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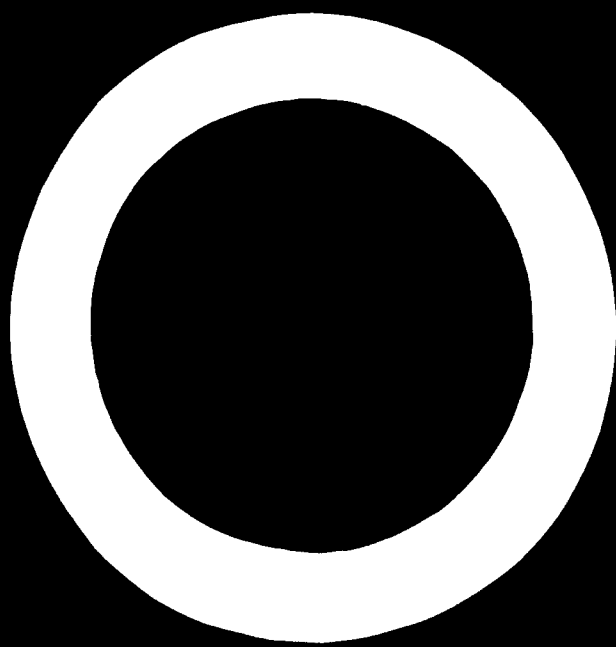
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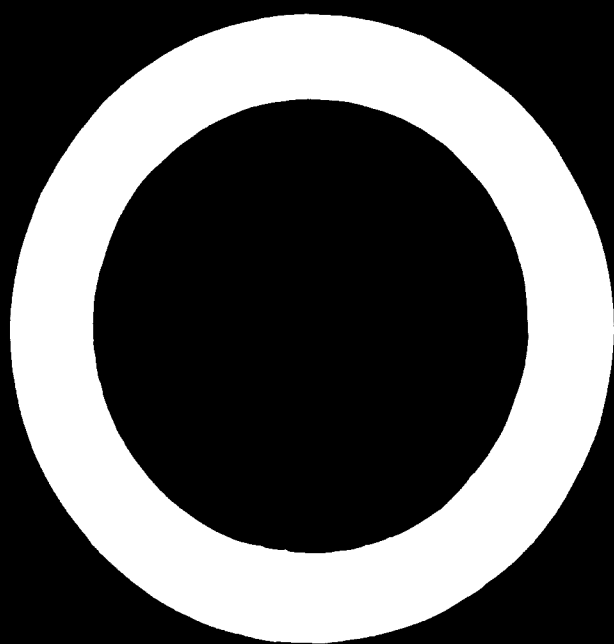
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**UNIDO'S
INDUSTRIAL
INVESTMENT
PROMOTION
PROGRAMME**

UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA





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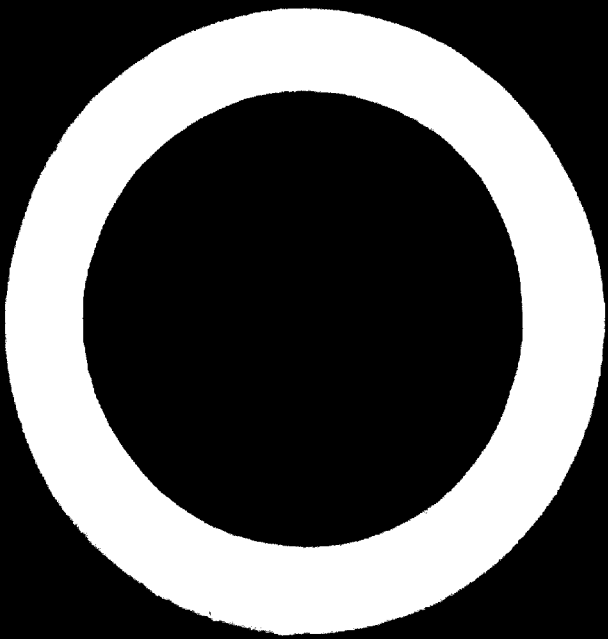
UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Vienna, April 1969

ID/31

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THE PROGRAMME

It has been widely acknowledged that to accelerate the rate of industrial development in developing countries, an ever-increasing flow of domestic and external resources in their industries is required.

However, the fact is that the current flow of resources into industry from both domestic and external sources is inadequate compared to the needs of developing countries, and also compared to the realizable potential.

