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INCENTIVE POLICIES FOR INDUSTRIAL DEVELOPMENT

Report and proceedings
of the Interregional Seminar held in
Vienna, 10 - 21 March 1969

I REPORT OF THE SEMINAR

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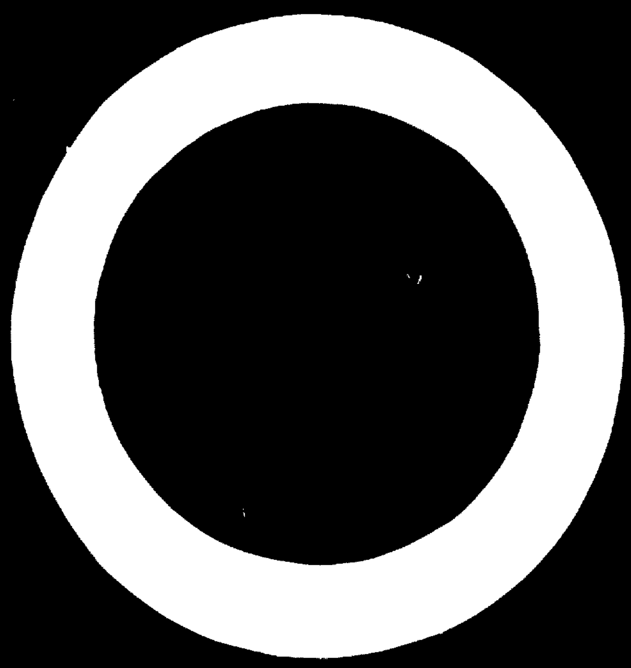
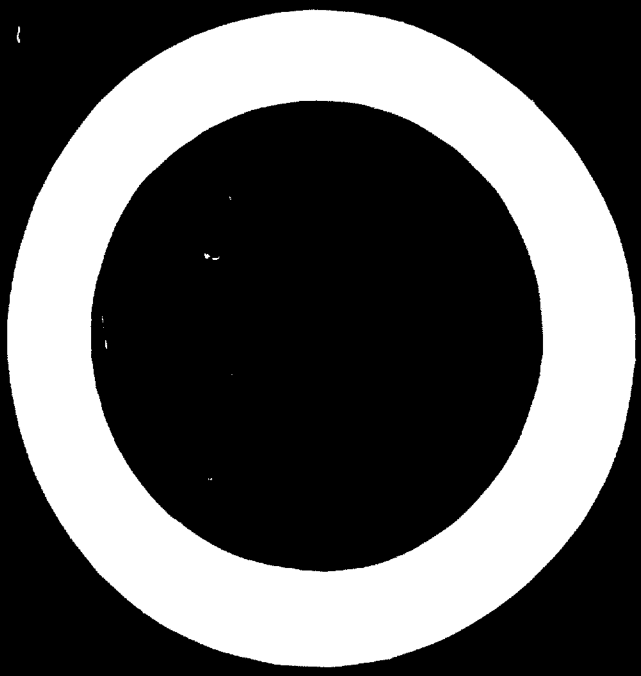
UNITED NATIONS





UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
VIENNA

INCENTIVE POLICIES FOR INDUSTRIAL DEVELOPMENT

Report and proceedings of the Interregional Seminar held in Vienna, 10–21 March 1969

I. REPORT OF THE SEMINAR

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Preface

1. The Interregional Seminar on Incentive Policies for Industrial Development sponsored by the United Nations Industrial Development Organization was held at UNIDO headquarters in Vienna from 10-21 March 1969. The Seminar was financed as an interregional project by the United Nations Development Programme. It was the first seminar organized by UNIDO on the subject of industrial policies. Other United Nations and international agencies were consulted in the preparation of the Seminar.

2. The purpose of the Seminar was to give officials from developing countries the opportunity to discuss and exchange views and experiences on the formulation of incentive policies for industrial development and the measures used to implement them. It was attended by participants from 25 developing countries. Most of them were directly or indirectly responsible for the formulation or implementation of policies to promote industrial development in their countries. Representatives of ECLA, ILO, IMF, OECD, UNCTAD and the World Bank Group also participated. A list of the participants, guest speakers and observers is given in annex 1.

3. The Seminar was opened by Mr. I. H. Abdel-Rahman, the Executive Director of UNIDO, who observed that although countries differ widely as regards the freedom or limits that are assigned to individual choices, there would always be a need to examine the best combination of a large number of possible incentive instruments. Tax and fiscal incentives were the measures that came first to mind in this respect; but it was the plan of the Seminar to widen the scope of incentives so as to cover a broader range of possible measures. (The statement of the Executive Director is presented in annex 2.)

4. The closing address to the Seminar was made by Mr. F. Le Guay, Director of the Industrial Policies and Programming Division, which had been responsible for the organization of the Seminar. There was also an opportunity for the activities of the Industrial Technology Division and the Technical Co-operation Division of

UNIDO to be discussed with the Directors of these Divisions - Mr. N. Grigoriev and Mr. S. Quijano-Caballero respectively.

5. The programme of the Seminar is presented in annex 3. During the first week, participants discussed the design of seven different types of incentive measures, measures to facilitate foreign investment, the formulation of a package of incentive measures, criteria for selecting industries eligible for incentive benefits and the administration of incentive measures. The discussion was based on twelve issue papers prepared by the UNIDO secretariat. Each subject was introduced by a guest speaker or UNIDO staff member.

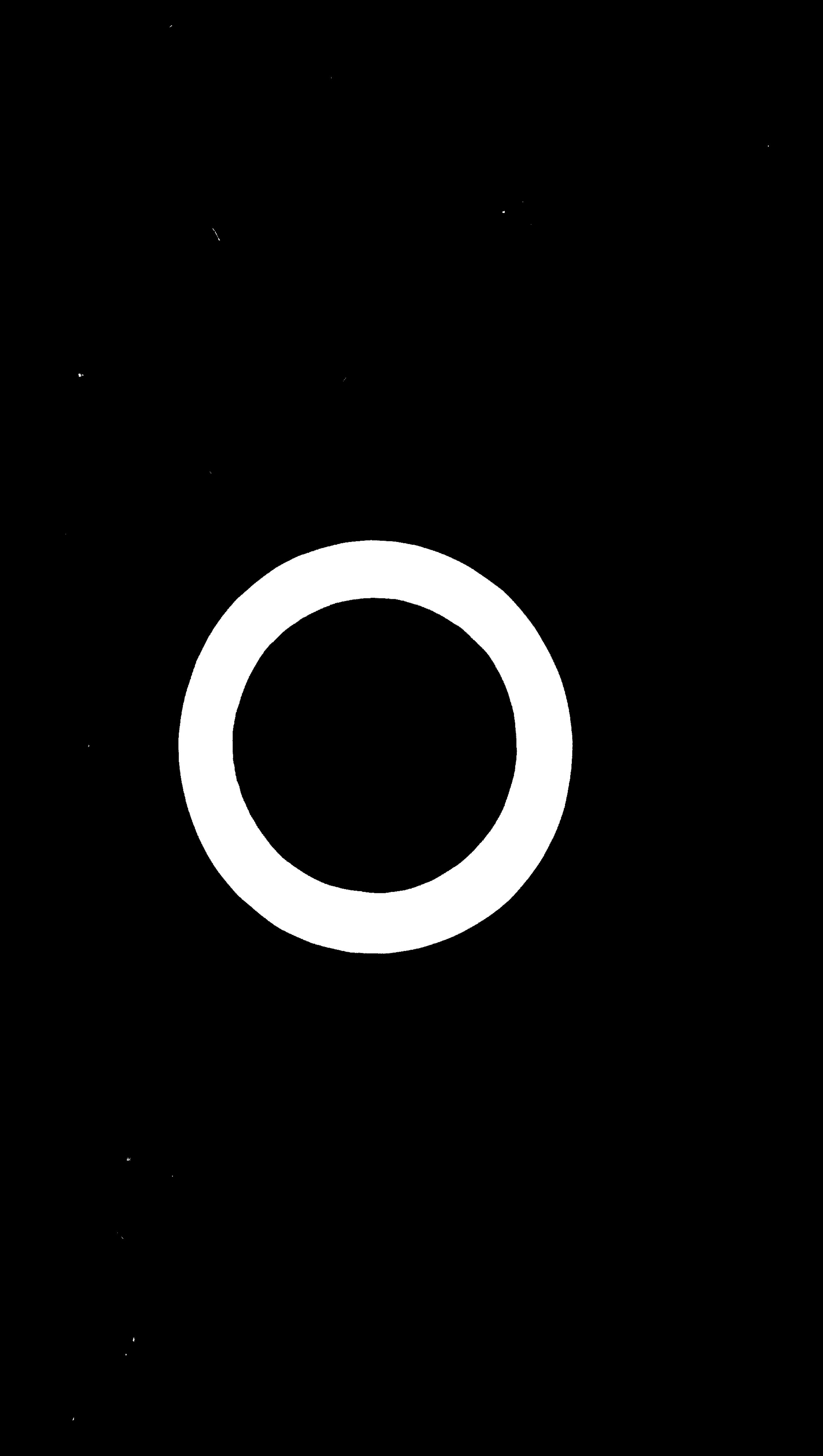
6. The points raised for discussion in the issue papers were drawn from studies of the use of incentive measures in twenty developing countries specially prepared for UNIDO by consultants. A list of the issue papers and the country background papers is given in annex 4. Some of the country studies will be published in Volume II of this publication.

7. During the second week, the main emphasis was on case studies; participants played the role of advisers to a hypothetical developing country which had requested assistance in formulating a new package of incentive measures. The case studies described typical circumstances faced by two hypothetical developing countries: participants divided into small groups to work out policy recommendations. The entire Seminar then reconvened to discuss the recommended packages of incentive measures.

8. Discussion at the Seminar was supplemented by a number of guest speakers including the Finance Minister of Austria who addressed participants on the use of incentives in his country. Guest speakers from Denmark, the Federal Republic of Germany, the Netherlands and Sweden considered incentives offered by developing countries from the point of view of a foreign investor from their country. The action which the governments of industrially advanced countries have taken to promote investment in industrial projects in developing countries was also briefly considered at the Seminar.

9. Participants felt it would not be appropriate for the Seminar to draft a formal set of conclusions and recommendations. The tentative conclusions which they drafted to summarize their discussion were therefore entitled "Highlights and Suggestions". At the end of the Seminar, the participants were asked to evaluate the usefulness of the training programme.

10. The present report contains the highlights drafted by the participants in chapter I, a summary of the discussion in chapter II, a note on the use of case studies in chapter III and a summary of the evaluation and suggestions made by participants in chapter IV.



I HIGHLIGHTS OF THE SEMINAR

11. At the close of the Seminar, participants drafted a report entitled "Highlights and Suggestions" to summarize their discussion. The highlights are given here.

