



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



08799



Distr.
LIMITED
ID/WG.281/8
4 October 1978
ENGLISH

United Nations Industrial Development Organization

Second Consultation Meeting on the
Fertilizer Industry
Innsbruck, Austria, 6 - 10 November 1978
Agenda item 5 (b)

**DEMARCATIION OF RESPONSIBILITY FOR
ESTABLISHING THE INFRASTRUCTURE REQUIRED FOR THE
PRODUCTION AND DISTRIBUTION OF FERTILIZERS:
Guidelines on which international agreement
might be reached at the Second Consultation Meeting ***

Issue Paper

by the UNIDO Secretariat

* This document has been reproduced without formal editing.

id.78-5979

CONTENTS

	<u>Page</u>
INTRODUCTION	1
I IDENTIFICATION OF DIFFERENT ITEMS OF INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS AND THEIR ESTIMATED INVESTMENT COSTS	2 - 3
II DEMARCATION OF RESPONSIBILITY FOR ESTABLISHING AND FINANCING THE INFRASTRUCTURE REQUIRED	
Infrastructure for a fertilizer plant	4
Distribution infrastructure	5 - 6
III ARRANGEMENTS AND TERMS AND CONDITIONS APPROPRIATE FOR FINANCING THE INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS	
Introduction	7
Financing the infrastructure required for the production of fertilizers	8
Financing the infrastructure required for the distribution of fertilizers	9
Terms and conditions of external sources of financing	9 - 10
IV GUIDELINES ON WHICH INTERNATIONAL AGREEMENT MIGHT MIGHT BE REACHED AT THE CONSULTATION MEETING	11 - 14
TABLE 1 - CHECK LIST OF THE INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS	3

INTRODUCTION

1. The First Consultation Meeting on the Fertilizer Industry attached great importance to the establishment of infrastructure required for the production and distribution of fertilizers. It therefore requested the UNIDO Secretariat to prepare a detailed document on this topic.
2. The UNIDO Secretariat has prepared such a detailed document with the help of consultants. This document is published as a Background Paper (ID/WG.281/5)
3. The purpose of this paper is to make a very brief summary of the contents of that document and to propose guidelines on which international agreement might be reached at the Meeting.
4. UNIDO makes this proposal on which international agreement might be reached at the Second Consultation Meeting bearing in mind the view expressed by the First Consultation Meeting, in paragraph 30 of its Report, that:

"There was a need to define and demarcate clearly those items of infrastructure that should fall within the responsibility of the State and Public Authorities and that should consequently be financed from the public exchequer, and items of infrastructure which were directly associated with fertilizer projects."
5. The First Consultation Meeting felt that the demarcation must be so arranged as to reduce, as far as possible, capital costs in fertilizer projects and, consequently, total production costs. It also recognized that conditions and practices in different developing countries would not be identical and that the demarcation of the State's and project's areas of responsibility would therefore have to be adjusted to local conditions (paragraph 31 and 32 of the Report of the Meeting).
6. This brief paper is divided into four parts, namely:
 - a) identification of the different items of infrastructure required for the production and distribution of fertilizers and their estimated investment costs;
 - b) demarcation of responsibility for establishing and financing such infrastructure;
 - c) arrangements and terms and conditions appropriate for financing such infrastructure investments;
 - d) guidelines on which international agreement might be reached at the Second Consultation Meeting.

I IDENTIFICATION OF DIFFERENT ITEMS OF INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS AND THEIR ESTIMATED INVESTMENT COSTS

7. A check-list of the different items of infrastructure required for the production and distribution of fertilizers is given in Table 1. This Table classifies the items of infrastructure discussed at the First Consultation Meeting (see Report of that Meeting, paragraph 26).

