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DO 1269

United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.22/23
18 September 1968

ORIGINAL: ENGLISH

Meeting on Industrial Investment Promotion Services

Vienna, Austria, 23 - 26 September 1968

Agenda Item 5 - Issue Paper

112

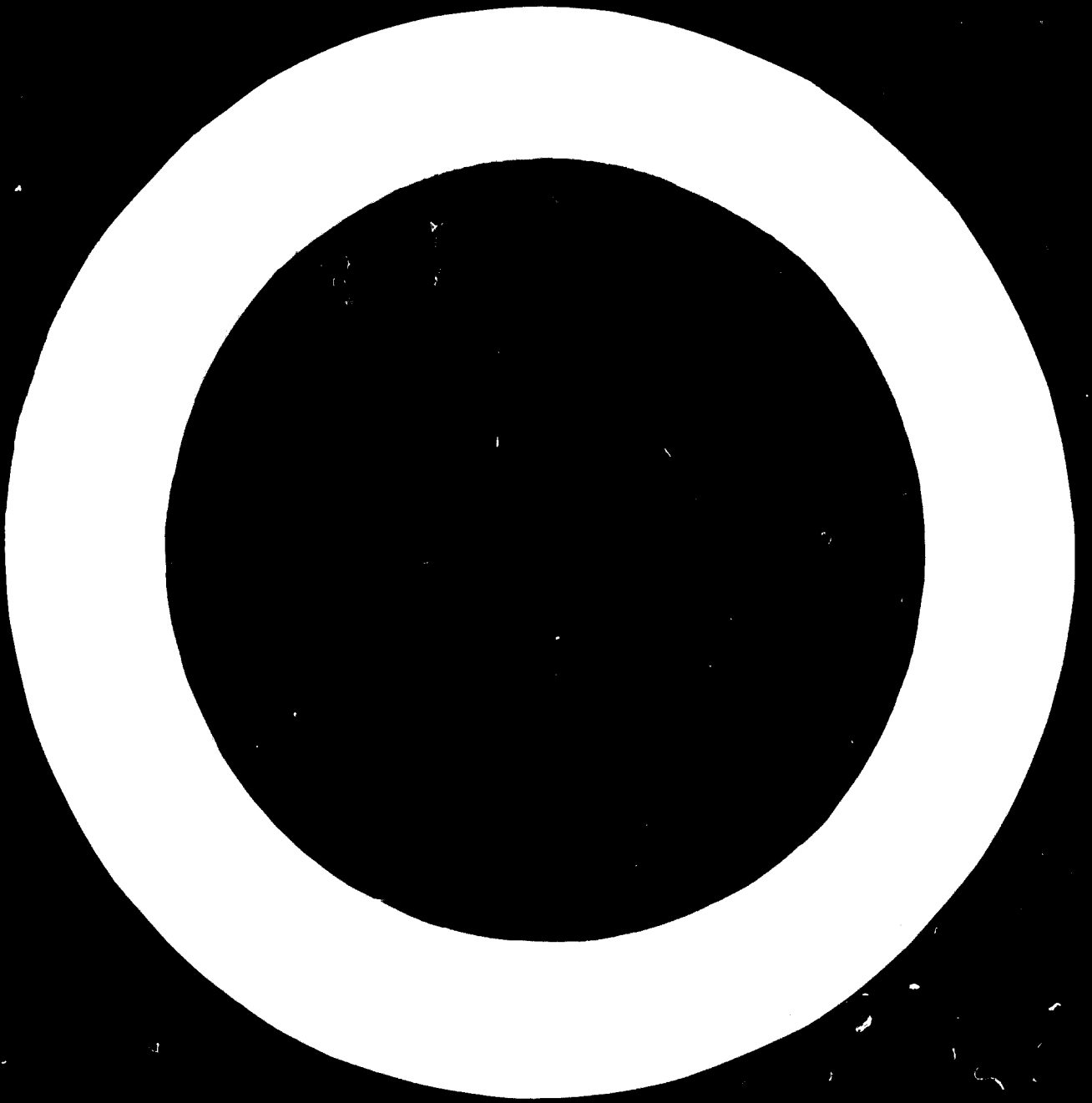
THE ROLE OF UNIDO

CURRENT OPERATIONS AND SUGGESTIONS FOR FUTURE ACTION

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Introduction

1. The United Nations Industrial Development Organization has been assigned by the United Nations General Assembly Resolution 2152 (XXI) the function, among others, of supplying "assistance at the request of Governments of developing countries in obtaining external financing for specific industrial projects by giving guidance on the preparation of requests, by providing information on the terms and conditions of the various financing agencies and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing".
2. This mandate of the General Assembly gives guidelines for determining the scope of the activities and functions of the UNIDO in the field of promotion of industrial investment.
3. The purpose of this paper is to inform this meeting as to the type of activities that UNIDO is presently engaged in with respect to industrial investment promotion and to raise the issues that it is faced with in this respect.
4. The participants at this meeting are so to say "the consumers" of the services offered by UNIDO in respect to the promotion of industrial investment. Therefore, it is needless to add that any suggestions for the improvement and refinement of these services will be more than welcome.
5. Services rendered by UNIDO in the field of industrial investment promotion may be divided into two categories for the purposes of analysis. One category would be those designed to serve the interests of developing countries. The second category would be those designed to supplement these efforts in developed countries.

Developing Countries

UNIDO assists developing countries in the field of investment promotion:

- (1) By helping establish or improve their institutions.
- (2) By helping train their nationals in techniques of investment promotion.

- (3) By providing advisors.

Institutions:

6. UNIDO's activities in the institutional field have been already explained at length in the issue paper prepared for the agenda item (2) pertaining to the machinery on investment promotion. Briefly, they are summarized below.

7. With respect to existing investment promotion centres UNIDO can:

- (1) evaluate their current performance
- (2) suggest changes in their policies
- (3) suggest changes in their organizational set-up
- (4) suggest improvements in operational procedures

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

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

- (1) determining the need for an investment promotion centre and in determining what type of a centre it should be;
- (2) organization of investment promotion centres;
- (3) operating a newly created investment promotion centre.

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

