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UNIDO MONOGRAPHS ON INDUSTRIAL DEVELOPMENT

Industrialization of Developing Countries: Problems and Prospects

DOMESTIC AND EXTERNAL FINANCING

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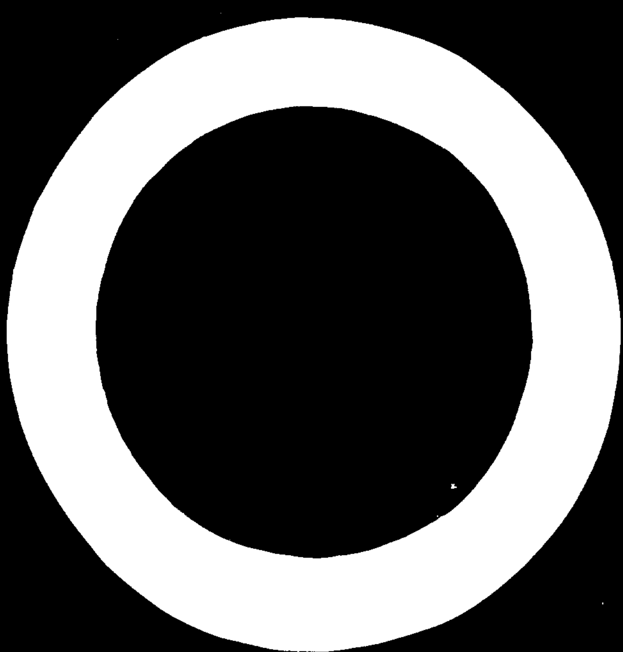

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
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Industrialization of Developing Countries: Problems and Prospects

MONOGRAPH NO. 16

DOMESTIC AND EXTERNAL FINANCING

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Foreword

The International Symposium on Industrial Development, convened by UNIDO in Athens in 1967, was the first major international meeting devoted exclusively to the problems of industrialization of the developing countries. It followed a series of regional symposia on problems of industrialization held in Cairo, Manila and Santiago in 1965—1966 under the sponsorship of UNIDO and the United Nations regional economic commissions, and a similar symposium held in Kuwait in 1966 under the sponsorship of UNIDO and the Government of Kuwait.

The Athens Symposium was attended by some 600 delegates from 78 countries and by representatives of various United Nations bodies, international organizations and other interested institutions in the public and private sectors. It provided a forum for discussion and exchange of views on the problems and prospects of the developing countries which are engaged in promoting accelerated industrial development.

The Symposium devoted special attention to possibilities for international action and for co-operative efforts among the developing countries themselves, and explored the scope, means and channels for such efforts.

Studies and papers on a wide range of problems relating to industrialization were presented to the Symposium—by the UNIDO secretariat and by participating Governments, international organizations and observers. An official report, adopted at the Symposium, has been published by UNIDO.[1] Based on this documentation and the discussions in the meeting, the present series of monographs is devoted to the 21 main issues which comprised the agenda of the Symposium. Each monograph includes a chapter on the issues presented, the discussion of the issues,

[1] *Report of the International Symposium on Industrial Development, Athens 1967* (ID/11) (United Nations publication, Sales No.: 69.II.B.7).

and the recommendations approved by the Symposium. Some of the monographs deal with specific industrial sectors; some with matters of general industrial policy; and others with various aspects of international economic co-operation. An effort has been made to make the monographs comprehensive and self-contained, while the various economic, technological and institutional aspects of the subject matter are treated within the context of the conditions generally prevailing in the developing countries.

Since economic, technological and institutional aspects are described with particular reference to the needs of the developing countries, it is felt that the monographs will make a distinct contribution in their respective areas. They are intended as a source of general information and reference for persons and institutions in developing countries concerned with problems of industrialization, and particularly with problems and issues of international co-operation in the field of industrialization. With this in view it was considered that an unduly detailed technical presentation should be avoided while at the same time enough substantive material should be offered to be of value to the prospective reader. For a more elaborate treatment of the subject, the reader is referred to the selected list of documents and publications annexed to each monograph.

The annexes also contain information on the areas in which UNIDO can provide technical assistance to the developing countries on request; a selected list of major UNIDO projects in the respective fields; and a list of meetings recently organized by the United Nations.

It is hoped that the monographs will be particularly useful to Governments in connexion with the technical assistance activities of UNIDO and other United Nations bodies in the field of industrial development.

This monograph was prepared by the secretariat of UNIDO.

CONTENTS

Annexes

Page

EXPLANATORY NOTES

Billion refers to thousand million.

Dollar ($) refers to US dollar unless otherwise specified

The following abbreviations are used in this monograph:

AID	Agency for International Development
ECA	Economic Commission for Africa
ECAFE	Economic Commission for Asia and the Far East
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
OECD	Organisation for Economic Co-operation and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization

INTRODUCTION

The problems of industrial financing in developing countries are many and varied and have increased considerably in recent years. The domestic resources for such financing continue to depend on the total volume of national savings, which are derived from three primary groups of savers: households, business and Government. The respective contributions of these three groups to the total volume of national savings have undergone profound changes, corresponding to changes in the distribution of the national income. There have also been changes in the savings propensities of each social group. In this context of continuous change, and because developing countries have to mobilize an increasing volume of savings for their growing development needs, it has been necessary to establish special financial institutions and develop new techniques for mobilizing domestic savings and channelling them towards new development projects.

Industrial financing from external resources has increased in volume and become more diversified, ranging from private guaranteed export credits and private external investments to bilateral and multilateral financing. It has been necessary to bring new financing techniques into operation and to establish new relations between donor and recipient countries in order to deal not only with an increasing volume of external financing but also with new problems resulting from the accelerated pace of development, such as those of domestic price stability and balance of payments.

As compared with other sectors of the economy, the development of the industrial sector has the special feature of requiring a considerable investment of foreign exchange to import capital goods and pay for specialized services. When the countries concerned have balance-of-payments difficulties, as is the case with most developing countries, availability of external financing becomes essential to industrial development, and a balance must be struck between financing from external and from domestic sources.

For clarity of presentation, a distinction will be drawn in this monograph between problems of domestic financing and those of external financing, but they are closely interrelated. Financing from external resources of the foreign exchange cost of importing equipment and specialized services is welcome to a country with balance-of-payments problems. But even if the recipient country obtains such financing on advantageous terms, it must possess adequate domestic resources, since in the long run the domestic financing resources set the limit to the capacity for absorbing external financial assistance. In other words, a less developed country will find it more difficult to accumulate savings and consequently more difficult to absorb the external financial assistance needed for its advancement.

The correlation between external financial assistance and domestic resources for financing industrial development does not stop at the pre-investment stage, but continues through the later stages of production and consumption. An industrial project carried out by means of external financing leads to an increase in income that is almost certain in developing countries to produce an equivalent increase in demand for consumer goods and only a negligible increase in savings. Such increased demand may have serious repercussions on the balance of payments and the stability of internal prices. Hence the need for long-term programmes for industrial financing in which the scope of mobilization of domestic resources and the flow of foreign capital, public and private, are duly taken into consideration.

Because developing countries have been unable to increase their savings and provide domestic financing for industrial projects, external financial assistance to these countries must be planned and operated differently from the financing extended by one developed country to another. The special conditions for external financial assistance to developing countries will be discussed in greater detail in chapter 2. It is sufficient to point out here that financial assistance to a developing country should be provided on particularly favourable terms, such as long repayment periods for loans, with substantial periods of grace, low interest rates and arrangements for repayment in local currency.

Chapter 1

DOMESTIC FINANCING

The domestic resources available to the industrial sector for development can, in the final analysis, come only from national savings: that is to say, from the difference between total national income and the part of that income spent on consumption. In developing countries, where the level of national income is still relatively low and the essential needs of the population have not yet been fully satisfied, an attempt to secure a high level of savings in order to achieve optimum economic growth usually involves difficult political decisions. Mobilizing such savings and channelling them towards development projects, and particularly industrial development projects, is even more difficult. The idea of making savings grow by putting them into fixed interest loans or industrial investments is not yet widespread among small savers. Uncontrolled inflation, accompanied by drastic currency revaluations in many developing countries, has further aggravated the natural reluctance of savers to invest their money. The result has been that most savings have been unproductively hoarded or used in speculative investments, particularly in real estate. It is the responsibility of the Government, by means of appropriate incentives and the establishment of the necessary institutions, to remobilize such idle savings and channel them towards development projects.

Even when national savings have been mobilized, it does not follow that they will be applied to the development of industry. A large proportion of the savings collected by public institutions, as in post office savings banks, pension funds and so on, tends to be reserved for the use of the Government, which often applies the money to infrastructure projects, low-cost housing, various public utilities and so on. These projects may benefit the industrial sector, but they do not directly affect the volume of production. As for the savings collected by private institutions, many other investment outlets offer a quicker return and, although sometimes less certain, they are often more attractive than industrial projects whose profitability is generally a long-term matter. For this reason, in developing countries, the industrial sector is often neglected by private investors in favour of the agricultural, trade or service sectors.

Primary sources of national savings

There are three primary sources of domestic savings: households, corporate bodies and the Government. The contribution of each of these groups to the total volume of national savings depends on the distribution of national income and the propensity of each group to save. In addition, the factors determining the volume of savings invested in industrial development vary from group to group. It is the responsibility of the public authorities to influence such factors by appropriate economic, fiscal or administrative incentives and to encourage the establishment of institutions enabling savings to be transferred from one group to another as required by development policy.

Household savings: The comfort feature of household savings in developing countries is that they are small individually and widely dispersed, so that they are not easy to collect or to use.

