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OPERATIONAL GUIDELINES FOR THE DEVELOPMENT
OF INVESTMENT PROMOTION INSTITUTIONS

Part I: An African Survey and the Guidelines

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This report was prepared for ECA by William R. Millager, Consultant. The views contained herein are those of the author and do not necessarily reflect ECA's position.

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INTRODUCTION

1. African governments are committed to industrialization as at least a partial solution to certain common problems including foreign exchange shortages and unemployment. Officials are grappling with related problems such as small national markets and the scarcity of indigenous managerial, entrepreneurial and technical skills. There is a general desire to improve the terms under which new projects are established, and to increase the degree of African self-reliance with respect to management and entrepreneurial activities.
2. Analysts have studied the problems of African industrialization in depth. Policy proposals have been submitted to African industrialization officials for their consideration. African officials have hammered out and adopted industrial development strategy statements on national, multinational, and continental levels. This report seeks to build upon the foundation thus established by suggesting practical measures to translate the policies into action. The action focus of the suggestions is a broad operational concept of "investment promotion".
3. "Operational Guidelines" is designed to allow interested African officials to make use of selected results of ECA's operational programme of industrial development assistance. The manual is arranged in three main sections as follows:
 - (1) A tightly compressed set of guidelines for dealing with operational issues facing African officials responsible for accelerating industrial investment.
 - (2) Brief surveys of the investment promotion situations in a representative selection of 17 African countries.
 - (3) A compilation of case material: operational documents prepared in response to specific needs in particular countries or areas. The detailed cases illustrate current developments in the application of tested techniques for creating, strengthening and coordinating industrialization institutions.

N.B. Although reasonable care has been exercised in the preparation and editing of this document, no claim is made concerning completeness or accuracy. The case materials presented herein are based on operational measures proposed for adoption by governments and organizations in Africa. Their reproduction does not imply acceptance or approval of the proposals by the governments or organizations concerned.

OPERATIONAL GUIDELINES

4. This section contains pragmatic guidelines for use in dealing with a number of the issues which require resolution in the development of effective investment promotion machinery. These "operational guidelines" are based upon two years of exploratory missions and direct technical assistance assignments spanning a score of African countries.
5. Although a short observation time in absolute terms, two years represent a large fraction of the life of most institutions dealing with African industrialization. The process of institutional development has entered an extremely dynamic phase. A quantitative indication of this dynamism is the current rapid growth in the number of organizations devoted to, and in the quantity of resources applied to, the acceleration of industrialization. This is a most impressive and encouraging trend.
6. In many countries it is too early to see much result; the staffs are young and unseasoned (individually and as a team). Often a significant fraction of the staff seems to be abroad attending training courses. There is turnover, too; these young potential executives are much sought after. And many well paying jobs in development organizations are unfilled because there are not enough qualified candidates at any price. But skilled cadres are gradually being established. In five years of less the well managed groups will be formidable.
7. Some countries, unfortunately, have lagged in beginning the painful process. So there is a great continuing need for assistance in establishing new institutions and an even greater need for helping those which exist to focus their activities in productive ways. (It is too easy to find people doing unessential work and disinterested because they know it cannot have any real results.) Importantly, the "absorptive capacity" for assistance has greatly increased with the expansion of the institutional systems. And because the institutions and their tasks are becoming more sophisticated, the minimum quality level of technical assistance which can be effective has also risen markedly.
8. Since there is great diversity among ECA's 41 member States, it is easy to find exceptions to the applicability of almost any prescription. Nevertheless, there are central concepts that have shown themselves to be useful over and over again. It is these principles which are described in this section. The guidelines are intended to assist officials in planning, developing and coordinating their own institutions. The country surveys and illustrative cases in sections 2 and 3 provide additional background and further detail for more intensive consideration or reference, as needed.

^{1/} It will be seen from the cases in section 3 that ECA has begun to frame its follow-up technical assistance missions to apply the operational guidelines directly in its field work with governments and organizations.

INVESTMENT PROMOTION OBJECTIVES AND FUNCTIONS

Investment Promotion and the Operational Industrialization System (OIS)

9. To use this report the reader needs to understand what ECA means by investment promotion. In fact, it is occasionally asserted that promotion per se is unimportant; that, for example, "If you have well prepared projects, investors will seek them out; promotion is not necessary." ECA agrees that a narrowly defined promotion activity may be useless or worse unless it is part of an overall system of interrelated activities and institutions. ECA defines investment promotion as a broad stimulating and coordinating task which aims to mobilize all elements necessary to achieve practical investment results. A suitable statement of objective might be: "to promote the acceleration of industrial development on favourable terms and in quantities and types consistent with the national (or regional) development plan."

10. What are the "necessary elements" which investment promotion seeks to stimulate and coordinate? And what is the overall system referred to above? The system is the "operational industrialization system" (OIS). The OIS is described here, and its elements are listed, to indicate the potential scope and usefulness of an effective investment promotion institution.

11. OIS is defined as "the group of interrelated functions and institutions which act together to achieve practical results in the industrial development field." Exhibit 1 lists functions which may be considered to be part of the OIS. The functions are divided for convenience into four broad groups. Industrial Planning and Programming, Project Identification and Preparation, Project Promotion and Implementation, and Institutions and Resources.

12. Exhibit 1 does not address the institutional dimension of the OIS. It may be enough for this introduction to note that in most countries a number of institutions share responsibility for the functions. Often a single function is carried out jointly (with varying degrees of coordination, cooperation, and efficiency) by several organizations. The main point to be made here is that the OIS framework provides a simple, convenient, and potentially powerful analytical tool for use in devising, evaluating, and strengthening institutional and programmatic arrangements for accelerating industrial development.

Need to Embrace Exports Broadens Programme

13. It is becoming widely accepted that an industrialization strategy must encompass one or more forms of production for export to supplement or complement the simpler import substitution policy. The strategy may include intra-African trade and common market arrangements, as well as extra-African trade; entrepôt schemes and processing of traditional raw material exports are equally to be considered. This historically crucial shift in the direction and scope of industrialization should be warmly embraced because it multiplies the number of viable project opportunities. But at the same time it introduces major complications: its implications concerning technology, quality, cost and marketing skills are immense.

Exhibit 1

THE OPERATIONAL INDUSTRIALIZATION SYSTEM

Illustrative Functional Analysis (Country Level)

1) Industrial Planning and Programming

- Strategies and Policies
- Surveys
- Incentives and Climate
- Regulations
- Industrial Development Plan
- Objectives and Priorities
- Targets (e.g. export growth, proportion of local capital)

2) Project Identification and Preparation

- Identification of Opportunities
- Data Collection and Analysis (Market, technical, managerial, financial, and political)
- Prefeasibility Studies
- Feasibility Studies
- Project Description
- Project Packaging
- Project Appraisal (e.g. cost-benefit analysis)

3) Project Promotion and Implementation

- Investors' Guides
- Identification of Prospective Investors (including technological and managerial inputs)
- Attracting Prospective Investors
- Promotional Campaigns and Literature
- Overseas Representation
- Evaluation of Investment Proposals
- Negotiations
- Assistance to Investors
- Financing
- Consulting (e.g. Post-investment follow up)

4) Institutions and Resources

- Institutions
- Technical and Financial Assistance
- Manpower and Training
- Relationships (Internal and External)
- Coordination with Other Countries
- Progress Monitoring and Evaluation

14. Consequently, the investment promotion institution needs to be structured, financed, and staffed for the complex mission of implementing the broader, more sophisticated strategy.

15. The possibility of combining investment and export development operations in one institution may be considered. Logic suggests that operational benefits would be great, but the present specialization of government ministerial departments and technical assistance agencies may effectively block such a move for now. Premature attempts to combine the function could result in jurisdictional and "ideological" disputes that threaten disruption. In any event, as a minimum, the investment promotion institution will want to ensure that its programme and that of the export promotion agency are coordinated, because the opportunity for mutual reinforcement is an important source of "leverage".

Functions of the Promotion Institution

16. A representative listing, not necessarily complete, of functions which may be performed by the institution is the following:

- 1) Collect and disseminate information (data on domestic and export markets, sources of financing, costs, regulations, incentives, resources);
- 2) Identify and define projects^{2/} (diversification and expansion of industry and trade, both national and multinational);
- 3) Evaluate projects^{2/};
- 4) Prepare appropriate promotional literature, including project brochures;
- 5) Locate prospective investors/partners (local and abroad) for desired projects and industry segments; establish direct contact;
- 6) Assist prospective investors (answers, appointments, analytical and consulting services);
- 7) Represent prospective investors (to assist in completion of Government formalities);
- 8) Assist with integration of Ministries, Agencies and/or Governments concerned to further investment promotion results;

^{2/} It is not contemplated at this time that the investment promotion institution would normally prepare detailed feasibility studies or detailed technical evaluations of projects. See "What To Do About The Skill Gap" (page 8).

- 9) Represent the Government in initial negotiations with prospective investors; negotiate project plans and investment agreements consistent with Government policies and national interest;
- 10) Administer investment (and trade) incentives within policies established by the Government;
- 11) Interpret and make recommendations concerning the content of the industrial development plan (including export targets);
- 12) Define and advocate changes in or additions to existing policies and legislation to improve investment climate (e.g. investment and export incentives);
- 13) Co-operate with other public and private investment and trade promotion agencies;
- 14) Provide economical overseas representation.

17. In the beginning of the agency's life the staff will probably be too limited to undertake more than a few of the above functions. Top initial priority will be to implement one or more projects (See "How to Begin an IP Programme".) It is probably sound policy to concentrate initially on a limited number of specific project opportunities and to focus on establishing a "track record" of successful promotion as quickly as possible.

HOW TO BEGIN AND SUSTAIN INVESTMENT PROMOTION

How to Begin an IP Programme

18. If officials wish to begin a new investment promotion campaign or re-invigorate a lagging programme, two factors are critical for ensuring success. One is a source of powerful support, usually within the Government. The other is a nucleus of expertise. The most important expertise is entrepreneurial: the ability to see opportunities for combining available resources to produce results. Both skill and drive are needed -- ideally a quiet and persistent pragmatism backed by solid business and management experience and guided by a single-minded objective of obtaining investment results on favourable terms. These two factors are probably enough to allow the development of a self-sustaining programme to strengthen and stimulate the operational industrialization system.

19. It is frequently stressed that operational and financial independence are also essential for success of a promotion agency, and they are certainly ideals -- at least from the point of view of the investment promotion programme. But independence is relative. If total independence is insisted upon as an absolute requirement before work can be commenced, damaging conflicts and delaying maneuvers may be the principal results. The specific objectives, strategy, tactics and timing of a campaign for autonomy will require careful planning.

20. To repeat, a source of high level support and a nucleus of expertise are the basic requirements for success. Examples of detailed proposals and of various refinements are offered in the cases. But given access to the two essentials, a good working principle would be willingness to "begin small" in the interests of rapid payoff and to expand scope and size gradually.

Programme Goals and Priorities

21. The investment promotion institution needs specific goals and a work programme for achieving them. Quantitative goals should be tentatively established in terms of investment value, industrial sectors, export contribution, employment, and foreign exchange effects. Concurrently, information on the project development "pipeline", including existing and planned sectoral surveys, specific project studies, current construction, and planned or committed projects, can be accumulated and evaluated to determine specific follow-up actions. The short term goals may be modified, if necessary, in light of the evaluation.

22. Action priorities can be proposed at this stage in order to begin to balance the programme. For example, if the quantity of projects in the pipeline is clearly too small to approach the investment targets of the long range plan, it might be decided to place a high priority on the establishment of a "project generation task force" to begin filling the pipeline.

Availability of Suitable Projects

23. Development finance institutions in industrialized countries, and in Africa, insist that there is no shortage of money for investment in African projects, They assert that the limiting factor is the dearth of suitably prepared projects and of management teams which can command investor confidence. Yet in most countries surveys and sectoral studies have turned up numerous project opportunities over the years. But undeniably the pace and sureness of follow-up toward implementation leave much to be desired; for various reasons the project development cycle is often interrupted at the point where sectoral (economic) surveys finish. By the time "the system" has sensed the lack of forward motion in a particular case, the study needs updating. Project costs are then found to have escalated, technology and market tastes may have changed. Sadly, the original study investment was largely wasted, even though the kernel of the project idea still has positive merit.

24. The backlog of such unexploited project ideas is significant in many countries. It may represent a source of relatively quick payoff for the beginning of a systematic investment promotion campaign. Of course, one of the main strategies of an investment promotion agency is to ensure timely follow-up to exploit study results. The mechanism may be direct action or stimulating a development finance institution to lead the process toward implementation.

The Use of Foreign Technical Assistance Experts

25. As mentioned frequently elsewhere, there is an almost universal scarcity of African experts in technical, managerial, and entrepreneurial fields. To compound this difficulty, the catalytic functions of an investment promotion agency

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require a blending of skills and experience that can usually be found in sufficient numbers only in industrialized countries. Therefore, to the extent compatible with basic national policies, it is useful to recruit expatriates for some key staff positions during the initial phases of a programme. Multi-lateral and bilateral assistance agencies have generally seemed happy to support operational programmes of this kind.

What to Do About the Skill Gap

26. It is often heard that more good projects could be prepared and promoted in Africa if only enough specialized technical people could be made available. This statement is sometimes accompanied by proposals to establish sizeable technical departments comprising sectoral and sub-sectoral specialists who would prepare the needed surveys and projects.

27. Unfortunately, observation indicates that the probability of recruiting specialized technical staff competent to do detailed project preparation as full-time employees of a technical assistance agency or of an African industrialization institution is unacceptably low. Many projects prepared at great cost in time and money by staff experts fail to win acceptance at all or must later be completely re-done. It has simply not been shown practical to rely heavily upon this method.

28. An alternative or complementary course is available, one which has greater chances for producing the necessary quality and quantity of projects. Its principles are:

- 1) Accept the virtual certainty that specialists will remain in short supply in Africa throughout this decade. Design the project development system to accommodate the limitation.
- 2) Make full use of competent experts who are available.
- 3) Make sure your agency has the skill and confidence to manage short-term experts brought from outside: to brief them on local conditions; to squeeze the maximum of practical benefits from their work.
- 4) Adopt the technique of frequently defining projects only to an early prefeasibility level before identifying prospective project partners (technical, managerial, marketing, as well as financial). Shift the principal burden of detailed project development to the interested participants, while you maintain control by monitoring and evaluating. Technical assistance agencies can be used to support this process. The probability of implementation payoff for each dollar spent is much higher than through producing feasibility studies for a "stockpile". And the elapsed time to project implementation is likely to be much shorter.

Overseas Representation: When?

29. It is plainly evident that the establishment of overseas offices to represent the promotion agency must be timed so that the rest of the system is ready to respond effectively to contacts resulting from their work. If an office in Paris or Dusseldorf begins to channel orders or project inquiries that cannot be handled, the uncomplimentary reputation will be difficult to erase.

30. In general it is a good estimate that a year or two of preparatory work, e.g. project preparation, adjustment of incentives, and training of staff, will be required before the first overseas office can be justified. Interim substitutes can carry out specific limited missions quite adequately.

MAJOR SUPPORTING ACTIVITIES

Programming the Multi-sectoral Elements of an Investment Campaign

31. Although investment promotion agencies are commonly sponsored by ministries of industry, an investment development campaign in Africa inevitably depends heavily upon, and has interrelationships with, development programmes in agriculture, commerce, and transport, as well as the overall national planning system. There are also foreign affairs implications via external trade and multinational project considerations.