12. The word "highlights" was used because participants felt it was inappropriate to imply that conclusions and recommendations were drawn from discussions at the Seminar which could be applied to all developing countries. They recognized that it was difficult to establish a complete set of guidelines for the formulation of an appropriate package of incentive measures for developing countries of different sizes and at different stages of industrialization; other factors, such as the general political and social orientation of each country, its geographical location, and the scope and generosity of incentives offered by neighbouring countries, would also vary from country to country. The discussion was therefore summarized in the following way.

The role of incentive policies

13. Incentive policies need to be considered within the context of a developing country's national economic policies, its strategy and plans for industrialization and the existing set of industrial policies used to achieve the objectives and targets established for the industrialization programme. A package of incentive measures, however well formulated and implemented, is no magic formula to ensure that a country will obtain investment in the industrial sector at a sufficient level, of the appropriate quality and in the desired direction. However, given a favourable climate for private investment, incentive measures can play an active role to promote investment in the industrial sector in general and as a policy instrument to achieve other specific policy objectives.

14. Among the specific policy objectives considered were to channel investment into selected priority industrial projects, to encourage a wider locational distribution of industry within a country, to develop a larger quantity of exports of manufactured goods and to promote a wider dispersion of the ownership of industry.

15. The scope and strength of an appropriate package of incentive measures would depend on the relative roles which private and public investment were expected to play in the development of the industrial sector. One of the principal roles of incentive policies was to facilitate the mobilization and channelling of an adequate volume of resources (both domestic and foreign) to finance new private investment in the industrial sector. Incentive measures could help to ensure that the industrial sector attracted the increasing share of a nation's savings which the industrialization process usually required, as well as to help increase the total volume of national savings.

16. Incentive measures derive their effectiveness from two functions: they can help to remove obstacles or disincentives to new investment in the industrial sector; they can also provide an additional stimulus for an enterprise to undertake new investment. Although incentive measures were expected to achieve long-term policy objectives, the incentive benefits granted were usually of a short-term nature. The time factor (that is, the duration of the benefits offered or a time limit on the period during which new investment would qualify for these benefits) was therefore an important element in the design of incentive measures.

The formulation of a package of incentive measures

17. The participants agreed that in many countries the existing package of incentive measures had been introduced as individual measures, one by one, over a period of time; as a result, the formulation of incentive measures had not always taken into account the over-all effect of the whole package of incentive measures. The general feeling was that many developing countries might take

stock of the existing position and reconsider whether investors needed all these concessions; some incentives which investors had come to expect might be unnecessary when seen from the point of view of the government of a developing country.

18. It was agreed that, whether or not tariff and other forms of protection were considered as an incentive measure, the incentive effects of protection from foreign competition should be considered as an integral part of the package of incentive measures. Since the commercial profitability of most new industrial projects depends on the level of tariff protection, the need for other forms of incentive depends on the level of tariff protection granted to the project.

19. Discussion showed that the systems used by developing countries represented at the Seminar for granting incentives allowed various degrees of discretion (i) as to which projects were eligible for incentives and (ii) the generosity of the benefits offered to each project. Participants considered to what extent this discretionary element could be reduced by establishing criteria to decide (i) which new projects would be eligible for incentives, (ii) how generous the additional package of incentives for each project should be and the minimum package of incentives which would be granted automatically to every investment eligible for incentives. The participants recognized that different projects would usually require incentives at different levels of generosity, and that due attention should be paid to the potential profitability of each project for its sponsors both with and without the incentives offered.

20. It was agreed that, when reviewing its policy on incentives for industrial development, a government could usefully consider the cost and effectiveness of the incentive measures offered, both individually and as a package. While it might be difficult to establish whether new investments would have been made without the existence of the incentives provided, some participants felt that cost-benefit analysis offered a useful tool with which to evaluate the benefits to the national economy of a country's programme of incentive measures.

21. Another factor in determining generosity was competition between countries. Many participants felt that competitive bidding among developing countries for new industrial investment could lead to the granting of overgenerous packages of incentives.

The selection of industries eligible for incentives

22. Although some developing countries provide incentive benefits for most new industrial projects, many participants favoured a more selective approach to the selection of new investment projects eligible for incentives. In some developing countries, the licensing of new industrial projects was used as the main policy instrument to control the quality of projects and the direction of new investment, but in other countries the granting of incentives played an important role in determining the direction and quality of new investment in industrial projects.

23. Some participants favoured selecting projects eligible for incentive benefits on the basis of criteria reflecting the nation's economic and social-policy objectives. While it was recognized that the practical application of this approach would be very difficult, there was some agreement that some or all of the following criteria might be appropriate: the contribution of the project to the balance of payments (including export possibilities), contribution of the project to the national income in terms of value added by the manufacturing process, the extent to which the project used local raw materials and its employment-creating effects.

24. Some participants felt that the use of incentives to promote the development of industry in rural areas had been neglected. The development of small-scale industries required special consideration when designing a package of incentive measures.

25. There was wide agreement that the eligibility for incentives of new investment expenditure to modernise or expand existing industrial enterprises should be considered. The design and strength of incentive measures used to promote these forms of investment might differ from those used to promote investment in new industrial projects.

The administration of incentive measures

26. It was agreed that efficient and speedy decision-making on the granting of incentives was required if their effectiveness was to be maximized. It was recognized that in some developing countries it would be advisable to arrange for a more centralized system of decision-making on the granting of incentives.

27. Some participants pointed out the need to specify a time period within which a project must be implemented once a decision to grant incentives had been taken. Other methods were considered to ensure that applications for incentive benefits would be made in good faith. Methods to implement incentive measures and to follow up the performance of benefiting enterprises were also discussed.

Different types of incentive measures

28. The participants agreed that the effectiveness of a package of incentive measures would depend not only on the effect of each individual measure in raising the potential profitability of a new investment project for its sponsors but also on removing obstacles or disincentives to its implementation. Eight different types of incentive measures were considered: assistance at the pre-investment stage, assistance with land and factory buildings, assistance in developing labour skills, assistance with financing, tariffs and other forms of protection, import-duty concessions, tax incentives and government purchasing policy.

29. Assistance at the pre-investment stage was seen as a useful way of overcoming one of the most common obstacles to industrial development - the formulation of sound projects by potential investors. It was a particularly useful way to help develop local entrepreneurship. Detailed feasibility studies prepared in advance by the government were often of little value to the investor who realized the project, but a government could usefully assist investors make their own feasibility studies by providing grants or loans for this purpose.

30. Assistance in the form of providing land and factory buildings or industrial areas or estates was a useful incentive measure, particularly in countries where it was difficult to acquire a suitable industrial site.

31. Assistance in developing labour skills was provided by the government's programme of technical and vocational training. Industrial enterprises could also be granted financial assistance to train labour in their own plants.

32. Assistance with financing specific industrial projects had proved to be a useful and powerful incentive measure in developing countries, particularly where the lack of available financing in sufficient volume or appropriate terms was an obstacle to the establishment of new industrial projects.

33. Tariffs or another form of protection was usually an essential incentive for new investment in industrial projects in developing countries. However, the level of effective protection afforded to each project required careful consideration if the policy was not to conflict with the objectives of establishing efficient industrial enterprises of an appropriate size using an appropriate technology. When setting the level of tariff protection, the need to establish internationally competitive industries to enhance the export prospects of manufactured goods should be considered. The advantages of closer regional co-operation on new industrial projects is a relevant consideration in this context.

34. While participants agreed that import-duty concessions were justified in the imports of plant and machinery, the wider application of this type of incentive measure to raw materials and other supplies was considered more controversial. However, materials and other supplies imported for inclusion in manufactured goods that were subsequently exported need import-duty concessions to be competitive.

35. A wide range of alternative systems and forms of tax incentives was considered. However, owing to the different fiscal systems used by the countries represented, it was recognized that

the choice of the most appropriate form depended very much on the conditions prevailing in the developing country in question. Tax incentives were likely to be most effective when the enterprise expected to earn substantial profits in the first few years of operation and when it anticipated effective enforcement of the collection of taxes on which the incentive was based.

36. Government purchasing policy could also be used as an incentive measure. Government purchases and assistance with marketing were especially well suited for promoting the development of small-scale industries.

Measures to facilitate foreign investment

37. The participants found that, as a general rule, the developing countries which they represented did not discriminate between foreign and domestic investors when granting incentives. The existence of incentive measures was often taken as an indication of a government's desire to attract and support private investment; the precise content of the incentive package needed to attract a foreign investor was frequently a matter of negotiation once the initial interest had been established.

38. It was agreed that additional measures were needed to facilitate foreign investment. The effectiveness of some of the incentives considered above depended on the adoption of these additional measures; for example, some forms of tax incentive might lose part of their effectiveness for foreign investors unless appropriate bilateral tax agreements aimed at avoiding double taxation had been negotiated with the oountry in whioh the foreign investor's parent business was taxed.

39. Some of the other factors which help developing countries to attract foreign investment were disoussed by guest speakers from a number of industrially advanced countries. Besides the existence of a profitable marketing opportunity, these speakers stressed the need for freedom to repatriate the profits earned and the original capital investment as part of the conditions which comprise a desirable investment climate.

Action by industrially advanced countries

40. It was recognized that the industrially advanced countries could themselves adopt incentives and other measures to encourage investment in industrial projects in developing countries. Tax incentives for new investment in developing countries based on the domestic tax system, bilateral investment guarantee treaties and insurance of new investment in developing countries against selected risks were among the measures discussed.

II SUMMARY OF THE DISCUSSION

The role of incentive policies

41. Participants agreed that the main role of incentive policies was to encourage an adequate volume of private investment in the industrial ector. The industrialization process usually required that an increasing share of the nation's savings be mobilized for investment in the industrial sector. If the ownership policy of a country gave private investment a substantial role to play, the package of incentive measures could help ensure that an adequate volume of domestic and foreign resources was mobilized to finance new investment in the industrial sector.

42. Except in centrally planned economies, the achievement of the targets and objectives established for the industrialization programme depends on the performance of industrial projects implemented under public, private and mixed ownership. The scope and strength of an appropriate package of incentive measures therefore depended on the relative roles which public and private investments were expected to play in the development of the industrial sector.

43. Incentive policies need to be considered within the context of national economic policies and in particular the other policies used to achieve the objectives and targets established for the industrialization programme. Four of the seven types of incentive measures considered at the Seminar consisted of a modification of basic economic policies. The use of protection from foreign competition as an incentive measure and import-duty concessions represented a modification of the tariff structure and other foreign trade policies. The provision of financing for industrial projects on favourable terms as an incentive measure was a modification of the existing monetary and credit policy. Tax incentives

represented a modification of government policy on taxing industrial enterprises.

44. Incentive measures derived their effectiveness from two functions. They could help remove disincentives which acted as obstacles to new private investment in the industrial sector; they could also be used as an additional stimulus for an enterprise to undertake a project. The effectiveness of three of the other types of incentive measures considered at the Seminar - assistance at the pre-investment stage; assistance with land and factory buildings; and assistance with the development of labour skills - depended mainly on their contribution towards removing disincentives which might otherwise act as an obstacle to the implementation of industrial projects by private investors.