Corporate savings: Generally speaking, corporate savings are the source of savings closest to, and most likely to be used for, industrial development. Despite the attractiveness of the idea of savings by industrial enterprises to promote industrial expansion, the volume of such savings is probably still small in developing countries because the industrial sector is only in its infancy. It would therefore be desirable to promote the transfer to the industrial sector of savings from companies operating in other sectors, such as agriculture, commerce or the service industries. This is how the process of industrial development began in a number of developing countries.

Government savings: In certain circumstances, government savings may play a decisive part in industrial development in developing countries. Only government savings can finance industrial enterprises that are not of assured profitability, at least in the first stage, when the local market is still undeveloped. The absence of such enterprises may well be an insuperable barrier to the development of other industrial projects. Government savings will also be required to finance industrial projects to manufacture products for which the local market hastobe developed from the beginning, with all the uncertainties that this involves. Government savings are the main source of domestic financing for industry in countries where the State receives a major part of the national income, and hence contributes largely to national savings. This is true in developing countries that have a large public industrial sector. It is also the case in oil-producing countries, where most of the national income is derived from royalties paid directly to the Government. In such circumstances the Government bears the main responsibility for industrial financing. Generally, the Government seeks the collaboration of national or foreign private investors, if only for the technological knowledge such investors bring, or, in the case of export-oriented projects, the assistance they provide in marketing products abroad.

Financial institutions and techniques for mobilizing domestic financial resources

Private and public institutions serving as financial agencies in the mobilization of savings and in making such savings available for industrial development may be divided into three groups, according to the way in which they are organized: public or private institutions specializing in financing industrial development; commercial banks; and others such as insurance companies, pension funds and social security funds, operating on the basis of "contractual" savings.

Institutions specializing in industrial financing

The institutions specializing in industrial financing belong to the group of financial agencies generally known as development finance companies or development banks. Their role is to provide financial assistance to select industrial investment projects, usually accompanied by technical assistance in the promotion of the projects for which the financial assistance has been granted. Financial assistance may consist of medium-term or long-term loans, participation in the share capital, or underwriting share issues by the enterprises concerned. Technical assistance may consist of various types of promotion work, from assistance in the feasibility study to the start-up of new enterprises. Such institutions also serve to channel capital and expert technological knowledge from abroad to domestic industrial investment projects.

An institution specializing in financing industrial development may be public or private. In developing countries, where industrial development must be given special support, government participation in such specialized institutions, not necessarily on a majority basis, is often essential.

Institutions in which the Government has a minority holding or none at all are juridically private; this is generally considered to give them greater freedom of action. It has become clear that, whether it holds a majority of shares in national development finance companies or not, the Government has an essential role to play. it may provide initial share capital that would not otherwise be forthcoming, frequently promising to sell its shares to private investors as soon as buyers present themselves; more frequently, it provides loans on particularly favourable terms. Unless they are given favourable conditions, it is impossible for the finance companies to help the infant industries that call for special treatment.

Commercial banks

Commercial banks collect savings in the form of savings deposits. The extension of the banking system into rural areas in certain developing countries has considerably improved the effectiveness of such collection of savings, particularly as regards savings that were previously hoarded. A commercial bank, according to orthodox practice, is obliged to adjust the terms on which it makes loans available to those it offers for deposits. As most private savings deposits are short term deposits, commercial banks are not basically adapted to the requirements of industrial development financing, which is always a medium term or long term matter. In developing countries, however, there are often no other institutions to provide the necessary credits. It has therefore been necessary to devise measures to enable commercial banks to grant the medium term or long-term loans essential to industrialization.

Among the most important of the special measures designed to encourage the commercial banks to increase the scale of their lending to industry, the following may be mentioned:

Granting by the Government of total or partial guarantees or insurance against the risk of default on loans made to selected industries or enterprises;

Refinancing by the Government or by specialized public agencies of loans made to industry by commercial banks;

Action by the central banks to influence the level of the rediscount rate, for example by the application of a system of preferential rediscount rates on commercial bills in respect of equipment or raw materials for industry;

Regulation by the central banks of the minimum levels of reserves of commercial banks;

Government guarantees or mutual insurance among commercial banks in respect of deposits by small savers.

Thanks to such measures, commercial banks have been able to play a very appreciable part in financing industrial development, despite their structural handicaps. Between 1960 and 1965, loans to industry in certain developing countries accounted for over 50 per cent of all loans granted by commercial banks. In the great majority of developing countries, however, the proportion is between about 10 and 15 per cent.

Other financial institutions

In developing countries where the development banks and the commercial banks do not possess an extensive network of branches, the mobilization of private savings, and particularly of household savings, has to be carried out through a system of widely dispersed financial institutions, such as post office savings banks, municipal or national savings banks, co-operative savings societies and so on, that are better adapted to the scattered nature of such savings. Some of these institutions have met with considerable success.

A special group of these institutions collects what may be called contractual savings. These consist of voluntary life insurance premiums and compulsory savings such as social security and provident and pension fund payments. The savings collected in respect of life insurance have become a considerable factor in some developing countries. In other countries, however, the development of such savings has been hindered by the smallness of family income and also, sometimes, by a very rapid depreciation in the value of money. Compulsory saving through social security systems and provident funds is becoming widespread in most developing countries, but the administrative expenses, often excessively high, present problems. Some of these savings funds that were not invested have suffered serious depreciation as a result of currency devaluations. Contractual saving in all its forms has been estimated at between 1 and 2 per cent of the national income in certain developing countries.

Out of the total savings collected through life insurance systems, about 15 per cent is placed in industrial shares in certain developing countries, as against 40 per cent so invested in developed countries. The life insurance system, however, has little chance of success except in countries with a good measure of monetary stability.

Stock exchanges

As industrialization progresses, countries with a market economy find it useful to establish a stock exchange, through which capital can be raised by stock and share issues. Starting up a securities market in a developing country, however, is frequently very difficult: the necessary juridical and administrative framework is often inadequate or non-existent; industrial companies are strictly private businesses, with the capital concentrated in the hands of the owner's family and a few friends. Inevitably, potential investors will lack confidence in the management of enterprises over which they have no direct control and whose accounts are often kept secret or fail to reveal the true situation.

Stock exchanges are now operating in certain countries in Asia, the Middle East and Latin America; some of them have been in existence for many years. The results achieved vary. There are grounds for hoping, however, that as industrial development progresses private investors in developing countries will be won over to the idea that a well-organized stock exchange is an essential institution for facilitating transactions and protecting the interests of savers.

Chapter 2

EXTERNAL FINANCING

BILATERAL PUBLIC FINANCING

Bilateral public financing of manufacturing industries in developing countries has become more frequent in recent years and has made up to some extent for the lack of private investments. When provided by a country with a centrally planned economy, bilateral financial assistance is almost identical with export credit. In most market economy countries, however, such credits, drawn from public funds, are either granted independently of private export credit guarantees or serve to soften the conditions of such credits.

The total amount of public bilateral financial assistance is difficult to estimate. Most countries make no distinction in official statistics between the total amount of financial assistance devoted to the acquisition of equipment and services for all sectors and that destined specifically for manufacturing industry. Nevertheless, it may be estimated that the total amount of bilateral financial assistance for manufacturing industry provided jointly by all the industrialized countries was of the order of \$3.5 billion for the four-year period 1960—1963. This figure includes \$1.6 billion from countries with centrally planned economies and \$1.5 billion from the three main OECD countries—the Federal Republic of Germany, the United Kingdom and the United States. Altogether, the member countries of OECD provided about \$2 billion in assistance over the period 1960—1963—an average of \$500 million per year. The total gifts and loans made for manufacturing industry by OECD members in 1965 are estimated at about the same figure.

The policies of the developed countries concerning financial assistance to manufacturing industries vary considerably. The countries with centrally planned economies allot almost 50 per cent of their financial aid to the industrial sector of developing countries, the United Kingdom almost 34 per cent, the Federal Republic of Germany about 17 per cent, and the United States some 6 per cent. The exact proportion of France's financial aid to the manufacturing industry as compared with its assistance programme as a whole is difficult to determine, but it would appear to be relatively small.

In general, donor countries favour the developing countries with which they have special political or economic links. Thus, for example, the United Kingdom concentrates its assistance almost entirely on the Commonwealth countries. France has primarily financed the industrial development of the African countries formerly administered by it; not until 1963/1964 did it give assistance to certain countries in Asia and Latin America. Up to 1962, the United States concentrated its aid on Asia and the Far East; since then, the proportion allocated to the Latin American countries has considerably increased. The Federal Republic of Germany has provided aid chiefly to India and Pakistan, and more recently to certain African countries. The main beneficiaries of external financial assistance are India and Pakistan in Asia, Brazil and Chile in Latin America, and Ghana, Nigeria and the United Arab Republic in Africa.

The official loans—or in rare cases gifts—granted to manufacturing industry in developing countries also serve to stimulate exports of equipment from the donor countries. Such loans and gifts are also affected by the present balance-of-payments problems of two of the most important donor countries—the United Kingdom and the United States. The Scandinavian countries have also granted substantial financial assistance for specific purposes.

Financing conditions

The terms of bilateral financial assistance are always more favourable than those for export credits. Repayment periods are longer, interest rates lower, and in certain cases repayment can be made in local currency. Moreover, the Governments of the donor countries sometimes agree to temper the conditions of their financial assistance to the economic situation of the beneficiary country and in all cases they take into consideration the specific needs of the industrial project to be financed.

AID, which allocates bilateral financial assistance from the United States, allows repayment periods varying from ten to twenty years and charges interest rates of between 3 and 6 per cent. Repayment may often be made in local currency. Such loans take into consideration not only the specific needs of the industrial project, but also the economic conditions of the beneficiary country.

The United Kingdom provides financial assistance to overseas manufacturing industries through the Export Credits Guarantee Department of the Board of Trade, and the Commonwealth Development Corporation. Interest rates on loans are generally high, varying from 5.5 to 7 per cent, but the grace period before the first repayment falls due is sometimes as long as seven years. The repayment period itself may extend to a maximum of 25 years.

