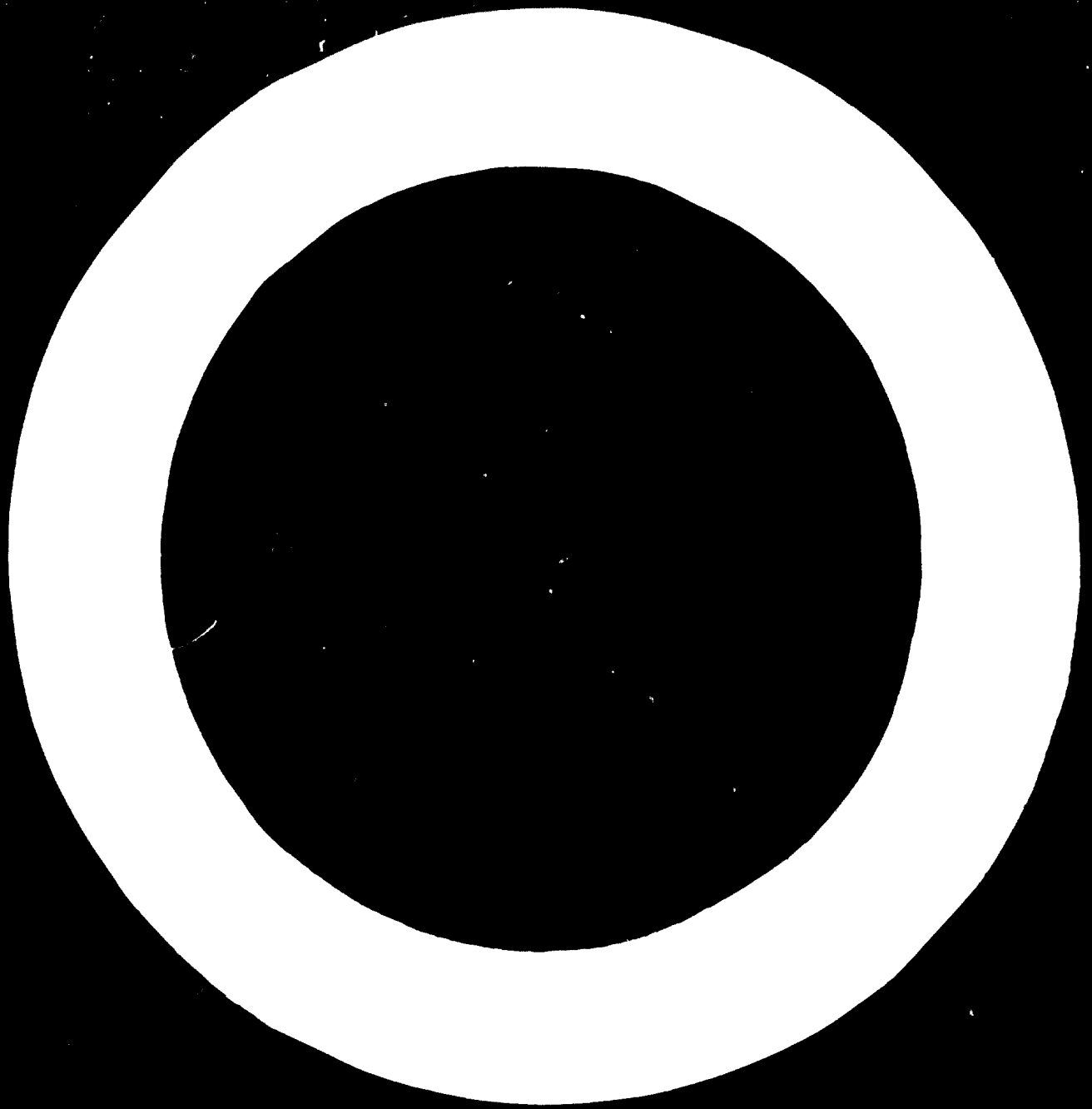
(c) Number of Ad Hoc Meetings

The number of ad hoc meetings held during the two sessions provided for them in the work programme was nearly fifty.

There were a few meetings between representatives of developing countries themselves. However, most of them were between promoters of industrial projects in developing countries, and the representatives of financial and investment institutions of developed countries or international financial institutions.

As stated earlier, an outstanding feature of these meetings was the discussion of specific projects between interested parties in a private and confidential atmosphere. Therefore, it is not possible to give details of the nature of the discussions held during these meetings. But it can be stated that the majority of them were devoted to the discussion of specific projects based on lists and brief reports on a number of specific projects which were circulated by the developing countries in advance of the ad hoc meetings. A small part of them were devoted to the discussion of investment climate and investment opportunities in the developing countries participating in the ad hoc meetings.

It may be worth noting that a high proportion of requests for these meetings came from investment and financial institutions of the developed countries. Delegates from developing countries also appreciated the opportunities for contacts afforded through these meetings.





V. Discussion of Issue Papers Presented at the Meeting

A. Machinery and techniques of industrial investment promotion  
in developing countries

This agenda item was introduced by a member of the UNIDO secretariat, who presented a paper entitled "The organization and operation of an investment promotion centre: issues and alternatives".<sup>4/</sup> Highlighting and explaining the main issues facing a developing country is establishing and running an investment promotion centre, the UNIDO representative gave examples to illustrate the issue.

In the ensuing discussion, two aspects were stressed: the need for investment promotion machinery in the developing countries; and other basic problems of investment promotion.

(a) Investment promotion machinery

The views expressed on this subject referred mainly to: the establishment of investment promotion machinery; its organization; staffing; and resources.

(i) Establishment of investment promotion machinery

The importance to developing countries of having efficient investment promotion machinery was acknowledged by all the participants. The view was expressed generally that UNIDO could play a useful role in helping developing countries to establish new investment promotion centres or to improve the operations of existing ones. One delegate felt that UNIDO could be of particular assistance on the technical side to strengthen investment promotion machinery already in existence. Another suggested that voluntary friendship societies could play a useful role in the promotion of specific projects in developing countries. The group agreed that appropriate machinery should be established in developing countries in keeping with their respective requirements and policy.

(ii) Organization

One participant expressed the view that it was for individual countries to determine the organization of their investment promotion centre. Another referred to

---

<sup>4/</sup> The paper is reproduced in Part II of this report.

the possibility of establishing centres on a multinational basis. The view was expressed that an investment promotion centre should give adequate attention to local entrepreneurs since most of the capital investment in the private sector was made by them. One delegate suggested that the board of directors of an investment promotion centre should represent a wide variety of economic interests, and added that foreign enterprises established in his country as well as national chambers of commerce were represented on the board of directors of his country's investment centre. Still another delegate stressed the need for active co-operation between the home office and the foreign offices of an investment promotion centre in order to maintain good liaison with sister organizations in developed countries. Opinion was divided on the question of the institutional status (governmental, non-governmental, and semi-governmental) of such machinery, but most of the participants emphasized the need for autonomy and flexibility of action as essential prerequisites for any effective national centre.

(iii) Staffing

A number of delegates referred to the importance of properly qualified and trained personnel in the operation of an investment promotion centre. One delegate went further, stating that proper staffing was more important than the centre's organizational structure. One delegate felt that an investment promotion centre should be headed by an experienced industrialist rather than by an academic economist or a bureaucrat. Most members of the group agreed that UNIDO could play a useful role in the training of personnel to operate investment promotion centres. There was general agreement that the availability of skilled and experienced personnel was the core of a successful programme of industrial investment promotion.

(iv) Resources

A number of delegates referred to the problem of providing investment promotion centres with adequate financial resources. Some felt that the establishment of offices abroad by investment promotion centres was not only

expensive but also involved the expenditure of foreign exchange. It was suggested, therefore, that UNIDO explore the possibilities of subsidizing foreign offices of investment promotion centres in the first three to five years of their operation.

(b) Other basic problems of investment promotion

Apart from problems connected with investment promotion machinery, views were expressed on problems of information and contacts; security for small-scale and medium-scale industries; project identification; mobilization of savings; and incentives.

(i) Information and contacts

Some delegates from developing countries suggested that UNIDO could help to disseminate information about their countries in the developed countries. Others suggested that UNIDO could assist in sponsoring visits of potential investors to developing countries; and sponsoring missions from developing countries to industrialized countries. One felt that reciprocal visits between developed and developing countries might be more useful than the establishment of new investment promotion centres.

(ii) Security for small-scale and medium-scale industries

Reference was made to the problem of providing security to investors in small-scale and medium-scale industries. One solution was to start a guarantee fund for small investors. The speaker added that banks from developed countries could be invited to take up "godparenthood" of development banks in developing countries. For example, a Swiss bank could sponsor a development bank in a developing country, and grant lines of credit to it. UNIDO could play a useful role in setting up such a fund. A form of "hire purchase" financing could be promoted to provide entrepreneurs who lacked resources with the means to start industries. He added that some of the markets in the developing countries were too small to support profitably the standardized type of equipment. UNIDO could help prospective investors in the location of equipment for small-scale plants. Very often, he added, the suppliers of such machinery could be located in the developing countries themselves as in the

case of India.

(iii) Project identification

Some of the delegates considered that project identification was a real problem and requested UNIDO's assistance in this area.

(iv) Mobilization of savings

In the opinion of one of the participants, one of the crucial problems in a developing economy is that investments can not be generated without a programme for the mobilization of savings. UNIDO could be of assistance in devising schemes for the promotion of savings. Once local resources were made available, it would be easier to obtain external credit on a matching basis.

(v) Incentives

A delegate from a developing country suggested that UNIDO should assist developing countries in the study of incentives and in establishing norms or conventions with regard to those incentives. Such a procedure would prevent cut-throat competition among developing countries in trying to attract external investment.

(c) Summing up

A member of the UNIDO secretariat commented, in summing up the discussion, that some of the suggestions regarding the role of UNIDO had already been included in UNIDO's programme. He expressed the hope that the delegates would elaborate on new suggestions during discussion of the role of UNIDO.

The Chairman observed that the discussion had brought out the importance of feasibility studies in which, among other aspects, the general economic effects of projects were considered. The importance of the mobilization of local capital had also been stressed. There seemed to be agreement on the need for national machinery to promote investment, adapted to the needs of individual countries. There should also be close co-operation among such organizations located in both developing and developed countries.

See pages 35 - 41.

B. Promotion of Industrial Investment at the Project Level

A member of the staff of UNIDO introduced the issue paper entitled "The promotion of the transfer of capital and technology from the industrialized to the developing countries at the level of the project" which had been prepared by the UNIDO secretariat as background paper for discussion of this agenda item.<sup>5/</sup> Highlighting the main issues involved in UNIDO's operational programme for assisting developing countries in the promotion of specific projects. He explained that investment, and/or financing and know-how could be promoted through long-term credits, joint-ventures or direct investment. The procedure, he added, was to study the specific projects to be promoted, study prospective sources of investment and/or financing, and promote contacts between parties interested in specific projects. The main problems of implementation, he said, were the selection of projects, the location of foreign investors or financiers, and the role of the promoter. UNIDO assists first in the "preparatory phase", and then in "the sale" of projects to prospective sources of investment and/or financing.

At the beginning of the discussion, a delegate from a developing country informed the meeting that his country had already benefited from UNIDO's programme of investment promotion, having been placed in contact with an interested investor through the facilities of UNIDO. In the ensuing discussion a number of views were expressed regarding promotional efforts, the selection of projects to be promoted, the identification of sources of investment and/or financing, and feasibility reports.

(a) Promotional efforts

Most of the participants felt that assisting developing countries in the promotion of specific projects was an operational activity well suited to UNIDO's terms of reference. They agreed generally that several industrial projects in a number of developing countries were bankable and in keeping with the priorities established for their over-all economic development. In many cases, more adequate promotional effort on an ad hoc basis was needed to transform these projects into operating enterprises.

---

<sup>5/</sup> The issue paper is reproduced in the Proceedings to this report.

One delegate thought that promotional effort should begin at an early stage, and should include the establishment of the viability of a project. Referring to the statement in the issue paper that promotional work was to be carried out by staff members of UNIDO to provide speed and flexibility in assisting developing countries, one delegate drew attention to the magnitude of the task involved, and warned there was a danger of wasted effort in such a procedure. Another delegate stated that UNIDO should confine itself to the promotion of medium-scale projects only, and endeavour to unite participating governments and bankers. Referring to the issue of whether promotional efforts should be confined to projects in the private sector or the public sector, or a combination of the two, one delegate expressed the view that these efforts should be directed to the private sector in the first instance, and then to the semi-public sector.

A delegate from a developing country expressed the opinion that UNIDO should not offer assistance to developing countries in the promotion of specific projects, as was being considered at the meeting. He felt that this task should be left to national investment promotion machinery and cited his country's experience in support of his view. UNIDO should try only to supply information to investors and developing countries and for this purpose might do well to compile a manual on investment promotion.

Most of the delegates agreed that in assisting in the promotion of specific projects, UNIDO should use all available facilities in capital-exporting countries to locate, and select potential sources of investment and/or financing, to sound out investors' interest in specific projects being promoted, to assist in adequate presentation of these projects as viable and bankable investments, and to initiate contacts between the interested parties which would lead to positive negotiations.

(b) Selection of projects

One delegate expressed the view that selection of projects should be governed by the over-all economic and social conditions of a country. This was necessary because the over-all state of the economy affected the flow of investment. An investor is motivated by several considerations in his decision to invest money in a country. His motive may be a desire to make high profits, or to take advantage of available resources. Other incentives may be a feeling of good-will toward the

country concerned, or a desire to establish his business in a country that is making encouraging economic progress. The delegate illustrated his point by saying that some years ago his country had promoted the pharmaceuticals industry, whereas at present, under changed conditions, they were concentrating on the promotion of petro-chemicals and electronics. Another delegate, referring to the issue raised in the paper as to whether the promotional effort should be limited to identified projects, stated that UNIDO should give priority to projects whose viability had been established.

Referring to the definition of medium-scale and small-scale projects, one delegate said that in his country small-scale projects were defined as those in which capital investment in equipment did not exceed US\$ 100,000, whereas medium-scale projects were those in which investment did not exceed US\$ 350,000. Delegates from developed countries held different views on this subject. One said that it was not valid to define the size of projects so precisely, as flexibility of action might be forfeited by strict adherence to such definitions. In his opinion the important criteria for the selection of projects to be promoted were management and market. He was supported in this view by a delegate from another developed country who stated that the economic viability of a project should be measured by the size of the market, both domestic and foreign. He added that UNIDO should assist developing countries in marketing and should give serious thought to the use of trading companies for merchandising at home and abroad. He also cited the cases of Krupps in Poland and Volkswagen in Yugoslavia, where a manufacturer from a developed country had supplied equipment to a developing country in a joint venture, and the products of the plant were being exported to third countries.

A delegate from a developing country proposed the establishment of joint ventures on a regional basis to provide a wider market. He added that UNIDO could serve as an intermediary in this regard.

The delegates could not agree upon a set of criteria for the selection of projects to be promoted. However, they felt that UNIDO should help developing countries to present project reports to potential sources of financing and investment as viable and bankable projects, and should also assist in the establishment of contacts between interested parties.

(c) Identification of sources of investment and/or financing

A number of delegates discussed the identification of sources of investment and/or financing and the importance of adequate presentation of projects in order to attract such sources. One delegate from a developed country said that the performance of these functions required a competent salesman with wide knowledge. He added that part of his own job was the identification of prospective sources of investment and/or financing and "selling" projects to them. Experience had taught him that it was profitable to contact three types of potential investors in this respect: manufacturers who did a great deal of exporting; those engaged in processing raw materials from developing countries; and organizations of consumers of industrial products. In other words, he felt the best sources of investment were manufacturers who might be interested in producing their commodities in low-wage countries, importing raw materials and re-exporting the finished product.

One delegate suggested contacting banks, chambers of commerce and trade groups from foreign countries. Another stated that the problem of intermediate technology should be considered in the selection of prospective investors. He also referred to the role of UNIDO in supplementing the efforts of medium-sized financial institutions in developed countries. He added that there was no need to limit UNIDO's assistance to these institutions as larger institutions might also be interested in promoting projects through UNIDO.

The group felt generally that UNIDO should provide developing countries with appropriate information for locating sources of investment and/or financing.

(d) Feasibility reports

Two delegates from developed countries maintained that a final feasibility study should be carried out by the investor himself. UNIDO could advise developing countries on the presentation of projects and help them devise a standard format for the presentation of essential information. Brochures clearly setting out the incentives and safeguards should be made readily available. Information on the viability of the economy as a whole, as well as on the priority attached to the specific project should be clearly



presented. UNIDO could also advise these countries as to the number of projects they would be able to manage at one time.

(e) Summing up

In connexion with UNIDO assistance in the identification of projects and in feasibility studies, a member of the UNIDO secretariat agreed that there was a difference between long-term loans and export credits. The intention had been to attract attention to two possible techniques. UNIDO could not promote all the projects in developing countries; its task was merely to give assistance, giving priority on the basis of urgent need. The technique suggested in the issue paper (referred to in paragraph 44) was only one possible form of promotion. UNIDO gave consideration to all requests submitted to it; discrimination could arise only from a lack of interest on the part of the country interested in UNIDO's assistance.

Another of UNIDO's representatives noted the importance of viewing a project in the light of the country's economy as a whole. Although a project-by-project approach was suggested in the issue paper, he realized that a more macro-economic approach must be adopted concurrently. Attention must also be given to the question of regional projects. The possibility of new types of participation by capital-exporting countries in the development of developing countries was also of interest to UNIDO.

The Chairman observed that it seemed clear from the interest expressed by participants that there was a gap which the United Nations family had so far failed to fill.

**C. Summing up of Two Previous Days' Discussion**

At the beginning of the session on the morning of 25 September, the Chairman suggested that it might be appropriate at that stage to sum up the sense of the meeting regarding the items (2) and (3) of the agenda, which were discussed during 23 and 24 September, before going into the discussion of agenda item (4). Thereupon he called on a member of the UNIDO Secretariat to do the summing up.

The Secretariat member said that the meeting seemed to have reached the following conclusions during the first two days of discussion. He said they pertained to (a) national efforts; (b) organizational machinery; (c) promotion at the project level; and (d) follow-up action.

**(a) National efforts**

- (i) There was a general feeling that specialised investment promotion machinery was useful, and that there was need to train people in the required skills.
- (ii) Most of the delegates had stressed the importance of the prerequisite conditions described in the issue paper pertaining to investment promotion centres (ID/WG.22/13).
- (iii) Many felt the need for regional centres. However, they agreed that regional machinery could only be supplementary to national machinery. It did not obviate the need for national machinery.

**(b) Organisation**

- (i) There was general agreement on the objectives and functions of a national investment promotion centre. A number of delegates felt that national investment promotion centres should confine themselves to the promotion of financing of projects already studied and identified by other specialised agencies. The existence of such specialized agencies for the purpose, was a pre-requisite condition for the success of any national investment promotion machinery.

- (ii) Even though there were some differences of opinion, the majority of delegates felt that, regardless of the legal status, a large degree of autonomy and flexibility of action were required by any investment promotion machinery.
  - (iii) There was general agreement on the need to have high calibre staff who were well-trained, qualified and had business attitude.
  - (iv) A number of delegates felt that the cost of operating national investment promotion machinery might constitute a heavy burden on many countries. There was a suggestion that contributions from industrialized countries could help to alleviate part of the burden.
- (e) Promotion at the project level
- (i) There was general agreement on the approach suggested in the issue paper (ID/WG.22/20). The majority of the delegates agreed that there existed sound industrial projects in developing countries whose implementation could be materialized through promotion on a project-by-project basis, or on a package basis consisting of projects belonging to the same industrial sector.
  - (ii) There was agreement that the development of new techniques for such promotion was important. UNIDO should develop them.
  - (iii) There was agreement that the type of promotion in each case would depend on the need of the country in question and the nature of the project. Promotion must cover both external financing as well as association of foreign and national resources.
  - (iv) Most of the delegates emphasized that only viable projects that were in keeping with the needs and priorities of a national economy must be selected for promotion. Therefore UNIDO must be selective in choosing the projects it promotes. The meeting called upon UNIDO to assist developing countries in identification and study of projects under a programme supplementary to its promotional programme.

- (v) All delegates agreed that UNIDO's efforts in the field should supplement and complement national, international and bilateral efforts. They appreciated UNIDO's policy of co-operating in this field with the UNDP and the World Bank Group.
- (vi) Many delegates emphasized the role of development finance institutions in both the industrialized and developing countries as well as federations of industries in the promotional programme. The meeting called upon UNIDO to develop co-operation with such organizations for the implementation of the investment promotion programme. Most of the representatives of the financial institutions of developed countries present at the meeting offered to co-operate closely with UNIDO in carrying out the programme, especially in locating investors.
- (vii) There was general agreement with regard to the procedures to be followed in promoting specific projects suggested in the issue paper. This was to be done in two phases:
  - (1) selection and presentation of projects; and (2) location of prospective sources of investment and/or financing, and initiation of contacts between the interested parties. It was agreed that UNIDO should play the role of catalyst with regard to the two aspects.

(d) Follow-up action

It was agreed that the following follow-up action was necessary:

- (i) Developing countries could forward to UNIDO identified and studied projects for promotion through the programme.
- (ii) Developed countries may express to UNIDO their specific interest, such as preference for particular industrial sectors.
- (iii) UNIDO should keep in contact with development finance institutions and sources of investment in developed countries, and co-operate with them in locating investors for specific projects in developing countries.
- (iv) UNIDO should give the necessary assistance for establishing and stimulating a dialogue between interested parties so that they might enter into concrete negotiations regarding specific projects.

- D. The establishment of a portfolio of project reports on investment opportunities in developing countries, facilities available in developed countries and the exchange of information between delegates from developing and developed countries aiming at the promotion of industrial investment

On completion of the recapitulation of the previous two days' discussions by a member of the Secretariat, another staff member introduced the agenda item and an issue paper entitled The Establishment of a Portfolio of Project Reports on Industrial Investment Opportunities in Developing Countries (ID/WG.22/22). He summarized the issues raised in the paper. An important issue was whether the proposed portfolio, if thought desirable, should be prepared immediately, or whether it would be better to take time to consider all aspects. He also raised the question of a small fee by UNIDO for the services rendered.

Before going into substantive discussion of the issue paper as introduced by the staff member, the Chairman said that the meeting might benefit by hearing the views of the representatives of the UNDP and the World Bank Group, and accordingly called upon them to say a few words.

(a) Views of the UNDP

The representative of the UNDP referred to the pre-investment activities of the UNDP. Then he illustrated how they led to investment. He said that they had 150 pre-investment projects, and some of them had resulted in investment. Then he added that the basic problem was of programming and preparation of projects. Profit motive was important but social gains were also important. Then he described briefly the main features of the FAO/Industry Co-operative Programme.

(b) Views of the World Bank Group

The representative of the World Bank Group stated that each country had to plan its own method. Many developing countries were not aware of the type of services and facilities available. UNIDO could assist them by supplying information on the services available. He informed the meeting that the World Bank had promoted 27 Development Banks and was planning to double the number in a year. He added that

UNIDO could recommend proper institutions to be approached, such as Export-Import Bank, Inter-American Development Bank or a Consultative Group.

(c) Views of other delegates

The great majority of the participants at the meeting supported the proposal to establish a portfolio of project reports at UNIDO as outlined in the issue paper. A few of them supported the proposal with qualifications while a small minority was totally against the proposal, and was inclined to abandon it altogether. Incidentally, they all expressed their ideas as to the role that UNIDO should play in this regard.

