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Meeting of high-level experts on the
formulation, planning, negotiation,
implementation and monitoring of multinational
industrial projects in Africa

Vienna, Austria, 25-29 September 1989

REPORT*

* This document has not been edited.

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INTRODUCTION

1. The meeting of high-level experts on the formulation, planning, negotiation, implementation and monitoring of multinational industrial projects in Africa was held at Vienna (Austria) from 25 to 29 September 1989.
2. The objective of the meeting was to advise the Secretariat on the critical issues to be considered in the identification, formulation, planning, negotiation, implementation and monitoring of inter-country industrial projects and multinational industrial enterprises, and to advance proposals to that effect. That advice would help the Secretariat to refine the proposals contained in a study prepared by the Secretariat, which would be subsequently translated into guidelines or a checklist that could assist African Governments, organizations and industrialists when formulating, planning, negotiating and managing multinational industrial enterprises. It could also assist African educational and training institutions concerned with the development of African capabilities related to the above-mentioned activities.

I. PARTICIPATION

3. The meeting was attended by high-level experts and eminent persons drawn from Governments, organizations and business enterprises in different parts of the world who attended the meeting in their individual capacities. Experts from relevant African regional/subregional organizations, United Nations agencies as well as other international organizations, in particular UNCTC, also participated in the meeting.
4. The list of participants is attached as annex I to this report.

II. Agenda item 1: OPENING OF THE MEETING

5. The meeting was opened by Mr Domingo L. Siazon, Jr., Director-General of UNIDO, who delivered a brief statement, the full text of which is attached as annex II to this report.

III. Agenda item 2: ORGANIZATION OF THE MEETING

(a) Election of officers

6. The meeting elected Mr Mohammed Liassine to the office of Chairman, Mr Paul Etiang to that of Vice-Chairman, and Mr Allison Ayida to that of Rapporteur.

(b) Adoption of the agenda

7. The meeting adopted the agenda which is attached as annex III to this report.

(c) Organization of work

8. It was agreed to hold all discussions in plenary. Except for the morning of the first day, morning sessions were held from 0930 hours to 1245 hours, and afternoon sessions from 1500 hours to 1800 hours. No formal meetings were held on 28 September 1989, which was devoted to the preparation of the draft report and recommendations of the meeting.

IV. Agenda item 3: OVERVIEW OF MULTINATIONAL INDUSTRIAL ENTERPRISES
IN AFRICA

9. A representative of the Secretariat made an overall presentation of the main document prepared for the meeting. He drew attention to the difficult economic situation in Africa which has long been of concern to African Heads of State and Government and, indeed, to the entire international community. That situation had ultimately led to the adoption of the Lagos Plan of Action, the Final Act of Lagos, the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD) and to the proclamation of the Industrial Development Decade for Africa (IDDA). All those plans and programmes had placed particular emphasis on regional and subregional industrial co-operation, including the strengthening of subregional organizations and the establishment of multinational industrial enterprises.

10. Thitherto, multinational industrial enterprises in Africa had only enjoyed minimal success. Yet, given that most core industries were both capital- and energy-intensive, required complex technology and were subject to economies of scale, they had to be developed at the multinational or subregional level. That was all the more essential since socio-economic structures and levels of development in Africa as well as the region's financial and human resources were such that most countries were not in a position to carry out core projects alone.

11. It was therefore timely to take stock of the experience acquired in the establishment and operation of multinational industrial enterprises, and to advance proposals for consideration by African Governments, organizations and public and private enterprises. The issue paper (document ID/WG.489/2(SPEC.)) before the meeting focused on the following main issues:

- The importance of regional and subregional industrial co-operation and practical measures, including the establishment of multinational industrial enterprises, to achieving the objectives of such co-operation;
- Past experience in formulating, negotiating and establishing multinational industrial enterprises with a view to identifying the factors that contributed to their success or failure;
- Implementing multinational industrial projects, with particular regard to management structure, roles of participating Governments and board of directors, staffing (especially at the management level), technical operations, financial management, commercial/marketing arrangements, research and development, as well as staff training, welfare and incentives;

- Monitoring the formulation, negotiation and implementation of multinational industrial projects, including such considerations as the establishment of inter-State and national management committees, and internal monitoring systems;
- Proposals which could assist African countries, organizations and industrialists involved in formulating, planning, negotiating, implementing and monitoring multinational industrial projects;
- The role of African subregional organizations and international organizations, especially UNIDO, in assisting African countries, organizations and industrialists in carrying out the activities outlined above.

12. In supplementing the presentation by the representative of the Secretariat, the consultant that had assisted in preparing the issue paper indicated that despite the substantial effort made in promoting the development of multinational industrial enterprises in the African region, not much appeared to have been achieved. In some cases, past experience with multinational industrial enterprises had made them reluctant to participate in new projects. Air Afrique, Ciments d'Afrique de L'Ouest (CIMA) and the East African Community were cited as examples.

13. The consultant underscored that African countries needed to adopt a long-term approach, in a spirit of co-operation, to the development of multinational industrial enterprises. They should ensure that the projects were implemented and managed both efficiently and profitably. Agreements on the development of multinational industrial enterprises should be entered into when it was fully recognized that the commitments entered into would bring about long-term advantages leading to the integration of, and beneficial structural changes in, the economies of the countries concerned. Particular emphasis was placed by the consultant on the need for detailed appraisal of the projects and realistic rationalization of the assumptions and projections. In that regard, international organizations, such as UNIDO, could provide useful advice on evaluating the studies.

14. The management of African multinational enterprises called for improvement. Their present poor management was related to the manner in which their directors and management staff had been appointed. Ministers of State and public servants had often been nominated to senior management functions. Although they might be competent in their own fields, they often did not have the business orientation and relevant professional experience to manage multinational industrial enterprises. Furthermore, they were also often too busy to devote adequate attention to managing the enterprise. In that regard, the quota system did not appear to be the most suitable way of selecting the candidates.

15. African countries and Governments needed to encourage their nationals in the local private sector and the business community to participate, to a greater extent, in promoting the establishment of multinational industrial enterprises. In that respect, African industrial consultancy and engineering capabilities and services should be given stronger support. It was doubtful whether African regional and subregional organizations had been sufficiently responsive to the needs of African countries in the promotion of multinational

industrial enterprises, while international organizations could well display greater responsiveness. In that respect, African countries and organizations should exercise greater initiative and seek advice and assistance from those organizations.