The Federal Republic of Germany grants assistance to the manufacturing industries of developing countries through the Kreditanstalt für Wiederaufbau and the Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit. The conditions for this assistance are generally flexible and are adapted both to the needs of the country and to those of the project.

France combines financial aid to manufacturing industries with export credits under the "mixed credits" formula. According to this procedure, France generally grants a long-term Treasury-to-Treasury line of credit at a moderate rate of interest, and the money thus made available must be used in parallel with normal export credits. The combination of these two types of credit makes it possible to offer a longer average repayment period and lower interest rates than for export credits. Mention must also be made of the activities of the Caisse Centrale de Coopération Economique, which grants loans to certain countries that have special links with France.

The countries with centrally planned economies grant credits on similar terms. Assistance generally takes the form of credits granted to the Government of a developing country for a series of specific industrial projects. The interest rates are low, very often 2.5 per cent; the repayment periods may be as long as ten or fifteen years; and repayment may also be made under the terms of a clearing agreement, that is to say, in the form of exports from the beneficiary country. Unlike the credits provided by certain other donor countries, those provided by the centrally planned economies do not cover local expenses connected with industrial investments. The importer of equipment coming from such a country usually receives credit covering only 80 to 90 per cent of the value of the goods and services purchased.

Problems of bilateral financing

The problem of bilateral financing that causes developing countries most concern is that of tied aid, under which equipment or services have to be purchased in the donor country, often at considerably higher cost than would otherwise be the case. Pakistan, for example, considers that the price of equipment purchased under bilateral financial aid may in some cases be as much as 50 per cent higher than that of equipment obtained through multilateral aid. The cost of goods and services acquired by Pakistan through bilateral assistance in 1965 was estimated at 10 per cent above regular market prices.

The increased price of goods and services purchased through bilateral financial aid is to some extent compensated by the more favourable conditions under which such aid is granted as compared with multilateral aid, and particularly as compared with private guaranteed export credits. The saving represented by the longer repayment periods and the lower interest rates must obviously be set against the possible extra cost of goods acquired by this means of financing.

Moreover, it must be borne in mind that, in the case of large industrial projects, bilateral aid is sometimes granted after the developing country has had the chance to select the equipment supplier; in such a case, the bilateral aid is provided to finance a project for which there has already been a certain amount of international competition.

The United Nations and certain of its agencies or component bodies have been concerned for a number of years with the question of the excessive cost of goods and services purchased under external financial assistance arrangements. It is undoubtedly very difficult for developing countries lacking access to international sources of information to make objective comparisons of the cost of goods and services offered to them by industrialized countries. To remedy this situation, the United Nations Economic and Social Council, in its resolution 1183 (XLI), requested the Secretary-General "to study the feasibility of setting up, within the United Nations Industrial Development Organization or any other appropriate United Nations body, an advisory service which could provide information to the developing countries on the sources of supply, the cost and the quality of equipment needed for their development".

Another feature of tied aid is that it is generally given in respect of specific projects, because it also serves to stimulate exports of equipment from a particular donor country. This practice does not always correspond to the more urgent needs of the developing country concerned, and many handicap its efforts at industrial planning. The advantages of programme aid as compared with project aid have frequently been emphasized at international conferences, and the main donor countries appear to be willing to take account of the wishes expressed by the developing countries on that point, namely, that systems of external financing of industrial development of developing countries should be co-ordinated with national plans and methods of industrial programming.

An obstacle to the effective use of public bilateral financial assistance is that the donor countries sometimes limit the utilization of such aid to the acquisition of equipment and occasionally engineering services, although in an industrial project working capital often accounts for a considerable part of the total amount of capital needed. There can be no doubt that certain items covered by working capital, such as spare parts, raw materials or intermediate products, are just as essential to the functioning of the enterprise as the basic equipment. In some cases, industrial enterprises that have obtained external financing for the acquisition of equipment are prevented from making full use of such equipment because of the lack of certain essential imported elements that must be paid for out of working capital. Some developing countries, for example, India and Pakistan, have now obtained external assistance from bilateral sources to finance the import content of the working capital for some of their under-utilized factories. The developing countries have expressed the wish that advanced countries should take account of the limitations of working capital and should agree to external bilateral aid being used to finance not only the import of equipment but also, if necessary, the auxiliary imports which now place too great a strain on working capital.

The procedures of the various bilateral and multilateral external financing agencies vary considerably, and there is often a long waiting period before aid is granted and can be mobilized. Yet it is difficult for industrialized countries to simplify their aid procedures, which are rooted in established administrative practices.

The terms of bilateral financial aid could be improved both by the reduction of interest rates and by the imposition of less exacting conditions of repayment. Some industrialized countries, for example, the United States, have agreed to repayment of aid in local currency; and centrally planned economies have agreed to repayment under clearing arrangements. Other capital-exporting countries, however, require repayment to be made in the currency in which the loan was made. A middle course was suggested by an UNCTAD group of experts in March 1966: that, when aid to a developing country was intended for the acquisition of equipment in the donor country, the beneficiary should be authorized to use such aid to make purchases in other developing countries.[1] In addition to easing the balance-of-payments problem of developing countries, this solution would stimulate exports of capital goods from the more advanced developing countries to other developing countries. It would thus give effect to the wish frequently expressed by both industrialized and non-industrialized countries for increased trade among developing countries.

PRIVATE EXPORT CREDITS AND THEIR GUARANTEE

Although private export credits are easy to obtain, the conditions on which they are granted are onerous and are one of the principal causes of the growing external indebtedness of developing countries. Concern about this type of external financing has been expressed in a number of resolutions and recommendations of United Nations bodies. In 1960, the Economic and Social Council considered the problem of export credits, and the General Assembly, in its resolution 1523 (XV), provided for the publication of a first report on the question. The Committee for Industrial Development, UNIDO's predecessor, requested the United Nations Secretariat to study the matter in greater detail. In response to the interest expressed by developing countries, the Department of Economic and Social Affairs made an exhaustive analysis of export credits and development financing.[2] At its first session, UNCTAD invited IBRD to carry out a study on the utilization and conditions of supplier credits and credit insurance, including rediscounting arrangements, and to define the difficulties which had arisen, or might arise, especially with regard to debt servicing.[3]

A major source of concern to developing and also, to some extent, to developed countries, is the ease with which importing countries can run into debt through export credits. Unlike official bilateral assistance, repayment of which is frequently on a long-term basis, export credits are extended in most cases on a medium-term basis. These credits are granted at the commercial rates of interest in force in the lending country, plus

[1] *International Monetary Issues and the Developing Countries;* for full reference see annex 3 under United Nations Conference on Trade and Development.

[2] *Export Credits and Development Financing;* for full reference see annex 3 under Department of Economic and Social Affairs.

[3] *Proceedings of the UNCTAD*, Vol. I, Recommendation A. IV. 14; for full reference see annex 3 under United Nations Conference on Trade and Development.

a number of banking and insurance charges, so that the annual payments are very high. Consequently, export credits may involve annual repayment charges two or three times higher than those on bilateral credits.

The proportion of capital flow from member countries of OECD to developing countries contributed by private export credits varies from a small percentage in the case of Austria, France and the Netherlands to almost 60 per cent in the case of Switzerland. In 1963, the net total of such export credits extended by OECD members to developing countries amounted to slightly under $500 million, or approximately as much as was provided by OECD members in the form of public bilateral financial aid for industrial development. A comparison of the yearly repayments for the two types of capital, however, shows that export credits are responsible for "return flows" from developing to industrialized countries two or three times greater than those in respect of bilateral financial assistance. In addition, as private guaranteed export credits are granted on a commercial basis, they are always repayable in the currency of the country that granted them, whereas this is not always the case with public bilateral financial assistance.

Functioning of the export credit system

The procedures for granting export credits are many and varied. All industrialized countries operate export credit systems. Some developing countries have also adopted arrangements for the medium-term financing of their exports of equipment. The centrally planned economies grant developing countries export credits that are in the nature of loan assistance. Several industrialized countries with market economies have also established systems combining or modifying export credits so that these too will become a form of loan assistance. In certain cases, export credits from countries with market economies are granted by public bodies, while in other cases export credits are granted directly by private financial institutions drawing their resources from the capital market. Sometimes these export credits granted by private financial institutions can be refinanced with public institutions such as central banks. A very detailed description of the various methods adopted by different countries is given in the second part of the above-mentioned study made by the Economic and Social Council.

Export credits assume two forms: supplier and purchaser credits. Supplier credit, which is the most widespread, does not usually cover the entire cost of financing the equipment imported. It is granted to the supplier of the equipment and thus to some extent entails a responsibility on the part of the supplier himself, who covers himself totally or partially with an establishment specializing in export credit insurance. When purchaser credit is given it is always in connexion with large projects, with repayment terms of over five years. The purchaser of the equipment negotiates the credit with a credit institution or consortium in the exporting country. The financial agency then guarantees the financing of the purchase and insures itself with a specialized export credit insurance institution. In certain countries, purchaser credits are combined with financial credits and even include consolidated loans and loans made to foreign Governments.

Attempts have been made to regulate export credits within the framework of the Berne Union agreements. The competition among equipment-exporting countries, however, has given rise to what is sometimes called the export credit race, and proposals have been made with a view to limiting that race. One of these proposals is for a clearer demarcation between export credits and assistance loans. The OECD working group on export credits and export guarantees has proposed the establishment of a "neutral area" which would separate development loans more clearly from export credits.[4]

It appears to be unanimously acknowledged that export credits are of value provided that developing countries use them judiciously. Their usefulness is indeed all the greater because the total amount of development assistance loans still falls short of the minimum required for essential projects in the developing countries. Export credits can be said to be used judiciously when they are used to finance the import of equipment for a project which will give rise to foreign currency income at least equivalent to the yearly loan repayment figures. Such foreign currency income must be considered within a general context, that is to say, it can come from an increase in exports from the factory financed by the export credit or it can come from foreign currency savings arising from the establishment of an industrial project producing goods that were previously imported.