8. A case study of the infrastructure required by nine fertilizer plants built in a developing country (Part B of the Background Paper) shows that the infrastructure required for a fertilizer plant averages 10% to 12% of the project's cost; if a captive power supply is required, the infrastructure may add 20% to the project's cost. Estimates made by a staff member of the World Bank suggest that the infrastructure for a fertilizer plant may amount up to 17% at a similar location and up to 24% of the project's cost in a remote location is chosen. ^{1/}

9. An illustrative case study is made of the cost of establishing an infrastructure to distribute 300,000 tons of fertilizer material (Part D of the Background Paper). The fixed capital investment in infrastructure required per ton of fertilizer distributed each year is approximately US \$ 150; if working capital required is added to this figure, the total investment required is estimated at US \$ 230 - 270. This means that the cost of establishing the necessary infrastructure to distribute and market fertilizers in a developing country can add up to 100 percent to the cost of establishing the fertilizer plant itself. ^{2/} It is clear therefore that the cost of establishing an adequate infrastructure to distribute fertilizers is the more costly investment of the two types of infrastructure considered in this paper.

^{1/} The estimates of a staff member of the World Bank are given in Investment and Production Costs for Fertilizers: a paper prepared by W. F. Sheldrick for the FAO Commission on Fertilizers, Rome, 27 - 30 September 1977 which considers the cost of a plant at three sites, (a) in a developed country, (b) in a developing country with some existing infrastructure, and (c) in a developing country at a remote location. These estimates group together infrastructure costs and the additional cost of the project due to start-up expenses, physical and site contingencies, etc. The percentage estimates discussed in paragraph 8 assume that infrastructure costs account for 60 percent of these additional costs.

^{2/} For example, an amonia/urea complex producing 1,650 tons/day urea or 550,000 tons urea per year might cost up to \$ 250 million. The infrastructure would require US\$ 180 million fixed capital investment. However urea is the most concentrated form of fertilizer (46 per cent N) and for other types of fertilizer a 1:1 ratio between the investment cost of the plant and the distribution infrastructure is likely.

TABLE 1. CHECK LIST OF THE INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS

INFRASTRUCTURE REQUIRED FOR THE PRODUCTION OF FERTILIZERS

1. Utilities
 - Captive power supply
 - Connection to public power supply
 - Water supply
 - Drainage and effluent disposal system
 - Site for fertilizer plant
 - Communications system
2. Workshop facilities for heavy maintenance
3. Transportation infrastructure
 - Roads
 - Railways including marshalling yards
 - Port and unloading/loading facilities
 - Road vehicles, railway rolling stock, ships for transporting raw materials.
4. Raw materials infrastructure
 - Treatment facilities for raw materials such as beneficiation plant for phosphate rock or gas treatment facilities.
 - Pipeline for supply of gas, fuel oil or napta
 - Off-site facilities for handling and storing raw materials
5. Human infrastructure
 - Basic education facilities
 - In-plant and on-the-job training
 - External training courses in plant operation and maintenance
6. Social infrastructure
 - Houses
 - Schools
 - Hospital and medical facilities
 - Other public buildings and recreational facilities

INFRASTRUCTURE REQUIRED FOR THE DISTRIBUTION OF FERTILIZERS

7. Marketing infrastructure
 - Storage facilities for distribution to farmers
 - Local blending plants
 - Storage facilities for fertilizer for exports
 - Road vehicles, railway rolling stock, ships for distributing fertilizers
8. Agricultural extension infrastructure

II DEMARCATION OF RESPONSIBILITY FOR ESTABLISHING AND FINANCING
THE INFRASTRUCTURE REQUIRED

A. Infrastructure for a Fertilizer Plant

10. Although the First Consultation Meeting discussed the demarcation of responsibility for establishing infrastructure, the only guidance it was able to include in its Report was general. The Report of the Meeting (Paragraph 31) reads as follows:

"It was generally felt, however, that the public authority should assume responsibility for the basic physical, transportation and utilities infrastructures up to the site boundary. The projects should assume responsibility for the marketing infrastructure and the environmental infrastructure, including the disposal of effluents. There would be joint responsibility for the building up of the human infrastructure: the State would provide the basic facilities for training and development, and the projects would assume responsibility for the specialized skills required for fertilizer plants."

11. As regards the infrastructure required by a fertilizer plant, the Background Paper distinguishes three types of infrastructure which have in the past made fertilizer projects in developing countries more expensive than those built in a developed country. The first category includes "on-site facilities" which are required to maintain the plant; it is assumed that these on-site facilities must form part of the project cost.