45. Participants agreed that although most developing countries treated foreign private investors in the same way as domestic private investors, additional measures were needed to guarantee the security and fair treatment of enterprises owned or partially owned by foreign investors and to clarify the terms and conditions under which profits and capital could be transferred abroad.

46. In addition to encouraging an adequate level of private investment, incentives could also be used as a policy instrument to achieve other specific objectives such as to direct private investment into selected priority industrial projects, to encourage a wider locational distribution of industry within a country, to encourage a larger quantity of exports of manufactured goods and to promote a wider dispersion of the ownership of industry.

47. On the other hand, it had to be recognized that incentive measures sometimes conflicted with the achievement of certain other policy objectives. Tax incentives and import-duty concessions conflicted with the goal of raising budget revenue. Through tax incentives a capital-intensive technology is sometimes more profitable than a labour-intensive technology, thereby conflicting with the objective of creating employment opportunities. Participants agreed that it was important to attempt to minimize such conflicts when formulating incentive measures.

48. Participants found it difficult to evaluate the role which incentives had played in promoting industrial development. Incentives could not ensure by themselves that private investment would be forthcoming in sufficient volume and that investment was directed to priority industrial projects. Where private investment failed to achieve the target level, political and other economic factors might be a more important reason for the failure to achieve the target than weaknesses in the formulation and implementation of the incentive measures used. Incentives were more effective in achieving specific objectives. Developing countries which relied on private ownership could make more use in the future of incentives to achieve a wide range of specific policy objectives.

The formulation of a package of incentive measures

49. Discussion revealed that there were five major steps in formulating an appropriate package of incentive measures:

(a) To establish clear objectives;

(b) To choose the types of incentive measures to be used;

(c) To determine the strength of individual measures;

(d) To determine which projects should benefit from incentive measures;

(e) To review the cost and effectiveness of the whole package of measures.

50. It was agreed that a package of incentive measures should be formulated to achieve clearly defined objectives. Participants noted that the objectives which incentive measures were expected to achieve changed as the industrialization process advanced. At an early stage of industrial development it was common practice for developing countries to offer generous incentives to most new industrial projects. However once a substantial industrial structure had been established and new industrial investment had become more of a self-generating process, incentives were offered on a more selective basis with a view to achieving more specific

objectives such as promoting investment in priority projects selected by the government, encouraging new industries to locate their plants outside existing urban areas, encouraging the establishment of export-oriented industries and promoting a wider pattern of ownership of privately owned industrial enterprises.

51. The next step in formulating a programme of incentive measures was to determine the types of incentive measures to use. Participants agreed that where disincentives had been identified as obstacles to new industrial investment, priority should be given to measures which removed these disincentives.

52. Participants expressed a general preference for incentives which had a direct effect on reducing the costs of the manufacturing operation. The provision of financing on favourable terms, subsidized industrial sites, cheap sources of power and assistance with labour training were the most common forms of cost-reducing incentive measures. In many cases, these incentives had the additional advantage of removing obstacles or disincentives to new investment.

53. Protection from foreign competition in the form of tariffs or quantitative controls was potentially the strongest incentive measure available; it was very important in determining the basic profitability of a new industrial project. Tariff protection had the advantage of costing the government little in terms of lost potential revenue; instead the buyer paid the cost in terms of higher prices. However, excessive levels of protection had the important disadvantage of permitting the development of industries with operating costs which were high by international standards; this could handicap the country's export capability.

54. Tax incentives were probably the most widely used incentive. Their effectiveness depended on the level of profits anticipated, the burden of taxation, and for foreign investors, on the ability to benefit from such tax relief when profits were remitted back to the country in which the foreign investor resided.

55. Before a final choice was made, the cost and effectiveness of each of the individual incentive measures used should be compared. For tax incentives and import-duty concessions this meant making an estimate of the revenue which would be lost by the government; only a few of the countries represented at the Seminar had either (a) estimated the cost of incentive measures which had been in force for a number of years or (b) calculated the costs of new types of incentives.

56. Participants found it difficult to agree on criteria for determining the strength of the chosen incentive measures. Incentives should be strong enough to make investment in industrial projects sufficiently profitable to attract funds which would otherwise be invested in commerce, real estate and other activities. Determining the appropriate level of generosity was often a matter of trial and error.

57. The strength of incentives offered to foreign investors was sometimes influenced by the generosity of incentives offered by neighbouring countries. There was scope for joint action by developing countries to avoid further escalation in the generosity of incentives offered foreign investors. Developing countries also needed to take account of the quite generous incentives offered by industrialized countries for new investment in their own less-developed regions.

58. The need for incentive measures depended on the potential commercial profitability of each project in the absence of incentives; this was likely to vary from project to project. Different projects therefore usually required incentives of different strengths; the potential profitability of a project for its sponsors both with and without incentives needed to be considered in each case.

59. The participants considered whether the expansion or modernization of existing industrial enterprise should qualify for incentives as well as new industrial enterprises. The policy of some developing countries had so far concentrated on promoting new projects; less attention had been paid to the need to ensure that

the system of taxation and tax incentives encouraged the reinvestment of a substantial part of profits earned by an industrial enterprise in modernization or expansion schemes. For balance-of-payments reasons, it was sometimes important to encourage the reinvestment of profits earned by an industrial enterprise in which there was a substantial foreign ownership.

60. The cost and effectiveness of each type of measure should be compared before a final choice is made. Once the complete package of incentives had been formulated, the total cost of implementing the programme should be assessed. Some participants believed that a cost-benefit analysis could help to justify the over-all cost of a programme of incentive measures; attention was drawn to an attempt to conduct such an exercise in Jamaica. However, other participants felt that the benefits derived from promoting the development of new industries were difficult to measure in quantitative terms; it was also very difficult to establish (a) whether a new industrial project had been implemented as a result of the incentive measures granted or (b) whether it would still have been established in the absence of incentives.

The selection of industries eligible for incentives

61. The Seminar recognized that an important aspect in formulating a package of incentive measures was to decide whether all new industrial projects should benefit from incentive measures or whether a more selective approach should be adopted. A project which might be of great benefit to the national economy might offer a low level of commercial profitability, while a project which benefited the economy very little might offer a high level of commercial profitability. Therefore considerable care had to be taken to ensure that the projects promoted with incentives were ones that were most beneficial to the economy.

62. Of the seven different types of incentive measures discussed at the Seminar, two were usually offered on a non-selective basis: assistance in developing labour skills and assistance with land and factory buildings. Measures to facilitate foreign investment were also usually non-selective. Assistance at the pre-investment

stage and tariff protection were usually non-selective in principle but selective when applied in practice. The four types of incentive measures most frequently offered on a selective basis were tax incentives, import-duty concessions, assistance with financing, and government purchases.

63. The Seminar noted that developing countries had used a number of different approaches to the process of selection. Some countries offered tax incentives for all products which were manufactured within the country for the first time; these projects were usually called "pioneer industries". Some countries published a list of industries for which incentives would be granted and modified this list as new priority projects were identified. Other countries varied the generosity of tax incentives according to a classification of industrial projects which aimed at giving more generous incentives to heavy industry than light industry. These approaches were referred to as the "list-of-industries" approach.

64. Governments of other developing countries used a "selection-by-criteria" approach. To qualify for incentive benefits, a new industrial project had to meet certain criteria; in most cases, the main criteria was that the project should rely extensively on domestic resources rather than imported raw materials, parts and components.

65. When the selection-by-criteria approach was applied, it was common practice to offer more generous incentive benefits for projects which made extensive use of local resources and hence contributed more in terms of local production and balance-of-payments savings. The generosity of incentives was also varied according to other criteria; some countries offered longer tax holidays for projects requiring large sums of capital investment and shorter tax holidays for less expensive projects.

66. Participants felt that each of these two principle approaches had certain advantages and disadvantages. The list-of-industries approach could help draw the attention of private investors to the priority projects which the government wanted to establish; it had

been particularly effective in those countries which indicated that the offer of incentive benefits would be withdrawn at the end of a specific planning period. The disadvantage was that the quality of industrialization depended heavily on the initial selection of industries and the evaluation of projects prior to the granting of incentives.

67. The advantage of the selection-by-criteria approach was that it could be used to encourage private investment in projects which were most beneficial to the economy. The disadvantage of this approach was (a) that the investor did not know at the outset the value of the incentives he would be granted and (b) that it was sometimes difficult to include all the criteria which should be used when drafting legislation to enact this approach.

68. The Seminar recognized the range of industrial projects eligible for incentive benefits was often a partial indication of the government's industrialization policy. The failure of some developing countries to develop a clear-cut approach to the selection of industries which would benefit from incentive measures was a reflection of the difficulty encountered in drawing up a long-term industrialization policy and identifying the priority projects needed to implement it.

69. A wider range of national economic criteria were discussed as a possible basis for selecting priority industrial projects:1/

(a) The contribution of the project to national output as measured by the value added in the manufacturing process;

(b) The extent to which the project relied on the use of locally available raw materials rather than imported raw materials;

1/ Participants were provided with copies of the following publications which deal with this important subject in greater depth: Evaluation of industrial projects, UNIDO Project Formulation and Evaluation Series, Vol.I. Selected studies presented at the Interregional Symposium on Industrial Project Evaluation held in Prague, Czechoslovakia, 11 to 29 October 1965 (United Nations publication, Sales No.: 67.II.B.23). Manual of industrial project analysis in developing countries Vol.I: Methodology and case studies; Annex: Industrial Profiles. Development Centre, OECD, 1968.

(c) The extent to which the project would yield significant savings or earnings of foreign exchange;

(d) The extent to which the project created employment opportunities;

(e) The "linkage effects" of the project; that is the extent to which it will stimulate other activities;

(f) The size of investment required;

(g) The proportion of local ownership.

70. The Seminar did not reach any agreement on which were the most important criteria. Participants felt that the weight attached to different criteria would vary from country to country according to its economic circumstances and the stage of industrialization. However, there was general agreement that the design of incentive measures in many developing countries failed to attach sufficient weight to the need to create employment opportunities.

71. It was agreed that most developing countries needed to pay more attention to the selection of industrial projects benefiting from incentive measures. Careful thought should be given to the criteria on which these projects were selected. There was also a need in many developing countries to improve the skill of the staff who evaluate projects when they are submitted to the government.

The administration of incentive measures

72. Participants distinguished between three different functions involved in the process of administering incentive measures: (a) the granting of incentive measures, (b) the administration of the implementation of these measures by various government departments and (c) the follow-up of the performance of enterprises which have benefited from incentive measures.

73. The Seminar found that the administrative machinery for the granting of incentive measures had been centralized in some developing countries; decisions on the granting of all the different types of incentive measures were controlled by the same office. In other countries incentives were granted by different government

departments. In some countries, potential investors had been required to complete different application forms for different types of incentive measures.