Regionalization of export credits

The increase in the use of export credits intended specifically for large projects incorporating deliveries from several industrialized countries has led to the conclusion of agreements among groups of exporting

[4] *Export Credits and Development Financing;* for full reference see annex 3 under Department of Economic and Social Affairs.

countries. Under such agreements, a national export credit insurance company extends the benefits of its guarantee to deliveries made by another country, provided that such deliveries do not exceed 30 to 40 per cent of the total value. Originally, such agreements were concluded among countries of the European Economic Community, but later Austria, Canada, the Scandinavian countries, Switzerland and the United Kingdom also became parties to them. Regionalization thus enables the developing countries to obtain deliveries of equipment for the execution of a large project on relatively better terms, since they can order the equipment for a given project in a larger number of industrialized countries. It must be borne in mind, however, that the benefits of such regionalization almost always imply the assistance of an exporting country which acts as "leader".

Several developing countries which are themselves capable of supplying equipment have also adopted export credit systems. India has for some years past had a system for granting credits to finance exports of certain types of equipment, for example, for the textile industry. In Latin America, however, while many countries are capable of supplying industrial equipment the majority do not have the financing potential to grant credit terms at least as favourable as those which can be obtained from industrialized countries, for example, from Western European countries. Such a situation is clearly a major handicap in the promotion of trade exchanges and the economic integration of the countries of Latin America.

One of the most highly perfected systems of financial measures for the promotion of exports of equipment from a developing country is that existing in Mexico. A fund for the development of exports of manufactured goods has been established under the administration of the Bank of Mexico. This fund refinances credits varying from short-term credits up to those with a repayment period of as long as five years. The resources for the fund are obtained through a 10 per cent tax which forms part of the general tariff duties and a 10 per cent *ad valorem* duty on imports of a luxury nature. These financial measures form part of a set of measures—such as transport tariffs—intended to stimulate exports. An effort to improve development financing has also been made by Brazil, where the foreign trade department of the Bank of Brazil grants export credits in respect of manufactured goods of up to 80 per cent of the value and for a maximum of 360 days.

It is generally acknowledged that developing countries can considerably stimulate their industrialization by adopting suitable measures to promote their regional economic integration. Among the principal practical measures to that end are those relating to the financing of exports of capital goods from one developing country to another in the same region. This concept has been accepted by the various regional symposia.

The main problem in connexion with foreign private investments, as shown in the study entitled "Financing of Economic Development: Promotion of Private Foreign Investment in Developing Countries",[5] is that of the place they should occupy and the manner in which they can most effectively serve the interests of all parties. On the one hand, the foreign investor naturally wishes to advance his interests as far as possible, not only in the country in which he is investing, but also in his own country. On the other hand, the beneficiary country wishes to integrate the foreign private capital in its own system of political and economic priorities. Foreign investment is almost always a matter of individual cases: while general rules can be established regarding such matters as guarantees, the actual methods of utilization of foreign investment in a given country are always subject to special bilateral negotiations between the foreign investor and the authorities of the country concerned.

As the private foreign investor is almost completely free to invest where he sees fit, it is logical that he should take full advantage of the competition among the developing countries in regard to the various advantages offered. It should be added that competition for such private foreign capital exists not only among the developing countries themselves, but also between developing countries on the one hand and industrialized countries on the other. Some of the factors that a foreign investor must take into account before deciding whether to make an investment in a given country are of a technical nature and are entirely under his control, while others depend more particularly on the developing country itself. Such factors are the political and economic stability of the country, the various guarantees given to foreign capital, and the legislation on monetary and fiscal matters. Some developing countries that particularly wish to promote the flow of this type of capital have made very great efforts in this respect.

The efforts made by developing countries to attract foreign private capital are in some cases matched by the measures taken by capital-exporting countries. Appropriate fiscal measures, such as those taken by the Federal Republic of Germany and the United States, may encourage

[5] For full reference see annex 3 under United Nations Industrial Development Organization.

investments by nationals of such countries in developing countries. A matter of major importance to foreign private investors is that of the guarantees provided. Many countries take the view that this problem goes beyond the scope of bilateral relations between countries which export and import private capital. IBRD has drawn up a convention on conciliation and arbitration arrangements in disputes over investments, and OECD has prepared plans for the establishment of a multilateral investment insurance agency.

International co-operation to promote private foreign investment

The International Finance Corporation of the World Bank Group[6] participates as a minority shareholder in large industrial projects where there is very often joint participation by foreign and national investors, and it often grants loans as well. UNDP, whose resources in 1968 totalled some $180 million, allots large funds to pre-investment studies which later enable developing countries, if they so desire, to interest foreign private capital in specific projects. Some years ago, a group of financiers and bankers from developed countries set up the Latin American Economic Development Association to participate in projects in Latin America. A similar group, the Private Investment Company of Asia, has just been set up for investment in Asian countries. It should also be mentioned that the three large regional development banks can themselves take action to stimulate foreign investments by associating such investments with projects which they wish to promote in their regions.

Repatriation of funds

For developing countries as for capital-exporting countries, the essential question in regard to foreign private investments is that of the repatriation of profits and capital. Developing countries are concerned that such repatriation should not aggravate their balance-of-payments difficulties, and hence that the total amount of repatriation should not exceed the net saving of foreign currency resulting from the foreign private investments. Unlike foreign loans, which call for the more or less immediate repatriation of annual loan-servicing charges, the problem of repatriation does not usually arise with foreign private investments until the enterprise is in full activity.

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[6] The World Bank Group comprises IBRD, IDA and IFC.

Quite apart from the effect of such repatriation on their balance of payments, developing countries sometimes take the position that a part of the profits made by foreign private capital should be more closely associated with the general economic development of the country in which the profit has been made. They point out in this connexion that the enterprises in which the foreign capital is invested require budgetary expenditures on a variety of infrastructural operations directly affecting the profitability of those enterprises. In certain cases, developing countries endeavour to ensure that all or a part of the cost of the infrastructural work required for the execution of a project carried out with foreign private capital is borne by the foreign private investors.

Certain developing countries have adopted legislation permitting unlimited repatriation of profits and capital. Others stipulate that only certain percentages of net profit on invested capital may be repatriated, the rest to be reinvested within the country. Where a foreign enterprise is established in a developing country with the aim of serving the direct financial interests of a parent firm in the capital-exporting country, the proportion of profits that can be repatriated must be sufficient to attract foreign capital. Frequently, however, in the case of branch firms, profit is not the only concern of the foreign investor: considerations such as the sale of semi-finished products to the branch firm in the developing country or the acquisition by the parent firm of raw or semi-processed materials from the developing country may be of far greater importance.

To draw the attention of potential foreign investors to opportunities for participating in profitable industrial projects, several major developing countries have set up investment promotion centres in their own territories while others have set up such centres in capital-exporting countries. The role of these centres varies considerably: some do no more than supply information, while others go so far as to prepare project viability studies for foreign investors. Many developing countries lack the resources to set up such centres, especially abroad, and would like the activities described to be undertaken by international organizations.

Joint enterprises

One of the commonest forms of private foreign investment in developing countries is the joint enterprise in which foreign and national capital are combined. This form of investment gives the developing country concerned a certain degree of control or at least the right to be kept fully informed. In addition, it facilitates the training of local personnel in management techniques. Joint enterprises cover a wide range of possibilities, but it is sometimes very difficult for a developing country to exploit these possibilities to the full. In some cases, the capital of the developing country represents only nominal participation, without involving the country's intellectual resources in the project. It is therefore important that the developing country should agree to play an active role, but one that does not exceed its technical competence. Such joint enterprises have to be carefully studied by both partners. They comprise not only financial agreements, but also technical, marketing and personnel training agreements, affecting all aspects of the life of the enterprise.

Joint enterprise contracts are of considerable diversity. In addition, certain clauses in such contracts specifically reflect the type of industry for which the enterprise is being established. It can be dangerous to try to transform a joint enterprise too rapidly into a purely national enterprise, before local investors have mastered the particular management and operating techniques. Certain arrangements, however, can ensure the smooth transition from a joint enterprise to a purely national enterprise. Developing countries have to bear in mind that national resources used to buy back such joint enterprises reduce the funds available for investment in new projects. A frequently cited advantage of joint enterprises, when such enterprises are branches of a company with a large technical research potential, is the permanent transfer of technical knowledge from the industrialized country to the less developed country. This advantage should not, however, be accompanied by serious short-term or long-term disadvantages such as the limitation of export possibilities.

Industrial investment promotion activity, if it is sufficiently selective, can contribute to the growth of the number of joint enterprises. In certain sectors of industry, where only a limited number of very large enterprises are in operation, the number of possible partners is obviously reduced. In the case of medium-sized enterprises, however, such as those producing consumer durables and non-durables, many more enterprises in developed countries could participate in investment in co-operation with promoters in developing countries. In such cases, the task of selection in order to secure the best possible contract of association is a considerable one. The contracts already concluded in this field by various developing countries which encourage this type of enterprise can serve as a basis for a preliminary selection. One of the purposes of an investment promotion centre is to help promoters of industrial projects to locate foreign partners who might participate in enterprises combining national with foreign capital.

Multilateral external financing

Multilateral external financing is undertaken by the World Bank Group and by the three large regional development banks: the African Development Bank, the Asian Development Bank and the Inter-American Development Bank. Mention may also be made of the European Development Fund. It should be noted that IBRD and IDA grant only loans, whereas IFC enters into industrial projects through stock participation and the provision of loans.

