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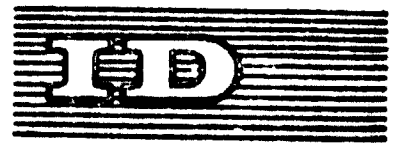
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Symposium on the Development of the Plastics
Fabrication Industry in Latin America

Bogotá, Colombia, 20 November - 1 December 1972

INTRODUCTION TO UNIDO INVESTMENT PROMOTION PROGRAMME ✓

prepared by

the Secretariat of UNIDO

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18 September 1972

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**Symposium on the Development of the Plastics
Fabrication Industry in Latin America**

Bogotá, Colombia, 20 November - 1 December 1972

SUMMARY

INTRODUCTION TO UNIDO INVESTMENT PROMOTION PROGRAMME^{1/}

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The success of an industrial project actually requires that two parallel lines of action should be conducted in an interlinking pattern with check points pre-set at a certain number of stages. These are on the one hand the series of steps under the project techno-economic feasibility studies and, on the other hand, a series of parallel activities aimed at ascertaining what may be called the feasibility of the investment itself.

Project feasibility study is a process certainly well known.

Activities aimed at checking and inducing an investment feasibility comprise an area which has been much less systematically covered so far. Yet, they are required as much as those concerning the project techno-economic feasibility and should be carried throughout if the project is ultimately to be a success.

In final analysis, a feasible investment requires that the project should, in the first place, be feasible from its techno-economic points of view including, of course, its profitability.

A good and feasible project from all these techno-economic standpoints might not necessarily end up in a successful enterprise, if, on the other hand, a number of crucial non-technical and non-economic conditions are not fulfilled, including those following:

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1. A local sponsor should be found for the project, at a stage as early as possible during the process of project development. Whether he is a private entrepreneur or a public organization, he should be the man or the corporation ready to commit his or its resources and talents to the project implementation and to participate in the risks and benefits of the operation involved.
2. Whenever a project requires a foreign contribution - financing, know-how, marketing arrangements, supply of machinery and equipment, etc. - the feasibility of investment implies further that a foreign partner should be induced and convinced to contribute those required elements to the project implementation and be willing to take his share in those risks and benefits connected with the project failure or success.
3. The Government in the country where the project is to be implemented should have given its blessing and support to the project implementation by providing it with the necessary incentives and protection. This may have been implied in some of the project techno-economic feasibility study stages, but should be ascertained definitely, as appropriate, by explicit commitments.
4. A number of political conditions, which are usually crucial to investment decision, have to be appraised and satisfactorily checked by both the local sponsor and foreign partner, such as the so-called "investment climate", the prospects of future Government attitude vis-à-vis project expansion, foreign ownership, the speculation on international market and political trends etc.

In brief, investment promotion consists of a series of actions aimed at ascertaining those conditions for the feasibility of investment in addition to the techno-economic feasibility of the project itself.

This could be done by different approaches: one could possibly wait until all stages of the project feasibility study are completed up to its minute details and, then, to start the promotional activities aimed at ascertaining the overall investment feasibility requirements in order to arrive at the final decision on the investment, say in a "one-shot operation". An alternative approach consists of starting the series of promotional activities right from the beginning, when the process of project techno-economic feasibility study starts itself, i.e. when the project is just identified in its initial stage of a project idea. Under this approach each step in one of the two lines of pre-investment activities requires that a corresponding step be successfully completed in the other line.

In our opinion, the second approach is much preferable to the first "one-shot" approach.

If the project requires a foreign contribution, then UNIDO could assist the local sponsor in starting the exploration of interest of potential foreign partners. A number of projects on plastics fabrication has been collected prior to this meeting. Other projects or project ideas may be formulated by you, gentlemen, who participate in this Meeting. The staff of the secretariat responsible for industrial investment promotion activities at this Meeting would be happy to assist the project sponsors concerned in arranging for them to contact potential suppliers of foreign contribution such as know-how and finance to discuss the prospects of their further co-operation in private and confidential person-to-person meetings.

