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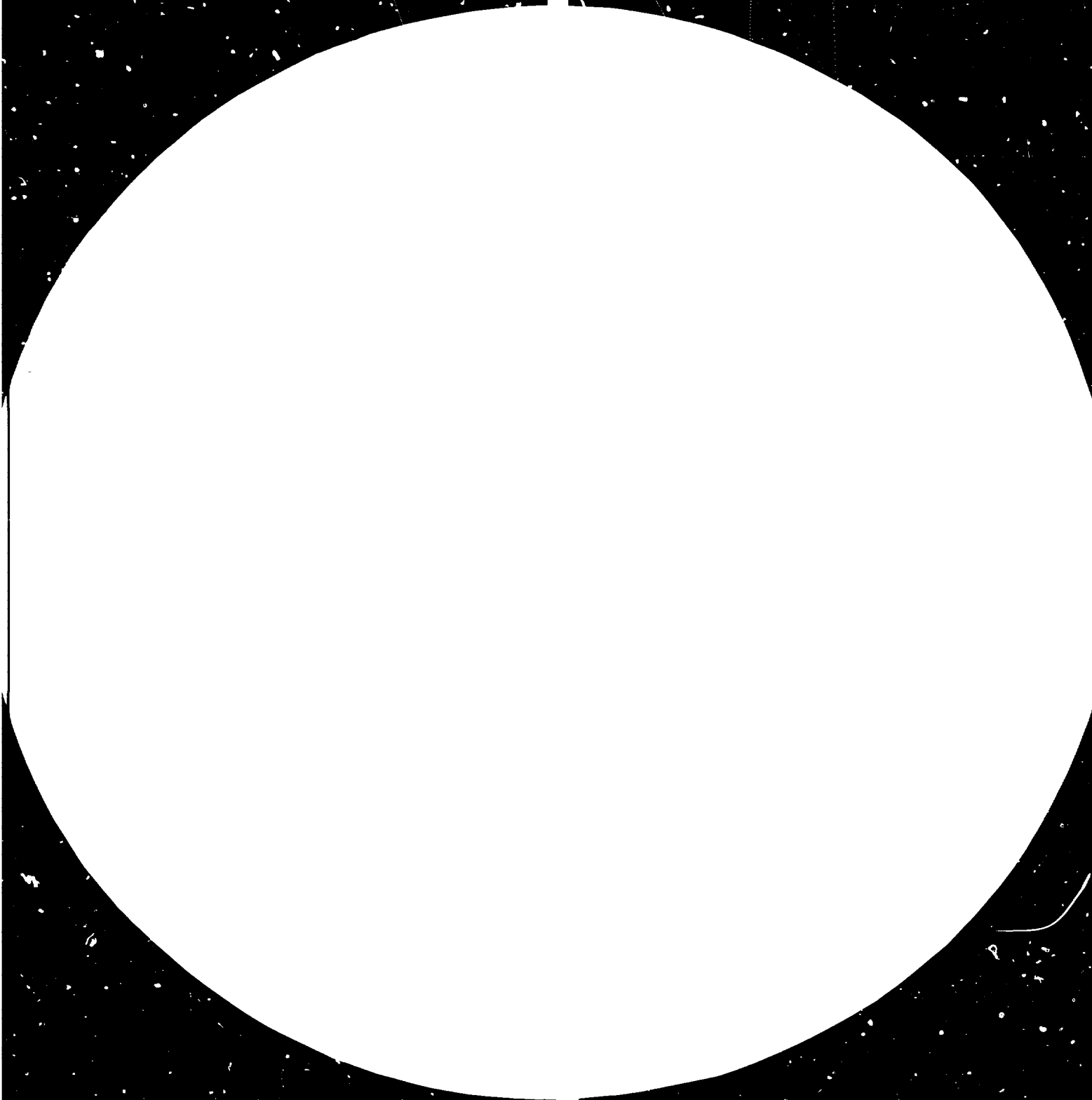
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Preparatory Meeting of Directors of
Industrial Development Finance Institutions (IDFI)
on the Creation of a Technological Information
Exchange Network (TIEN)

Bridgetown, Barbados, 26 - 28 January 1982

SOME CONSIDERATIONS ON THE
POSSIBILITIES AND FEASIBILITY OF ESTABLISHMENT OF
THE TECHNOLOGICAL INFORMATION EXCHANGE NETWORK (TIEN)
FOR THE USE BY THE
INDUSTRIAL DEVELOPMENT FINANCE INSTITUTIONS (IDFI)*

Note prepared by the secretariat of UNIDO

* This document has been prepared without formal editing.