32. For the investment campaign to realize its full potential, there must be conscious coordination with these other efforts. Thus it is necessary at least to monitor development in the related fields. This is plain common sense; for example, a change in a road construction schedule could delay access to markets or raw materials needed for key industrial projects.

33. In a relatively comprehensive programme the agency may go further than monitoring. It may submit recommendations to ministries and other organizations regarding priorities, and recommend procedural changes to improve the climate for new investment. Case number two describes such a programming activity in the context of a national export development and investment campaign.

Rationalizing the Project Approval Process

34. Most industrialization officials can cite at least one project which won approval less through market and feasibility analysis than through the persuasiveness of a machinery salesman. Possibly the volume potential or the processing methods are inadequate and the project is condemned to be a "white elephant". Clearly, checks and balances are useful to guard against similar problems. But in some countries, repeated unsuccessful projects have led to over-reaction and resulted in near paralysis: any more new projects will have to undergo rigorous examination by numerous agencies and committees, each of which has an effective veto. The whole process may appear so threatening and time consuming to a prospective investor that he will refuse to try, unless direct, practical assistance is offered.

35. Here is a situation where the promotion agency may stimulate investor interest by easing the approval path for him. The agency can also be a prime mover in attempting to simplify the procedures and move toward a necessary minimum number of approval steps.

"Incentives"

36. Much has been written on the role of incentives in influencing investment decisions. Some states - both within and outside Africa - have seemingly tried to outbid each other with costly benefits. One is often led to wonder how some of the advertised concessions can be paid for.

37. No doubt the morality and practical value of such extensive and expensive measures will be debated for a long time. But there is a less publicized kind of incentive which can be used by many African states to improve their attractiveness in the investment competition without any cost. This is the general incentive area called "ease of doing business." If a state's rating is known to be low, the fact becomes a potentially crippling dis-incentive to new investment and to expansion projects. A key role of the promotion agency is to identify and recommend possible improvements in this loosely-defined but important area.

38. For example, does a resident foreign businessman have to have an exit visa for a specific trip abroad? Does he need police clearance to get the visa? What effect does this inconvenience have on prospects for persuading businessmen to locate African headquarters operations in the country? What risk is involved in modifying the regulations? The promotion agency will automatically learn about such cumulatively serious problems, if they exist; and it will have the facts with which to present a case for easing any non-essential restrictions.

Building Support for the Investment Promotion Programme

39. It has been stated that one essential for successful investment promotion is a source of effective high level support within the government. It may also be emphasized that understanding and enthusiasm for the programme among a cross section of business and government officials can have substantial payoff. One welcome result is that the path may be smoothed for the legislative and administrative actions needed as the programme unfolds.

40. One way to encourage such support is to provide a small but carefully selected representative board of directors for the promotion agency. Another is to create a large, broadly-based advisory council. The council should bring together private, parastatal, and government interests to speed communications, consultation and coordination concerning goals and means.

Inter-governmental Co-operation for Industrial Development

41. The need for rationalization of industrial development programmes among groups of African states has never been greater; and apparent opportunities for co-operative projects have been pointed out in considerable numbers. Yet all evidence points to continued severe problems - especially institutional and political problems - in the way of co-operative industrialization progress. News media frequently report favourable policy statements by prominent national officials and constructive initiatives by the secretariats of African economic co-operation organizations. But the sought-after physical fruits of the policies and initiatives have been elusive during a disappointing decade of repeated efforts.

42. Investment Promotion agencies will want to be aware of the opportunities to define attractive multinational projects which would not be viable without the expanded markets projected by combining national demand patterns. The agencies' most effective role may be to stimulate government officials to adopt pragmatic new approaches to the nagging problems of allocation and implementation. Cases six, seven and eight describe programmes designed to overcome the main obstacles encountered in recent unsuccessful efforts.

SURVEY OF THE INVESTMENT PROMOTION SITUATION IN SELECTED AFRICAN COUNTRIES

43. The following pages characterize the institutional setting for investment promotion activities in selected African countries. Based primarily on visits during 1970-1972, the summaries cover the following countries:

<u>West Africa</u>	<u>Central Africa</u>	<u>East Africa</u>	<u>Southern Africa</u>
Nigeria	Zaire	Ethiopia	Botswana
Ghana	Congo (P.R.)	Kenya	Lesotho
Ivory Coast		Uganda	Swaziland
Liberia		Tanzania	
Sierra Leone		Zambia	
Senegal		Malawi	

NIGERIA

44. The Second National Development Plan, 1970-1974, deals rather comprehensively with plans for industrial development. The Federal Government plans to spend about £40 million on capacity expansion during the plan period and the state governments expect to spend somewhat more. A number of major industrial projects are represented in the plan, including a paper plant, a chemical complex, fertilizers, an integrated iron and steel complex, automobile assembly, a second oil refinery, several agricultural processing plants, and expansion of the fishing and shrimping industry.

45. The Government will participate to the extent of 55 per cent in four major fields (iron and steel, petroleum chemicals, fertilizers, and petroleum products). A 35 per cent share (combined state and federal governments and local private indigenous ownership) is planned for plantations, food industries, forest product industries and building materials and construction.

46. The Federal Ministry of Industry operates an investment centre which is primarily concerned with the private sector. The centre was started in 1966 with US assistance, but its development was delayed by the war. Currently, there are about fifteen professionals, including engineers and accountants, on the staff. They do some prefeasibility studies, receive enquiries from prospective investors, provide information including the forms required to obtain government approvals, and maintain a registry of opportunities and prospective investors.

47. The centre relies on commercial officers in embassies overseas for its foreign representation. It is planned to expand the centre's operations, including the establishment of overseas offices.

48. The Ministry also has created, or is about to create, an Industrial Development Consultancy Service in conjunction with the Nigerian Institute of Social and Economic Research (NISER). Some £300,000 is allocated for the service over the next several years. There is a plan to develop a Nigerian Centre for Management Development with United Nations (UNDP/ILO) assistance. A request to UNDP for implementing the first phase of its establishment has been drafted by consultants. The programme of the centre differs considerably from the traditional pattern. It will have a planning and research division, a technical assistance division, and consultancy services division. The part which is innovative is the technical assistance division. Instead of organizing a programme of courses on its own account, the centre will provide assistance to existing institutions to train personnel, prepare course material, and perhaps to teach courses. It will second experts to the executing organizations.

49. There is at present no comprehensive management development programme in Nigeria, although a number of institutions, including the Ford Foundation, the Continued Education Centre of Lagos University, and the Nigerian Institute of Management, have provided courses from time to time.

50. The development plan identifies the following basic strategy for the manufacturing sector;

- The limits of import substitution have not been approached;
- It is desired to maximize the value added, not just the range of goods, through exploiting possible linkages;
- Thus there will be emphasis on intermediate and capital goods (this backwards integration is appropriate since currently 60 per cent of production is for final consumption).

51. In June of this year (1971), a long list of businesses was reserved exclusively for Nigerians. The list included retail trade, road haulage, and cinemas. At the same time additional businesses, including many manufacturing sectors, such as paper conversion and manufacture of bicycles, were required to have at least 40 per cent indigenous equity participation if the "fixed capital" is under £200,000.

52. It seems appropriate to consider the Nigerian industrialization institutions as relatively self-sufficient, since the economy is expanding rapidly and resources of the institutions are being augmented substantially. It will be very desirable to keep in close touch with the Investment Centre and with the projected Centre for Management Development to observe their development as possible models for adaptation elsewhere.

GHANA

53. Ghana's Capital Investment Board (CIB) was formed in accordance with the Capital Investment Act of 1963. Its board includes both government and private members. CIB is the government's investment promotion agency; it operates the Ghana Investment Centre in Accra and a branch office in Frankfurt, Germany. There are plans to establish a New York office, and possibly others. The professional staff includes 10 economists, engineers, and accountants; 14 more are planned. CIB administers the investment incentive laws.

54. Some progress has been made in attempting to simplify and centralize the administrative requirements for an investor. As of this year, there is a single form to satisfy the requirements of the Bank of Ghana (foreign exchange), the Ministry of Trade, Industry and the CIB (fiscal incentives). CIB distributes copies of the completed papers to the necessary agencies.

55. The National Investment Bank, established in 1963, had a total investment of 14 M NC at the end of 1968. The Development Service Institute (DSI), a division of NIB, provides consulting service to Ghanaian businessmen as well as carrying out the preparation of project feasibility studies and evaluation of project proposals for the Bank. DST has twenty professionals on its staff.

56. The Ghana Industrial Holding Corporation (GIHOC) was set up in 1968 to take over twenty state enterprises, most of which were in severe financial trouble. There are now 18 subsidiaries with 26 factories. The original value (cost) of

the assets was 53.9 M NC, but this is in the process of being re-valued downward. A UNIDO (SF) project of assistance to GIHOC has been in place for a number of years. Its original mission was a "rescue" operation, aimed largely at establishing financial control. As of the end of 1970, most of the remaining enterprises had at least been enabled to break even. The project now includes only two professionals at headquarters, twelve individual UN specialized experts in the divisions, and a number of short-term consultants (30 this year).

57. For the UNDP country programme beginning 1 January 1972 the UNIDO project emphasis will change. There will be a long range management training scheme for 150 top and middle management people worth about 50,000 NC per year (administration only) and the remainder of the project will provide a team of industrial engineers to deal with the implementation of a mechanical industries complex including a workshop to make equipment and to provide maintenance services for the other industries.

58. GIHOC is negotiating with the British government to provide some type of Industrial Management (consulting) Service. There is a tactical problem, since the board does not want a strong central headquarters for GIHOC, and a central consulting service could be seen as a means of exercising central control. (In fact, individual companies are now being spun off from GIHOC when their financial and managerial strength permits.) Hence the training scheme and the management services activities may be organized as separate divisions within the GIHOC complex, rather than as elements of the central headquarters.

59. The ILO project of assistance to the Management Development and Productivity Institute has mostly concentrated on management development through the presentation of short courses. The Phase II project will switch its emphasis to in-plant consultancy, with five broad-gauged experts.

60. On the subject of co-operation between Ghana and the Entente countries one official expressed the view that it was necessary to "get our own industries operating properly first", while others indicated that a strong desire exists at top government levels to make practical progress in co-operation; e.g., involving trade of manufactured goods.

61. Ghana's current drive to attract new industries, largely relying on outside private investment, is quite new. The professional resources being dedicated to the campaign, and the evident enthusiasm are considerable. The thrust is offset, in the view of some observers, by recent moves toward Ghanianization and alien expulsion, and by the persistent foreign exchange difficulties, as exemplified by a current 25 per cent tax on certain foreign exchange transactions.^{3/}

IVORY COAST

62. There is obviously a high level of all kinds of economic development around Abidjan. It is plain that French advisers and businessmen play a major role in the development activity. There is a UNIDO project of assistance to the Bureau of Industrial Development (BID) of the Planning Ministry. The project manager has been in place for a year, but has so far been able to recruit only one of five international experts provided for in the project. Besides the UNIDO team,

^{3/} This was before the recent currency devaluation.

the BID has foreign staff members from Germany, France and Italy. There are many projects in the promotion stage and money for investments is no problem. There is an effort under way to concentrate on export industries for European markets. Two existing examples are a Bata shoe plant and a confectionery.

63. There is a serious lack of Ivoiriens with technical or business training. Moreover the UNIDO project has so far been unable to find people to send overseas for the fellowships provided in the project. No business school yet exists at the university, but an advanced management school is to begin operations around the end of this year. A number of local industries run by Ivoiriens (e.g. a brickworks, a surgical dressings plant and foundry) are financially viable because of protection, but could benefit substantially from industrial consulting assistance, if it were really available.

LIBERIA

64. Liberia's GDP is approximately \$400 million. Foreign aid has been running at about \$20 million, but has recently been more or less completely offset by debt servicing, including voluntary repayments. With exports (primarily iron ore and rubber) at about \$200 million, there was a trade surplus in 1969 of more than \$80 million.

65. An industrial park has begun. It presently (1971) contains an oil refinery, a shoe and rubber plant, and a plastic products enterprise; a confectionery plant and a match factory are under construction. UNIDO/UNDP has been requested to provide \$1.9 million for further development of the park. The Liberian Development Corporation is closely attached to the Department of Commerce and Industry. Much of the work of its capable staff is devoted to performing project analyses for the Department. Hence a limited amount of new projects preparation and promotion has been possible to date. The Department has a brand new Secretary, who may be expected to establish new directions as he develops his programme.

66. The Liberian Bank for Industrial Development and Investment was established in 1969. It is empowered to lend funds, to purchase convertible debentures and to take equity participation. As of the end of 1970, its portfolio consisted mostly of loans and totalled less than \$2 million of which \$40,000 was classified as industrial. Uncommitted funds then totalled about \$1.8 million, of which nearly 90 per cent were in Deutschmarks. The Bank's President was absent on a mission to negotiate additional lines of credit with IBRD and ADB.

SIERRA LEONE

67. The principal agency for the encouragement of industrial development in Sierra Leone is the Ministry of Trade and Industry, which is very active in administering incentive provisions and dispensing information to prospective investors. Negotiations have been nearly completed (September 1971) with UNIDO for the provision of a short-term industrial programming mission to be followed by missions to develop specific industrial project proposals.

68. The Agriculture and Natural Resources Ministry has a number of agro-industrial project possibilities for which the groundwork has been done, but whose follow-up implementation seems to be lagging. (Examples: oil palm, copra, animal husbandry and abattoirs, a citrus plantation).

69. There is a UNDP Special Fund project which operates a planning unit attached to the Ministry of Development. Unfortunately, the original project chief died before taking over his duties. The Industry expert for the project then became the project chief, leaving industry uncovered. Now, after a year, he will shortly leave the project for personal reasons. Nevertheless, it is hoped that the UNIDO mission will work very closely with the planning unit to ensure that their work takes into account possible linkages between industry and agriculture, for example. The timing for such a mission is opportune; both industry and development officials are eager to capitalize on the enthusiasm which now exists for industrial development at all levels of the government.

70. The Minister of Trade and Industry expressed his interest in and support for the proposal to establish the African Investment Centre and to support it with joint UNIDO/ECA resources. It was also stated that ECA assistance might be sought in later stages of negotiations which were recently begun between Sierra Leone and Liberia concerning joint development activities in such fields as trade and industry.

SENEGAL

71. There is a UNIDO field adviser in Dakar who covers "Northwest Africa": Mauritania, Sénégal, Gambia, Guinea, and Mali. SONEPI (Société Nationale d'Etudes et de Promotion Industrielle) also has several UNIDO experts under a modest Special Fund project (\$0.5 million for three years). SONEPI appears to be managed very professionally and with a certain flair. It is a centre for encouragement of and assistance to Senegalese business. It was inaugurated in 1969 and has been very active in preparing general studies and specific project brochures, in financing some small industries (e.g. printing, baking, confectionery, bottles, a cinema, woodworking), and is providing training and consulting services.

ZAIRE

72. Industrial development in Zaire appears to have entered a self regenerating stage. Projections (mid-1971) indicated a planned expansion in industrial output of only 5 per cent a year with gradual increases in the rate, through 1975. But a brief analysis of projects approved for investment during 1970 indicates, even allowing for slippage and some "drop-outs", that a more likely estimate of the current rate would be between 10 and 20 per cent!

