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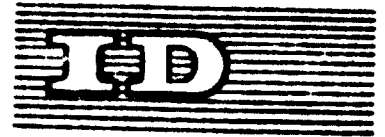
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United Nations Industrial Development Organization

Meeting of Top-Level Industrialists  
on Factory Establishment Projects  
in Developing Countries

Vienna, Austria, 18-20 November 1976

FINAL REPORT OF THE MEETING OF TOP-LEVEL INDUSTRIALISTS ON  
FACTORY ESTABLISHMENT PROJECTS IN DEVELOPING COUNTRIES ✓

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Distr.  
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ID/WG.237/16/Corr.1  
19 January 1977

ENGLISH

United Nations Industrial Development Organization

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Vienna, Austria, 18-20 November 1976

FINAL REPORT OF THE MEETING OF TOP-LEVEL INDUSTRIALISTS ON  
FACTORY ESTABLISHMENT PROJECTS IN DEVELOPING COUNTRIES

Corrigendum

Replace page 16 by the following text

4.1. List of Participants - continued -

UNIDO STAFF MEMBERS AND CONSULTANT

- T. Acogny, Industrial Development Officer, Factory Establishment and Management Section  
W. Behrens, Industrial Development Officer, International Centre for Industrial Studies  
G. Dobos, Deputy Director, Industrial Operations Division  
P. Gonod, UNIDO Consultant  
W. E. Millager, Senior Industrial Development Officer, Factory Establishment and  
Management Section  
K. Moll, Senior Industrial Development Officer, Factory Establishment and  
Management Section  
H. Muegge, Industrial Development Officer, International Centre for Industrial Studies  
J. Paschke, Industrial Development Officer, Factory Establishment and  
Management Section  
P. F. Ryan, Industrial Development Officer, Feasibility Studies Section  
J. Succar, Head, Factory Establishment and Management Section  
G. C. Verkerk, Special Technical Adviser, Industrial Operations Division

## I. INTRODUCTION AND BACKGROUND

A group of top-level industrialists met from 18 to 20 November 1976 in the Radetzky Apartments, Vienna Hofburg, to discuss their experiences on factory establishment projects in developing countries. The meeting was organized by the United Nations Industrial Development Organization (UNIDO) in co-operation with the World Council of Management (CIOS).

The meeting brought together senior executives from both industrialized and industrializing countries, who have been personally responsible for establishing factories in every region of the developing world. Its purpose was to allow the executives to share the results of their experience with UNIDO. This was a means of assisting the Secretariat to further strengthen its programmes of technical assistance to countries seeking to accelerate the establishment of new production facilities.

Participants in the meeting included seventeen top executives based in Austria, France, Ghana, India, Ireland, Italy, Morocco, Nigeria, Turkey, United Kingdom and Venezuela, and the Administrative Director of CIOS. The participants attended in their personal capacities or as representatives of their organizations, not as Governmental delegates. The UNIDO Secretariat was represented by staff members of the Industrial Operations Division and the International Centre for Industrial Studies and by special consultants.

The idea for the meeting arose more than a year ago at the time when UNIDO was re-structuring its organization to better carry out the policies and to achieve the objectives embodied in the Lima Declaration<sup>/1</sup>. It had been increasingly recognized that there is a gap between the generation of industrial projects and their implementation: the transformation of project studies into signed agreements, legal enterprises and operating factories. Since this transformation process - factory establishment - is a complex and often a notably pragmatic business, it was decided to invite leading practitioners for consultation with UNIDO. The Hofburg meeting was a direct result of this decision.

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/1 Lima Declaration and Plan of Action on Industrial Development and Co-operation, March 1975.

## 2. ORGANIZATION OF THE MEETING

The meeting was opened by Mr. G. Dobos, Deputy Director of UNIDO's Industrial Operations Division, who pointed out that industrialization progress in developing countries will have to be substantially accelerated in order to reach the target of 25% of world industrial production by the year 2000.