- (1) Could new centres be established to serve a group of nations?
- (2) What should be the objectives and functions? Is it possible to tailor them to suit the economic conditions obtaining in a country, or should they be in keeping with national objectives?

- (3) What should be the relationship between a national government and an investment promotion centre?
- (4) What criteria should be used in devising suitable promotional techniques?

Training

11. Developing countries suffer from a shortage of people skilled in techniques of industrial investment promotion and lack adequate facilities for the purpose.

12. Being conscious of this inadequacy in the resource structure of developing countries, UNIDO lays great stress on training of their nationals.

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

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

15. In this connexion one is faced with questions of the following kind:

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

Provision of Advisors

16. At the request of developing countries, under the technical assistance programme, UNIDO provides advisors who are experts in the field of investment promotion.

17. The main question here is whether it would be more advisable to provide experts under the Operation Executive Programme (OPEX) or mainly as advisors?

Developed Countries

18. In developed countries, UNIDO is assisting developing countries locate competent foreign enterprises and, where needed, supplementary sources of financing. This assistance is rendered in two ways. One way is what may be called general promotional efforts. The other is what has been termed in discussion of agenda item (3) as promotion of industrial investment at the project level.

General Promotional Effort

19. It is not possible to go into details of the UNIDO's activities in the field of industrial information and promotion.

20. However, one may bring to your attention the efforts being made to build "Industrial Opportunities Matrix". It attempts to assist developing and developed countries obtain adequate information on industrial opportunities on a world-wide basis.

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

Promotion of Industrial Investment at the Project Level

22. In the issue paper pertaining to agenda item (3) the basic approach to this kind of assistance has been explained at length.

23. Briefly the services rendered under this programme can be stated as follows:

- (1) Gathering of information and material on specific industrial projects deemed essential for sources of financing and/or investment to arrive at a decision.
- (2) Establishment of preliminary contracts with sources of financing and/or investment most likely to be interested in the projects to be founded.
- (3) Organization of meetings with the sources of financing and/or investment for the purpose of negotiating specific deals. UNIDO may finance missions organized jointly by it with the country requesting its assistance for the purpose of negotiating such deals.

24. In rendering this service a number of questions arise. They can be briefly stated as:

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





5 . 4 . 74