From 1953/1954 up to the end of the first half of the financial year 1966/1967, IBRD granted loans for industry totalling about $1.5 billion, IDA granted loans totalling about $500 million, and IFC made investments totalling about $190 million. During the past fifteen years, the amounts granted to industry in the developing countries have been increasing more or less constantly. Indeed, the World Bank Group considers that its participation in the financing of industrial development will increase more rapidly in coming years than its activities in certain other sectors of economic life.

Loans are granted by IBRD at the normal rates prevailing on the capital market. Repayment periods are adjusted in accordance with the category of the industrial projects financed. When the borrower is a body other than a Government, the guarantee of the Government concerned is also required. IDA grants loans over very long terms at interest rates which are adapted to the economic conditions of the beneficiary country. Since IFC was set up in 1956 it has played the part of the technical agent of IBRD in the evaluation of industrial financing proposals submitted to the World Bank Group. IFC also finances industrial projects both by participating in the share capital and by making loans which sometimes take the form of convertible loans. The ways in which IFC may grant assistance are:

By direct investment in private industrial enterprises, with participation by local or foreign interests;

By pledging later aid or guarantees;

By transferring shares from its own ownership to other financial institutions;

By giving assistance to development finance companies.

The aid granted by IBRD and IDA generally covers the foreign exchange cost of projects. In contrast, the money made available to industrial projects by IFC can be used to cover both foreign exchange expenses and local currency expenses, and it can be used both to finance fixed assets and to build up working capital funds. The advantage of the arrangements whereby the World Bank Group makes resources available to developing countries for their industrial development lies in the freedom which the beneficiaries have to acquire equipment in any State which belongs to the World Bank Group. This form of financing makes it possible to take the maximum advantage of international competition. Between 1948 and 1956, the following total amounts were granted to different types of industry by IBRD, IDA and IFC:

	Millions of dollars
Development finance companies	570.6
Iron and steel	475.0
Mining	201.8
Pulp and paper	159.0
Chemicals and fertilizers	109.3
Other industries	765.1

One of the most interesting forms of aid provided by IFC and IBRD for industrial development is that which is channelled through development finance companies or development banks in countries in the process of industrialization. Such assistance enables the development banks to grant loans to small-scale and medium-scale industrial enterprises by drawing on credits from IBRD. This formula avoids concentration of the World Bank Group's assistance on large industrial projects which can be absorbed only by a limited number of developing countries. So far, this type of assistance by the World Bank Group to development finance companies has been limited to companies in the private sector. Very often, when one of the development finance companies so desires, IFC can also provide it with technical assistance, which is sometimes accompanied by the taking up of a minority interest in the share capital. By 1966, the development banks of 21 countries had benefited from the aid of the World Bank Group in the form of either loans or participation in share issues.

External financing is in some cases far from sufficient if limited to imports of equipment and engineering services. In 1966, IDA granted a total of $500 million to different industries in India and Pakistan to finance items payable out of working capital that had to be imported, namely, spare parts and raw materials needed for the better utilization of the production of factories. This assistance by IDA is considered to be one of the most felicitous initiatives in this field.

Regional development banks

For several years past, the Inter-American Development Bank has engaged in considerable activity in financing industrial development in Latin America, and has allotted 21 per cent of its total loans to industry. The Inter-American Development Bank also has a policy of promoting industrial investments by using its own resources as a catalyst for other foreign and local resources. The African Development Bank and the Asian Development Bank, which have just come into operation, intend to devote a part of their resources to industrial investment in their respective regions, and the Asian Development Bank has established a special fund for that purpose.

World Food Program

The World Food Program, which supplies several hundred million dollars' worth of food aid to various developing countries, intends to increase its participation in industrial development. Its food aid could be used to an increasing extent to finance a part of local infrastructure expenses and help to finance the establishment of industrial estates. It could play a particularly important part where the work to be carried out calls for a considerable labour force; in such cases the wages may include payment in kind, in food products, thus increasing the real value of the wages.

Chapter 3

THE INTERNATIONAL SYMPOSIUM ON INDUSTRIAL DEVELOPMENT: ISSUES, DISCUSSION AND RECOMMENDATIONS

The issues, the discussion and the recommendations approved are presented in this chapter.

THE ISSUES

Domestic financing[7]

Although developing countries must depend to a considerable extent on external capital to finance imports required for their industrial development, the bulk of industrial investment will, in most cases, have to be financed from domestic sources. In developed countries, the industrial sector generates a large part of the savings needed for its expansion. This is not the case in developing countries, where self-financing is as yet limited, so that the claim of the industrial sector for domestic savings must compete with the claims of other economic sectors. Apart from being scant, these savings are often not readily transferable from one sector of the economy to another, a fact which makes the competition among the sectors even keener. This is further complicated by the fact that agriculture, commerce and real estate have traditionally been the main outlets for investment funds and the industrial sector is a relative newcomer. Not the least of the problems facing the industrial sector in its efforts to attract domestic capital is to create "industry-mindedness" in societies which are accustomed to carrying out traditional activities.

These considerations underline the difficulties that have to be overcome in attempting to mobilize domestic savings and channel them into industry. The question to be examined is: what measures and institutions are required in developing countries to achieve this end. As is customary, domestic savings may be broken down into three major components: household, business and public savings. Transferred savings

[7] From Issues for Discussion: Domestic Financing, 1967 (ID/CONF.1/A.18) (mimeo.).

also play an important role in industrial financing; in this context, the role of financial intermediaries deserves particular attention. The factors determining the volume of savings that can be made available to industry vary according to the sources; this is also the case with the policy measures designed to influence such volume.

Household savings

Whatever savings exists in this sector are difficult to attract into industry. Two courses of action are nevertheless open in this respect. First, these savings could be channelled directly into industrial investment through sale of industrial bonds and shares to the public, and various fiscal and financial incentives could be used in this connexion. This presupposes the availability of domestic industrial securities. It does not necessarily mean, however, that all developing countries, regardless of their stage of development, should organize a securities market; indeed, in some cases a decision to that effect may be premature. The second possibility is to encourage the transfer of household savings to financial institutions which either normally engage in industrial financing or may be induced to invest a share of their resources in industry. In either case, the public must develop the habit of saving and entrusting their savings to business enterprises and financial institutions. While such a habit depends to a large extent on the stage of economic development of the country, certain policy measures could be provided to facilitate the process.

Corporate savings

As the industrial sector develops, its savings become a major source of financing. Various incentives could be provided by Governments to encourage such business savings with a view to reinvesting them, either for self-financing or for the financing of new industrial enterprises. The latter course is particularly important in developing countries, to open up new industrial fields and new lines of production.

Corporate savings of non-industrial enterprises might also be channelled into industrial development. This is particularly desirable in the early stages of industrialization, when the savings of the industrial sector are still small. Various incentives, notably tax concessions, could be used to encourage investment of corporate savings in industry. At the same time, parallel disincentive measures could be used to discourage undesirable investment in non-economic sectors (for example, investment in luxury dwellings or speculative investment in land).

There is little purpose in providing investment incentives if the opportunities for investment are not identified and made known to prospective investors. While this has been repeatedly stated in the case of foreign investment, it is equally true for domestic investment capital. Services and facilities for domestic industrial investment promotion should be developed more systematically than is at present the case.

Public sector enterprises may also generate substantial savings as a source of either self-financing or investment in other enterprises. A key role in this respect is played by the price policies of the enterprises through their effect on corporate savings and reinvestment.

Government savings

Government savings are another important source of finance. Apart from financing the infrastructure needed for industrial activities, Governments could make industrial finance available in two ways; first, they may provide loans and equity capital to industrial enterprises through financial institutions owned partly or wholly by the State; second, they may own industrial enterprises, wholly or jointly with domestic or foreign partners, the extent of their participation varying from minority to majority interest. The relative emphasis of one or another method will vary according to the circumstances of each country.

Financial institutions

Financial institutions play a crucial role in channelling savings from primary sources into industrial investment. They may also play an important role in investment in the public sector as exemplified by development finance institutions wholly or partly owned by Governments.

Development finance institutions play a particularly important role in the industrialization of developing countries. First, they are an effective instrument for mobilizing public, private and external financial resources, and channelling them into industry as medium-term and long-term industrial finance. Second, they provide industrial promotion services to help identify profitable industrial projects, and secure financing. Third, they provide technical assistance to industries, particularly medium-size and small enterprises. While there are different views as to which of these three functions should be given priority, there does not seem to be any general rule in this respect, and this policy will vary according to the circumstances of each country.

As to commercial banks, their activities are now mainly limited to short-term financing, which is more suited to the needs of commerce rather than industry. By an appropriate monetary or credit policy, such as regulation of reserve requirements, central bank rediscounting of paper, government guarantee of repayment etc., it may be possible to induce the commercial banks to lend more liberally to industry.

Other financial intermediaries, such as insurance companies, pension funds and social security funds are also important potential investment sources; these should be taken into account in assessing the domestic potential of capital formation.

Financial planning of industrial enterprises

This concerns the proper use of savings at the enterprise level. While the technical and economic requirements of a project are readily appreciated, the need for adequate financial planning at the project level is often overlooked. Industrial projects may be sound from a technical or economic point of view, and yet fail because of inadequate financial planning. New industrial projects are frequently launched without adequate provision for working capital which provides the means for the payment of current obligations. Similarly, an enterprise may find itself unable to meet its loan repayment obligations because its capital structure contains an excessive proportion of loan capital and too low a proportion of equity capital.

External financing[8]

Although developing countries have to rely mainly on domestic sources to finance their industrial development, external financing plays an important role, both as a supplement to domestic savings and as foreign exchange required for the purchase of machinery and equipment as well as materials and services not available at home. Three major sources of external financing may be distinguished: foreign private investment, multilateral and bilateral public financial assistance. The factors governing the flow of capital from these sources are not the same. Bilateral public financial assistance, for example, may essentially be determined by political considerations. The flow of private capital, on the other hand, is influenced mainly by profit incentives which in turn may be influenced by appropriate policy measures of the receiving countries.