16. In the general discussion that followed, the importance of industrial co-operation at the regional and subregional level was stressed. Industrial co-operation was no longer merely seen as an option for Africa, but as a necessity in many situations. Since some of the subregional organizations were still weak, they had to be strengthened so that they could take up the important role they had to play in promoting the establishment of multinational industrial enterprises. In some cases, it might be desirable to establish new institutions for that purpose.

17. The establishment of multinational industrial enterprises implied co-operation among States and enterprises. Co-operation was seen to be problematic by nature. Dramatic results could not be realized in the short term. Co-operation, however, would be greatly enhanced if it emphasized areas of common interest and recognized areas of difference. The validity of that approach was borne out by the experience of other regions, some of which were currently enjoying considerable success despite initial difficulties.

18. It was of paramount importance that the political will so firmly rooted in such declarations as the Lagos Plan of Action and the Final Act of Lagos in favour of regional co-operation should be translated into full political commitment by establishing multinational industrial enterprises. Commitment of that kind involved a clear appreciation of the environment in which those enterprises had to operate and the motivations governing their establishment. It also involved a full understanding of the implications of often irreversible decisions to establish such enterprises and of the benefits to be derived from their establishment.

19. It was also necessary to be fully familiar with the production processes involved; free movement of persons, goods, services and financial resources; steps towards harmonization of monetary, trade and economic policies; as well as customs regulations. That held particularly true for partners (countries) of different sizes, with different languages and administrative structures and at different levels of development. Furthermore, there had to be a clear understanding of the enterprises' objectives, as well as of their critical manpower development and technology requirements.

20. Support for multinational industrial enterprises has been clearly demonstrated in many African countries. Various attempts had been made to establish such enterprises. It was noted that most African countries were interested in short-term and rapid results, hence they preferred "turnkey projects" which were often large-scale in nature and capital-intensive with complicated technologies. Such projects, however, soon encountered problems owing to the high turnover of Government administrative personnel and the lack of institutional memory. Those problems were further accentuated when the enterprises were set up as public enterprises. It was considered desirable to secure the greater involvement of the African private sector in the development, establishment and management of multinational industrial enterprises. It would also be desirable, and indeed appropriate, to include small- and medium-scale industries.

21. When establishing multinational industrial enterprises, consideration had to be given to human resource requirements and due account taken of advances in technology, including the rapid developments in transport and communications systems. With regard to technology support arrangements, it was essential to ensure that the enterprise, during its operation, got all the necessary technological support on a continuous basis. That might be in the form of continuous human resources development (training), industrial information, testing and quality control, productivity and environmental monitoring and research and development needed for technology absorption. For that, necessary and appropriate linkages had to be established between national, subregional and international networks and strong co-operative arrangements within the region would have to be conceived.

22. Invariably, the minimal results achieved hitherto were attributable to failure to take various factors, including those cited above, into account during the process of establishment. As a result, certain countries were reluctant to participate in new ventures. At the same time, many countries were becoming increasingly introspective, a trend that engendered economic nationalism and sovereignty as opposed to economic co-operation and integration.

23. On the other hand, lessons derived from other subregions could be usefully applied to improving the preparation, appraisal, implementation and operation of multinational industrial enterprises in Africa. Furthermore, the wealth of information available within international organizations, whose assistance could be more effectively co-ordinated, would be of use to African countries and organizations in that endeavour.

V. SUMMARY OF DISCUSSIONS ON SPECIFIC ISSUES

A. Agenda item 4: CRITICAL CONSIDERATIONS IN FORMULATING, PLANNING AND NEGOTIATING CO-OPERATION ARRANGEMENTS AMONG AFRICAN COUNTRIES IN THE ESTABLISHMENT OF MULTINATIONAL INDUSTRIAL ENTERPRISES

24. In introducing chapter II of the issue paper (document ID/WG.489/2(SPEC.)), the consultant summarized the points to be considered when formulating, planning and negotiating co-operation arrangements related to the establishment of multinational industrial enterprises. He emphasized that in a multinational context, industrial projects, which were usually initiated at the national level, had to be identified with particular care for a variety of reasons that had been cited in the issue paper. The scope of a project might well exceed the means of the country initiating it, thereby motivating that country to invite others to contribute. It was also essential that the country in which the project was located should clearly stipulate the objectives of the project and other parameters in a pre-feasibility study. Information of that kind was of paramount importance to potential partner countries. Furthermore, since it involved a serious decision, any invitation extended to other countries had to be sanctioned at the highest possible level in Government.

25. Once the invitees had at their disposal all the basic project information, they should study the matter seriously before coming to a decision (at the highest possible level) to participate. After agreeing in

principle to co-operate in the promotion of the project, all the parties would have to enter into preliminary discussions on all aspects of the project. Those discussions should result in a decision to undertake a fully fledged feasibility study covering: macro-economic considerations; financial aspects; economic, technical and marketing analyses; as well as human resource, environmental and organizational aspects. Upon completion of the feasibility study, a second round of consultations should be conducted to discuss the findings in detail. If the study established the economic, technological and financial viability of the project, a recommendation would be made that a decision be taken, at the highest level in the participating countries and/or enterprises, to proceed with the project.

26. In the discussion on the objectives of multinational industrial enterprises, the question of profitability was underscored. While it was recognized that a positive economic rate of return and financial profitability were desirable long-term objectives, those considerations should not constitute the main criteria for a decision to establish a multinational enterprise. Equally important considerations were the social and economic benefits to be derived from the enterprise. Furthermore, in the interests of efficiency, appropriate financial arrangements would have to be made to ensure that the cost of those social benefits was appropriately funded so that the enterprise could operate profitably.

27. Following the introduction, the meeting discussed the subject in general terms. It was considered desirable for all parties in a multinational industrial enterprise to have a common understanding of the term "multinational industrial enterprises". To that end, the meeting attempted to define the term. Whereas it was recognized that the definition might differ for individual enterprises, it was generally agreed that multinational industrial enterprises were projects that were jointly developed by a number of countries and/or enterprises and entrepreneurs in a number of countries. That co-operation could take the form of equity participation; access to larger markets; provision of management support or technical expertise; and shared the responsibility for sponsoring and promoting the development of the project in its entirety. That general understanding of a multinational industrial enterprise, it was agreed, should be reflected in the arrangements related, in particular, to the legal, marketing, financial, managerial and technical aspects of the project. It was agreed that the amended definition of multinational industrial enterprises should be adopted in subsequent considerations.

