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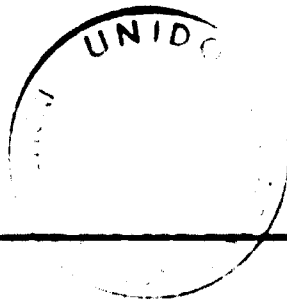
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THE ROLE OF MULTILATERAL FINANCIAL INSTITUTIONS IN THE PROMOTION OF
INTERNATIONAL INDUSTRIAL CO-OPERATION^{1/}

Prepared by the Secretariat of UNIDO

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I. INTRODUCTION

1. The terms "economic co-operation" or "economic integration" are generally understood as the initial stage of an integration process among a group of countries ultimately leading to the permanent voluntary abrogation or the surrendering of some or all national economic sovereignty by the individual countries for the greater benefit of the group as a whole. Therefore, regional economic co-operation used in its widest sense, would include all types of joint or co-ordinated action in the economic field among countries of the same geographical region. Such action may develop in various forms, depending on the political will of the partner states and the conditions prevailing in that particular region.

2. The forms which regional economic co-operation can take may be many. Firstly, the partner states may decide to form a free trade area, with a free-commodity trade (i.e. abolition of trade barriers among the partner states) and without a common tariff regime with respect to commodities originating from outside the region; secondly, a customs union (establishment of a common tariff policy towards non-member countries) in which free movement within the frontiers of the partner states is limited only to commodities; thirdly, the partner states may decide to establish a common market where all commodities and factors of production are free to move without restriction within the frontiers of the integrated area but not beyond it. Commodities and factors of production from outside the region can enter the integrated area only upon payment of certain taxes or meeting certain regionally agreed upon conditions such as for foreign investment. Lastly, in certain cases where the political and social aspirations of the partner states more or less coincide and where there are other centripetal forces working for unity, they may agree to establish a complete economic union among themselves. This was what the East African Community countries intended to do in 1963 prior to the attainment of independence by Kenya.

3. For the purposes of this paper it is not necessary to re-state the rationale for regional or sub-regional economic co-operation, particularly in the field of industry. Since, in so far as industry is concerned, it is clear that regional economic co-operation among groups of developing countries is an important step towards achieving national industrial progress and expansion. It will lead to an

increased specialisation and changing pattern of industrial division of labour, while further specialization will help in achieving economies of scale in a growing number of industries, in discovering new sources of external economies, in creating new networks of forward and backward linkages and in improving the economic and social environment of industrialization.

4. The main prospect, therefore, of regional integration is to expand production opportunities, including improved utilization of production capacities; acceleration of industrial growth rates; improved use of resources, reflected in increased efficiency and cost reduction; maturation of the industrial structure and the achievement of a considerable degree of industrial interconnections; and thus the maximization of the national income of each member country.

5. It is convenient in this connexion to make a distinction between market integration and production integration. Experience with regional and sub-regional economic groupings in the developing countries has shown that no market, whatever its size can be regarded as a direct source of national wealth in itself, although lack of a market is an insuperable handicap to industrial expansion. This means that liberalization of intraregional trade is a necessary but still insufficient condition for an integration process of the industrial sector. The problems encountered in the implementation of various programmes of trade liberalization in most of the regional groupings in the developing countries attest to this fact.

6. Most of the existing regional and sub-regional schemes of economic co-operation among developing countries are primarily regional commercial arrangements. Some of them have been in existence for a very long time (for example the East African Community) but their distinctive feature is still a commercial one. Apparently, it has been much more easier for these countries to establish rules and programmes for trade liberalization than to promote active and direct co-operation among certain sectors of industry and/or intraregional industrial specialization and improving the technological and operational efficiency of business enterprises.

7. In its work programme, UNIDO's attention is being increasingly devoted to the formulation of long-term common strategy and policy for regional co-operation, including a rational and fair distribution of the advantages to be derived from

such co-operation. In its various supporting activities, attention is being devoted to a critical review of the analytical approaches as well as the institutional mechanisms for regional co-ordination with particular reference to industry.