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INTRODUCTORY REMARKS

The primary purpose of the Industrial Development Finance Institutions (IDFI) is to provide financing to a variety of projects often related to manufacturing activities, thus in different industrial sectors. It is obvious, that the IDFI, in order to provide financing on whatever terms, will have to carefully analyse the project package, not only from the financial and economic points of view, but also look into the technical and/or technological areas to ascertain that the selected technology, as an important component of the project, is most appropriate for each case.

This technological assessment of the project or investment package, where very often, the ultimate feasibility of the project may be hidden, is the area where most of the IDFI at present have to and are relying on the services of outside expertise.

The complex assessment of technology on basis of which the project will be operating, including the terms and conditions of its supply, are crucial for the ultimate decision of the IDFI to finance individual investment.

However, unless the IDFI develop possibilities of independent technological assessment of the investment projects, they will be dependant either on the data provided by the potential investors or on the judgements of outside expertise, which may not always be available nor be completely impartial. This is particularly valid in the cases of IDFI with limited industrial financing activities.

SCOPE OF INFORMATION REQUIRED FOR THE IDFI

The investment package which is being evaluated by the IDFI, usually contains quite substantial technological parts, particularly, if it is related to the industrial activity.

Depending on the nature of the project the technological inputs may consist of the following:

- equipment and machinery;
- turn-key plants;
- process know-how;
- engineering and consultancy services;
- drawings and blueprints;
- others.

From all the above mentioned "categories" of technological inputs, it is relatively easy to identify the minimum required information which would enable the IDFI to undertake, if not fully, then at least, the initial technological evaluations. The information may consist, minimum, of the following:

- (i) alternative technologies/processes available;
- (ii) alternative sources of supply;
- (iii) experiences of the source of supply in other similar projects;
- (iv) technical parameters, guarantees, warranties;
- (v) terms of transfer/acquisition;
- (vi) modalities of transfer (outright purchase, leasing, licensing, etc.);
- (vii) requirements of additional inputs (raw materials, components);
- (viii) capacity to absorb;
- (ix) training of manpower.

It goes without saying, that most of the IDFI's at present, neither possess sufficient capacity to carry out such technological assessment on their own, nor have a reliable and permanent line of access to this type of information, which as already stressed, may be most crucial to the overall performance of the individual projects to be financed. This, naturally, is particularly true for the IDFI of limited industrial financing activities. It is also believed that such technological evaluation could minimize the risks of the borrower. Finally, it should be kept in mind that as the technology of today and of the future is expected to become more and more complex, the technological evaluation of the investment package should possibly become a permanent feature of the IDFI activities.

It should be stressed that the evaluation work of the kind described above should be oriented towards two goals:

- (a) To provide advanced services by the IDFI to individual project proposals (as a part of the overall project evaluation);
- (b) to provide advanced services by the IDFI to individual project promoters within their scope of operation.

It should also be borne in mind that such activities would and could enhance the development and strengthening of local technological capabilities of the country.

SOURCES OF SUPPLY

Provided that the principal idea of the establishment of TIEN is accepted, one should answer the basic question, how and from where will the information be collected and disseminated among the IDFI.

It is possible to identify two major sources of information for the purpose of TIEN, and namely;

(i) the IDFI themselves;

(ii) UNIDO's INTIB.