The participants were also welcomed by Mr. Fedor Lederer, Administrative Director of CIOS, who had introduced many of the participants to UNIDO. Mr. Lederer emphasized the importance, i.e., of technology transfer as a basic element for factory establishment.

Mr. Klaus Moll and Mr. William Millager, jointly in charge of UNIDO's preparations for the meeting, also helped set the stage for the deliberations. Mr. Jorge Succar, Head of UNIDO's Factory Establishment and Management Section, said that the meeting could point the way toward new tools and mechanisms needed for self-sustained industrial development.

The meeting elected the following officers:

Chairman: Chief E.O. Ashamu  
Chairman  
E.O. Ashamu and Sons  
Lagos, Nigeria

Rapporteur: Mr. Mohamed Fazal  
Chairman and Managing Director  
Engineering Projects (India) Ltd.  
New Delhi, India

The agenda for the meeting was adopted. During the first three sessions individual papers were presented by 13 participants as the basis for discussion. The Secretariat presented an issue paper and a preliminary action and decision model for factory establishment (by the special consultant).

The fourth session was devoted to deliberations by two working groups which separately considered the issues presented to the meeting. The working groups formulated suggestions to UNIDO for advancing the factory establishment programme.

The fifth and final session met in plenary and adopted a consolidated set of suggestions, which represented a much condensed set of conclusions based upon the deliberations.

### 3. HIGHLIGHTS OF THE DISCUSSION

#### 3.1. Sessions One through Three: Individual Presentations

Following are some abbreviated notes on the individual presentations by participants:

- (a) The Establishment of a Pioneer Integrated Poultry Industry:  
The Case of Oke-Afa Farms Ltd., Nigeria;  
Chief E.O. Ashamu, Chairman, E.O. Ashamu & Sons, Nigeria

The poultry case revealed three major problems which had to be faced and overcome by the Nigerian investor:

- the reluctance of foreign banks to provide foreign currency financing to a Nigerian national, a 'beginner'. The financing institutions also required exaggerated influence on management.
- the transfer of technology from the supplier of poultry farm equipment from Denmark. The offered technology had to be adapted to tropical conditions; exchange of opinion was hampered by lack of English-speaking engineers from the equipment supplier.
- the lack of infrastructure and regular supply of animal food (corn) had to be mastered by investments in infrastructure and backward integration through growing of corn.



It was emphasized that sometimes old machines which have been repainted are offered for use in developing countries. Although there may be plenty of production left in such machines, spares and quality control may be problems. Participants suggested that UNIDO could provide information and advice to entrepreneurs which would help them to get better value for their equipment investments. A suggestion was made that the Nigerian case should be published and circulated to illustrate some of the problems faced by new industrialists.

(b) Establishing Manufacturing Facilities for School and Office Products in Developing Countries;  
Dr. Ettore Musso, Director, BO-FIM, Italy (presented by Dr. Mario Parenti).

The paper describes the transfer of technology for the production of school and office supplies. BO-FIM concerns itself only with technology and production. The local partner deals with marketing, management and finance. Payment is made only for services actually requested and received.

Drs. Musso and Parenti are associated with Mr. Mazza in the Manufacturers Association of Turin which has about 1,500 members, mostly medium to small industries. They are preparing the Golden Flower project to provide coaching and technical assistance to prospective entrepreneurs in developing countries. The association is prepared to 'open its factories' (which include a great range of products) for this purpose.

Proposals were made that UNIDO should:

- provide information (i) on available technologies, and (ii) on economic environment.
- act as a liaison entity between national or regional organizations of medium-scale industry in industrialized countries and developing countries.

(c) Implementation of a New Manufacturing Plant with Special Emphasis on Financial Aspects;  
Mr. Gündüz Parsuk, Executive Vice-President for Planning, KOC Holding A.S., Istanbul

The author, whose parent firm employs 26,000 people, described the implementation of a new major manufacturing plant in Turkey. He emphasized the following difficulties:

- Working capital requirements, as part of investment cost estimates, are often neglected or at least under-estimated, especially the necessary financing of sales on credit.
- Transfer of management skills and tools (the planning of the factory establishment and the design and introduction of cost accounting systems).