II. PROBLEMS OF INDUSTRIAL CO-OPERATION

8. Experience shows that one of the major obstacles to the development of multinational industries in the developing countries is the underlying desire of most governments to ensure that industries are situated in their own respective territories, and that this aim is often pursued regardless of both cost and market considerations. It seems in fact that governments tend to prefer a smaller certain benefit originating under their own authority than a possibly lesser one of which the magnitude is not clear and not easily measurable. In fact, it can be said that the failure of inter-governmental negotiations to produce operating agreements of multinational projects arises from the difficulty of measuring the net benefit flows in an unambiguous way. It would, therefore, appear that a successful negotiating process requires a method for measuring cost-benefit flows, so that each of the co-operating parties can be clear about its own and the others' position.

9. In view of the many conflicts and obstacles which regional groups of developing countries have encountered in the way of multinational industrial programming, UNIDO hopes to develop programming techniques which could lead to the determination of the principles and methodology for the evaluation of cost-benefit flows and for the distribution of industries over the constituent parts of regional groupings and would thus help to produce solutions which would facilitate economic and political argument.

10. The experience of UNIDO in the process of its operational activities in this area clearly indicates that decision-making with regard to multinational industries by the partner states is usually held up essentially because of lack of an appropriate method to deal with the questions which are uppermost in the minds and concerns of governments. One such concern is uncertainty over the distribution of benefits arising out of the operation of a multinational industry in a situation where policy changes may occur in the host or participating countries to the disadvantage of one or the other group. In order to surmount this problem

it would seem especially important to devise criteria and formulae which could guide and assist national policy makers in evaluating the impact of a proposed multinational industry on the national economy.

11. The development of a formal methodology for the evaluation and distribution of multinational industries is a major pre-occupation of UNIDO at the moment. Although the methodology of cost-benefit analysis for national projects has been fairly well developed^{1/}, its application in the location of multinational industrial projects has received relatively little attention, and as far as is known, no actual application anywhere.

12. The experiences of the last few years with attempts at promoting regional industrial co-operation suggest that it is unrealistic to seek for a total solution to the question of implementing multinational industries. What is more, the process of establishing regional industrial co-operation, and to an even greater extent economic integration, inevitably encounters many obstacles such as: the inadequacy of infrastructure, particularly transport and communications; a low level of trade with countries of the same region; unstable prices and foreign exchange rates, which can more than offset any tariff reductions, vested interests in uneconomic industries and small-scale production; inadaptability of national development objectives, planning methods and policy decisions. It would therefore seem that a flexible and pragmatic approach would be necessary for the implementation of multinational industries. It was with this objective in mind that the Second Conference of African Ministers of Industry which was held in Cairo, Arab Republic of Egypt, from December 18-23, 1973 adopted the concept of "An African Multinational Enterprise for the Creation of Multinational Industries".^{2/}

13. The basic operational features of the concept of the African Multinational Enterprise as an instrument for promoting the creation of multinational industries singly and sequentially, and at the same time taking into account the fundamental

1/ See UNIDO's Guidelines for Project Evaluation, New York, 1972 (No.: E.72.II.B.11) and I.N.D. Little and J.A. Mirrlees, Manual of Industrial Project Analysis in Developing Countries, OECD, Paris 1968.

2/ See Conference Document No. CMI.2/INF/TP/7.

concerns of governments, such as the equitable distribution of benefits and the distribution methodology, are based on the following:

- (a) It is not country-specific in the sense that all that is required to initiate action is for a decision in principle to be reached by any group of developing countries for joint action in a specific project;
- (b) It is likely to cope more successfully with the location issue since the scheme of benefit-sharing is aimed at ensuring optimal returns on investment, by taking into account not only capital structure arrangements but also built-in mechanisms in operational policies for adjusting the flow of benefits.
- (c) And, finally, neither the elaboration of package projects nor the establishment of institutional arrangements are pre-requisites to establishing a single multinational industry.

14. It is important to note that the concept of the African multinational enterprise should not be confused with multinational corporations or transnational companies nor indeed with private enterprises operating across national frontiers. It is fundamentally a concept which aims to bring public and private investment resources into the realm of public policy.