12. The second category contains a number of so-called "off-site facilities" which may nevertheless fall within the battery limits of the plant, that is, they are located within the site of the fertilizer plant. These so-called off-site facilities may include railway and road links and the link-up to public power and water supplies. The Background Paper suggests that although these items of infrastructure are located within the plant site, the cost of establishing them should wherever possible be financed by public authorities.

13. The third category of infrastructure distinguished in the Background Paper is the supporting infrastructure facilities, such as transport connections outside the plant site, water supply, power supply outside the plant site etc. Port facilities could be another major item; social infrastructure such as housing, schools and medical buildings all fall in this category. The paper suggests that these items should clearly be the responsibility of the Public Exchequer. Most of these items benefit other users as well as the fertilizer plant and it is customary in developed countries for these to be made available free of charge to a fertilizer plant.

B. Distribution Infrastructure

14. As regards the infrastructure needed for the effective distribution of fertilizers to the farmers, the possible demarcation of responsibilities between (a) the fertilizer producer and (b) the Government or public authorities is not so easy to make. The Background Paper acknowledges this and suggests that a clear distinction can only be made when the entire distribution and marketing infrastructure is being established for the first time.
15. The Background Paper suggests that the fertilizer enterprise itself should be responsible for all investments made to store fertilizers at the plant site and to handle their shipment at the port of importation. The fertilizer enterprise should establish a central storage and district depots and it should be responsible for staffing the district depots. The transport vehicles (trucks or railway wagons) required to move fertilizer from the plant to the central storage and district depots should also be the responsibility of the project.
16. It is suggested that the State and other public authorities should be responsible for establishing the necessary transport facilities (railways and roads etc.) and for their maintenance, renewal and extension. The State and other public authorities should also be responsible for social infrastructure such as hospitals and schools etc. The State should be made responsible for the provision of credit and subsidies on the price of fertilizers; it should run the agricultural extension service.
17. At the local rural community level, the local interests should be encouraged to establish the necessary infrastructure for the storage, handling and marketing of fertilizers. In developing countries, this is done by many different types of organization. It is suggested that where the local population cannot bear the cost, assistance by either the Government or the fertilizer producer should be given. The establishment of distribution facilities at the local, rural level is also seen as an area for international assistance, for example, by utilizing funds that are raised by selling fertilizer supplied as grant aid to the country.
18. At a second stage, it is suggested that the fertilizer storage depots at the district level and perhaps some at the central level should be taken over by local farmer organizations or co-operatives. In this way, the fertilizer project might be able to recover some of its earlier investment in establishing a distribution system. Otherwise, the demarcation of responsibility between the State and other public authorities and the fertilizer enterprise itself should remain the same as suggested in paragraph 17 above.

19. In this connection, it is important to consider the costs which would be borne by the fertilizer enterprise and the State and other public authorities. For the distribution of 300,000 tons of fertilizer material per year, the infrastructure requirements would be as follows:

- | | |
|--|------------|
| a) main storage at the port or fertilizer plant,
plus 33 trucks, plus 110 rail wagons | US \$11.0m |
| b) three central storage depots plus 55 trucks etc. | US \$10.0m |
| c) thirty district depots plus 60 trucks etc. | US \$ 3.7m |
| d) 3,000 local depots at the rural level | US \$16.5m |
| e) 10 agricultural extension centres | US \$ 4.2m |

20. According to the demarcation suggested, the fertilizer enterprise would be responsible at a cost of about US \$ 25 million for the main storage depot, the three central storage depots and for establishing the district depots, plus the trucks and railway wagons needed to ship fertilizer to these various distribution points.

21. It is assumed that the local depots would be established by the local rural community, probably with assistance from the State or other public authorities. The 10 agricultural extension centres would be the responsibility of the Government and not the fertilizer enterprise. Thus the Public Exchequer would contribute infrastructure costing about US \$ 20 million.