73. Industrial development appears to be in private hands, with the government functioning principally in a regulatory role. A UNIDO project has supplied several experts to analyze projects submitted for incentive grants. The UNDP five-year country programme to be approved at the beginning of 1972 included about \$2 $\frac{3}{4}$ million worth of technical assistance to industrial development. The proposed projects include: an industrial estate, development of the construction materials industry, central repair and maintenance of industrial equipment, industrial standardization and quality control, assistance to the Central African Industrial Research Centre, consultancy service for management training for small-scale industry, promotion of Congolese industry, a study of the prospects for further development of the copper industry, and a broad study of the status and future of industrialization. There is also a continuation of the project evaluation services connected with the administration of investment incentives.

PEOPLE'S REPUBLIC OF THE CONGO

74. Congo has a sizeable UN project of assistance to the state enterprises (3 years, \$1.3 million). This is an ILO project. The project manager has been in place for six months (September 1971); two experts are in place now and there will eventually be 10, including:

- financial (2)
- industrial economist
- marketing (2)
- organization
- maintenance
- logistics
- hotel management
- transportation

The project will concentrate its attention on 14 of 40 or so existing enterprises.

75. A related project being established by the UN Office of Technical Cooperation (OTC) from New York is one of assistance to the National Institute of Administration. This school has sections dealing with public administration, management of enterprises, and with economics and planning. It is intended to train some 1,500 people during the next five years, although the actual need is estimated to be closer to 4,500⁴. One concern of the institute is to increase the level of understanding between the administrative officials of the government and the executives of the enterprises.

^{4/} As one indication of the need for management training, it was estimated that some 60 per cent of the managerial cadres of the state enterprises are now foreigners. (However, a large textile mill near Brazzaville which seemed to be operating very near full capacity was said to have only two (Chinese) advisers.)

76. The potential for mutual reinforcement between these two projects was discussed, and it was agreed that close co-operation could increase the effectiveness of each. For example, by providing on-the-job training to executives in the form of consulting services, the performance of a state enterprise could be improved, while at the same time, it would be possible to gather case study material for the use of students in the Institute.

77. The technical co-operation officials of the government were very much interested in the possibilities of obtaining assistance from the proposed ECA African Investment Centre. It was pointed out that the type of mission just completed in Brazzaville by two ECA experts to prepare for the Abidjan project promotion meeting was an example of the services offered. There is a strong desire to secure a national investment centre for Congo. There is said to be great need to move ahead with various kinds of partnership arrangements in the industrial field although the necessary experience and resources to establish such arrangements are presently in critically short supply.

ETHIOPIA

78. A number of agencies share responsibilities in the field of industrial development and promotion. The Ministry of Commerce, Industry and Tourism has concentrated on regulation, statistics, and policy matters, including industrial development incentives. The Planning Commission, attached to the Prime Minister's office, has also been active in matters of strategy and has proposed certain project development procedures, including the establishment of an interministerial committee to consider each proposed project. A five-man team from the Harvard Development Assistance Service is assisting the Planning Commission.

79. The Technical Agency, attached to the Planning Commission, has acted as an ad hoc project preparation and evaluation group. An interministerial Investment Committee exercises statutory approval powers with respect to requests for incentives under the investment code.

80. A new tourism and hotels corporation and an agricultural and industrial development bank (AIDB) are becoming fully operational. Additional parastatal operations are the Coffee Board, the Livestock and Meat Board, and the National Resources Development Share Company.

81. Over the years numerous sectoral and project studies have been financed by bilateral and multilateral assistance sources, or performed by the Technical Agency. The rate of project implementation has been disappointing. It has been observed that since Ethiopia's natural resources are outstanding in many respects, some kind of institutional arrangements might need to be made to act as a catalytic agent to help speed up the development process and to try to improve the terms on which new projects are established.

82. Presently industrial promotion activities are moving ahead on several fronts. A revision and further liberalization of the Investment Code is in progress. AIDB has initiated an informal industrial programming activity to identify "high potential" projects. With some assistance from ECA it is undertaking a campaign to attract investor interest in specific project opportunities. The Ministry of Commerce, Industry and Tourism has conceived a national export development and investment campaign and has requested assistance to initiate an export promotion and investment centre within the Ministry. Initial proposals were being evaluated during the second quarter of 1972.

KENYA

83. The principal industrial development institutions include the Kenya Industrial and Commercial Development Corporation, the Development Finance Company of Kenya Ltd., and Industrial Promotion Services, Ltd.

84. A UNIDO/UNDP Special Fund project, the Industrial Survey and Promotion Centre, has been established within the Ministry of Commerce and Industry. Its authorized strength is fourteen professionals including seven internationally recruited experts. As of early 1972 it was functioning actively, although a number of the posts, particularly those of the counterpart experts, remain unfilled.

85. Until now most of the initiatives for new industrial projects in Kenya has been in the private sector (The Broderick Falls pulp and paper project was an exception). There are signs of increasing government efforts to further stimulate and to constructively channel the continuing industrial development.

86. One example of such initiatives is the creation of the Centre noted above. Another is Kenya's continuing participation in UNIDO/ECA/ADB-sponsored all-Africa project promotion meetings. In fact Kenya hosted one such session which was held in Nairobi at the end of 1970. A third indication is the fact that an ILO-led UN team was recently brought to Kenya to propose comprehensive schemes to increase Kenyan employment opportunities.

87. The World Bank has suggested a reorganization of the Kenya Industrial and Commercial Development Corporation. The present organization devotes most of its attention to commerce. One recommendation was the establishment of a specialized industrial development department.

UGANDA

88. In Uganda the Uganda Development Corporation has been the principal industrial development agency. Its efforts have recently been supplemented by the East African Development Bank, which is headquartered in Kampala.

89. In 1970 there was a wide-spread impression of uncertainty concerning the future of industrialization in Uganda. The announced requirement for 60 per cent government participation and government policies concerning geographical location of industries were seen as specific hurdles. The fact that Tanzania had made progress since its nationalization moves three years earlier was cited as evidence that forward motion would be regained, but a detailed new industrialization policy had yet to be evolved. Work on the industry section of the next five-year plan was temporarily stalled for this reason.

90. More recently a series of positive actions has been begun. The nationalization decree has been rescinded for the most part; UDC is apparently going to be subdivided into specialized holding companies (as in Tanzania); and a Uganda Development Bank is expected to be formed.

91. The newly prepared UNDP country programme contains an industrial promotion project. UDC is also receiving increasing UNIDO assistance for its current operations as well as for further project development.

92. A long planned industrial estate is now under construction and the Ministry of Commerce and Industry has made great progress in establishing a comprehensive data base and registry of existing and planned industrial projects.

TANZANIA

93. Tanzania has subdivided the National Development Corporation into a number of somewhat specialized holding companies. These include the National Agricultural and Food Corporation (NAFCO), the Tanzania Tourism Corporation (TTC) and the Tanzania Wood Industries Corporation (TWICO). Each has a new project development responsibility as well as an operational role. There is talk that NDC will be further subdivided in the interests of streamlining operations even more.

94. Another organization, the Tanganyika Development Finance Company is owned jointly by NDC, the Commonwealth Development Corporation (CDC), and German and Dutch Government-related investment companies (DEG and FMO). The manager is a former CDC executive. TDFC believes it has a viable place in the Tanzania development system because of its broad contacts among overseas investors. The company has about 35 million shillings in investments. There are eight executives including four expatriates. A Project Consultancy Department conducts follow-up activities and functions as a management assistance "fire brigade". There are presently two men in the department, and it is going to be expanded.

95. Recently, the medium and long-term portfolio of the commercial bank was transferred to and became the nucleus of a new development finance organization called the Tanzania Investment Bank. TIB became operational in 1971, inheriting 38 loans and a large number of applications. It is intended to "re-centralize" some of the financial responsibility which was dispersed by the partitioning of NDC. It has a role in project approval and operational supervision. TIB is not the sole source of project funds, since the parastatals may re-invest their internally generated funds. They may also receive government budgetary allocations for capital investments, as well as outside financing.

96. Although the parastatals and TIB discuss plans for new projects, all appear to suffer from a scarcity of top-flight executive cadres. The Government ministries seem less optimistic about short range expansion. There is talk about "consolidating". This is interpreted as meaning that unprofitable operations need to be re-organized before new projects can be accommodated.

97. Tanzania has an Industrial Studies and Development Centre (UNIDO/UNDP-SF) attached to the Ministry of Commerce and Industry. Its staff comprises fifteen professionals including seven expatriots and seven counterparts, most of whom are specialized experts, e.g. food technologists, textile engineer. This centre has been in existence for a number of years. It carries projects through pre-investment studies and then "parastatal and private developers take over".

98. Another Special Fund project, this time attached to Devplan, was beginning in the second quarter of 1972. It is called an industrial strategy project and is being performed under contract by the Harvard Development Assistance Service. One objective apparently will be to avoid the kind of "mistakes" that sometimes occurred in the past.

99. The NDC Development Division has undergone extensive personnel shifts. It is in the process of beginning an organized industrial programming and selection system on its own account. This is seen as a top priority activity because NDC projects compete for funding with those of other project sponsors.

ZAMBIA

100. Consumer price levels in Zambia appear (September 1970) higher than on the coast. Part of the difference is caused by long transportation routes. Government decisions reducing trade with Rhodesia and South Africa have put heavy if temporary burdens upon alternative supply routes for imports. The economy has been completely dominated by the copper mining projects, which have been producing about \$1/2 billion annually.

101. Through its control of the mines, the government enjoys a heavy flow of revenue, much of which is available for capital projects and industrial investments. An oil pipeline from Dar-es-Salaam to Ndola, the Dar-es-Salaam-Lusaka railroad (1975 completion), a new fertilizer plant and a textile factory are recent projects. An oil refinery at the end of the pipeline is projected.

102. A multi-tiered complex of industrial and mining enterprises called ZIMCO (Zambian Industrial and Mining Corporation) manages state interests in enterprises in a broad range of fields -- even including rural development. The policy is that the state must participate in all large and/or critical projects.

103. The government is fighting against the label and dangers of a one-commodity economy. One goal is to achieve near self-sufficiency in agriculture within five years (an ambitious target). The intent is also to achieve practical self-sufficiency within five years in those consumer products that can use local raw materials. The Ministry of Trade and Industry is busily analyzing opportunities for import substitution.

104. Investment promotion is pursued primarily through writing to leading manufacturers whose goods enjoy strong import demand and inviting discussions. There was interest in the kind of industrial programming and promotion projects which Kenya and Tanzania are embarking on. It was felt that trade commissioners and commercial attaches are not a powerful enough overseas investment promotion tool. There was interest in any feasible scheme to provide effective overseas representation at reasonable cost. The concept of an "Africa House" in industrialized centres was discussed as one way (though possibly impractical) of pooling resources to serve a number of countries economically.

105. Prospects for joining the East African Common Market are uncertain and no action is expected soon. An excellent analysis prepared by a professor at the University of Zambia effectively presents pros and cons. Since Zambia's income is already higher than those of Uganda and Tanzania it appears that Zambia would be expected to exercise a degree of "self-denial" on behalf of those two countries. The question of currency devaluation also arises because of the high internal price levels. Another complicating factor is Zambia's strong and long-standing drive for its own iron and steel industry and auto production. (Fiat has purchased land near Victoria Falls.)

106. Zambia is taking some moves leading toward trade and economic co-operation. Besides the joint projects with Tanzania, there is the road project to Botswana (U.S. financing), increasing trade activity with Swaziland (including some agricultural products, such as potatoes and citrus, formerly purchased from South Africa) and an increasing flow of trade with Congo Kinshasa (partly motivated by Congo's desire to reduce trade with South Africa). Zambia will probably be selling sugar, radios, and blankets to Congo by the end of this year.

107. The drive for industrialization is assisted by availability of large hydroelectric power potential. The Kafue project (Yugoslavian assistance) and Kariba North will put Zambia in a position to increase power exports to the Congo, at least for a time.

MALAWI

108. Malawi is very rich agriculturally but there are no known mineral resources except a marginal bauxite deposit. Industrial development has been relatively slow and the machinery for promotion is not highly developed.

109. The Government has encouraged trade and investment relationships with Rhodesia, South Africa and Mozambique "out of necessity". In fact, development of a new national capital at Lilongwe is being financed by South Africa. The degree of Africanization among key government posts appears relatively low. This is said to result from a government policy of refusing to appoint Malawians to the executive positions until there are "fully qualified candidates". There is an incentive to develop additional sources of government revenue to compensate for phasing out of British budget subsidies — going from £3.4 million (of total £14 million budget) in 1970 to nothing in 1975.

110. Since breakup of the Federation of Rhodesia and Nyasaland in 1965 Malawi has concentrated on import substitution — she even has a rudimentary radio plant. But now there is a need for export oriented investment. Agro-industrial projects are the natural channel. Pulp or plywood, fish products, pineapple canning are current prospects. Malawi has not had an industrial survey of the type being performed by UNIDO teams. There was interest in such a project in the ministry, which does not itself have a technical staff.

111. The Malawi Development Corporation may participate in a project in the amount of 10 to 40 per cent but such participation is not mandatory. The government policy is private enterprise. MDC has formed a Development Finance Company to emphasize "essential" areas where private investors may not be interested. MDC projects are limited more by availability of staff and well-defined projects than by availability of money.

112. One current private project is the production of tea chests which were formerly imported. Material for the chests is made by "peeling" eucalyptus logs from a plantation. The saving in foreign exchange is considerable, since about 300,000 chests a year (110 lbs. capacity each) are used.

113. There is, as in Zambia, no immediate prospect for Malawi to participate in a multinational investment centre. Officials were interested in the strategy of increasing investment flow through the parallel path of directly contacting investors at an early stage in project life.

114. Although the Malawi Government pursues a private investment policy it has recently moved into commercial banking and petroleum marketing with Portuguese financial backing. This, together with administrative decisions strongly favouring rapid expansion of these new government-backed enterprises indicates a possible shift in the future balance between private and public investment.

BOTSWANA

115. Before independence in 1966 the main industry in Botswana was the Botswana Cold Storage Board (meat packing plant). By September 1970 plans were ready to expand an industrial area at Gaborone and to establish another at Francistown.

118. Industrial development in Botswana has favourable prospects because of mineral developments scheduled to begin large scale operations during the next two to four years.^{5/} A current example of development arising indirectly from the mineral prospects is a \$125,000 tire retreading plant which will cater to the heavy equipment operators.

^{5/} One of these, a diamond project, is very impressive. Two descriptions, which must be regarded as hearsay, hint at the possibilities for changing Botswana's economy. One says that the kimberlite pipe in which the diamonds (mostly industrial) are deposited is a mile in diameter. "In fifty years we will have worked our way down only twenty feet." A second report estimates that annual production within five years may exceed \$250 million.

117. A Botswana Development Corporation (BDC) was formed early in 1970 to accelerate industrial development. Capital funds are being funnelled to the Corporation through an override on sugar imports from Rhodesia. This amounts to about \$700,000 per year. With initial capital of a similar amount, BDC estimates that it can participate in about \$14 million worth of projects over the next four years -- at the rate of about six projects per year. This is thought to be roughly the number of opportunities that the staff of four or five will be able to handle to the full depth of analysis desired.