15. The inter-dependence of industrial growth and market expansion is no longer disputed. In the absence of a sufficiently large market and because of the unavailability of capital equipment designed to meet the exact requirements of the size of the market, investors in many developing countries are faced with a choice between plants that are either too small or too large. In the first case, production is as a rule technologically backward and therefore uneconomic because the plant is adjusted to a very restricted market. In the second case, production is again costly and non-competitive because the plant, although equipped with advanced technology and capable of satisfying a larger market, cannot fully use the installed capacity.

16. It is a fact of modern international economic life that an industry working for a small market lacks attraction for industrial capital. A regional, sub-regional or multinational industrial framework can change this situation fundamentally by offering genuine incentives for investment on a new and far broader scale in industry, infrastructure and technology than before. There is no clearer demonstration of this fact than the inability of the overwhelming

majority of the developing countries to benefit from the General Scheme of Preferences negotiated under the auspices of UNCTAD because of their prevailing narrow basis of industrialization. In fact, the developing countries are now motivated by the need to diversify their national economies through industrialization. Multinational industrial development and co-operation could be a significant factor.

17. At this point it is probably useful to describe UNIDO's commitment in the promotion and financing of multinational industries. The United Nations General Assembly Resolution 2152 (XXI) of 17 November 1966 which established UNIDO, provided the organization with broad terms of reference in the field of industry and its financing. With regard to financing, it was stated specifically that UNIDO should provide "assistance at the request of governments of the developing countries in obtaining external financing for specific industrial projects by giving guidance in the preparation of requests, by providing information on the terms and conditions of the various financing agencies, and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing".

18. The United Nations International Development Strategy, in its first overall review and appraisal of issues and policies, has stressed the need for integrating industrial production in view of the inefficiency of many domestic industries. In another U.N. publication entitled: "Towards Accelerated Development - Proposals for the Second United Nations Development Decade" prepared under the auspices of the Committee for Development Planning, the question of regional economic co-operation has been strongly recommended for the developing countries. The need for economic co-operation is considered acute among countries of a relatively small economic size. It has therefore been recommended that measures be urgently taken to promote industrial co-operation, especially at the regional and sub-regional levels.

III. THE ROLE OF MULTILATERAL FINANCIAL INSTITUTIONS

19. The question has been as to what extent, if any, are projects submitted for evaluation screened for their "integration" impact. Experience has shown that although this question cannot in any conceivable sense be answered in the affirmative, the role of regional and other international financing institutions could be crucial in promoting the establishment of multinational industries.

20. In the first instance, the attitude of the international financing institutions, such as those of the International Bank for Reconstruction and Development (IBRD), the United Nations Development Programme (UNDP) etc., could be very influential in helping to implement regional and sub-regional investment policies and to promote multinational industrial projects. While it may be too much to expect these institutions to commit themselves to giving priority to the seeking out of such projects, it is known that multinational projects are always at a disadvantage with respect to national projects, although they might bring greater benefits owing to their larger scale. The development and promotion of multinational projects should be given priority in future. This should include industry as well as infrastructure.

21. There is, apparently, still greater scope for the IBRD and UNDP etc. to give emphasis to industrial and other projects selected on the basis of their importance for the over-all development of the region or sub-region. In fact, it is believed that an explicit international declaration of priority financial support for projects of multinational scope might generally encourage national planners to think in larger than national terms. The President of the IBRD made just such a policy declaration at the UNCTAD Conference of 25 March 1964.^{3/} A similar and much more explicit declaration needs to be made in respect of multinational industrial development. As a result of such a declared attitude on the part of the international financial institutions, increased attention might be paid by the governments of the developing countries to the establishment of

^{3/} See proceedings of UNCTAD, vol.II: Policy Statements, U.N. publication, Sales No. 64.II.B.12, p. 426.

multinational industries.

