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08239

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UNITED NATIONS INDUSTRIAL
DEVELOPMENT ORGANIZATION

UNIDO/IOD. 204
17 August 1978
ENGLISH

A GUIDE FOR PREPARING INDUSTRIAL PROJECT PROFILES^{1/}

prepared by

Factory Establishment and Management Section
Industrial Operations Division

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1. INTRODUCTION

Preparation of a brief "project profile" is often an important part of a factory establishment programme. Such a profile is commonly presented to prospective project participants and prospective providers of technical co-operation as a preliminary step towards implementation. This guide indicates the content and level of detail suggested for inclusion; it is partly based on an earlier version which was first used by UNIDO in 1972.

It may also be noted that UNIDO has recently published a comprehensive manual for use in preparing feasibility studies^{1/}. If a detailed feasibility study already exists, this guide will assist in summarizing it as a project profile for efficient and inexpensive distribution to prospective participants. In such a case it is only required to select key information and present it effectively.

Alternatively, if a feasibility study has not yet been completed, it may be desired to present a project profile based upon preliminary work (sometimes called an identification study). In this situation the guide may serve to identify key questions whose answers - possibly only very tentative or approximate ones - may best contribute to establishing a prima facie case that the project could be successfully implemented.

In addition to the feasibility study and the project profile, a condensed short-form "Investment Project Proposal" has been used by UNIDO in certain cases, especially where a number of possible projects are to be presented at one time. A sample form of this type is reproduced in an appendix for illustration and comparison.

2. DETAILED DESCRIPTION OF THE PROJECT PROFILE

The following pages describe each of the main sections recommended for inclusion in the Project Profile. Details of the presentation will of course be varied to suit the project being discussed and the objectives of the sponsor.

^{1/} Please see Bibliography for full reference.

2.1 COVER SHEET

The cover sheet simply identifies the project and the contact organization. It includes:

- Project title
- Name of organization issuing the project profile
- Mail and telegraphic addresses
- Telephone number
- Official to be contacted for further information
- Date of issue

2.2 SUMMARY OF THE PROJECT OPPORTUNITY

This introductory section should attract the reader's interest. It should allow him to decide whether to examine the rest of the profile.

Identify the project opportunity and summarize the expected results. Is this a new project or a plant expansion? For domestic and/or export markets? What is the expected level of profitability? What gives the project its distinctive character and provides a competitive edge? (For example, is there favourable availability of a key input or of a newly proven technological process, or are there specific governmental measures which favour this project?). Are noteworthy social and economic as well as financial benefits expected from the project?

2.3 DESCRIPTION OF THE PROJECT

This section is to be presented in five parts as indicated in the table of contents.

2.3.1 The Sales Market

- a) What is the domestic demand? Give quantity and value series for past and projected future demand. What are current wholesale and retail prices? Describe any fluctuation in demand and prices.

- b) Identify current sources of supply. Describe local manufacturing capability if any. If there are imports, give CIF prices and quantities. Describe any import restrictions and protection provisions; what are import duty rates?
- c) What are proposed selling prices and quantities? What are market share targets and what distribution channels are proposed?
- d) If exports are planned, what are the possibilities, in which markets? At what prices? What are annual export targets by country (quantity and value)?
- e) Describe specific export incentive(s) available or to be sought (state which).

2.3.2 The Supply Market

- a) Identify major raw and intermediate materials (specification?) and approximate annual quantities required. What will be the source and approximate cost of each major material? What about availability and transport to the site?
- b) Identify major equipment items (including transport equipment) and CIF cost. Indicate any possibilities of local production of equipment. Available sources of civil construction, port facilities and transport of imported equipment.
- c) State numbers of staff and estimated total annual cost (including all allowances and benefits) for each category: top management, plant management, technical staff, commercial staff, administration staff, skilled workers, semi-skilled, unskilled, other specialized staff. What about availability, productivity, etc?

2.3.3 Production and Choice of Technology

- a) Describe product line; give general specifications of each

item if practical. State planned capacity and production programme by item. Indicate phasing of production during start-up.