A delegate from a developing country stated that the proposal merited consideration but required careful preparatory work. The implementation could only be on a limited scale initially. He suggested that a study mission be sent to countries that had shown interest in contributing to the portfolio, so that a realistic assessment of the feasibility of the idea could be made.

Another delegate from a developing country advised caution. He added that it was not clear as to who would be helped by the studies and lists prepared. Was UNIDO to tell investors that the climate in a particular country was bad. An investor must find out such things for himself. UNIDO could supply information, advice and training facilities when requested. It should not try to be an action-oriented agency.

A member of the UNIDO Secretariat intervened at this point. He explained that reports in the portfolio would be summaries of existing reports. As far as action was concerned, the Industrial Development Board had pressed UNIDO to be an action-oriented and an operational agency. However, the question under consideration was not that of conducting studies, but the preparation of a portfolio of project reports, using existing feasibility studies or other kinds of studies, such as a market survey pertaining to a specific project. As far as the investment climate in any country was concerned, UNIDO could only give information and could not pass judgement.

Some delegates expressed the view that UNIDO could be of greater assistance by helping countries send missions abroad to seek investors. A delegate said that the first step for UNIDO was to help developing countries prepare documentation on projects. Another participant thought that UNIDO could play a useful role in cataloguing all studies that had been carried out up to the present time.

One participant stressed the importance of considering the point of view of potential investors. He stated that only profit motive could lead private investors in the industrialized countries to invest in developing countries. More time should be spent in considering what is required to get developed countries to invest more in developing countries. UNIDO should acquire expertise on the sources of capital, and supply developing countries with lists of possible investors rather than supplying investors with lists of possible projects.

(d) Summing up

A member of the UNIDO Secretariat, summing up the discussion, said that the majority of participants agreed with the idea of establishing a portfolio of project reports - whether on a national or an international basis - but held different view regarding the implementation of the scheme. The majority agreed that UNIDO could play a part in the field of information, in promoting contacts, in assisting the presentation of projects, and in proposing a standard form of project prospectus. Some had felt that UNIDO could go further than that, but others had disagreed. It was felt that, if UNIDO was to play a role in the establishment of a portfolio, it should be gradual and tentative.

E. The Role of UNIDO

During the morning session of 26 September, the meeting considered and discussed the agenda item (5) pertaining to the role of UNIDO in the promotion of industrial investment.

A member of the UNIDO Secretariat introduced an issue paper entitled The Role of UNIDO (ID/WG.22/23). UNIDO's approach to the programme of investment promotion was explained by the staff member. He said that investment and/or financing could be promoted through different methods including: loan, joint-ventures and direct

investment. The actual method to be used in each specific case would depend upon the policies and preferences of the developing country concerned.

Then he explained the action being taken by UNIDO to render assistance in the institutional field, in training nationals and providing advisory services. He mentioned the prototypes of texts of rules of incorporation and rules of procedure, that were being prepared at UNIDO.

Another staff member explained to the meeting the efforts being undertaken by UNIDO in the field of training. He described the eleven week training programme on techniques of investment promotion held under UNIDO/UNITAR joint auspices in New York from 15 March to 7 June 1968. The participants had undergone nine weeks of training in New York, and two weeks in the United Kingdom. Similar programmes for trainees from French-speaking and Spanish-speaking developing countries were being planned. Eventually such programmes might be organized on a regional basis for Asia, Africa, and Latin America.

The Chairman then invited Mr. R. L. Oshins, Director, Division of Institutions and Services, to inform the meeting about the related activities being carried out in his Division.

Mr. Oshins explained that his Division was trying so to say to increase the flow of traffic on existing roads. He said that the current flow of international capital was not adequate in relation to the needs. For example, he said that the International Finance Corporation had invested only 50 million dollars in developing countries. Therefore they were exploring ways of increasing the flow. Then he explained the specific programmes on which his Division was working.

He referred to the problem of identification of investment possibilities on a scanning basis over the industrial spectrum. To answer a question whether an industry was worth looking into, they had developed the matrix system.

Then he referred to what he called "the second equity" problem. By this he meant that generally speaking the amount of equity investment available for projects in developing countries was 20



per cent, whereas the percentage needed for attracting supplementary loan financing was 40 per cent, so there was an equity gap of 20 per cent which held up the implementation of a number of projects. Therefore the Division of Institutions and Services was investigating the possibilities of setting up a fund to supply the other 20 per cent equity. This could be modelled on the Atlantic Development Community Fund for Latin America (ADELA), or the new Asian Fund being set up.

He also referred to the difficulties being experienced by enterprises with less than \$500,000 capital in attracting external financing. For encouraging the flow of external financing into such enterprises, they were investigating multiple-plant operations so input of managerial and technical know-how could be supplied to these firms.

(a) Views of the B.I.A.C.

The representative of the Business and Industry Advisory Committee (B.I.A.C.) to the O.E.C.D. asked for the floor and made an important statement defining the role of UNIDO.

He thanked UNIDO for inviting B.I.A.C. to take part in the meeting. He said that B.I.A.C. was an organization of the federations of industry in the twenty-one O.E.C.D. countries, representing the private sector.

He said that he had requested the floor mainly to draw the attention of the meeting to the important factor necessary for industrial development, i.e. the entrepreneur or the industrialist. Hitherto, in his opinion, the meeting had concentrated on how to finance new industries and ways and means of encouraging financiers to participate in new projects.

Then he analysed what the foreign private entrepreneur could offer to a developing country, and the responsibility of a developing country. Further he defined the factors to be considered in establishing a foreign private enterprise. They were: (1) a project; (2) a local entrepreneur; (3) a favourable investment climate; and (4) financing.

He added that private foreign enterprise could help in better realization of the potentialities for development latent in developing countries. UNIDO could assist in this process. But it should not take the place of the entrepreneur or work out or recommend projects. It could act as an activating, or a stimulating organ for a greater and better use of the possibilities of the world. Then he listed the activities on which UNIDO could concentrate. They included: collection and dissemination of information; assistance in defining plans and projects; use of private enterprise, of specialized consulting firms and experts; the harmonizing of plans and projects of regional groups; assistance to a private foreign entrepreneur at his request, to obtain favourable terms from developing countries.

(b) Discussion

In the ensuing discussion regarding the role of UNIDO emphasis was placed on: (i) dissemination of information; (ii) creation of proper conditions for investment; (iii) establishment of a portfolio of project reports; (iv) training; (v) establishment of contacts; and (vi) miscellaneous matters.

(i) Dissemination of information

A number of delegates emphasized the need for collection and dissemination of information on conditions prevailing in developing countries. One delegate suggested that UNIDO could perhaps set up offices in capital-exporting countries. It could also provide countries with a list of investors interested in particular industries. Another added that UNIDO should concentrate on locating industrialists ready to set up industries in developing countries rather than mere investors. Another delegate said that UNIDO might make available a directory of companies which had already invested abroad, including names of executive vice-presidents in charge of international affairs. UNIDO could also provide an annotated list of consultants, indicating those having links with manufacturers of machinery. In this connection a

delegate suggested that a revolving fund with UNIDO, and national contributions might be set up and a sum allocated to each country, so that governments could hire experts and consultants directly.

(ii) Creation of proper conditions for investment

Some delegates suggested that UNIDO could assist developing countries create a reasonable investment climate. It could not only help entrepreneurs from developed countries obtain good terms in developing countries but also assist developing countries obtain favourable conditions from financiers. One delegate suggested that UNIDO could assist in encouraging arrangements under which suppliers of equipment accepted the end-product in payment for the equipment. It could also prevent abuses in the transfer of know-how by fixing norms for co-operation and warning against pitfalls.

(iii) Establishment of a portfolio of project reports

Some delegates supported the idea of establishing a portfolio of project reports at UNIDO. In this connection a number of suggestions were made. One delegate suggested that UNIDO could assist countries in carrying out feasibility studies or in developing techniques for such studies. Another delegate said that summaries of essential details of feasibility and pre-feasibility reports could be included in an index and made available to prospective investors or financiers. UNIDO could advise on the presentation of the feasibility reports. The same delegate suggested that specific project reports could be circulated by name and country to certain leading industrialists in the relevant branch in developed countries, e.g. Unilever in soap manufacturing business. Another delegate said that UNIDO could evolve a unified form for project reports.

(iv) Training

Some delegates emphasized the need for UNIDO to assist

in establishing training programmes on a regular basis including regional programmes. One delegate suggested that facilities for on-the-job training in developed countries would be useful.

(v) Establishment of contacts

Several delegates emphasized the assistance that UNIDO could supply in establishing contacts between developing countries and investors and industrialists in developed countries. Many suggested that UNIDO could sponsor tours, not only by delegates from developing countries to developed countries, but also by delegates from developed countries to developing countries.

(vi) Miscellaneous matters

Apart from these, suggestions for action by UNIDO in many other areas were mentioned. One delegate welcomed UNIDO's effort, as mentioned by Mr. Oshins, to find solutions to the problems of gaps in equity requirements, and assisting small-scale projects. Two delegates suggested that UNIDO might consider meeting half the cost of new investment promotion offices established by developing countries abroad during the first two to three years of their operation.

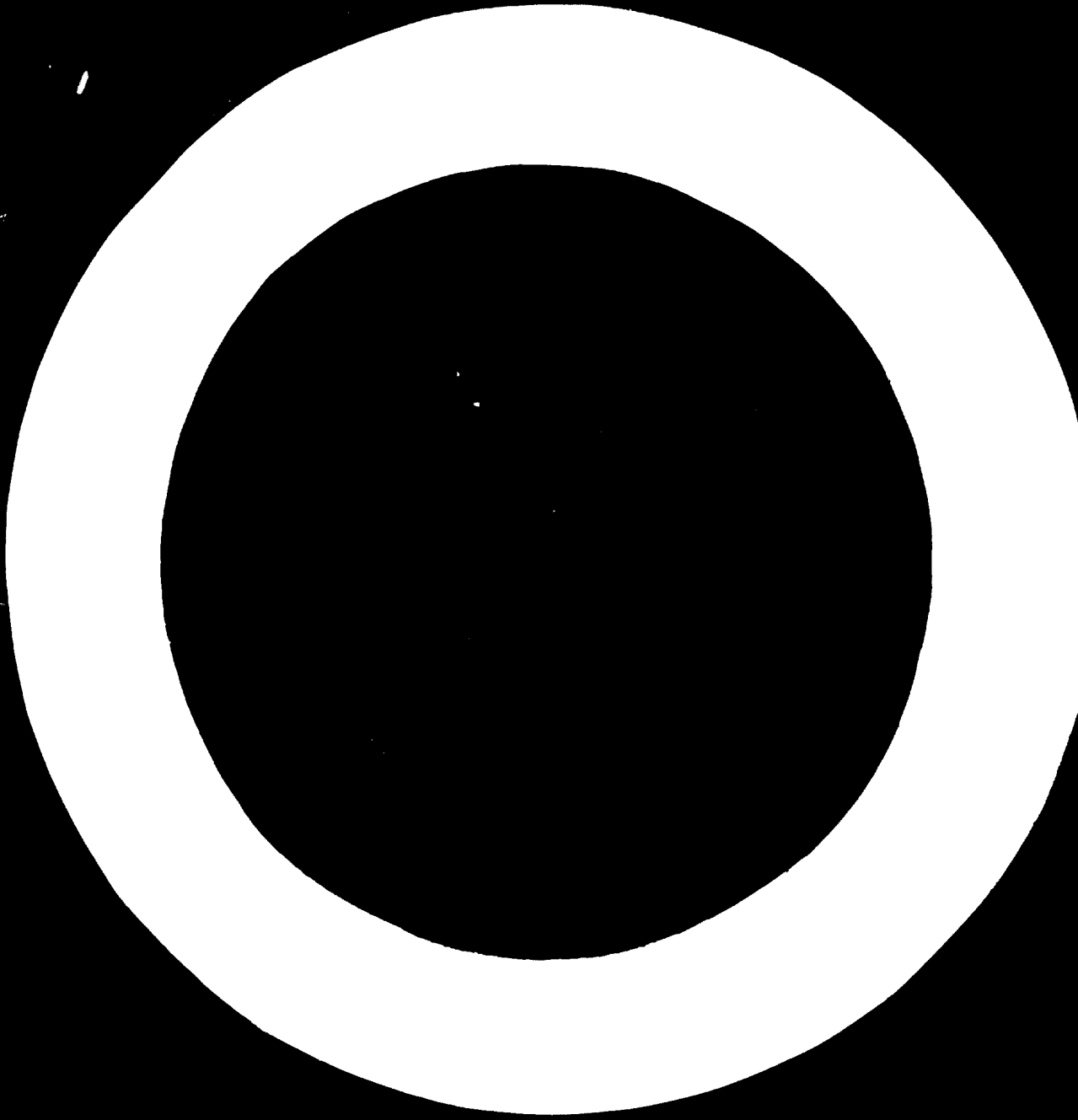
(vii) Dissenting view

One delegate sounded a note of dissent. He said he had been disappointed with UNIDO's approach. He stated that clause (2) of G.A. Resolution 2152 (XXI) did not recommend that UNIDO should go so far as to promote contacts between interested parties. The establishment of a portfolio of project reports was not necessarily the best way to meet the needs of developing countries. The beneficiary country should choose investors. Many developing countries faced balance of payments and foreign exchange problems. UNIDO should study the balance of payments effects of remittance of dividends by foreign investors, and possibilities of establishing a multi-national insurance system.

(c) Summing up

The Chairman summed up the discussion, referring in particular to the following questions: the offering of training facilities on a regular basis; financial assistance for promotion agencies abroad; the preparation of a list of companies investing abroad, and a classified list of consultants; the establishment of a counterpart fund for experts; on-the-job training and exchange arrangements for training; the arranging of contacts between investors and developing countries; the establishment of a multi-national insurance system; the location of industrialists, as distinct from investors; assistance for feasibility studies; an analysis of the causes of failure of investment promotion programmes; the provision of information on investment climate in developing countries; the principle that UNIDO should not replace the entrepreneur but should be an activator; the establishment of a fund for training programmes; advice on the organization of investment promotion centres.

A member of the UNIDO Secretariat, discussing the procedure contemplated regarding records of the meeting, said that an extensive report on the discussion would be transmitted to participants subsequently, and that a short paper containing draft conclusions and suggestions for follow-up action would be submitted at the following meeting for approval.



## VI. Conclusions and Recommendations

### (a) Summary of discussion

At the suggestion of the Chairman, a member of the UNIDO Secretariat summed up the discussion and made an effort to formulate the conclusions reached by the participants with regard to: (a) national efforts; (b) organizational machinery; (c) promotion at the project level; and (d) follow-up action to be taken.

#### (i) National efforts

- (1) There was a general feeling that specialized investment promotion machinery was useful, and that there was need to train people in the required skills.
- (2) Most of the delegates had stressed the importance of the prerequisites described in the issue paper pertaining to investment promotion centres.
- (3) Many felt the need for regional centres. However, they agreed that regional machinery could only be supplementary to, and did not obviate the need for, national machinery.

#### (ii) Organization

- (1) There was general agreement on the objectives and functions of a national investment promotion centre. A number of delegates felt that these centres should be confined to the promotion of projects already studied and identified by other specialized agencies. The existence of these specialized agencies was a prerequisite for the success of any national investment promotion machinery.
- (2) Even though there were differences of opinion, the majority of delegates felt that, regardless of the legal status, a large degree of autonomy and flexibility of action were required by any investment promotion machinery.

- (3) There was general agreement on the need to secure staff of high calibre.
- (4) A number of delegates felt that the cost of operating national investment promotion machinery might constitute a heavy burden on many countries. It was suggested that contributions from industrialized countries could help to alleviate the burden.

(iii) Promotion at the project level

- (1) There was general agreement on the approach suggested in the issue paper regarding promotion at the project level. The majority of the delegates agreed that several sound industrial projects in developing countries could be implemented through promotion on a project-by-project basis, or on a package basis consisting of projects belonging to the same industrial sector.
- (2) There was agreement that the development of new techniques for such promotion was important. This work should be undertaken by UNIDO.
- (3) There was agreement that the type of promotion in each case would depend on the need of the country in question, and the nature of the project. Promotion should cover both external financing, and the consolidation of foreign and national resources.
- (4) It was generally agreed that only viable projects that were in keeping with the needs, and priorities of a national economy should be selected for promotion. Therefore UNIDO should be selective in choosing projects to be promoted. The meeting called upon UNIDO to assist developing countries in the identification, and study of projects under a programme which would supplement its promotional efforts.
- (5) All delegates agreed that UNIDO's work should supplement and complement national, international, and bilateral efforts. They appreciated UNIDO's policy of co-operating in this field with UNDP



and the World Bank Group.

- (6) Many delegates emphasized the role of development finance institutions in both the industrialized and developing countries, as well as the role of the federations of industries in the promotion programme. Most of the representatives of the financial institutions of developed countries present at the meeting offered to co-operate closely with UNIDO in carrying out the programme, especially in locating investors.
  - (7) There was general agreement on the procedures to be followed in promoting the specific projects suggested in the issue paper. This was to be done in two phases: (a) selection and presentation of projects; and (b) location of prospective sources of investment and/or financing, and initiation of contacts between the interested parties. It was agreed that UNIDO should play the role of catalyst in both phases.
- (iv) Follow-up action
- (1) Developing countries should study and identify various projects and forward them to UNIDO for promotion through the programme.
  - (2) Developed countries should express to UNIDO their specific interests, such as preference for particular industrial sectors.
  - (3) UNIDO should keep in contact with development finance institutions and sources of investment in developed countries, and co-operate with them in locating investors for specific projects in developing countries.
  - (4) UNIDO should also assist in initiating and stimulating a dialogue between interested parties so that they might enter into concrete negotiations regarding specific projects.

(b) Conclusions and recommendations adopted by the participants

The conclusions and recommendations adopted by the participants at their final meetings were as follows:

(i) Efforts at the national level in the field of industrial investment promotion

- (1) The participants agreed unanimously that national effort was the basic element in industrial investment promotion; this could be supplemented by assistance from international organizations like UNIDO.
- (2) The participants were in agreement that national efforts undertaken in this field by developing countries should be intensified.
- (3) The participants agreed that appropriate machinery for this purpose must be established in accordance with the requirements and policy of each country.
- (4) The participants felt that the availability of skilled and experienced personnel was the backbone of any successful programme of industrial investment promotion.
- (5) It was generally felt that pre-investment functions (identification and preparation of feasibility studies) and promotional functions were complementary; however, as regards the machinery for carrying out these functions, some participants felt that national industrial investment promotion agencies should engage in pre-investment and promotional functions, while others were of the opinion that these agencies should confine themselves to promotional functions only.
- (6) Although the opinion of the participants was divided on the question of the institutional status (governmental, non-governmental or semi-governmental) of such machinery, most of the participants

emphasized autonomy and flexibility of action as prerequisites for any effective national centre.

- (7) Some participants called attention to the need for regional centres. In this connexion it was felt that there should be a close relationship between these centres and machinery on the national level for industrial investment promotion. Close co-operation between UNIDO and the United Nations Regional Economic Commissions in this field was also suggested.
- (8) The participants called upon UNIDO to intensify its assistance:
  - (a) In establishing national industrial investment promotion agencies;
  - (b) In improving existing agencies, especially by training personnel, by improving the organizational structure, by developing new techniques, and by sending technical experts.

(11) Promotion at the level of the project

- (1) It was felt that in a number of developing countries sound industrial projects existed that were bankable, and in keeping with the priorities set for the overall economic development of the country. However, adequate promotion on an ad hoc basis was needed in many cases in order to transform these projects into enterprises.
- (2) Most of the participants felt that such promotional effort should apply to all types of transfer of foreign capital and know-how: external financing, establishment of joint ventures, and direct foreign investment, in accordance with the requirements and policy of each country.
- (3) Participants felt that UNIDO could play a useful role utilizing the facilities of existing national financial development institutions in both

developing and developed countries. UNIDO could also help in initiating and stimulating a dialogue between interested parties.

- (4) Several participants from financial and other institutions in industrialized countries offered their co-operation in the promotion of specific projects by UNIDO.
- (5) It was suggested that UNIDO should provide assistance in promoting specific bankable projects by:
  - (a) Improving the system of collecting information on industrial opportunities in developing countries and the dissemination of such information to interested parties;
  - (b) Making available to the developing countries information on locating sources of investment, and financing;
  - (c) Advising on the presentation of project reports to potential sources of financing and investment, and on the establishment of proper contacts between interested parties.
- (6) The participants expressed satisfaction and appreciation to UNDP for its offer to support UNIDO's programme of assistance to developing countries in the field of industrial investment promotion. They also welcomed the offer made by the World Bank Group to work in full co-operation with UNIDO for the successful implementation of selected projects.
- (7) To implement the ideas and concrete proposals made at the meeting, it was suggested that:
  - (a) Developing countries interested in securing UNIDO's assistance should forward to UNIDO advance information on selected specific projects for the promotion of their financing and/or investment;

- (b) Upon receiving such requests UNIDO should undertake exploratory and preparatory missions for the establishment of a promotional programme for selected projects in co-operation with the requesting country.
- (c) UNIDO should make use of the facilities of appropriate institutions in countries exporting capital and know-how, in order to locate and select potentially interested sources of investment and/or financing; to sound out their interest in the projects; to assist in the adequate presentation of projects as viable and bankable enterprises; and to initiate contact between interested parties leading to positive negotiations.

**(iii) Establishment of a portfolio of project reports**

- (1) Most of the participants expressed interest in the establishment of a portfolio of project reports on industrial investment opportunities in developing countries.
- (2) Some participants felt that the establishment of such a portfolio at a central point would be useful. They felt that UNIDO would be the natural agency for undertaking this work and for keeping the portfolio up to date. However, there was general feeling that the portfolio should be developed initially on a limited scale.
- (3) Other delegates urged more caution. Some participants felt that it would be premature to establish extensive machinery to promote projects at a central point before many developing countries had developed adequate machinery of their own for preparing suitable project reports. However, strong sentiment was expressed to the effect that this should not be a reason to prevent the establishment of the portfolio for the few developing countries that are in a position to supply such project reports.