Therefore, the need of the day is to devise a new set-up or improve upon the existing set-up, which will enable developing countries to mobilize more effectively external and domestic resources for their industrial development.

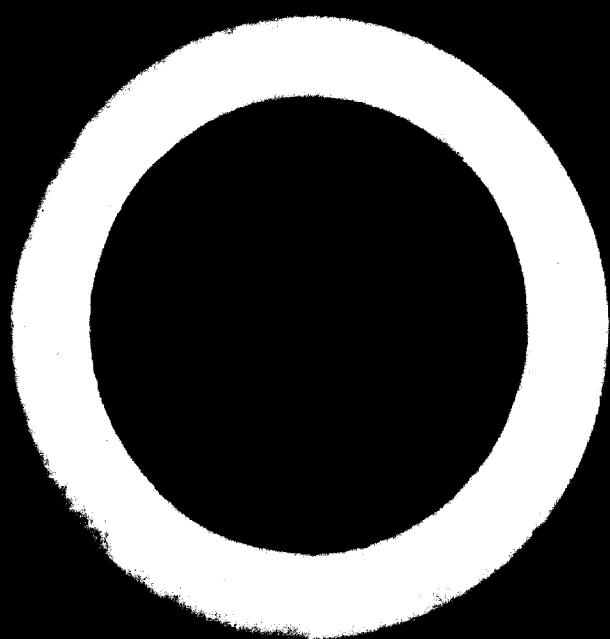
To assist developing countries in their search for means of more effective mobilization of external and domestic resources, UNIDO has inaugurated a programme called the Industrial Investment Promotion Programme, under which UNIDO renders assistance to developing countries in:

Promotion of the flow of external resources in specific industrial projects.

Establishing new investment promotion machinery or improving the operations of existing machinery.

Training their nationals in techniques of investment promotion.

Securing the services of expert advisers.



I ASSISTANCE IN THE PROMOTION OF THE FLOW OF EXTERNAL RESOURCES IN SPECIFIC INDUSTRIAL PROJECTS

The problem

One of the principal inadequacies in the flow of resources from developed to developing countries is the lack of facilities and programmes in the latter for the active and systematic promotion of resources, i.e. the identification and preparation of economically worth-while and commercially attractive projects, the location of competent foreign enterprises, and, where needed, supplementary sources of financing for their effective implementation.

Therefore, UNIDO has developed a programme to assist developing countries in promoting the transfer of capital and know-how from industrialized countries at the project level. It involves organization of such transfers on the basis of specific industrial projects, whose financial, economic and technical viability has been established by at least a preliminary feasibility study or a market survey.

The scope

The techniques used may be applied to all the various forms in which capital and know-how are transferred - external financing, joint ventures or direct foreign investment, the particular form to be selected in accordance with the requirements and policy of the recipient country.

The programme

Regardless of the form used, UNIDO's assistance in promotion at the level of the project consists of:

- (a) Collection of all the information available on a specific industrial project;

- (b) Scrutinization of the information available on individual specific projects, and preparation of standardized brief reports on each of the projects, including the information needed by the prospective investor and/or financier to take a decision in principle concerning his interest in a specific project;
- (c) Location of appropriate sources of investment and/or financing, submission of the selected projects to prospective investors or financiers, and stimulation of their interest;
- (d) Assistance in the stimulation of a dialogue between two interested parties, nurturing it, and orientating it towards positive results based on a balanced reciprocity of interest.

Ways of implementation

The programme of action is implemented in three ways, namely:

- (a) Assistance to individual countries.
- (b) Meetings to promote specific industrial projects, or "bourse" of projects.
- (c) The establishment of a portfolio of project reports.

(a) Assistance to individual countries

Developing countries wishing to avail themselves of UNIDO's assistance in promoting a set of specific industrial projects make an official request through the office of the UNDP resident representative in their country.

Once an official request for UNIDO's assistance is received, the developing country concerned is requested to supply to UNIDO whatever information is available on the projects to be promoted with its assistance.

Members of the UNIDO secretariat study and scrutinize the information supplied. In the process they select the projects susceptible of promotion with UNIDO's assistance, and determine the gaps to be filled in existing information.