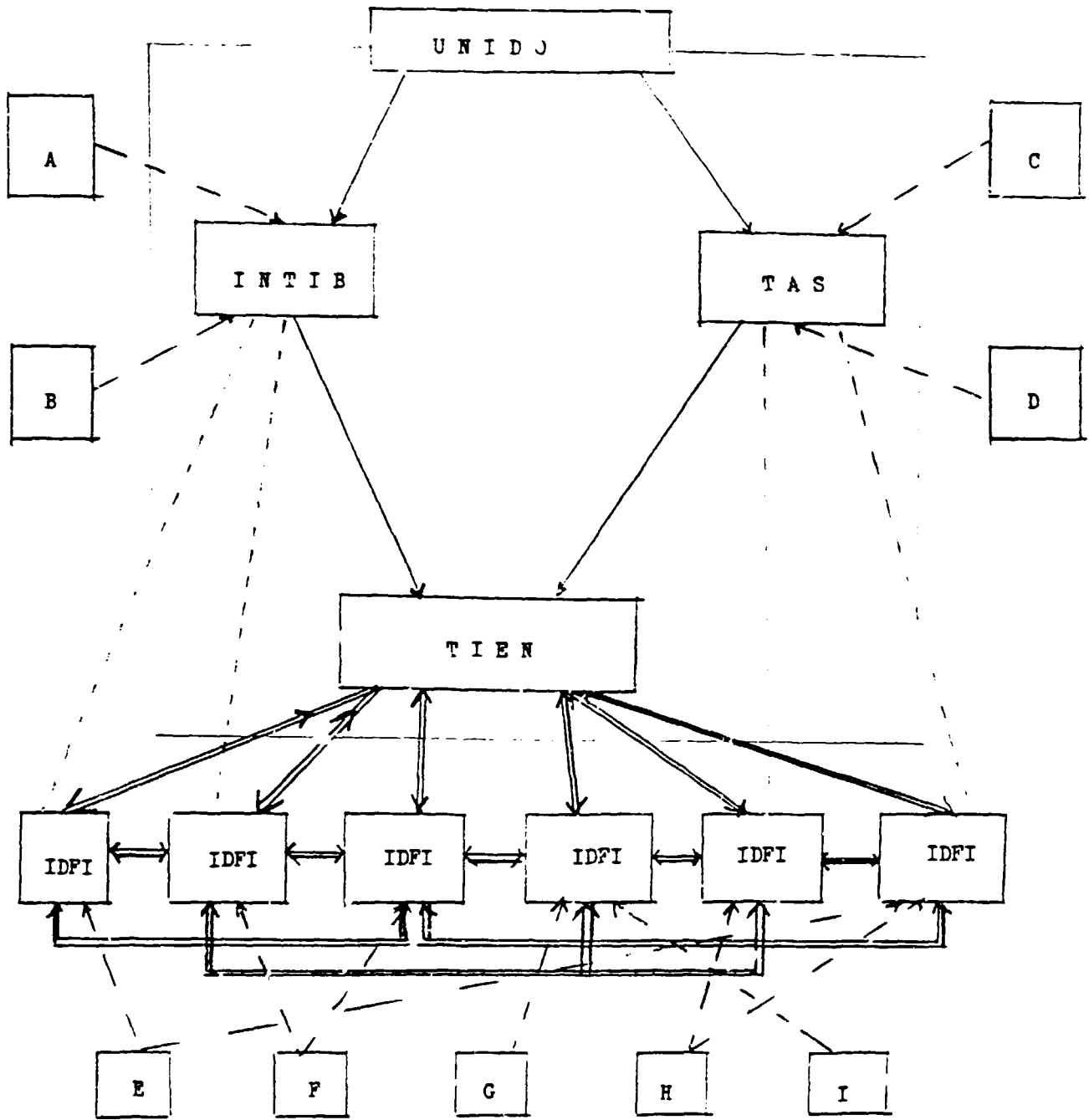
Practical and useful information is usually in the possession of the IDFIs, and once an agreement on TIEN is reached, the collection and - dissemination of such information may be initiated.

UNIDO INTIB is in a position to provide complementary inputs in terms of an alternative source of supply of technology including its basic characteristic, the requirements of technology in terms of additional inputs and some information concerning the absorption capacities.

It would also be mentioned that UNIDO operates the Technological Advisory Services (TAS), which upon request, provide impartial advice on contractual negotiations of major industrial investments, which may be also used by TIEN members in certain instances.

The attached graph illustrates the supply and dissemination of information within TIEN.

Technological Information Exchange Network
Scheme of modus operandi



LEGEND: A → I — secondary sources of information
——> inputs of information (by IDFI, secondary sources, INTIB, TAS)
⇔ Outputs/inputs of TIEN system to/from IDFI's

SCME CONSIDERATIONS AS TO SCOPE AND MODE OF OPERATION OF THE TIEN

The TIEN should operate on a basis of individual membership of the IDFI based on mutual confidentiality and reciprocity with UNIDO serving initially as a clearing focal point organizing and facilitating the exchange of information.

