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UNIDO INVESTMENT PROMOTION ACTIVITIES^{1/}

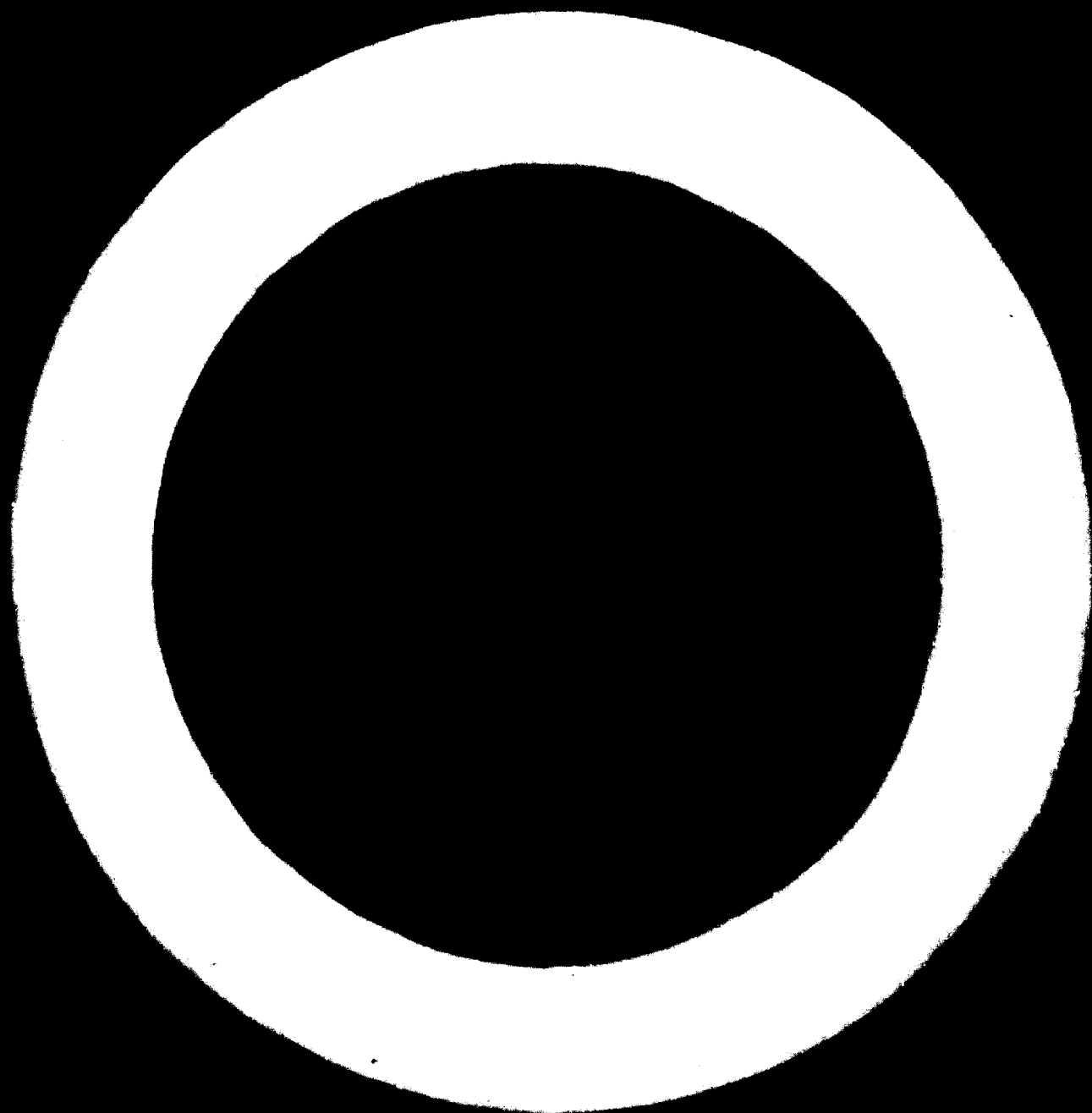
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1. INTRODUCTION

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

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

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

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

The provision of assistance to developing countries in institutional, training, and advisory fields has been a feature of the United Nations programme of technical assistance since its inception, and some of its aspects are dealt with in separate documents. This paper will be mainly devoted to the last item which is the Promotion of Specific Industrial Projects.

II. PROMOTION OF SPECIFIC INDUSTRIAL PROJECTS

Promotion at the level of the project consists of:

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

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

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

- (a) Promotion in the form of a credit, such as a long-term loan or other financing facilities (e.g. an export credit). This type of promotion provides external financing for locally owned industrial projects, whether private or public. It is suitable for countries whose policies favour local ownership of industrial enterprises, whether private or public.

- (b) Promotion of joint-venture enterprises which associate domestic and foreign capital. This formula is often preferred by countries whose need for foreign know-how - whether technical, managerial or marketing - is greater than their need for external financing.
- (c) Promotion of direct foreign investment, that is, investment which results in foreign ownership of assets in the developing country.

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

In practice the programme of promotion at the level of the project is implemented in two ways namely:

- (a) Organizing meetings at the national or regional level during which projects pertaining to various industrial sectors or to one single sector are discussed privately between proponents and potential investors.
- (b) Establishing a portfolio of project reports for investment promotion in depth.

III. MEETING TO PROMOTE SPECIFIC PROJECTS

For the promotion of specific industrial projects in developing countries, UNIDO sponsors meetings between representatives of developing countries that wish to promote specific projects with its assistance, representatives of international financial and investment institutions, and other interested institutions of

capital-exporting countries. The financial institutions of capital-exporting countries play the role of "foster parents". Their main function is to assist developing countries in finding interested industrialists and investors for the specific projects to be promoted. They may also serve as supplementary sources of financing for the projects.

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

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

Plenary sessions are arranged for discussion of general issues pertaining to investment promotion, while ad hoc meetings are held between recipients and suppliers of capital and know-how interested in the promotion of specific projects. The ad hoc meetings are held in private rooms, in order to safeguard the confidential nature of the discussions and in every way encourage the development of mutual interests which will lead eventually to fruitful negotiations.

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

Since 1969, several meetings were organized under the UNIDO sponsorship. Some of these meetings concerned only one country at a time such as Tunisia or Lebanon but most of the meetings were held on a regional basis and gathered as much as 300 participants coming from about 40 countries. These meetings gave the opportunity to the investors to discuss more than 120 projects with their proponents.

IV. PORTFOLIO OF PROJECT REPORTS FOR INVESTMENT PROMOTION IN DEPTH

Another procedure used by UNIDO to promote specific industrial projects in developing countries is based on a portfolio of project reports established at UNIDO headquarters. The portfolio consists of a list of projects on which detailed information is available in the form of feasibility reports.

UNIDO studies the information and prepares a standardized report on each project to be promoted. Usually the report contains detailed information on the main aspects of the project such as marketing, capacity of the plant, investment cost, production costs, profitability. The report provides also information on the local partner and the incentives granted by the recipient country in order to attract potential investors.

UNIDO brings these reports to the attention of appropriate sources of investment and/or financing. The selection of the appropriate sources is facilitated by a network of liaison and contacts which UNIDO has established with leading institutions in the capital-exporting countries of the world, including major international commercial banks, international investment banks, chambers of commerce and association of industries.

When the interested sources of investment and/or financing have been located for a specific project, UNIDO assists the interested parties in establishing first contacts and may, at the request of the project proponent, proceed in more detailed negotiations on his behalf.



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