- b) Describe production processes to be employed. If there are major technological alternatives, identify alternatives and give criteria for choice. Characterize the alternatives in terms of factors listed in section 2.3.4
- c) Where will the plant be located? If new, what are the estimated design, procurement, construction, and start-up times? Describe site and plant installation (e.g. size and layout). What site preparation is required? What about transport facilities, power, and water; waste disposal and environmental effects?

2.3.4 Economic, Social and Environmental Impact

Identify other projects, operating or in the pipeline, which have important technical or commercial linkages with this one. Describe the linkage and explain its importance to prospective participants. For example, a steel rolling mill under construction might assist in attracting participants for a commercial vehicle project.

Discuss other benefits, and any negative impacts (such as environmental), associated with the project. A representative list of common Government policy objectives related to industrialization is given below as a suggested checklist:

- More jobs, more equitable income distribution
- More local "value added"
- Less foreign exchange outflow
- Less dependence on outside skills
- Leapfrogging development of local management and technical personnel
- Stimulation of local entrepreneurship
- Integration of the national economy: both within the industrial sector and through linkages with agriculture and infrastructure

- Geographical dispersion of industry
- Development and application of independent technology
- Less environmental damage (or even positive enhancement, especially in social and technological aspects)

If a formal social benefit-cost analysis is carried out (please see Bibliography for a new UNIDO publication), results can be summarized in this section of the profile.

2.3.5 Investment Environment

- a) Indicate principal Government legislation and regulations which apply, e.g. regarding investment, repatriation of funds, ownership. State applicable references in national development plan and/or official industrial development policy statements.
- b) Identify industrial incentives which are available or may be sought for this project.
- c) What domestic credit facilities are likely to be available for this enterprise? Are special facilities possible?
- d) What "investment protection" is provided to, or available to, investors?
- e) What inflation rates were experienced in the past and are expected in the future; what are existing currency exchange regulations and rates?

2.4 FINANCIAL ANALYSIS

2.4.1 Investment

Give a breakdown of the proposed project investment. The minimum level of detail should be as follows:

- Land
- Site development

- Buildings
- Machinery and equipment (including delivery and installation)
- Pre-operational costs (feasibility studies, design work, etc.)
- Working capital

Please indicate separately the foreign exchange component of each item and date(s) when costs were established.

2.4.2 Analysis of Operations

- a) Prepare pro-forma operating statements based on 100%, 80% and 50% of projected normal output. Provide the following as a minimum:
- Sales revenue (and physical sales volume)
 - Manufacturing costs:
 - Labour
 - Materials
 - Depreciation
 - Utilities
 - Other factory overhead
 - Administrative and other expenses:
 - Administration
 - Selling expense
 - Other expenses
 - Gross operating profit
 - Interest expense
 - Profit before income tax
 - Provision for Income Tax
 - Net profit
- b) Provide a breakdown of manufacturing cost per unit for the principal product or for representative products. Indicate fixed and variable elements and specify production level(s) for which the variable elements apply.

2.4.3 Projected Profitability

State projected profitability on total investment, on equity and on sales. Indicate internal rate of return and payback period. What is the break-even point?

2.4.4 Cash Flow Analysis

Provide a statement indicating annual cash flow projections.

2.4.5 Financing Plan

Give estimated requirements and assumed sources of financing (loans and equity) for the project. Sources of loans should be identified, e.g.:

- Bilateral
- Multilateral
- Local

Indicate the foreign exchange component of each item, where relevant. This analysis must be reconciled with the investment information given in section 2.4.1.

2.5 THE PROPOSED PROJECT PACKAGE

2.5.1 Local Sponsorship

Identify local sponsor or sponsors of the project and their expected participation (financial, management, technology, assets, etc.). Is the project to be executed directly by the sponsor's organization or will a new company/organization be set up? What will be the legal structure? How firmly is the local sponsor committed and what assurance is there that necessary local financing and government approvals will be forthcoming? How soon can the project go ahead if foreign inputs are available?

2.5.2 External Inputs Invited

What foreign participation is invited? Specify amount or percentage as applicable;

- Direct investment
- Joint venture
- Suppliers' credit
- Technical know-how
- Licensing
- Management know-how
- Marketing
- Sub-contracting
- Other

Provide a separate statement on details of previous contacts concerning external participation. Also please indicate any preferences regarding sources.