74. Participants agreed that most potential investors preferred to deal with one agency representing the government; they also preferred to know at one and the same time which incentive measures of the total package they would be granted. Such co-ordination could be achieved either through the establishment of an inter-departmental committee or through the establishment of an autonomous body such as an investment board or investment promotion centre which was empowered to grant all incentive measures. Participants noted that in some countries such an autonomous body was responsible directly to the Prime Minister or President. Many decisions were taken by officials of the autonomous agency, but more important decisions were submitted to a supervising committee of the representatives of the various concerned government departments.

75. Participants recognized that the work involved in granting incentive measures depended on the nature of the enacting legislation. In some countries, the legislation left little discretion to the government officials who were administering incentive measures; the legislation determined quite clearly which industries were eligible for incentive measures and the level of generosity of incentives which could be granted. Under this system the potential investor knew clearly in advance the incentive benefits he could expect. In other countries, however, officials were left an element of discretion when granting incentive benefits. Some participants favoured an approach which left room for negotiation; it was pointed out that in certain countries, the government had issued a special decree to grant incentives to a particularly large and important project.

76. Participants agreed that considerable care should be taken in designing the form on which potential investors applied for incentive benefits. Besides establishing the commercial viability of the project, the application should also indicate to the

government how the project would contribute to the achievement of national economic objectives. If it was a large project, there should be sufficient information for the government to make a cost-benefit analysis of the project. However, several participants noted that there was a shortage of officials qualified to evaluate such applications in their countries.

77. It was agreed that once the application had been made, the government should give an answer to the potential investor as soon as possible. Participants noted that considerable delays had occurred on some occasions and that in some cases the potential investor had lost interest in investing in the project as a result. Some countries had written into their legislation or investment promotion literature a time limit during which a government's answer would be given. Such targets were a useful guide to the officials involved and encouraging for investors.

78. It was generally agreed that there should also be some obligation on the part of the investor to implement his project within a certain time period once the decision to grant incentives had been made. Only a few countries included a time limit during which the investor was expected to begin implementation of the project as an integral part of their incentives legislation. In some countries, the granting of incentives was in practice a form of licensing new investment in industrial projects; the granting of incentives gave a potential investor exclusive rights to produce a particular product in the country. A time limit to begin implementation of the project was especially important in these circumstances.

79. The machinery used for administering incentive measures during the period which the benefiting project was operational depended on the organization structure of the government and the respective responsibilities of various government departments. A number of government departments were usually involved in this implementation stage. The Ministry of Finance was responsible for the administration of tax incentives; another department was usually involved in the administration of tariffs and import-duty

concessions; often a third department was involved in the provision of physical facilities like industrial sites, water and power supplies.

80. The routine administration of incentives such as tax incentives and import-duty concessions which provided continuing benefits could be time consuming and even tiresome if the measures were not carefully designed. Therefore it was also important to consider the administrative burden which would be involved in the implementation stage when designing incentive measures.

81. Participants discussed the need to follow up the performance of enterprises which had benefited from incentive measures. They noted that although this task was important, it often tended to be considered as a marginal part of the government's activities. Most countries used a system to check that benefiting enterprises imported the machinery which their application form indicated they would import; some countries instituted a check at the point in time when the enterprise was ready to begin manufacturing operations; but there were few countries which regularly inspected enterprises in the early years of their operation. However, one participant described the system of regular inspection used in his country; each of the plants which benefited from incentive measures was visited at least once a year during the early years of operation in which it benefited from incentive measures.

82. The participants agreed that simplicity was an important factor to consider when designing incentive measures. Simplicity facilitated efficient administration; simplicity also helped ensure that the incentive benefits offered could be clearly assessed and easily understood by potential investors.

The different types of incentive measures

83. A major part of the discussion during the first week of the Seminar was devoted to the different types of incentive measures.

which could be used. Eight different types of incentive measures were considered at the Seminar:

Assistance at the pre-investment stage;
Assistance with land and factory buildings;
Assistance with financing specific projects;
Assistance in developing labour skills;
Import-duty concessions;
Protection from foreign competition;
Tax incentives for industrial development;
Government purchasing policy.

Measures to facilitate foreign investment were also considered.

84. Discussion on the scope and design of these types of incentive measures was based on introductory talks by guest speakers or UNIDO staff members and on the issue papers prepared by the UNIDO secretariat. The addition of government purchasing policy was suggested by some participants.

Assistance at the pre-investment stage

85. The assistance which governments could provide to potential investors at the initial stages of promoting the establishment of a new industrial project was discussed first. Opportunities for the establishment of new industries could be identified by a government agency and preliminary studies could be made to attract the interest of local or foreign investors in implementing these projects. Investors could be assisted at the later stages of project formulation and implementation; this often led to the development of a close working relationship between the government promotion agency and the investor.

86. The Seminar recognized that it was important to examine the needs for assistance at the pre-investment stage of both domestic and foreign potential investors. In some developing countries, assistance at the pre-investment stage tended to concentrate on the larger type of industrial project of interest to foreign investors; the needs of smaller domestic entrepreneurs, who did not have sufficient experience to formulate their own projects and examine their feasibility, often received less attention.

87. The discussion made a distinction between (a) a preliminary study of a project made by the government and (b) a service to investors in the other steps needed to negotiate and implement a new industrial project. In most developing countries, there was one or more organizations which were capable of performing these two functions. In some countries, the preparation of industrial pre-investment studies was carried out by an autonomous agency sometimes called an industrial development centre; subsequent services to investors were performed by a separate investment promotion centre. In other countries, the investment promotion centre carried out both functions. Where there was no agency responsible for investment promotion, these functions were often performed by the Ministry of Industry.

88. Participants discussed in how much detail the government should prepare information on investment opportunities. There was general agreement that a preliminary study should contain suffi-cisnt information for an investor to decide in principle on his intsrest in the project; onoe this was established the investor would then undertaks his own feasibility study. The preliminary study made by a government agency should therefore concentrate on (a) demonstrating that a market existed for the product at the proposed selling price, (b) confirming that the major raw materials nseded would bs made available and (c) verifying that suitable supplies of power and other utilities could be arranged at the site proposed.

89. The governments of many developing countries were not willing to make a grant to financo a detailsd technical feasibility study of a new industrial project. However, participants noted that soms governments had sstablished a pre-investment studies fund which made repayabls loans to potential domestio investors who wished to make such studiss. Participants fslt that this was a ussful form of incentive; such studies oould hslp encourage private investors to examine thoroughly the feasibility of establishing expensive and technologically more complex projects.

90. The importance of this type of incentive measure was stressed by several guest speakers. It was agreed that this form of government assistance could help remove one of the major obstacles to industrial development - the formulation of sound projects. Assistance at the pre-investment stage therefore needed to be considered as an essential part of the package of incentive measures.

Assistance with land and factory buildings

91. When discussing the provision of land, factory buildings and other physical facilities as an incentive measure, a distinction was made between an industrial estate and an industrial area. An industrial estate usually consisted of a planned clustering of standard factory buildings erected in advance of demand; an industrial area was a tract of land divided into sites on which enterprises constructed factory buildings to their own design.

92. An industrial estate was considered as an effective means of stimulating entrepreneurship in new small-scale industrial undertakings; the modernization, diversification and expansion of existing enterprises could also be facilitated when they were relocated on an industrial estate. However, the availability of industrial estates was a weak incentive by itself; other complementary measures for the promotion of small-scale industry also needed to be adopted. These might include stimulation of entrepreneurship through pre-investment studies, the provision of financing under liberal terms and conditions, advice on production and marketing techniques, and assistance in the training of management and workers. Therefore, when the provision of industrial estates is used as an incentive measure to promote the development of small-scale industry, it should form part of an integrated approach to promote small industries.

93. One participant mentioned that government purchases or purchases on long-term contracts by larger industries had been used as an incentive measure to develop small-scale and rural industries in his country.

94. The provision of improved sites in designated industrial areas was a useful incentive measure to encourage the development of large and medium-sized industries. It was likely to be most effective when prevailing circumstances made it difficult for a new enterprise to obtain clear title to an industrial site, or where the site developed by the government offered clear locational advantages such as the proximity to other industries and suitable sources of power and water.

95. When this form of incentive was used as a policy instrument to encourage industry to locate in less developed parts of the country, the choice of site for a new industrial area was important. New industries had to consider the local availability of power, water, raw materials and suitable manpower as well as the proximity of the industrial site to major markets. When an industrial area was being developed in a new location, these services, additional incentives such as tax concessions, and assistance in recruiting and training labour might well be needed to attract new industries.

96. There were some advantages in combining the development of an industrial estate and an industrial area on the same tract of land. This could facilitate flexibility in operation, help to meet urban planning requirements and permit economies to be derived from the provision of common infrastructure and other services. These were important considerations in industrially advanced countries as well as in developing countries.

97. The integrated programme for developing industrial areas, industrial estates and small-scale industry was usually implemented at first by an autonomous government-sponsored agency. At a later stage the co-operation of private capital in constructing industrial areas and industrial estates should be considered; incentives could be provided by the government to encourage private capital to develop industrial areas and industrial estates as a commercial venture. Government-sponsored industrial estates and areas could also sometimes be turned over to private ownership and management at a later stage.

98. Participants felt that this type of incentive measure could not by itself promote the development of projects which would not otherwise be undertaken; its effectiveness depended mainly on the extent to which it removed existing difficulties in obtaining a suitable site for new industries. However, its effect on the profitability of some smaller projects could be significant if a substantial cost-reducing or subsidy element was included in the price at which land and factory buildings were sold or rented to new enterprises locating on a new industrial estate or industrial area.

Assistance in developing labour skills

99. Two forms of assistance which governments could provide in the training skilled and semi-skilled labour were discussed: (a) the establishment of vocational and technical training institutions by the government and (b) the provision of financial or other forms of assistance for individual firms to expand and improve their own labour training efforts.

100. The participants noted that the governments of most developing countries played an important role in establishing and operating a programme of labour training designed to meet the needs of industry and other sectors of the economy. It was important that industry be represented with the government on the body which made policy decisions on the scope and content of such national labour training programmes.

101. In some countries, industry contributed to the cost of these training programmes through a levy or tax on their payrolls by the government. As most industrial enterprises benefited from the programme, a levy based on the payroll was considered a fair way for the government to raise all or part of the revenue required to finance the programme of labour training.

102. Participants recognised that industrial enterprises made an investment when they trained skilled labour at their own expense. However, there was no guarantee that the enterprise would receive an adequate return on its investment because skilled and semi-skilled labour tended to be mobile between one enterprise and

another. Government assistance to individual enterprises was therefore justified because the industrial sector as a whole rather than the individual enterprise often benefited from the increased supply of trained labour which resulted from these training programmes at the enterprise level.

103. When considering the type of incentive which could be offered to individual enterprises, the government needed to consider whether all branches of industry should be covered, the form of the incentive and the criteria to determine the level of subsidy provided. The subsidy might be related to the degree of necessary skill to be acquired by the persons undergoing training as well as to the number of individuals being trained.

104. It was agreed that a shortage of skilled and semi-skilled labour was a common obstacle to industrial development in developing countries. Solutions to this problem should be tailored, to the particular needs of individual countries. Some participants felt that in countries at an early stage of industrialization, it would be appropriate for the government to take a major share of the responsibility. Other participants felt it would usually be more effective to place more emphasis on encouraging industrial enterprises to train their own skilled and semi-skilled labour.