Investment promotion meetings, whether multi-sectoral or sectoral, like the present one on plastics manufacture are only one among other instruments which have been designed by UNIDO for assistance to developing countries in promoting their specific investment projects. UNIDO is prepared, at Government request, to render in particular assistance in promoting projects on an individual, ad-hoc basis, i.e. outside of meetings, provided that adequate information data on the project concerned be communicated to UNIDO.

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.

It is a great honour and pleasure for me to introduce to you the investment promotion aspects of this Symposium. You are here, first of all, to discuss and exchange experience concerning the modern techniques of plastics processing. I am sure you will find it an excellent opportunity to expand and deepen your knowledge and experience on the subject. This will be, no doubt, a useful asset to the further development in this field of industrial development in your countries.

I would like, at this stage, to request your attention for a few minutes on the other actions which are also most needed, although not always clearly realized, to follow-up an investment project from its birth as a project idea all the way through to a successful and operational industrial enterprise. I am referring to the activities known as investment promotion.

The success of an industrial project actually requires that two parallel lines of action should be conducted in an interlinking pattern with check points ~~pro-act~~ at a certain number of stages. These are on the one hand the series of steps under the project techno-economic feasibility studies and, on the other hand, a series of parallel activities aimed at ascertaining what may be called the feasibility of the investment itself.

Project feasibility study is a process certainly well known to you. It involves topics among those to be dealt with under the Agenda and Programme of Work of this Symposium as far as plastics manufacture is concerned. With your permission, I would like to elaborate a little further on the other line of pre-investment actions aimed at checking what has been referred to, earlier, as Investment Feasibility.

Activities aimed at checking and inducing an investment feasibility comprise an area which has been much less systematically covered so far. Yet, they are required as much as those concerning the project techno-economic feasibility and should be carried throughout if the project is ultimately to be a success.

In final analysis, a feasible investment requires that the project should, in the first place, be feasible from its techno-economic points of view including, of course, its profitability. But you may agree with me that a good and feasible project from all these techno-economic standpoints might not necessarily end up in a successful enterprise, if, on the other hand, a number of crucial non-technical

and non-economic conditions are not fulfilled, including those following:

1. A local sponsor should be found for the project, at a stage as early as possible during the process of project development. Whether he is a private entrepreneur or a public organization, he should be the man or the corporation ready to commit his or its resources and talents to the project implementation and to participate in the risks and benefits of the operation involved.
2. Whenever a project requires a foreign contribution - financing, know-how, marketing arrangements, supply of machinery and equipment, etc. - the feasibility of investment implies further that a foreign partner should be induced and convinced to contribute those required elements to the project implementation and be willing to take his share in those risks and benefits connected with the project failure or success.
3. The Government in the country where the project is to be implemented should have given its blessing and support to the project implementation by providing it with the necessary incentives and protection. This may have been implied in some of the project techno-economic feasibility study stages, but should be ascertained definitely, as appropriate, by explicit commitments.
4. Last but not least, a number of political conditions, which are usually crucial to investment decision, have to be appraised and satisfactorily checked by both the local sponsor and foreign partner, such as the so-called "investment climate", the prospects of future Government attitude vis-à-vis project expansion, foreign ownership, the speculation on international market and political trends etc.

In brief, investment promotion consists of a series of actions aimed at ascertaining those conditions for the feasibility of investment in addition to the techno-economic feasibility of the project itself.

This could be done by different approaches: one could possibly wait until all stages of the project feasibility study are completed up to its minute details and, then, to start the promotional activities aimed at ascertaining the overall investment feasibility requirements in order to arrive at the final decision on the investment,

say in a "one-shot operation". An alternative approach consists of starting the series of promotional activities right from the beginning, when the process of project techno-economic feasibility study starts itself, i.e. when the project is just identified in its initial stage of a project idea. Under this approach each step in one of the two lines of pre-investment activities requires that a corresponding step be successfully completed in the other line.