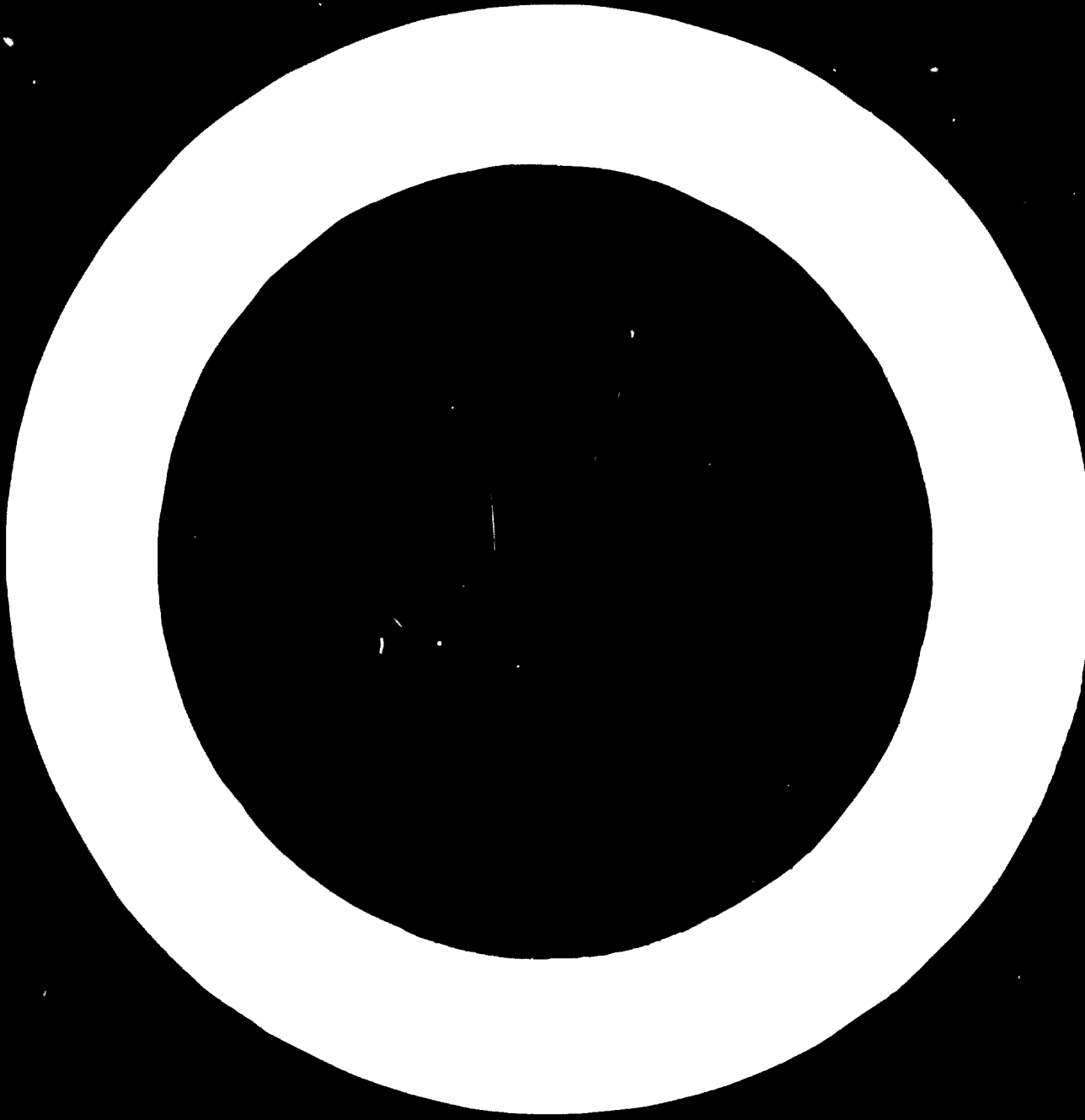
- (4) There was general feeling that the content of the of the brief project reports presented to prospective investors should contain enough information to enable them to make a decision in principle regarding their interest in the projects. The majority of the participants favoured brief project reports; however, the importance of presenting extensive details on the potential market was strongly emphasized.
- (5) Some of the participants suggested that a standard form for the brief project reports should be used by all developing countries. If requested to do so, UNIDO could assist these countries in preparing these reports. The information collected could be useful for the promotion of specific projects through direct and confidential contacts, as well as for dissemination to potential sources of investment and financing.
- (6) There was widespread support for the idea expressed by the representative of the World Bank Group and the representatives of other sources of financing that a list of possible sources of funds for specific countries and/or industries be collected and circulated to interested developing countries. The UNIDO secretariat informed the participants that a directory on external sources of financing, as well as a list of industrialists in developed countries, was in the process of preparation.

**(c) Concluding statement by the Executive Director of UNIDO**

In his concluding statement, Mr. Abdel-Rahman, Executive Director of UNIDO, reminded the group that UNIDO had been urged to be action-oriented and to concentrate on direct assistance to the developing countries. The present meeting met those requirements. It represented an approach new to the United Nations. UNIDO would attempt to develop that approach, and it seemed desirable that the method be institutionalized, with a more formal procedure and wider representation.

The promotion of industrial investment was not an easy task. The fact that a project was sound did not necessarily mean that it would find financing. Each project required individual attention by the developing country concerned, by the investor, and by UNIDO. Reformulation of projects would often be required. UNIDO naturally could not be an active party in direct negotiations, and it had rightly been pointed out that UNIDO's intervention must end at a certain point, so that the two parties could make their own decisions without outside interference. UNIDO's role was that of a catalyst.

In the field of investment promotion, which was merely the culminating element in a series of activities undertaken by the organization, UNIDO would co-operate with regional economic commissions and regional development banks. He realized that the meeting would lead to requests for follow-up action, and he was confident that UNIDO would be able to cope with those requests. The difficulties faced at the present time in the promotion of projects were undeniable, but they must be an incentive for more strenuous efforts, in which UNIDO would endeavour to do its share. He thanked the participants for their attendance, and for their co-operation with UNIDO.





VII. Annexes

ANNEX 1. INTRODUCTORY STATEMENTS

The following introductory statements are intended to provide a general overview of the various aspects of the project. They are not intended to be a substitute for the detailed reports and documents which will be prepared during the course of the project.

The project is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project.

The project is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project.

The project is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project. It is a study of the various aspects of the project.

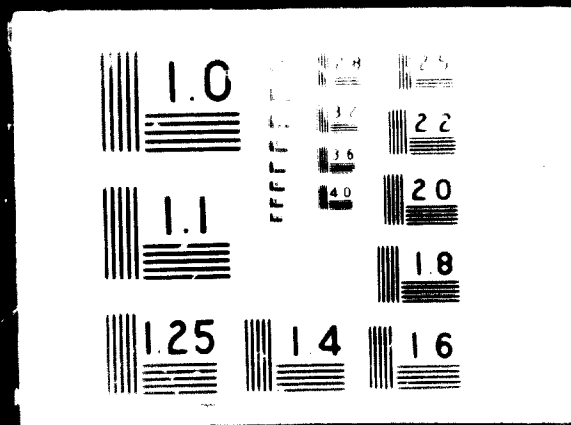


**14 . 12 . 73**

2 OF 3

D O

0 7 6 5



Statement at the Meeting by Mr. F. Le Guay  
Director of the Industrial Policies and Programming Division

I am extremely happy to welcome you to this meeting on behalf of the Executive Director of UNIDO, who is away from Vienna at the moment.

We are very grateful to you for your participation in this meeting. It is most encouraging to see how warmly you have responded to our invitation and to find that so many of you have come to help us devise suitable means of promoting industrial investment in the developing countries.

We believe that UNIDO can make a useful contribution to the solution of this important problem. We have no ready-made ideas on this subject because we feel experience and practice are more important than theory. We are counting on your assistance at this meeting in establishing clearer and more effective guidelines for action.

We also hope that this meeting will provide an appropriate framework for a dialogue, and will foster contacts between those who provide capital, and those who receive capital and know-how from abroad with the aim of promoting investment in the industries of developing countries.

To this end, we should like to keep this meeting as informal as possible, and to avoid statements of principle and dogmatic speeches.

This meeting is taking place at a particularly opportune moment. The developing countries are endeavouring to build up a modern industrial society, based on the broad economic and social infrastructure that was established during the 1950's and in the early 1960's. They plan to devote a larger share of their internal and external resources to more directly productive activities.

The presence at this meeting of representatives of the United Nations Development Programme, and the World Bank prove that a number of developing countries have indeed reached a new phase in their progress towards industrialization. These two agencies have been of considerable help in establishing the social and economic infrastructure of a number of developing countries over the years.

UNIDO is very fortunate to have the benefit of their experience at this meeting.

There is no need to point out that the developing countries themselves bear full responsibility for the decisions that must be taken regarding their industrialization process - the course it should take, the various stages involved and the over-all industrialization policy. All investment efforts must be harmonised within the scheme of priorities that each country has decided to set for its national development. Naturally the mobilization of domestic resources is vitally important. However, it has now been established that in most developing countries the rate of savings is lower than the rate of investment necessary for maintaining a satisfactory pace of economic growth; at the same time, foreign-exchange earnings in these countries, are not sufficient to cover their external expenditure.

Consequently, it is generally acknowledged that during the early stages of economic development, outside capital will be needed to bridge the present gap between the rates of investment, and savings in those countries, and also the gap between their earnings, and their expenditure of foreign exchange.

The great majority of the developing countries have expressed a wish to receive assistance from both, public and private foreign enterprises, in order to attain their industrial development goals.

Increasing the flow of external financing is not the only reason for contributing foreign resources to development. An even more important objective is to transfer know-how, and examples of modern management and technology in action. Indeed, this is essential if effective and competitive industrial enterprises are to be set up in the developing countries. Moreover, it would not be amiss to point out that, generally speaking, efforts undertaken by foreign enterprises in developing countries pay considerable dividends, financially and otherwise.

However, even though the developing countries and the sources of external financing have generally recognized the principle of mutual advantage, the actual flow of capital is still insufficient.

This problem has been a matter of international concern for many years, and has been the subject of discussions both within the United Nations, and in other international, and national circles. At the same time, both multilateral and bilateral measures are being taken to organize, and develop a movement for the transfer of capital and know-how, from the industrialized to the developing countries. Efforts are also being made to increase the actual earnings that developing countries derive from their exports.

This is the macro-economic approach, which was naturally considered first when broaching the problem of transferring capital and know-how from industrialized to developing countries. The organization and progress of this transfer are studied at the world-wide, international and national levels. This approach is still quite valid. But there is reason to believe that, although less ambitious in terms of its quantitative results, wide-scale application of the micro-economic approach, aimed at promoting the transfer of capital and know-how from industrialized to developing countries at the level of specific projects, would be a useful means of supplementing macro-economic action. Many developing countries have industrial projects that are economically, financially and technically feasible, and consequently, adequate promotion of the investment and financing of such projects would help to further the necessary transfer.

One of the major deficiencies is the lack of programmes, practical means, and new techniques, for the active and systematic promotion of investment, that is, identification and preparation of economically profitable and commercially advantageous projects, (in keeping with the priorities established under the national plan) and knowledge of competent foreign (or domestic) enterprises and, where necessary, of additional sources of financing.

The United Nations General Assembly has shown its awareness of this deficiency. In its resolution 2152 (XXI) it stated that UNIDO should undertake "assistance, at the request of Governments of developing countries, in obtaining external financing for specific industrial projects, by giving guidance in the preparation of requests, by providing information on the terms and conditions of the various financing agencies, and by advising, the financing agencies on the technical and economic soundness of the projects submitted for financing".

To remedy the previously mentioned deficiency, UNIDO has set up a programme entitled "Industrial Investment Promotion Services". This programme is designed to provide an institutional framework for solving the problems that developing countries are encountering in the systematic promotion of industrial investment.

To stimulate the flow of investment to their industries, the developing countries have to deal with a number of problems, some of which are:

- (1) Creation of a favourable climate to encourage national and foreign investments;
- (2) Identification of investment opportunities;
- (3) Preparation of pre-investment studies;
- (4) Preparation of technical and economic feasibility studies;
- (5) Drafting of project reports that can be put to practical use;
- (6) Promotion of the "sale" of project reports to potential financial, and technical partners within the country, and abroad.

UNIDO is helping developing countries to solve these problems in several ways: it is helping them to set up and improve their investment promotion machinery: it is helping them to train personnel in the techniques of industrial investment promotion: and it is also providing the services of advisers competent in the field of industrial investment promotion. These experts work in close co-operation with investment promotion centres in developing countries where they exist.

This past and present experience has brought into focus the need to concentrate our efforts on specific industrial projects and to have clearer ideas concerning the orientation and organization of UNIDO's assistance in this field.

The process has to be envisaged in several stages:

- (1) The assembling of data and documentation on specific industrial projects, which is a prerequisite for any decision by financiers or investors;
- (2) Preliminary contacts with the financiers and investors most likely to be interested in particular projects;
- (3) The organization of meetings with financiers and investors to negotiate specific agreements. UNIDO can finance missions organized jointly with a country requesting its assistance in carrying on such negotiations.

Needless to say, when co-operating in the promotion of specific projects, UNIDO will take into full account the general policy adopted by a specific country with respect to external financing.

We have already embarked on this task. We feel, however, that our unaided efforts will not be sufficient to ensure its successful completion. That is why we have convened this meeting. In order to verify, improve and clearly define the approach that UNIDO has adopted in assisting developing countries at the specific project level, we have decided to submit our ideas to a select group of qualified representatives of both the developed, and the developing countries.

We plan to conduct this test in two ways:

- (1) By submitting for your consideration a small number of short and quite pragmatic papers and asking your opinion on the approach that we are contemplating;
- (2) By putting this approach immediately into practice by organizing small working groups on specific projects.

The agenda for the meeting has been drawn up with these principles in mind. Naturally any suggestions or counter-proposals concerning the agenda items will be quite welcome.

The first aspect of our work does not call for lengthy comment. I should merely like to say that we are keenly aware of the store of skills and experience that has been accumulated by you as a group. We shall try to arrange the meetings in such a way as to ensure that this experience can be expressed as freely, and as fully as possible.

I should like to add a few comments on the second aspect of this meeting, to which we plan to devote two entire afternoons. Naturally we would not presume to expect that, under such conditions, we shall be able to arrive at concrete agreements, as this would call for a different time schedule and environment; but we do believe that these working groups can be very important as a forum for case studies.

To ensure that the working groups are as effective as possible, we have asked participants to prepare in advance specific information in the field of investment promotion.

We have asked representatives from the developing countries to provide information on industrial projects that have already been identified and which, in their opinion, need to be helped along by



outside financing and know-how.

We have asked delegates representing the large financing agencies to come to the meeting with information on the type of projects they would like to promote.

The working group meetings we propose to organize are a preliminary experiment designed to initiate discussion on specific projects between the representatives of developing countries, and representatives of large financing agencies. The results of this experiment will be of help in assessing the performance of UNIDO's programme for investment promotion at the level of specific projects.

Allow me once again to express my gratitude. Businessmen and Government officials are very busy people, and we greatly appreciate your willingness to devote a few days of your precious time to working with us.

Opening Statement by Mr. Roberto Heurtemotte  
Chairman of the Meeting

Gentlemen, first of all I wish to thank all of you for the confidence that you have placed in my person in this hard fought election. My designation by a narrow margin over a worthy opponent has left me full of emotion and gratitude to all of you. I am also very grateful to the organizers of this meeting for inviting the United Nations Development Programme (UNDP) to participate actively in the meeting. The UNDP has long been concerned with the need for all international organizations to take whatever steps are within their power to promote industrial investment in the developing countries. We have been experimenting with a number of techniques for doing this over a period of years. This meeting is one of the latest attempts to find the right techniques for effective investment promotion. I would propose therefore that this meeting be conducted with all the informality that characterized the recent election and that we try to establish a dialogue among the participants that will result in useful discussions of the problems on hand. We will do our best to encourage the active participation of all representatives in order to make this meeting a success, as it represents UNIDO's newest effort in bringing together those forces that must work together. Mr. Abdel-Meguid recently organized a very successful investment promotion

training course in New York, and we hope this meeting will have equal or greater success.

The UNDP was organized in order to speed investment in industrial projects in the developing countries. Over the past ten years we have been making efforts in this direction. One might think at first that industrial investments in the developing world would be very easy to promote. In fact, at one time, it was a common assumption that investment opportunities were abundant in developing countries because of the shortage of capital, low wages, and expectations of higher returns. A more realistic appraisal of the prevailing economic conditions indicated that the exploitation of many of the resources of the developing countries was not immediately feasible because of lack of information. We also found that the climate for industrial development was missing in most developing countries. Efficient communications and transportation networks were very rare and the power supply was usually inadequate. Banking and financing facilities were insufficient, and there were bad systems of maintenance, as well as a lack of skilled labour and of the proper training institutions for management. These obstacles became apparent to us quickly, and helped establish the basis for our plan of work.

The UNDP has spent many years assessing the natural resources in developing countries which may provide the raw materials for industrialization. We have worked closely for many years with the World Bank, and other organizations within the United Nations family to assist in building up the infrastructure of industry. Mostly, we have been attempting to create the institutions that will produce skilled labour, good public administration, and effective management. We have produced over the years approximately 900 pre-investment projects in all sectors of industry, each one representing over US\$2 million. We have promoted nearly US\$2 thousand million of investment mostly in projects concerned with power, transport, infrastructure, and agriculture. An inadequate amount of this investment has been in industry. We are therefore concerned with intensifying the efforts of international organizations to produce a growing volume of industries in the developing countries. This problem seems more difficult at present because some five years ago development capital seemed to be available in adequate amounts. We recall that the World Bank and the Inter-American Bank, two institutions with resources for financing, were in search of projects, and projects were in short supply. At that time any viable project

could find adequate financing. The reverse is true today. Now capital is in short supply, and these very institutions have before them a pipeline of well-studied, viable projects that are far in excess of anything that they, as institutions of public finance, can consider or finance. This then places a burden on all of us to produce attractive, viable projects that will appeal to the non-public institutions, to the private sector, or to other institutions regardless of the political system that may be adopted by a country, or the type of capital it wants to import, or export. The entire process will depend on the viability of the specific project, and its attractiveness to potential investors. At a time when public funds are decreasing it is unrealistic for us to believe that we are going to be allocated larger amounts of money which would place a direct burden on taxpayers. Whenever there is a shortage of money, our task is to produce better projects, and more attractive feasibility studies. This meeting is the result of many efforts to direct private sources of investment towards the financing of projects in developing countries. Other similar attempts are the meetings of the co-operative committee of the Food and Agriculture Organization of the United Nations (FAO), where representatives of the international private sector meet with members of the FAO to look at the projects which are being produced, and determine which ones they are interested in, and which ones they could actually finance. The FAO also studies the proposed work in order to adapt it to the actual needs of the international private sector and private companies in international operations. We have found, in the course of our work, that many of the UNDP projects have produced unsatisfactory feasibility studies. Many times investors have looked at feasibility studies and found that the marketing studies were inadequate or that the availability of skilled labour had not been taken into consideration. The UNDP has decided to finance projects with feasibility gaps, provided there is a potential investor interested in the project. These feasibility studies will take into special consideration the particular needs of the investor.

This problem should be taken into consideration by this meeting. In the private discussions that will take place, and during the study of specific industries, it would be a miracle if we found that all the feasibility studies were to the liking, and fulfilled all the requirements of the potential investors. This is the feasibility gap

that came into view so clearly in our relations with the FAO industry group, and which should be considered by this group. We are interested in financing these feasibility gap projects through UNIDO, but at the same time we are thinking of narrowing these activities in the future so that each new project undertaken in developing countries will have a clearer, and more specific definition of investment requirements. These projects would affect all the potential industries in developing countries because they could be taken into consideration by their governments during presentation of industrial programmes to the UNDP.


I wish to express the great interest of the United Nations Development Programme, and of all the United Nations organizations, in the problem of finding the right investor for the right investment in developing countries. We feel that finding a solution to this problem is the most important step we can take towards the economic stability of the entire world. We feel confident that this meeting will succeed in providing some useful suggestions, if not outright solutions, to this significant problem.

I would like to repeat my previous statement to the effect that I would like to encourage a very informal dialogue among the participants to assure that all aspects of this important matter are properly discussed.

The primary purpose of this report is to provide a comprehensive overview of the current state of the industry. This section discusses the various factors influencing the market, including economic conditions, technological advancements, and regulatory changes. The analysis highlights the challenges faced by stakeholders and offers strategic recommendations to address these issues. The report is intended to serve as a valuable resource for decision-makers in the field.

**ANNEX 2. ANNOTATED AGENDA**

This annex provides a detailed breakdown of the key findings and recommendations presented in the main report. It includes a list of specific actions to be taken, along with the responsible parties and the expected timeline for implementation. The annotated agenda is designed to ensure that all critical tasks are tracked and completed in a timely manner. The following table outlines the primary objectives and the steps required to achieve them.

- 
1. **Opening session**
  2. **Machinery and techniques of industrial investment promotion in developing countries**
  3. **Promotion of industrial investment at the project level**
  4. **The establishment of a portfolio of project reports on investment opportunities in developing countries, facilities available in developed countries and the exchange of information between delegates from developing countries aiming at the promotion of industrial investment**
  5. **The role of UNIDO**

## MEETING ON INDUSTRIAL INVESTMENT PROMOTION SERVICES

### Brief Outline of the Programme

#### Introduction

The proposed meeting in Vienna on investment promotion is part of UNIDO's programme on Industrial Investment Promotion Services.

The main purpose of the meeting is to develop contacts, and to stimulate a dialogue between developed and developing countries for furthering co-operation among them in the field of industrial investment promotion. It is intended to base this dialogue on specific proposals emanating from either developed or developing countries.

It would also discuss: (1) machinery and techniques of industrial investment promotion in developing countries; (2) promotion of industrial investment at the project level; (3) the establishment of portfolio of project reports on investment opportunities in developing countries, facilities available in developed countries, and the exchange of information between delegates from developing and developed countries aiming at the promotion of industrial investment, and (4) the role of UNIDO.

#### Machinery and techniques for industrial investment promotion in developing countries

Under this item it is proposed to centre the discussion on how to improve the effectiveness of investment-promotion institutions and techniques in developing countries.

The discussion will deal with various aspects of running investment promotion institutions both at home and abroad, such as: (1) objectives and functions, (2) organization and (3) operations.

UNIDO's role of assisting in the establishment of new investment promotion institutions or improving existing ones would be also discussed.

#### Promotion of industrial investment at the project level

UNIDO has developed a programme of offering assistance to developing countries in promoting specific industrial projects. This is a new approach to the problem of stimulating the flow of

capital and know-how from developed countries to developing countries.

International effort in the past has emphasized the "macro" approach to this question; attention has been focused primarily on stimulating the aggregate flow. Promotion of industrial investment at the level of specific projects has received relatively speaking less emphasis than it deserved.

Specifically, the programme of assistance at project level consists of: (1) preparation of files for presentation to sources of investment and/or financing; (2) preparation and organization of first contacts with appropriate sources and (3) financing of joint missions consisting of representatives from a requesting developing country and from UNIDO to approach these sources, and negotiate the terms of financing and/or investment for specific industrial projects.

The form of financing could be the supply of credit for specific projects, the creation of joint ventures, or direct foreign investment.

Establishment of a portfolio of project reports on investment opportunities in developing countries, facilities available in developed countries, and the exchange of information between delegates from developed, and developing countries, aiming at the promotion of industrial investment

Under this item the discussion would centre on issues involved in the conversion of investment opportunities in developing countries into tangible projects.

It is proposed to ascertain the views of the delegates on the advisability of UNIDO preparing a portfolio of project reports to be available for the benefit of prospective investors.

It is also proposed to discuss whether UNIDO should prepare some kind of portfolio, or roster of specific offers of investment from developed countries.

There would be discussion on ways of locating foreign investors. The meeting would express views on the advisability of UNIDO establishing and maintaining an up-to-date list of foreign investors, categorized by industries of their interest.

The delegates from developed countries would inform the meeting on what services are available in their respective countries.

It is hoped that such exchange of information will help to establish useful contacts that may lead to actual investment in developing countries.