22. The role of the Regional Financial Institutions^{4/} is just as important in channelling investments to desired multinational industries. Such institutions could follow a declared policy of giving priority to, and of actively promoting, multinational projects or also such national projects as are consistent with an agreed regional investment policy. If political agreement of the partner states could be obtained, such a positive approach could be complemented by a policy of withholding financial support from projects which, in the considered opinion of the institution concerned, would not take into account the regional perspectives and would constitute obstacles to future moves toward an integrated regional market. Depending upon the prevailing conditions in a particular region or sub-region, the Regional Financing Institution could itself undertake such promotional tasks, or it can work in close co-operation with a regional Secretariat or Development Board or Agency to identify, formulate and evaluate such projects. Such institutions should use their own analysis of the regional projects as a basis for their promotional and financing action in relation to specific projects. In other words, projects submitted for evaluation and financing should be screened on the basis of their multinational impact.

23. The above approach in favour of multinational projects is made even more urgent and necessary because national planners tend to give priority to purely national projects. From such projects, indeed, the country concerned derives all the benefits, and it controls them completely. It tends to leave multinational projects to the future because to reach inter-governmental agreement time-consuming procedures and the co-operation of many agencies are usually necessary. It is therefore considered that a regional financial institution could use its influence to encourage governments to pay greater attention to the multinational

^{4/} The African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Investment Bank, the Central American Bank for Economic Integration (CABEI), the East African Development Bank, the Caribbean Development Bank, the Corporacion Andina de Fomento, the European Development Fund.

alternatives to national projects and could facilitate the inter-governmental negotiations in connection with the elaboration and financing of such projects. It might be considered necessary, in fact, to earmark funds specifically for multinational projects in order to increase their attractiveness.

24. The question as to whether some categories of multinational projects would require special financial terms would be answered in the affirmative. Funds should be made available on more favourable terms for multinational projects than national ones that are consistent with regional investment policy objectives. Private loans granted in connexion with such projects may be guaranteed by the regional institution. It would appear, therefore, that the existing practices by some of the multilateral financial institutions in which certain countries are not eligible for soft or mixed loans could impede multinational industrial programming in some regions. It is believed that by these and other incentives the interests of national governments in multinational projects could be increased. Each multinational project would enable governments to learn, in a practical way, to plan together, and each initial success would improve the chances for further achievements.

25. The developed countries or groups of them could also do a lot to encourage the efforts undertaken in a region to arrive at agreed investment decisions or at least to avoid uneconomic duplication of investments. Hitherto, the channeling of aid to the developing countries takes account primarily, if not exclusively, of the national framework concerned. Such aid has therefore in the past often been provided in ignorance or even in disregard of the potentialities that the particular regional context would offer. Inasmuch as the only framework that actually exists is often the national one, and since co-operation with other countries can involve difficulties, the only realistic course often seems to be to base the programming of aid more or less exclusively on the national unit.

26. At the same time, however, this tendency supports precisely those elements in the recipient country which are not inclined to think in larger than national terms. Disregard of the question of the justification for a project from the regional angle results also from the practice of various developed countries of offering bilateral credits in connexion with industrial projects, the desire being above all to tie them to the export of specific goods. By means of sup-

pliers' credits in particular, industries that have been financed can only be profitable if trade barriers are erected or maintained against neighbouring countries. The present aid practices have thus, no doubt unwittingly, favoured the setting-up of enterprises that duplicate those in neighbouring countries and that hamper further progress towards freer trade in regional markets. If, under these conditions, foreign aid is more easily available for national projects, the proponents of unilateral action who exist in most countries are in fact encouraged, with the result that multinational development becomes even more difficult than it already was before.

Suggestions for Improvement:

27. It is suggested that more aid could be channelled through regional institutions once they have been strengthened with regard to multinational planning and project evaluation and can handle such deals. In this way the risk of duplication among developing countries belonging to the same region could be reduced. A regional institution which controls only a minute share of the total aid funds flowing into a particular region will not easily be able to influence significantly the decisions regarding the economic utilization of external resources. On the other hand, if regional institutions had larger means at their disposal, they could become more influential in promoting consideration of regional projects and in lessening to that extent the risk of resources being wasted by unco-ordinated national developments. Developed countries may therefore want to consider making available additional funds, or a larger proportion of existing funds, for regional or sub-regional integration banks or development corporations, the purpose being to ensure a more economic use of the external resources flowing into integrating regions.