105. It was agreed that existing industrial enterprises were making a greater contribution to the training of skilled labour than was often acknowledged. In many branches of industry, the use of government measures to promote training at the enterprise level might be a less costly and more efficient way of developing the labour skills required than the establishment of government-financed training institutions to fulfil the same purpose. The choice of approach depended on the nature of the skills required in the manufacturing operation.

Assistance with financing specific projects

106. Participants recognised that difficulties in arranging financing of new industrial projects were often an obstacle to

industrial development in developing countries. Government assistance in arranging financing for specific industrial projects could therefore be considered an incentive measure; the incentive effect was strengthened if the financing was provided on better terms and conditions than would otherwise be available.

107. A shortage of financing for industrial development was often caused by a low level of domestic savings in the economy as a whole. In some developing countries, new policies to raise the level of domestic savings were needed to mobilize a sufficient volume of financing resources for the economy as a whole and industry in particular.

108. As the industrialization process advanced, industrial enterprises themselves became an increasingly important source of savings. The system of taxation as modified by tax incentives could promote a higher level of savings by encouraging industrial enterprises to reinvest their profits in the industrial sector.

109. The investment of personal savings in the industrial sector could be encouraged by adopting policies which promoted the development of the stock market. Some countries offered tax relief to companies which had a minimum proportion of shares quoted on the stock exchange; relief from personal income tax was sometimes provided for the income which small investors earned by holding shares in industrial enterprises.

110. The participants noted that industry required financing in the form of equity shares and long-term loans as well as short term loans. Commercial banks were usually prepared to meet the industrial sector's requirements for short-term loans but one or more specialized institutions were usually necessary to mobilise the steadily rising volume of the other two forms of finance required by industry.

111. The government of many developing countries had assisted in the establishment of new specialised financial institutions to meet these demands. Some of these industrial financing institutions were privately managed and controlled; others were owned

by the government. Many of the institutions had mobilized part of their resources from abroad and from international and regional development banks. Most of them were prepared to guarantee foreign loans to industrial projects made by foreign suppliers or their governments. Government-owned industrial financing institutions quite frequently made long-term loans at favourable rates of interest to industrial projects to which the government attached a high priority. These concessional loans had a strong incentive effect.

112. The government usually exercised little direct control over the lending policy of privately owned industrial financing institutions, even if the government assisted in their establishment and provided part of their financial resources. In some countries, more direct control of lending policy might be justified in order to ensure that private investment was concentrated on the implementation of industrial projects given a high priority by the government.

113. In some countries, the commercial banks were unwilling or unable to meet fully the demands of industry for short-term loans. The policy response of the government varied from country to country. The government could direct commercial banks to make a higher proportion of their loans available to industry; an alternative solution was to establish a new institution to mobilize funds to be loaned to industry as working capital.

114. The participants found that only a few countries had made full use of the central bank's ability to influence the type of loans which commercial banks were prepared to make. By rediscounting loans made to the industrial sector for special purposes at favourable rates (for example, to finance export sales of manufactured goods), the central bank could itself provide an incentive for commercial-bank lending to adapt to the financing needs of the industrial sector.

115. The Seminar found that only a few governments were using the provision of financing as a major policy instrument. More

attention could be paid to use of the provision of financing for small as well as large industrial projects as an incentive measure.

Tariffs and other forms of protection

116. Although protection from foreign competition is potentially one of the most powerful instruments to promote industrial development in developing countries, participants noted that protection policies had not always been formulated with this objective in mind. In the early stages of industrialization, developing countries often continued to use a structure of tariffs on manufactured goods which had been designed mainly for the purpose of raising budget revenue. At a later stage of industrialization and economic development, a principal aim of protection policies was to strengthen the country's balance of trade in manufactured goods.

117. The discussion concentrated on the effect of tariffs and other forms of protection from foreign competition on the direction and quality of industrialization in developing countries. Experience suggested that while many countries had used tariffs as the main form of protection in the early stages of industrialization, quantitative restrictions on imports of manufactured goods were widely used by countries which later experienced balance-of-payments difficulties.

118. Participants recognized that considerable care had to be taken when using tariff protection as an incentive measure. A high level of protection permitted industries to be established with high operating costs; the size of a plant might therefore be one which could never achieve operating costs which came close to being internationally competitive. Furthermore high levels of protection might over-encourage the development of new industries; excessive protection appeared to be a principal cause of excess capacity which had emerged in some industries in certain developing countries.

119. The Seminar found that most developing countries had used tariff protection to promote local production of consumer goods.

The level of protection needed to develop these industries was usually not excessive. Developing countries had been less willing to protect industries producing intermediate and capital goods. The production of these industries was used as an input by other industries and other sectors of the economy; the adverse effect of high costs of production in these industries was therefore felt throughout the economy. In particular, they constituted a serious handicap to the export of manufactured and other goods.

120. Most of the discussion therefore concentrated on how to determine an appropriate level of protection. The participants agreed that the relevant measure was the degree of effective protection which protection policies created for that part of the manufacturing process which was performed in the country. As manufacturing units in developing countries usually started by performing only part of the manufacturing process, the level of effective protection was usually much higher than the level of the nominal tariff would suggest.

121. For example, if the manufacturing process in the developing country contributed 25 per cent of the value added and duty-free imports of materials parts and components 75 per cent, then a nominal tariff of 20 per cent was equivalent to effective protection of about 80 per cent. The cost of that part of the manufacturing process carried out in the developing country could be 80 per cent higher than the cost of the same operation carried out in an industrially advanced country.

122. This form of analysis was considered a useful way to examine the effects of tariffs and other protection policies on industrial development. Where quantitative restrictions were used to regulate imports, the equivalent rate of effective protection could be calculated in a similar way using a comparison of the price charged in the developing country with international prices of the same product.

123. The Seminar did not reach firm conclusions on this complex subject. It was generally agreed that when setting the level of tariff protection the need to establish internationally competitive

industries to enhance the prospects of exporting manufactured goods should be considered. Some provision should be made for the subsequent phased reduction of tariffs which were set initially at a high level.

124. Participants recognized that the limited domestic market of many developing countries made it difficult to develop industrial plants with an appropriate scale of production. The possibilities of regional co-operation in constructing a larger and more efficient plant to supply the markets of neighbouring countries should be considered in these cases.

Import-duty concessions

125. Import-duty concessions represent a modification of the tariff structure. Their effect as an incentive measure therefore depends on the level of import duties which would otherwise have been applied. Different factors need to be considered when granting exemptions or reductions for the following categories of imports: (a) machinery and equipment, (b) parts and components of the final product and (c) industrial raw materials.

126. Participants found that most developing countries granted import-duty concessions for imports of plant and machinery. This was a cost-reducing incentive; it reduced the capital cost of a project and hence the total financing requirements. Most participants favoured the use of this concession.

127. The granting of import-duty concessions for parts, components and raw materials was more controversial. It was common practice for both industrialized and developing countries to grant import-duty drawback privileges for these items when they were included in manufactured goods subsequently exported. But the extension of this privilege to products destined for the domestic market was much less common. The main reason was that such concessions put new enterprises in a more favourable position than existing enterprises which did not benefit from this concession. Another reason was that this type of concession was difficult to administer on a continuing basis and it was open to abuse.

128. Some participants pointed out that if there was really a case for exempting imports from duty, then a straightforward downward revision of the tariff was the only way to extend the concession to all enterprises. This approach had the disadvantage of reducing the revenue which the government derived from import duties, but this could sometimes be counteracted by an equivalent tax on domestic sales.

129. The Seminar noted that import-duty concessions effected the encouragement which tariff protection gave to the development of local industries producing the exempted products. In some of the industrially more advanced developing countries, duty concessions on imported machinery and equipment had conflicted with the objective of developing a domestic machinery-building industry.

130. Various alternative approaches to solving this second conflict were noted. The government could withdraw the concession and introduce a tariff to protect the local machinery-building industry; it could require that locally manufactured machinery was purchased when it was available through import licensing controls; it could subsidize sales of local machinery which replaced imports so as to reduce or eliminate the higher price of locally manufactured machinery.

131. It was agreed that import-duty drawback privileges were usually an essential incentive to promote exports of manufactured goods. When they were introduced for other purposes, certain enterprises were placed in a privileged position; a revision of the tariff structure should therefore be considered as an alternative policy if the disincentive effects of the tariff structure needed to be corrected by import-duty concessions.

Tax incentives

132. Tax incentives have been widely used by the governments of developing countries to promote industrial development. They have also been used to promote specific subsidiary objectives. The general as well as the specific objectives needed to be defined when designing the set of tax incentives to be offered.

133. The Seminar found that domestic and foreign investments qualify for tax incentives on the same basis in most countries. Yet evaluations of the effectiveness of tax incentives have often measured success mainly in terms of the volume of foreign investment attracted. It was therefore important at the outset to decide whether the main role of incentives was to promote foreign investment, domestic investment or both.

134. It was also important to decide whether the main role of incentives was to promote investment in new projects or whether there was an additional purpose in facilitating a higher level of savings within the industrial sector. Participants noted that the savings of existing industrial enterprises already contributed over 40 per cent of the funds needed to finance new industrial investment in some of the semi-industrialized countries of Latin America; in the industrially advanced countries, the proportion was typically well over 50 per cent.

135. The Seminar also recognized that a distinction might have to be made between the type of industry promoted. Most developing countries had so far offered a similar set of incentives for both import substitution and export-oriented industries; exports of manufactured goods had also been encouraged by tax incentives based on export sales after the project had become operational. A few developing countries had begun to offer stronger tax incentives for export-oriented industries and this practice might be more widely followed in the future.

136. Participants recognized that the best form of tax incentive to choose depended on the objectives expected to be achieved. Various forms of tax incentive were discussed such as (a) a tax holiday, (b) investment allowances and (c) accelerated depreciation. The alternative of providing an investment subsidy in the form of a cash grant was also considered. Sometimes a combination of these various forms was used.

137. Participants discussed the relative merits of these different forms of incentive. To encourage investment in new projects, tax holidays were the most common form of tax incentive employed by

developing countries. The duration of the tax holiday period varied from country to country but full exemption seldom exceeded five years. The benefits realized by the enterprise from tax holidays depended on the size of its taxation bill and hence the ability of the enterprise to earn profits during the initial years of operation. In practice, the value of tax holiday benefits were limited because loss of or a low level of profits were made in the early years; however certain countries increased the tax holiday benefits by permitting the postponement of depreciation for tax purposes until the tax holiday period was completed.

138. An investment allowance permitted an enterprise to reduce its tax liability by a fixed amount of the capital cost of the plant (say 20 per cent) in addition to normal depreciation. The benefits realized depended on the amount of capital invested in the project rather than its profitability. It was more simple to administer than a tax holiday; it was more suitable to an industry-wide rather than selective approach. It also had the advantage of being applicable to existing enterprises that were modernising or expanding their plants as well as to new projects.