PROGRAMME OF WORK

Monday, 23 September

- Morning:** 9.30-10.30 Registration
- 10.30-12.30 Opening Session
- (a) Address by Mr. F. Le Guay, Director Division for Industrial Policies and Programming.
  - (b) Election of Chairman and Vice-Chairmen
  - (c) Statement of the Chairman
- BREAK
- (d) Introductory Statement by Mr. C. Akhras Chief, Industrial Policies and Industrial Financing Section
  - (e) Agenda
  - (f) Organizational matters, including procedures
- Afternoon:** 2.30-3.00 Registration for ad hoc Meetings
- 3.00-5.30 Agenda Item (2): Machinery and techniques of industrial investment promotion in developing countries
- (a) Introduction by a staff member of UNIDO
  - (b) Discussion
- BREAK
- (c) Discussion (continued)
  - (d) Summing-up
- 6.30-8.30 Cocktail Reception by the Executive Director at UNIDO Headquarters

Tuesday, 24 September

- Morning** 9.30-10.00 Registration for ad hoc Meetings
- 10.00-12.30 Agenda Item (3): Promotion of Industrial Investment at the project level
- (a) Introduction by a staff member of UNIDO
  - (b) Discussion
  - (c) Summing-up

**Afternoon:** 2.00-2.30 Registration for ad hoc Meetings  
2.30-6.00 Holding of ad hoc Meetings between interested parties as registered  
6.30-8.30 Cocktail Reception at Hotel Imperial, by Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft

Wednesday, 25 September

**Morning:** 9.30-10.00 Registration for ad hoc Meetings  
10.00-12.30 Agenda Item (4): The establishment of a portfolio of project reports on investment opportunities in developing countries  
(a) Introduction by a staff member of UNIDO  
(b) Discussion  
(c) Summing-up  
**Afternoon:** 2.30-6.00 Holding of ad hoc Meetings between interested parties as registered

Thursday, 26 September

**Morning:** 10.00-12.00 Agenda Item (5): The Role of UNIDO  
(a) Introduction by a staff member of UNIDO  
(b) Discussion  
(c) Summing-up  
**Afternoon:** 2.30.-4.00 Conclusion and suggestions for follow-up action

The following is a list of participants in the study. The names are listed in alphabetical order. The names are:

[Faint, mostly illegible text listing names and possibly affiliations, appearing as bleed-through from the reverse side of the page.]

**ANNEX 3. LIST OF PARTICIPANTS**

[Faint, mostly illegible text, likely a continuation of the list of participants or a list of affiliations, appearing as bleed-through from the reverse side of the page.]

ARGENTINA

Mr. Norberto L. Bargo,  
Advisor

Foreign Investments Promotion Service,  
Ministry of Economy, Buenos Aires

Mr. Carlos Roberto Lacroix,  
Deputy Representative to UNIDO

Argentine Embassy,  
Vienna

AUSTRIA

Mr. Georg Obernbreit  
Director, Foreign Department

Creditanstalt-Bankverein,  
Vienna

Mr. Heinrich Palme,  
Senior Manager

Österreichische Länderbank A.G.,  
Vienna

Mr. Hanns H. Kramberg,  
Deputy Foreign Manager

BELGIUM

Mr. W. Monfils  
Inspector General

Office Belge du Commerce Extérieur,  
Brussels

BRAZIL

Mr. Joaquim de Carvalho,  
Co-ordinator of the Industrial  
Sector and General Secretary  
of the Fund for Studies and  
Projects (FINEP)

Ministry of Planning,  
Rio de Janeiro

CHINA

Mr. Kuo-chu Toh,  
Technical Counsellor for  
Economic Affairs

Permanent Mission of the Republic  
of China to the United Nations,  
Geneva

Mr. Charles Z Yeo,  
Senior Specialist

Industrial Development and Investment  
Centre, Council for International  
Economic Co-operation and Development,  
Taipei

CZECHOSLOVAKIA

Dr. František Korbela,  
Head of Department

Ministry of Foreign Trade,  
Prague

DENMARK

Mr. Mogens Wandel-Petersen,  
Managing Director

The Industrialization Fund for  
Developing Countries, Copenhagen

ETHIOPIA

Mr. Habte-Mariam W. Michael  
Controller

Ethiopian Investment Corporation S.C.,  
Addis Ababa

FEDERAL REPUBLIC OF GERMANY

Mr. Adolph Woermann,  
Assistant Manager

Germany Development Company  
Cologne

Dr. Willi F. L. Engel,  
Director,  
Development Banks Department

Kreditanstalt für Wiederaufbau  
Frankfurt

FRANCE

Mr. M. de Couet,  
Assistant Director

Caisse Centrale de Coopération  
Economique, Paris

Mr. Roland Chabrux,  
Consulting Engineer

Banque de Paris et des Pays Bas  
Paris

GHANA

Mr. J. S. Edoe,  
Chief Projects Officer

Ministry of Industries, Accra

GREECE

Mr. Spyros Nonicas,  
Director

Ministry of Co-ordination, Athens

INDIA

Mr. K. Balachandran,  
Joint Secretary to the Government  
of India

Ministry of Industrial Development  
New Delhi

Mr. P. C. Nayak,  
Resident Director

Indian Investment Centre,  
Düsseldorf

IRAN

Mr. Behnam Bazargani,  
Director

Investment Promotion Centre  
Ministry of Economy, Tehran

ISRAEL

Mr. Moshe Nathaniel,  
Deputy Director

Investment Centre, Ministry of Commerce  
and Industry, Jerusalem

ITALY

Mr. Enrico Vampa,  
Deputy Central Manager,  
Internationa Division

Banca Nazionale del Lavoro  
Rome

Dr. Mario Bissi,  
Foreign Department

Istituto Mobiliare Italiano  
Rome

IVORY COAST

Mr. Sibi,  
Director

Centre for the Promotion of  
Ivorian Enterprises, Abidjan

Mr. Abou Doumbia,  
Director

Industrial Development Bureau  
Ministry of Planning, Abidjan

**KENYA**

**Mr. James Maina,  
Executive Director**

**Industrial and Commercial  
Development Corporation, Nairobi**

**Mr. G. M. Matheka,  
Assistant Director of Industries**

**Ministry of Commerce and Industry,  
Nairobi**

**MALAYSIA**

**Mr. Osman Bin Sham,  
Director**

**Industry and Commerce Division, Council  
of Trust for the Indigenous People,  
Kuala Lumpur**

**Dr. Heinz Rudolph,  
Director**

**Federal Industrial Development Authority,  
Kuala Lumpur**

**Mr. Mohamed Zain,  
Head of Division**

**Division of Industrial Planning,  
Federal Industrial Development  
Authority, Kuala Lumpur**

**MALTA**

**Mr. Alfred J. Baldacchino,  
Market Research Officer**

**Malta Development Corporation,  
Ta Xbiex**

**NETHERLANDS**

**Mr. Isaac F. Leidesdorff,  
Assistant Managing Director**

**The National Investment Bank,  
The Hague**

**NIGERIA**

**Mr. G. O. Obatoyinbo,  
Director**

**Investment Information and Promotion  
Centre, Federal Ministry of Industries,  
Lagos**

**PAKISTAN**

**Mr. S. N. Haq,  
Deputy Director General**

**Department of Investment Promotion  
and Supplies, Ministry of Industries,  
Karachi**

**THE PHILIPPINES**

**Mr. Wilfredo V. Vega,  
Assistant Secretary for Economic  
Affairs**

**Department of Foreign Affairs,  
Manila**

**Mr. Edgardo L. Tordesillas,  
Vice-Chairman, Board of  
Governors**

**Board of Investment,  
Rizal**

**POLAND**

**Mr. Andrzej Szczepanczyk,  
Senior Counsellor**

**Ministry of Foreign Trade,  
Warsaw**

**Mr. Wladyslaw Matkowski,  
Deputy Director**

**CEKOP, Warsaw**

SENEGAL

Mr. Majib N'Daw,  
Technical Adviser

Ministry of Planning and Industry,  
Dakar

SINGAPORE

Mr. G. S. R. Wahlgren,  
Director, Office for Europe

Singapore Economic Development Board,  
Stockholm

SUDAN

Mr. Abdel G. Mansour,  
Senior Inspector

Ministry of Industry and Mining,  
Khartoum

SWEDEN

Mr. Per Boman,  
Joint General Manager

Svenska Handelsbanken,  
Stockholm

SWITZERLAND

Mr. Erwin Wehrli,  
Manager

Union Bank of Switzerland,  
Zurich

THAILAND

Mr. Amnuay Viravan  
Secretary General

Board of Investment,  
Bangkok

TUNISIA

Mr. M. M. Khaled Chaabouni  
Head of the Division of  
Industrial Studies

Ministry of National Planning and  
Economy, Tunis

Mr. Mohamed Maoui,  
Director of the Division  
of Industrial Statistics

Mr. Trifi,  
Head of the Division of Industries

Mr. R. Msadek,  
Director

Investment Promotion Centre,  
Tunis

UNITED KINGDOM

Mr. K. R. Tattersall,  
General Managers' Assistant

Barclays Bank D.C.O.,  
London

UNITED STATES

Mr. M. G. Beresford,  
Assistant Cashier

Bamerical International Finance  
Corporation, London

Mr. W. A. Steinhauer,  
Manager

Bank of America  
Vienna

Mr. William Major,  
Assistant Vice President

Bankers Trust Company,  
New York

Mr. Robert O. Leaver,  
International Officer

Mr. Oswald von Goerts,  
Second Vice-President

Mr. Brenner

First National Bank of Boston,  
Boston

Chase Manhattan Overseas Banking  
Corporation, Vienna

First National Bank of Boston,  
Boston



**OBSERVERS**

Mr. Peter Beron, Chief of Export Section	Elin-Union A.G. Vienna, Austria
Mr. Erich Bienenfeld, Head of Export Department	Simmering-Gras-Pauker A.G., Vienna, Austria
Mr. Jean-Paul Chapuis	Association Suisse des Banquiers, Basle, Switzerland
Mr. Hans Dressler	Semperit, Österreichische Amerikanische Gummiwerke A.G., Vienna, Austria
Mr. Emil Otto Hauswirth, Consultant	Creditanstalt-Bankverein, Vienna, Austria
Mr. Hellmonseder	Schiffswerft Linz A.G., Linz, Austria
Mr. Ernst M. Hutterer, Consultant	Österreichische Investitionskredit A.G., Vienna, Austria
Mr. Robert Jakoby	Wiener Schwachstromwerke Ges.m.b.H., Vienna, Austria
Mr. Kurt Knoll, Sales Manager	Österreichische Industrieverwaltungs GmbH, Vienna, Austria
Mr. G. Kreps Project and Sales Manager	Schiffswerft Korneuberg A.G., Weidling, Austria
Mr. Stefan Logigan, Chief Engineer	Österreichische Industrieverwaltungs A.G., Vienna, Austria
Mr. R. Maravic, Financial Expert	Österreichische Industrieverwaltungs, GmbH, Vienna, Austria
Mr. Victor de Meyer, Joint Counsellor	Office Belge du Commerce Extérieur, Brussels, Belgium
Mr. Hans Neuffer, Project Manager	Anger Plastic-Verarbeitungsmaschinen GmbH and Co. KG, Vienna, Austria
Mr. Konrad Rats, Assistant Secretary	Fachverband der Maschinenindustrie, Vienna, Austria
Mr. Viktor Sertic	Association Internationale pour la Promotion et la Protection des Investissements privés en Territoires Étrangers, Geneva
Mr. F. L. Singer, Sales Department	Vöest - Linz/Donau Vienna, Austria
Mr. Stanicky	Österreichische Alpine Montangesellschaft, Vienna, Austria
Mr. Helmut Strouhal, Sales Manager	Österreichische Industrieverwaltungs GmbH, Vienna, Austria

**UNITED NATIONS AND SPECIALIZED AGENCIES**

**United Nations Industrial Development Organisation**

<b>Mr. F. Le Guay</b>	<b>Director, Division for Industrial, Policies and Programming</b>
<b>Mr. C. Akhras</b>	<b>Chief, Industrial Policies and Industrial Financing Section</b>
<b>Mr. N. I. Almula</b>	<b>Officer-in-Charge, Meeting on Industrial Investment Promotion Services</b>
<b>Mr. K. Adusei-Poku</b>	<b>Industrial Development Officer</b>
<b>Mr. R. Line</b>	<b>Industrial Development Officer</b>

**United Nations Development Programme**

<b>Mr. Roberto Heurtematte</b>	<b>Associate Administrator, UNDP, United Nations, New York</b>
<b>Mr. Franco Lucca</b>	<b>Economic Affairs Officer</b>

**World Bank/IFC**

<b>Mr. Juan A. Prado</b>	<b>Senior Industry Division, World Bank, Washington</b>
--------------------------	---

**Other International Organizations**

<b>Mr. Huybrechts</b>	<b>Principal Administrator, Commission des Communautés Européennes, (CEE), Brussels</b>
<b>Mr. Pieter Schoemaker</b>	<b>Director, Business and Industrial Advisory Committee, Paris</b>

[Faint, mostly illegible text, likely bleed-through from the reverse side of the page. Some words like "document" and "list" are faintly visible.]

**ANNEX 4. LIST OF DOCUMENTS DISTRIBUTED**

[Faint, mostly illegible text, likely bleed-through from the reverse side of the page. Some words like "document" and "list" are faintly visible.]

**ID/WG.22/1/Rev.1**                      **Agenda and brief outline of programme**

**I. Issue papers**

These papers relate to items of the agenda and will be used for discussion.

- ID/WG.22/13**                      The organization and operation of an investment promotion centre: issues and alternatives
- ID/WG.22/20**                      Promotion of the transfer of capital and technology from the industrialized to the developing countries, at the level of the project
- ID/WG.22/22**                      The establishment of a portfolio of project reports on industrial investment opportunities in developing countries
- ID/WG.22/23**                      The role of UNIDO: current operations and suggestions for future action

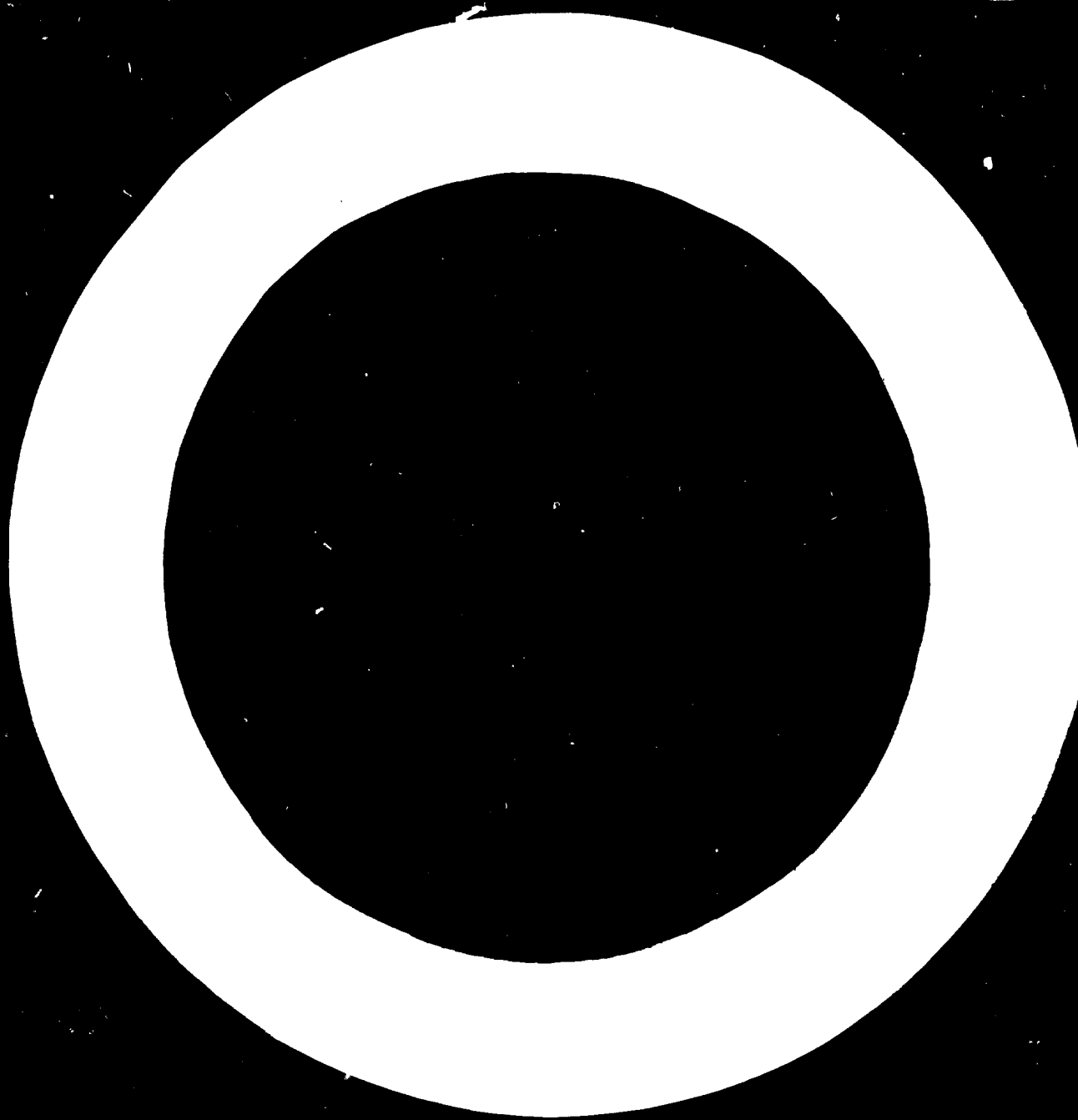
**II. Selected industrial projects**

- ID/WG.22/26**                      India
- ID/WG.22/24**                      Iran
- ID/WG.22/16**                      Malaysia
- ID/WG.22/14**                      Nigeria
- ID/WG.22/17**                      Pakistan
- ID/WG.22/18**                      Philippines
- ID/WG.22/19**                      Thailand
- ID/WG.22/25**                      Organizations and suggested procedures for the ad hoc meetings

**III. Background papers**

- ID/WG.22/2**                      Structure and scope of investment promotion agencies for developing countries
- ID/WG.22/3**                      Model for an investment information manual
- ID/WG.22/4**                      Checklist of project information
- ID/WG.22/5**                      Checklist for project investments
- ID/WG.22/6**                      Illustrative forms of historical and proforma financial statements and related papers
- ID/WG.22/7**                      Selection of a prospective investing corporation - India's approach

- ID/WG.22/8**                      **Evaluation of industrial investment opportunities**
- ID/WG.22/9**                      **A case study in a foreign industrial investment venture**
- ID/WG.22/10**                      **Organization and operation of an investment promotion agency - the Indian experience**
- ID/WG.22/11**                      **Capital sources and finance: what the bankers will want to know**
- ID/WG.22/12**                      **A scheme for sub-regional industrial promotion centres in Africa**
- ID/WG.22/21**                      **The investment promotion function and the UNDP pre-investment activity**



**ANNEX 5. UNIDO'S ACTIVITIES IN THE INSTITUTIONAL, TRAINING  
AND ADVISORY FIELDS**

UNIDO realizes the need of the developing countries for, and the importance to them of, properly established and adequately <sup>in</sup> staffed investment promotion machinery, aiding the transfer of capital and know-how from the industrialized countries.

To this end, UNIDO provides assistance to developing countries:

- A. For the establishment of new investment promotion machinery or the improvement of the operation of existing machinery;
- B. For the training of nationals of developing countries in the techniques of investment promotion.

These two areas of UNIDO assistance are outlined below.

A. Assistance in establishing or improving machinery for investment promotion

UNIDO can help developing countries with respect to investment promotion machinery in two ways: it can assist them to evaluate, and improve the operation of the machinery already existing or it can help in the establishment of new machinery in individual countries or in a group of countries.

Existing investment promotion machinery

With respect to existing investment promotion machinery, UNIDO can:

- (1) Evaluate its current performance;
- (2) Suggest changes in policies;
- (3) Suggest changes in the organizational set-up; and
- (4) Suggest improvements in operational procedures.

New investment promotion machinery

With respect to the establishment of new investment promotion machinery, UNIDO can help:

- (1) To determine the need for investment promotion machinery and the type of machinery to be set up;
- (2) To devise a suitable organizational set-up for investment promotion machinery; and
- (3) To run newly created investment promotion machinery by supplying experts.

These three types of assistance in establishing new machinery are elaborated on the following pages.



(1) Determining the need for investment promotion machinery and the type of machinery to be set up

UNIDO can assist developing countries in answering the fundamental question as to whether the setting up of investment promotion machinery in a particular country would be advisable in the light of the prevailing conditions. If the answer to this question is affirmative, UNIDO can help to determine what type of investment promotion machinery should be created and what role it should play in evaluating projects and in identifying investment opportunities. UNIDO can also help to determine whether the investment promotion machinery should be research-oriented or not.

UNIDO can also assist developing countries in deciding whether it would be advisable to set up investment promotion machinery on a regional basis, to serve a group of developing countries when a national set-up would be too expensive for any one of them.

(2) Devising a suitable organizational set-up for investment promotion machinery

When the need for investment promotion machinery has been established, UNIDO can assist developing countries to set it up on a national or on a regional basis. In particular, it can help in drafting statutes of incorporation and rules of procedure, which will cover, inter alia, the following;

- (a) The scope of functions of the agency, with emphasis on proper identification of investment opportunities and preparation of studies, such as pre-investment and feasibility studies;
- (b) The methods of operation to be followed by the investment promotion agency, i.e. how it will fulfil its functions, through research or advertising or through the use of consultant or public relations firms;
- (c) The resources needed and a plan for a proper capital structure;
- (d) The national and foreign sources from which resources can be obtained;
- (e) The organizational set-up for the investment promotion agency;
- (f) The organizational set-up for the agency's offices to be located abroad;
- (g) The type of relationship between the home office and the

foreign offices of the investment promotion agency, and the procedures to be followed by them for the expeditious promotion of investment projects;

- (h) The relationship between the national Government (or the regional group) and the investment promotion agency, including the legal status of the agency. For example, should the agency be a separate and independent entity? Should it be an autonomous entity? Should it be a department of the Government? Would it be desirable to have government ownership and control, or private ownership and control, or a mixture of both?

(3) Operation of the newly created investment promotion agency

The test of an investment promotion agency will depend, of course, on its successful operation. UNIDO endeavours to assure this by:

- (a) Providing expert advisers to assist in determining the appropriate policies to be followed by the agency;
- (b) Providing, under OPEX\* the services of experienced investment promotion experts in running the agency until such time as the nationals of the country or the countries concerned are able to assume the responsibilities themselves. UNIDO of course endeavours to spur this process through suitable training programmes for the nationals of developing countries.

B. Assistance in training nationals of developing countries in techniques of investment promotion

UNIDO is aware of the importance of adequately trained manpower for the successful operations of investment promotion machinery of developing countries. For this purpose, it conducts on a regular basis training programmes in techniques of investment promotion for the benefit of officials of developing countries.

The programmes are designed to alert developing countries to the ways and means of mobilizing and channelling domestic and foreign investment for their industries. The topics include such questions as:

How to identify investment opportunities; institutional requirements for effective mobilization of domestic savings;

Problems of development of domestic entrepreneurship;

\* United Nations Programme for the Provision of Operational, Executive and Administrative Personnel.

**Areas where private foreign capital should be sought;**

**Instructions on establishing and operating successfully investment promotion machinery; and**

**Techniques of approaching a prospective investor.**

The programmes consist of a series of lectures, discussions, field trips and on-the-job training in capital-exporting countries.

