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INTRODUCTION TO UNIDO INVESTMENT

PROMOTION PROGRAMME^{1/}

prepared by

the Secretariat of UNIDO

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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 ARGENPIAS, jointly by UNIDO and the Chamber of the Argentine Plastic Industry.

UNIDO PROGRAMME TO PROMOTE INDUSTRIAL PROJECTS

The Approach

2. In 1968 UNIDO embarked on a Programme of Investment Promotion with the purpose of 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. Since the creation of industrially viable productive units is one of the key elements in the industrialization of developing countries, 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.
3. Many of these activities take place at various stages of what could be called the techno-economic feasibility line, i.e., 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.
4. 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 studies, conducted through 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.
5. Hence the concept of complementary 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.

6. 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.

7. 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.

Past Performance

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

- (a) Collection of all available information data on projects as submitted by project sponsors or identified by UNIDO technical assistance experts;
- (b) Preparation, on the basis of the information so collected, of standardised brief project information sheets. 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 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.

9. In the implementation of the first two stages, UNIDO acting on the request of Governments of developing countries, has sent staff members and consultants 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. Occasionally promotional institutions and other sponsors of projects have themselves been providing the project data to UNIDO.

10. In the implementation of the third stage, i.e., the dissemination of investment proposals to potential investors, UNIDO has progressively built up a network of channels throughout the world of established industry and finance 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, sessions by UNIDO staff members have been organized for the dissemination of projects and follow-up action.

11. In stage four, UNIDO has arranged and serviced the contacts between the local project sponsor and the potential foreign partners. The major means adopted so far for arranging the contacts has been the organization of investment promotion meetings. Projects sent to UNIDO for this purpose have been circulated to potential investors and, on the basis of the interest expressed in specific projects, project sponsors and potential investors have been invited to a meeting at which they have face-to-face confidential interviews for contacts, discussions and possible initial interviews have been programmed in advance by UNIDO according to the requests received. The meetings have thus been very different from the traditional type of meetings, for there have been no general discussions, lectures or debates. The only public meetings have been short panel sessions at which each developing country presents investment conditions, laws, incentives and policies to potential foreign partners and answers any questions arising.

12. Meetings of this type have been organized on a multisectoral and regional basis in Africa (Rabat 1969, Nairobi 1970, Addis Ababa 1971) and Asia (Manila 1970, Singapore 1971, Kuala-Lumpur 1973) and, in two cases, on a country level (Tunisia 1969, Lebanon 1972). The regional meetings were sponsored jointly by UNIDO and the respective regional economic commissions and, in Africa, by the African Development Bank. The regional meetings have been characterized by a large number of participants from both developed and developing countries as well as projects submitted for promotion. For example, 155 participants from 14 developing and 179 participants from 27 industrialized countries, took part in the last Asian meeting, held on November 1973 in Kuala-Lumpur. The parties from developing countries submitted 230 specific projects related to a wide range of manufacturing sectors; in addition, a number of parties from developed countries announced prior to the meeting their own proposals on industrial cooperation addressed to the participating developing countries.

13. 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. Main emphasis on one industrial sector is expected to induce a large number of enterprises specialized in a given industry to participate in the Meeting and thus enhancing its efficiency and effectiveness. An important 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 interregional 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.

14. 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 (Bogota, November). A second such meeting devoted to the plastics industry was held in London, June 1973, in conjunction with the Seminar on Plastic Application in Developing countries was attended by participants from countries also attending the Symposium. A number of specific projects submitted for promotion at the London meeting have since been reported to be implemented or far advanced in negotiations.

New Considerations and Prospects

15. So far the means adopted in the promotional activities have been essentially the regional and national meetings, the primary purpose of which has been the promotion of contacts. The frequency and the large size of these meetings have not often permitted time for in-depth preparation in terms of quality of projects presented, neither have they allowed for follow-up action that would be necessary to carry presented projects to their logical conclusion of implementation. In view of this, UNIDO has been recently endeavoring to diversify the means of promotion in order to increase the quantity and quality of the flow of financial and technological resources to the developing countries.

