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INTRODUCTION TO UNIDO INVESTMENT
PROMOTION ACTIVITIES^{1/}

prepared by
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We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

1. The aim of this paper is to introduce the activities of UNIDO in the field of industrial investment promotion, especially those to be carried out both at this Symposium and INTERPLAS, jointly by UNIDO, ODA and the BPF.

UNIDO Programme to Promote Industrial Projects

2. To overcome the shortage of capital and technology in developing countries, UNIDO started its Programme to Promote Industrial Projects in 1968/69. This programme aims at stimulating the flow of external resources in the form of capital and/or know-how, including technology, management and export marketing, from the world of established industry to the developing countries. The programme has been deliberately restricted to the project level, that is to say, to the promotion of specific industrial investment projects in developing countries requiring specific components of foreign contribution.

3. The actual creation of viable industrially productive units has been clearly recognized as one of the key elements in the industrialization of developing countries. To this effect, a number of UNIDO activities are conducted at the project level during the various phases in which a project idea is progressively transformed into an operating unit.

4. Many of these activities take place at various stages of what could be called the techno-economic feasibility line; identification of investment opportunities, preliminary selection (prefeasibility study), project formulation (feasibility study), project evaluation and, after the decision has been made, the construction and operation stages.

5. Action along this line, although indispensable, is insufficient per se. Pre-investment studies do not lead automatically to actual investment. It is well known that hundreds of prefeasibility and feasibility studies for industrial projects, financed by Governments, bilateral or multilateral aid, have remained stagnant for months and years. Many of them have become obsolete and thus represent a considerable loss of valuable resources.

6. Hence the concept of complementary activities, conducted along techno-economic feasibility lines with activities, conducted along investment feasibility lines, which include:

- (1) Reviewing the various resources necessary to ensure viability of the project (financing, marketing, know-how, management, etc.).
- (2) Identification of potential sources for these inputs (local sponsor of the project, local contribution, private or public and, if needed, foreign partners).
- (3) Establishment of contacts between potential local and foreign partners with a view to fruitful negotiations and conclusions.

These activities, taken as a whole, may be summarized as the promotion of the project.

7. Obviously, these two lines are interrelated. In many cases, a pre-established complete feasibility study is not necessary to start promotional activity. It may even be that an interested partner might often prefer

to undertake his own independent study. Consequently, at each stage of the techno-economic feasibility line, some promotional action can be undertaken in a manner that may vary according to the nature of the project and the amount of information available.

8. Along these two lines, UNIDO is assisting developing countries in a variety of ways and through a number of programmes. The promotion programme, which is under consideration in this report, operates along the investment feasibility line.

Operational process

9. Through this programme UNIDO is assisting project sponsors in developing countries, namely promotion institutions and public or private local firms, to promote their industrial projects. In principle the operational process is carried out in a series of stages:

- (a) Collection of all available information data on the project as submitted by project sponsors;
- (b) Preparation, on the basis of the information so collected, of standardized brief project profiles: these are referred to as the project information sheet. If needed, additional information may be introduced after consultation with the sponsor, so that the project file can attract the attention of a potential investor (this stage usually need not be as advanced as the last stage of preparation for the so-called bankable projects);
- (c) Location of appropriate sources of investment and/or financing, know-how or other inputs through individual contacts and established channels, which have been developed and maintained by UNIDO in developed countries, and subsequently submission of the project information sheets to prospective investors and financiers to stimulate their interest;
- (d) Assistance in organizing the necessary dialogue between interested parties on a confidential person-to-person basis and, when requested by the partner from the developing country, the provision of assistance that may be required in the various stages of project formulation, evaluation and implementation.

10. In the implementation of the first two stages, at the request of Governments of developing countries, UNIDO staff members and consultants have been sent on missions of assistance to project sponsors, both for the initial identification of investment opportunities and in the formulation of specific project proposals. In other cases, Governments have used UNIDO experts stationed in the country or UNIDO-assisted institutions such as centres for industrial studies or technological research centres for this purpose.

11. In the implementation of the third stage, the dissemination of investment proposals to potential investors, UNIDO has progressively built up a network of channels throughout all the industrialized countries in Europe, North America, Japan and Australia, where supplies of capital and know-how can be found. This network includes international and

regional financing institutions. More recently potential sources of capital and know-how in some of the more advanced developing countries have also been involved. In addition to the current operations of the network, missions by UNIDO staff members have been organized for the dissemination of projects and follow-up action.