Needless to say that, in our opinion, the second approach is much preferable to the first "one-shot" approach, for a variety of reasons, including the following:

1. There is really no need to spend time and money in refining feasibility studies again and again up to - let's say - equipment specifications, if at an earlier stage, during the investment promotion efforts, some of the pre-requisite conditions for investment feasibility could not be definitely warranted. For instance, there is no need to proceed further with detailed feasibility studies if no local sponsor could reasonably be ascertained to be able and willing to provide the necessary equity capital requirements, at least for the local currency portion of that investment capital.
2. It is usually very desirable that, at an early stage of project development, both the local sponsor and the potential foreign investor concerned could be interested, at least in principle, because they are expected to provide crucial guidance as to how the project techno-economic study should properly be oriented later. The foreign investor may even be willing to contribute his own resources and know-how to it, with a view to ensuring that the feasibility study recommendations will eventually be acceptable to him for implementation.

This is the approach which has been consistently adopted by UNIDO under its investment promotion activities so far. This is also the one that will be applied, in particular, to the investment promotional part of this Symposium.

As I said earlier, the usual starting point of investment promotion activities is a specific industrial project. The latter, however, could be in any stage of development, either investment opportunity ideas, projects in a stage of pre-feasibility study or full-fledged feasibility study. The promotion concerned should be adjusted accordingly to that stage of project formulation. If the project requires a foreign contribution, then UNIDO could assist the local sponsor in

starting the exploration of interest of potential foreign partners. A number of projects on plastics fabrication has been collected prior to this meeting. Other projects or project ideas may be formulated by you, gentlemen, who participate in this Meeting. The staff of the secretariat responsible for industrial investment promotion activities at this Meeting would be happy to assist the project sponsors concerned in arranging for them to contact potential suppliers of foreign contribution such as know-how and finance to discuss the prospects of their further co-operation in private and confidential person-to-person meetings. The schedule of these appointments as well as the necessary arrangements for them will be explained and communicated to you later. The Secretariat Staff, who arranges for you these appointments understands that the confidential nature of your bi-lateral negotiations with your discussion partners is to be respected. The Secretariat is prepared to provide you with any substantive advice or administrative assistance, during and after your private meetings, at your request, to the extent of expertise and resources available here.