III ARRANGEMENTS AND TERMS AND CONDITIONS APPROPRIATE FOR FINANCING THE INFRASTRUCTURE REQUIRED FOR THE PRODUCTION AND DISTRIBUTION OF FERTILIZERS

21. The Report of the First Consultation Meeting (paragraph 30) expressed the view that:

"Considering the costs involved in establishing an infrastructure and the need to produce fertilizers cheaply so that they would be within the reach of the farmer,it would not be correct to expect fertilizer projects to bear the total costs of infrastructure. There was a need to define and demarcate clearly those items of infrastructure that should fall within the responsibility of the State and public authority and that should consequently be financed from the public exchequer, and items of infrastructure which were directly associated with fertilizer projects."

22. The Expert Group Meeting on Fertilizer Plant Cost Reduction and Ways to Mobilize Sufficient Financing held in Vienna 11 - 14 April 1978 found that:

"For many fertilizer plants, the investment cost was increased by the cost of constructing infrastructure outside the battery limits of the plant....Such additional costs could be minimized by selecting a developed site or expanding an existing plant site. Where this was not possible, the ongoing cost to the project of providing this additional infrastructure could be reduced if the investment was undertaken by the Government and/or concessionary terms of financing were obtained." (Paragraph 7 of ID/WG.274/17/Rev.1).

and further noted that:

"....for technical reasons the proportion of plants located in remote and difficult areas was likely to increase, at least, in the short- and medium-term. This meant that the problem of financing infrastructure costs would become much more prominent. As in the case of the mining industry, it was advisable that the financing of the plant and infrastructure costs should be separated with the aims of (a) obtaining concessionary terms for the infrastructure portion; and (b) excluding the costs of infrastructure from the assessment of the project's viability." (Paragraph 28 of ID/WG.274/17/Rev.1).

23. The second part of the conclusion quoted above was justified by paragraph 41 of the Report which reads:

"The cost of infrastructure in relation to the cost of the battery limits plant varied from location to location. When a fertilizer plant was built on an undeveloped site in a developing country, the cost of the infrastructure was often so high that the project did not appear viable. It seemed appropriate, therefore, to search for ways in which the infrastructure needed by fertilizer plants in developing countries could be financed in a way that did not result in charges to the project."

24. The Background Paper shows that the investment required to establish an adequate distribution infrastructure may equal that of the investment required to establish a fertilizer plant. In addition, the infrastructure required for the fertilizer plant itself may add up to 25% to the investment cost of the plant and perhaps more in some developing countries if a site at a remote location is chosen. ^{1/}

25. Clearly sufficient financing should be arranged at the outset to cover the cost of the fertilizer plant and the infrastructure required for both production and distribution of fertilizer.

Financing the Infrastructure required for the Production of Fertilizers

26. As regards infrastructure required for the production of fertilizers, the most important items examined in the Background Paper are port facilities, railways, roads, power, water, site for the plant and the creation of a township and social infrastructure. Clearly if these are included in the total project cost (as they have been in the remote location example examined in the World Bank paper), then financing for them will need to be arranged at the same time as the project is financed.

27. The main issue on financing the infrastructure associated with the production of fertilizer is whether it should be considered separately and whether it should be financed on commercial terms or on soft terms. The Background Paper is of the view that the Public Authorities should finance most of this type of infrastructure. In such cases, and in the case where the project itself has to bear the cost of such infrastructure, the argument for the financing being made available on soft terms has been clearly stated by the Expert Group Meeting Report quoted above:

"As regards interest rates, it was noted that fertilizer plants, like other revenue earning projects, were commonly subjected to a commercial rate of interest by the Government as onward lender, even when the resources had been obtained on concessionary terms. The fact that in many countries fertilizer sales were subsidized by the Government was seen as a reason for making an exception to this general practice; a direct subsidization of plant construction would be simpler and more efficient. Certainly fertilizer plants, which provided the main input for agriculture, should not pay a higher rate of interest than other agricultural projects."
(Paragraph 25 of ID/WG.274/17/Rev.1)

^{1/} The World Bank paper makes the following assumptions for a plant built at a remote location in a developing country: "It is assumed in this case that all infrastructure, both industrial and social, would have to be provided. In building up estimates for fertilizer plants in these locations, discussions have been held with both manufacturing and engineering companies who have made similar studies, and reference has also been made to a number of cost estimates prepared for the appraisal of World Bank projects in developing countries. Construction costs are usually very high because of the lack of local resources. Most workers are expatriates so that both temporary housing for construction staff and permanent housing for the operating staff must be provided. Port and railway facilities have often to be provided as have many other additional offsite facilities. In the Middle East, for example, fresh water is not available and this can necessitate more expensive air-cooled plant or desalination and other facilities. The product would be exported and would require special facilities for this."