2.5.3 Project Report

What project studies have already been made? What further studies, if any, are needed?

2.5.4 Other Information

Provide any other information considered appropriate.

3. NOTES ON PREPARATION OF THE PROJECT PROFILE

As general guidelines the following points are recommended:

- Indicate sources for key statistics and cost figures.
- Financial figures should be given in US dollars.
- Critical assumptions should be identified. For example, if a special Government concession or exemption is required, this fact should be pointed out.

For further information on project profiles and on UNIDO technical co-operation for project implementation please contact:

Factory Establishment and Management Section
Industrial Operations Division
UNIDO
P.O. Box 707
A-1011 Vienna, Austria.

Suggestions for improving this guide would be especially welcome and are kindly requested to be sent to the same address.

4. ANNEX: A SHORT-FORM "INVESTMENT PROJECT PROPOSAL"

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Investment Co-operative Programme Office

Investment Project Proposal

One of the principal tasks of UNIDO's Investment Co-operative Programme Office (ICPO) is the identification and subsequent promotion of investments in industrial project located in developing countries.

In order to attract the necessary interest among potential investors, sufficient data must be provided to allow potential investors to decide whether or not a particular project will be of interest to them. This form, which has been designed as a combined check list and questionnaire, has the purpose of eliciting the type of information without which no prudent investor would even proceed to the stage of "a closer look". Therefore, every effort must be made to provide meaningful replies in all the spaces below. While occasionally certain data may indeed be unavailable, a questionnaire which largely contains "unknown", or "subject to discussions", has little chance to find the interest which promoter, sponsor and UNIDO would hope to evoke.

Under special circumstance, UNIDO may be in a position to assist in the gathering of data, or the evaluation and presentation thereof. However, this will, in all cases, require a time-consuming administrative procedure; moreover, UNIDO's means for this purpose are strictly limited. Therefore, again: Results can only be expected if sponsors and/or promoters provide accurate and complete answers to the questions below.

Before beginning to complete this form, please look over the remaining pages, so that you are aware of the various details which you will be asked to provide. Now identify the project with a title which, without consisting of more than 4 or 5 words, is indicative of the nature of the project:

Title _____

In the remaining space on this first page, give a summary description of the project. Visualize that a potential investor, having received several dozen of these questionnaires, will or will not turn the page to find more details, depending upon the interest you will have been able to evoke with this summary.

<u>For Office Use Only</u>	
Country	_____
ISIC Class _____
Date rec'd	_____'_____ Month Year

1.1

Project Summary

--

2.1 Distinguishing between a "Promoter" (who is generally an entrepreneur desirous to establish an enterprise for his own gain;) and a "Sponsor" (such as a Ministry of Industry, or a Development Bank) primarily interested in advancing development in the country, complete this space

SPONSOR	Name: Address: Cables/Telex: Telephone: Person who can be contacted for further information, if needed (Name and Title)
PROMOTER (if available)	Name: Address: Cables/Telex: Telephone: Person who can be contacted for further information, if needed (Name and Title)

2.2 Is this Project a new venture, or an extension of an existing one?

2.3 What is the level of the Government's interest in the Project? (Mark x in appropriate space)

- Project considered of surpassing importance to country
- Project considered highly useful
- One of many projects of similar importance
- Not known (or Government does not usually comment on this)

2.4 What legal structure is foreseen? (Mark x in appropriate space)

- State enterprise
 - Private enterprise (100 % locally owned)
 - Joint venture w. partner being.....
 - State
 - Private
 - "Joint Sector" (=St + private) enterprise
- If joint venture, what may be the share of the foreign partner?
- minority share holding only
 - unrestricted
 - other (explain)

3.1 What products or services are to be provided by this enterprise? Please describe this in some detail, giving annual capacities, number of shifts on which these capacities are based, etc. (Hereafter, where the word "product" is used it should be considered as meaning "products or services")

3.2 Who will be the customers? Please describe by type and location.

If export sales are anticipated, also name countries where sales are considered possible (competitiveness?)