Lectures are delivered by prominent industrialists, experienced businessmen, investment experts from agencies of developing countries, investment experts of international financial institutions, experts from prominent consultant firms, professors of finance, and other leading authorities on the subjects.

The lectures cover such subjects as the following:

**Creation of investment climate;**

**Identification of investment opportunities;**

**Building up of entrepreneurship;**

**Institutions for mobilization of domestic savings;**

**Techniques for mobilization of domestic savings;**

**Attracting foreign investment - problems and prospects;**

**Presentation of projects;**

**Location of investors and financiers;**

**Techniques and tools of industrial investment promotion; and**

**Organization and operation problems of investment promotion machinery.**

At the conclusion of lectures, trainees are given on-the-job training at established investment promotion agencies of developing countries. There they observe at first hand the procedures involved in the promotion of investment in specific projects.

#### ASSISTANCE IN SECURING THE SERVICES OF EXPERT ADVISERS

At the request of developing countries, UNIDO provides expert advisers to assist them in meeting problems regarding investment promotion, such as:

**Creation of investment climate;**

- Identification of investment opportunities;**
- Organizational set-up for investment promotion machinery;**
- Determination of the scope of functions of investment promotion agencies;**
- Making of plans of operations for investment promotion agencies;**
- Operating an investment promotion agency during the initial years;**
- Institution and implementation of incentive policies for promoting investment; and**
- Location of appropriate investors or financiers.**

#### HOW TO OBTAIN UNIDO'S ASSISTANCE

Developing countries can avail themselves of UNIDO's assistance with respect to industrial investment promotion by presenting an official request to UNIDO through the Resident Representative of the United Nations Development Programme in their country.

Further information on the subject can be obtained from:

Section for Industrial Policies,  
Industrial Financing and Industrial Investment Promotion,  
Division for Industrial Policies and Programming,  
United Nations Industrial Development Organization, Vienna.

The following is a list of industrial projects discussed and associated at ad hoc meetings:

1. Project A - [Faint text]

2. Project B - [Faint text]

3. Project C - [Faint text]

4. Project D - [Faint text]

5. Project E - [Faint text]

6. Project F - [Faint text]

7. Project G - [Faint text]

8. Project H - [Faint text]

9. Project I - [Faint text]

10. Project J - [Faint text]

11. Project K - [Faint text]

12. Project L - [Faint text]

13. Project M - [Faint text]

14. Project N - [Faint text]

15. Project O - [Faint text]

16. Project P - [Faint text]

17. Project Q - [Faint text]

18. Project R - [Faint text]

19. Project S - [Faint text]

20. Project T - [Faint text]

**ANNEX 6. LIST OF SELECTED INDUSTRIAL PROJECTS DISCUSSED AND ASSOCIATED AT ad hoc MEETINGS**

Project Name	Location	Year	Status
Project A	[Faint]	[Faint]	[Faint]
Project B	[Faint]	[Faint]	[Faint]
Project C	[Faint]	[Faint]	[Faint]
Project D	[Faint]	[Faint]	[Faint]
Project E	[Faint]	[Faint]	[Faint]
Project F	[Faint]	[Faint]	[Faint]
Project G	[Faint]	[Faint]	[Faint]
Project H	[Faint]	[Faint]	[Faint]
Project I	[Faint]	[Faint]	[Faint]
Project J	[Faint]	[Faint]	[Faint]
Project K	[Faint]	[Faint]	[Faint]
Project L	[Faint]	[Faint]	[Faint]
Project M	[Faint]	[Faint]	[Faint]
Project N	[Faint]	[Faint]	[Faint]
Project O	[Faint]	[Faint]	[Faint]
Project P	[Faint]	[Faint]	[Faint]
Project Q	[Faint]	[Faint]	[Faint]
Project R	[Faint]	[Faint]	[Faint]
Project S	[Faint]	[Faint]	[Faint]
Project T	[Faint]	[Faint]	[Faint]

List of selected industrial projects discussed and negotiated at ad hoc meetings: India, Iran, Israel, Kenya, Malaysia, Nigeria, Pakistan, the Philippines, Senegal and Thailand <sup>1/</sup>

INDIA

1. Fertilizers
2. Tractors
3. Hotels
4. Automatic transmission and gear boxes
5. Universal joints and cross bearings
6. Bakery equipment
7. DDT
8. Nickel cadmium re-chargeable cells
9. Pthalic anhydride
10. Fusite terminals for refrigeration compressors
11. Cinema arc carbons
12. Watches
13. Dry batteries
14. Typewriters
15. Refining china clay
16. Fruit and vegetable products
17. Dairy chemicals
18. Miscellaneous chemicals
19. Phosgene
20. Plant protection chemicals
21. Seed industry
22. Brickmaking machinery

IRAN

Automotive Projects

1. Crankshafts and camshafts
2. Carburettors
3. Fuel injection pumps including fuel feed pumps and governors, nozzle holders, and nozzles

---

<sup>1/</sup> Further information is available from the Industrial Policies and Industrial Financing Section.

4. Fuel pumps, oil pumps and hydraulic pumps
5. Tire valves for cars, lorries, motorcycles and bicycles
6. Horns, windscreen wiper with accessories
7. Starter with accessories, generators (dynamos) regulating relays, ignition coils, solenoids and ignition distributors
8. Ignition and starter switches, lighting switches, panel light switches, blower switches, wiper wash switches, foot dipper switches, brake stop light switches, door pillar switches, etc.
9. Steering wheels and accessories
10. Foot brakes with accessories (master and slave cylinders, etc.) and hand brakes with accessories
11. Gear boxes with accessories and differential units
12. Oil filters, air filters and fuel filters
13. Head lamps, tail lamps, fog lamps, guard and stop lamps, interior lamps, etc.
14. Clutches (different types with master and slave cylinders, etc.)

Pharmaceuticals

15. Tetracycline
16. Chloramphenicol
17. Procaine
18. Streptomycin
19. Vitamin B<sub>12</sub>
20. Vitamin D<sub>2</sub>
21. Vitamin C
22. Sulphadiazine
23. Sulphamethoxypyridazine
24. Sulphaguanidine
25. Para-amino-salicylic acid (PAS)

Others

26. Watches and clocks

ISRAEL

List of "Preferred" Branches of Industry <sup>2/</sup>

The following is a preliminary list of the branches of industry in which the Government of Israel is particularly interested in encouraging investment, in view of their promising export potential.

<sup>2/</sup> Further information about investments and incentives and encouragement of investments can be obtained from The Investment Authority, Israel.

1. **Furs and leather goods (mainly fashion wear)**
2. **Irrigation equipment**
  - (a) Horizontal pumps
  - (b) High-quality garden irrigation equipment
3. **Agricultural equipment**
4. **Food processing equipment**
5. **Equipment for the chemical industry**
6. **Equipment for bakeries**
7. **Institutional kitchens**
8. **Building and construction machinery and equipment**
9. **Medical and hospital equipment (including dental equipment)**
10. **Prosthetics and equipment for the physically disable**
11. **Medical electronic equipment**
12. **Laboratory equipment**
13. **Pharmaceuticals, fine chemicals and pesticides**
14. **Electrical equipment**
  - (a) Transformers
  - (b) Electric motors
  - (c) Welding instruments
  - (d) Measuring
15. **Industrial diamond tools and hard metal tools**
16. **Printing and publishing (especially of scientific material)**
17. **Tools and dyes**
18. **Sub-contracting in the fields of**
  - (a) Machining
  - (b) Automotive spare parts

Surveys of Some Preferred Branches of Industry

19. **Printing industry**
20. **Medical and dental equipment industry**
21. **Leather coats industry - trends of development**
22. **Manufacture of equipment for the chemical industry**
23. **Development of the medical electronics industry**
24. **Development of the pesticides industry**
25. **Development of the fur industry**
26. **Development of the hydraulic and pneumatic industry**
27. **Development of the dye-making industry**



- 28. Survey of the agricultural equipment industry
- 29. Rental housing projects

KENYA

Food-processing industries

- 1. Maize products
- 2. Instant coffee processing
- 3. Yeast and alcohol manufacture
- 4. Edible oils
- 5. Vegetable processing (canning and dehydration)
- 6. Bakeries
- 7. Castor oil
- 8. Cashew-nut processing
- 9. Tea processing
- 10. Chocolates and chocolate preparation
- 11. Fish processing
- 12. Infant foods

Animal products

- 13. Hides and skins tanning
- 14. Production of all types of leather goods
- 15. Extension of existing meat production
- 16. Animal foodstuff
- 17. Utilization of animal waste
- 18. Glues and other PVA adhesives and emulsions

Fisheries

- 19. Lake Rudolf fisheries
- 20. Deep-sea fisheries

Wood and paper products

- 21. Pulp and paper mill (Broderick Falls)
- 22. Particle board
- 23. Chipboard
- 24. Straw board
- 25. Saw Mills
- 26. Pencils
- 27. Paper products (bags, kraft, etc.)
- 28. All types of adhesive tapes

Agricultural equipment

29. Hand tools for agriculture
30. Mechanical equipment including tractors
31. Asbestos pipes for irrigation
32. Tea and coffee processing machinery

Metal processing and hardware products including household and sanitary appliances

33. Steel rolling mill for lat/thin products
34. Machine screws
35. Industrial steel plant; including
  - (a) Steel foundry
  - (b) Rolling mill for different shapes
36. Non-ferrous - metal foundry
37. Manufacture of different metal products
  - (a) Hand-tools
  - (b) Metric weights and appliances
  - (c) Ceramics
  - (d) Household goods including cookers, refrigerators and electric irons
  - (e) Assembly of bicycles and tricycles and appliances thereof
  - (f) Cutlery
  - (g) Locks of all types
  - (h) Steel tubes

Manufacture of vehicles, vehicle parts and accessories

38. Assembly of cars, light commercial vehicles, buses and lorries
39. Tires, tubes and other rubber products
40. Assembly of motorcycles and scooters
41. Gaskets
42. Brake linings
43. Springs and shock absorbers
44. Exhaust pipes and radiators
45. Upholstery and interior trim
46. Armature windings

Manufacture of technical appliances

47. Pumps
48. Hydraulic equipment
49. Milling equipment

Manufacture of different chemicals

50. All types of insecticides
51. Fertilizers
52. Plastic products, including basic granulates
53. Caustic soda and chlorine
54. Sulphuric acid
55. Aluminium sulphate

Textiles and textile accessories

56. Cotton processing
  - (a) Wool processing
  - (b) Nylon knitting
  - (c) Rayon and other man-made fibre processing
  - (d) All types of buttons and buckles
  - (e) Elastic tapes
  - (f) Umbrella assembly
  - (g) Ready-made garments for ladies (outer wear)
  - (h) High-quality cardigans, jerseys and pullovers

Others

57. Manufacture of high-quality bottles and other glass containers
58. Manufacture of tin containers
59. Electric bulbs
60. Assembly of television sets
61. Manufacture of telephonic equipment
62. Typewriters
63. All types of marking inks
64. Sandpaper, emery paper and emery cloth
65. Carpentry tools including hand-saws and hammers
66. Icecream cups
67. Paper punching and stapling machines
68. Diatomite
69. Prefabricated housing

MALAYSIA

Food Industries

1. Jam
2. Dehydrated molasses
3. Chocolate and other chocolate preparations
4. Starch processing

Chemical Industries

5. Veterinary feed concentrate
6. Furazolidone
7. Carbon black
8. Sodium chlorate
9. High-level cisterns

Timber Products Industries

10. Sliced veneer
11. Parquet
12. Wooden doors and windows
13. Knock down furniture

Metal Engineering Industries

14. Steel foundry complex
15. Tin plating
16. Hand tools
17. Boat building and repair facilities
18. Ancillary industries for motor assembly
19. Electrical motor assembly plant

Rubber Products Industries

20. Rubber gloves

NIGERIA

1. Cassava - starch, gari, cattle feed
2. Citrus and pineapple processing
3. Cottonseed oil extraction and cake
4. Sugar production and cane plantation development
5. Palm oil - upgrading
6. Rubber - upgrading and plantation development
7. Upgrading of forest products, logging, etc.
8. Veneer and plywood production
9. Leather - tanning and processing
10. Furniture for export
11. Coffee processing
12. Textile weaving and finishing
13. Pharmaceuticals

14. **Small steel rolling mill (steel scrap)**
15. **Evaporated milk**
16. **Salt refining**
17. **Dry cell batteries**
18. **Automobile assembly**
19. **Fish procurement and processing**
20. **Groundnut oil and cake**
21. **Livestock - beef and dairy**
22. **Livestock feed**
23. **Poultry raising**
24. **Poultry feed**
25. **Meat products**
26. **Yeast**
27. **Malt**
28. **Rice milling**
29. **Ginger**
30. **Cashew nuts**
31. **Tomato paste and juice**
32. **Wood pulp for local and export markets**
33. **Jute and kenaf bags**
34. **Cordage, rope, twine and manufacture of fish nets**
35. **Agricultural hand tools, forged**
36. **General hardware**
37. **Steel pipe, welded**
38. **Glass products**
39. **Electrical appliances, assembly and eventual manufacture**
40. **Caustic soda and chlorine derivatives**
41. **Plastics and rubber fabrications**
42. **Marble**
43. **Sulphuric acid manufacture**
44. **Alum manufacture**
45. **Super phosphates**

#### PAKISTAN

##### Export-oriented industries

1. **Processing, canning and preservation of fruits and vegetables**
2. **Catching, canning and preservation of fish and other sea foods**
3. **Miscellaneous food preparations, not elsewhere classified**

4. Cotton textiles: spinning	21
5. Cotton textiles: weaving	25
6. Cotton textiles: finishing	31
7. Jute manufactures	35
8. Spooling and thread ball manufacturing	37
9. Hosiery and other knitted goods	41
10. Specialized textiles	45
11. Footwear	49
12. Ready-made garments	53
13. Tanning and curing of leather	57
14. Glue, gum, resins and sizing materials	61
15. Processing of minerals	65
16. Cotton ginning and pressing	69
17. Wool securing and baling	73
18. Jute baling	77
<u>Agro-based service industries</u>	
19. Dairy farming and dairy products	81
20. Poultry farming and poultry products	85
21. Wheat and grain milling	89
22. Rice milling	93
23. Bakery and biscuits	97
24. Sugar	101
25. Edible oils	105
26. Tea	109
27. Cigarettes	113
28. Processing of tobacco	117
29. Woollen and worsted textiles (spinning)	121
30. Woollen and worsted textile (weaving and finishing)	125
31. Writing, printing and packing paper	129
32. Packaging board	133
33. Paper converting and packing	137
34. Printing and publishing	141
35. Cellulose fibres	145
36. Starch, glucose and other starch products	149
37. Cement	153
38. Asbestos cement products	157
39. Building bricks and tiles	161

40. Ice
  41. Industries based on agricultural and industrial wastes, not elsewhere classified
  42. Livestock feeds
  43. Building industry
  44. Hotels and motels
  45. Light engineering workshops
  46. Cold storages
  47. Dry cleaning and laundering
  48. Industries principally based on 95 per cent indigenous raw materials with foreign exchange requirement of machinery and equipment not exceeding 500,000 rupees
  49. Industries not elsewhere classified
- Import substitution industries
50. Tires and tubes including retreading
  51. Drugs and pharmaceuticals
  52. Disinfectants, insecticides, pesticides, fungicides, fumigants and herbicides
  53. All sorts of fertilizers
  54. Other industrial chemicals, not elsewhere classified
  55. Carbon black
  56. Plastics
  57. Synthetic rubber
  58. Synthetic fibres
  59. Aromatics
  60. Synthetic resins
  61. Other petro-chemicals
  62. Glass and glass products, all sorts
  63. Iron and steel production
  64. Aluminium production
  65. Copper production
  66. Lead production
  67. Zinc production
  68. Steel foundries
  69. Steel re-rolling including corrugated and plain galvanised sheets
  70. Ferro-chrome and other ferro alloys
  71. Cast iron foundries
  72. Hand and small tools
  73. Sporting arms
  74. Metal wires (ferrous and non-ferrous)
  75. Ball and roller bearings

76. Meters other than electrical
77. Stationary and marine diesel engines and other I.C. engines
78. Agricultural machinery and equipments
79. Tractors and components (including power tillers and tractor-drawn agricultural implements)
80. All sorts of pumps and parts thereof
81. Textile machinery, parts and accessories
82. Switch-gears
83. Transformers (power and transmission)
84. Television receiver sets and components
85. Copper enamelled wire
86. Electronic equipments and components
87. Mechanically propelled vehicles and components
88. Ship repairs, building of boats and ancillary equipments
89. Scientific and precision instruments
90. Fire fighting equipment

#### THE PHILIPPINES

1. Food dehydration (e.g., freeze-drying or membrane drying of fish, meat, fruits and vegetables)
2. Integrated tomato paste
3. Coconut oil (mill location should consider regional sufficiency of raw material supply)
4. Processing of coconut and by-products (desiccated coconut coir, briquetted or activated charcoal shell flour, etc. Mill location should consider regional sufficiency of raw material supply)
5. Cassava starch
6. Cigars
7. Bag (from jute, abaca, synthetic and/or other indigenous raw materials)
8. Fully integrated ramie
9. Leather shoes
10. Integrated plywood plant (consolidation and integration of processing facilities, including preservation, for several concessions is encouraged)
11. Veneer (consolidation and integration of processing facilities for several concessions is encouraged)
12. Particle board (all types)
13. Integrated pulp and paper mills
  - (a) Newsprint
  - (b) Other types of paper (bond, onionskin, kraft, tissue, book, paperboard, etc.)



14. Long fibre pulp (from abaca, pinewood, etc.)
15. Rayon
16. Fibreboard (from bagasse, coconut coir, cellulosic waste)
17. Industrial explosives (dynamite, blasting caps and primers)
18. Methanol
19. Ammonium chloride
20. Polyester fibres
21. Polyethylene resins
22. Antibiotics (penicillin and streptomycin)
23. Benzene hexachloride
24. Sodium tri-polyphosphate
25. Hydrogen peroxide
26. Metallurgical coke
27. Beneficiation of clay (for application in ceramics and refractories)
28. Refractories (for use in kilns, furnaces, ovens)
29. Glazed tiles
30. Vitrified tiles
31. Sanitary wares
32. Glass containers (bottles, tumblers, jars, tray etc.)
33. Decorated porcelain dinnerware (integrated)
34. Plain design (lines) porcelain dinnerware
35. Ferro alloys (ferro-silicon, ferro-manganese, ferro-chrome, ferro-nickel)
36. Integrated steel mills (including iron smelting, steel refining, hot rolling)
37. Cold rolling of flat steel products (tin plate stock, galvanised iron sheets, plain steel sheets, transformer steel sheets)
38. Aluminium smelting
39. Copper processing (including smelting, refining, and mechanical working)
40. Processing of laterite ores
  - (a) Pyrometallurgical
  - (b) Chemical
41. Manufacture and fabrication of metal products and other engineering materials\* (standardised components for low-cost housing, locks, hinges, door handles and knobs, window fixtures, etc.)
42. Manufacture of parts of machinery and equipment\* (including industrial, agricultural, automotive, construction, mining and transport machinery. The project applies only to articles not previously manufactured and is aimed at making complete machines or equipment)

\* Manufacturing is understood to exclude purely assembly operations. In cases where proponents start as assembly operators, progressive manufacturing will be specified by the Board.

43. Diesel engines\* (phased production of entire engine)
44. Manufacture of agricultural machinery and implements\* (power tillers, agricultural tractors, ploughs, rice and corn milling machineries, crop drying equipment, etc.)
45. Pump manufacturing\* (casings, impellers, couplings, bushings, pump engines, hose, etc.)
46. Manufacture of electrical equipment and apparatus\* (electrical transmission and power distribution systems, electronic tubes, rechargeable batteries, welding apparatus, switch boxes, insulators, electrical installation fixtures)
47. Electric motors\*
48. Manufacture of communications equipment\*
49. Shipbuilding, ocean-going and inter-island vessels (including special vessels such as tankers, refrigeration, cattle, ore, chemicals, and others of similar nature)

#### SPAIN

1. Polyvinyl chloride
2. Calcium carbide - acetylene
3. Hydrochloric acid
4. Ammonia

#### THAILAND

1. Textiles and garments - cotton and synthetics
2. Pulp and paper
3. Iron and steel - flat products and electrolytic tinplating
4. Petrochemicals
5. Vegetable and rice bran oils
6. Electrical appliances
7. Agricultural machinery
8. Foundry
9. Ceramic and sanitary wares
10. Automotive parts and accessories
11. Sodium silicate
12. Water-resistant glues
13. Food canning
14. Cement, lime and gypsum-based building products

---

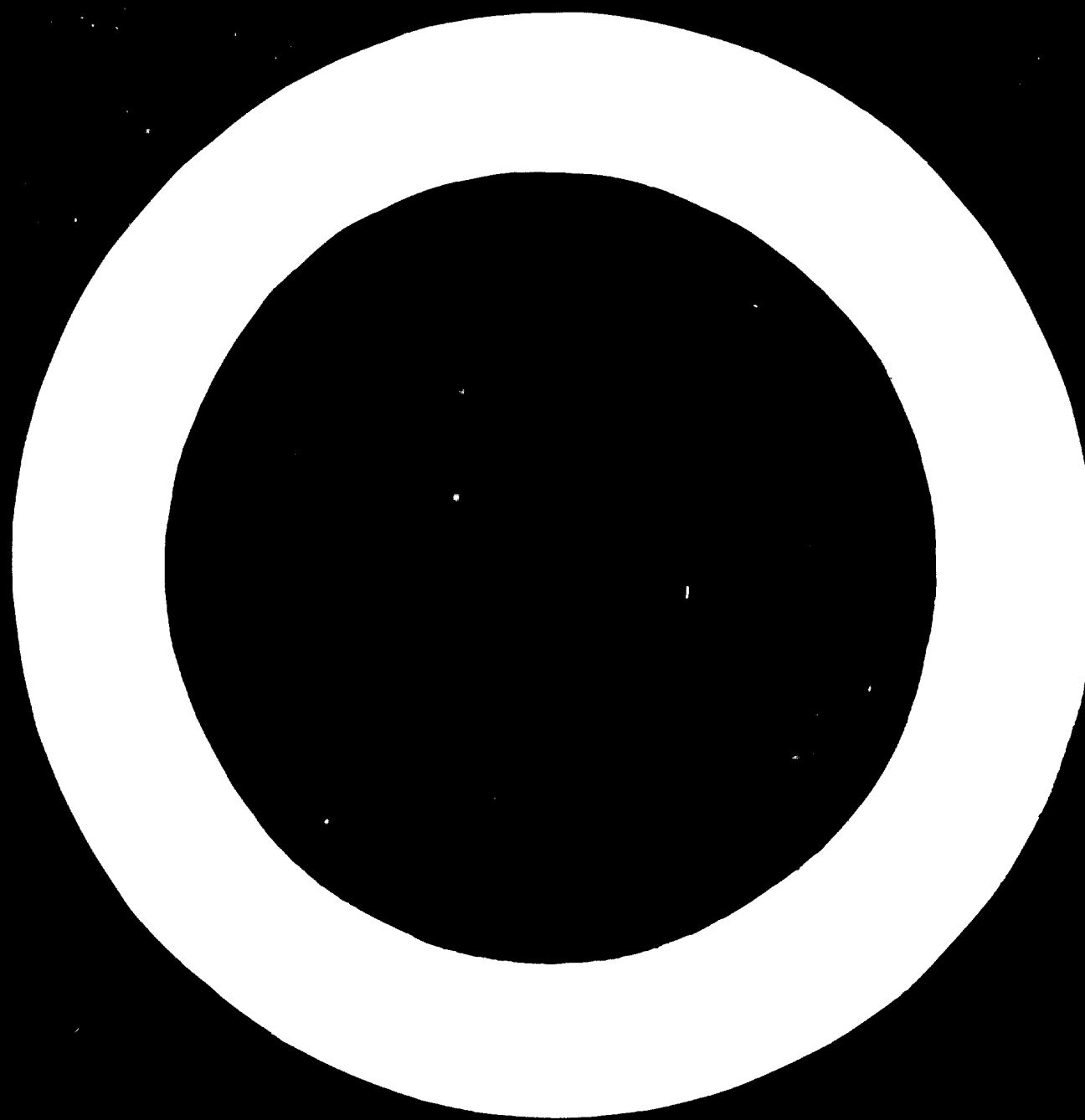
\* Manufacturing is understood to exclude purely assembly operations. In cases where proponents start as assembly operators, progressive manufacturing will be specified by the Board.