Furthermore:

- (i) A UNIDO expert visits the requesting country, examines further information on the projects available in the country, and assists the country to prepare the material and general information which would be of interest to an investor or a financier. In particular he assists the country to prepare brief reports on the industrial projects to be promoted, including the information needed by an investor or a financier to take a decision in principle of his interest in the project.
- (ii) In co-operation with the requesting country, the UNIDO expert sets up a programme of promotion for the projects selected and prepared.
- (iii) At the same time, using a large network of liaison, and the facilities of appropriate institutions in the industrialized countries, UNIDO locates potentially interested sources of investment and/or financing; sounds out their interest in the projects; and assists them and the sponsor in the developing country to initiate contacts. For this purpose, if advisable, UNIDO may finance a number of services needed for the materialization of the projects.
- (iv) A UNIDO staff member continues to provide all the necessary assistance to the nominee or nominees of the requesting country until such time as negotiations between the interested parties are started and take a positive step towards materialization of the projects.

(b) Meetings to promote specific industrial projects, or "bourse" of projects

For the promotion of specific industrial projects in developing countries, UNIDO also follows another procedure. It sponsors meetings between representatives of developing countries that wish to promote specific projects with its assistance, representatives of international financial and investment institutions, and other interested institutions of capital-exporting countries. The financial institutions of capital-exporting countries play the role of "foster parents". Their main function is to assist developing countries in finding interested industrialists and investors for the specific projects to be promoted. They may also serve as supplementary sources of financing for the projects.

Before meetings are convened, considerable effort is devoted to preparatory work. During the preparatory phase, assistance is supplied to individual countries in selecting projects susceptible of promotion abroad. All available information on the selected projects is collected and thoroughly scrutinized. Brief reports on selected projects are prepared, providing the information needed to enable a prospective investor, financier and/or an industrialist to take a decision in principle of his interest in the project. Prospective investors, financiers or industrialists are located and inquiries made concerning their interest in specific projects.

The primary purpose of sponsoring such meetings is to enable the participants to make contacts and, hopefully initiate negotiations on specific projects. Invitations to the meetings are therefore issued on a selective basis. Only those sources of investment and/or financing that have expressed positive interest in specific projects are invited, and only those developing countries that have specific projects needing foreign capital and know-how are invited.

Plenary sessions are arranged for discussion of general issues pertaining to investment promotion, while ad hoc meetings are held between recipients and suppliers of capital and know-how interested in the promotion of

specific projects. The ad hoc meetings are held in private rooms, in order to safeguard the confidential nature of the discussions and in every way encourage the development of mutual interests which will lead eventually to fruitful negotiations.

The discussions at such ad hoc meetings are scrutinized by UNIDO, and further action is taken for the development of specific projects. The UNIDO secretariat keeps in regular touch with the participants of these meetings, until a project materializes.

Procedure: Any developing country that wishes to promote specific industrial projects through UNIDO-sponsored meetings is invited to convey its desire to do so to:

Industrial Policies, Financing and Investment
Promotion Section
Industrial Policies and Programming Division
2 Rathausplatz
UNIDO, Vienna, Austria.

(c) Establishment of a portfolio of brief project reports

A third procedure used by UNIDO to promote specific industrial projects in developing countries is based on a Portfolio of Brief Project Reports, established at UNIDO headquarters. The portfolio is a catalogue of project information contributed by the developing countries that wish to promote specific industrial projects through UNIDO. Developing countries send to UNIDO the lists of the industrial projects they wish to promote together with all available information on the project proposals.

UNIDO studies the information and prepares a standardized brief report on each project to be promoted, providing the information that will enable a prospective investor and/or financier to take a decision in principle concerning his interest in a project.

UNIDO brings these reports to the attention of appropriate sources of investment and/or financing. The selection of the appropriate sources is facilitated by an intricate network of liaison which UNIDO has established

with leading institutions in the capital-exporting countries of the world, including major international commercial banks, international investment banks, chambers of commerce and associations of industries.

When the interested sources of investment and/or financing have been located for a specific project, UNIDO assists the interested parties in establishing first contacts. Eventually it assists also in the organization of face-to-face meetings between the interested parties so that they may negotiate firm agreements for the realization of specific projects.

Additional and complementary services

UNIDO will also assist on request the countries concerned to carry out other tasks to facilitate realization of the projects, such as financing under the United Nations Development Programme, additional studies which may be needed to determine the viability of the projects proposed.