He suggested that a consultant retained to assist with a project should be independent of the plant supplier and any supplier of services. In Mr. Pamuk's view new banking practices are needed. UNIDO could help by providing A to Z documentation on all aspects of setting up new industries. He had reservations about direct involvement by international organizations in implementation.

(d) The Establishment of Norish Food City Limited;  
Mr. Leslie McCauley, General Manager, Norish Food City Ltd., Ireland

The Food City project resulted from a bilateral joint venture arrangement concluded with a Norwegian Group. The Oslo partner provides a market and supplies technology. The project is carrying out a fully integrated programme. It has a 36-acre site and offers common services such as cold storage and refrigeration plus effluent disposal. At a later stage it is hoped to offer computerized management services and quality control. The products are principally convenience foods which rely on the supply of raw materials to rigid specifications. Twenty per cent of the joint company stock is to be available to employees.

A strong point was made that agro-industrial projects may bring very large gains in value-added. A typical raw material cost may be only 10 pence per pound of sales while a normal figure for other manufacturers would be 52 pence per pound.

The presentation also emphasized that advance preparation and thinking on both sides (the foreign partner and the local investor/entrepreneur) very much ease and abbreviate later discussions on partnership.

(e) Project Planning in India - A Case History  
Mr. Mohammed Fazal, Chairman and Managing Director, Engineering  
Projects (India) Ltd., New Delhi

Engineering Projects (India) Ltd. is handling \$ 58 million worth of contracts this year. It expects to do \$ 150 million next year and \$ 300 million worth by 1980. This rapid growth has been primarily self-financed by the company.

An example was given of the procedure in India for planning and setting up a medium-size chemical process plant. One observation was that developing countries are often given equipment prices at least 25% higher than objectively justified. This handicap, plus "sophisticated" marketing techniques often lead to unproductive projects. India has largely broken out of this problem because it now manufactures most of its own production equipment.

(f) Projects for Developing Countries: The Ghana Experience - Textiles;  
Mr. David K. Anikakwah, President, Ghana Institute of Management,  
Accra.

Ghana is continuing to diversify its formerly cocoa-based economy. Agro-based industries are attractive in this context. The Ghana Textiles Printing project at Tema has been an example. The Government now has 55% ownership, but an Anglo-Dutch group provided initial technical and management inputs, i.e. intensive training of staff at all levels (including a UNIDO in-plant training course in Poland) has already reduced the expatriate staff to five.

Since land tenure is very complex in Ghana, it is appropriate to rely on Government-leased land, to avoid troublesome claims after a plant is in operation.

Selection of technology and procurement of equipment are clearly problems with which UNIDO could assist.

(g) Establishing Low-Cost Housing Manufacturing Plants;  
Dr. Robert H. Behrens, Director, Euro-Industries, Rabat, Morocco

Euro-Industries is in the process of adapting the graceful, sturdy and practical Moorish style of architecture to a modern low-cost construction technology. The approach involves spraying concrete (mixed as it is sprayed) over mesh and a welded structure of galvanized steel from a high-speed 'cannon'. A central factory cuts and stacks the metal elements. Assembly is done at the job site where three men put together structural elements including plumbing. A group of 12 houses are sprayed outside and then are ready for spraying inside. Cost of a square metre of construction is about \$65, which is one-third of the cost of conventional construction in Morocco.

(h) Some Reflections on Problems of Transfer of Technology;  
Mr. Sylvère Saurat, President & Director-General, EUROPQUIP, France,  
(presented by Mr. Bernard Reumaux).