**PART II**

**PROCEEDINGS**

Four principal "issue papers" presented to the meeting as background for the discussion are reproduced in Part II, as follows:

1. The organization and operation of an investment promotion centre: Issues and alternatives
2. Promotion of the transfer of capital and technology from the industrialized to the developing countries, at the level of the project
3. The establishment of a portfolio of project reports on industrial investment opportunities in developing countries
4. The role of UNIDO. Current operations and suggestions for future action



**I. THE ORGANIZATION AND OPERATION OF AN INVESTMENT PROMOTION  
CENTRE: ISSUES AND ALTERNATIVES**

Table of Contents

Introduction

- I. The Pre-requisite Conditions for an effective and efficient National Promotional Effort
- II. The Organization of Centres on a Single Nation or a Multi-Nation basis
- III. Objectives and Functions
- IV. Organization
  1. The relationship between an Investment Promotion Centre and National Government.
    - (i) Department of National Government
    - (ii) Autonomous Governmental Body
    - (iii) Semi-Autonomous Body
    - (iv) Non-Governmental Body
  2. The composition of Policy-making Body
  3. The Personnel of a Centre
  4. Resources
- V. The Office Abroad
  1. The choice of suitable location abroad
  2. The relationship between Home Office and Foreign Office
- VI. Promotional Techniques used by an Investment Promotion Centre.
  1. Techniques used in the performance of the Information Function:
    - (i) Brochures
    - (ii) Identification of Investment Opportunities for Foreign Investors
    - (iii) Publication of Newsletters
    - (iv) Newspaper Advertisements
  2. Techniques used in performing Operational Functions
    - (i) Locating a prospective foreign investor
    - (ii) Sponsoring of ad hoc Meetings
    - (iii) Establishment of Advisory Committees abroad to help foreign branches
    - (iv) Sponsoring tours of foreigners to home country.

### Introduction

It is generally recognized that in order to accelerate the industrialization of developing countries the inflow of external resources as a supplement to the domestic resources of these countries must be stimulated.

External financing could be supplied in the form of a loan or an equity investment. The latter could be either portfolio or direct. Direct equity investment includes different forms of joint ventures between foreign and domestic capital.

Many developing countries have made systematic efforts to stimulate the flow of foreign equity investment and know-how into their industries. These efforts include the creation of a climate conducive to investment, the establishment of a specialized machinery to encourage investment and the development of various techniques for promoting it.

This specialized machinery is generally called the investment promotion centre, agency, or department. It is believed that it can achieve substantial results in a relatively short time and at low cost.

The purpose of this paper is to raise the issues faced by developing countries in the organization and operation of investment promotion centres and to list the various alternatives.

These issues are raised in order to provoke discussions among the participants at this meeting and to elicit their opinions and experiences in this respect. The issues pertain to:

- (a) The pre-requisites for an effective and efficient national promotional effort;
- (b) The organization of centres on a national or a multi-national basis;
- (c) Objectives and functions;
- (d) Organization;
- (e) Techniques used in the operation of an investment promotion centre.

PRE-REQUISITES FOR AN EFFECTIVE AND EFFICIENT  
NATIONAL PROMOTIONAL EFFORT

As a first pre-requisite for a successful promotional effort, a developing country should have a national policy of welcoming foreign investment, and a favourable investment climate established through the creation of an appropriate legal framework.

It should have a well-defined industrial investment programme that specifies the terms under which foreign investors can participate in its industrialization programme.

It should clearly identify the types of industries in which foreign investment is preferred.

It should also provide data about its natural resources and industrial infrastructure, including the available labour force.

The above set of requirements should be implemented before any effective and efficient promotional effort is launched.

THE ORGANIZATION OF CENTRES ON A NATIONAL  
OR A MULTINATIONAL BASIS

In most developing countries, investment promotion centres are established on a national basis. However, national investment promotion centres are costly, and usually beyond the means of smaller countries.

It has been suggested, therefore, that investment promotion centres could be established for a group of countries. Such a question has been raised in reference to the African countries, and a scheme for sub-regional investment promotion centres has been prepared by the United Nations Economic Commission for Africa.

The issue under consideration is whether it is feasible from a practical point of view to establish an investment promotion centre serving more than one country.

OBJECTIVES AND FUNCTIONS

When the establishment of a centre is under discussion, a fundamental question arises as to the scope of its activities. Should it engage in all types of activities, such as the identification of investment opportunities and their implementation?



Such a wide scope would include: (a) the identification of investment opportunities; (b) the preparation of technical and economic feasibility studies; (c) the preparation of bankable project reports; and (d) the "sale" of these reports to prospective investors.

Or should an investment promotion centre's activities be confined to promotion only (i.e., confine itself to "selling" bankable project reports to prospective investors)?

A number of functions, however, are implicit in the very nature of an investment promotion centre. They can be summarized as:

- (a) Creation of a reference library and collateral services relating to foreign investment, including:
  - (i) Current data on production, trade, markets, labour, resources, utilities, etc.;
  - (ii) Economic, financial, and social policies of the government;
  - (iii) Data on domestic industrial and banking facilities and institutions;
  - (iv) Laws and regulations bearing on foreign investment;
  - (v) Information on firms operating in the country.
- (b) Surveys of current possibilities for foreign investment and brief case studies on feasibility of particular industries.
- (c) Advice to domestic businessmen on attracting foreign capital, and the techniques for doing so, through:
  - (i) Assistance in preparing prospectuses of their plans;
  - (ii) Contacting potential foreign investors on their behalf.
- (d) Assistance to potential foreign investors by:
  - (i) Informing them about policies, programmes and current views pertaining to foreign investment;
  - (ii) Arranging contacts for them with business and government;
  - (iii) Acting on their behalf with government agencies;
  - (iv) Clarifying and mediating differences in the investor's and government's approach to a particular project;
  - (v) Helping them obtain necessary permits and licences.

- (e) Extensive publicity abroad regarding investment opportunities and general political and economic conditions in the country.
- (f) Approaches to particular business groups and businessmen abroad, with a view to getting them to invest in the country.
- (g) Creation of a climate conducive to foreign investment by:
  - (i) Calling the government's attention to obstacles hindering flow of investment funds;
  - (ii) Suggesting ways of simplifying procedures.
- (h) Maintenance of close contact with government officials concerned with foreign investment.

This list of functions is by no means exhaustive but rather represents the generally accepted scope of activities for a national investment promotion centre.

#### ORGANIZATION

Several important issues arise in connexion with the planning of an investment promotion centre in a developing country. These pertain to: (a) the relationship between an investment promotion centre and a national government; (b) the composition of policy-making bodies; (c) the personnel of the centre; and (d) resources.

##### The relationship between an investment promotion centre and a national government

The exact relationship between an investment promotion centre and a national government varies from country to country, depending on the political philosophy, and national objectives of each country.

For the purposes of this discussion, however, four types of relationships can be envisaged. They are discussed below.

##### Department of a national government

An investment promotion centre can be one of the departments of a national government.

There are several advantages in this form of organization, such as:

- (a) It has ready accessibility to the policy-making bodies of the government;
- (b) It could render advice to the government directly; and
- (c) The statements issued by such an investment promotion

centre can be taken as authentic declarations of governmental decisions.

There are also a number of disadvantages, such as:

- (a) the smooth operation of an investment promotion centre may be hindered by government bureaucracy and red tape;
- (b) foreign investors may be wary of dealing with a government department;
- (c) the officials of an investment promotion centre may be chary of having free discussions with potential investors, as their statements may be interpreted as commitments of the government; and
- (d) the officials of the centre may not like to make any commitments without prior approval and clearance from higher levels.

#### Autonomous governmental body

An investment promotion centre can be an autonomous body, free from interference by the governments in its day-to-day operations.

Some people are afraid that such a centre may be handicapped because it has to work within the general limits set by the government, and thus its efficiency would depend on the extent of these limits. Perhaps this would be a good form of organization for a centre if it were given wide discretionary powers in its conduct.

#### Semi-autonomous body

An investment promotion centre could be a semi-autonomous body. This form of organization is a hybrid between a government department and an autonomous board. Of course, it would also work within the framework of policies set by national governments.

The advantages of this form of organization would be that its officials could hold discussions and develop a dialogue with foreign investors without having to get approval and clearance in advance from national governments; also, a foreign investor may find the atmosphere within the centre to be more congenial than that of a government department.

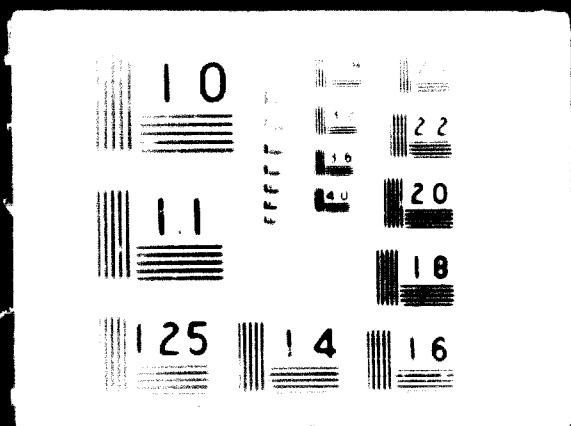


**14 . 12 . 73**

3 OF 3

D O

0765



The effectiveness of such an investment promotion centre is directly related to the degree of confidence placed on it by a national government. Its officials should maintain a close liaison with the government and keep well informed on its policy.

#### Non-governmental body

An investment promotion centre can be also a completely non-governmental body. For instance, it can be established by chambers of commerce and other institutions in the private sector of a country.

In such a case, it would only become an institution ancillary to the existing institutions in the private sector. It would lack the degree of authority implicit in other forms of organization.

#### The composition of policy-making bodies

The composition of the policy-making body of an investment promotion centre plays an important part in inspiring confidence on the part of foreign investors, and in widening its sphere of influence in a national government.

A policy-making body should be based on a wide variety of economic interests. It should have representatives from:

- (a) Different segments of industries;
- (b) Existing foreign ventures;
- (c) Financial institutions; and
- (d) High-level government officials.

#### The personnel of the centre

In selecting personnel to manage an investment promotion centre, it should always be borne in mind that the centre is a business organization whose business is to "sell" to foreign investors the investment climate and other attractions of the country sponsoring it.

Thus, the chief executive of an investment promotion centre should have either business experience or an industrial background. Preferably, he should come from the private sector of a country's economy, or have been closely associated with it during his career.

Usually, academic economists are not ideal candidates for this position because they are not normally as business-minded as career business executives.

Similar considerations should be borne in mind in selecting other personnel.

### Resources

An investment promotion centre is mainly a service organisation and, as such, it has to offer most of its services free of charge.

Its resources are mainly grants from national governments or from private institutions. In some cases, foreign-aid programmes of capital-exporting countries could be used to finance a part of the expenses of an investment promotion centre, especially in the initial stages. This would apply especially to the foreign-exchange cost.

### THE OFFICE ABROAD

Two important considerations which should be borne in mind in the establishment and operation of an investment promotion centre abroad are: (a) the choice of suitable location; and (b) the relationship between home office and foreign office.

#### The choice of suitable location

The location of a foreign office is very important and it should be carefully considered. Such offices should be located in capital-exporting countries which are either centrally planned or organized on a private-enterprise basis. Generally speaking, these offices could be advantageously located in financial and industrial centres, rather than in national capitals.

#### The relationship between home office and foreign office

It is important for an investment promotion centre to have a continuous two-way communication between its home office and its foreign office.

This could be carried out in several ways. For example, it could be done by daily reports giving information on discussions already held or about to be held with potential investors. It may be advisable to send monthly reports to the home office on the economic conditions prevailing in the capital-exporting country where the centre's foreign branch is located.

### PROMOTIONAL TECHNIQUES USED IN THE OPERATION OF AN INVESTMENT PROMOTION CENTRE

The two basic functions of an investment promotion centre are:

(a) to supply information to prospective investors; and (b) to induce them to invest in the developing country concerned. For analytical purposes, the first may be called an information function and the second an operational function. Of course, there is a great deal of overlapping between the two, and in practice it may not be possible to differentiate clearly between them.

A number of techniques have been developed by investment promotion centres to carry out these functions. They are briefly described here.

#### Techniques used in the performance of the information function

These techniques can be described as: (a) distribution of brochures; (b) identification of investment opportunities for foreign investors; (c) publication of newsletters; and (d) newspaper advertisements and the hiring of consultants in public relations.

#### Distribution of brochures

One of the techniques used in the distribution of information is the circulation of a series of brochures giving reliable information on subjects which are of special interest to foreign investors, such as the investment promotion centre itself, its objectives and functions, the names of its officers and their telephonic numbers, the address of the offices, the procedures to be followed, etc. They can also apprise foreign investors on the laws and regulations regarding the protection of their capital, the repatriation of profits, the incorporation of companies, the relevant tax formalities, details of taxation rates, etc. It is also desirable to print folders with the basic facts and figures of the domestic economies which are of particular interest to foreign investors.

#### Identification of investment opportunities for foreign investors

An efficiently operated investment promotion centre would indicate in advance (without waiting for any particular foreign investor to appear on the scene) the specific investment areas available to foreign investors.

The distribution of "fact sheets" highlighting the investment opportunities available to foreign investors in specific industrial fields may also be conducive to generating interest on the part of foreign investors who have specialized in those fields. With



respect to a particular industry, such "fact sheets" should describe briefly the current and anticipated future demand for the product, any targets established by the government or any statutory authority concerned with an increase in capacity, the value of current imports, and the specific scope available for foreign know-how and capital. Once a foreign investor has shown serious interest in a project, the investment promotion centre can assist him in drawing up detailed project reports. The foreign investor must work closely with the centre to ensure that the project report is tailor-made to his specific needs.

#### Publication of newsletters

The printing of periodical newsletters and the presentation of factual information on the current developments in the domestic economy by means of pamphlets, brochures, or other media are very useful. Such newsletters provide prospective entrepreneurs with up-to-date information on various projects and also serve to explain in simple terms recent government policies and procedures relating to industrial development in general and foreign investment in particular. These newsletters should present case studies of successful joint ventures as advertisements for attracting foreign investment, and should also inform foreign entrepreneurs of the experiences of other foreign investors operating in the developing country.

The compilation of a comprehensive mailing list is vital for the effective distribution of newsletters. Also, they should be addressed, whenever possible, to the executive concerned with foreign investment in the foreign corporation.

#### Newspaper advertisements and the hiring of consultants in public relations

An investment promotion centre with sufficient financial means can also place advertisements in newspapers and hire consultants in public relations. It may be advisable for the management of an investment promotion centre to have close contacts with the editors of important newspapers and professional periodicals so that they can be assisted in the publication of articles of topical interest to foreign investors. Publishing special supplements, particularly in important foreign financial papers, is also very useful.

#### Techniques used in the performance of the operational function

The techniques used for carrying out this function can be:

(a) locating prospective foreign investors; (b) sponsoring ad hoc meetings; (c) establishing advisory committees abroad to help foreign branches; and (d) sponsoring tours of foreigners to the home country.

Locating prospective foreign investors

The task of matching a project proposal with the appropriate foreign investor is one of the most important functions of an investment promotion centre. It is also a great test of its efficiency because a great deal of time and effort could be wasted in fruitless correspondence and search.

Since conditions vary from country to country, and the requirements of individual projects are different in each case, no predetermined rules are necessary, but in all cases the approach would involve two basic steps:

- (a) The identification of corporations engaged in the industry in question;
- (b) The isolation, from among the larger groups, of a small number of corporations who would be interested and willing to provide the assistance required.

The information on the above points can be obtained from the following sources: (a) reference directories; (b) manufacturers and trade associations; (c) banks; (d) government agencies of capital-exporting countries; (e) consultants; and (f) advertisements.

Sponsoring ad hoc meetings

Briefing sessions for businessmen in capital-exporting countries are also a good method of publicity and have the added advantage that foreign private investors can discuss their problems in their own country with responsible and well-informed officials of the investment promotion centre. Such discussions can cover a wide area, including the market for various products, the taxation policy of the government, the scope for foreign private-sector investment, the extent and nature of price controls, if any, the national government's approach of foreign collaboration agreements, the various sites available for industrial development, local staffing and managerial problems, if any, the procedural formalities for establishing industrial enterprises in the country, etc. These discussions help foreign investors to understand the conditions prevailing in the developing country.

Establishing advisory committees abroad to help foreign branches

Some investment promotion centres have formed local advisory committees in important industrial centres of the capital-exporting country in which they are located in order to further their aim. Groups of prominent businessmen, bankers, investment houses, economists, and industrialists in several key industrial concentrations are invited to join these committees and to assist the investment promotion centre in a purely honorary capacity, by providing valuable guidance in the implementation of the centre's objectives. These committees meet periodically to hear visiting dignitaries from the home country and to offer suggestions of their own. They function as a source of informed opinion to foreign businessmen on investment climate in the developing country concerned, thus serving as a link between the investment promotion centre and potential foreign investors. The value of their advice lies in the free expression of their views on the policies and procedures in the developing country concerned. These committees are frequently more effective in creating a favourable investment climate for the developing country than the investment promotion centre itself.

Sponsoring tours of foreigners to the home country

Another useful device in investment promotion is to sponsor visits of delegations of foreign businessmen, industrialists, bankers, etc., to the developing country. The principal objective of such a programme is to enable foreign investors to make their personal assessment of the investment climate in the developing country. Personal contacts with local business interests could also be conducive to the establishment of joint ventures. The programme can also bring together the members of foreign delegations and the appropriate government officials so that they can have a better and clearer understanding of government policies and procedures regarding foreign investment. In sponsoring such business delegations, it is essential to ensure that the members selected are fully representative of all industrial interests in their home country. It is useful to give representation to the chambers of commerce and financial institutions, and sometimes even to the government officials from capital-exporting countries dealing with aid policies.



II. PROMOTION OF THE TRANSFER OF CAPITAL AND TECHNOLOGY FROM  
THE INDUSTRIALIZED TO THE DEVELOPING COUNTRIES, AT THE  
LEVEL OF THE PROJECT

Table of Contents

Introduction

- I. Defining the Concept
- II. Main Problems of Implementation
  - A. Selection of projects
  - B. Locating a foreign investor or financier
  - C. The promoter
- III. Suggested Procedures for a Programme of Action by UNIDO
  - A. The Exploratory and Preparatory phase
  - B. "Selling" the project

### Introduction

An examination of the current ways of promoting the transfer of capital and technology from the industrialized to the developing countries reveals that:

- (a) This promotion is generally treated, both in conception and in practice, at the global level rather than at the level of the project;
- (b) The lack of facilities and programmes to promote the transfer of capital and technology between developed and developing countries is often neglected or even ignored.

There exist in a number of developing countries industrial projects that are viable economically, financially and technically; but in order to transform them into operating enterprises, adequate promotion is needed to interest foreign sources of investment or financing.

The object of this paper is to consider issues arising from the promotion of the transfer of capital and technology from the industrialized to the developing countries at the level of the project. The issues raised will be grouped as follows:

- (a) Definition of the concept of promotion at the level of the project;
- (b) Problems posed by the implementation of this technique of promotion at the level of the project;
- (c) Procedures for the implementation of the programme.

#### DEFINITION OF THE CONCEPT OF PROMOTION AT THE LEVEL OF THE PROJECT

The promotion at the level of the project is the action-oriented technique of organizing and implementing the transfer of capital and technology from the industrialized to the developing countries on the basis of individual industrial projects. The projects to be promoted are selected according to certain criteria from those that have been previously identified. A decisive criteria would be that the economic, financial, and technical viability of the projects selected for promotion should be established by a preliminary feasibility study.

To conform with the policy of the recipient country on the importation of capital and technology, and the desired form of assistance, three forms of promotion can be considered:

- (a) Promotion in the form of a credit, such as a long-term loan or other financing facilities (e.g., an export credit). This type of promotion provides external financing for locally owned industrial projects, whether private or public. It is suitable for countries whose policies favour local ownership of industrial enterprises, whether private or public.
- (b) Promotion of joint-venture enterprises which associate domestic and foreign capital. This formula is often preferred by countries whose need for foreign know-how - whether technical, managerial or marketing - is greater than their need for external financing.
- (c) Promotion of direct foreign investment.<sup>1/</sup>

The first form (promotion of external financing in the form of a credit) can serve all countries. The last two forms of promotion can only be considered for developing countries where the investment policy and climate are favourable to participation by foreign capital in the country's industrial development. In practice, the main difference between these last two forms is the size and nature of the foreign contribution and ownership. The choice between the three forms of promotion is a function of the project itself and a matter of preference on the part of the recipient country, the local entrepreneur, and the external sources of investment or financing.

Promotion at the level of the project, regardless of the form, consists of:

- (a) Collection and compilation of the information which an investor or financier needs in order to make a decision in principle about his potential interest in the proposed project;
- (b) Location of appropriate sources of investment or financing; submission of the selected projects to them and the stimulation of their interest;
- (c) Assistance in initiating a dialogue between the two interested parties, developing it, and orienting it towards a positive result based on a balanced reciprocity

---

<sup>1/</sup> That is, investment which results in foreign ownership of assets in the developing country.



of interests.

This tentative definition of promotion at the level of the project is made to facilitate discussion of the concept by participants. It is hoped that the discussion at the meeting will improve and finalize this definition.

PROBLEMS POSED BY THE IMPLEMENTATION OF THE  
TECHNIQUE OF PROMOTION AT THE LEVEL OF THE PROJECT

The implementation of promotion at the level of the project poses a number of problems; the contribution of the meeting in solving these problems will be particularly important. To facilitate discussion, these problems will be grouped according to the principal elements involved in this promotion, namely: the project, the investor or financier, and the promoter.

Selection of projects

The project is the axis of the conception of the promotion proposed here. Therefore, one of the first questions to be raised when considering its implementation is whether this promotion should necessarily be selective and, as a consequence, whether consideration should be given only to those industrial projects which meet the conditions generally required by the investor or financier, as well as by the recipient country. Therefore, what are the criteria for selection, and what order of priorities should be established for these criteria? Should it be agreed, for example, that this selection reconciles two kinds of considerations: namely those of the viability and profitability of the project itself?