139. Permitting an enterprise to accelerate the depreciation of fixed assets for tax purposes was a third way to assist enterprises by obtaining relief from taxation during the early years of the project. The incentive effect was weaker than that of an investment allowance because there was a later corresponding increase in tax burden.

140. Investment grants in the form of a subsidy or cash grant towards the capital cost of a project was an alternative to these forms of tax incentives. It had the advantage of bringing measurable benefits during the early years of the project. The main disadvantage was that the cost of such grants to the budget were felt immediately rather than in terms of revenue foregone in later years.

141. The Seminar found that a number of countries provided full or partial exemption for profits of existing enterprises which were reinvested in the industrial sector; in some cases the incentive

was confined to reinvestment within the enterprise itself. Interest was expressed in the system used in Brazil which granted existing industrial enterprises throughout Brazil relief from 50 per cent of their tax liability provided that the funds were reinvested (together with additional funds) in a new enterprise located in the less-developed north-east and Amazon regions.

Government purchasing policy

142. Participants pointed out that there was an important policy instrument not considered in the issue papers prepared by the UNIDO secretariat for the Seminar - government purchases. Government purchasing policy could be used to promote the development of both small and large industries.

143. The government in most developing countries was a large buyer of many types of manufactured goods. The Seminar noted that it was government policy in many developing countries to purchase locally manufactured products where they were available at a competitive price. Different criteria were used to establish whether local goods were competitive; the most widely used criterion was whether the local cost was less than the cost of the imported item plus the tariff or import duty.

144. The government purchasing policy could be used to promote the manufacture of new products; it could also help encourage standardization of product design. Government purchases from the mechanical and electrical engineering industries were often a substantial part of the national demand. Government purchases could also help promote the establishment of industries using advanced technology in such fields as telephone exchange equipment and electronics.

145. There was scope in some countries for introducing more centralized control over the purchasing policy of government departments and publicly owned manufacturing enterprises. Government purchases could be particularly effective as an incentive measure to promote the development of small industries. One participant mentioned that his country had linked this policy to

assistance to small-scale manufacturing enterprises in marketing their products.

Measures to facilitate foreign investment

146. Although most of the incentives discussed above were offered to foreign investors as well as domestic investors, the Seminar noted that these measures needed to be supplemented by a special set of measures to facilitate foreign investment. Some of these measures could be taken by the host country; others involved co-operation with or action by industrially advanced countries.

147. Participants recognized that foreign investors expected the host country to provide assurance against such non-business risks as expropriation and exchange restrictions. The governments of many developing countries clarified and confirmed their desire to attract foreign investment by enacting foreign investment laws which provided assurances on these points.

148. The freedom to remit abroad interest and dividends earned by a foreign investment was often guaranteed in such laws. Freedom to remit the capital invested plus accrued profits was also usually guaranteed, although some developing countries placed a limit on the proportion of the total investment which could be repatriated in any single calendar year. It was recognized that the value of these guarantees depended on the government maintaining policies which developed sufficient foreign exchange earnings to service commercial and government debts as well as foreign capital investment.

149. The Foreign Investment Law of some developing countries defined the policy of the government on compensation in the event of expropriation of the foreign investor's property. Some laws described an arbitration procedure to be used in the event that a dispute arose. Many developing countries had signed the Convention on the Settlement of Investment Disputes between States and Nationals of other States which entered into force in October 1966.

Action by industrially advanced countries

150. An important but subsidiary aim of the Seminar was to inform participants on the action which has been taken by industrially advanced countries to promote investment in industrial projects in developing countries. Two general background publications were circulated to all participants.2/ A paper was prepared for the Seminar on the measures adopted by the Government of the Federal Republic of Germany. Guest speakers from Denmark, the Federal Republic of Germany, the Netherlands and Sweden described the point of view of potential investors in their countries on investment in industrial projects in developing countries.

151. The Seminar recognized that the combined impact of taxation in industrialized and developing countries was different for foreign investors from different countries; it was therefore difficult to recommend a uniform system of taxing foreign investments to the governments of capital-supplying countries. The participants noted that the Department of Economic and Social Affairs of the United Nations Secretariat was studying the impact of bilateral tax treaties on the taxation of investment in developing countries both from the point of view of the interests of the government in the recipient developing country and from that of promoting a greater flow of foreign investment to developing countries who wished to encourage foreign investment on appropriate terms. It was recognized that the governments of some developing countries could take further initiatives in establishing a framework of taxation and tax treaties which was better designed to achieve these objectives.

152. Brief mention was made of ways in which a tax incentive could be provided for new investment in developing countries based on relief from liability to taxation in the capital-supplying

2/ Foreign Investment in Developing Countries, Department of Economic and Social Affairs, United Nations, 1968. Sales No.: E.68.II.D.2; Fiscal measures to encourage private investment in developing countries, Report of the Fiscal Committee of the OECD, OECD, Paris, 1965.

country. The measures adopted by the Federal Republic of Germany and the Report of the OECD Fiscal Committee which studied this subject in 1965 were noted.

153. The governments of many industrialized countries have introduced insurance of investments to minimize the non-business risks which a foreign investor faces when investing in a developing country. The risks covered vary from scheme to scheme and project to project; they include expropriation by the government of the developing country, war risks, and foreign exchange restrictions, but the risk of devaluation is not covered. Such insurance is available on a bilateral basis under the laws of Australia, Austria, Denmark, Federal Republic of Germany, Japan, Norway and United States. Under these schemes, the investor is certain that, whatever action giving rise to one of these risks the host government may take (whether or not in accord with its domestic law or with international law) the investor has a direct recourse to his own government. Given this insurance against some major non-business risks, it should be possible for responsible executives of investing companies largely to limit their responsibilities to the exercise of their judgement of the commercial and business risks involved in establishing a project in a developing country.

154. Although the value of the bilateral insurance schemes was stressed, a number of participants pointed out that it would be simpler if a multilateral insurance scheme covering investment in all developing countries could be introduced. The participants from developing countries recommended that the opportunity for promoting the establishment of an international multilateral insurance scheme should be further explored by the United Nations and that UNIDO should take an active interest in these studies. Guest speakers from industrialized countries pointed out that if such a scheme were introduced it would have to be based on international law which ensured that the very existence of such insurance did not encourage the governments of developing countries to feel more free than they would have felt without the scheme to expropriate certain industrial enterprises which had been established by foreign investors in their country.

III THE USE OF CASE STUDIES

155. During the second week of the Seminar participants were asked to play the role of advisers to a developing country which had requested assistance in formulating a new package of incentive measures. This exercise was based on two case studies prepared by the UNIDO secretariat especially for the Seminar.

156. The circumstances described in the case studies were typical of those faced by a developing country, but they did not correspond to those faced in reality by any single developing country.

> Country A was a small country with a population of about 5 million inhabitants. The average capital income of its inhabitants was about $80 *per capita*.3/ Industrialization was at an early stage and only some of the consumer goods required by the economy were locally produced. The government sought advice because although conditions for private investment had been favourable in recent years the level of new investment in industry achieved had been below expectations.
>
> Country B was a medium-sized one with a population of over 50 million inhabitants. The average *per capita* income was $300. Industrialization had reached the stage where most consumer goods and some intermediate and capital goods were produced locally. The government sought advice on modifying the package of incentives to make it more suitable for the next phase of industrialization.

157. In formulating a new programme of incentive measures for country A, participants were asked to consider:

(a) The objectives which could be established for the new package of incentive measures;

(b) The types of incentive measures which should be included in the new package;

(c) Whether the incentives should be designed to encourage all new industrial projects or only some;

3/ All dollars are US dollars.

(d) Whether there would be a need to offer more generous incentives to some projects rather than others, and if so, how this might be done;

(e) A preliminary outline for the design of the individual incentive measures recommended.

158. In formulating a new programme of incentive measures for country B, it was suggested that participants:

(a) Review the government's new policy objectives;

(b) Formulate a new package of incentive measures, indicating the modification required to existing measures and the new measures proposed for inclusion in the package;

(c) If a selective approach is recommended, indicate the criteria that might be used to select the industries eligible for incentives;

(d) Consider whether there is a need to offer more generous incentives to some projects rather than others, suggest the approach or criteria to be used to implement this recommendation;

(e) Suggest the special measures which might be used to promote a wider spread of ownership of industry;

(f) Provide a preliminary outline for the design of the individual incentive measures recommended;

(g) Consider whether the machinery for granting and administering incentive measures needs to be improved.

159. Participants divided into groups of six persons to work out solutions to the case studies. The solution of each group was then presented to the entire Seminar. It was agreed that these solutions should not be published.

160. There was an enthusiastic response from participants to the case-study approach. Interest was also expressed by the observers and guest speakers in this new approach which actively involved the participants in a policy-making role.

IV EVALUATION AND SUGGESTIONS

Evaluation of the Seminar by participants

161. A total of 19 of the 25 participants answered the questionnaire which was distributed on the final day of the Seminar. The questionnaire is reproduced as annex 5. All the responses indicated that the Seminar had been useful. Typical comments were:

> "We had the opportunity to review practically all the incentive measures that have been tried in my country with useful results; at least one new measure was suggested to me";

> "I obtained some new ideas; in other cases the Seminar confirmed ideas which I held previously and have proposed to my Government. When I re-introduce these ideas with the background and authority of the UNIDO Seminar, they will have more weight".

Subject matter

162. Most participants felt that sufficient time had been given to most of the subjects considered at the Seminar; about 25 per cent of the participants felt that the Seminar covered too wide a range of subjects but 70 per cent of the participants felt that most subjects were covered in sufficient depth. Three participants felt that more time could have been given to discussion of (a) assistance with financing specific industrial projects and (b) formulating a package of incentive measures. Two participants felt that more time could have been given to import-duty concessions, tax incentives and the administration of incentive measures.

163. There were a number of other subjects which some participants would have liked to have seen included in the programme of the Seminar: the role of incentive measures in schemes of regional co-operation, the incentive policies of industrially advanced countries, the use of cost-benefit analysis in formulating a

package of incentive measures and the application forms used by firms applying for incentive benefits. One participant would have preferred more consideration of the complete package of incentive measures with a view to reviewing the insufficiency and/or over-generosity of such a package, particularly when incentives are granted automatically. Another participant would have welcomed additional discussion of industrial policies and the role of incentive policies in both the industrially advanced countries and in the developing countries.

Documentation

164. Participants appreciated the issue papers and country background papers as well as other supporting documentation. It was recognized that the issue papers had been prepared on the experience analysed in the country background papers.

165. The approach adopted in the issue papers appears to have been welcomed; the papers were not too long. However, one participant pointed out that the approach was too elementary. Another felt that the issue papers did not get to the heart of the matter; he suggested that the papers should discuss the issues but then propose a policy or solution so that a discussion leading to some conclusions could be provoked. One participant felt the country background papers were too long and contained much unnecessary material; another suggested that they should include quotations from incentive laws.