The author makes the case for development of a profession called 'architect in technological transfer' (architecte en transfert de technologie), which was originated in Europe about 15 years ago. The need exists because technology transfer is a separate operation from engineering consultancy or technical training. The paper outlines some common problems encountered in transferring technology and a generalized systematic procedure for overcoming the problems.

The procedure is an intensive one involving preparation of a synoptic report by a survey team which includes sociologists as well as technical experts. It was also proposed that managers-designate be deeply involved during factory establishment, even to the extent of training those who will teach the plant-level operators.

(i) Some Suggestions for Rational Decision-Making in the Private Sector: The View from the Third World;  
Mr. Hans Neumann, President, CORIMON, C.A., Venezuela

In developing countries there is bound to be partnership between private and public sectors. The author has had 30 years' experience in the developing world. His family foundation is actively complementing the Government's activities in the area of understanding cultural needs and assessing

progress in value-scale changes. A quarterly publication presents some of the results of this work.

(j) Verbal Presentation by Mr. Brendan O'Regan, Chairman, Shannon Free Airport Development Co. Ltd., Ireland

Mr. O'Regan made four main points:

- (1) that UNIDO is the most important of the United Nations development organizations, that it could benefit greatly from a dynamic small advisory board of successful businessmen, and that establishment of industrial projects is much more important than studies of such projects;
- (2) that Governments of developing countries should determine the industrialization policy but leave executive authority for industrialization to independent institutions like development corporations with a board composed of responsible Government officials and businessmen. The executives of this development institution can flexibly operate free from any political pressures;
- (3) that 85% of the world trade is in the hands of 1/3 of the world's population in industrialized countries. Therefore the developing countries can only catch up by exporting into the world market. If you leave the local markets to local entrepreneurs in developing countries, the multinational companies with sufficient money, know-how, experience, research etc. should be invited to establish subsidiaries in developing countries, principally for export in order to enable the developing countries to catch up. Therefore the campaign against multinationals is unfortunate.
- (4) Unless you treat men with dignity and respect they revolt. There are many international companies which are wise and respect the dignity of man; but sometimes, with the connivance of Government, they keep wages down. This is self defeating because you can't achieve social justice without an increase in wealth.

At least some participants were insistent that multinationals deserved their mixed reputation. One stated that if MNC's were a panacea, such countries as Brazil, Iraq and Iran would be much further advanced. The profits of foreign companies were said to be greater in India than in

country.  
their home / Another said that for quick industrialization, MNC's are the only way; but the position of the man must be considered, and it is far from clear what will be the long-term outcome.

(k) Joint Industrial Ventures Between Local and Foreign Private Investors in Developing Countries;  
Mr. Christian Megrelis, General Manager, EXA International, Paris, France

The contribution concerned the establishment of joint industrial ventures, explained on the basis of a French-Brazilian venture for the production of (50 cc) mopeds. Outside assistance with one representative (Brazilian national) staying and operating in Brazil required a total time input of about 6 man-months spread over 3 calendar years to establish this joint venture.

In general, joint venture partners are mostly concerned with production. They tend to neglect marketing which, however, does not take care of itself.

Legislation in developing countries concerning foreign investment is becoming more and more restrictive. Now, for example, the Mexican Government authorities started checking royalty agreements. The unfortunate result of the increased strictness makes it more difficult for the country to obtain technology. Another difficulty arises from the fact that some countries require a part of the new venture's production to be exported. Another participant felt that obtaining 'inexpensive' technology may frequently be a basic error. Another pointed out that a basic issue is arranging for local successors to foreign personnel after a suitable probation period.

(l) Comparison of Different Factory Establishment Practices in Different Developing Countries;  
Mr. Jacques Hertz, Director-General, COFRAL, Paris, France

COFRAL is a service company formed by a bank, a consulting firm and a chemical company. It is difficult in many developing countries to find people interested in getting such sophisticated projects together. In COFRAL's business the key to successful project implementation has been identified as the 'operator'. An operator is a man who is associated with

a similar factory which is operating successfully somewhere else. He can thus identify troubles easily and help solve them. He should be involved at the beginning of a project, from the feasibility study stage. Of course, it is not easy to obtain the services of the kind of people needed since by definition they are valuable to their own companies. But COFRAL does not work on any project without being fully backed by a real 'operator.'