118. BDC has been granted considerable independence and several of its policies have been questioned by some government officials:

- No project less than R20,000 (\$28,000 US) will be considered. The government, ~~not~~ BDC, should carry the burden of developing Botswanan entrepreneurs and managers.
- Routine discussion of objectives, plans, and priorities with government development and planning officers is not anticipated. BDC will receive government policy direction through its board of directors.
- BDC will "not be involved in management." To this end equity ownership will never exceed 49 per cent and will average about 25 per cent. In other words, "there will be no subsidiaries, only associated companies."

119. The Ministry of Industry, Trade, and Water Affairs is severely undermanned, although there is general agreement that the present skeletal staff is of extremely high caliber. An attempt is being made to establish and staff an "economic unit" with a commerce expert and an industry expert. Presumably the latter individual will conduct this Ministry's day-to-day relationships with BDC. A few expatriate staff positions are filled through aid and/or co-operation of the Overseas Development Institute and the British Board of Trade. Ford Foundation will likely sponsor the head of the new economics unit.

120. The Ministry attaches a high priority to the development of truly indigenous industries. The desire is to produce local managers and entrepreneurs as cadres for future self-generating growth.

LESOTHO^{6/}

121. The need for industrial development in Lesotho may be surmised from the following items:

- The value of imports is more than four times that of exports and the value of imports equals about one-half the GNP.

^{6/} Based on a September 1970 visit.

- Approximately one-half of the able-bodied male labour force resides outside the country and works in South African gold mines and collieries. The turnover of this "exported" work force is 100 per cent per year.
- The grazing land (stock raising is the predominant economic activity) is carrying twice its economical capacity.
- A government owned development finance corporation for small-scale industries (BAFED) is now essentially defunct.
- Out of one million people there are probably less than 1000 employed in manufacturing industry.

122. Following the "state of emergency" British aid was suspended; consequently there is no way to be sure what resources may be devoted to government programmes for industrial development. The Department of Planning and Development and the Department of Commerce and Industry hope to complete a five year industrial development plan by the end of this year. Reports by recent UNIDO and ILO missions provide considerable planning material. UNIDO is presently recruiting several experts, at the government's request, for follow-up in small-scale industry sectors. These experts will be under the direction of the Commissioner of Commerce and Industry (Ministry of Finance, Commerce and Industry, which also includes the Department of Planning and Development).

123. The Lesotho National Development Corporation (LNDC) has been in operation for two or three years. The impact to date has been significant. (There are a carpet weaving company, a candle making plant, a pottery, a tire-retreading operation, and a hotel/casino.) It appeared now that LNDC has caught on and will have a number of new projects moving soon, including a shopping centre, a second industrial centre and a housing project for expatriate management personnel.

124. LNDC has written and secured adoption of a very liberal pioneer industries law and a protection law. These, coupled with supplies of water and labour and access to the South African market through the customs union, provide strong incentives to outside investors. South African firms are most likely to find Lesotho attractive as a location for expansion plants, since a "made in Lesotho" label will improve exportability beyond South Africa.

125. Apart from small-scale industry, investment promotion is completely in the hands of LNDC. LNDC maintains virtual independence from government oversight except through its board of directors which is chaired by the Prime Minister.

126. There is concern in some quarters over what is said to be an increasing South African influence in Lesotho's technical and economic affairs. Key posts in the Ministry of Agriculture and in the central administrative apparatus as well as in LNDC are now held by South African technical assistance personnel.

SWAZILAND

127. Swaziland is the most developed, though the least populated (under 1/2 million), of the three independent Southern states. The recurrent budget has achieved balanced status (1970). Since independence in 1968 the hoped-for wave of new investment has not taken place. (The only significant new industrial project is a German-controlled brewery). Policy makers wish to reduce the presently heavy dependence on South African capital and managers by encouraging flows of investment from farther afield. To this end a "Swaziland National Development Finance Corporation" (not a firm title) is in final stages of formation.

128. For the first year or two SNDFC expects to pursue "targets of opportunity" from a wide ranging list of potential ventures compiled as a result of extensive contacts over the past few years. Many industrial countries are represented on the list of potential investors. "Modest" incentives for new investment are being considered. (They will not approach the level adopted by Lesotho.)

129. Bilateral trade agreements have been negotiated with Zambia, Kenya, Uganda, Tanzania, and Malawi. Swaziland is very much interested in negotiating a form of associate membership in the East African Common Market. She would like special trading concessions because of her geographical location.

130. The SNDFC director will be on the UN roles. It is hoped that some additional staff will be obtained through UNIDO. Capital is being sought from among a number of aid sources. Unfortunately both the British ODM and USAID have indicated that their aid will continue to focus on agriculture and education.

131. The government now defines the economic problem succinctly as finding jobs for 4000 new members of the labour force each year. Although Swaziland is agriculturally rich and major agricultural expansion schemes are coming into being, these generally represent productivity gains (e.g. via irrigation) rather than expansion in the size of the agricultural work force. Industry is thus relied on to provide a large share of the needed jobs.

132. A UNIDO expert has been assigned to define a comprehensive industrial development programme. His initial "scoping" of the situation - not yet fully drafted -- is impressive for its simplicity and clarity of concept, harmony with the existing agricultural basis of the economy, and evolutionary pattern of interlocking developments.

133. The scheme is conceived as a five year development programme. Its target is to create jobs on the order of the number estimated to be needed. It is ambitious in capital and manpower requirements. It requires a high degree of integration among some elements of the programme. Although most of the investment will be private, some key underlying portions are agricultural and will require concessional loans, grants, or subsidies. Large numbers of expatriate experts will be required. The whole programme will probably exceed \$50 million including roughly 15 per cent infrastructure investment. The implementation proposal will probably involve a central programme staff and sub-projects assigned to each important ministry.

134. A very dynamic small-scale industry project headed by a senior ILO officer has been in existence only six months but has made rapid progress. Through two specialized corporations and an office attached to the Ministry the project is converting a modest stake of \$100,000 into a string of specialized small-scale industrial estates in several parts of the country. A key to the project is the provision for technical extension and business advisory services as well as common buying and marketing facilities. This project has reached a stage where success is stretching the staff very thin.

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ECONOMIC COMMISSION FOR AFRICA

OPERATIONAL GUIDELINES FOR THE DEVELOPMENT
OF INVESTMENT PROMOTION INSTITUTIONS

Part II: Cases Illustrating Application of the Guidelines

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This report was prepared for ECA by Mr. William R. Millager, Consultant. The views contained herein are those of the author and do not necessarily reflect ECA's position.

CASE NO. 1 : A NATIONAL INVESTMENT PROMOTION CENTRE
Preliminary Project Proposal

CASES ILLUSTRATING APPLICATION OF THE GUIDELINES

This volume contains eight sets of case material reflecting operational measures adopted by, or proposed for adoption by, African Governments and organizations in response to specific investment promotion needs.^{1/} Some concern the establishment of new institutions; some deal with strengthening or coordinating existing ones. The first five cases are primarily national in scope, while the others are multinational.^{2/}

As indicated in the Introduction to Volume I these cases have been selected for their potential usefulness to industrialization officials. It is felt that they reflect a representative selection current developments in the application of previously tested methods to satisfy African needs in the African context. Direct and uncritical adoption of the practices and techniques described is not recommended. But field experience suggests that judicious combination of some of the operational elements presented in these cases may come close to defining worthwhile programmes for use elsewhere.

^{1/} Although not detailed in this report there are also a number of Africa-wide initiatives sponsored jointly or separately by ECA, UNIDO, and ADB, among others. One in this category is the expansion of the nucleus African Investment Centre now operating at ECA, proposed to be jointly backed by ECA and UNIDO.

^{2/} Most of the case materials have been slightly edited for publication in this report. In a number of the cases, to facilitate their use as illustrations of the operational guidelines, fictional names have been arbitrarily assigned to countries and organizations.

A NATIONAL INVESTMENT PROMOTION CENTRE

Preliminary Project Proposal

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A NATIONAL INVESTMENT PROMOTION CENTRE

1.0 INTRODUCTION

The Secretariat of the Economic Commission for Africa (ECA) proposes the establishment of a National Investment Promotion Centre (NIPC) in Country R.^{3/} It is felt that such a centre could accelerate investment results, and that its establishment would be a timely undertaking.

This document describes the proposed project and presents a plan for its initial implementation. The project emphasizes a pragmatic approach to achieve relatively early operation of promotion activities. It also features adherence to strictly limited promotion objectives to gain early success. It is intended that early results may serve to enlist support for extended operations later.

In its present form the proposal is tentative. Many important parts of the proposal are necessarily general at this stage. It is published for purposes of discussion and modification, as a means to allow Country R's government to judge the feasibility and attractiveness of the NIPC concept.

1.1 Objectives and Priorities

The broad objective of the Centre will be to further stimulate national industrial development. In particular it will seek to channel an increasing portion of domestic savings to industrial development and to accelerate the flow of foreign investment and technical assistance. Expected results are:

- 1) Concrete project promotion results (e.g. the attraction of new investment),
- 2) Strengthening and harmonization of investment climate,
- 3) Provision of a focal point for investment promotion activities within Country R,
- 4) Provision of overseas representation on an economical basis.

As detailed further in Section 3, top priority will be given to demonstrating the effectiveness of the Centre's operating methods through attainment of one or more promotion "successes" at an early date.

^{3/} ECA, in co-operation with other agencies of the United Nations and appropriate organizations in Africa and abroad, is implementing a programme to further stimulate industrial development in Africa. The programme is in accordance with Commission resolutions 153 (VIII) (5) and 203 (IX) 3(e) and the work programme adopted by the ninth session.

1.2 Background of the Investment Centre Project

This proposal is a direct follow-up to an ECA exploratory mission which visited Country R in 1970, and an earlier exploratory and fact-finding mission to Europe. During these missions, informal consultations were held with the Government; officials of international organizations such as UNIDO, FAO, and the World Bank Group; representatives of bilateral aid agencies; and public and private investment organizations. Discussions concerned the national industrial development programme and the related machinery for investment promotion. Possible affiliation with the sub-regional economic cooperation organization was also discussed.

A description of the overall ECA investment promotion programme and an earlier description of the proposed sub-regional centre were distributed to government officials in advance of the mission referred to above^{4/}.

1.2.1 Industrial and Economic Background

The impressive growth of the national economy has featured certain industrial projects, which have been producing about \$1/2 billion annually. Through its control of the industries, the Government enjoys a heavy flow of revenue, much of which is available for capital projects and industrial investments. An oil pipeline, a new fertilizer plant and a textile factory are among recent projects. An eventual oil refinery at the pipeline terminus is also projected.

A multi-tiered complex of industrial companies manages state interests in enterprises in a broad range of fields -- even including rural development. The policy is that the State shall participate in all large and/or critical projects.

The Government is fighting against the label and dangers of a two-commodity economy. One goal is to achieve near self-sufficiency in agriculture within five years. Self-sufficiency is also sought in those consumer products that can use local raw materials. The Ministry of Trade and Industry is energetically analyzing opportunities for import substitution.

The drive for industrialization is assisted by availability of large hydroelectric power potential. The Delta 2 project (bilateral assistance) and North Bay will supply expanding domestic needs. They will also allow increased power exports to neighbouring countries at least for a time.

1.2.2 Trade and Economic Co-operation

Although negotiations have commenced, prospects for joining the sub-regional economic co-operation organization are uncertain and no action is expected soon. An analysis prepared by a professor at the National University effectively

4/ "A Programme to Accelerate Foreign Investment and Technical Assistance for the Implementation of Industrial Projects", ECA, June 1970; and "Working Plan for Sub-regional Investment Promotion Centre, ECA, June 1970.

presents pros and cons. Since the per capita income is already higher than that of two existing members, it appears that a degree of "self-denial" on behalf of those two countries would be expected. The question of currency devaluation also arises because of the internal price levels. Another complicating factor is the strong and long-standing drive for a national iron and steel industry and for auto production. (Land has already been purchased for an assembly plant.)

The Government is taking a number of constructive moves leading toward trade and economic co-operation with its neighbours. Besides the joint projects with Country A, there is the planned road link with Country B (bilateral financing), increasing trade activity with Country C (including some agricultural products, such as potatoes and citrus, formerly purchased from a more distant source) and an increasing flow of trade with Country D (partly motivated by the latter's desire to reduce trade with certain partners). Sugar, radios, and blankets will be sold to Country D by the end of this year. As an apparent exception to this expanding activity, commercial relations with Country E appear somewhat cool.

1.2.3 Investment Promotion Machinery

Promotion of new investment is often pursued through writing to a few of the leading manufacturers whose goods enjoy strong import demand and inviting discussions. There was interest among officials of Country R in the kind of industrial programming and promotion projects which adjoining countries are embarking on. Although it was agreed that the country is now not in a position to participate in the sub-regional Investment Promotion Centre, it was also felt that trade commissioners and commercial attaches are not in themselves a sufficiently powerful investment promotion tool. There was interest in any scheme ECA might devise to provide effective overseas representation at reasonable cost. We discussed the concept of an "Africa House" in industrialized centres as one way (though quite possibly impractical) of pooling resources to serve a number of countries economically.

1.3 Conclusions and Tentative Proposal

1.3.1 Conclusion: NIPC Could Fill a Growing Need

The Government has made great strides towards its development goals. But there are special problems faced by the nation which suggest the need for specialized outside assistance:

- 1) the unfavourable economic effects of the dislocation of traditional trade patterns,
- 2) falling commodity prices coupled with the recent crippling industrial accident, and
- 3) the shortage of managerial and entrepreneurial manpower which is a direct result of the expansion already achieved.

All of these problems tend to slow down the attraction of new investment on favourable terms. The NIPC could fill a growing need which is indicated by the following characterization of the present stage of the nation's industrialization:

- a) In the not too distant future, opportunities^{5/} for attractive import substitution will have been exhausted^{2/}.
- b) Many of the potential new projects require a strong link between investment and trade for assured financial viability; i.e. they require markets considerably larger than the national market along, and often depend upon exports even beyond Africa.
- c) There is increasing pressure^{6/} to provide industrial jobs to absorb school leavers^{4/}.
- d) The industrial development corporation was formed before all of the present conditions existed. For example, it was of course not designed primarily to concentrate on multinational projects. To fulfil the full range of (national and multinational) investment promotion functions in addition to its other assignments (especially in managing existing affiliated enterprises) it would need more funds and additional skilled people.
- e) It seems likely that only a fraction of needed staff now exists in the ministry and the development corporation to fully support national development goals.
- f) Considerable strengthening of overseas representation available for investment promotion would be extremely helpful.
- g) A wave of new technical and promotion-oriented institutions is being formed in neighbouring countries to tackle the next phase of industrial development.

On the basis of this evaluation it is felt that creation of an NIPC is a timely undertaking. It appears attractive from the point of view of complementing and extending existing high-priority national programmes. It also seems timely from consideration of the possibilities for enlisting financial and technical aid.

1.3.2 Summary Proposal: A National Investment Promotion Centre

It is proposed that consideration be given to the creation of a specialized promotion organization to "market" projects deemed to be in the nation's economic interest. It is believed that international and/or bilateral sources can be

^{5/} After two decades of aggressive development of import substitution industries in Latin America, a number of countries find themselves with extremely uneconomical production units, depending for their existence on heavy protection but in some cases even producing a net drain of foreign exchange.