As a start, it is suggested to take a stock of all industrial projects financed by the IDFI of, let's say, the last two years and then keep it updated on a basis of a continuous supply of information.

It is suggested to frame TIEN on a project by project basis, eventually identified according to standard industrial classification.

For the purpose of an efficient operation it is proposed to standardize information sheets, which eventually may be fed into the computer for easy storage and retrieval.

Inputs will be provided by individual IDFI participating in the scheme, complemented by UNIDO's INTIB and then disseminated among the IDFI.

It is therefore suggested that in each participating IDFI, a liaison officer be nominated, preferably in full time basis, for the purpose of collection and dissemination of the information for TIEN. Such focal point will also serve as a reference point for customers of IDFI and for purposes such as evaluation of individual projects.

The membership of TIEN should be opened to all IDFI which are willing to provide requested information and pay the agreed membership fee.

The role of UNIDO and UNIDO's INTIB will be to complement the information initially received from the IDFI, according to a pre-arranged scheme, and then disseminate complete information sets to all participating organizations. Initial codifying and computerisation work should also be done by UNIDO.

For the sake of further clarity, the UNIDO Secretariat prepared a draft example of the information sheet which would be exchanged among the IDFI and which would serve as a basis for the establishment of TIEN.

The information sheet should be discussed and an agreement reached as to its format, etc. during the present meeting.

As can be seen from the above, there will be internal as well as external costs (point C - inputs from INTIB). While it is difficult to estimate the internal costs of the operation at present, it is suggested that UNIDO will initially finance, from its own resources, the preparation of software and codified information sheets, whereas the external inputs from INTIB may be estimated at ca. 5,000 \$ annual fee per IDFI.

FINAL CONSIDERATIONS

It is hoped that the above considerations will form the basis of further discussions and expanded as necessary at the present meeting.

To summarize, the present meeting may hopefully exchange views and decide on the following issues:

- (i) whether TIEN system should be established at all;

- (ii) if TIEN is to be established, whether the scope of information, as foreseen on page 2 (i - ix) is sufficiently covering the requirements, and could be effectively exchanged.

It is suggested, that if the IDFI find it initially difficult to provide such information, an agreement should be reached on the narrowed down scope of information to be exchanged for the initial 1 or 2 years of operation;

- (iii) whether the modus operandi of TIEN, including the inputs from IDFI, INTIB and mutual, reciprocal exchange of information is acceptable. (See also graph of operation);
- (iv) whether IDFI will agree by 30.06.1982, to establish a special liaison for TIEN purposes;
- (v) whether the information should be collected for the past two years to build up the stock, or only start from ongoing projects;
- (vi) should the information be collected and disseminated on basis of biannual reports or more or less frequently;
- (vii) whether the participation fee as envisaged in the present document could be acceptable;
- (viii) that the UNIDO Secretariat prepare a final design of the TIEN system to be provided to participants by mid 1982;
- (ix) that participants agree that the initial operation of TIEN will last for a period of 3 years (till January, 1985);
- (x) to decide on the next meeting of TIEN members or potential members, the time, place and subjects to be taken up.

TECHNOLOGICAL INFORMATION EXCHANGE NETWORK (TIEN)

Preliminary Individual Project Data Sheet

Project title: _____

Country: _____ Product: _____

IDFI: _____ Date of execution: _____

TYPE OF INPUT:

(i) equipment, machinery: _____

(ii) turn-key: _____

(iii) process know-how: _____

(iv) engineering/consultancy services: _____

(v) drawings and blueprints: _____

(vi) other: _____

ACTUAL SOURCE OF SUPPLY:

ALTERNATIVE SOURCES: _____

Firm: _____

Address: _____

Previous experience of
the supplier: _____

Basic Technical Parameters: _____

Warranties: _____

Guarantees: _____

TERMS OF TRANSFER: _____

(i) down payment: _____

(ii) instalment: _____

(iii) L/C: _____

(iv) credit: _____

(v) royalties: _____

(vi) fees: _____

MODALITIES OF TRANSFER:

(i) outright purchase: _____

(ii) licensing: _____

(iii) lease . _____

(iv) franchise: _____

(v) joint venture: _____

REQUIREMENTS FOR ADDITIONAL INPUTS: _____

Raw materials: _____

Components: _____

Spare parts: _____

Absorption capacities: _____

Special requirements: _____

Comments: _____