28. Developed countries and other aid-givers, when considering channelling their funds in the above manner, would want to ensure that the regional institution concerned is not just another echelon in the aid distribution process and that in general it deserves their confidence. This criteria would be met if the receiving regional institution was part of the machinery provided for in an actual commitment to form, for a substantial sector of industries or all of them a unified market among the partner states. In the case such an institution would bear a large responsibility in ensuring a balanced development of the whole region,

and it would therefore have to fulfill this function effectively if the integration process is not to fail.

29. In certain cases where the political will of the partner states is favourable to multinational industrial programming, developed countries might even wish to earmark their contribution to the regional financial institutions for special funds that could be used only in connexion with projects linked with some definite integration commitments. Examples of such institutions are the Central African Integration Bank, the East African Development Bank, the Caribbean Development Bank etc.

30. It should be pointed out that such international financial support as suggested above should be considered only as essentially complementary in nature. However, the readiness of industrialized developed countries and international financial institutions to assume special responsibility in helping the developing countries to find suitable solutions to multinational industrial development would greatly facilitate the realization of the goals and objectives of the International Development Strategy. It would also underscore the developed countries' awareness of the real nature of the problem of economic co-operation in the developing part of the world, and it would show that the international community attaches great importance to a type of integration which would narrow the gap between the rich and the poor among the developing countries and which would not limit such efforts to the richer countries of a region, with the less advanced ones being left out and lagging ever further behind.

IV. UNIDO'S ROLE

31. The question arises: To what extent could an international organization like UNIDO without any substantial financial resources - an institution which is ruled by United Nations Policies and Regulations - possibly undertake the promotion of regional co-operation and integration, either through multi-national financial institutions, or in close co-operation with them? The crucial point is that UNIDO itself has no investment funds, it does not undertake any industrial financing operations and there is no charter authorising any industrial development banking activities.

32. On the other hand UNIDO's terms of reference allow for a broad variety

of supporting activities. Under General Assembly Resolution 2152 (XXI) which provided for the establishment of UNIDO, it is stated that UNIDO should provide "assistance at the request of Governments of the developing countries in obtaining external financing for specific industrial projects by giving guidance in the preparation of requests, by providing information on the terms and conditions of the various financing agencies, and by advising the financing agencies on the technical and economic soundness of the projects submitted for financing".

33. In line with this resolution, UNIDO's programme for the promotion of domestic and external financing for industrial development is financed under various United Nations programmes in which UNIDO participates, such as the United Nations Development Programme or the Special Industrial Services Programme. In addition, UNIDO receives voluntary contributions from governments for the financing of specific work programme components.

34. The work programme of UNIDO contains many specific projects either as a supporting activity organized and centralized at UNIDO's headquarters in Vienna, or as field operations executed jointly with UNEP and with the Regional Commissions in the field. The following examples could serve as an illustration on the role of multilateral financial institutions and the support UNIDO is giving to promote, through them, the economic integration among developing countries.

1. REGIONAL RELATIONSHIPS

35. Co-operation has been initiated by UNIDO with the African Development Bank in the organization of regional investment promotion meetings. Regional Investment Promotion Meetings have also been held in Asia in Manila 1970, in Singapore 1971 and in Kuala Lumpur in 1973. Similar co-operation is hoped to be developed with the regional development banks in Latin America^{5/}.

36. A project jointly sponsored by the Asian Industrial Development Council (AIDC), the United Nations Economic Commission for Asia and the Far East

^{5/} For further details please refer to UNIDO Investment Promotion Programme ID/B/123/Add.7.

(OCAF), the Asian Development Bank (ADB) and the United Nations Industrial Development Organisation (UNIDO) has been the Asian Industrial Survey for Regional Co-operation.^{6/}

37. Another good example of UNIDU's efforts to promote regional co-operation through multilateral financial institutions is its technical assistance to multinational institutions such as the East African Development Bank. An Industrial Survey Unit has been established there with the help of UNIDO experts since the charter of the East African Development Bank provides specifically for this type of co-operation. The Chapter I, Article 1, dealing with the objectives of the East African Development Bank, states that it should "provide financial and technical assistance to promote the industrial development of the Partner States", and shall "co-operate within the terms of this charter with other institutions and organisations, public or private, national or international, which are interested in the industrial development of the Partner States".