^{6/} This may be less a problem in Country R than in some of the neighbouring states.

enlisted to supply technical and financial aid in support of such a project on the Government's behalf. The benefits to be expected would be: (1) consideration of a broader selection of potential investment partners for a given project, (2) possibility of increasing the number of projects being developed at a given time by shifting more of the analytical burden to the prospective partners, (3) use or adaptation of promotion techniques proven through use by other developing countries. Subject to the results of further study, prospects appear favourable for realizing an increase in the flow of new projects and the maintenance of high project quality, both from the point of view of technology and with respect to financial and other terms.

When and if formal affiliation with the sub-regional economic cooperation organization becomes a reality, there will be an opportunity to consider participation in joint sub-regional investment promotion activities. But for now there seems adequate justification for developing a high-powered promotion centre to serve Country R's national needs.

2.0 SUMMARY OF THE INVESTMENT PROMOTION APPROACH

The opportunity being addressed by the NIPC is vast. The total East and Central African market will comprise nearly 100,000,000 people by 1980. With this combined potential African market as a base, and with suitable policies to encourage exports abroad, the possibilities for accelerated industrial development are exciting.

Resources required to exploit the opportunity fully must be proportionately large. It is natural to suppose that only a very large and skilful force of experts can make a noticeable impact. Certainly, the full range of tasks (see Section 3.1) needed to manage an accelerating flow of investment under conditions of increasing complexity and sophistication does require a considerable force. But it is not necessary to begin on the first day with a staff of hundreds and with a worldwide network of investment and trade promotion offices. Indeed, if resources were at hand to support such an approach, the result would probably be chaos. Machinery for absorbing the output of such an organization has not been fully developed. (This is true especially when we are dealing with the question of markets larger than a single country.)

For this reason the method of attacking the opportunity has been conceived as a multi-phased programme. Of immediate concern is the short range approach by which it is proposed to get the Centre into operation. It is considered essential to establish credibility for NIPC by obtaining tangible investment results quickly. Only such results can demonstrate that the overall scheme is workable. In this way it is planned to justify increased support later for extended operations.

2.1 Pragmatic Approach to Short-term Results

The short range approach is based on the premise that an increase in the intensity of the "promotion" function per se can lead to a worthwhile increase in the rate of industrial development. The approach is dual, in that it is related both to projects designed to serve the growing national market and to projects which require special reciprocal arrangements with other governments to assure access to larger markets. The possibility of exports to world markets is contemplated for both of these groups.

For projects which require markets larger than the national market alone in order to be economically attractive, it is proposed to embark on the promotion of project "packages" containing features simultaneously attractive to two or more Governments whose countries will comprise the market area for that particular package. A package may be relatively small, especially in the beginning. The initial objective is to reinforce the principle of joint action through actual project examples. The machinery, once lubricated by such use, would be capable of dealing with more ambitious enterprises.

NIPC's approach (or strategy) for the first year or more is as follows:

- Adopt minimum criteria for activity scope and staff to focus only on essentials and to keep financial requirements realistic;
- Get into operation quickly to fill a need for promotion now being only partially filled;
- Identify specific "easy" projects as initial promotion targets; identification of suitable projects is a prerequisite to acceptance of the programme's practicability (more ambitious projects should follow);
- Establish direct contacts with prospective investors to enlist their interest in projects and often to tap their resources for the detailed definition of projects;
- Adopt the "package" approach in selected cases as a means of tapping markets larger than the national market alone can supply;
- Demonstrate concrete results as swiftly as possible to justify initial confidence and earn continued and expanding support;
- Attempt to enlist multilateral or bilateral sources of both technical and financial assistance for the formative stages of the Centre;
- Plan gradually for longer range operations; expand services only as results justify and availability of resources permits.

2.2 Longer Range Considerations

Discussion of longer range investment promotion approaches must be speculative until the Centre gains some operating experience under local conditions. The Centre's long range usefulness depends heavily upon the forging of constructive and productive relationships among NIPC, its "client" institutions, and others whose support and co-operation are needed. But in general, assuming modest initial success, the overall long range approach calls for:

- 1) First Priority - Increasing the depth of the initial services, so that the economic impact of the Centre can approach that needed to support national development goals. This is probably a three to five year target.
- 2) Second Priority - Adding to the initial scope of services to enhance the Centre's effectiveness in (1).

In recognition of any expansion of function as suggested in (2), above, it might at some future time be appropriate to consider a change of name for the Centre. For example, the Centre might evolve to such an extent that it could reasonably be called an "Investment and Export Promotion Centre." Such a name would give increased recognition to the critical importance of external trade to the project's ultimate success. It would also imply willingness to service existing industries in expansion of exports as well as to seek new projects with a high export orientation. (Adoption of a name incorporating the word "export" would automatically open doors to additional sources of bilateral and multilateral aid.)

3.0 PLAN OF OPERATIONS

The purpose of this section is to describe the tentative plan for implementing the NIPC. It presents as much detail as possible at this stage. This section is intended to serve ultimately as a "handbook" for beginning operation of the Centre. In the meantime it provides the discipline of being required to "write down" the preliminary results of practical decisions which must precede actual operation. Thus it may now be used as a baseline for discussion of possible improvements and as a vehicle for inviting the support of interested Government and private officials. Ultimately it may serve as a communication tool for enlisting technical and financial aid.

Details of the plan support the policy and approach defined in Section 2. For convenient reference, this section is arranged to provide information on the following major topics:

- Functions
- Affiliation
- Organization and Staffing
- Relationships and Decision Processes
- Initial Operation - Implementation Schedule
- Overseas Representation

3.1 Functions of the NIPC

A representative, though not necessarily complete, listing of the range of functions which might ultimately (in the long range future) be performed by NIPC is the following:

- 1) Collect and disseminate information (data on domestic and export markets, sources of financing, costs, regulations, incentives, resources);
- 2) Identify and define projects^{7/} (diversification and expansion of industry and trade, both national and multinational)
- 3) Evaluate projects; prepare appropriate promotional literature;
- 4) Locate prospective investors/partners (local and abroad) for desired projects and industry segments; establish direct contact;
- 5) Assist prospective investors (answers, appointments, analytical and consulting services);
- 6) Represent prospective investors (to assist in completion of Government formalities);
- 7) Assist with integration of Ministries, Agencies and/or Governments concerned, to further investment promotion results;
- 8) Represent the Government in initial negotiations with prospective investors; negotiate project plans and investment agreements consistent with Government policies and national interest;
- 9) Administer investment and trade incentives within policies established by the Government;
- 10) Interpret and make recommendations concerning the content of the industrial development plan (including export targets);
- 11) Define and advocate changes in or additions to existing policies and legislation to improve investment climate (e.g. investment and export incentives);
- 12) Co-operate with other public and private investment and trade promotion agencies;
- 13) Provide economical overseas representation.

^{7/} It is not contemplated at this time that the NIPC would prepare detailed feasibility studies of projects. It is understood (see Section 4) that other agencies may be relied upon for that function.

In the beginning of NIPC's life the staff will be too limited to undertake more than a few of the above. Furthermore, the Centre's role will be severely limited by policy, especially until it demonstrates operational results. As indicated in Section 2 the first effort will be to implement one or more projects or project packages. Operation of the Centre will be tightly focussed on this very limited but crucial initial objective.

In terms of the list of functions above, efforts of NIPC will in the beginning be much less systematic and comprehensive than one would prefer, given more time and unlimited resources. The emphasis will be on promotion per se, rather than on the completion of detailed feasibility studies. The work will revolve around creation of promotional materials (based primarily upon existing technical material^{8/} and subsequent contacting of and negotiating with prospective investors locally and abroad. For the present and the immediate future the other functions must be ignored excepting where specific limited tasks are required to enable a specific limited tasks are required to enable a specific project promotion to succeed.

As indicated in Section 2.2, "Longer Range Considerations," once continued existence of the Centre has been shown to be valuable, the range of services may be gradually expanded.

3.2 Affiliation

NIPC is conceived as a service to both the public and private agencies concerned with acceleration of industrial development, including both public and private investors. Consequently there are a number of alternatives regarding the organizational placement of such a Centre. It could quite logically be made a part of the Ministry of Commerce and Industry, since that body has an overall responsibility for industrialization policy and planning. It could also be argued that the development corporation would be the most effective sponsor, since prospective investors might prefer to deal with industrial executives rather than with Government officials. A third point of view would hold that NIPC should be an independent entity given policy guidance by a Board of Directors representing public and private interests.

ECA at this time makes no specific recommendation concerning the Centre's affiliation. The question deserves appropriate discussion by the Government and other interested agencies.

3.3 Organization and Staffing

Since it is not known what the organizational affiliation of NIPC will be, it is not yet possible to make firm proposals concerning facilities for the Centre. But the organizational needs and staffing requirements are believed to be substantially independent of this question.

^{8/} Strong efforts will be made to identify and interest local businessmen who may be in a position to participate in new or expansion projects.

3.3.1 Staff Requirements

The initial target for professional staffing will be five, including the Director. Detailed qualifications of the individuals will depend on the mix of available candidates. It is highly desirable to have all of the following skills available: industrial economics, corporate planning, export marketing, corporate and tax laws, investment finance, industrial consulting, and Government operations. All or almost all of the staff members must be fitted by both temperament and experience for devising and negotiating provisions of project agreements. They must be equipped to deal competently with high level Government, financial, and industrial officials.

Since the number of skills listed above exceeds the number of professional staff members likely to be initially available to the Centre, compromises will have to be made. For example, legal experts of the Government may be available for consultation, and so obviate the immediate need for a trained attorney on NIPC's staff. In other instances an individual may combine several skills. An industrial economist may have broad management consulting experience, as might an export marketing specialist. In the case of the investment finance speciality, existing financial institutions might be relied upon for consulting service in place of hiring a full time expert at the outset.

3.3.2 Qualifications of the Director

The NIPC Director should certainly be strong in a number of complementary skills. He must be the dynamic force behind the entire promotion process. He must be capable of leading and often of "doing" the following: identifying suitable project candidates; packaging them (both to establish their desirability to possible joint sponsors and to make them saleable to prospective African and overseas investors; and "nursing" projects through detailed design, complex negotiations, and possibly on into implementation.

The Director may be qualified by having held a similar position elsewhere. Alternatively he may have been a senior project officer in a Development Corporation. The man chosen may conceivably come from a consulting firm or an extensive industrial background. Some essential characteristics are proven ability to work under conditions of high uncertainty and "risk", to demonstrate to industrial officials that their interests are served by a particular project, and to establish the kind of relationships with Government policy-making officials that will lead to fruitful negotiations.

3.3.3 National Investment Promotion Council

In addition to the direct staff of the Centre, there is need for a formal advisory council. The Council would provide a systematic communication channel and a forum for mutual discussion by the participants on matters affecting the Centre. The Council will advise the Centre concerning plans and priorities of the participating organizations. It will also consider measures which might be taken by the government and others to facilitate the attraction of new domestic and overseas investment. The Council members, subject to the views of the Government, might be the Director of the Centre, representatives of the development corporation, the Permanent Secretary of the Ministry of Commerce and Industry. There might also be one or more observers from technical and financial assistance organizations.

3.4 Relationships and Decision Process

By its nature as a "catalytic" promotion agency the Centre can function successfully only if its constituency supports its efforts. It is therefore essential that the Centre personnel, and especially the Director, have extremely close working relationships with national economic policy makers and with those of each co-operating country (in the case of multinational projects). The relationships must be based upon mutual confidence, since the projects being promoted and negotiated will be key to each country's industrial and export development.

3.4.1 Domestic Working Relationships

NIPC must maintain close working relationships with the other national organizations working for industrial development. These would include, among others, the Ministry of Commerce and Industry, the Ministry of State Participation, the Chamber of Commerce and Industry, and The Development Corporation.

3.4.2 Working Relationships with Other African Bodies

In so far as NIPC works to promote projects which require participation of more than one country, its staff must maintain close working relationships with the individual countries' investment promotion agencies. Such contact will serve two purposes: both to co-ordinate overall programmes and to work together on individual projects during certain phases of the promotion process. Successful operation will be dependent upon active co-operation of national agencies to help potential investors in the necessary dealings with each government. In the initial phases of projects, too, these other organizations can be very important. In some instances they will propose projects for markets larger than their own individual country. In such a case it is expected that NIPC will attempt to stimulate the combination of various proposals from several countries into one or more "packages" which individually meet prima facie tests of acceptability to all of the Governments. In other cases NIPC may structure such a "package." National centres would then, unless the Governments elected a different procedure, have an opportunity to comment on the package as to its fairness and its conformity to national policies and priorities.

Relationships with the national development corporations will be based upon the particular financing role assigned to the corporation in each country. As soon as it is detected for a particular project that the development corporation is likely to become involved in a decision concerning financial participation, the corporation will be included in the discussions.

It is also expected that NIPC will develop effective relationships with potential sources of investment finance such as the International Finance Corporation, the African Development Bank, and the Sub-regional Development Bank, among others.

3.4.3 Co-operation with Other Agencies

It is well established that trade expansion (intra-African and external) is a major underpinning of the industrial development which NIPC seeks to promote. Every possible way will be sought to involve national trade promotion organizations in NIPC's work. In addition it is expected that ECA's Africa Trade Centre and the GATT/UNCTAD International Trade Centre will have programmes which can eventually be tapped for direct assistance to NIPC.

A number of projects sponsored by UNIDO, ILO, ECA, the World Bank Group and others are related to portions of the investment promotion programme described here. Through collaboration with the involved officials, efforts will be made to increase the overall effectiveness of the joint operations.

3.4.4 Authority for Selection of Promotion Targets

Decisions concerning what projects and packages shall be promoted must be made by the NIPC Director. This authority, however, is far from unilateral. In the first place, Government officials may veto implementation of any project by refusing to issue the necessary authorizations. Similarly the development corporation will often have a similar capability by simply declining to participate in the financing. In the case of projects or packages involving more than one country, any one of the Governments or statutory financing bodies can block a proposal. So the Director must make his decisions with care, keeping communications channels clear, to be reasonably certain that a project is not "dead" before the first prospective investor is contacted.

The Director's decisions will be guided by his evaluation of candidate projects' "salability" and their conformance with desires, plans, and priorities of the Government (or Governments).

It is not proposed that a formal procedure be instituted by which a tentative project would be submitted to detailed scrutiny and approval by each governmental and related agency before promotion begins. Indeed, it is believed that the shape of a project or package is likely to change materially after its elements are first promoted in outline form to potential partners. Only when initial mutual assent in principle has been arrived at, will the project be a worthwhile subject for detailed evaluation. For this reason it would usually be a waste of time and energy to go through formal approval channels at the initial stage. But it is important that the interested agencies and officials be kept informed of actions taken and be made knowledgeable concerning the content of proposals. For this purpose there will need to be an officially designated high level "contact" officer between each such agency and NIPC. Comments and advisory opinions issued at any time will be considered by the Centre in its promotion work.

The Director must also have authority, subject to the constraints outlined above, to invite prospective investors to make field investigations of opportunities being promoted. It is expected that interested agencies will cooperate with NIPC and with the prospective investors in making such visits productive.

3.5 Initial Operation - Implementation

This plan has been designed with the intent that it be relatively easy to put the Centre into initial operation. Nevertheless there are several steps to be taken before a date can be set. The first requirement is that the Government determine that it in fact wants to see the establishment of such a Centre. Once this milestone is passed, it will make sense to push for the earliest possible start of operations.