If a formal market study has been made, please provide summary data; and attach, if possible, a copy of the full study

3.3	<p>What is the competitive situation? Is someone already selling a similar product? If so, is that a locally made product? At what price does the product now sell? Will the proposed new product be better, cheaper, more readily available? If the product now on the market is imported, will protection be available to the locally made product (such as through prohibition of imports, high duty on them, etc.)?</p>	
4.1	<p>What raw materials will be needed in the proposed enterprise? Are they readily available in adequate quality, from local sources.</p> <p>For materials which have to be imported, indicate customary sources; and whether materials will be charged with import duties.</p>	
4.2	<p>Have the proponents previous experience in a similar venture? Do they have an appropriate design? If not, how do they propose to obtain design and manufacturing know-how?</p> <p>If foreign licenses and/or know-how agreements are envisaged, will the necessary permits for foreign remittances be granted?</p>	
4.3	<p>How many persons will be needed to operate the plant (machine operators, skilled mechanics, maintenance personnel, technicians foremen, managers)? Are they readily available? Will they need training before they will be fully useful? How and where can training be provided?</p>	
5.1	<p>Where is the plant to be built? Is land readily available? Is there adequate access (road, rail, water)? Is electric power and process water available at the proposed site in adequate quantities?</p> <p>What kind of buildings will be needed? Size (sq. meters)? What is the customary cost of such buildings per sq. meter?</p> <p>Is the plant site near established centers of population? If not, how will workers be housed? Who will provide this housing? What about schools, hospitals?</p>	
5.2	<p>Has a technical assessment been made as to the equipment which will be needed? What is the estimated cost? How was this cost determined?</p>	

5.3	The cost of local assets (incl. particularly civil works and buildings) must be financed in local currency. What is the magnitude of the local investment? How will this capital be obtained?	
5.4	"Working capital" will be needed during operations for raw materials, wages and salaries, electricity bills, etc. In addition, substantial funds may be needed during at least several months before operations begin. Have the funds for working capital and pre-operational expenses been estimated? How large are they? How will these funds be obtained?	
5.5	Considering the total needs for capital (land, buildings, equipment, working funds, pre-operational expenses), and splitting local from foreign investment, show, approximately, the various portions of the total capital as to their presumptive origins	
6.1	<p>What would be a realistic time schedule for the project, considering the need for</p> <p>preparatory studies</p> <p>agreement by Government</p> <p>securing of finance</p> <p>engineering designs</p> <p>obtaining of bids</p> <p>construction work</p> <p>try-out and hand-over ?</p>	<p>(give completion dates, not being overly optimistic !)</p>
7.1	While UNIDO generally has information on governmentally provided incentives for foreign investments, a summarization of the most important benefits which might become available for this project would be useful. If recent changes have been made in applicable laws, they should be mentioned.	

This form, as already mentioned, is to be considered as a check list as much as a questionnaire. Where insufficient space has been provided for answers, additional sheets should be attached. Where it is recognized that a specific project requires the consideration of aspects not covered here, these should, of course, be dealt with as deemed appropriate. Any additional material which may already be available on the project (such as, for example, a feasibility study) should certainly be mentioned and, if possible, a copy should be supplied to UNIDO.

Any correspondence concerning this potential investment project (and any other matters connected with industrial investments in developing countries) should be addressed to

The Director
Investment Co-operative Programme Office
U.N.I.D.O.
P.O. Box 707

A-1011 V i e n n a (Austria)

Appended: ___ Sheets
(Please insert number,
if further sheets are used)