38. It may be interesting to note that the co-operation between the East African Development Bank and UNIDO had been possible only after the Governments of the United Republic of Tanzania, the Sovereign State of Uganda and the Republic of Kenya, through their individual Governments, requested this assistance from UNIDO. This shows that UNIDU can render technical assistance to promote regional co-operation through multilateral institutions following the request by Governments. However, the greater the number of Partner States the greater the likelihood of delays, problems and uncertainties for the implementation of the Project. There are a good number of cases where despite these difficulties UNIDO has rendered technical assistance, i.e. to the Secretariat of the Organization of Central African States (OCAF), to the Caribbean Development Bank and the Caribbean Free Trade Association (CARIFTA) or, as it is envisioned, to the Arab Fund for Economic and Social Development (AFESD).

39. The World Bank and UNIDO have a formal co-operative arrangement. The IBRD/UNIDO Co-operative Unit stationed in Vienna since 1973 will assist in identifying and preparing industrial projects for eventual financing by the Bank. The

^{6/} For details please refer to Asia Industrial Survey for Regional Co-operation, id.73-7201.

will also provide staff assistance to the Bank in its studies of industrial sectors and for economic, appraisal and supervisory missions. It can be reasonably expected that UNIDO will participate in studies which concern the integration and harmonization efforts of industries in developing countries.

40. So far, UNIDO has not entered into formal agreements with other regional or multi-national financing institutions, but there has been extensive ad hoc collaboration with a number of them, such as the Central American Bank for Economic Integration (CABEI), Société Internationale Financière pour les Investissements et le Développement en Afrique (SIFIDA), Union Africaine et Malgache de Banque pour le Développement, ADFEA Investment Company, the Corporacion Andina de Fomento, the private investment company for Asia (PICA), the European Investment Bank, the European Development Fund, the International Investment Bank at the Council of Mutual Economic Assistance, and the Kuwait Fund for Arab Economic Development.

41. UNIDO will conduct a study of the role of industrial financing institutions in Arab countries jointly with the Industrial Development Centre for Arab States (IDCAS). The study will evaluate the past and potential role of industrial financing institutions in Arab countries. Particular emphasis will be placed on an analysis of their industrial financing policies and investment practices taking into account their operational policies towards national financial institutions, international financing agencies and the process of regional and sub-regional integration. One chapter will deal with the operative policies with regard to activities such as international trade, etc.

42. This study is not intended to be comprehensive but will include in-depth research of case material to be provided by selected Arab industrial development financing institutions. The study will cover two major aspects: the financing of working capital for industry, as well as the provision for fixed capital by industrial development banks. The project aims at the identification of major problems and bottlenecks confronting industrial financing in Arab countries with particular reference to co-operation among them in so-called "integrated industries" or "international joint business ventures".

43. UNIDO recommended conducting the above study after having participated in experts' meetings organized by the Asian Development Bank in Manila in August 1977.

and by the Latin American Association of Industrial Development Institutions (ALIDE) in Venezuela in April 1973.

B. RELATIONSHIPS BETWEEN INSTITUTIONS OPERATING AT THE WORLD, REGIONAL AND SUBREGIONAL LEVELS

1) Annual Bankers' Meetings

44. As a means of promoting the transfer of resources and experience among industrial development financing institutions, UNIDF is contributing toward the promotion of co-operation among industrial development financing institutions in developing and industrialised countries. For this purpose, a programme has been developed under which representatives of development banks and similar institutions from developing and developed countries meet annually for the confidential discussion of problems of mutual interest.

45. The first of these meetings was convened in Paris in 1970 with the co-operation of the French Caisse Centrale de Coopération Economique, a second one in Copenhagen in 1971 jointly with the Danish Industrialisation Fund for Developing Countries and a third meeting in Ottawa in 1972 jointly with the Canadian International Development Agency. At the 1973 Meeting in West Berlin, co-sponsored by the German Foundation for International Development and the Kreditanstalt für Wiederaufbau, 164 bankers representing fifty-nine countries and thirteen regional and international financing institutions participated.