28. The above understanding notwithstanding, it was emphasized that multinational industrial enterprises had an important developmental role to play. They were not seen to be an end in themselves, but a means to an end, the end being the transformation of the participating countries' economies. It was therefore important to understand the characteristics of a multinational industrial enterprise and to have a clear perception of its objectives and mode of operation. It was also important to understand the nature of multinational industrial enterprises as distinct from other industrial projects. Their distinctive features included: pooling financial, human and other resources for the development and transformation of the economies of the participating countries; promoting their physical integration; and providing an economic base for meaningful political co-operation.

29. The meeting also emphasized the fact that the establishment of multinational industrial enterprises should be based, first and foremost, on co-operation between African countries, enterprises and entrepreneurs. External partners should be sought only in a second stage. However, given the low technological capacity and limited know-how and financial resources in African countries, external expertise would, in some cases, be needed when operating the enterprises. It was thus necessary to strengthen through, inter alia, on-the-job training, Africa's human resources, technological capabilities and support services such as research and development.

30. Since many industries in Africa were operating at low levels of capacity utilization, the scope of some could be expanded so as to become multinational industrial enterprises. Enterprises in different countries could also enter into co-operative arrangements, including sub-contractual and market-sharing arrangements, so as to ensure higher levels of capacity utilization. That applied in particular to sub-contractual arrangements between large-scale and small- or medium-scale enterprises. The meeting stressed that the establishment of multinational industrial enterprises should not constrain, but rather enhance the development of national industries and encourage the development of satellite and ancillary industries.

31. Discussion also focused on the increasingly significant role that the private sector in Africa could play in the promotion and development of multinational industrial enterprises. It was recognized that the private sector was still in its infancy and required considerable support if it was to assume such an important role. In addition to the pronounced support measures already being given to the promotion of indigenous entrepreneurial capabilities, it was also considered important to identify special measures to secure the effective participation of those entrepreneurs in the development of multinational industrial enterprises.

32. The following suggestions were also advanced in respect of specific paragraphs in the issue paper.

Paragraph 4

The list of core industries identified should be expanded to include: industries contributing to infrastructural development, including transportation and communications; the conservation of the environment; and the improvement of human health.

Paragraph 10

The first sentence of the paragraph should be amended to read "multinational industrial enterprises are projects the development of which a number of countries, enterprises and/or citizens of different countries are involved".

Paragraph 11

The paragraph should be expanded to include other essential features, such as employment, and foreign exchange savings or earnings.

Paragraphs 13 and 14

It should be clearly indicated that a firm decision to proceed with the establishment of multinational industrial enterprises should only be taken, when there was a real possibility of mobilizing the funds required.

**B. Agenda item 5: MANAGEMENT AND OPERATION OF
MULTINATIONAL INDUSTRIAL ENTERPRISES**

33. In introducing the agenda item, a representative of the Secretariat indicated that the issues under consideration were covered in chapters III and IV (paragraphs 32 to 92) of the issue paper. He highlighted the main activities associated with the implementation phase of the project, i.e. the phase between taking a decision after the feasibility study to proceed with the project and the commissioning of the enterprise. He emphasized the need to identify clearly the entity responsible for project implementation, as well as the need for careful negotiations with the technical partner.

34. Particular attention also had to be devoted to the agreement between the project partners. Partnership arrangement should provide for the equitable distribution of costs, benefits and liabilities, as well as specify the different levels of management responsibility. A most crucial aspect of partnership agreements related to financial arrangements. Equally important were the marketing, management and technology support arrangements, as well as the legal, technical and commercial considerations.

35. With regard to financial arrangements, it was particularly necessary to specify clearly the various project items (physical inputs) and estimate the value of financial contributions in kind. Other costs relating to the promotion of the project, including the cost of pre-investment studies, had to be considered along with equity capital contribution, loan capital and credit facilities. Quite often, operational costs were not budgeted for.

36. Concerning marketing arrangements, it was essential to identify clearly the market(s) for the final product. Those might be concentrated on both the local markets (i.e. markets in the co-operating countries), and where feasible, on external markets. For example, the difficulties faced by such projects as the Ciments de l'Afrique de l'Ouest (CIMA0) and the Société d'Exploitation des Industries Chimiques du Sénégal had stemmed from failure to study the market situation adequately.

37. An important aspect of the operation of multinational industrial enterprises related to their management. Management arrangements, at the level of the board of directors and at the level of the enterprise, were crucial to success. Special care had to be taken when appointing members of the board, top executives and other managerial staff. External interference in the enterprise management had to be avoided.

38. The legal considerations related, in the main, to the legal personality of the enterprise, its shareholdings, and the rights and privileges of its staff. Attention was also drawn to a number of legal agreements/documents that had to be concluded.

39. With regard to the technical and commercial considerations, the role of local engineering and technical consulting firms was stressed. In addition to training sponsored by a group of multinational industrial enterprises, each enterprise should develop and operate its own training programme, with particular emphasis on on-the-job training, especially for maintenance and production operatives, as well as middle managers. The main commercial considerations related to ensuring the competitiveness of the enterprise's products on both the local and external markets, not only in terms of price but also of quality.

40. In the general discussion that followed, it was emphasized that the effective management and operation of multinational industrial enterprises were critical to their success. Although African countries disposed of some trained manpower, they generally lacked management skills. As a result, most African multinational industrial enterprises were largely managed by foreign experts. Therefore, every effort should be made to mount accelerated and intensive training programmes for local management cadres and industrial entrepreneurs.

41. It was noted that the prospect of setting up project engendered great enthusiasm. Once the plant was commissioned, however, that enthusiasm seemed to fade away. It was therefore necessary to accord serious attention to the project once it had been commissioned. Indeed, that stage of the project cycle called for detailed attention, especially in terms of technical operation and maintenance, while financial management had to be assured. Support institutions and services, such as research and development organizations and marketing agencies, could provide significant technical inputs.