The speaker emphasized the point that a joint venture must offer benefits to both partners. It is a two-way street. The partners of industrialized countries often enter into great risks concerning the protection of their know-how and their foreign markets.

One participant called particular attention to the fact that the main objective in negotiating licensing agreements has been to protect the licensor. More attention needs to be given to the problem from the point of view of the host country. UNIDO should concentrate on the problem of analyzing motivation of the participants as a means of helping the parties to conclude more equitable agreements.

(m) The New Economic Order and Industrial Projects;  
Mr. Pierre F. Gonod, Consultant

The Consultant's paper (1) analyzes the aims and objectives of the Lima Declaration and Plan of Action, (2) identifies obstacles to their achievement, and (3) presents an outline of an approach to the conception and execution of industrial projects in this context. Discussion on the paper was limited because the English translation had unfortunately not been completed in time for the meeting, and simultaneous interpretation was not available.

The Consultant indicated that the most productive role of international organizations should be to reinforce the national machinery for project preparation and implementation. In particular, technology needs to be treated as a variable in a project; technical, economic and commercial information need to be made available systematically to improve the choice of technology during the project preparation stage. Considerable work on this subject has been done through a pilot project of the Organization of American States (OAS), i.a.

In subsequent remarks, one participant stressed that the 'giver' and 'receiver' of technology should benefit mutually, to promote increased flows. The attitudes of developing country and industrialized country participants need to favour co-operation, not confrontation. UNIDO was urged to use its influence towards creating a realistic environment for accelerated industrialization. Another participant sees much more than just feasibility as determining the desirability of an industrial project: the question of why establish a factory is equally important as how to establish it. UNIDO could contribute importantly towards removing constraints by giving governments information on how to make the environment more attractive, rather than try to establish factories in a hostile environment.

Another participant made the point that countries which have escaped from political and economic dependency are increasingly endangered by technological dependence. UNIDO's role was seen as detecting the 'vacuums' in this regard, and finding ways to fill them.

### 3.2. Sessions Four and Five: Working Groups and Conclusions

To facilitate intensive discussion, the meeting broke into two smaller groups:

Working Group I - to discuss issues No. 1 and No. 2 from the issue paper<sup>/1</sup> and to consider several model factory establishment programmes prepared by the Secretariat.

- Issue No. 1 is summarized as follows:

- (a) What opportunities exist to accelerate the establishment of sound new industries?
- (b) What constructive actions on the part of Governments, local sponsors and foreign partners or prospective participants would help?

- Issue No. 2 is summarized as follows:

- (a) To what extent can the potential benefits of industrial projects to the developing countries be preserved or enhanced?
- (b) By what mechanism(s) can project design and implementation be influenced to take practical account of the above?

<sup>/1</sup> Opportunities and Problems for Factory Establishment in Developing Countries. ID/WG.237/7



- Two 'model programmes' are attached as an annex in Section 4.2.

Working Group II - to discuss Issue No. 3 which is summarized as follows:

- (a) What is the practical role of international organizations in advancing factory establishment programmes?
- (b) What are the practical limits of the above?
- (c) How can present limited financing for technical assistance be supplemented?