28. A further argument is that in most locations such infrastructure will serve other development purposes as well as the fertilizer plant itself.

Financing the Infrastructure required for the Distribution of Fertilizers

29. The financing of infrastructure for the distribution of fertilizers has so far been included in the financing arrangements for a fertilizer project only in the case of a number of projects. When a fertilizer plant is established in developing countries arrangements for financing the infrastructure should be made at the same time. However in order to make such arrangements, there must be a clear demarcation of responsibility between (a) the State and Public Authorities and (b) the enterprise itself as regards establishing the various items of infrastructure. It is perhaps this lack of demarcation that has made it difficult to consider the financing of distribution infrastructure as part of the total project in the past.

30. The infrastructure for the distribution of fertilizers is seen by some developing countries as an agricultural project and it has therefore been argued that such infrastructure should be financed on the same terms as agricultural projects, that is, on soft terms. (See the paragraph of the Expert Group Meeting Report quoted above in paragraph 27).

31. Just as the cost of infrastructure for distribution may double the investment required to establish a fertilizer plant, so the delivered price of fertilizer to a farmer in a rural area can often be double the price at which it leaves the factory. Since the Government wishes to supply fertilizer to the farmer as cheaply as possible and to avoid subsidizing the cost to the farmer wherever possible, then it is clear that if the distribution infrastructure can be financed by a grant or on soft terms, this need for subsidies will be reduced on a permanent basis. This is a very desirable result when one considers that fertilizer use in developing countries needs to expand rapidly on the basis of a regular supply of low cost fertilizers.

Terms and Conditions of External Sources of Financing

32. In the case of the nine plants examined in Part B of the Background Paper, financing from both public and private sources has in the past cost of the order of 10% - 12% per annum. The Background Paper does not consider the terms and conditions on which international financial institutions and bilateral donors have provided external financing for either fertilizer plants or the infrastructure associated with them.

33. However, when the Expert Group Meeting in April 1978 considered the financing of fertilizer plants, it found:

"Some problems might arise from inappropriate terms and conditions of finance. Currently, there was a lack of comparative data to assess the advantages and disadvantages of different sources of finance in relation to fertilizer projects and it was concluded that UNIDO might study this problem." (Paragraph 23 of ID/WG.274/17/Rev.1).

"So far as the formal terms of financing were concerned, the most serious problems arose from inadequate grace periods before repayment of loans commenced. Various banks had developed a number of technical solutions to this problem. UNIDO should make a comparative assessment of the experience gained of such devices as seen from the borrower's point of view." (Paragraph 24 of ID/WG.274/17/Rev.1).

34. Further information on the terms and conditions of external financing arrangements might be provided by participants at the Consultation Meeting itself, distinguishing between financing provided (a) for the plant itself, (b) for production infrastructure and (c) for the distribution infrastructure.

IV GUIDELINES ON WHICH INTERNATIONAL AGREEMENT MIGHT BE REACHED AT THE CONSULTATION MEETING

35. The following text entitled "Guidelines on the demarcation of responsibility for establishing and financing the infrastructure required for the production and distribution of fertilizers in developing countries and recommended arrangements, terms and conditions for financing such infrastructure" outlined in paragraph 38 below has been prepared by the UNIDO Secretariat for the consideration of the Second Consultation Meeting.

36. It is suggested that the Consultation Meeting discuss this text, amend and modify it as it sees fit, and include the text eventually approved by the Meeting as one of the Consultation Meeting's principal recommendations. Arrangements can be made at Innsbruck for a small drafting group to meet in a room separate from the Plenary Session, if this is required. It is suggested that this drafting group elaborate a text in one of the working languages and that it then be translated into all working languages for the Plenary Session to consider and approve.