12. In stage four, UNIDO arranges and services the contacts between the local project sponsor and the potential foreign partners.

Various types of activities

13. The process described in the preceding paragraphs is applied in the various types of activities that are the instruments through which UNIDO implements its promotional programme.

Portfolio of industrial projects

14. Under this component UNIDO collects individual industrial proposals and projects; which may comprise either new projects submitted by local sponsors or projects resulting from previous pre-investment activities; and disseminates them to potential investors. At each stage of the project preparation and, depending on the type of information available, an appropriate promotional action is designed and initiated to present the proposals and projects to potential investors for preliminary examination. When interested potential partners have been identified, UNIDO provides technical assistance to the sponsor of the project in studying and preparing such additional information as may be requested by the investors in order to arrive at some form of an investment decision.

Regional and national investment promotion meetings

15. One way of arranging the initial contacts is through the organization of investment promotion meetings. Projects sent to UNIDO for this purpose are circulated to potential investors and, on the basis of the interest expressed in specific projects, project sponsors and potential investors are invited to a meeting at which they have face-to-face confidential interviews for contacts, discussions and possible initial negotiations. All participants come at their own expense. Individual interviews are programmed in advance by UNIDO according to the requests received. The meetings are thus very different from the traditional type of meeting, for there are no general discussions, lectures or debates. The only public meetings are short panel sessions at which each developing country presents investment conditions, laws, incentives and policies to potential foreign partners and answers any questions arising.

16. Meetings of this type have been organized on a regional basis in Africa (Rabat 1969, Nairobi 1970, Abidjan 1971) and Asia (Manila 1970, Singapore 1971) and, in two cases, on a country level (Tunisia 1969, Lebanon 1972). Another meeting for Asia will be held in Kuala Lumpur in November 1973. The regional meetings were sponsored jointly by UNIDO and the respective regional economic commissions and, in Africa, by the African Development Bank. Additional data on these meetings are contained in table 1.

Table 1

Regional Meetings

Participating countries	Number of participants from		No. of projects presented	Approx. value of projects presented ^{a/} (in millions of US\$)	Approx. No. of private consultations		
	Developing countries	Industrialized Countries					
Africa							
Rabat (1969)	23	21	89	196	154	...	800
Nairobi (1970)	22	23	85	212	143	600	1000
Abidjan (1971)	22	24	61	178	120	400	1000
Asia							
Manila (1970)	14	16	149	161	154	850	900
Singapore (1971)	14	22	189	222	166	1060	1400

a/ These figures do not include non-documented projects for which no value was indicated.

17. As an illustration of the projects discussed at regional meetings, broken down by sectors, the following data are presented for the two meetings held in 1971 (i.e. Abidjan and Singapore) in table 2 below.

Table 2

Projects discussed at the Asian regional investment promotion meeting

Sector	Number of projects	
	Singapore meeting	Abidjan Meeting
1. Food processing	31	47
2. Processing of agricultural products and by-products other than food	9	13
3. Textiles	25	8
4. Rubber and plastic processing	6	8
5. Leather	7	4
6. Wood processing	15	14
7. Pulp and paper	6	6
8. Engineering and metal products	58	20
9. Building materials	9	9
10. Chemical industry	20	25
11. Miscellaneous	10	6
Total	196	160

These figures represent the total number of projects circulated prior to the meetings. For various reasons, some of the projects were withdrawn by their sponsors or were not discussed at the meetings. Hence the discrepancy between these totals and the figures in table 1.

Sectoral promotion meetings

18. In the course of its promotional activities, UNIDO was encouraged to supplement the multi-sectoral, regional meetings with meetings devoted to one sector of industry. In those meetings, business contacts took place not only for new investment projects but also on the expansion and rationalization of existing plants and on arrangements relating to management and marketing contracts. Another characteristic of these meetings is that they are particularly suitable for establishing contacts leading to joint ventures, including technical and managerial co-operation. A number of sectoral promotion meetings, both on a regional and inter-regional basis, have been organized simultaneously with technical symposia or expert group meetings on technical problems in specific sectors of industry which are organized by the Industrial Technology Division of UNIDO.

19. A pilot experiment took place in Vienna, in May 1971, on the occasion of a meeting on leather goods. In view of the favourable response a further four sectoral meetings were organized in 1972: cement and cement products (Copenhagen, May); oilseed (Vienna, October); machine tools (Buenos Aires, October); and plastics (Bogotá, November). The last held in conjunction with the Symposium on the Development of Plastics Fabrication Industry in Latin America was attended by participants from countries also attending this Seminar. In the course of promotional activities in Bogotá a number of specific projects were submitted for promotion and a large proportion of participants were engaged in the many person-to-person promotional interviews which were arranged.