[8] From Issues for Discussion: External financing, 1967 (ID/CONF.1/A.25) (mimeo.).

Foreign private investment

The identification and formulation of sound industrial projects are preconditions for attracting foreign capital. However, it is equally important that these projects be brought to the attention of foreign investors. Projects should be represented in such a form as to appeal to the prospective investors in particular markets. In the case of private investors, it is necessary to provide certain incentives. Governments desirous of attracting foreign private capital generally provide fiscal and financial incentives on the assumption that they will produce the desired effects, although there is no conclusive evidence that this will be the case. The issue is a debatable one. Furthermore, the incentives provided by different developing countries to attract foreign private capital are often in competition, so that a problem of contribution and harmonization arises, particularly when several developing countries decide to enter into a "common market" arrangement. Because this problem is likely to increase in importance as more regional markets are envisaged, it deserves serious consideration.

Awareness is not lacking in developing countries that they must make their industrial investment opportunities known to prospective investors in developed countries; however, far more intensive and systematic efforts than exist at present are required in this area. For this purpose, developing countries should more efficiently utilize their own facilities for investment promotion and at the same time take advantage of the facilities existing in the developed countries and those offered by the international agencies, including UNIDO.

The developed countries can greatly facilitate private industrial investment in developing countries by their nationals, notably by removing disincentive measures which reduce the profits from such investment (for example, double taxation of profits from investment abroad and taxation of investment abroad) and by providing guarantees to nationals designed to protect their investment from losses, except those due to defective planning and mismanagement. Moreover, developed countries already maintain facilities to help developing countries in their effort to publicize their investment opportunities, and these could be expanded.

The assistance which UNIDO could provide in the field of investment promotion could take two main forms. First, UNIDO can help developing countries to establish and operate agencies and facilities for promoting industrial development. Second, UNIDO services could help developing countries to bring their industrial investment opportunities to the attention of prospective foreign investors. These investors may be firms interested in joint ventures through various arrangements involving financial contributions, as well as contributions in kind—for example, supply of know-how—or they may be financial institutions interested in lending money for specific projects.

Bilateral public financial assistance

Bilateral public financial assistance from developed countries plays a major role in financing industrial development in developing countries. Without intending to detract from its importance, it may be pointed out, however, that many of the problems faced in its utilization derive from a dual motivation which is frequently at the source of such assistance, namely, the desire of donor Governments, not only to assist developing countries but also to promote exports. Thus, bilateral financial assistance is generally tied to the purchase of equipment from the donor countries, the reason frequently cited in this connexion being their balance-of-payments problems. This situation often results in higher costs of equipment to the developing countries as compared with international prices. This problem has been considered by the United Nations Economic and Social Council, which in its resolution 1183 (XLI) requested the Secretary-General "to study the feasibility of setting up, within the United Nations Organization for Industrial Development or any other appropriate United Nations body, an advisory service which could provide information to the developing countries on the sources of supply, the cost and the quality of equipment needed for their development".

Another problem arises from the fact that bilateral financial assistance is always project assistance. This may encourage the undertaking of industrial projects without regard to their social priority. In the case of countries which have drawn up industrial development programmes, it is desirable to have financial assistance co-ordinated with these programmes.

One of the problems faced by developing countries in the use of bilateral financial assistance is the cumbersome and protracted procedures in the disbursement of loans. The time factor has an important bearing on the cost of industrial investment. More simplified procedures would be desirable to avoid delays and lessen costs. Mindful of this problem, the Economic and Social Council, in its resolution 1183 (XLI) urged developed countries to make external resources more readily available "by simplifying the procedure for the granting and the effective and expeditious disbursement of aid".

Multilateral financial assistance

Developing countries have a marked preference for obtaining multilateral financing for their industrialization. The main advantage of such assistance is that it enables these countries to purchase industrial equipment in the world market and thereby benefit fully from the competition among the suppliers of equipment. Although the financial assistance granted to industry by the World Bank Group has increased recently, some developing countries feel that a larger proportion of financial assistance should be made available to the manufacturing sector as compared with infrastructure. So far, multilateral financial assistance has been made available mainly to large industrial projects, but in most developing countries there is a pressing need for finance for medium-sized and small-sized projects. Some of these projects receive external financial assistance indirectly through national development finance companies, some of which have received assistance from the World Bank Group. However, to the extent that the granting of loans is limited to private development finance institutions, public development finance institutions are deprived of necessary assistance. Financial assistance to small-sized and medium-sized projects should be increased, and not only private but also public development finance institutions should receive multilateral assistance.

THE DISCUSSION

Domestic financing[9]

It was generally agreed by the Symposium that the industrial growth of a developing country must in the long run be based on its capacity to mobilize its domestic resources, and that external financing, although necessary, could play only a supplementary role. While it was recognized that developing countries found it difficult to build up a substantial volume of savings, a savings target of 20 per cent of the national product for investment in industry was regarded as realistic.

It was recalled that the industrial sector was a relative latecomer in developing countries; in some cases it had evolved out of commercial enterprises which, under the stimulus of import restrictions and measures designed to protect local production, had embarked on the production of articles for a market with which they were well acquainted. Redeployment of capital and savings from the agricultural and commercial sectors to the industrial sector had also occurred as a result of legal or economic measures adopted by a number of countries which had achieved independence shortly after the Second World War.

With regard to household savings, it was pointed out that incomes had risen in recent years in a number of developing countries and that

[9] See also *Report of the International Symposium on Industrial Development, Athens 1967*, paras. 382—399 (ID/11) (United Nations publication, Sales No.: 69. II. B. 7).

there had been a redistribution of incomes in favour of the rural population, owing possibly to the accelerated development of the agricultural sector or to policies designed to adjust the price structure of agricultural products. The relative rise in rural income had led to an increase in rural savings. To mobilize such savings and channel them towards useful investments, it had been necessary to strengthen the system of financial intermediaries in the rural sector.

With regard to corporate savings, careful examination was urged of all measures likely to encourage industrial enterprises to save and to use such savings for expansion. Such measures might include the establishment of mandatory reserves, authorization of depreciation totalling up to 125 per cent of fixed assets and exemption from taxation of all profits reinvested within the country, particularly those from foreign capital.

With regard to government savings, it was stressed that these must be net savings, not financial resources created by the Government with a view to financing through inflation. The latter system of financing, if not strictly controlled, could have serious repercussions on the economy, entailing loss of confidence in the stability of the national currency and increased reluctance to save on the part of the private sector. It was further suggested that government savings should not be used for investment in "prestige" projects, resulting in the unproductive mobilization of human and material resources.

Considerable discussion centred on financial institutions. It was noted, in that connexion, that the World Bank Group had taken shares in or granted loans to private national companies specializing in industrial development in 21 developing countries.

External financing[10]

A substantial part of the discussion on external financing was devoted to foreign private investment. Although opinions varied considerably, there was general agreement on the usefulness of the contribution of foreign private investment to industrial development. That contribution, it was emphasized, was not merely financial. In 1966, foreign private investments in certain developing countries had amounted

[10] *Report of the International Symposium on Industrial Development, Athens 1967*, paras. 401—419 (ID/11) (United Nations publication. Sales No.: 69. II. B. 7).

to only some $3 billion, whereas the value of total exports of the developing countries had amounted to $37 billion. This meant that a slight improvement in the terms of trade would do more to improve the foreign exchange position of developing countries than would a very large percentage increase in foreign investments. The usefulness of foreign investment, it was felt, lay principally in the transfer of technology which it brought about.

Reference was made to the trend to establish an international insurance institution for private foreign investments. It was suggested that part of the premium in respect of such insurance should be paid by the capital-exporting countries within the framework of their development assistance programmes.

In connexion with the action taken by a number of developing countries to bring the possibilities of industrial investment in their countries to the attention of potential foreign investors, it was suggested that the various policies on private foreign investment, including in particular legislation on repatriation of profits and capital and tax incentives, should be co-ordinated, since competition among developing countries might nullify the advantages they offered.

It was apparent from the discussion that the developing countries unanimously favoured multilateral over bilateral external financing. Emphasis was placed on the need for expanding the role of multilateral financing. Regret was expressed at the exhaustion of the resources of IDA, and anxiety was expressed concerning the attitude of IBRD to public enterprises. It was pointed out, in the latter connexion, that one of the factors hindering the World Bank Group in its financial assistance to industrial growth in the developing countries was the shortage of competent technical and managerial staff, especially in the area of project evaluation, and that IBRD had undertaken a programme of technical assistance designed to remedy this situation.

Recommendations approved[11]

Domestic financing

Governments of developing countries should develop policies designed to stimulate savings and to induce a better understanding of the advantage of household savings and to strengthen the savings habit.

[11] From *Report of the International Symposium on Industrial Development, Athens 1967* (ID/11) (United Nations publication, Sales No.: 69. II. B. 7).

Governments of developing countries should take appropriate action to discourage hoarding and to seek ways and means of employing the hoarded resources in industrial and other economic development.

Governments of developing countries should, wherever necessary, encourage through appropriate measures, the retention within industry of a reasonable percentage of profits and an adequately high level of depreciation provisions and their reinvestment in local industry.

Governments of developing countries should promote efficient domestic financial institutions both for the collection of private savings and for channelling savings into domestic industrial investment.

Governments of developing countries should, wherever appropriate, consider offering guarantees to commercial banks, insurance and other financial organizations as part of their industrial risks.

Central banks should consider offering advantageous discounting facilities to financial intermediaries in industrial investment.

Branches of foreign banks in developing countries should be encouraged within the limits of sound banking practice to direct a large part of their funds to industrial development within those countries.