46. The Government of Tunisia has offered to be host for the Fifth Meeting of Industrial Development Financing Institutions, which is to be held in Tunis from 24 to 29 June 1974. This Meeting will be organized by UNIDF jointly with the Société tunisienne de banque.*

47. Most of the time allotted to the Meeting will be used for pre-arranged individual contacts between the participants. This will provide further opportunities to intensify co-operation among development financing institutions and to expand inter-bank relationships.

48. As in preceding meetings, a panel discussion is envisaged for the exchange of views and discussion of issues of common interest to industrial development

* UNIDF: More detailed information on that programme will be made available during the meeting of the Ad-Hoc Committee in Geneva.

financing institutions. During the 1971 meeting, the issue of "Regional Co-operation Among Industrial Development Financing Institutions" was discussed in depth.

It is believed that annual meetings of development bankers may best serve the interest of developing countries and strongly support their integration efforts by the very nature of "doing things together". There are many areas in which technical assistance from one regional or subregional institution has been referred to another national development bank, be it by provision of fellowship places, by entering joint financing for industry or establishing the business contacts necessary for industrial lending operations.

11. Scheme for the exchange of information among industrial development banks on industrial projects

The co-operation among industrial development financing institutions from developed and developing countries was discussed at two meetings organized by UNCTAD in Paris in 1970 and in Copenhagen in 1971. The participants reached the conclusion that there was a need to improve inter-bank co-operation. They requested that UNCTAD set up a mechanism for the exchange of information and nominated an Advisory Committee to assist UNCTAD in this task.

The United Arab Emirates, Africa and Inter-American Development Banks are represented in this Advisory Committee as well as industrial development bankers from Europe, the Middle East, Latin America, Asia and Eastern countries. With the assistance of this Committee, UNCTAD has prepared a "Scheme for the Exchange of Information on Specific Industrial Projects".

It consists of collecting information from participating institutions on the projects which they finance and disseminating this information to all participants. Today, about eighty-nine development banks from all over the world participate in this information scheme. About 1,500 industrial projects financed by them have been listed and information distributed to participating institutions.⁶

6) Please see UNCTAD's document TD/B/C.1/1974/15

* UNCTAD has detailed information on that programme will be made available during the meeting of the Ad Hoc Committee in Geneva.

53. Since all regional and international development banking institutions are participating and reporting their industrial financing projects, information could be made available to those participating development banking institutions which intend to finance integration industries.

54. It can also be anticipated that, in the process of promoting economic integration and with closer co-operation among developing countries, the relationships between institutions operating on the world, regional and sub-regional levels will be intensified.

C. FUTURE ORIENTATION OF UNIDA WITH RESPECT TO MULTINATIONAL PROJECTS

55. It is hoped that UNIDA's pragmatic approaches towards intensifying co-operation among industrial development financing institutions will be beneficial to all developing countries, whether they are member-states of customs unions, partner states in regional groupings or donor governments in multilateral financing institutions.

56. However, the action to be taken by UNIDA in discharging its responsibilities is always ten-fold.

- First, the organ shall provide assistance to and support the activities of governments of developing countries in the various areas of the process of industrialization as regards economic, technological and institutional aspects.

- Secondly, UNIDA in its capacity as an inter-governmental organization within the framework of the United Nations, will continue to serve as an international forum for the exchange of experience and views of member countries.

57. It is hoped that such an exchange of views, proposals and recommendations will foster international understanding and possibly give guidance to member states and regional groupings on their national policies and programmes.