42. With regard to the management of multinational industrial enterprises, it was emphasized that the enterprises should enjoy autonomy and be free to make their own decisions. Although many existing institutions had been established as autonomous bodies, they were in fact subject to significant external interferences. It was imperative to define clearly the respective responsibilities of the co-operating partners, board of directors and the enterprise management.

43. One approach to managing multinational industrial enterprises that was advanced for consideration was the matrix system of management based on the concept of management by objectives. Another approach, especially in those instances where more than one enterprise was involved, was to establish a holding company. The latter approach offered the advantage of a common administrative management for the group of enterprises as a whole, while having the component companies located in the different member countries. Such a company would have to develop the necessary supervisory management and evaluation capability from the investor's viewpoint, without getting involved in day-to-day management decisions.

44. The above approaches, in common with other management systems, depended on the individual: thus, human resource development and training were considered crucial to the management and operation of multinational industrial enterprises. Practical on-the-job training and retraining through the project life of the project were essential, as they enabled the enterprise to keep

abreast with advances in technology. It was also necessary to pool skills and provide incentives that nurtured a greater spirit of co-operation and enhanced the value of the individual employee.

45. While profitability was seen to be an essential indicator in the management of multinational industrial enterprises, it was not to be considered the sole criterion for assessing enterprise performance. Other parameters, such as social and economic benefits and contribution to development objectives, had also to be taken into account. Whereas profitability was applicable mostly at the micro-level (project or enterprise level), other criteria were applicable largely at the macro-level. It was noted, however, that macro economic and development objectives needed to be translated into financial terms, while the profitability criterion had to be applied to multinational industrial enterprises in order to attract capital. Certain support measures, such as subsidies and preferential treatment for products of multinational industrial enterprises were desirable during the early stages of the enterprise, yet they had to be limited to a certain period only.

46. It was also emphasized that a distinction had to be made between the efficiency of an enterprise and its profitability. Efficiency was a combination of several factors, such as the proper management of the physical inputs and timely execution of operations. The translation of those physical inputs and operations into financial terms would determine the overall efficiency of the enterprise which may not necessarily operate profitably in financial and accounting terms, especially in the short- or medium-term.

47. With regard to technology acquisition arrangements, it was also noted that the concept of upgrading or downgrading technologies was not always feasible. Increasing preference was being given to the development of technology based on clients' actual needs and requirements. In that regard, small plants possessed certain advantages over large plants. Those advantages might be considered when selecting technologies for multinational industrial enterprises. A multinational industrial enterprise needed to build up or to have access to a research and development team. The cost of such a team as well as the costs of other support services had to be considered an integral part of the investment cost.

48. It was also noted that some African Governments tended to discriminate against national entrepreneurs in favour of foreign investors. It was an illusion to expect that foreign investors would shoulder the major responsibility for the economic development of Africa. Experience, however, had shown that in fact the major responsibility of a country's development was borne solely by its nationals or its communities. The need to develop the entrepreneurial capability of African countries was thus seen to be a critical factor in the overall development process which, in turn, was fundamental to the creation of a favourable environment for the successful establishment of multinational industrial enterprises. That development would also help to improve mastery of the learning process and reduce dependence on external factor inputs.

49. The following suggestions were also advanced in respect of specific paragraphs in the issue paper.

Paragraph 37

The sub-title (C. Partnership Agreement) in chapter III should be appropriately amended to "Articles of Association" or "Memorandum of Understanding".

Paragraph 41

It should be emphasized that the inter-country agreement should be entered into long before implementing of the project.

Paragraphs 50 to 52

Attention should be drawn to the fact that African countries also faced constraints other than those listed, such as natural disasters.

Particular emphasis should be placed on the need for Governments to create the appropriate economic environment so as to encourage the establishment of multinational industrial enterprises.

Paragraph 63

Provision should be made for a situation where an international organization could become a technical partner of a multinational industrial enterprise. It should also be clearly stated that foreign technical expertise would be required only when necessary and if local expertise was not available.

Paragraph 67

The involvement of political appointees in the administrative machinery of multinational industrial enterprises should be de-emphasized, and appropriate emphasis placed on management being the role of non-political appointees with the requisite professional competence.

Paragraph 68

An element of technology unpackaging should be introduced into the technology acquisition arrangements in order to identify technology components that could be locally acquired.

Paragraph 79

Emphasis should be placed on other incentives, such as unemployment benefit, social security, health insurance, pension, repatriation of dividends and savings, and internal markets in the co-operating countries. Furthermore, the use of a price range as opposed to open market prices should be considered, and each of the co-operating partners should undertake to purchase specified minimum quantities of the product. Greater emphasis should be placed on a framework or a systems approach to multinational industrial enterprises.

Paragraph 83

Account should be taken of the problem arising from the fact that in some African countries, non-nationals were not allowed to own land. Provision should therefore be made for this situation since it had built-in complexities, especially in respect of investment possibilities for the indigenous landowners.

Paragraph 90

The first sentence should be modified so as to include production for the local market. Mention should also be made of the important role to be played by multinational industrial enterprises in the expansion of intra-African trade.

Paragraph 92

The monitoring system should be expanded to include an early warning system for market prices.

C. Agenda item 6: MONITORING THE FORMULATION,
PLANNING, NEGOTIATION AND OPERATION OF
MULTINATIONAL INDUSTRIAL ENTERPRISES

50. In introducing the discussion of the agenda item which was covered in chapters V, VI and VII (paragraphs 94 to 137) of the issue paper, it was indicated that the Secretariat had initially planned to convene a separate expert group meeting on monitoring multinational industrial projects. In view of the experts' wealth of experience and since monitoring could not really be separated from the identification, negotiation and implementation of multinational industrial projects, it was decided to include the subject in the present meeting. It was acknowledged that the information contained in the issue paper was inadequate and plans were being made to expand that information significantly, drawing on the suggestions made during the meeting.

51. It was emphasized that the effective monitoring of multinational industrial enterprises had to be situated within the framework of an overall monitoring system for economic development in general and the industrial sector in particular. It was therefore considered desirable for Governments to institute a national economic and industrial development monitoring system which would provide the overall framework for monitoring multinational industrial enterprises. Conversely, the results achieved when monitoring multinational industrial enterprises could contribute to monitoring the industrial sector as a whole.