Both working groups were asked to prepare 'suggestions' to be presented to UNIDO to help in advancing the factory establishment programmes. By agreement, the rapporteur presented a consolidated version of both working groups' suggestions to the final plenary meeting for consideration and adoption. After a number of amendments and additions the following was adopted:

SUGGESTIONS TO UNIDO FOR ADVANCING THE FACTORY ESTABLISHMENT PROGRAMME

1. Provide intensive assistance through development and implementation of pilot methods and projects, emphasizing countries most needing assistance and generally applying methodology described by the list on p.8 of the issue paper.<sup>/1</sup> (see p.13).
2. Projects to be assisted should be sound ones, taking into account social as well as economic factors. When foreign partners are involved, UNIDO should strive to promote co-operation leading to mutually beneficial project agreements and implementation. UNIDO should identify obstacles to increased technical and economic co-operation for accelerating factory establishment and take appropriate action to overcome them.
3. Finances available for pilot projects should be enhanced to make the projects a show window for both local and outside parties. Case studies and manuals based on the projects should be widely circulated to increase the multiplier and snowball effect. Also, other manuals and cases should be prepared by UNIDO to expand and/or better utilize existing production capacities of the developing world.

4. Continue to evolve a system for assisting factory establishment, recognizing that UNIDO's overall contribution must be primarily catalytic, since it will inevitably remain small in relative terms. Primary responsibility for industrial development rests with the local authorities, and increasing use should be made of local resources such as personnel and finances.

5. UNIDO should play an active role in helping medium companies of industrialized countries to release their technological and human potential for the benefit of local prospective entrepreneurs in developing countries.

6. UNIDO's objective through the above measures should be to help establish the atmosphere for, and the fact of, self-sustaining industrialization, staffed by experienced local people.

In addition to the items above which were formally adopted, attention was drawn to the desirability of continuing to take advantage of opportunities to co-operate with other international organizations such as CIOS in advancing UNIDO's factory establishment programme. Although the subject of formal follow-up to the meeting was not addressed during the session except in general terms, one participant made the following suggestions to the Secretariat:

/1 (from previous page). The material referred to is included below for ease of reference:

- (a) Direct assistance to project departments of development corporations and development banks, and to ministries of industry for preparation, verification, promotion, and packaging of projects.
- (b) Provision of a project co-ordinator and/or specialized technical and management advisers to a new enterprise during planning, construction and start-up of operations.
- (c) Providing specialized manuals to expand and improve bankability of projects, for example: 'How to Plan and Implement Factories for the Progressive Assembly/Manufacture of Agricultural Implements, Tractors and Commercial Vehicles in Developing Countries.'
- (d) Advice on negotiating contracts for the acquisition of specialized technological and management know-how without unnecessary concessions.

(cont'd p. 14 ...)

- (a) Follow-up meetings could be held periodically, perhaps as often as half-yearly;
- (b) They should be held in developing countries, probably in least developed countries, to be closer to the problems facing those countries. This would also permit in-depth participation of expertise from at least the host country;
- (c) It would be useful to consider organizing working groups for one or more industrial branches or for a few of the specialized aspects of factory establishment. Careful advance preparation would be required.

The Chairman's closing remarks, and statements by a number of participants, made it clear that the contacts and environment established during the meeting will also lead to a number of follow-up activities by individual participants and by the Secretariat. The meeting was adjourned at noon on 20 November 1976.

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/1 - cont'd from previous page:

- e. Assistance in securing sources of finance for studies and implementation and in negotiating for financing and equipment procurement;
- f. Other types of assistance.

A N N E X

4 1. List of Participants

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Chief E.O. Ashamu  
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E.O. Ashamu and Sons  
Lagos, Nigeria

Dr. Robert H. Behrens  
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Rabat, Morocco

Mr. Mohammed Fazal  
Chairman & Managing Director  
Engineering Projects (India) Ltd.  
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Dr. Roberto Gabaldon\*  
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/ ...