The approach of the Seminar

166. Participants felt that the most valuable sessions were (a) group discussions based on the issue papers and (b) the case studies. Most participants would have preferred to have applied their knowledge to more than one case study and also additional time in which to prepare their answers.

Organization

167. Although few participants said that 25 was too many to have at the Seminar, the majority felt that 15 to 20 was the ideal

number. Half of the participants felt that there should be simultaneous translation facilities at the next interregional seminar. More guest speakers from industrially advanced countries would have been appreciated.

168. About 70 per cent of the participants felt that two weeks was long enough to review the subject. Half of the participants said they would have been able to attend if the Seminar had lasted three weeks but only 20 per cent could have attended a seminar lasting four weeks. This confirms that it would have been difficult for participants of a high calibre to attend a seminar lasting more than two weeks.

Suggestions for future UNIDO activities

169. The participants agreed that this first Seminar organized by UNIDO on a subject within the field of industrial policies showed that officials of developing countries have much to gain by exchanging views and experiences. They recommended that UNIDO arrange similar seminars on this and other subjects within the field of industrial policies. They consider that both interregional and regional seminars should be considered as appropriate for the subject chosen.4/

170. Participants felt that it would be useful if UNIDO convened another seminar on the subject of incentive policies at an appropriate time in the future; a five-year period was suggested as an appropriate interval. It was also felt that UNIDO should publish

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4/ Answers to the questionnaire revealed that the following subjects were of most interest to participants: regional co-operation; industrial development strategy and its relation to industrial policy formulation, and policy on financing industrial development. A few participants suggested that measures to raise the local content of manufactured goods, tariffs and other forms of protection, measures to encourage exports, government purchasing policies, and the policy aspect of particular branches of industry (e.g. automotive) were also suitable seminar subjects.

a selected group of the background papers describing the experience of individual countries in using incentive policies.

171. The participants recommended that UNIDO investigate the feasibility of preparing on behalf of the developing countries a world-wide directory describing incentives and other policies affecting industrial investment in developing countries. The guide would be as brief as possible and prepared in loose-leaf form. The initial preparation and regular up-dating of the information would be made in a standardized format designed by UNIDO; however, the government alone would be responsible for preparing the information and for its accuracy.

172. Participants had in mind that such a comprehensive guide would (i) permit each developing country to follow the development of incentive policies in other countries and (ii) serve as initial reference material for investors in the industrially advanced countries who were interested in investing in industrial projects in developing countries. It would also help UNIDO and financial institutions to assist developing countries in the promotion of such investments.

Annex 1

LIST OF PARTICIPANTS, GUEST SPEAKERS AND OBSERVERS

Participants

ARGENTINA	C. A. FURLOTTI Adviser to Minister Ministry of Economy
BARBADOS	H. E. WILLIAMS Senior Economist (Industry) Economic Planning Unit Government of Barbados
BOLIVIA	R. DIEZ DE MEDINA Executive Director Institute for Promotion of Investments
BRAZIL	M. PINHEIRO General Secretary National Industrial Development Commission Ministry of Industry and Commerce
CEYLON	C. MYLVAGANAM Director Industrial Development Ministry of Industries and Fisheries and Chairman, Industrial Development Board
CHILE	T. F. AGUIRRE Director National Planning Office
GHANA	E. A. AGBOZO Assistant Secretary The Capital Investments Board
INDIA	K. BALACHANDRAN Assistant Secretary Joint Secretary to the Government of India
INDONESIA	O. SOEBROTO Director for Supervision and Control Department of Industry Directorate General of Light Industries
IRAN	M. H. KAMALY Expert in Industrial Investment Promotion Ministry of Economy

IRAQ	K. AL-OBAIDI Director Economic Affairs Ministry of Industry
ISRAEL	M. ELEK Chief Economist Light Industries Division Ministry of Commerce and Industry
JAMAICA	P. L. CHEN-YOUNG Deputy Manager Development Finance Corporation
KENYA	T. ASAMBA Trade Industrial Development Officer Ministry of Commerce and Industry
KUWAIT	B. ABDUL-RAHIM Industrial Researcher Ministry of Commerce and Industry
MALAYSIA	M. Y. bin S. A. RAHIM Principal Assistant Secretary Finance Federal Treasury
MEXICO	C. R. DAVILA-ROMERO Technical Assistant to the Director Department of Industries Ministry of Commerce and Industry
NIGERIA	G. A. FATOYE Senior Assistant Secretary Projects Division Ministry of Industry Federal Government Lagos
PAKISTAN	M. HUSAIN Secretary Industries Commerce and Mineral Resources Department Government of West Pakistan
PHILIPPINES	A. PIO DE RODA Deputy Director-General of Investments Presidential Economic Staff
SUDAN	A. OSMAN Senior Inspector Department of Industry Ministry of Industries and Mining

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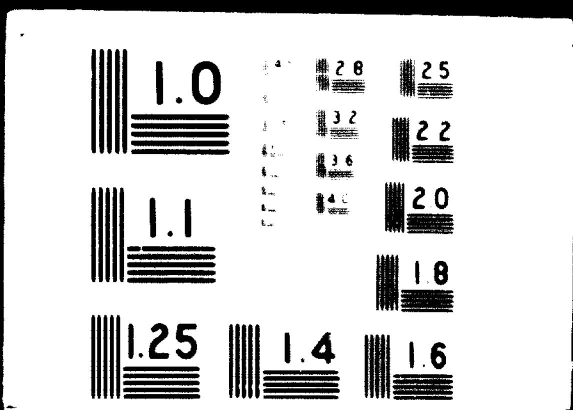


THAILAND	V. POMBHEJARA Director of Industrial Economics and Planning Ministry of Industry Secretary-General for Thailand National Commission for UNIDO
UGANDA	Y. KYESIMIRA Senior Lecturer in Economics Makerere University College Kampala
UNITED ARAB REPUBLIC	T. A. HASSAN Under-Secretary of State Ministry of Industry
UNITED REPUBLIC OF TANZANIA	D. R. BITEGEKO Assistant Commissioner for Commerce and Industry Government of Tanzania

Guest speakers

H. AABERG	Director The Danish Industrialization Fund for Developing Countries Copenhagen, Denmark
N. BALOG	President of the Federal Judicial Council Councillor of Parliament Belgrade, Yugoslavia
M. ERNST	Chef du Service de Coopération Technique Direction des Affaires Techniques et Culturelles Secrétariat d'Etat aux Affaires Etrangères Paris, France
S. KOREN	Federal Minister of Finance Vienna, Austria
B. NURNBERG	Manager Investment Control Department Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit Cologne, Federal Republic of Germany
K. SCHMIDT-LUDERS	Director Industry and Energy Division OECD Paris, France

P. SCHOENMAKER	Director Van Doorne's Automobielfabrieken The Hague, Netherlands
B. E. THOMÉ	Assistant Vice-President Skandinaviska Banken Stockholm, Sweden
P. J. VARELA	Economic Development Administration San Juan, Puerto Rico
G. ZIMMER-LEHMANN	Director Department of Economics Creditanstalt-Bankverein Vienna, Austria

Observers

S. R. DIXON-FYLE	Director of Research Central Bank Freetown, Sierra Leone
M. PEJOVIC	Director Investment Loans Department Yugoslav Investment Bank Belgrade, Yugoslavia

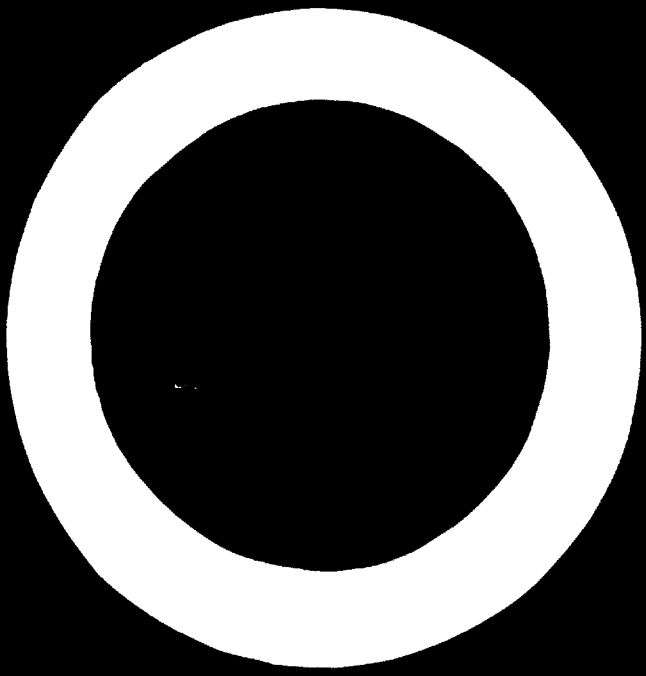
United Nations Industrial Development Organization

C. AKHRAS	Chief Industrial Policies and Financing Section
M. FRANEK	Chief Export Industry Section
N. GRIGORIEV	Director Industrial Technology Division
I. KRESTOVSKY	Chief Small Scale Industry Section
F. LE GUAY	Director Industrial Policies and Programming Division
R. LINE	Industrial Development Officer Officer in Charge Industrial Policies and Financing Section
G. POLIT	Senior Interregional Adviser

S. QUIJANO-CABALLERO	Director Technical Co-operation Division
E. SALAMON	Chief Industrial Programming and Project Planning Division

Other United Nations Organizations

Economic Commission for Latin America	R. TOMASINI Head Industrial Section Mexico City
Internal Finance Corporation	D. N. ELBERFELD Legal Department
International Labour Organisation	G. SCHRETZMAYER Chief Section of Studies and Reports Vocational Training Branch
International Monetary Fund	G. LENT Chief Tax Policy Division
United Nations Conference on Trade and Development	S. EL-NAGGAR Acting Director Research Division



Annex 2

OPENING ADDRESS BY MR. I. H. ABDEL-RAHMAN, EXECUTIVE DIRECTOR OF UNIDO

The theme of the Seminar is incentive policies for industrial development in the developing countries. As you already know UNIDO has conducted a large number of case studies in incentive policies for industrial development in many developing countries. Some of these studies are available to you in the background papers, which will undoubtedly be supplemented by your personal experiences in your own countries, as the participants in the Seminar have considerable experience in the establishment of incentive policies for the industrialization of developing countries. The organizers of the Seminar have presented twelve aspects of incentive policies in the form of issue papers. Each aspect will be introduced by a qualified speaker and will be the subject of detailed discussion and examination. Specific cases will be analysed and discussed by the group; a number of distinguished speakers, mostly from industrialized countries, will join you during the successive days of the meeting.

The success of any meeting depends only to a limited extent on the preparatory material and the efforts of the organizers. The success of this Seminar depends on the ability of the participants to advise the authorities in their respective countries by clarifying the issues and alternatives related to incentive measures for industrial development. It is only then that UNIDO will feel that the efforts and resources assigned to this meeting are bearing fruit.