Should this promotion be confined exclusively to those identified industrial projects whose viability has been established by at least a preliminary feasibility study? Or should it include assistance with the identification of projects, and the preparation of feasibility studies on these projects? Some people claim that the identification of industrial projects and studies of their economic, financial and technical feasibility is lacking in developing countries. Consequently, they consider that these two phases of the industrial investment process should be covered by the promotion programme. Others, while attaching equal importance

to the identification of industrial projects and to the study of their feasibility and profitability, believe that these phases should be the subject of a separate programme and that the promotion of foreign investment or external financing should be limited to projects already identified and established as viable.<sup>2/</sup>

As the promotion of the transfer of capital and know-how at the level of the project is supplementary to international and bilateral action in this field, one can consider that it would exclude those projects already benefiting from such action.

Which projects should be promoted: public, semi-public, or private? Should this promotion cover the three project categories?

The size of the project to be promoted may also be considered as a criterium for selection. Some people feel that large projects are generally given sufficient publicity and that the investor or financier interested in such projects often takes the initiative of expressing interest directly to the party concerned. As a result, therefore, this promotion should be confined to medium-scale projects and, when appropriate, to small-scale projects likely to interest a potential partner, and to arrive at sufficiently clear criteria for making a distinction between the two. Suggestions from participants will be particularly welcome on this point.

Lastly, insofar as UNIDO is concerned, it must be clearly understood that since the organization's activities extend only to the manufacturing industry, only projects for this sector could benefit from its promotion programme.

It is generally accepted that the success of promotion will depend to a large extent upon the selection of projects to be promoted; a good project will always find an interested party, whether he is an investor or a financier. The definition of a good project may vary according to the viewpoint from which the project is being considered, by whom it is being considered, and why it is being evaluated. For example, the investor will see it from a different point of view than the financier. It is generally accepted that although a financier always ascertains the feasibility of a project before deciding to finance it, the eventual failure of the enterprise will have less serious implications for him than for a partner in the investment, since the financier generally covers his risks with sufficient security before granting finance for the project.

<sup>2/</sup> Identification of industrial projects and the study of their feasibility are the subject of a separate programme of assistance by UNIDO to developing countries.

There is general agreement, however, that all projects should fulfil a certain number of conditions to ensure a minimum of success. Among these conditions, the security of the investment or financing, and the economic, financial and technical feasibility of the project, are of first importance in the eyes of the foreign investor or financier.

#### Locating a foreign investor or financier

The second phase in the process of promoting an industrial project is the "selling" of the project to an investor, a partner or a financier. How can appropriate sources of investment or financing be identified? How can those sources most likely to be interested in the project be located? How can an adequate presentation of the project be assured? Participants will no doubt provide the answers to these questions.

As explained above, the object of the promotion may vary both according to the policy of the recipient country and to the needs of the project itself - financing, joint venture, or direct investment. Should a distinction be made between sources of financing and sources of investment? Is it realistic to try and make this distinction? Do not the activities of certain institutions sometimes cover both financing and investment?

Should international and regional institutions be considered among the potential sources of financing or investment? Or should the search for appropriate sources be confined to development banks and other financing agencies specializing in long-term credit, to investment companies, and to manufacturers exporting capital equipment financed by export credits or in other ways? Should investment or financing be sought from all possible sources, whether public, private or mixed, or should a selection be made among these? If so, based on what criteria?

It would be unsuitable to try to provide here even an incomplete list of the potential sources. However, a discussion of the respective roles of some of these sources is extremely important for the implementation of the promotional techniques proposed here. The success of this promotion depends to a great

---

3/ Financing under a bilateral agreement between states is not considered part of the promotion proposed here.

extent on the interest of potential investors and, consequently, on their contribution to the external financing of industrial projects considered feasible economically, financially and technically.

The provision of financial assistance by United Nations organizations whose activities extend to the financing of industrial projects in developing countries is generally decided upon and implemented at the level of the project. Consequently, UNIDO's assistance in this field should be oriented towards other sources, particularly those sources which are outside the established "circuit" for industrial financing and investment in developing countries.

With this in mind, UNIDO will develop its programme for the promotion of the external financing of industrial projects in developing countries in close collaboration with other United Nations organizations, especially with the United Nations Development Programme, whose financial assistance has been particularly important in the field of pre-investment. Therefore, UNIDO's programme will supplement the UNDP's activities by promoting industrial projects for which feasibility studies have been financed by UNDP.

Collaboration between the World Bank Group and UNIDO can be equally well developed by presenting to the World Bank Group identified industrial projects studied and promoted with UNIDO's assistance.

In the industrialized countries, the large development banks may have their own promotion services for the identification, selection and study of specific industrial projects in developing countries. However, close collaboration between these banks and UNIDO could widen the possibilities of promoting the financing of these projects. Any concrete proposals which the representatives of the banks present at this meeting may make for the organization and the development of this collaboration will be particularly appreciated. Other proposals for the implementation of such collaboration will be suggested later in this paper.

Some people may feel that UNIDO's efforts would be particularly useful in supplementing the action of medium-sized institutions in the industrialized countries who can provide long-term financing. These institutions are generally not well equipped for the identification

of industrial projects in the developing countries, and their interests and financing possibilities are better suited to the needs of medium-scale industrial projects. This also applies to the manufacturers and exporters of industrial equipment whose facilities for identifying and selecting industrial projects in developing countries are relatively limited. The participants will be able to throw light on these questions.

The wide network of contacts between the banks and the various branches of industry and finance should enable the banks - even the commercial banks <sup>4/</sup> - to contribute actively to the location of possible investors or financiers and to the establishment of appropriate contacts with them. This activity can be carried out regardless of any potential interest the banks may have in financing or investing in any given project. Thus, despite the fact that the nature of their financial resources does not allow commercial banks to participate actively in the financing of industrial investment in developing countries, they could play an important role in the process of industrial investment promotion. In many cases, this process will give rise to some operations which are of direct interest to the banks. The contribution of bank representatives in defining their role in the field of industrial investment promotion, and the possible forms which their collaboration might take, will be particularly appreciated.

It may be worth pointing out that the confidential nature of any promotion operation at least in the initial stages of the promotion process emphasizes the value of the role which the banks can play in this field.

#### The promoter

What is the role of the promoter of an industrial project?  
Who can most efficiently carry it out?

Is the role of the promoter of an industrial project similar to the role of the promoter of a new commercial product on the market? Does he identify the industrial project, or is he the person who locates a possible "buyer" (investor, partner or financier) for the project? Does he contact the "buyer", submit the project to him, sound out his interest in it, and stimulate this interest to the point where the "buyer" himself expresses enough interest to ensure that contacts are established

4/ Clearing banks, etc.

**and negotiations started between the interested parties?**

Can this promotion be carried out by the local entrepreneur himself (if he exists), by a specialized national agency (such as a promotion centre or an industrial bank), or sometimes by a national or foreign intermediary or an international agency? What are the respective roles of national and international agencies in this field?

To make up for lack of local promoters, to assist developing countries in their efforts to promote the transfer of capital and technology from industrialized countries, and also to supplement international and bilateral action in this field, UNIDO has conceived and worked out, on a provisional basis, a comprehensive programme for the promotion of industrial investments in developing countries. This programme includes institutional action, the training of national personnel, an advisory service on the policies to be followed in this field, and operational assistance at the project level. This programme is described in a separate note submitted for discussion at this meeting.<sup>5/</sup> Only the operational part of the programme is described in the present paper; several procedures for the implementation by UNIDO of the concept of promotion at the level of the project are suggested in the following paragraphs.

#### PROCEDURES FOR THE IMPLEMENTATION OF THE PROGRAMME

It is suggested that the procedure to be followed by UNIDO in the promotion at the level of the project should be implemented in two phases:

- (a) A first phase of exploration and preparation;
- (b) Where the first phase gives positive results, a second phase to "sell" the project will be initiated.

It is further suggested that both phases of this promotion should be carried out by staff members of UNIDO, in order to safeguard its confidential nature. This will also make it possible to respond rapidly to requests for assistance submitted to UNIDO, by avoiding the recruitment of experts.

---

<sup>5/</sup> See the issue paper entitled "The role of UNIDO".

**The exploratory and preparatory phase**

The first phase starts with exploratory work to confirm that the requesting country has industrial projects which are ready for promotion (i.e., the country has projects which have been identified and whose viability has been established by at least a preliminary study).

In agreement with the authorities of the requesting country, projects would be selected among those ready for promotion, and an order of priority would be established.

At the same time, certain points must be clarified during this phase, especially regarding the following questions:

- (a) Object of the promotion: Is it to obtain external financing, and if so, in what form? Or is it to locate a foreign investor? In this case, what is the nature and proportion of his participation - financing, management skills, provision of know-how, marketing skills, etc.?
- (b) Possible preference of the recipient country as to the source of financing or investment: Nationality, institutional source (bank, investment company, equipment supplier, etc.) and legal status (private or public body), etc. Some considerations may perhaps guide or limit the preference of the requesting country.

If the results of the exploratory work described above are positive, the first phase is completed by further work of a preparatory nature. The object of this preparatory work is to ensure that the selected projects are presented in an adequate way which is in keeping with the normal requirements of investors or financiers.

It is suggested that two files should be prepared:

- (a) A general file on the requesting country;
- (b) An individual file for each project.

The general file should contain a review of political, economic, and other conditions prevailing in the developing country, and it should give a brief description of the various subjects which normally interest a financier or investor.

The individual file for each project should include the basic information needed for its evaluation.<sup>6/</sup>

The process of "selling" the industrial project to a financier or investor begins when these files have been completed.

"Selling" the project

At this stage the promotion process reaches its climax.

How should one attempt to "sell" an industrial project from a developing country to an investor or a financier in an industrialized country?

It is suggested that UNIDO establish contacts with banks and other financial institutions, as well as with professional organizations in capital-exporting countries, and co-operate with them in locating potential investors, financiers, or suppliers of equipment who can provide financing, know-how or other services. This co-operation may also extend to the evaluation of the position of the prospective financier or investor before he is approached and his potential interest sounded out. At the same time, these organizations may help UNIDO establish the necessary contacts with sources of finance or investment and prepare the way for direct negotiations between the interested parties.

On the basis of this co-operation, the UNIDO staff member who is responsible for the promotion of specific industrial projects will be able to establish contacts with the identified potential sources of investment or finance by making use of the two files mentioned above. He will provide these sources with any additional information they may need to make a decision in principle about the specific project.

Interest in an industrial project on the part of a financier, investor, or equipment supplier should be expressed in the form of concrete proposals to the sponsor of the project. The establishment of a dialogue between the two parties will depend on these proposals and on the reaction they elicit on the part of the sponsor of the project. The promotion process will be pursued

---

<sup>6/</sup> The issue paper entitled the "Establishment of a Portfolio of Project reports on Industrial Investment Opportunities in Developing Countries" provides outlines for preparing these files.

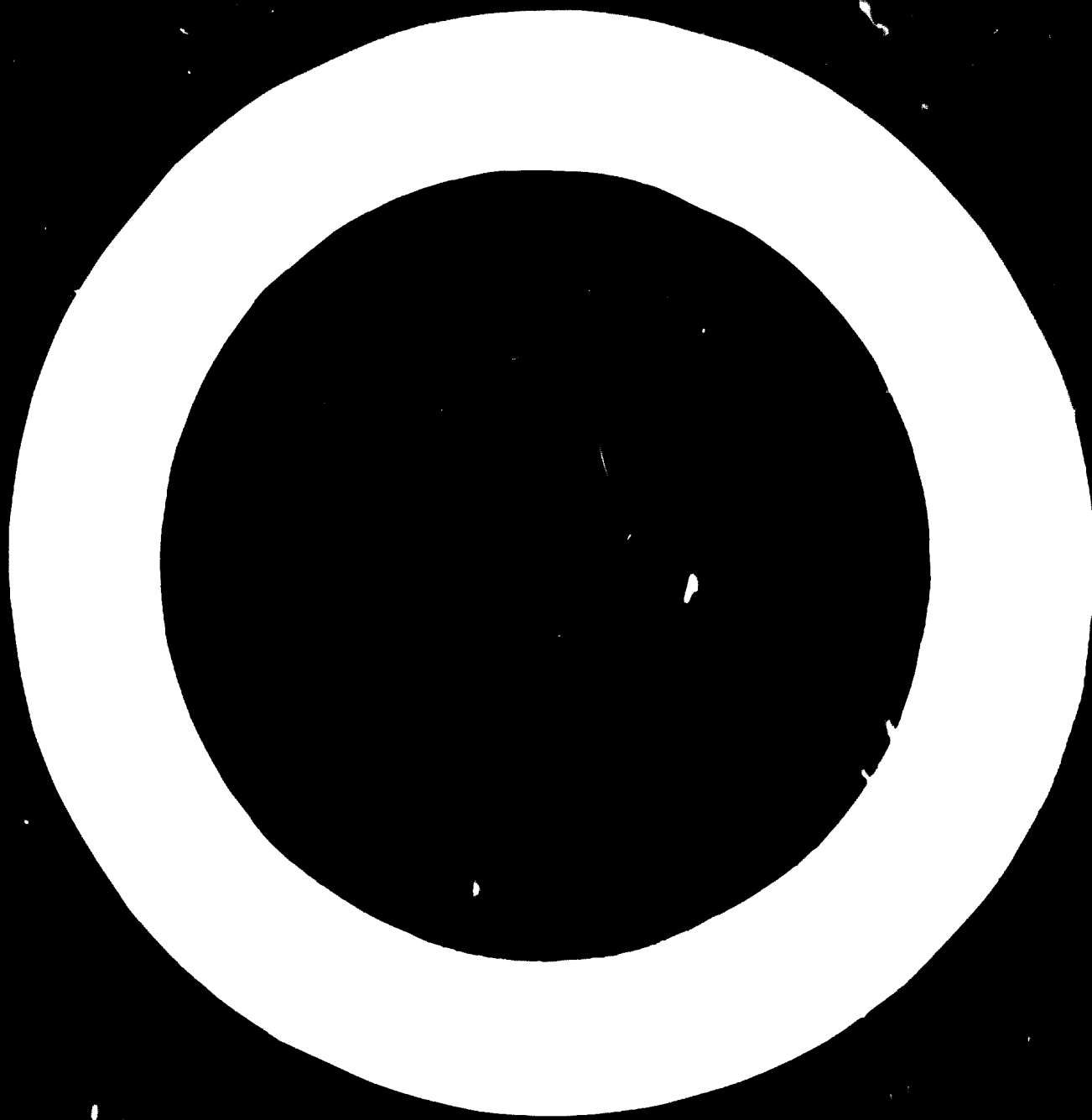


in such a way as to stimulate this dialogue and maintain its momentum until it develops into concrete negotiations on the terms and conditions for investing in or financing the project.

It is therefore suggested that the negotiations between the two parties should be based upon an ad hoc programme worked out by UNIDO in collaboration with the interested parties.

Once the negotiations between the two parties have entered a constructive phase, UNIDO's assistance in the field of promotion will have achieved its goal.

Additional assistance for the realization of the project, its organization and its operation, may be requested in other fields, if necessary.



**III. THE ESTABLISHMENT OF A PORTFOLIO OF PROJECT REPORTS  
ON INDUSTRIAL INVESTMENT OPPORTUNITIES IN DEVELOPING  
COUNTRIES**

Table of Contents

- I. Introduction
- II. The possible need for such an approach
- III. Issues
  - A. Advantages of setting up such a machinery
  - B. Methods of selecting and promoting project reports
  - C. Information to be contained in a project report
  - D. Services required to implement the approach under discussion in this paper
  - E. Institutional arrangements
  
- Annex A - A preliminary list of the overseas offices established by the national investment promotion machinery of selected developing countries
  
- Annex B - Suggested outlines for the project prospectus

### Introduction

The need for improved facilities and programmes for the active and systematic promotion of industrial investment at the project level is widely recognized in the developing and industrialized countries alike.

A plan of action to help fill this gap has been conceived. The proposal consists of the development, under international auspices, of the appropriate machinery for the promotion of a world-wide portfolio of project reports on industrial investment opportunities in developing countries.

More specifically, this machinery could assist developing countries in the preparation of reports on economically worthwhile and commercially attractive projects; it could also help them locate competent foreign (and domestic) entrepreneurs, technical know-how, and finance for the effective implementation of the projects.

One advantage of developing such a service at a central point would be that the experience gained in locating appropriate sources of capital and know-how in the industrialized countries could be accumulated and systematically recorded; as a result, this vital (and frequently costly) element of the investment promotion function might be achieved more effectively and efficiently.

The aim of this paper is to discuss some of the important issues which generally arise in connexion with the organization of an adequate system of investment promotion, and to elicit the views of participants to this meeting in this respect.

The proposed portfolio would consist of regularly up-dated project reports on potential industrial investment opportunities in developing countries.

The object of organizing the portfolio would be to serve interested parties in both the developing and the industrialized countries. For the developing countries, the portfolio could include related supporting services, in addition to the confidential information regarding the promotion of individual projects described in the issue paper, "The organization and operation of

an investment promotion centre: issues and alternatives". For the benefit of the industrialized countries, the portfolio could be classified by the types of industry with available investment opportunities. Potential investors from the industrialized countries would find in this service a central channel through which they could pursue their interest in establishing or financing specific types of new industries in developing countries.

The question arises as to whether the establishment of such a central portfolio of project reports would be a useful supplement to existing channels for investment promotion. In considering this question it may be advantageous to review the channels through which industrial investment opportunities are promoted at present.

EXISTING CHANNELS FOR THE IDENTIFICATION OF INVESTMENT OPPORTUNITIES AND THE NEED FOR A NEW APPROACH

Many manufacturing firms from industrialized countries can easily identify industrial investment opportunities in developing countries either because they already have their own manufacturing facilities in the developing countries concerned or else because that country is an export market for their products. Furthermore, manufacturers of plants and machinery in the industrialized countries are increasingly on the lookout for new investment opportunities. These channels, together with the initiative of entrepreneurs in the developing countries, and the existence of diplomatic, trade and other forms of representation of both developing and industrialized countries, contribute to the identification of industrial investment opportunities, which is the basis of the present flow of private capital into industrial projects in developing countries.

A growing number of developing countries are creating their own specialized home-based investment promotion machinery because they realize that other available channels are not sufficient by themselves. Furthermore, the more recent trend of extending the national investment promotion function by creating on-the-spot representation can play an essential role in developing a wider and more selective approach to the identification of potential

sources of technical know-how and finance in the industrialized countries.

These on-the-spot contacts with potential sources of technical know-how and finance constitute the basis for promoting industrial investment at the project level. The creation of a portfolio of project reports is suggested for consideration as a natural extension of this function.

#### ISSUES

The issues that arise in this connexion can be grouped for the purpose of this paper under the following headings:

- (a) Advantages of establishing such a machinery;
- (b) Methods of selecting and promoting project reports;
- (c) Information to be included in a project report;
- (d) Services required to implement the approach under discussion in this paper;
- (e) Institutional arrangements.

#### Advantages of establishing such a machinery

Participants are asked to consider whether the availability of such a central portfolio of project reports would be of assistance to developing countries and to potential investors from the industrialized countries. Assuming the service can be developed on an efficient basis, would it be an effective supplement to the national investment promotion machinery (including overseas representation in some cases) organized by the developing countries themselves? If so, how many developing countries are likely to use the service proposed and how many projects would they wish to promote in this way?

#### Methods of selecting and promoting project reports

How should the central portfolio of project reports be developed? Should the service organizing the portfolio be prepared to take into consideration any project submitted by a developing country, or should it be more selective? Should the suggestions given in the issue paper cited in paragraph 7 be considered in the selection of projects, or should all new projects be investigated in their initial stages and later on when

**experience has been acquired?**

The answers to these questions are related to the techniques used in the promotion of project reports. Should the confidential and selective approach be used in the promotion of individual projects, or can this be supplemented by a direct-mail advertising approach which circulates resumés of all available projects among a wide range of interested parties in the industrialized countries? If so, how often should the world-wide list of investment opportunities be circulated (monthly, bi-monthly, or quarterly)?

The direct-mail advertising approach has the advantage of potential access to a wider audience but it also has several disadvantages, such as its "hit-or-miss" element and its lack of selectivity.

Its success would depend on (a) the extent to which developing countries were prepared to use the service, (b) how carefully the investment opportunities were described, (c) whether the list could be classified so that investors from the industrialized countries could easily identify projects of especial interest to them, (d) a careful selection of recipients (mostly business executives) for the mailing list, and (e) a quick and effective follow-up of all the potentially interested parties.

The direct-mail approach is probably best suited for the promotion of a wide range of investment opportunities which are to be included in the national development plan of a country, but which are not studied in great detail. Some of these lists merely identify those gaps in the industrial structure of the country which the government would like to fill; others list industrial opportunities in more detail.

Participants at the meeting might consider:

- (a) Whether such an approach is worth developing in principle;
- (b) How much and what type of information is required to define an investment opportunity and attract the interest of the reader;
- (c) What type of industrial classification would businessmen in the industrialized countries find most easy to use:



the United Nations Standard Industrial Classification, the Standard International Trade Classification, or some other type;

- (d) How frequently should the list be published;
- (e) Should a favourable response be followed up by independent promoters or by allowing the interested parties in both the industrialized and the developing country to get together on their own;
- (f) How can participants from industrialized countries help in the compilation of a mailing list (especially in identifying the right person in each business firm or organization);
- (g) Can the experience of developing countries and their mailing lists be of help in this approach.

Information to be included in a project report

The success of both the portfolio of project reports and the direct-mail advertising would depend on the quality of the project report or project prospectus.

The project prospectus should contain all the necessary information to allow the potential investor to make a decision in principle as to whether the project warrants further investigation.

Since the typical reader of the project prospectus will be a busy business or banking executive, the prospectus should be brief, clearly written, and to the point. It should also be accurate and consistent so that the reader develops confidence in the local promoters of the project.

Appendix B outlines a minimum list of points which should be covered by projects at an early stage of formulation. It gives information either on the establishment of preliminary contacts or on the listing of investment opportunities for direct-mail circulation, and it also includes answers to questions on the type of technical know-how and the amount of finance requested from foreign sources.

Appendix B also outlines those points which would reassure potential sources of external finance when considering projects at an advanced stage of formulation and preparation. It is

recognized that this list is rather idealistic and that the information obtained from developing countries on specific projects will be classified between well-prepared and partially prepared projects. Participants are asked to consider whether the two outlines suggested in Appendix B can be useful guides in the development of the project prospectus to be used during the compilation of the central portfolio of project reports.

Services required to implement the approach under discussion in this paper

The speed and effectiveness of a portfolio of projects will depend on the range of supporting services developed. These might include:

- (a) the compilation of a central register of information on potential sources of technical know-how and finance in industrialized countries;
- (b) assistance in formulating projects for promotion so that a more detailed project prospectus can be prepared; and
- (c) the distribution of brochures describing the investment climate and industrial infrastructure of developing countries for the benefit of potential sources of technical know-how and finance in the industrialized countries.

Central register of information on potential sources of technical know-how and finance in industrialized countries

Financial institutions in the industrialized countries who are willing to supply finance for industrial projects in developing countries are relatively easy to identify. UNIDO is compiling a register on potential sources of finance which will be kept up to date. Information on the financing of plant and machinery exports by means of export credit insurance and other schemes supported by the governments of industrialized countries is also well documented, although not yet well known in the developing countries.

A register of potential sources of technical know-how would be more difficult to compile. It would have to distinguish between (a) firms interested only in supplying plant and machinery, and (b) firms interested in financing projects, as well as contributing technical know-how and possibly management skills.