\*Not present, but paper submitted

4.1. List of Participants - continued -

UNIDO STAFF MEMBERS AND CONSULTANT

Mr. G. Dobos, Deputy Director, Industrial Operations Division

Mr. J. Succar, Head, Factory Establishment and Management Section

Mr. W.R. Millager, Senior Industrial Development Officer, Factory  
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Mr. J. Paschke, Industrial Development Officer, Factory Establishment  
and Management Section

Mr. T. Accgy, Industrial Development Officer, Factory Establishment  
and Management Section

Mr. P. Gonod, UNIDO Consultant

A N N E X

4.2. Model Programmes for Factory Establishment

1. PROJECT TITLE: Accelerated Factory Establishment
2. OBJECTIVES OF THE PROJECT: To accelerate the pace of industrial development by stimulating the establishment of new viable industrial enterprises through systematic promotion.
3. DESCRIPTION OF THE PROJECT:
  - (a) Selection of a limited number of viable industrial projects in agreement with the Government
  - (b) Providing technical assistance for preparing up-dated and reliable feasibility studies (existing studies could be up-dated and reviewed).
  - (c) Assistance in formation of management teams for the implementation of the projects and provision of contacts with potential financial and/or know-how partners.
  - (d) Assistance in planning, financing, procurement of equipment and establishment of the ventures.

4. BACKGROUND INFORMATION:

Industrial development efforts start with new industrial investment. UNIDO follows the Lima Declaration which emphasized 'the establishment of production facilities covering all branches of industry.'

In many areas, a large amount of feasibility studies have been undertaken which did not lead to the establishment of industrial ventures. Apart from possible deficiencies in the feasibility studies, major obstacles for the implementation of these projects were the difficulties in obtaining a satisfactory management and a starting capital for contacting potential partners and financial institutions.

UNIDO's new Section of Factory Establishment and Management is ready to assist in all stages of project preparation and implementation.

5. ESTIMATED COST AND DURATION:

The input of time and financial means is heavily depending on the number and complexity of the projects selected for implementation. Assuming the implementation of five medium complex projects, total cost of UNIDO assistance may be in the order of:

US\$ 450,000

around 35% of which in local currency. The project duration is estimated at two to three years.

4.2. Model Programmes for Factory Establishment - cont'd

1. PROJECT TITLE: Establishment of Standard Workshops
2. OBJECTIVES OF THE PROJECT: As part of integrated regional development a network of standardized mechanical workshops will be established to provide maintenance and repair services for agricultural tools and motor vehicles.
3. DESCRIPTION OF THE PROJECT:
  - (a) On the basis of the kind and the area of regional development, the number, locations and type as well as the timing for the start-up of the standardized workshops will be determined.
  - (b) After the general agreement on the proposed workshops, a time schedule for workshop establishment including training, civil construction, equipment procurement, local and foreign financing will be elaborated. UNIDO is also prepared to assist in drawing up proposals for the initial and later institutional and legal set-up and for the supervision of the workshops.
  - (c) UNIDO will assist in preparing a bankable project for procurement of foreign and possibly also part of local financing required.
  - (d) Approximately two years after the initial start-up of the workshop operation, the historic performance of individual workshops should be evaluated with the aim of preparing recommendations on their further development, possibly by adding production activities to the original service function.

4. BACKGROUND INFORMATION:

The balanced development of remote regions with extensive agricultural production requires an integrated effort to improve simultaneously various factors. This simultaneous improvement should cover infrastructure (transport, electricity supply and communications), instruction of the population to introduce more intensive agricultural production with the use of agricultural implements and fertilizers and, finally, to introduce marketing facilities for the increased agricultural production.

The use of agricultural implements and the improved transport communications to market centres for agricultural products require repair and maintenance facilities for implements and vehicles. Depending on the size of the region to be developed, a certain number of standardized workshops should therefore be established to offer these services required.

These workshops could be run by managing mechanics and staff from that region who previously received special training in small-scale business administration in servicing and repair of agricultural tools and automotives.

The establishment of a number of standardized workshops will reduce the unit cost and, at the same time, facilitate national and international financing and will rationalize personnel training as well as establishment and supervision of these units.

/ ...