52. The importance of to the monitoring process industrial information data and statistics which were presently deficient in Africa was stressed. Effective monitoring of industrial development and multinational industrial enterprises required the establishment of an efficient system for gathering and processing information and data and disseminating them not only to Government industrial enterprises, but also to private industrial entrepreneurs. The need for such a system was even more relevant in view of the rapid technological changes taking place in the world which needed to be monitored and brought to the attention of decision-makers at both the macro- and micro-level.

53. With regard to monitoring of multinational industrial enterprises, three specific levels were identified: (i) the level of operating partners; (ii) the level of the board of directors; and (iii) the level of the relevant enterprise itself. Such monitoring would require a variety of support services, such as accounting services, industrial training, including entrepreneurial capabilities, and consultancy and engineering services. In that connection, attention was drawn to the role that relevant African regional and subregional organizations and international agencies could play in monitoring multinational industrial enterprises.

54. In the discussion that followed, it was noted that the issue paper had included too many stages in the system of monitoring. The impression was given of a rather rigid and cumbersome system as opposed to a simplified and flexible system that should be advocated. Success depended on clearly establishing objectives and targets at various levels throughout the project cycle, as well as determining the explicit responsibilities of each of the major organs of the enterprise. Those responsibilities should be clearly specified in the monitoring system. The role of an efficient information system in monitoring was also stressed, since the introduction of such a system would permit the effective monitoring of training as well as the absorption and adaptation of technologies to local needs. Such an information system should provide for the acquisition of information from outside sources so as to facilitate comparison and objective assessment. While the confidentiality of certain types of information had to be respected, relevant information should be made available in the interest of effective monitoring.

55. While monitoring at the national level was essential, it was equally necessary to avoid impinging on the day-to-day operation of multinational industrial enterprises. Those monitoring multinational industrial enterprises should receive appropriate training, preferably before establishing the enterprise. Provision of training would facilitate the preparation and presentation of information, including financial audits, for monitoring purposes, thus simplifying the rationalization and policy-making processes, especially at the level of the board of directors. Monitoring the day-to-day operations of an enterprise should be left to management.

56. In discussing the role of African regional and subregional and international organizations in monitoring industrial development and multinational industrial enterprises in Africa, it was recognized that they should harmonize and co-ordinate their inputs more effectively. In the past, mutual competition and differences in approach had adversely affected the development efforts of the African countries and organizations. That notwithstanding, it was recognized that those organizations had an essential role to play and should increase and co-ordinate their assistance to the co-operative efforts of the African countries, accordingly. It was also recommended that the list of international organizations identified in the issue paper should be expanded.

57. In addition to the above general discussion, the following specific points were made in respect of the issue paper:

Paragraphs 94 to 97

The level of monitoring which was contingent upon the type of issues to be monitored should be clearly spelled out. A more progressive approach to monitoring should be adopted. Thus, the points highlighted in paragraph 94, which should normally have been embodied in the original execution programme, do not require any particular attention in the monitoring system. Emphasis should also be given to the adoption of a systems approach to evaluation and monitoring. That system should clearly define the method of presenting monitoring reports which should be based on the monitoring of actual physical inputs and support services. If those physical inputs were effectively monitored, it might not be necessary to hire an independent consultant.

Paragraph 101

The issues listed were more in the nature of problems, and bore little relation to monitoring or support services.

Paragraph 104

The institutions listed should be limited to institutions, the objectives of which corresponded to those of African countries.

Paragraphs 108, 110 and 111

Emphasis should be placed on the linkage that ought to be established between the various institutions listed in those paragraphs and multinational industrial enterprises. It was also necessary to establish an interface between those institutions in order to ensure that the training programmes offered met the practical needs of industry in general and multinational industrial enterprises in particular.

Paragraph 113

The proposed approach to consultancy services should be reviewed in the light of the requirements of African countries, and should include horizontal and vertical linkages as well as closer interface with industry and research and development organizations.

Paragraph 135

It was proposed to include the Conseil africain de la comptabilité and the Centre régional pilote de formation comptable en Afrique in Kinshasa (Zaire) among the institutions listed.

**VI. Agenda item 7: PROPOSALS FOR FUTURE ACTION TO
ENHANCE THE SUCCESSFUL ESTABLISHMENT OF
MULTINATIONAL INDUSTRIAL ENTERPRISES
IN AFRICA**

58. In introducing discussion on this subject, the representative of the Secretariat invited the meeting to advance proposals, based on its discussion of agenda items 3-6, that UNIDO should consider when elaborating follow-up measures to assist African countries, organizations and industrialists in the formulation, planning, negotiation and monitoring of multinational industrial enterprises. He indicated that the Secretariat had given some thought to the preparation of a checklist or guidelines, but was open to suggestions by the meeting not only in terms of the title, but also in terms of the priority issues to be contained in the checklist/guidelines or any other follow-up action plan recommended by the meeting.

59. He also invited the meeting to suggest actions which African regional and subregional organizations as well as international organizations, especially UNIDO, could carry out in order to assist African countries, organizations and industrialists at the follow-up stage. He stressed the fact that the checklist or guidelines would be widely circulated, along with the proposals and report of the meeting, for further comments prior to finalization and publication. He therefore saw the meeting as an important step in the series of actions being taken by UNIDO to bring about the successful establishment of multinational industrial enterprises in the region.

60. In the discussion that followed, it was acknowledged that the establishment of multinational industrial enterprises in Africa was a desirable undertaking. The issue paper prepared by the Secretariat contained useful ideas and constituted a good starting point. However, it needed to be revised in the light of the discussions during the meeting and new issues that had not yet been considered would have to be incorporated.

61. In the ultimate document, particular attention should be given to advancing convincing arguments in favour of establishing multinational industrial enterprises, so as to dispel any reluctance to participate on the part of Governments, enterprises and industrialists. Those arguments should clearly indicate the advantages to be derived from multinational industrial enterprises, such as the positive gains to all participating partners, the contribution to economic integration, harmonization of economic development policies in the participating countries, and the enhancement of intra-African trade.

62. The document should also clearly indicate that enterprises would be established on the basis of equitable distribution of costs and benefits among all partners. To that end, the possibility of establishing a number of projects linked to one multinational industrial enterprise and distributed throughout the member countries should be examined. Although located in the different participating countries, that multinational industrial enterprise and the component projects would be owned by all the countries through an appropriate mechanism, such as a holding company.