It is the intent for now to ensure that the affected officials have an opportunity to participate in the adoption of objectives for the Centre, and an opportunity to assure themselves that the national interest will be advanced by its existence.

3.6 Overseas Representation

The subject of overseas representation raises a dilemma. On the one hand, how can we present our investment promotion case forcefully, and show a prospective overseas investor that we are serious, without calling on him in person? (We are competing with other developing countries which have overseas offices.) On the other hand, can we afford to "gamble" a hundred to two hundred thousand dollars a year for overseas offices on a fledging programme?

3.6.1 Alternatives - Early Decision Not Required

There are several possible answers. One is that the cost is only two or three per cent of the investment volume which must be targeted each year. This is a modest "finder's fee" if the offices are successful. Another approach is to find at least a temporary substitute for overseas offices - something that can serve to get the programme started at a lower cost. Here there are also multiple possibilities. One is to rely on "missions" sent to deal with several possible opportunities in one country or area during a concentrated time span. Another is to offer to pay a prospective investor's expenses to investigate the opportunity in the field. A third is to rely on commercial attachés attached to foreign diplomatic posts. Each of these "answers" has rather obvious drawbacks; but each may play a constructive role in the programme, especially at first.

Yet another interim approach is to employ an overseas agent to help find technical and financial partners and to assist in negotiations. Certain banks and investment houses have formed subsidiaries to function in such a fashion. They will usually participate directly or indirectly in the financing and may receive a share of equity in consideration of their services.

And there are still other approaches. In Country R, for example, there has been some success in import substitution by writing letters to manufacturers of the most popular imported brands. It should also be possible to appoint management consultants in industrialized countries to act as overseas representatives. In any case, there is no need to make any immediate decisions regarding establishment of overseas offices. A reasonable estimate might be that for the first eighteen months, the Centre can operate effectively without special overseas offices. This allows adequate time to explore the alternate approaches to setting up overseas centres and the possibilities for technical and financial assistance in supporting them.

3.6.2 Experience of Other Developing Countries

Experiences of developing countries in other regions regarding overseas representation may be instructive, although it does not appear that any of the better known extra-African approaches could be transplanted to Country R without extensive modification. Each of the following cases does illustrate certain elements which we may adapt to our use.

The Indian Government has a number of offices in Europe and the United States. The office in London is staffed by one man. His office is in the Indian High Commission building (India House) but he is attached organizationally to the Indian Investment Centre in New Delhi. (The parent organization has been in existence for about a decade and has a staff of more than one hundred.) This representative's modus operandi is to locate British corporations which are at the point of becoming interested in beginning overseas operations. His job then is to explain the Indian Government's policies and procedures for licensing industrial establishments and to help the potential investor obtain information he needs to make a decision. (It is assumed, in the case of Britain, that all of the leading British firms are already "international" and that these firms are already represented in India.)

The Indian Investment Centre approach in the Federal Republic of Germany is somewhat different. The offices are located in Dusseldorf. They are more pretentious, and there is a staff of two senior Indian professionals. They do business in English, but the Director, who is new, is studying German. The Centre's role seems to be much broader, yet more limited in its objective, than that of the London office. Concerning investment, the policy is that the Centre functions primarily as an information agency. It is stated that the Indian Government's investment policies per se determine whether there will be additional investment by German businessmen. There is no thought that "selling" plays a significant role. (This statement seems to conflict with the fact that the Indian Investment Centre organized extensive specialized documentation of investment opportunities in India in preparation for a mission of high ranking Germans to India early this year.) The Dusseldorf Centre also seems to operate as a trade promotion centre. It appears to function in close co-operation with the Indian Embassy in Bonn.

The extensive efforts mounted by the Indians seem only reasonable in view of the large size of the Indian economy. An example somewhat more on the size scale of Country R is the case of the Irish Republic, which has a population of less than four million. From the disastrous days of the "potato famine" and from a situation of actual population shrinkage caused by emigration, less than twenty years ago, the Irish have made rapid strides in attracting new investment. The Industrial Development Authority credits much of its success to the effectiveness of overseas representatives. The Authority has offices in London, Cologne and Paris, and three in the United States. Although they have purchased extensive advertising space in business and financial publications, serious consideration is being given to shifting much of the advertising budget into an expansion of the overseas representatives. (Offices now are manned by a single, high-powered executive and a secretary.) The key factor in the effectiveness of these representatives appears to be their direct approaches to selected investor candidates. To back up the field people there are an array of high quality literature and an impressive dedicated staff in Dublin.

Puerto Rico is often cited as another example of an agricultural subsistence economy that has been rapidly transforming itself into a modern industrial one. Statistics indeed are impressive and the physical evidence of industry is little short of overwhelming in the vicinity of San Juan. (One or two other cities have also grown rapidly.) But it must be acknowledged that much of the phenomenal development has taken place as an indirect result of Puerto Rico's status as a commonwealth closely associated with the United States. Puerto Rican products enjoy customs free entry to the United States. Businesses established within Puerto Rico enjoy such tax advantages that one might say that they are effectively subsidized by the United States Internal Revenue Service.

The Commonwealth of Puerto Rico Economic Development Administration has six offices in the United States and one in Toronto, Canada. The head of the New York office says that one of their most effective promotion methods is conducting direct calls on top officials of selected firms in industries judged appropriate for Puerto Rico's resources.

Two often-cited examples of successful investment promotion in Asia are South Korea and Taiwan. In both cases, however, these might better be classified as "reconstruction" rather than initial industrialization. The rapid successes seem to have been made possibly by - in addition to the basically favourable past tradition of industry - heavy infusions of financial and technical assistance. Equally important, there has been a set of tightly inter-related governmental and private organizations, all energetically and unreservedly supporting the policy of industrialization. It appears that initial impetus to the now self-sustaining process of attracting overseas investors was provided by expatriate technical assistance personnel often relying on their own personal knowledge of, and contacts in, industrialized countries.

4.0 PROJECTS AND "PACKAGES" FOR PROMOTION

A major task faced by NIPC in achieving its goal of substantial new investment in Country R, is the definition of projects which can be accepted by the Government and will at the same time be attractive to potential investors. As described in Section 2, "Summary of the Investment Promotion Approach", we have selected a pragmatic method to satisfy this requirement.

This section outlines a set of proposed criteria for project identification. It also describes criteria for forming "packages" aimed at multi-country markets. The sources from which projects will be obtained are briefly indicated. Finally, a number of alternative schemes are summarized which may be considered for establishing suitable complementation arrangements, i.e., for arriving at a "balanced package" that will be acceptable to each of several participating countries.

4.1 Criteria for Project Identification and Packaging

4.1.1 Criteria for Project Identification

As indicated above NIPC will concern itself both with strictly national projects and with co-operative projects which are designed to supply markets larger than those afforded by the national market alone. Criteria to be considered during selection are as follows:

- High priority in the national development plan (e.g. for import substitution or for prospects of earnings foreign exchange through exporting).
- Use of indigenous raw materials or semi-manufactures (forward integration)
- Opportunity to develop indigenous raw materials (backward integration)
- Opportunity to exploit horizontal linkages
- Special circumstances (e.g. availability of cheap power or as especially high value-added opportunity)
- High rate of market growth (local or world market) and/or low saturation of local demand
- Favourable cost/price relationships
- Strategically important social benefits

4.1.2 Formulating a Project "Package" for Multi-country Markets

The criteria above allow a relatively straightforward identification of individual national projects to be considered for promotion. But in order to establish a sufficient market size to make many possible projects economically attractive, it will be highly desirable to consider co-operative arrangements with other African countries. In these cases the NIPC approach suggests that a package be composed which will literally contain "something for everyone". In other words the basic unit of agreement with one or more co-operating States is not the individual project but an assemblage of projects or project elements to form a total package acceptable to all of the co-operating countries.^{9/}

This general approach is by no means brand new, either in Africa or abroad. (Section 4.3 describes several alternative mechanisms for devising potentially attractive packages.) As described here the present approach differs from past efforts (e.g., those in East Africa) in three important ways:

^{9/} Please note that although a package may comprise several projects, a package can be formed from one project, where the project has identifiable elements which can be allocated to the several countries. Please see Section 4.3 for a brief discussion.

- 1) Machinery is to be established for proposing, following up, and administering the packages
- 2) The packaging activity is an integral part of the investment promotion (implementation) agency
- 3) A pragmatic approach will be followed which puts top priority on securing agreement on one or more (possibly small) initial packages as proof of feasibility. Agreement on more massive projects is to be tackled only after initial success improves confidence in the system.

4.1.3 Evaluating a Proposed Package

Criteria for determining whether a specific package deserves acceptance by all prospective partner countries are extremely difficult to propose as permanent and inviolable commitments. Indeed it is recommended that very little effort be devoted now to seeking "final" criteria. Instead it is urged that a tentative baseline scheme be agreed on for use in evaluating the first few packages. It should be agreed in advance that acceptance of such a scheme at this stage and its use to secure agreement by the governments for implementation of one or more packages shall in no way establish a binding or moral precedent with respect to later packages.

Selection of the tentative baseline evaluation method nevertheless requires some discussion. Everyone is familiar with the general idea of "social cost benefit analysis" (SCBA). While SCBA is conceptually the tool one would like to use for the purpose at hand, its application is complicated and not yet adequately reduced to practice to be recommended here. A much simpler substitute has been devised for discussion and possible application in the current situation. The method is described in detail in an appendix to this document. (See Section 6.)

In the last analysis, a rigorous formula for calculating benefits to each of the countries can probably only be used to arrive at a first approximation of the worth which each country is actually prepared to assign to a package in the course of negotiations. Hence there can be cases in which the uncompromising application of a numerical method of analysis would impede agreement by indicating in the record that a package is not suitably balanced, whereas the negotiators, for various reasons (some not readily quantifiable) are in fact inclined to accept the package.

Use of the described analytical method, or some other yet to be proposed, is suggested as an optional method. It at least may prove useful in putting together packages to be offered to the governments; to that end some discussion of the criteria on which the method is based will be a helpful guide for further work.

4.1.4 Eliminating Perpetual Covenants

An item frequently cited as a roadblock to co-operative industrial development decisions is strong mistrust or "perpetual covenants". Each government is unwilling to commit itself never to manufacture a product because it is being allocated to another country. NIPC proposes to discourage irrevocable commitments

of that type. Instead, a package commitment will typically be binding for five or seven years only. After the initial period it will be automatically renewed for successive two year periods unless one party gives notice of intent to renegotiate or terminate the agreement.

4.2 Candidates for Initial Promotion

Availability of projects and packages to form the Centre's initial "inventory" is basic to the success or failure of NIPC. It is expected that this matter will be given urgent attention as soon as the formation of the NIPC has been agreed upon as being in the national interest.

Fortunately each of the principal industrial development organizations has already been active in identifying potential projects, both at the national level and for multi-country markets.

It is expected that the task of accumulating information from these sources, and perhaps others, and of establishing a preliminary listing and description of projects to be included in the initial promotion inventory will be undertaken as soon as the Government has accepted the basic NIPC machinery. At that time the matter be given urgent attention, since no promotion can take place without suitable project material.

4.3 Alternative Complementation Arrangements

As already stated, NIPC expects that certain projects will be economically more attractive if designed to serve markets greater than a single country. This implies that a production facility will be located in Country A and that the plant shall have duty free access to (and perhaps a monopoly or semi-monopoly position in) Countries B, C, D, etc. This measure aims at assuring a sufficient market for the plant's output to secure the advantages of manufacturing scale economies. But a potential difficulty exists with respect to achieving acceptance of the arrangement by all co-operating governments. The difficulty arises through the necessity that Countries B, C, D, etc. (a) agree not to manufacture the product, (b) allow their own balance-of-payments to be affected by sales of the product in their countries, and (c) give up the receipt of revenues from import duties.

A number of methods have been proposed, and some have been employed with at least limited success, in order to offset or ameliorate the undesirable effects which could arise from uncontrolled development. Here are some examples, briefly characterized:

1) Decentralization

A project may be decentralized so that certain product components are produced in each country and assembly is carried out at a central location. If raw materials are distributed in a convenient way and the product is complex enough to lend itself to this approach, there may be only minor economic penalties. (Automotive vehicle production is a good example.) In this manner, one overall project, suitably divided, may form a complete balanced "package" in itself.

2) Combination

Several projects which could be separate from the technical point of view may be considered as one "package" for the purpose of achieving a balance of benefits for each country. Thus projects to produce products as diverse as refrigerators and paper products might be combined for the purpose of analysis to conclude negotiation of an agreement satisfactory to all countries.

3) Multinational ownership

Multinational ownership may provide a means of reducing concern over the potential for exploitation of consuming countries by a producing country through arbitrarily and unnecessarily high prices. Ownership, whether public, private, or mixed, could be allocated on a proportional basis. Distribution of profits among the countries to whom the product is marketed could thus occur in approximately the same proportion as sales of the product.

4) Industrial development corporation

A similar effect to that achieved through method 3 could be obtained through formation of an industrial development corporation. Ownership would be multinational in a specific proportion calculated to share ownership and profits in proportion to sales in each country.

5) Equalization

None of the above methods, no matter how carefully calculations are performed, is perfect. None assures a smooth growth of both exports and imports simultaneously for each country. There is bound to be dislocation as a result of differences in schedules for project implementation. Even if implementation schedules are designed to take account of this factor, it is certain that the schedules will change. Production will not build up in the same pattern as originally planned. If the magnitude of the project(s) involved is sufficient to cause serious concern it may be desirable to establish an equalization pool. The pool would receive payments from manufacturers. The funds would be used to partially compensate governments whose exports were deficient for the loss of foreign exchange.

6) Combination of one or more of the above approaches

The purpose of this discussion of complementation is not to propose a single, specific answer to the questions involved, but to indicate the range of solutions that may be practical. It is not feasible or necessary to determine the "ultimate" arrangements in advance. Each project package proposed may be considered separately for the purpose of establishing equitable complementation arrangements. First, the prospective investors must establish at least the main details of their plans in a preliminary version. Then the economic effects of the proposal may be evaluated and adjustments made if necessary.

5.0 FINANCING THE CENTRE

5.1 The Domestic Centre

The NIPC programme design reduces the level of initial budgetary and man-power requirements to a minimum. The staff is small and there is certainly no need to erect a building to house the Centre. Nevertheless, it is necessary to have money for operating expenses - such things as salaries, travel, communications, legal and consultants' fees, supplies and rent. Funds must be secured from some combination of three sources; the Government (directly or via a device such as a levy on imports)^{10/}; multilateral and bilateral aid funds; and charges for services rendered.

It is probable that charges for services rendered by the Centre will never be a large source of revenue. This is usually not so much a means of raising money as it is a way of controlling the amount of service dispensed when resources are limited.

Technical and financial aid are potentially available from a number of sources. ECA has established in principle the interest of at least two potential donor countries in considering requests for assistance for investment promotion machinery. It is reasonable to anticipate that bilateral and or multilateral technical assistance can be found to supply experts for the core of the Centre's operations until such time as local experts are ready to take over full operation.