16. The promotion of projects in its broad term cannot be entirely the

role of UNIDO. The contribution of UNIDO in this area should be assistance in finding external financing for specific industrial projects, including negotiations for better terms and conditions. This implies that every developing country should have its own promotion machinery to receive projects proposed by individual companies, evaluate them, obtain government approval for promotion in regard of the projects' priority in terms of national development considerations arrange for local financing component, and then submit to UNIDO for the external financing aspects. Public projects may be submitted directly to UNIDO by appropriate government agencies or as part of the UN investment follow-up activity.

UNIDO will be organizing in the near future a meeting of all investment promotion agencies of developing countries to discuss and formulate this new mechanism including clearly defined roles of the national agencies and of UNIDO.

17. Increasing emphasis is being put on UNIDO's assistance to the Investment Promotion Agencies in developing countries. To fulfil their role as promoters of local enterprises, investment promotion agencies should be well organized and adequately equipped. The staff of these agencies should include project and financial analysts capable of reviewing project proposals submitted by local proponents and preparing investment prospectuses with basic financial data for submission to foreign investors. UNIDO assistance to these agencies will include project personnel and training facilities.

A programme of assistance in operational terms will be prepared by the UNIDO for circulation to all promotion agencies for discussion with their governments and inclusion in their respective country programmes. These requests will also be discussed at the proposed meeting.

18. An increasing emphasis is being put on the so called Investment Follow-up of Field Technical Assistance Projects. This consists of direct promotional action by UNIDO on industrial projects emerging from the UNIDO financed technical assistance projects with investment potential. It is hoped that this will greatly enhance the chances for for many investment oriented technical assistance projects to become concrete and specific industrial ventures.

This activity also aims at improving the services which UNIDO is

rendering to developing countries by improving the industrial potential of some of its technical assistance projects and by linking technical assistance and promotional activities more closely.

19. UNIDO intends to further develop in the future promotional meetings to follow up the industrial programming exercise made by UNIDO and/or otherwise, for individual countries or sub-regions for one or more sectors of industry. So far, only one such meeting has been organized for the capital goods sector in Mexico. It also intends to continue the sector promotion meetings combined with Seminars, Symposia or expert group meetings on technological and economic aspects of the development of particular industries. Several meetings of this sort have already been organized, including the promotion programme at this Symposium in Buenos Aires. Although promotion activities have in these instances only been supplementary to technological discussions, they have proved to be quite effective in terms of the quality of the projects and the level of participation.

20. UNIDO, through its Investment Promotion Programme and its facilities at Headquarters in Vienna, has been endeavoring to provide promotional services to the developing countries, especially those which cannot afford to establish overseas investment promotion offices of their own. It has been felt that the central facilities for investment promotion at UNIDO Headquarters should be supplemented by additional Centres more conveniently located vis-a-vis finance and business centres in Europe. Negotiations are currently underway to set up one such centre in Brussels in the near future.

21. The recent problems of energy and procurement of raw materials for industrial production have underlined the importance of a new approach to international industrial cooperation among developed and developing countries. To effect such cooperation the desire has recently become widespread for the transplanting of whole or parts of industrial enterprises already operative in developed countries to developing countries where the existence of raw materials and labour may constitute a productive advantage. The identification of transferable industrial plants, the search for new sites for their relocation and the partnership or joint venture arrangements for relocation and operation will constitute a major task of industrial promotion for the coming years. Thus industrial transplanting and relocation programs is being considered to form a new component of the promotional activities of UNIDO.

INVESTMENT PROMOTION PROGRAMME AT THIS SYMPOSIUM AND ARGENPLAS

22. 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 countries of Latin America. The long-term objective is the direct promotion of industrial investment in these countries resulting from the contacts made throughout this Programme.

23. 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 Buenos Aires, 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.