II UNIDO'S ACTIVITIES IN THE INSTITUTIONAL AND TRAINING FIELD

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

To this end, UNIDO provides assistance to developing countries:

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

These two areas of UNIDO assistance are outlined in the following pages.

A. Assistance in establishing or improving machinery for investment promotion

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

Existing investment promotion machinery

With respect to existing investment promotion machinery, UNIDO can:

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

New investment promotion machinery

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

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

These three types of assistance in establishing new machinery are elaborated on the following pages. An illustration is given on page 13 of a Special Fund project for setting up an industrial investment promotion centre in a developing country.

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

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

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

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

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

- (a) The scope of functions of the agency, with emphasis on proper identification of investment opportunities and preparation of studies, such as pre-investment and feasibility studies;
- (b) The methods of operation to be followed by the investment promotion agency, i.e. how it will fulfil its functions, through research or advertising or through the use of consultant or public relations firms;

- (o) The resources needed and a plan for a proper capital structure;
- (d) The national and foreign sources from which resources can be obtained;
- (e) The organizational set-up for the investment promotion agency;
- (f) The organizational set-up for the agency's offices to be located abroad;
- (g) The type of relationship between the home office and the foreign offices of the investment promotion agency, and the procedures to be followed by them for the expeditious promotion of investment projects;
- (h) The relationship between the national Government (or the regional group) and the investment promotion agency, including the legal status of the agency. For example, should the agency be a separate and independent entity? Should it be an autonomous entity? Should it be a department of the Government? Would it be desirable to have government ownership and control, or private ownership and control, or a mixture of both?

(3) Operation of the newly created investment promotion agency

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

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

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

ILLUSTRATION

Characteristic elements of a Special Fund project for setting up an industrial investment promotion machinery in a developing country

- I. Purpose of the Project.
- II. Plan of Operation.
- III. Experts:
 1. Project Manager.
 2. Investment Promoter.
 3. Financial Analyst.
 4. Industrial Marketing Expert.
 5. Industrial Engineer.
 6. Short-term Consultants on Specific Technical Problems.

It is natural that the emphasis with regard to the duties of the experts would vary from project to project depending on the conditions prevailing in the country. The job descriptions are drafted accordingly to meet the demands of local conditions.

- IV. Fellowships:

Number of nationals to be trained abroad.
- V. Equipment.

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

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

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

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

Problems of development of domestic
entrepreneurship;

Areas where private foreign capital should
be sought;

Instructions on establishing and operating
successfully investment promotion
machinery; and

Techniques of approaching a prospective
investor.

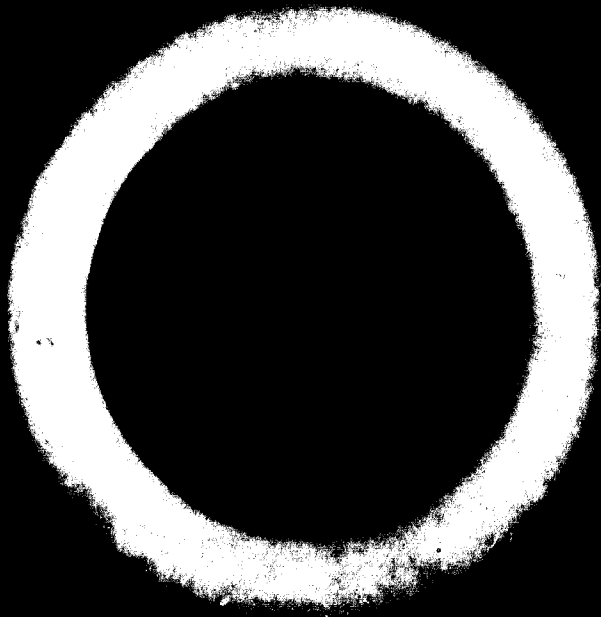
The programmes consist of a series of lectures, discussions, field trips and on-the-job training in capital-exporting countries.

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

The lectures cover such subjects as the following:

- Creation of investment climate;
- Identification of investment opportunities;
- Building up of entrepreneurship;
- Institutions for mobilization of domestic savings;
- Techniques for mobilization of domestic savings;
- Attracting foreign investment - problems and prospects;
- Presentation of projects;
- Location of investors and financiers;
- Techniques and tools of industrial investment promotion; and
- Organisation and operation problems of investment promotion machinery.