63. A clear distinction should be made between national industries and multinational industrial enterprises, and links should be established not only between multinational industrial enterprises, but also between them and projects in other industrial subsectors and sectors of the economy. In that

regard, the document should also highlight the role of regional/subregional organizations in the promotion of multinational industrial enterprises. It would thus be desirable to evaluate the performance of existing organizations and compare the performance of large enterprises with that of small ones, as well as compare performances in monolingual and multilingual environments.

64. As for the title of the ultimate document, the following alternatives were proposed: (i) Steps to be taken in the identification, formulation, negotiation, implementation and monitoring of multinational industrial enterprises in Africa; (ii) Guidelines on the identification, formulation, negotiation, implementation and monitoring of multinational industrial enterprises in Africa; (iii) Multinational industrial enterprises in Africa: identification, formulation, negotiation, implementation and monitoring; and (iv) General framework for multinational industrial enterprises in Africa. The document should be determined by the needs and requirements of the target groups, i.e. private enterprises, countries and organizations. It should also indicate the fact that the development of multinational industrial enterprises is largely based on spontaneity arising from the need to co-operation rather than solely on classical methods of project identification.

65. The priorities to be listed in the document should include monitoring and support services. Monitoring should be organized as a system (as opposed to ad-hoc monitoring), with clear identification of the needs to be monitored and of the body doing the monitoring. This was essential since efficiency and success of the enterprise would be the determining factor that secured the continued interest and support of its sponsors.

66. Irrespective of its final title, the document should raise issues rather than providing a mere checklist. A possible compromise would be to have a document that provided an overall framework, examined the fundamental issues of establishing multinational industrial enterprises, and the details elaborated in an annexed checklist. It should pay special attention to the audience it was addressing. It should also contain developmental issues and an evaluation of past experiences, highlight problems and achievements as well as identify what had been done in other regions. It should clearly identify specific issues that would call for negotiations. Those included technology and marketing agreements, and the responsibilities of the country in which the project was to be located.

67. The document should pay particular attention to the objectives of multinational industrial enterprises as well as the institutional, legislative or legal framework for their operation, as opposed to the restrictive project-by-project approach. The document should also reflect the fact that some degree of protection would be required, especially at the initial stages, in the establishment of multinational industrial enterprises. Its partners would, however, have to agree on the rate of protection.

68. The document should provide a clear definition or understanding of a multinational industrial enterprise, describing the features that distinguished it from other industrial projects. The justification for multinational industrial enterprises should also indicate why multinational industrial enterprises was the best option. Thus, the evaluation leading to the decision in favour of multinational industrial enterprises should include economic, financial and other analyses and relate to technological sources. In that connection, caution had to be exercised in respect of the unpacking of technology.

69. It should also contain a detailed bibliography listing references to work on multinational industrial enterprises in Africa. It should also contain a computerized data base on laws and regulations in different countries pertaining to multinational industrial enterprises. Issues relating to double taxation, insurance protection and exchange restrictions should also be taken into account.

70. The document should adopt a more positive but realistic approach and be less critical of the African countries' efforts to promote multinational industrial enterprises. It was to be acknowledged that Africa disposed of significant competence that could be put to good effect in the establishment and operation of multinational industrial enterprises. The document should also indicate alternative approaches to launching multinational industrial enterprises, including rehabilitating, expanding or upgrading existing national projects to become multinational industrial enterprises. In that connection, care should be taken to guard against the possibility of projects being identified by foreign technical partners for purposes not compatible with local interests. Emphasis should also be accorded to small- and medium-size projects, as well as research and development and other support services.

71. The role of multinational industrial enterprises in the promotion of trade among member countries and vice-versa should be highlighted. The document also had to recognize that trade relations, regional and subregional co-operation and integration would be facilitated by enhancing production rather than solely the creation of customs unions. Due emphasis had also to be given to marketing, technical and legal considerations, while the responsibilities to be borne by the country in which the project was situated should also be clearly spelt out. The concept of a host country should be clearly examined so as to avoid creating the impression that one country had a preferential position over another. In that connection, it might be better to refer to the host country as the country in which the project was located, bearing in mind that the country playing the lead role in promoting the project might not necessarily be the country in which it will be located.

72. Whereas project development involves co-operation between States, enterprises and individuals, it should be recognized that by their very nature multinational industrial enterprises are better suited to co-operation between States. In that regard, political and economic independence are important, although many African countries are still economically tied to sources of aid or their former metropolitan powers, which had tended to influence their decisions. Nevertheless, the establishment of multinational industrial enterprises by private investors, either at the enterprise or individual level, should be fully supported and positively promoted by African Governments and their development agencies, as well as by the banking system.

VII. Agenda item 8: CONSIDERATION AND ADOPTION OF THE DRAFT REPORT AND RECOMMENDATIONS OF THE MEETING

73. At the final session of the meeting, the Rapporteur presented the draft report and recommendations of the meeting which he described as serving two main purposes. First, it constituted a summary record of the substantive discussions at the meeting. Secondly, it contained concrete suggestions for UNIDO to consider when elaborating guidelines to assist African countries,

organizations and individual entrepreneurs in formulating, planning, negotiation, implementing and monitoring multinational industrial projects in Africa.

74. The meeting discussed, revised and adopted the report. The Secretariat was requested to finalize it as soon as possible, in the light of the amendments introduced, and to ensure its wide circulation.

VIII. Agenda item 9: CLOSURE OF THE MEETING

75. At the closing session, the Chairman thanked the experts for having contributed to a very fruitful and successful meeting. The challenges facing Africa in the establishment of multinational industrial enterprises were both immense and important. The industrial potential of Africa was vast and its achieving the noble goals set in the Lagos Plan of Action, the Final Act of Lagos and the programme for IDDA called for close industrial co-operation among all Member States. The process of co-operation and complementarity would be greatly enhanced by increasing intra-African trade and by harmonizing the industrial and development programmes of the various subregional groupings.

76. He thanked the experts, the representatives of the international, regional and subregional organizations for their contribution to the success of the meeting. He paid particular tribute to UNIDO for the timely initiative taken in organizing the meeting and for the efficient manner in which it had been organized. He called on UNIDO and other relevant international organizations, especially UNCTC, to expand and intensify their assistance to African countries, organizations and industrialists in the establishment of multinational/joint projects. The full text of his statement is attached as annex IV to this report.