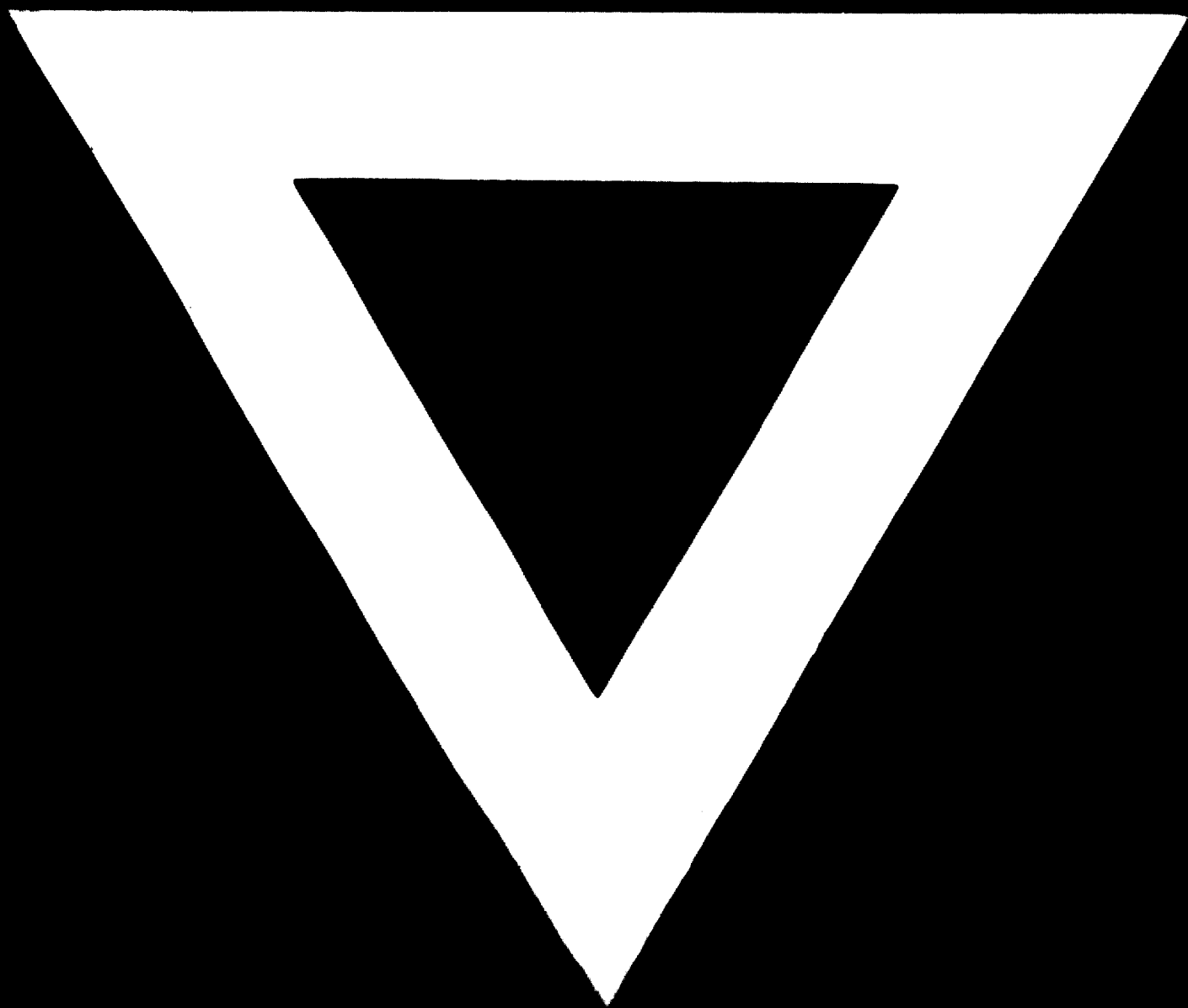
24. A number of project proposals on plastics industries has been collected prior to this Symposium. Several participants from the Latin American countries present have announced that they will submit their projects and requests for cooperation in the course of the Programme. Other project ideas may be formulated by any party attending the Symposium and the ARGENPLAS. The staff responsible for industrial investment promotion activities at this Meeting will be happy to assist project sponsors 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 who 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.

25. In case a participant from a developing country has not come up with any specific project prior to the Symposium, but on the basis of the useful discussions he will have on technology and economics of plastics processing, marketing and utilization at the Symposium, he may wish however to contact some foreign suppliers of know-how or finance to explore further solution of his 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. The Special Investment Promotion Questionnaire is offered as a guideline for submitting any such proposals. Despite short notice, the Secretariat will do its best to find for you the investment component or partner you are looking for.

26. Participants from 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 Symposium and ARGENPLAS.

27. The participants to the Symposium have already learnt something of the procedure and organization of these investment promotion activities from the correspondence proceeding this Meeting. 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 yellow leaflet on this Promotion Programme, which has been widely circulated. Copies of this leaflet and the above mentioned Questionnaire for project proposals will be available also at ARGENPLAS.





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