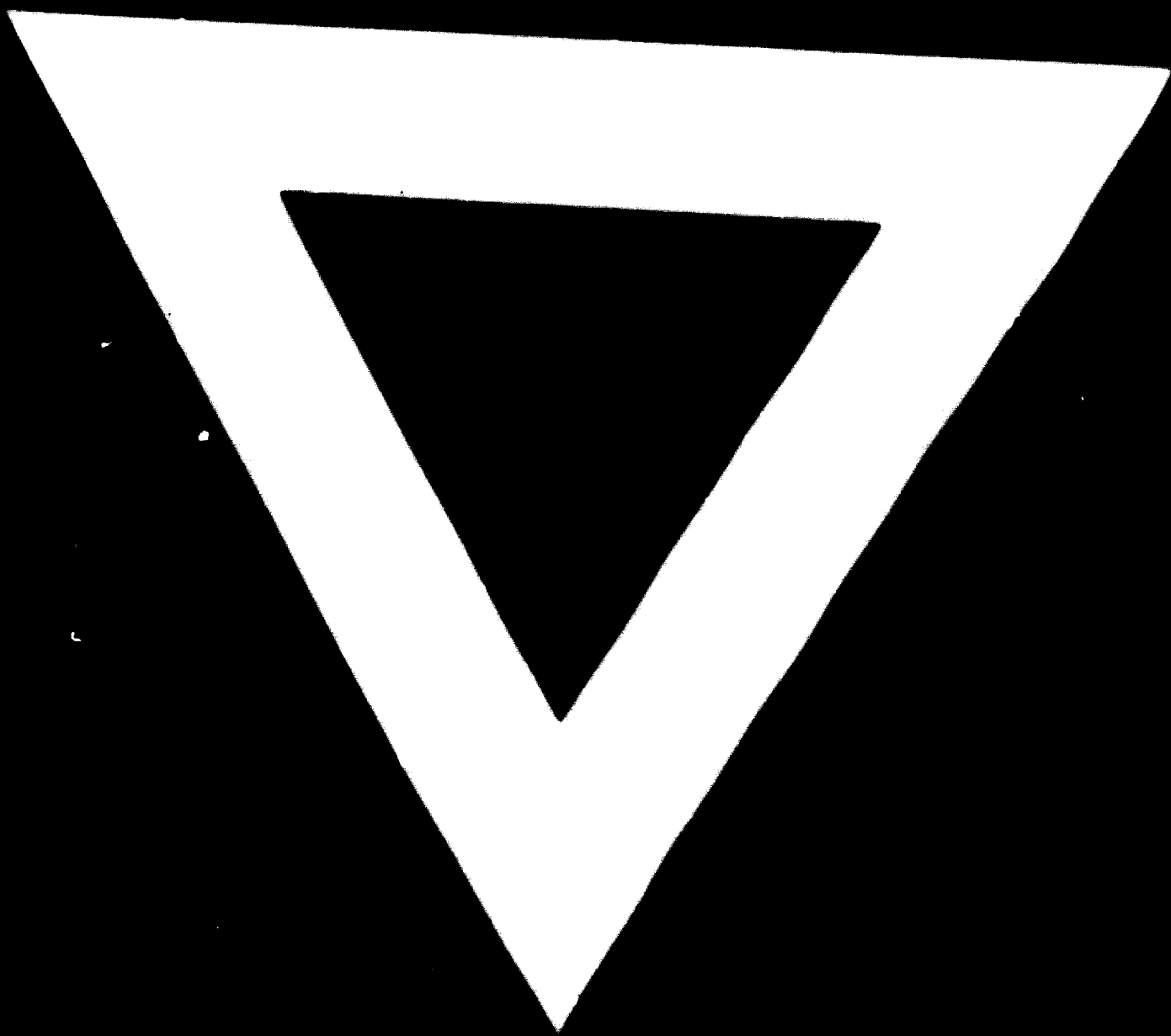
In case you have no specific project idea yet, but on the basis of the useful discussion you will be having on technology and economics of plastics processing during the next few days, you may come up with the desire to contact some foreign suppliers of know-how and finance to explore further solution of your own problems. The Secretariat would be, then, happy to arrange for you these contacts. We indeed expect that these contacts could be after all, another starting point in the process of project/investment identification and feasibility study, which may bring about a project idea to be followed up further by fruitful business negotiations up to an attractive and feasible industrial investment. You are not required to submit a complete and comprehensive project report. "Project", as we understood from my previous remarks, may very well consist of a transfer of know-how or a search for other investment inputs, such as licensing agreement, management or export marketing arrangements, technical assistance services etc., concerning both new projects or existing and expanding projects. Therefore, please, feel free to submit your investment problems to the Secretariat, subject only that you describe clearly these problems. We will try to do our best and, at such short notice, to find for you the investment component or foreign partner you are looking for.

You will find the names of all persons present here in the List of Participants which you have in your hands. The List indicates companies or organizations and the names and positions of their representatives participating in this Meeting.

Finally, I would like to add that investment promotion meetings, whether multi-sectoral or sectoral, like the present one on plastics manufacture are only one among other instruments which have been designed by UNIDO for assistance to developing countries in promoting their specific investment projects. UNIDO is prepared, at Government request, to render in particular assistance in promoting projects on an individual, ad-hoc basis, i.e. outside of meetings, provided that adequate information data on the project concerned be communicated to UNIDO. In this connexion, UNIDO is developing a scheme by which local investment promotion agencies or industrial development banks in developing countries are to be linked with the central facilities of UNIDO for investment promotion, for the purpose of identifying, receiving, processing and promoting on a permanent basis all investment proposals as formulated by those local institutions. I would be very happy to provide you with further information on this scheme in my capacity as officer-in-charge of investment promotion activities at this Symposium. Please contact me through the Symposium Secretariat.

I hope that at the end of this Meeting, you will leave Bogotá, not only with a clearer knowledge of the technical and development possibilities of the plastics manufacturing industry which will definitely be useful in your home countries, but also with new ideas on how to follow-up investment projects on this or other fields of industrial development, for further developing them into successful, operational enterprises profitable to yourself, to your countries and to the potential foreign investor you may have contacted and interested during this Meeting.





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