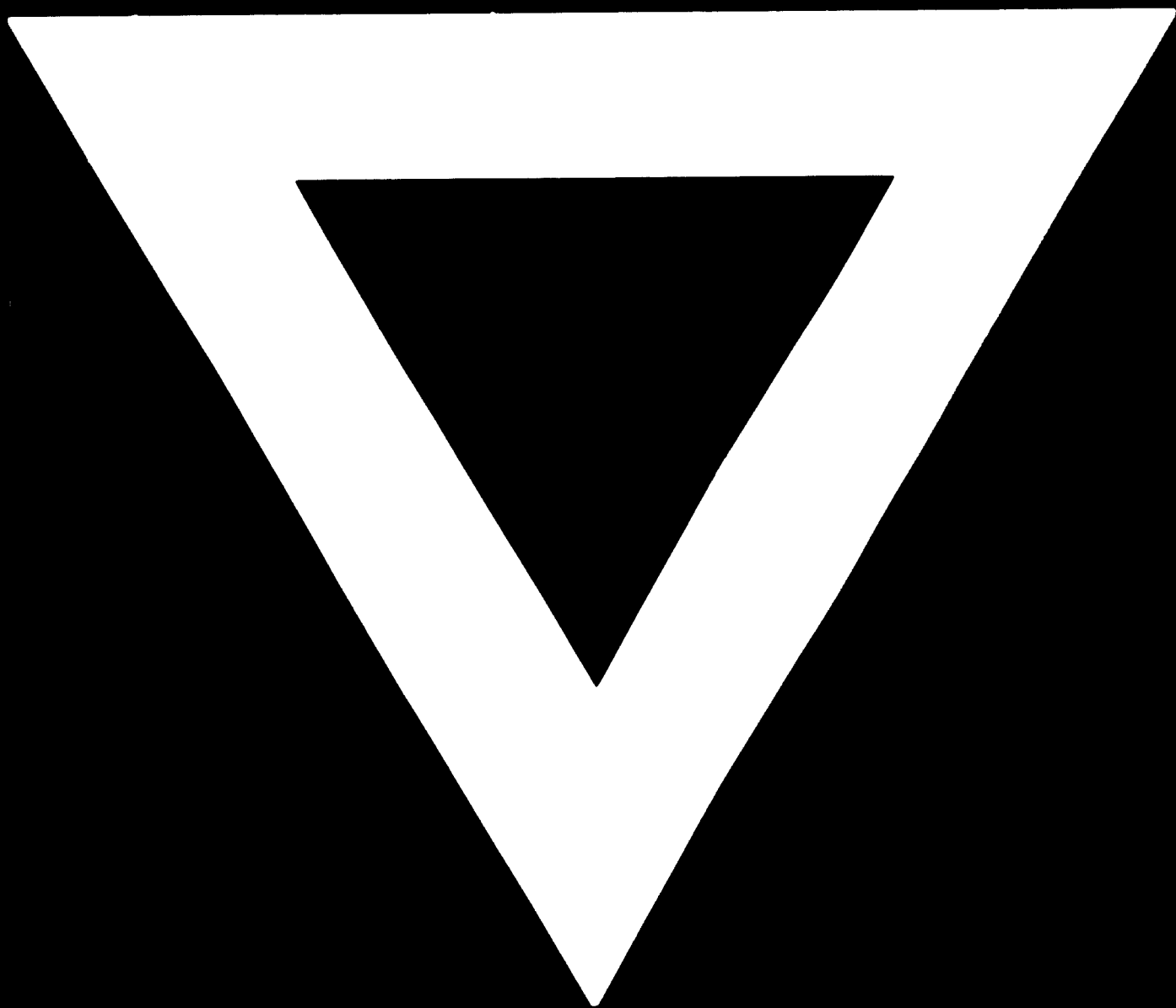
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- Establishment of Factories in Developing Countries for the Re-refining of Automotive Lubricating Oil, UNIDO/IOD.111
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- The Initiation and Implementation of Industrial Projects in Developing Countries, United Nations Sales No. E.75.II.B.2
- Establishing Factories for the Low-cost Production of Grey Box Board, UNIDO/IOD.157
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- The Case for National Industrial Consultancy Services, UNIDO/IOD.129
- Closing the Factory Establishment Gap, UNIDO/IOD.109
- Guidelines for the Establishment and Operation of Vegetable Oil Factories, United Nations Sales No. E.77.II.B.1
- Guide to Practical Project Appraisal - Social Benefit-Cost Analysis in Developing Countries, United Nations Sales No. E.78.II.B.3
- Directory of Organizations in Developing Countries for Development and Implementation of Industrial Investment Projects, UNIDO/IOD.135/Rev. 1

^{1/} Limited copies of the "UNIDO/IOD" documents are available from the Factory Establishment and Management Section, UNIDO, Vienna.



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