37. The approval of the text by the Second Consultation Meeting would respond to the recommendation of the First Consultation Meeting expressed in paragraph 30 of its Report. It would also indicate that international agreement had been reached by participants at the Second Consultation Meeting who represent the views of Governments and other Public Authorities as well as those of fertilizer enterprises and other interested parties.

38. The text of the proposed guidelines reads as follows:

"A. The Second Consultation Meeting on the Fertilizer Industry recognized that:

- self-sufficiency in food production is the most urgent policy objective of the Government in developing countries;
- to increase food production, the price paid by farmers for fertilizers needs to be kept as low as possible; in many developing countries, it needs to be reduced by subsidies contributed by the Government;
- the investment required to establish a fertilizer plant often needs to be supplemented by an equally large additional investment in the infrastructure required for the production and distribution of fertilizers;
- if a major part of the additional investment required for establishing such infrastructure is financed by the fertilizer enterprise instead of the public exchequer, then the cost of

supplying fertilizers to the farmers will be considerably increased to the detriment of the overall goal of increased food production.

B. The Second Consultation Meeting therefore recommends the following guidelines on the demarcation of responsibility for establishing and financing the infrastructure required for the production and distribution of fertilizers in developing countries:

- i) When a fertilizer plant is established in a developing country, the authorities responsible for the project should plan the development of the infrastructure required for the production and distribution of fertilizer at the same time. Detailed estimates of the investment costs should be made and financing arrangements should be made to cover all of the investment required for infrastructure facilities as well as that in the plant itself;
- ii) In order to arrange financing for the overall fertilizer project including such infrastructure, it will be necessary for the State and other public authorities on the one hand and the fertilizer enterprise itself on the other hand to agree at the outset on a demarcation of responsibility for establishing and financing each item of infrastructure;
- iii) To establish their respective responsibilities, the sponsors of the fertilizer project and the State and other public authorities should discuss all of the items of infrastructure listed in Table 1 so that a clear demarcation of responsibilities can be agreed by all the parties concerned;
- iv) As a general rule, the fertilizer enterprise should be made responsible for the infrastructure facilities associated with production that are commonly termed "on-site" facilities; in addition the fertilizer enterprise may be made responsible for certain "off-site" facilities when the public authorities can show that the fertilizer enterprise is the principal user of such facilities;
- v) The State or other Public Authorities should be made responsible for all other "off-site" facilities and all the infrastructure facilities which support the establishment of a fertilizer plant such as port, road, railway, power supplies, water supply, township, housing etc.
- vi) The fertilizer enterprise should be responsible for the raw materials infrastructure unless

there are other users that benefit from its establishment; in this case, the cost of establishment should be shared or be borne entirely by the Government or other public authorities;

- vii) The fertilizer enterprise should be responsible for a major part of the infrastructure required for the distribution of fertilizers. It should be responsible for establishing central and district storage depots and equipment for the transportation of fertilizers from the plant to these depots;
- viii) Local authorities in rural areas should be encouraged to establish depots at the community level since these will handle not only fertilizers but other agricultural inputs and the farmers' produce. Similarly, transport from the district depots to the local rural depots should be arranged by farmers co-operatives or other local organizations, since the produce of farmers may be carried on the return journey.