77. In his closing statement, Mr Domingo L. Siazon, Jr., Director-General of UNIDO, expressed his sincere gratitude to the Chairman and the members of his bureau for the excellent manner in which they had conducted the work of the meeting. He also expressed gratitude to all the experts for their constructive proposals which would greatly assist the Secretariat in its further work related to multinational industrial enterprises. He expressed satisfaction with the specific proposals that have been advanced. Given the pleas made for greater subregional and regional co-operation, he was confident that greater progress would be made and greater success achieved in Africa in the establishment of multinational industrial enterprises. That success, however, would depend, to a large extent, on the commitment of all parties concerned.

78. Speaking on behalf of the experts, Mr Visvesvaraya thanked the Director-General of UNIDO and his staff for having given them the opportunity to contribute to the work of UNIDO in an important area of its work. He also thanked the Chairman for the efficient manner in which he had conducted the meeting. He expressed the hope that the recommendations of the meeting would contribute to the efforts of African countries, organizations and industrialists in the establishment of multinational industrial enterprises.

79. The meeting was formally closed at 12.50 hours on Friday, 29 September 1989.

ANNEX I

**Meeting of high-level experts on the
formulation, planning, negotiation, implementation and monitoring
of multinational industrial projects in Africa**

Vienna, Austria, 25-29 September 1989

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ANNEX II

**STATEMENT BY
DOMINGO L. SIAZON, JR.
DIRECTOR-GENERAL**

**AT THE OPENING SESSION OF THE
MEETING OF HIGH-LEVEL EXPERTS ON THE
FORMULATION, PLANNING, NEGOTIATION, IMPLEMENTATION
AND MONITORING OF
MULTINATIONAL INDUSTRIAL PROJECTS IN AFRICA**

**Vienna (Austria)
25 - 29 September 1989**

25 September 1989

Your Excellencies,
Distinguished Experts,
Dear Colleagues,

I am most pleased to welcome you all to UNIDO and to this meeting of high-level experts on the formulation, planning, negotiation, implementation and monitoring of multinational industrial projects in Africa. I am very conscious of your many engagements and the pressures of time. I thus see your presence here today not only as a reflection of your interest in a very important subject, but also a manifestation of your commitment to industrial development of Africa and to the work of UNIDO. You are thus doubly welcome.

I trust that you have not encountered any difficulties in coming here. As a United Nations Agency our possibilities and resources are limited. We are unable to issue you first-class airtickets or to provide you with daily subsistence allowance commensurate with your status. These limitations even impinge upon the transportation arrangements that we can provide during your stay in Vienna. As people sharing our commitment to Africa's industrialization, I am confident that we can count on your full understanding.

Your Excellencies,
Distinguished Experts,

You will recall that the fundamental objective of the Lagos Plan of Action and the Final Act of Lagos adopted in April 1980, is the establishment of self-reliant and self-sustaining integrated economic and social development at the national and multinational levels, aimed at satisfying the basic needs of the peoples of Africa. When adopting the Lagos Plan of Action and in recognition of the pivotal role of industry in Africa's economic development, the African Heads of State and Government also proclaimed the period 1980-1990 as the Industrial Development Decade for Africa. A step that was subsequently supported by the international community when the United Nations General Assembly also decided to proclaim the Decade. This added strength to the emphasis placed in both the Lagos Plan of Action and the programme for the Decade on economic co-operation at the subregional and regional levels - as it is.

The programme for the Decade is aimed at putting into operation the industry chapter of the Lagos Plan of Action. It emphasizes the development of core industries such as agro-related, metallurgical, chemical and engineering industries since they provide effective linkages to other sectors of the economy. However, given that most core industries are both capital- and energy-intensive, require complex technology and are subject to economies of scale, it has been recommended that they be developed at the multinational or subregional level. This follows from the fact that in Africa today, socio-economic structures, levels of development and financial and human resources are such that most countries are not in a position to carry out core projects alone. National policies, plans and programmes have to be harmonized and co-ordinated at the regional and subregional levels. This holds especially for the establishment of core industries and similar multinational projects.

The feasibility of subregional co-operation and integration is patently demonstrated by such organizations as ECOWAS, ECCAS, UDEAC, CEAO, PTA, the Maghreb and SADCC. They have drawn up special protocols on industrial co-operation, and with the assistance of international organizations, notably

UNIDO, UNDP and ECA, they have taken steps to promote the establishment of multinational industrial projects. Indeed, some of them have adopted or are about to adopt a legal framework for multinational industrial enterprises.

In the light of the growing emphasis attached to the promotion of intra-African industrial co-operation, as well as on the basis of its work in Africa, UNIDO considered it appropriate to convene this meeting this week. After taking stock of previous work on this subject and an extensive exchange of views, it is hoped that the meeting will put forward proposals that could assist African Governments, organizations and public and private enterprises in the establishment and operation of multinational industrial projects. For its part, UNIDO will incorporate the results of the meeting in a checklist for use by African Governments, organizations and industrialists in the formulation, planning, negotiation, implementation and monitoring of multinational industrial enterprises. The checklist could also serve as reference or teaching material for universities and management or technology institutions in the region and so contribute to the development of capabilities in this important field.

Your Excellencies,
Distinguished Experts,

The promotion of industrial co-operation and multinational industrial enterprises in Africa is no mean task. This meeting is part of our contribution to the enormous effort already being deployed by African countries and organizations. We are confident that you will all rise to the challenge and draw on your abundant knowledge and experience in advising the UNIDO Secretariat on what you perceive to be the critical issues.

The meeting comes at a most auspicious time. African decision-makers have renewed their commitment to regional industrialization by proclaiming the period 1991-2000 as a second IDDA and 20 November as an Africa Industrialization Day. This commitment stems from the conviction that the only permanent and viable solution to Africa's economic crisis lies in effectively promoting industrialization and so helping the region to face the dynamic changes that are coming about as a result of increased regional integration and closer ties between major economic blocs.

Each African country must draw up and implement a sound industrialization programme within the framework of the programme for the second IDDA. Sound planning and firm initiatives of this kind will secure the understanding and co-operation of the international community whose support is also essential.