Prospects

20. Increasing emphasis is being put on the cooperation of UNIDO with investment promotion institutions in developing countries. In doing so UNIDO intends to carry out promotional activities at the country level through advice and the provision of services along the investment-feasibility line described earlier in the present document. Advisory missions would provide assistance in identifying, briefing and supporting local sponsors, approaching local banks, improving project presentation etc. Services from UNIDO headquarters would be made available for the promotion of specific industrial projects, in particular through the portfolio. Where feasible, the organization of national meetings might be envisaged.

21. Multisectoral regional meetings are intended to remain a major component of the UNIDO investment promotion programme. It is the objective of UNIDO to resume these meetings in Asia and Africa, at intervals of 18 to 24 months, and to begin such meetings in Latin America, Europe and the Middle East.

22. Sectoral investment promotion meetings, either interregional or regional, will be continued, and several are under preparation for 1973 and 1974, in connexion with technical seminars to be organized by the Industrial Technology Division of UNIDO. Larger meetings for specific branches are under preparation to be held in 1974 in Amsterdam, in co-operation with the FAO and the Dutch Employers Association for the food-processing sector, and in Bucarest, in co-operation with the UNIDO/Romania Centre for International Co-operation in the Field of Chemical and Petrochemical Industries. Similar meetings are contemplated for electronic equipment, leather goods, heavy equipment and possibly other branches. Such promotional activities at the sectoral level

may, in some cases, become part of wider and more permanent programmes of co-operation which UNIDO is establishing in specific branches of industry with some advanced countries.

Investment Promotion Programme at this Symposium and INTERPLAS

23. The immediate object of this Programme is to provide an occasion for individual contacts to initiate discussions and negotiations on investment projects and other arrangements for co-operation in the plastics industry in developing countries. The long-term objective is the direct promotion of industrial investment in these countries resulting from the contacts made throughout this Programme.
24. These projects, however, could be at any stage of development, either ideas on investment opportunity, project at the stage of prefeasibility study or feasibility study. The promotion concerned, through the contacts to be arranged during these few days in London, should be adjusted accordingly to that stage of project formulation and to various specific requirements for the implementation of the project. The project sponsor will be assisted at request in exploring the interest of potential foreign partners in contributing the foreign investment component required by the project.
25. A number of project proposals on plastics industries has been collected prior to this Seminar. Several participants from developing countries present have announced that they would submit their projects and requests for cooperation in the course of the Programme. Other project ideas may be formulated by any party attending the Seminar and the INTERPLAS. The staff responsible for industrial investment promotion activities at this Meeting will be happy to assist project sponsors in arranging contacts with potential suppliers of foreign contribution on a private and confidential basis. The schedule of these interviews, as well as the arrangements concerned will be explained and communicated separately. The staff arrange these appointments fully understand that the confidential nature of the negotiations in these matters must be respected. The staff are prepared to provide at your request any substantive advice or administrative assistance, during and after these private meetings, to the extent of expertise and resources available here.
26. In case any participant from a developing country has not come up with any specific project prior to the Seminar, but on the basis of the useful discussions he will have on technology and economics of plastics processing, marketing and utilization at the Seminar, he may wish however to contact some foreign suppliers of know-how or finance to explore further solution of their problems. The promotion staff would be, then, happy to arrange such contacts. It is expected that these contacts could be after all, another starting point in the process of investment project identification, which may bring about new ideas to be followed up by further business negotiations to feasible industrial investment. Participants are not necessarily required to submit a comprehensive project report. Therefore, please, feel free to submit your investment problems to the Secretariat, as clearly as possible. Despite short notice, the Secretariat will do its best to find for you the investment component or partner you are looking for.
27. Participants from the United Kingdom and other industrialized countries are also welcome to submit their own proposals for industrial cooperation, including licensing and technological interchange deals to be discussed with the parties from developing countries at the Seminar and INTERPLAS.

28. The participants to the Seminar have already learnt something of the procedure and organization of these investment promotion activities. In order to ensure a smooth operation of our investment promotion activities it is recommended that all the interested participants follow the procedure described in the special green leaflet, which has already been circulated. Copies will be available also at INTERPLAS.





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