Such a register could do much more than just assist in the promotion of portfolios of project reports at the request of developing countries. The main issues are (a) how should the register be compiled and (b) who should have access to it.

A uniform classification of technical know-how would be needed, and it should be identical to that used to compile the list of world-wide investment opportunities for direct-mail circulation. The choices are to use (a) the United Nations Standard Industrial Classification of All Economic Activities, (b) the Standard International Trade Classification (to facilitate market research), or (c) some other form of classification.

How can industrialized countries be of assistance in compiling such a register? Would a combination of the various sources of technical know-how used by developing countries in the construction of plants be of assistance in preparing the register? Should the industrialized or the developing countries nominate a duly authorized correspondent to help compile this central register?

The existence of a central register of technical know-how would be a strong incentive in encouraging developing countries to utilize the "portfolio of project reports" and other services offered by a central investment promotion service. The compilers would therefore have to decide whether or not the national investment promotion agencies and the entrepreneurs in developing countries should be given free access to it. A separate enquiry service may have to be set up to handle such requests.

#### Assistance in formulating projects for promotion

The promotion of individual projects by independent investment promoters would be more effective if developing countries requesting this service were to compile enough information on each project in order to create a detailed project prospectus. The improvement of established national investment promotion centres, designed specifically to study and formulate projects in developing countries, should be of help in this respect.

Some specific cases will require assistance in the formulation of projects. Should staff with the required skills and funds to finance feasibility studies (where needed) be trained on a larger and more flexible scale than is available at present? Should these

services be linked to the other services offered? If so, how?

Distribution of brochures describing the investment climate and industrial infrastructure of developing countries

Adequate information about the investment climate and industrial infrastructure existing in each developing country will be very useful to independent investment promoters seeking sources of technical know-how and finance in the industrialized countries.

To what extent, therefore, should the promotional literature published by the authorities in each developing country be made a prerequisite for the use of the service? Would the compilation of a central register of information on all developing countries be of value? Should such a service be advertised in the industrialized countries? Should the developing countries be charged for the organization and mailing costs of such a service?

Institutional arrangements

It has been suggested in this paper that a logical development of the promotion of industrial investment at the project level in developing countries could be the compilation of a portfolio of project reports and the development of a range of related supporting services.

Participants at this meeting will become aware of the great interest shown by developing countries in the development of these services and UNIDO's prompt response to their requests. A number of developing countries, even at this early stage, have shown their interest in the portfolio of project reports by preparing projects for the consideration of participants from the industrialized countries present at this meeting.

If the suggested approach seems a sensible one, the obvious next question would be: how should the functions described above be organized and financed in the future? Should they be grouped as a central service? If so, where? and how should the rapid development of the service be financed? In the later stages of the meeting, it is hoped that participants will be able to express preliminary views on these points.

Appendix A

A preliminary list of the overseas offices  
established by the national investment promotion  
machinery of selected developing countries

North America

Europe

New York

Cologne

Barbados  
Chile  
China  
Greece  
India  
Israel  
Jamaica  
Korea  
Pakistan  
Puerto Rico  
Singapore  
Trinidad and Tobago

Greece

Düsseldorf

India  
Pakistan

London

Hong Kong  
India  
Jamaica  
Malta

Milan

China

Paris

Puerto Rico

Rotterdam

China

Stockholm

Singapore

Appendix B

Suggested outlines for the project prospectus

The aim of this appendix is to provide two suggested outlines for a project prospectus to be used in the promotion of a portfolio of projects.

The two outlines represent two possible extremes. The first outline is based on projects at an early stage of formulation and includes preliminary answers to questions on the type and size of foreign assistance needed. The second outline is based on advanced projects and presents a summary of the typical questions which might be asked by bankers or potential sources of finance.

The second outline is far too idealistic, and a project prospectus based on a combination of both the first and the second outlines seems the most practical solution. This will frequently be the case if the banker is confident that the management (local and foreign) has been careful to eliminate all potential weaknesses in the project's formulation.

Participants are asked:

- (a) Whether the first and second outlines are useful guides;
- (b) To make suggestions for their improvement;
- (c) Whether the second outline includes the answers to most of the questions asked by financing institutions in their own standard outlines of information.

The continuing success of a project will depend on the quality of its management. Participants might consider whether the project prospectus can help assess this vital element, and if so, how this might be done.

Outline 1

PRELIMINARY INDICATIVE OUTLINE FOR A PROJECT AT AN EARLY STAGE OF FORMULATION FOR WHICH ASSISTANCE IN IDENTIFYING SOURCES OF TECHNICAL KNOW-HOW AND FINANCE IS REQUESTED

- (a) Type of product(s) to be manufactured;
- (b) Proposed capacity for the plant; estimated cost;
- (c) Past and future growth of home market, potential export markets; projected sales in these markets and share of markets expected; existing and planned plants

- competing with the project;
- (d) Price at which product is sold at present; main sources of supply; tariff protection; proposed selling price for output of new plant;
  - (e) Indicate whether the project has been identified by the government, its investment promotion agency, or the promoter; is the project in accord with the government's plans and policies? What priority does the government attach to the project's early implementation?
  - (f) Who are the local promoters of the project? What is their previous business experience? How much capital can they provide themselves?
  - (g) Has any location been selected? For what reasons?
  - (h) What sources of raw materials and other essential supplies are proposed?
  - (i) Can suitable long-term supplies of raw materials, labour, power and other industrial infrastructure requirements be provided?
  - (j) Are the promoters of the project seeking information on
    - (i) Potential suppliers of plant and machinery;
    - (ii) Potential technical partners who would have no management responsibility;
    - (iii) Partners who would contribute both technical and management expertise.
  - (k) Identify the industrialized countries which would be preferred by developing countries as potential sources of technical know-how and finance, for tax or other purposes;
  - (l) How much finance will foreign sources of know-how and finance expected to supply? What terms, what percentage of the total equity, what rate of interest on loans, etc. could be offered to the potential foreign partner? Can technical services and royalty fees also be considered?
  - (m) Have any foreign firms been contacted about the project? If so, who?
  - (n) Have any feasibility studies been made?

## Outline 2

### SUGGESTED OUTLINE FOR THE PROJECT PROSPECTUS OF AN INDUSTRIAL PROJECT AT AN ADVANCED STAGE OF PREPARATION FOR WHICH ASSISTANCE IN OBTAINING EXTERNAL FINANCING IS REQUIRED

#### Summary outline

The summary outline should identify the product to be manufactured, the proposed capacity of the plant, the total cost of the plant and the total financing requirements in terms of local currency and foreign exchange. It should indicate the amount and form of financing requested and whether management and technical assistance is also required and welcome.

#### The promoters

What pattern of ownership is proposed for the project? Is the local promoters' stake large enough to ensure their continuing interest in the project? Are the local promoters reliable and financially responsible?

#### Management

Is the project assured of competent and expert management? What experience does the proposed local management have? Will this be supplemented by foreign management? If so, at what level? Who will provide technical supervision for the construction of the plant?

#### Government acceptance

Is the project basically sound from the national economic point of view? Is it in accord with the government's industrial plans and policies? What priority does the government attach to its early implementation? Does the proposed venture conform to the national laws and regulations covering investment? Have the necessary licences, etc., been obtained?

#### Commercial soundness

Is the project commercially sound? Have realistic market forecasts been made, the strength of possible competing firms accurately assessed, and the share of the expected market carefully estimated? Have realistic selling prices been assumed in relation to existing sources of supply and the current selling price? Is



protection from foreign competition assured? Are the estimated profits based on a realistic assessment of all cost elements and of the level of capacity at which the plant will operate?

Technical soundness

Are the construction and engineering plans technically sound? Is the manufacturing process chosen appropriate for the climate and location, and is it up to date? Have the capital costs of plant and machinery been carefully estimated? Have the forecast operating costs for the plant been compared with existing plants of a similar size using the same process? If not, are they realistic?

Financial soundness

What type of capital structure is proposed for the enterprise? Is it appropriate for the type of venture contemplated? Has sufficient provision been made for working capital, particularly in the initial years? Have detailed financial forecasts been prepared for the next 5 to 10 years on profit and loss statements and on the source and application of funds? Do these forecasts show that the loans requested can be repaid on schedule and the forecast dividend policy maintained?

Raw materials and other supplies

Can assurance be given that suitable long-term supplies of raw materials, labour, power, and other infrastructure requirements will be available at the price listed in the profit projections?

Detailed feasibility studies

Have any independent studies been made on technology, costs, market, or other areas? If so, when and by whom? What further studies are proposed?

Proposed sources of finance

What is the total financing requirement (a) in local currency, and (b) in foreign exchange? How is the total requirement expected to be met? Which potential sources have been approached to date? What was the response?



Table 1 (cont'd)

	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	
	0	1	2	3	4	5	6	7	8	9	10

- 11. Gross investment - year end
- 12. Net investment - year end
- 13. Interest, less tax at ..... per cent
- 14. Net profit plus interest after taxes
- 15. Return after tax on gross investment a/
- 16. Return after tax on capital employed b/
- Financing plan (currency, units)
- 17. Profit before depreciation and interest
- 19. Less taxes
- 19. Cash generated
- 20. Equity capital ( shares)

Note: Figures in brackets can indicate negative figures, e.g. figures in brackets in line 8 would indicate losses  
a/ The ratio of line 14 to 11  
b/ The ratio of line 14 to 12

Table 1 (cont'd)

	Year	Year	Year	Year	Year	Year	Year	Year	Year		
21. Long-term loans capital	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
22. Bank borrowing											
23. Cash balance brought forward from previous year											
24. Total funds available											
25. Fixed assets											
26. Increase in working capital											
27. Interest											
28. Repayments of bank borrowing											
29. Repayments of long-term loans											
30. Dividends											
31. Cash balance carried forward to next year											
32. Total funds used											

International

The following information is being furnished to you for your information and guidance. It is based on the information available to the Bureau of Economic Warfare at the time of the preparation of this report. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

The information is being furnished to you for your information and guidance. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

The information is being furnished to you for your information and guidance. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

**IV.**

**THE ROLE OF UNIDO**

**RECENT OPERATIONS AND SUGGESTIONS FOR FUTURE ACTION**

The following information is being furnished to you for your information and guidance. It is based on the information available to the Bureau of Economic Warfare at the time of the preparation of this report. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

The information is being furnished to you for your information and guidance. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

The information is being furnished to you for your information and guidance. It is not intended to be a complete statement of the facts and circumstances, but rather a summary of the information available to the Bureau at the time of the preparation of this report.

### Introduction

Among the various functions assigned to UNIDO by the United Nations General Assembly Resolution 2152 (XVI) was that of supplying "assistance at the request of governments of developing countries in obtaining external financing for specific industrial projects by giving guidance on the preparation of requests, by providing information on the terms and conditions of the various financing agencies, and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing".

This mandate of the General Assembly gives guidelines for determining the scope of the activities and functions of UNIDO in the field of promotion of industrial investment.

The purpose of this paper is to inform this meeting of the type of activities that UNIDO is presently engaged in with respect to industrial investment promotion, and to raise the issues that it faces in this respect.

The participants at this meeting are "the consumers" of UNIDO's services in the promotion of industrial investment. It is needless to add, therefore, that any suggestions for the improvement and refinement of these services will be more than welcome.

Services rendered by UNIDO in the field of industrial investment promotion may be divided into two categories for analytical purposes: (a) services created for the benefit of developing countries, and (b) services designed to supplement efforts of promotion in developed countries.

### DEVELOPING COUNTRIES

UNIDO assists developing countries in the field of investment promotion:

- (a) By helping them establish or improve their institutions;
- (b) By helping them train their people in techniques of investment promotion;
- (c) By providing advisors.

### INSTITUTIONS

UNIDO's activities in the institutional field have been already explained at length in the issue paper pertaining to the machinery on investment promotion. They are summarized below.

With respect to existing investment promotion centres UNIDO can:

- (a) Evaluate their current performance;
- (b) Suggest changes in their policies;
- (c) Suggest changes in their organizational set-up;
- (d) Suggest improvements in operational procedures.

The main issue would be whether it is possible to develop criteria for evaluating the performance of an investment promotion centre, in case there is any relationship between the total money outlay and the inflow of external resources. That is to say, for each dollar of outlay there is an inflow of a certain number of dollars of external investment.

With respect to the establishment of new investment promotion centres UNIDO can help in:

- (a) Determining the need for an investment promotion centre and in determining what type of a centre it should be;
- (b) Organizing investment promotion centres;
- (c) Operating a newly created investment promotion centre.

This kind of assistance also raises a number of questions which may be briefly listed as follows:

- (a) Could new centres be established to serve a group of nations?
- (b) What should be their objectives and functions? Is it possible to tailor them to suit the economic conditions present in each specific country, or should they adhere to national objectives?
- (c) What should be the relationship between a national government and an investment promotion centre?
- (d) What criteria should be used in devising suitable promotional techniques?

### TRAINING

Developing countries do not have enough trained personnel in techniques of industrial investment promotion and lack adequate facilities for this purpose.

Being aware of this inadequacy in the resource structure of developing countries, UNIDO places great importance on the proper training of the citizens of those countries in the field of investment promotion.

This training is carried out through the organization of training programmes and workshops. UNIDO and UNITAR organized jointly a ten-week training programme on Techniques of Investment Promotion in March 1968. Similarly, in 1966 and 1967, UNIDO organized workshops on Project Formulation and Evaluation for Ceylon, India, and Mexico.

A series of similar training programmes are being organized at the request of developing countries. They involve programmes organized on a national and regional bases.

In this connexion one is faced with the following questions:

- (a) What more can UNIDO do to improve the skills of the nationals of developing countries?
- (b) Is the scope of the present training programmes adequate?
- (c) Should the training programmes be oriented towards lectures or on-the-job training?

### PROVISION OF ADVISORS

At the request of developing countries, under the technical assistance programme, UNIDO provides the services of experts in the field of investment promotion.

The main question is whether it would be more advisable to provide the services of these experts under the Operation Executive Programme (OPEX) or only as advisors?

### DEVELOPED COUNTRIES

UNIDO is assisting developing countries to locate competent



enterprises and supplementary sources of financing in developed countries. This assistance is rendered through: (a) general promotional efforts, and (b) promotion of industrial investments at the project level.

#### GENERAL PROMOTIONAL EFFORT

It is not possible to discuss in detail UNIDO's activities in the field of industrial information and promotion.

It may be worthwhile, however, to point out the efforts being made to build "Industrial Opportunities Matrix". This programme attempts to assist developing and developed countries to obtain adequate information on industrial opportunities on a world-wide basis.

Other efforts include the organization of promotional tours by delegates from developing countries in developed countries, and the organization of information centres at international exhibitions.

#### PROMOTION OF INDUSTRIAL INVESTMENT AT THE PROJECT LEVEL

This kind of assistance has been explained at length in the issue paper "Promotion of the transfer of capital and technology from the industrialized to the developing countries, at the level of the project".

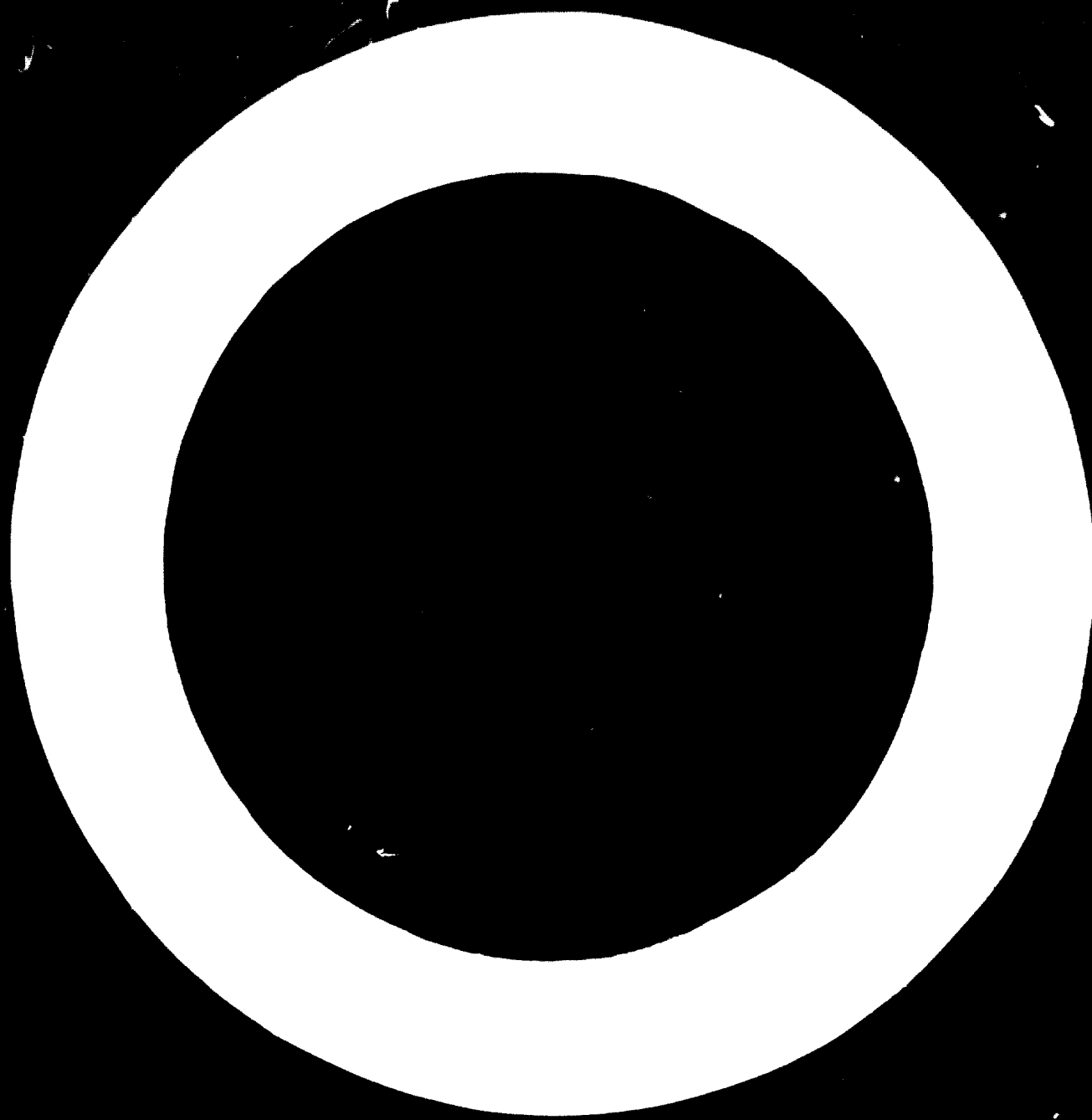
The services rendered under this programme can be stated as follows:

- (a) Collection of information and material on specific industrial projects that will enable prospective sources of financing and/or investment to arrive at a decision concerning their interest in specific projects.
- (b) Establishment of preliminary contacts with the sources of financing and/or investment most likely to be interested in the selected specific projects.
- (c) Organization of meetings with prospective sources of financing and/or investment for the purpose of negotiating specific deals. UNIDO may finance missions organized jointly with the country requesting its assistance for the purpose of negotiating such deals.

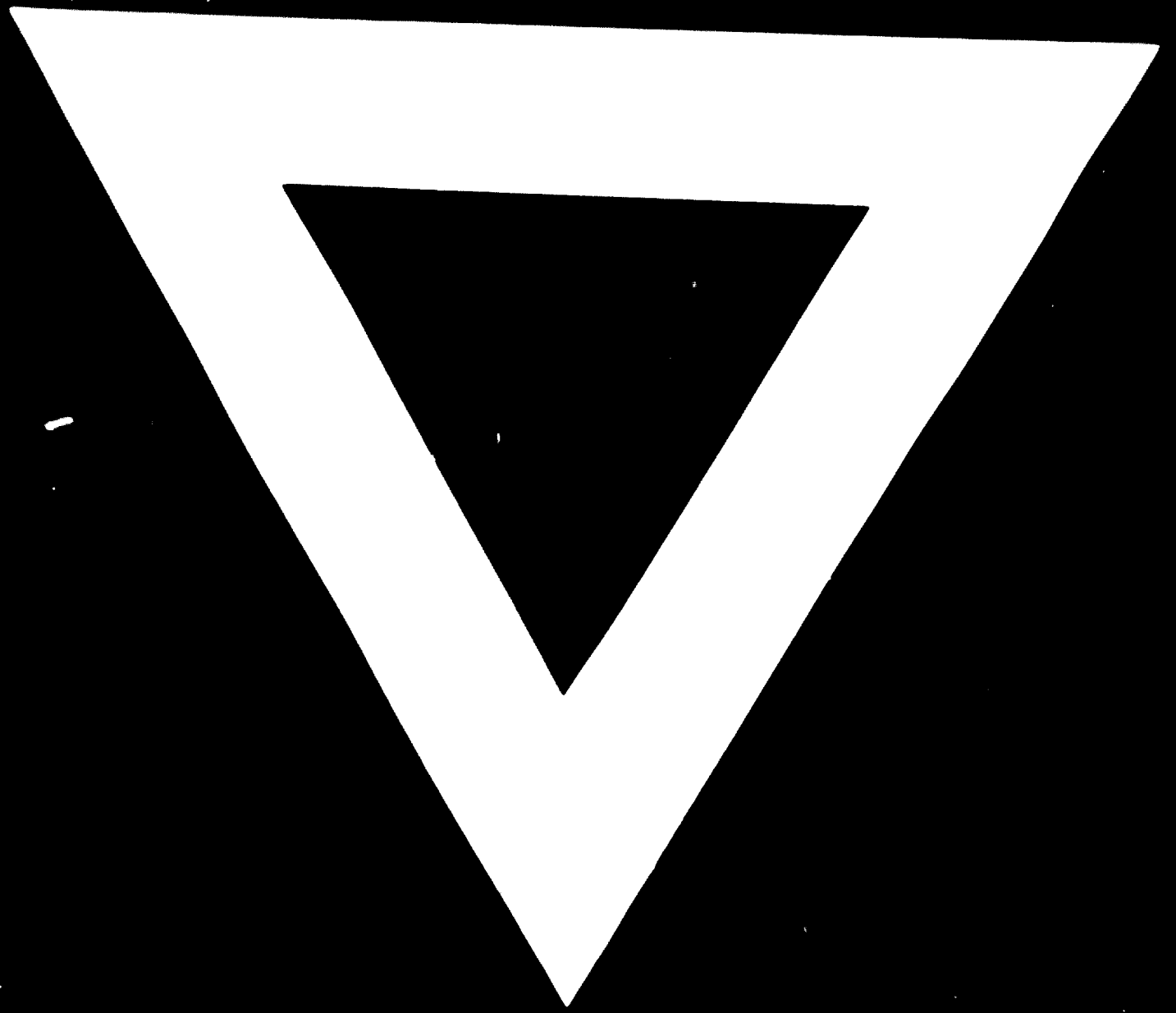
A number of questions arise in connexion with this service. They can be briefly stated as:

- (a) What kind of information would sources of financing and/or investment need to arrive at a decision on a particular project?
- (b) Is it advisable for UNIDO to establish a portfolio of project reports?
- (c) Is it advisable for UNIDO to prepare a roster of prospective sources of financing, with information on their preference on industries and geographical areas?









**14 . 12 . 73**