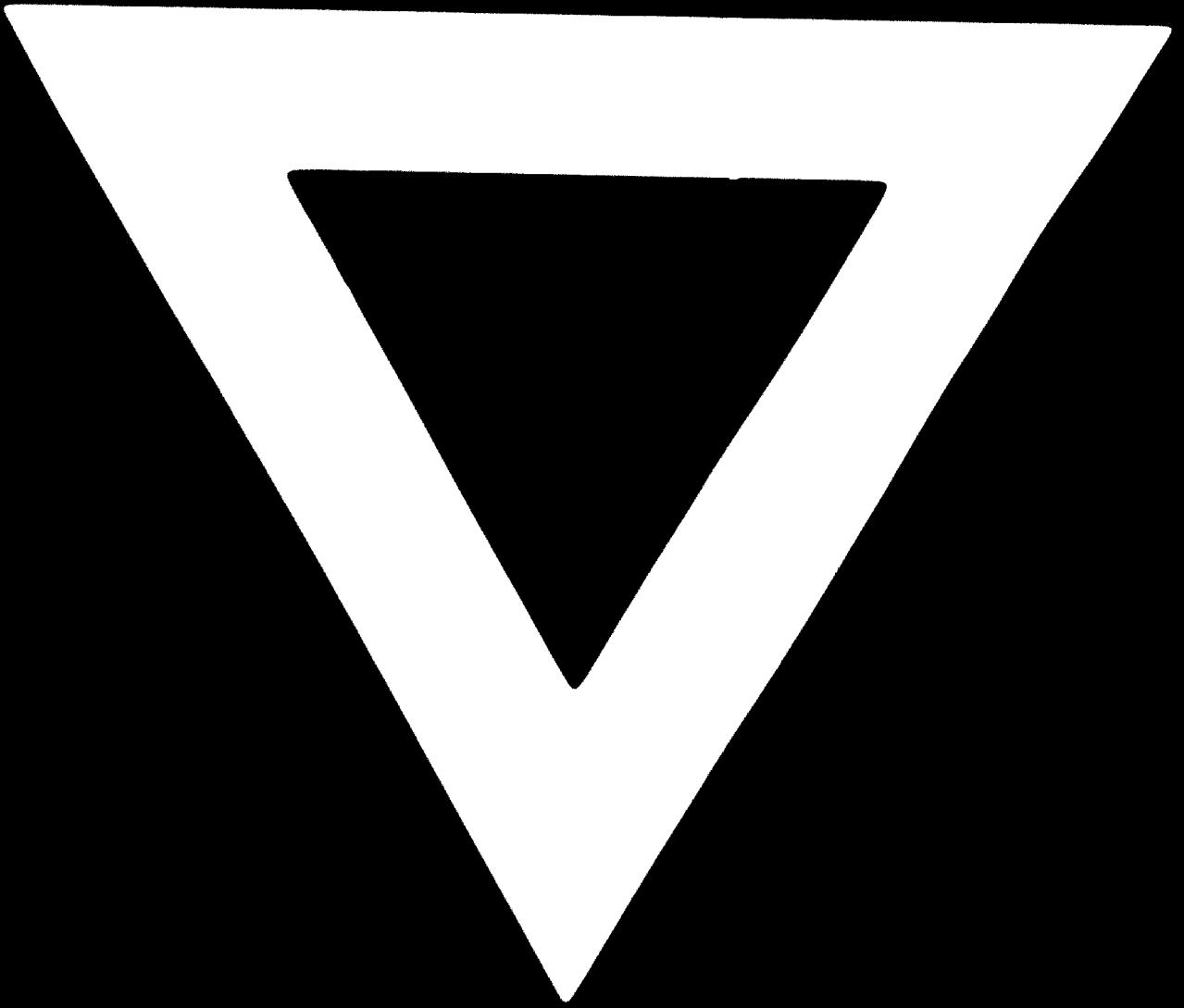
58. The Executive Director of UNIDA has made a policy statement^{2/} to this regard

^{2/} ~~UNIDA's Policy Statement on Industrial Financing, submitted by the~~
~~Executive Director, UNIDA, 1970, paras. 16, 17.~~

in saying that "... the limited resources in relation to the magnitude of its task have necessarily limited the scope of action of UNIDO. To avoid dispersion of resources the activities of the organization had to be guided by certain priorities ...". One of these priorities has been summarized as follows: "Harmonization of national industrial development with the requirements for regional and international co-operation".

Consequently, UNIDO has established its relationship with the regional economic commissions, with intergovernmental organizations, with multilateral, national and subregional development banks, which are recognized as the most suitable bodies for promoting regional co-operation in the field of industrial development for developing countries.





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