Perhaps it is reasonable to consider that the Government, through some channel, would contribute the services of counterparts, office and conference room space, secretarial service, and the local costs associated with the service of expatriate personnel.^{11/}

5.2 Overseas Representation

As discussed in Section 3.6, it is not considered necessary or advisable to rush into the establishment of overseas offices. Although overseas representation is a key feature of the programme, and necessary for its intended method of operation, temporary measures will suffice during at least the first year or year and a half. So initial estimates of operating expenses can safely omit the cost of establishing and maintaining overseas centres in industrialized countries.

^{10/} For example, the Botswana Development Corporation receives the revenue from a special fee charged on the importation of sugar. This amounts to about 500,000 K per year, and is used for both operating expenses and investment capital.

^{11/} This is not intended as a complete discussion of expense items. A specific estimate of probable costs will be prepared on request for discussion with government and prospective aid donors.

6.0 APPENDIX 1: SUGGESTED METHOD FOR EVALUATING PROJECT PACKAGES

6.1 Need for a Simple Numerical Method

The purpose of this appendix is to present a suggested method for evaluating project packages proposed for acceptance by more than one government. As indicated in Section 4.1.3, it is not likely that a rigorous numerical calculation can completely take the place of the time-honoured "horsetrading" approach to negotiating agreements on industrial co-operation. But the method described here may have value as a convenient supplement to the traditional approach. It can serve at least three functions: (1) it can yield a first approximation to the value which a country might reasonably assign to the benefits it would receive from a package, (2) it can provide an indication of how well balanced the package is in distributing benefits among the countries, and (3) it contains built-in flexibility to allow "special" factors to be given weight in the calculations, even though they had not been included specifically in the original criteria.

In defining criteria for evaluating project packages we automatically provide guidelines which may be used in constructing project packages. In other words the method is a tool which can be used to put together packages whose "fairness" can in turn be demonstrated -- at least to a first order of approximation. As such, the tool may speed up negotiations for project adoption.

6.2 Guidelines for Designing "Fair" Project Package

The two benefit factors which probably come to mind most readily when considering co-operative industrial projects are jobs and foreign exchange. Thus these have been used as the basis for the first two criteria. Next, from experience we know that we must have a way to adjust for differences in project timing and in build-up rates. A third criterion has been added to permit the needed adjustment. Finally, since in a given situation there is likely to be something important, which is not covered by the first three factors, we add a fourth to deal with all "other" matters of significance. This set of criteria is by definition broad enough to encompass any element considered to be important in a given case.

6.2.1 Formal Statement of Criteria

The criteria described above may be written somewhat more formally to serve as guidelines for defining packages:

- 1) The sum of new direct and primary indirect employment in each country should be in proportion to total expected sales in that country (for the package as a whole) over the first five years of operation. For purposes of evaluation, each job is considered to be worth \$1000 per year.

- 2) Foreign exchange earnings (including inter-participant) less forfeiture of previous (3-year average) import duties, if any, should be in proportion to population.
- 3) Hard currency earnings should be in proportion to population. For purposes of evaluation, one dollar equivalent of hard currency earnings is considered to be worth \$2.50.
- 4) Any significant "start up" inequities, as discerned from expected differences in timing of initial operations and full-scale operations, should be evaluated in cumulative \$. Twenty per cent of any cumulative inequity will be considered to be its annual value, for evaluation purposes.
- 5) Other considerations may be given numerical value (expressed in \$ per year) in "special" circumstances.

6.2.2 Justification of the Valuation Coefficients

The numerical coefficients introduced in the statements directly above require an explanation. (Viz.: the value of a job, the relative weight of hard currency savings vis-à-vis other revenues, and the fraction of cumulative start-up penalties to be amortized over a single year.) The numbers used above are suggested as tentative empirical values. No proof of their validity is offered. They represent a judgement concerning the relative importance of the factors they apply to. They are not intended to represent statistically verifiable indices.

Specifically, it seems reasonable to consider that a start-up inequity should be written off over five years (20 per cent per year) rather than two years or ten years. Next, it is assumed that hard currency earnings are of great concern to African Governments. For this reason it is suggested that they receive extra weight in the evaluation calculation. A weighting factor of 2.5 was arbitrarily selected as being heavy enough to make certain that a real effort is made to distribute hard currency earnings equitably. A higher multiplier such as 5 or 10 could be used, but then the physical significance of the overall weighted results would tend to be lost. Finally, the value of \$1000 per job per year is intended to be roughly equivalent to an expected average value for new jobs.

6.2.3 Effect of the Criteria

These criteria begin by allocating jobs in proportion to the expected absorption capability of a country's internal market. This can be interpreted as tending to maintain the status quo among the countries with respect to their relative levels of industrial development. But, recognizing the need of the least developed country to achieve somewhat greater relative progress than the

most developed^{12/}, a modifying factor is proposed next. Foreign exchange earnings are nominally allocated in proportion to population. This factor tends to bias the distribution of benefits in favour of the less developed members of a co-operating group.

6.3 Determining the Nominal Weighted Value (NWV)

Using the criteria defined above it is easily possible to arrive at a value we may call the "nominal weighted value" to each country of a given package. The NWV is the algebraic sum of the following items, expressed in \$ per year.

<u>Value element</u>	<u>Numerical expression</u>
Employment value	+ 1000 x (direct + primary indirect employment)
"Internal" sales value	+ 5-year average of sales among participating countries (including domestic)
Import duty forfeiture	- Forfeiture of previous import duties (3-year average)
Exports abroad	+ 5-year average of other non-hard currency sales + 2.5 x hard currency sales
Start-up penalty	- 20 per cent of any start-up inequity (cumulative)
<u>Special situations</u>	+ <u>Any special items</u>
Total NWV	Sum of the above

The NWV for each country is a rough figure of merit for a package. As such it is a useful way to compare the values of various possible different packages when considering priorities. But it should not be expected that a "correctly" balanced package would yield equal NWV's for all countries, because the allocation indices used in the criteria result in differences among the "ideal" values for the countries. For checking to see how nearly balanced a package is, in its estimated distribution of benefits among the countries, we define a separate index in the next section.

6.4 Calculating the Nominal Weighted Advantage (NWA)

In order to determine whether the package is balanced, the criteria are used to define another index, this one the "nominal weighted advantage" (NWA). In a perfectly balanced package the NWA for each country would be zero. If a country's share of a package's benefits is less than the allocation criteria specify, that country's NWA will be negative; if it comes out ahead, the NWA will have a positive value.

^{12/} This principle is not novel; it is recognized in the basic agreements underlying the co-operation among the members of the East African Community, for example.

The Nominal Weighted Advantage (NWA), expressed in \$ per year, is the algebraic sum of the following:

<u>Advantage element</u>	<u>Numerical expression</u>
Employment advantage	$+ 1000 \left[E_X - \left(\frac{S_{TX}}{S_{TC}} \right) E_T \right]$
Foreign exchange advantage (except hard currency)	$+ (S_{XF} - S_{XH}) - \frac{P_X}{P_T} (S_{TF} - S_{TH})$
Hard currency advantage	$+ 2.5 \left[S_{XH} - \left(\frac{P_X}{P_T} \right) S_{TH} \right]$
Start-up inequity advantage	$- .20 \left[I_X - \frac{I_T}{3} \right]$
<u>Special circumstances</u>	<u>+ Annual value</u>
Total NWA	Sum of above

A key to the symbols used above is provided in the following list:

- E_X = Direct plus primary indirect employment in country X at planned capacity
- E_T = Total employment for the package as a whole (in all participating countries)
- S_{TX} = Total package sales within country X (five-year average)
- S_{TC} = Total sales among co-operating countries
- S_{XF} = Foreign exchange earnings (sales) from package by country X
- S_{TF} = Total foreign exchange earnings for the package as a whole
- S_{XH} = Hard currency earnings (sales) from package by country X
- S_{TH} = Total hard currency earnings for the package as a whole
- I_X = Cumulative scheduled deficit of sales for country X compared with full production
- I_T = Sum of cumulative scheduled deficits for all participating countries
- P_X = Population of country X
- P_T = Total population of participating countries

If no country's NWA is more than five or ten per cent of the corresponding NWV, the package should be considered "balanced". This would mean that each country could nominally expect to receive a share of the benefits within a few percentage points of its "correct" share. Accuracy of the calculations does not justify closer judgements. ^{13/}

^{13/} Please refer to Section 4.1.2, "Evaluating a Proposed Package", for a discussion of the significance of numerical techniques in general.

7.0 APPENDIX 2: PRECONDITIONS FOR SUCCESS OF MULTI-COUNTRY INVESTMENT PROMOTION

The most fundamental requirement for success of NIPC in its proposed multi-country promotion activities is a pragmatic acceptance by the co-operating countries of the principle of mutual accommodation and occasional self denial - in other words, a willingness to practice "give and take." ECA's consultations in a score of African countries indicate widespread agreement that co-operation in allocating industrial projects is clearly in the self-interest of each State. The main reason given for agreement is that the individual markets are not large enough to support economical production units in many fields, without the imposition of ultimately self-defeating protective measures.

At the same time it has been observed that past efforts to make multinational markets available to industrial units based in single countries have not been completely successful. In effect, the trend of events suggests that there is a drive toward industrial self-sufficiency in each country which has over-ridden the economically more "logical" path of industrial co-operation.

It appears likely that careful analysis would support this self-sufficiency hypothesis. But if so, why would officials act contrary to their countries' expressed interest in co-operation. It is a defensible conclusion that they would not do so, and that the limited progress in co-operation is readily explainable:

- 1) There is an understandable reluctance to sign away a country's right to produce a certain product or to develop a given branch of industry. This kind of reluctance must be frequently aroused since the natural resources and capabilities of the partner States are generally similar.
- 2) Quite naturally, the development of machinery to sponsor, promote, and implement co-operative projects has lagged behind that of the corresponding domestic machinery.

Thus, the industrial development officials in each country have not yet really been given practical alternatives to the tactical decisions which they have been making to date. It has appeared much safer to skilled and dedicated national officials (and therefore more in their nations' interests) to approve a national project than to become involved in an uncertain process leading to unknown results at an unpredictable time.

Given the less-than-satisfying record of past efforts to establish durable complementation schemes, what likelihood is there that a new effort can succeed? The present proposal is based upon a pragmatic appraisal of the existing situation. It relies upon the practical validity of at least the first two, and hopefully all three, of the following statements:

- 1) In some industrial sectors there is yet time to devise project "packages" such that each package is clearly beneficial to each of the countries invited to participate.

- 2) The countries will endorse projects meeting the test stated in (1) if they believe competent implementation machinery exists or can be quickly put into place.
- 3) In other industrial sectors it will be possible to achieve industrial development rationalization via a similar approach - but only as a second stage, after the inadequacy of individual countries' initial go-it-alone approach is acknowledged.

The validity of these propositions will determine the impact which NIPC, in co-operation with corresponding bodies in other countries, can have in developing more and healthier industry through market expansion.

CASE NO. 2: A NATIONAL EXPORT PROMOTION AND INVESTMENT CENTRE (EPIC)
Preliminary Description and Operating Plan

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EXPORT PROMOTION AND INVESTMENT CENTRE (EPIC)

1. INTRODUCTION

1.1 Background

The simultaneous increase of imports and absence of export growth during recent years are causing balance of payments problems and constraining Country X's economic progress. As one response to this challenge, the Ministerial Council has called for the establishment of an Export Promotion and Investment Centre (EPIC) within the Ministry of Commerce and Industry. This document describes the planned EPIC and details its means of implementation and operation.

The Centre is a key element in the Ministry's inauguration of a national export and investment development campaign aimed at expansion and diversification of these sectors. The objectives of the campaign will be to place the nation's export business on a solid growth trend - both for traditional and non-traditional products - and to reinforce the industrial expansion through additional productive investments, with particular emphasis on projects having export significance or otherwise improving the foreign exchange position.

Ultimate success of the campaign does not rest upon the performance of any single organization, but upon many factors which together determine the rate and character of Country X's economic development. Thus the EPIC and the Ministry itself have only limited direct impact upon export and investment expansion. The real key to success will be the degree to which EPIC and the Ministry can provide leadership to other organizations and individuals in carrying out a broad-based, public and private, "national" campaign.

1.2 Objective and Operational Approach of EPIC

The objective of EPIC is to give operational leadership to the export and investment development campaign through a dual programme:

1. Direct services to businessmen, and
2. Independent and supporting activities to accelerate the flow of export development and investment projects and to facilitate their successful implementation.

A great deal of EPIC's work will involve very specific and concrete project possibilities involving such things as penetration of overseas markets and opportunities to establish or expand industrial enterprises.

In these cases the Centre's operating results can be measured directly as an aid in assessing its performance and considering improvements. Other tasks of EPIC will be less directly operational but their impact on investment and export performance will still be capable of assessment.

In short the Centre's role is primarily operational. Three pragmatic principles will guide its approach to attaining the objective:

- The business communities, locally and abroad, possess practically limitless skill and ingenuity. The Centre will act as a catalytic agent to influence the application of these resources for the benefit of Country X.
- The Centre will act to reduce the time required to achieve practical project results and to circumvent the persistent scarcity of local technical and managerial expertise, while avoiding undue risks.
- The Centre is part of an extensive institutional system. Its policy is to rely to the maximum extent possible on the other institutions and to undertake only those high priority tasks which will not otherwise be accomplished.

2. THE WORK AND ORGANIZATION OF THE CENTRE

2.1 Functions of EPIC

As indicated in section 1.2 EPIC's work comprises:

1. Direct services to businessmen, and
2. Independent and supporting activities to accelerate the flow of export development and investment projects and to facilitate their successful implementation.

The specific functions assigned for the first phase of EPIC's development are summarized below:

Group A: Direct Services to Businessmen

1. Advise (directly and by referral) concerning identification, evaluation and exploitation of export development opportunities involving, for example, new markets and new or improved products. ^{14/}
2. Advise (directly and by referral) concerning identification, evaluation, and exploitation of investment opportunities. ^{14/}

^{14/} It is obviously true that many "export development" projects involve substantial investment in production facilities, product development, etc. Similarly, many "investment" projects require the development of external markets to achieve viability: thus such projects are conceptually little different (if any) from their export development cousins.

3. Assist in obtaining information (directly and by identifying sources) and in arranging contacts with appropriate public and private officials.
4. Assist in obtaining required technical expertise e.g. for market or feasibility studies.
5. Assist in locating trade and investment partners (locally and/or overseas)
6. Assist in obtaining necessary official approvals.
7. Assist in obtaining legally authorized incentives and/or in resolving administrative problems.
8. Within policy and budget limitations, make discretionary grants to businessmen to subsidize survey missions, feasibility studies, market analyses, or for other appropriate purposes to directly facilitate investment and/or export expansion.

Group B: Independent and Supporting Tasks

1. Undertake necessary measures to ensure an adequate flow (quantity and quality) of investment and export expansion projects from the idea stage to implementation.
2. Identify and monitor those activities, e.g., infrastructural and "supply-side" projects, which will have favourable direct impact on investment and export development. Urge the adoption of means to accelerate such activities where appropriate, and encourage prompt use of developed resources towards fulfillment of the Centre's objective.
3. Monitor the climate for investment and for export expansion. Propose and/or work with responsible agencies for adoption of incentives and of measures to remove obstacles, facilitate credit and insurance provision, simplify procedures, and generally to ensure that the climate is optimum.
4. Publish and/or make available "investment guides", trade directories, bulletins and other documents useful in fulfilling the mission of the Centre.
5. Selectively contact businessmen and officials in Country X and abroad to make known existing and potential opportunities, to invite their interest, and to obtain action commitments. (Includes fairs and exhibitions and advertising as well as direct contacts. May involve discretionary "survey grants".)