UNIDO should, as requested by Governments, co-operate with the appropriate international financial institutions in giving assistance to developing countries in the above tasks.

External financing

Developing countries, while mobilizing to the maximum their own resources for financing the process of their development, should endeavour to foster a climate which would encourage foreign investors, and to that end should keep under review the operations of their economic ministries, taxation departments and machinery for negotiation.

Governments of developing and developed countries should, to the extent consistent with the laws and regulations prevailing in their respective countries, enter into agreements which promote and guarantee foreign investments.

Because the flow of foreign capital through investment in developing countries is normally accompanied by a systematic and continuous transfer of technology, management and skills, developing countries should in their own interests enact patent legislation or modernize existing legislation so as to be in a better position to benefit from discoveries made in other countries.

The methods of external financing of industrial development of developing countries should be adapted to the fullest possible extent to the development processes of each country or group of countries. Particularly favourable and flexible conditions should be made available whenever possible to the least developed countries. In the same spirit, finance should be provided on the conditions appropriate to the various types of industries, and the system of external financing should be co-ordinated with national plans and methods of industrial programming.

International steps to promote foreign investments should be supported by the appropriate international bodies, and might include the promotion of methods, criteria, organizational forms and conditions for the financing of industrial programmes and projects and, in particular:

The extension of technical assistance to developing countries in making feasibility studies for industrial projects, or groups of projects, and in preparing technical outlines to be submitted with requests for external financing;

The extension of assistance to developing countries in establishing or consolidating investment promotion agencies for industrial development, and in securing for developing countries a continual flow of information on trends in the foreign capital markets and possibilities for attracting foreign capital;

Assistance in establishing contacts between the financial institutions of developing countries and corresponding institutions in developed countries as well as between domestic and foreign investors.

UNIDO should consult with appropriate international financial institutions and Governments with a view to the undertaking as soon as possible of a study aimed at defining objective and equitable conditions for stimulating the flow of capital to developing countries.

The developed countries should take any action feasible to assist the efforts of the developing countries to encourage reinvestment of profits by foreign investors.

Developed countries should consider guaranteeing investments by their own nationals in developing countries against non-commercial risks and taking suitable measures to eliminate double taxation. They should at the same time endeavour to make is possible for financial institutions to make resources available as soon as projects prove feasible and profitable.

Developing countries should take other measures aimed at improving the climate for investments, such as: allowing reasonable profits;

facilitating remittances of such profits and salaries; payment for the know-how factor; tax measures, including the prevention of double taxation; investment laws; and adherence to the IBRD Convention for the Settlement of Investment Disputes.

Developed countries should make available, bilaterally and through multilateral channels, larger amounts of financial aid to assist industrialization of the developing countries, in accordance with the targets set in United Nations resolutions.

Financial arrangements for the requirements of industrial development should preferably be based on a long-term approach and cover the development programmes of individual countries, or groups of countries, for a number of years.

Chapter 4

UNIDO ACTION TO PROMOTE INDUSTRIAL FINANCING

Under General Assembly resolution 2152 (XXI), which provided for the establishment of UNIDO, one of the terms of reference was that UNIDO should provide "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".

The UNIDO programme for the promotion of domestic and external financing for industrial development is financed under various United Nations operational programmes in which UNIDO participates. These programmes are: the Regular Programme of technical assistance devoted to industry and financed from the United Nations budget; the Special Fund component of the United Nations Development Programme (UNDP/SF); and the Technical Assistance component of the United Nations Development Programme (UNDP/TA). In addition, UNIDO receives voluntary contributions from Governments for the financing of the Special Industrial Services programme (SIS), a programme mainly confined to urgent short-term missions. Some projects may also be financed from funds in trust, deposited by Governments for specific projects, or other direct voluntary contributions. In all these programmes assistance is given only at the request of the Government concerned.

Annex 1 to this monograph outlines the areas relating to the development of industrial finance and investment promotion in which UNIDO is in a position to provide technical assistance. It also lists projects that have been implemented with UNIDO assistance or are currently being implemented in areas related to finance and investment for industrial development. Projects that are in preparation or under discussion with Governments are also listed in this annex.

UNIDO has already given technical assistance to many developing countries in the selection of the most appropriate sources of external financing for specific industrial projects. This assistance will be developed in future through UNIDO's encouragement and assistance in establishing periodic contacts between developing countries that have industrial projects to be financed and the representatives of appropriate institutions that offer external financial aid.

The promotion of private foreign investment in the industries of developing countries is reflected in UNIDO's programming work, which provides for two types of activity in respect of external investments:

UNIDO can advise Governments generally on policies and measures to be adopted in order to attract foreign private investments, and can help to set up or strengthen institutions for promoting such investments.

At the project level, UNIDO's primary activity is to bring industrialization opportunities in the developing countries to the attention of foreign private investors when the developing countries so request. Such activity can be carried out not only by organizing missions to developing countries by potential investors, but also by helping developing countries to prepare portfolios of industrial projects which may interest foreign investors.

Finally, UNIDO can submit projects on behalf of the developing countries to investors who might be interested in them.

Expert group meetings, training programmes and workshops organized by UNIDO on such subjects as investment promotion, financial planning, industrial banking techniques etc. are listed in annex 2.

Reports and studies in this field prepared by UNIDO, UNCTAD and IBRD are listed in annex 3.

UNIDO has undertaken to publish a guide on external sources of finance in order to bring to the attention of the promoters of projects the latest conditions in respect of external financing.

Annex 1

UNIDO ASSISTANCE IN INDUSTRIAL FINANCING

A. Areas relating to the development of industrial finance and investment promotion in which UNIDO is in a position to provide technical assistance

Formulation of general industrial finance policies;

Formulation of specific methods for financing working capital requirements or long-term investments;

Assessment of finance requirements for industrial sectors and for an integrated industrial development;

Appraisal of industrial finance needs for every type of industrial enterprise;

Training in financial planning for public manufacturing enterprises and government-controlled industries;

Setting-up and organization of machinery to make finance available for industry;

Channelling and mobilizing domestic resources for financing industrial development (policy, institutional action and techniques);

Defining financial requirements of industrial development programmes;

Obtaining external financing for specific industrial enterprises;

Setting up of joint ventures;

Evaluation of proposals and bids and assistance in contract formulation and loan arrangements;

Establishment and strengthening of industrial banking and other industrial financing institutions;

Establishment and strengthening of industrial investment promotion machinery;

Investment promotion for specific industrial projects;

Training in techniques of investment promotion;

Financial analysis for industrial enterprises;

Financial organization and control of public manufacturing enterprises;

Development of techniques for co-operation between industrial financing agencies in developing countries and capital-exporting countries;

Dissemination of information on sources of external financing in capital-exporting countries;

Direct assistance in resolving specific problems encountered in the field of industrial financing.

B. Selected major technical assistance projects

The projects listed below relate to the activities of UNIDO since its establishment in 1967. The list excludes projects carried out under the predecessor organizations of UNIDO (the former Division of Industrial Development up to 1962 and the Centre for Industrial Development up to 1967). Since the projects are listed for illustrative purposes, the names of countries have been omitted.

The respective programmes under which the projects are implemented are shown as:

SIS	Special Industrial Services of UNIDO
UNDP/TA	United Nations Development Programme, Technical Assistance Component
UNDP/SF	United Nations Development Programme, Special Fund Component
RP	Regular Programme

(1) *Projects implemented or under implementation by UNIDO in areas related to the development of industrial finance and investment promotion.*

AFRICA

Expert on investment financing for fertilizer industries assigned to the Centre for Industrial Studies for the Maghreb countries (UNDP/SF)

Adviser on industrial financing to a national investment company (SIS)

Financial adviser to a Government as chief of a research team on industrial finance (SIS)

Industrial planner for a Ministry of National Economy and Industry in the field of industrial finance and investment (funds in trust)

Adviser on industrial development in charge of project evaluation and investment promotion (UNDP/TA)

Expert in legislation on industrial financing (SIS)

Investment promotion adviser to an interregional development bank (UNDP/TA)

Adviser on investment promotion to a state capital investment board (SIS)

Team of four experts on industrial investment promotion, marketing and finance to an industrial development bureau (UNDP/SF)

Project co-director for industrial investment promotion of an industrial development bureau (UNDP/SF)

Assistance in investment promotion to a Ministry of Economic Planning and Development (SIS)

Industrial economist to assist in industrial policies and investment promotion, assigned to an industrial survey and promotion centre (SIS)

Advisory mission on investment promotion to a Government (SIS)

Investment promotion adviser to a national industrial promotion company (UNDP/SF)

Expert on banking operations to a national development bank (SIS)

Adviser on financing and feasibility studies to an industrial bank (SIS)

Investment promotion expert to a Ministry of Trade, Industry and Planning (SIS)

Two investment promotion experts to a national centre for investment promotion (SIS)

THE AMERICAS

Investment promotion adviser to a national finance corporation (RP)

Industrial promotion adviser to a national development bank (UNDP/TA)

ASIA AND THE FAR EAST

Fellowships in industrial financing to study policies and procedures of regional and interregional development banks (RP)

Industrial economist in the field of industrial policies and financing assigned to a government development bank (SIS)

Loan appraisal adviser to a development bank (UNDP/TA)

Investment promotion adviser to a Government (UNDP/TA)

Financial adviser and controller to a government administration of public sector enterprises (UNDP/TA)

Senior industrial promotion officer and senior industrial financing officer to a federal industrial development authority (SIS)

Advisory mission on industrial development to a Ministry of Industry and Commerce (two experts and a team leader) (SIS)

Expert team to advise on establishing a pilot project for a stock exchange (SIS)

Industrial finance expert to a national development bank (SIS)

EUROPE AND THE MIDDLE EAST

Industrial economist to advise on industrial policies and financing to the industrial bank of a Ministry of Industry (SIS)