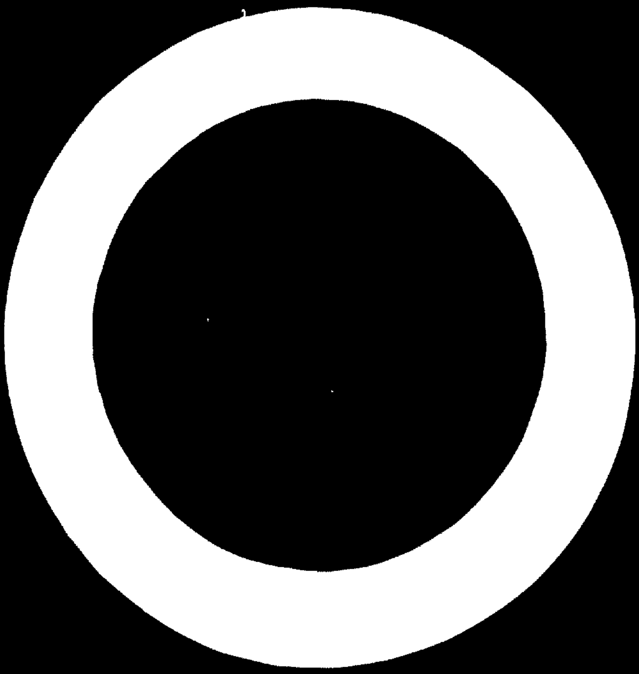
We would like you to consider this opportunity of your presence in Vienna as a starting point for a long future association with UNIDO, whether directly or indirectly. As you will certainly see from the information that will be made available to you about UNIDO, this is essentially an operational organization that directs all its efforts towards supporting the rapid industrialization of the developing countries. Naturally, it is fully recognized that the developing countries have widely varied conditions in their industrialization and it will be difficult to generalize about their situations or policies. Nevertheless, in each country whatever its stage of industrialization, the public authorities are bound to devise a set of measures aimed at supporting industrial activities in one way or the other.

It is generally accepted that the situation of a free market economy is never realized completely; there are constraints against the theoretically free play of market forces. The scope and intensity may vary from country to country but these constraints always exist. On the other hand public authority is never complete and detailed so as to eliminate entirely the free play and interaction of economic agents and entrepreneurs. Therefore even though the freedom or limits of individual choice differs widely, every country must examine the best combination of the many possible incentive instruments to obtain the progressive change from a predominantly agriculture and trade economy into an industrialized, technologically advanced economy. Tax and fiscal incentives are the instruments that come first to mind in this respect. But it is the plan of this Seminar to widen the scope of incentives so as to cover a broader range of possible policies. It should always be remembered that a combination of policies is required rather than unrelated policies that do not interact harmoniously in their operation.

It will be up to you to draw your own conclusions as a result of the discussions in the Seminar. In particular, I would appreciate very much if you would address yourselves to what UNIDO can do as a follow-up to this meeting, both with respect to subsequent similar meetings and field advisory services and consultations with your countries on the question of incentives for industrialization. I believe that your conclusions on these two points alone would be of great value to other developing countries and to UNIDO and may lead to a series of activities of great importance in the process of industrialization of the developing countries.

Needless to say, you are welcome to present to UNIDO and to your colleagues in the developing countries in general your substantive and operational conclusions.

I would like, in particular, to thank our distinguished speakers from sister organizations of the United Nations and other international bodies, as well as those from the industrialized countries who accepted graciously our invitation to address you during this meeting. We are all deeply indebted in particular to H. E. Professor Dr. Stephan Koren, the Minister of Finance of the Federal Republic of Austria, who will be taking part in this Seminar. This is an additional demonstration of the interest that the Government of Austria has shown in co-operating with UNIDO. This interest began with the provision by Austria of generous facilities for our Headquarters, but I take Dr. Koren's participation in the Seminar as a recognition by a most distinguished member of the group of industrialized countries of the need to co-operate with the developing countries in discussions and efforts for economic and social advance. This is the task of UNIDO, and with your help and oo-operation we hope we will realize the desired objectives.



Annex 3

PROGRAMME OF THE SEMINAR

Industrial policies and the role of incentive policies

Issue paper 1 (ID/WG.30/1)
Introduced by Mr. Akhras, UNIDO

Assistance at the pre-investment stage as an incentive measure

Issue paper 2 (ID/WG.30/2)
Introduced by Mr. Varela (guest speaker)

Assistance with land and factory buildings as an incentive measure

Issue paper 3 (ID/WG.30/3)
Introduced by Mr. Krestovsky, UNIDO

Assistance with labour skills as an incentive measure

Issue paper 4 (ID/WG.30/4)
Introduced by Mr. Schretzmayer, ILO

Assistance with financing as an incentive measure

Issue paper 5 (ID/WG.30/5)
Introduced by Mr. Akhras, UNIDO

Tariffs and other forms of protection

Issue paper 6 (ID/WG.30/6)
Introduced by Mr. El-Naggar, UNCTAD

Import-duty concession as an incentive measure

Issue paper 7 (ID/WG.30/7)
Introduced by Mr. Franek, UNIDO

Tax incentives for industrial development

Issue paper 8 (ID/WG.30/8)
Introduced by Mr. Lent, IMF

Measures to facilitate foreign investment

Issue paper 9 (ID/WG.30/9)
Introduced by Mr. Schoenmaker (guest speaker)

Criteria for selecting industries eligible for incentive benefits

Issue paper 11 (ID/WG.30/11)
Introduced by Mr. Salamon, UNIDO

Formulating a programme of incentive measures

Issue paper 10 (ID/WG.30/10)
Introduced by Mr. Line, UNIDO

The administration of incentive measures

Issue paper 12 (ID/WG.30/12)
Introduced by Mr. Polit, UNIDO

Case studies A and B

Participants divided into four groups, each group to recommend a programme of incentive measures for the case studied.

Discussion of solutions to Case Study A

Rapporteurs: Mr. Agbozo (Ghana)
Mr. De Roda (Phillipines)

Discussion of solutions to Case Study B

Rapporteurs: Mr. Balachandran (India)
Mr. Chen-Young (Jamaica)

Guest speakers

Mr. Schmidt-Lüders	"The role of incentive policies for industrial development: The experience of some industrialized countries"
Mr. Balog	"Industrial policies and the role of incentive policies: The experience of Yugoslavia"
Mr. Thomé	"Foreign investment in industry in developing countries: A Swedish point of view"
Mr. Zimmer-Lehmann	"The role of the banking system in stimulating private investment in industries in developing countries"
Mr. Ernst	"Investment codes: Some remarks on the experience of some French-speaking African countries"
Mr. Nürnberg	"Foreign investment in industry in developing countries: A point of view from the Federal Republic of Germany"
Mr. Aaberg	"Foreign investment in industry in developing countries: A Danish point of view"
Mr. Koren	"Incentives for industrial development in Austria"

Annex 4

DOCUMENTS PRESENTED TO THE SEMINAR 1/

Issue Papers

ID/WG.30/1	Industrial Policies and the Role of Incentive Measures
ID/WG.30/2	Assistance at the Pre-investment Stage as an Incentive Measure
ID/WG.30/3	Assistance with Land, Factory Buildings, etc. as an Incentive Measure
ID/WG.30/4	Assistance with Labour Skills as an Incentive Measure
ID/WG.30/5	Assistance with Financing as an Incentive Measure
ID/WG.30/6	Tariffs and Other Forms of Protection
ID/WG.30/7	Import Duty Concessions as an Incentive Measure
ID/WG.30/8	Tax Incentives for Industrial Development
ID/WG.30/9	Measures to Facilitate Foreign Investment
ID/WG.30/10	Formulating a Programme of Incentive Measures
ID/WG.30/11	Criteria for Selecting Industries Qualifying for Incentive Benefits
ID/WG.30/12	The Administration of Incentive Measures
ID/WG.30/13	Measures Taken by the Government of the Federal Republic of Germany to Encourage Investment in Industrial Projects in Developing Countries
ID/WG.30/14	List of Participants

Background Papers describing the experience of individual countries

ID/WG.30/BP.1	Incentive Policies for Industrial Development in Argentina
ID/WG.30/BP.4	Incentive Policies for Industrial Development in Chile
ID/WG.30/BP.5	Incentive Policies for Industrial Development in Ecuador
ID/WG.30/BP.6	Incentive Policies for Industrial Development in India
ID/WG.30/BP.7	Incentive Policies for Industrial Development in Iran

1/ A limited number of copies are available upon request.

ID/WG.30/BP.8	Incentive Policies for Industrial Development in the Republic of Ivory Coast
ID/WG.30/BP.9	Incentive Policies for Industrial Development in Jamaica
ID/WG.30/BP.12	Incentive Policies for Industrial Development in Nigeria
ID/WG.30/BP.16	Incentive Policies for Industrial Development in the Philippines
ID/WG.30/BP.17	Incentive Policies for Industrial Development in the Sudan
ID/WG.30/BP.18	Incentive Policies for Industrial Development in Thailand
ID/WG.30/BP.19	Incentive Policies for Industrial Development in Turkey
ID/WG.30/BP.20	Incentive Policies for Industrial Development in Uganda

Annex 5

QUESTIONNAIRE USED TO EVALUATE THE SEMINAR PROGRAMME

General comments

1. Has the Seminar been useful?

2. Has the Seminar given you new ideas which can be applied in your country?

Duration

3. Was two weeks long enough to review the subject?

4. Would you still have been able to attend if the Seminar had lasted

   (a) 3 weeks? (b) 4 weeks?

Subject matter

5. Did the Seminar cover too wide a range of subjects?

6. Was each subject covered in sufficient depth?

7. On which subjects would you have liked to spend more time?

Documentation

8. The documentation consisted of issue papers, country background papers, one paper on incentives offered by an industrialized country, publications by UNIDO and other organizations. Which were most useful? What improvements could be made?

Approach adopted

9. The approach adopted at the Seminar consisted of (a) an introduction of the subject of each issue paper by a guest speaker; (b) the group discussion which followed; (c) demonstration exercises (advisory panels) and (d) guest speakers in the final afternoon session.

   Which was the most useful? What improvement could be made? Should there be more demonstration exercises?

Future seminars

10. Should future seminars on industrial policies be organized on:

    (a) Regional basis (b) Interregional basis
    (c) both types of basis?

11. Should there be 10, 15, 20, 25 or 30 participants in order to maximize usefulness of discussion?

12. Would it be useful to have simultaneous translation facilities available at the next Interregional Seminar?

13. What subjects do you suggest for future seminars in the field of industrial policies?

    (a) Industrial development strategy and its relation to industrial policy formulation;

    (b) Tariffs and other forms of protection;

    (c) Policy on financing industrial development;

    (d) Regional co-operation;

    (e) Measures to raise the local content of manufactured goods;

    (f) Other subjects.

Further UNIDO work on incentive policies

14. Do you think UNIDO should publish the country background papers?

15. In addition to the report on this Seminar, do you think it would be advisable for UNIDO to prepare a manual or similar guidebook on the formulation and implementation of incentive policies for use in developing countries?

16. Have you any other comments?

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