5. COST ESTIMATE AND DURATION

Although the project cost partly depends on the scale of the project, total costs may be in the order of about

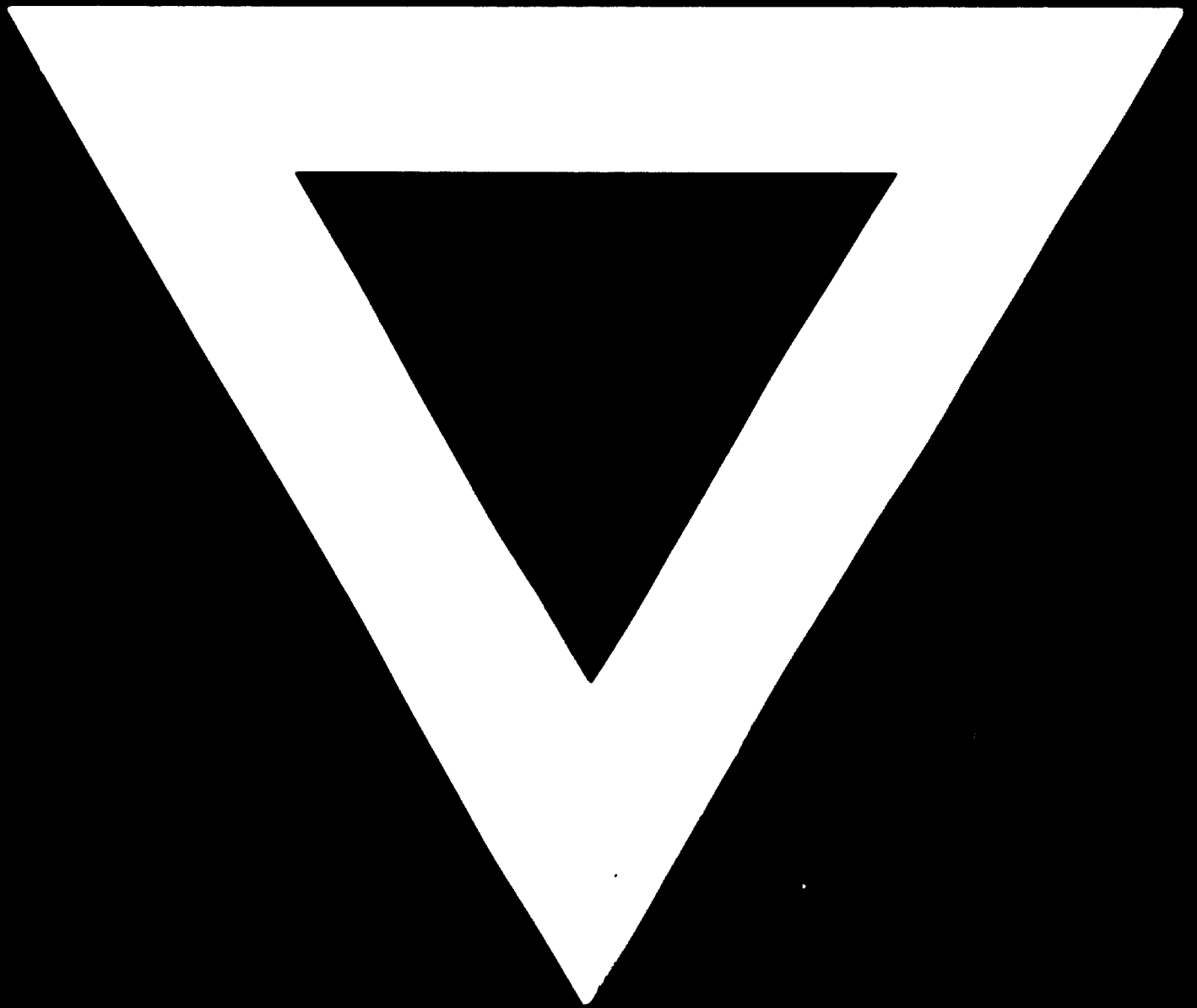
US\$ 750,000

about half in local currency. The first part of the project may last about 24 months; after two years of workshop operation, the follow-up of performance and the elaboration of recommendations on further development may require another four months.





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