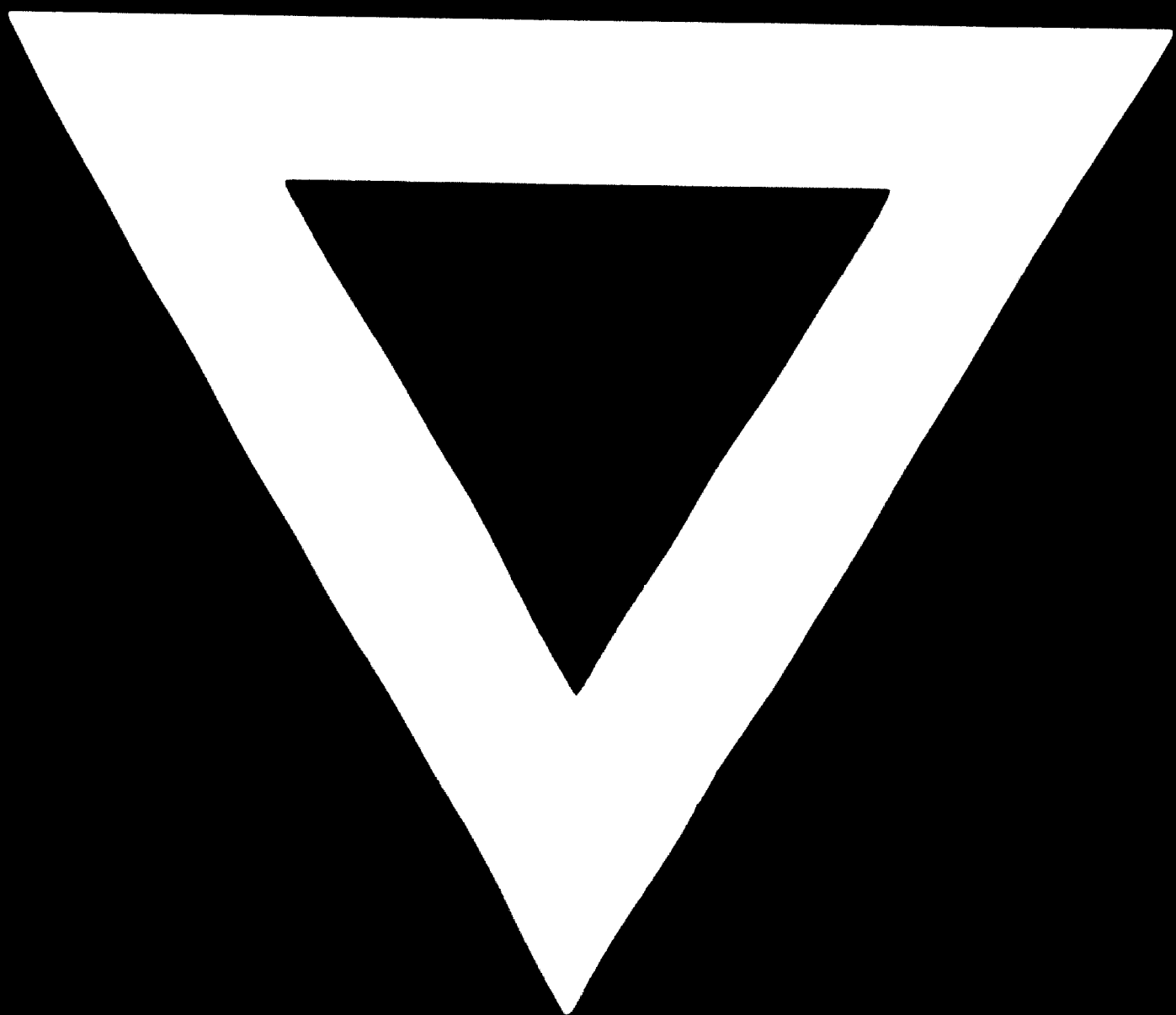
C. The Second Consultation Meeting recommends the following guidelines on the financing of infrastructure required for the production and distribution of fertilizers:

- i) Infrastructure required for the production of fertilizers should be established and financed by the Government or other Public Authorities to the greatest extent possible. Where external finance is sought for this, it should be provided on soft terms wherever possible;
- ii) In the event that the enterprise itself assumes responsibility for establishing part of the infrastructure required for production, the items of infrastructure required should be considered as a separate project that warrants financing on soft terms and on terms and conditions at least as favourable as those offered for agricultural projects and other infrastructure projects;
- iii) Infrastructure for the distribution of fertilizers, whether it is the responsibility of the fertilizer enterprise or the Government and other Public Authorities, should be financed on the most favourable terms and conditions possible, and in any event on terms and conditions at least as favourable as those offered for other types of agricultural project.

- D. The Second Consultation Meeting requests the UNIDO Secretariat to bring the above set of guidelines to the attention of Governments and through them to other Public Authorities and national financing institutions. The Consultation Meeting further requests the UNIDO Secretariat to disseminate the guidelines to the Governments of aid-giving countries and to regional and international financial institutions and requests them to do all in their powers to implement the guidelines.



B - 80



80.02.04