Industrial success hinges ultimately on regional and subregional co-operation. African leaders, planners, industrialists and educational institutions must therefore clearly understand the mechanisms and processes of industrial co-operation. This holds especially true for multinational industrial enterprises. The objective of this meeting is to contribute to those processes which, we hope, will lay solid grounds for the successful establishment and operation of those enterprises. We thus look forward with great anticipation to the results and recommendations of the meeting which will constitute an important milestone in the efforts of us all to secure the industrial future of Africa.

I wish you every success in your deliberations and a pleasant stay in Vienna.

ANNEX III

AGENDA

1. Opening of the meeting.
2. Organization of the meeting:
 - (a) Election of Officers;
 - (b) Adoption of the Agenda and Programme; and
 - (c) Organization of work.
3. Overview of Multinational Industrial Enterprises in Africa.
 - Importance of regional and subregional industrial co-operation in Africa;
 - Past and present experiences in the establishment and operation of Multinational Industrial Enterprises;
 - Constraints encountered;
 - Future prospects and practical measures for the successful establishment of Multinational Industrial Enterprises in Africa;
4. Critical considerations in formulating, planning and negotiating co-operation arrangements among African countries in the establishment of Multinational Industrial Enterprises.
5. Management and operation of Multinational Industrial Enterprises.
6. Monitoring the formulation, planning, negotiation and operation of Multinational Industrial Enterprises.
7. Proposals for future action to enhance the successful establishment of Multinational Industrial Enterprises in Africa.
 - Elaboration of guidelines/checklists on the formulation, planning, negotiation, operation (management) and monitoring of Multinational Industrial Enterprises;
 - Roles of African regional/subregional organizations and international organizations.
8. Consideration and adoption of the draft report and recommendations of the meeting.
9. Closure of the meeting.

ANNEXE IV

**Speech by Mr. Mohammed Liassine,
Chairman of the meeting**

Mr. Director-General, ladies and gentlemen,

We have now come to the end of this meeting, which has given us an opportunity to review the problems connected with the planning, negotiation, implementation and management of multinational industrial projects in Africa. We are glad to have been able to take part in this work and to have made a contribution to what may legitimately be regarded as an instrument for the industrial development of Africa, because we believe that such industrial development is the key to the development of the continent and that the development of Africa is one of the prerequisites for a properly balanced world.

Multinational projects, involving several States either directly or through their economic agents (whether public or private), represent a further means of action additional to the others already available; it was therefore important to consider what are the features that make this means of action most efficient, or in other words to see what are the situations in which the use of this instrument can provide a better solution - or make a solution possible. It has also become apparent that multinational projects may have advantages over national projects, for instance:

- for purely financial and commercial reasons, when the effects of the scale of the projects can make themselves felt, more particularly in the case of certain countries whose markets are small; or when certain countries need to be sure of having guaranteed supplies;
- for political reasons, as a means of giving practical effect to the establishment of regional or subregional communities.

The meeting has accordingly considered the situations which are likely to make recourse to multinational projects possible or preferable. It has also considered the practical ways and means of setting up such projects and has found that, in many respects, the rules applicable to the establishment of any national projects can be transposed to multinational projects, subject however to the following observations:

- the performance of a national project also depends on the capacity of the States to organize and direct their national economies, with particular reference to the relations between the State and the enterprises concerned;
- the performance of a multinational project accordingly depends on the capacity of each of the participating States to direct its economy - and is, in all probability, effectively determined by that of the least efficient country.

It has consequently become clear that this matter of the multinational project's relations with the States involved in it is extremely important. Another question which has appeared to call for particular attention is that of the international agreements by which multinational projects are to be governed - whether such agreements should be worked out one by one or on a more comprehensive basis, for example in the treaties governing the regional communities. Such agreements have to deal with entirely practical matters of substance, including the arrangements for the distribution, among the member countries, of the wealth generated by the multinational project. If the prerequisites for this are to be met, greater knowledge and more analytical instruments are required, including:

- estimates of the wealth to be generated by the multinational project - the whole question of the economic appraisal of multinational projects; nowadays we know how to make the necessary economic appraisal of a national project; we have to learn how to appraise multinational projects;
- ability to use the means for the distribution of that wealth efficiently - once the wealth has been estimated, its distribution would be easy if the bodies concerned in the multinational project were all public bodies; it could all be done by administrative decisions. But private bodies are involved, and it will be necessary to make use of means for indirect distribution such as taxation (customs duties, taxes on consumption, corporation tax, taxes on dividends, etc.). And we do not know how to use such means.

We therefore hope that UNIDO and UNCTC, to which we are already indebted for useful and informative studies, will decide to devote their energies to assisting in clarifying concepts and furnishing our countries with the means to deal properly with these questions concerning the distribution of the fruits of our common efforts; this will help to spread the idea that a multinational project may be beneficial - and fair - to all the participating countries, so making it possible to remove some quite substantial obstacles to the use of this instrument.

Mr. Director-General, ladies and gentlemen,

While multinational corporations may provide a ready instrument, however, we are well aware that they are only instruments. And the availability of an instrument, however perfect, cannot be sufficient for the achievement of the work. We should be deceiving ourselves if we imagined that multinational corporations are a panacea. Multinational projects provide a good way of dealing with the difficulties to which limited markets and problems of scale give rise. They do not provide a satisfactory way of dealing with other obstacles to development in Africa, more particularly for dealing with what we in Algeria call cost in development, that is to say the fact - which there is, for the time being, no getting round - that our countries are underdeveloped countries and that, when all is said and done, the distinguishing feature of underdeveloped countries is that the cost of any form of economic action is higher there than in the more developed countries; the proportion may vary but, unfortunately, it is often very much higher.

The useful instrument we have been discussing - multinational projects - is liable to prove disappointing when measured against the hopes for quick and thoroughgoing development which may be placed in it, unless we think deeply about the nature of the obstacles to the development of Africa. I therefore hope very much that the appropriate agencies (why not UNIDO and why not in connection with the IDDA?) will give thought to this question of the obstacles to the development of Africa and possibly decide to hold a meeting of experts similar to this one for that purpose.

On behalf of all those taking part in the meeting, Mr. Director-General, I have the honour to thank you for having given us the opportunity to make our contribution to the elaboration of means for the development of Africa, and to hand over to you the final report which has just been approved.