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



III ASSISTANCE IN SECURING THE SERVICES
OF EXPERT ADVISERS

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

Creation of investment climate;

Identification of investment opportunities;

Organisational set-up for investment promotion machinery;

Determination of the scope of functions of investment promotion agencies;

Making of plans of operations for investment promotion agencies;

Operating an investment promotion agency during the initial years;

Institution and implementation of incentive policies for promoting investment; and

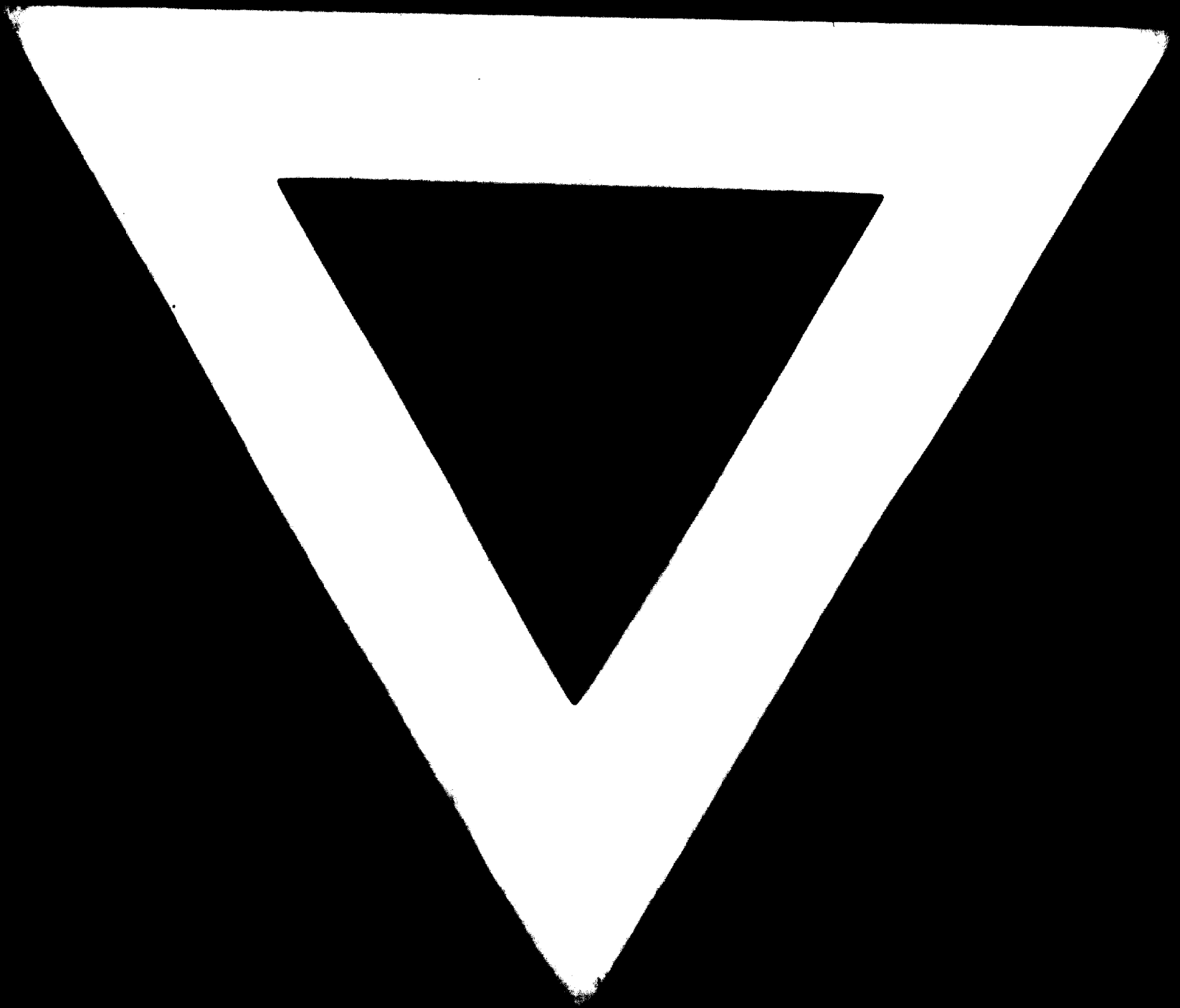
Location of appropriate investors or financiers.

HOW TO OBTAIN UNIDO'S ASSISTANCE

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

Further information on the subject can be obtained from:

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



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