(2) *Projects in preparation or under discussion with Governments in areas related to the development of industrial finance and investment promotion*

AFRICA

Long-term assistance in the field of industrial financing to a recently created industrial development corporation (UNDP/TA)

Assistance mission to provide advisory services in project preparation and investment promotion (RP, SIS)

Special advisory services to help immediately in existing industrial financing projects (UNDP/SF, SIS)

Expert team of advisers on project preparation, feasibility studies, credit policies, loan appraisal and negotiations to a recently created interregional development bank (UNDP/SF)

Expansion of assistance to the operational activities of a capital investment board (SIS)

Financial reorganization of state enterprises (SIS)

Assistance in setting up a development corporation in the field of industrial economics, project preparation, industrial finance and investment promotion (UNDP/TA, SIS)

Assistance to Governments in the establishment of development corporations and development finance institutions in small countries (UNDP/SF, SIS)

Advice on the application of international model joint-venture agreements in the fields of industrial financing and investment promotion (RP, SIS)

THE AMERICAS

Setting up and running of investment promotion units in common market areas (UNDP/TA)

Advisory services on public manufacturing enterprises in the field of industrial financing (RP, SIS)

Direct appraisal of the possibility of establishing development banks for developing countries (UNDP/TA, SIS)

Assistance in drawing up and application of international joint venture agreements (SIS)

ASIA AND THE FAR EAST

Advisory services and missions in industrial financing and investment promotion (RP, SIS)

Backstopping of operational activities of the new industrial development machinery of a Government: experts in industrial economy, project preparation, financial analysis, international financing, investment promotion, industrial credit (UNDP/TA)

Assistance to the administration of public sector enterprises in industrial financing and credit policies (SIS)

Advisory services for the establishment of an investment advisory centre (SIS)

Pilot project for the modernization and development of a stock exchange (SIS)

Setting up and running investment promotion machinery for various countries (UNDP/SF)

EUROPE AND THE MIDDLE EAST

Setting up and running investment promotion machinery (UNDP/SF)

Direct assistance in the field of industrial finance (RP)

Annex 2

MEETINGS, SEMINARS AND TRAINING COURSES ORGANIZED BY UNIDO

Meetings and seminars	*Location*	*Date*
Expert meetings on investment promotion of industrial projects for the developing countries	New York	June and September 1967
Meeting on investment promotion services	Vienna	September 1968
Investment Promotion Week	Tunis	May 1969
Investment promotion meeting for specific industrial projects in Africa (in co-operation with the African Development Bank and ECA)	Rabat	October 1969
Interregional seminar on financial aspects of manufacturing enterprises in the public sector	Rome	December 1969
		Proposed dates
Meeting of international finance institutions and development finance organizations	Vienna	1970
Second investment promotion meeting for specific industrial projects in Africa (in co-operation with the African Development Bank and ECA)	Africa	1970
Investment promotion meeting for specific industrial projects in Asia (in co-operation with ECAFE)	Far East	1970/1971

Training	*Location*	*Date*
Workshop on financial planning of industrial projects	Karachi	August 1968
Training programme in investment promotion techniques for Spanish-speaking participants	Brussels, New York, Washington, Vienna,	April-May 1969
Training programme in investment promotion techniques for French-speaking participants	Brussels, Düsseldorf, Frankfurt, The Hague, Paris, Stockholm, Vienna Warsaw	June 1969

Training	*Location*	*Date*
Regional workshop on financial planning for industrial projects (West Africa	Accra	June-July 1969
		Proposed dates
Regional workshop on financial planning for industrial projects (Far East)	Far East	1970
Training workshop on industrial banking techniques for English-speaking participants	—	1970
Training programmes in investment promotion techniques	—	1970 and 1971

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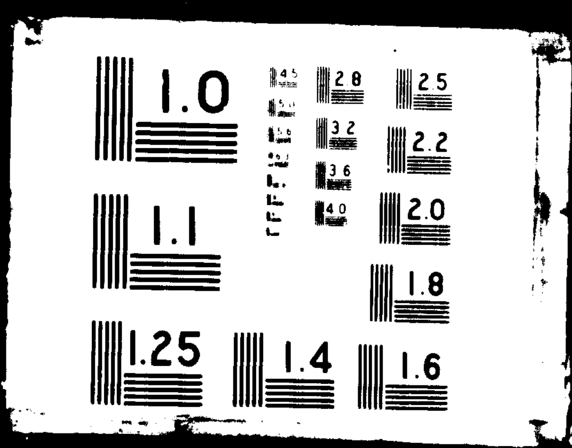

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		Proposed dates
Regional workshop on financial planning for industrial projects (Far East)	Far East	1970
Training workshop on industrial banking techniques for English-speaking participants	—	1970
Training programmes in investment promotion techniques	—	1970 and 1971

Annex 3

SELECTED LIST OF DOCUMENTS AND PUBLICATIONS ON INDUSTRIAL FINANCING[1]

UNITED NATIONS

Department of Economic and Social Affairs

World Economic Survey, 1965, Part One: The Financing of Economic Development (Sales No.: 66.II.C.1).

Export Credits and Development Financing. Part One: Current Practices and Problems. Part Two: National Export Credit Systems (Sales No.: 67.II.D.1).

United Nations Industrial Development Organization

Official Bilateral Financial Assistance for the Manufacturing Industry of the Developing Countries, 1967 (ID/CONF. 1/1, Corrs. 1 and 2) (mimeo.).

Domestic Financing of Industrial Development, 1967 (ID/CONF. 1/7) (mimeo.).

A Summary of Activities of the World Bank Group in the Industrial Field, 1967 (ID/CONF. 1/9) (mimeo.).

Financial Assistance by OECD Members for Industrial Development in Developing Countries, 1967 (ID/CONF. 1/44) (mimeo.).

Financing of Economic Development: Promotion of Private Foreign Investment in Developing Countries: Summary and Conclusions, 1967 (ID/CONF. 1/54) (mimeo.).

The Role of National Development Finance Companies in Industrial Development, 1967 (ID/CONF. 1/B. 8) (mimeo.).

Measures to Increase Commercial Bank Financing of Industry in Developing Countries, 1967 (ID/CONF. 1/B. 9) (mimeo.).

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[1] Symbols and Sales Numbers of United Nations documents and publications are given in parentheses after the titles.

Financing of Industrial Development in Yugoslavia; paper submitted by the Government of Yugoslavia, 1967 (ID/CONF. 1/G. 19) (mimeo.).

Financing of Economic Development of Yugoslavia from Foreign Sources; paper submitted by the Government of Yugoslavia, 1967 (ID/CONF. 1/G. 23) (mimeo.).

Redeployment of Private Capital in Developing Countries; paper submitted by the Government of the Netherlands, 1967 (ID/CONF. 1/G. 33) (mimeo.).

Some Aspects of United Kingdom Experience in Arranging the Financing of Industrial Projects in Developing Countries; paper submitted by the Government of the United Kingdom, 1967 (ID/CONF. 1/G. 43) (mimeo.).

Domestic Financing of Industry; paper submitted by the Government of Greece, 1967 (ID/CONF. 1/G. 58) (mimeo.).

External Financing of Industrial Development: Some Proposals to Encourage the Flow of Private Capital; paper submitted by the Government of Greece, 1967 (ID/CONF. 1/G. 64) (mimeo.).

Some Aspects of the Financing of Industrialization in Developing Countries; paper submitted by the Government of the Netherlands, 1967 (ID/CONF. 1/G. 69) (mimeo.).

Financial Aid by France for the Industrialization of the Developing Countries; paper submitted by the Government of France, 1967 (ID/CONF. 1/G. 77) (mimeo.).

The Role of Private Enterprise in the Industrialization of the Developing Countries; paper submitted by the Government of Switzerland, 1967 (ID/CONF. 1/G. 80) (mimeo.).

United Nations Conference on Trade and Development

International Monetary Issues and the Developing Countries: Report of the Group of Experts (Sales No.: 66.II.D.2).

Proceedings of the United Nations Conference on Trade and Development, Vol. I: *Final Act and Report* (Sales No.: 64.II.B.11);
Vol. V: *Financing and Invisibles—Institutional Arrangements* (Sales No.: 64.II.B.15).

Report on the Status of the International Bank Studies on Multilateral Investment Guarantees, 1966 (TD/B/55) (mimeo.).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Suppliers' Credits from Industrialized to Developing Countries. Washington, D.C., 1967.

Development Finance Companies: Aspects of Policy and Operation, edited by M. W. Diamond, Johns Hopkins Press, Baltimore, Md., 1968.

OTHER SOURCES

Ohlin, G., *Foreign Aid Policies Reconsidered*, OECD, Paris, 1966.

OECD, *The Flow of Financial Resources to Less Developed Countries, 1956 to 1963*, Paris, 1964.

UNIDO MONOGRAPHS ON INDUSTRIALIZATION OF DEVELOPING COUNTRIES: PROBLEMS AND PROSPECTS

No. 1. Non-ferrous metals industry
No. 2. Construction industry
No. 3. Building materials industry
No. 4. Engineering industry
No. 5. Iron and steel industry
No. 6. Fertilizer industry
No. 7. Textile industry
No. 8. Chemical industry
No. 9. Food-processing industry
No. 10. Industrial research
No. 11. Small-scale industry
No. 12. Standardization
No. 13. Industrial information
No. 14. Manpower for industry
No. 15. Administrative machinery
No. 16. Domestic and external financing
No. 17. Industrial planning
No. 18. Regional co-operation in industry
No. 19. Promotion of export-oriented industries
No. 20. General issues of industrial policy
No. 21. Technical co-operation in industry

Printed in Austria

Price: $U.S. 0.50 (or equivalent in other currencies)

United Nations publication

69-385—April 1970—4,300

Sales No.: E. 69. II. B. 39, Vol. 16

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