6. Make available the Centre's experience and expertise to government planners and policy makers for the evolution of development objectives and programmes, and to support negotiation of international agreements affecting exports and investment.
7. Arrange for and direct the services of consultants and other technical experts as appropriate to supplement the Centre's own resources in carrying out the prescribed functions.
8. Establish and maintain relationships with appropriate bilateral and international organizations to obtain optimum benefit from services offered.

2.2 Organization and Staffing

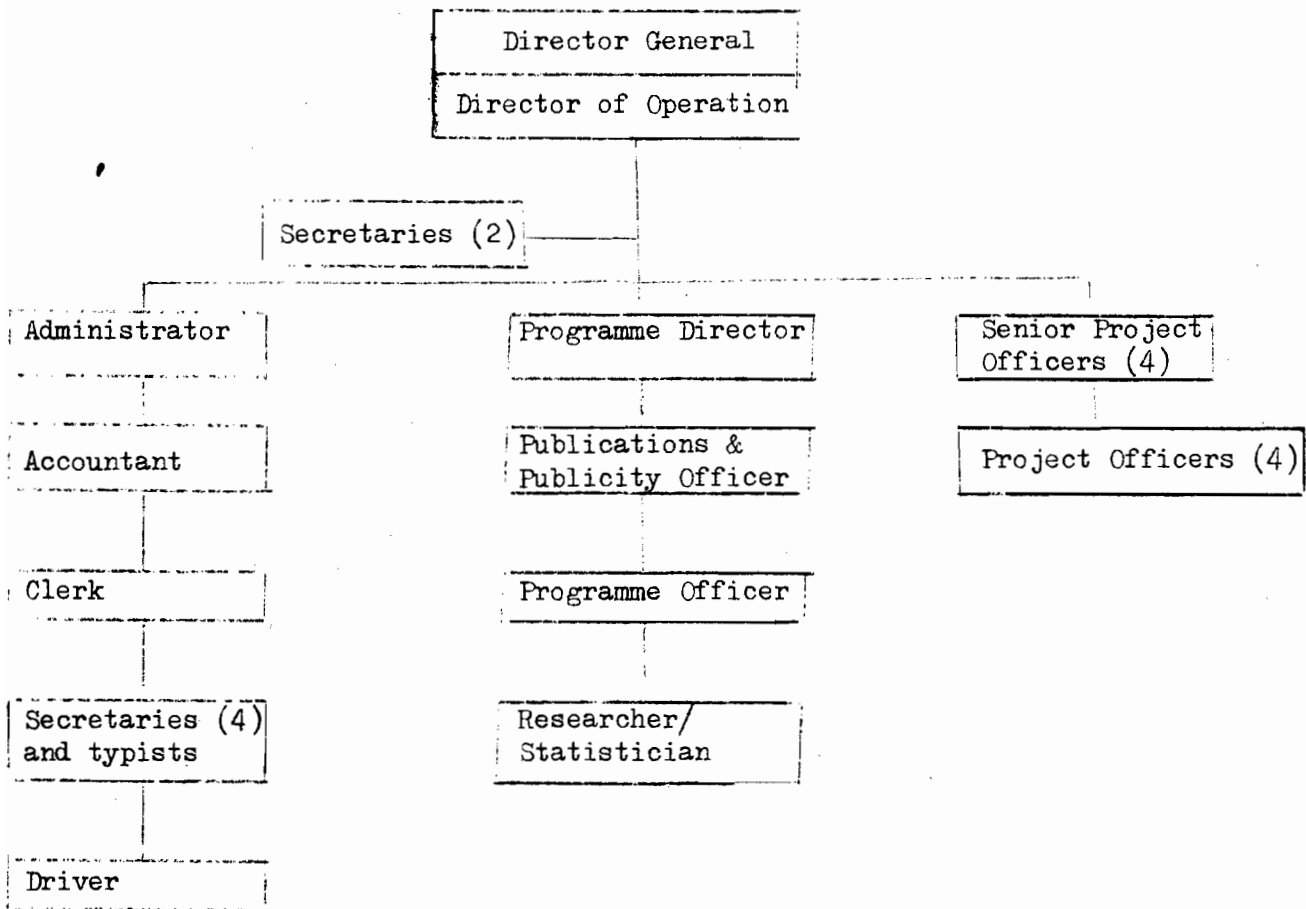
The initial organization prescribed for EPIC is shown in the diagramme below. Overall direction of the Centre is in the hands of the Director General. It is he who must establish top level relationships with other governmental and parastatal organizations and whose judgement must prevail when questions arise concerning the political feasibility of action proposals.

The Director of Operations is responsible for day-to-day direction of the Centre's activities. He will also participate in negotiations and deliberations to which his senior status and experience may best contribute.

The Project Officers carry the extensive workload of "direct services" (Group A above). In addition they may be assigned tasks in the "independent" project generation and promotion activities (Groups B-1 and B-7 above). A feature of the Centre is that no rigid organizational distinction is made between "export" and "investment" functions. This measure has been adopted to ensure the closest possible internal coordination and the best use of EPIC staff, since export and investment activities are so closely inter-related. In selecting Project Officers for EPIC, attention will be paid to obtaining a suitable "mix" of experience so that needed specialties are available (see appendix). Assignment of individual Project Officers to specific tasks will match individual skills with the task requirements.

EXPORT PROMOTION AND INVESTMENT CENTRE

MINIMUM "SELF-CONTAINED" INITIAL ORGANIZATION (Phase I)



The Programme Director is responsible for the execution of "Group B" tasks with the assistance of the three specialists shown, and with the collaboration of the project officers as indicated above.

The Administrator handles all administrative matters concerning finances, technical assistance, physical facilities, and miscellaneous services. He apportions secretarial services on the basis of workload and makes necessary adjustments in secretarial assignments due to absences, etc.

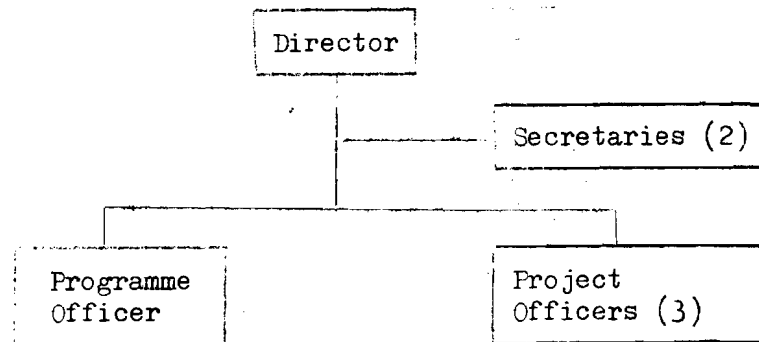
Twenty-four people are shown on the diagram. Assuming that six of the professionals^{15/} will be furnished by technical assistance agencies (see section 4.1), this means that eighteen must be recruited and financed locally. The diagrammed organization may be referred to as a "minimum 'self contained' organization". It is believed to be capable of carrying out the assigned EPIC mission during the first two years of operation. As the Centre's programme matures and as the results become apparent, the workload will have a tendency to increase rapidly. This mark of success will require expansion of staff and the addition of certain more sophisticated services. Included among these will be the eventual establishment of overseas branch offices (see section 4.6).

The project officers will work in pairs, one senior and one junior man forming a team. New inquiries or independently generated projects will be assigned to a project officer who will be responsible for handling the matter until it has been completed, and for reporting status periodically.

Activation of the Centre is urgently required and the organization described above can be loaded to capacity almost immediately. If delays in establishing the Centre at the prescribed initial level are unavoidable, it is possible and appropriate to begin a pilot operation with a bare skeleton organization as shown below:

^{15/} Director of Operations, Programming Director, and four of the eight project officers.

EXPORT PROMOTION AND INVESTMENT CENTRE
SKELETON "PILOT OPERATION" ORGANIZATION



This approach could use otherwise lost time productively in organizing information and preparing initial case files for follow-up. However, if the pilot operation were allowed to exist for more than about four months without substantial re-inforcement, serious problems would arise because the businessmen who approached the Centre would not be able to secure effective service. The resulting frustration would be harmful to everyone's morale and would have only negative results.

Finally, it is definitely expected that the Centre's activities and organization will evolve with time and gradually become more extensive. The following diagram represents a logical extrapolation of the services and organization specified for the initial phase of operations. The phase II organization indicated would be approximately double the size of the initial operation. But the diagram should be considered as illustrative only, since actual operating experience will have to be accumulated before a second phase operating plan can be prepared in detail.

EXPORT PROMOTION AND INVESTMENT CENTRE

PHASE II ORGANIZATION (ILLUSTRATIVE)

DIRECTOR GENERAL

DIRECTOR OF OPERATIONS

LEGAL ADVISER

PROGRAMMING ANALYSIS	DIRECT SERVICES	PUBLICITY	TECHNICAL DIVISION	ADMINISTRATION	OVERSEAS BRANCHES
<ul style="list-style-type: none"> · Progress Monitoring and Reporting* - Incentive Assessment and proposals - Grants for Feasibility and Market Studies - Climate Assessment and Proposals - Identification of Opportunities - Library - Statistics - Supporting Analyses - Work Programmes - Regional and Sectoral Planning Support Selection and Direction of Consultants - Negotiations for Technical Assistance 	<ul style="list-style-type: none"> -Promotion of Opportunities -Information .Market data .Project data .Other -Financing Assistance -Contacts -Technical Assistance -Approval Assistance -Implementation Assistance 	<ul style="list-style-type: none"> -Publication -Fairs and Exhibitions -Trade & Investment Missions -Advertising -Public Relations 	<ul style="list-style-type: none"> -Inspection and Certification -Consulting .Quality Control .Productivity .Packaging .Design .Product Development .Market Development -Training .Commercial Attachés .Export Marketing .Quality Control .Assistance to Educational Institutes .Seminars 	<ul style="list-style-type: none"> -Facilities -Financing -Personnel -Services 	<ul style="list-style-type: none"> -Locate Investors and Trading Partners -Personal Contacts -Information Acquisition

* Refers to those development activities deemed to have substantial impact on export and investment progress, as well as the trade, investment, and production indicators themselves. (E.g. key infrastructural, agricultural, and tourism projects will be monitored as well as direct trade and investment activities).

2.3 The Export Promotion and Investment Council

In addition to the Centre, creation of an Export Promotion and Investment Council is planned. The Council has two functions: first, to afford a high level communication and co-ordination vehicle for the national export and investment campaign; and second, to provide policy advice and support to the Export Promotion and Investment Centre.

The co-ordination function is an extremely important and potentially powerful one. It is intended that problems encountered in carrying out the export promotion and investment campaign, and which cannot be expeditiously solved otherwise, will be brought to the Council with specific action recommendations. Action commitments will be sought from members of the Council having cognizance in the matter concerned. (such problems could concern decision making delays or contested administrative rulings, among others.)

As necessary, members of the Council may be asked by the Chairman to serve on permanent or ad hoc committees formed to deal with particular problems of importance to EPIC's operations and/or to the national campaign.

The Council is a mixed public-private body with the following membership:

Minister of Commerce and Industry, Chairman
Director General of EPIC, Executive Secretary
Governor, National Bank
Planning Director
General Manager, Technical Group
General Manager, National Bank of Commerce
Minister of Finance
Chairman, Tariff Commission
Director, Customs Bureau
Minister of Agriculture
General Manager, Development Bank
General Manager, Tourism Development Corporation
Executive Secretary, National Commodity Board
General Manager, National Grain Board
General Manager, Meat Board
General Manager, Natural Resources Holding Company
Secretary General, National Chamber of Commerce
Secretary General, Provincial Chamber of Commerce
Twelve private sector members, selected by the Chambers of Commerce from among leading businessmen who are active exporters, industrialists, or are otherwise active in the export and investment area.

Meetings of the Council will be held at the discretion of the Chairman, with the frequency determined by need. It is expected that quarterly meetings will be appropriate during the developmental phases of the campaign. The philosophy of operation of the Council is that only through a strong spirit of private and public co-operation can rapid export and investment progress be attained. It is for this reason that a heavy private sector membership on the Council is specified.

2.4 The Decision-making Process

In accordance with a previous decision of the Council of Ministers, EPIC is established within the Ministry of Commerce and Industry. Its Board of Directors will be chaired by the Minister, and a significant portion of its operating expenses will be provided, at least initially, via a budget allocation from the Ministry. The Board will approve the annual work programme and budget, and the appointment of the Director General and the Director of Operations. It will comprise the following:

- Minister of Commerce and Industry, Chairman
- Director General of EPIC, Secretary
- Director of Operations (non-voting)
- Minister of Finance, or Designee
- Minister of Agriculture, or Designee
- Planning Director, PLANOPS
- President of the National Chamber of Commerce
- General Manager, Development Bank

In addition to the "statutory" functions mentioned above, the Board has a crucial role in the operational success of the Centre through individual actions of its members which affect the Centre's work. Their collective support in such other bodies as the Ministerial Council is also crucial.

The Board should meet frequently, probably monthly, at the discretion of the Chairman.

The Ministry's exercise of its statutory functions related to policy determination, licensing, and registration, inter-alia, as well as its own budget approval procedure, will provide additional key decision-making links with EPIC.

3. FACILITIES AND FINANCING

3.1 Facilities

For the main part of the organization, facilities will be needed in the capital. Four private offices and five shared offices will be required during phase I, plus space for secretaries, copying equipment, conferences, and a library.

Discussions have been held concerning the acquisition of space in the National Chamber of Commerce building, but nothing has been decided as yet. A physical location in the Chamber Building is highly desirable for co-ordination purposes and for the convenience of businessmen. (In any case there is no space available in the Ministry itself.) The Chamber location offers the further advantage of allowing joint use of the Chamber's library and conference facilities, which would impose added expenses elsewhere. Discussions with the Chamber will be pursued.

A field office comprising a team of two project officers will be established in the main provincial centre. Facilities are available there either in the Chamber of Commerce Building or in the premises of the representative of the Ministry of Commerce and Industry.

3.2 Sources of Finance

Five sources of finance have been identified for EPIC. These are summarized below:

Budgetary allocation: -The Ministry has budgeted a regular allocation for EPIC. For the year 1972 this allocation is \$100,000. Future allocations are expected to be adjusted, depending upon the proceeds from other funding sources, and upon the Centre's budgetary needs.

Trade Promotion Fund: -The Trade Promotion Act of 1971 Section 45(2) authorizes the creation of a Trade Promotion Fund. This Fund, when established, will be earmarked for use by the Centre, as a part of the financing for its regular programme of work, subject to normal EPIC budgetary and programme approval. (The ministry is authorized to "declare the importation or exportation of any goods to be subject to general or special licences and prescribe the conditions and fees payable for the issue of such licences." Twenty-five per cent of any such fees goes into the Fund, as one of its sources of finance.) It is not possible yet to estimate the amount or timing of revenue to be available from the Fund.

Voluntary Contributions: -The National Chamber of Commerce will give sympathetic consideration to the proposition that the Centre be accorded the use of approximately one-half a floor of space in the Chamber Building as a contribution to its operations. Similarly, the Provincial Chamber would like to see the provincial operations of the Centre housed in its facilities. It is also expected that a number of the leading parastatal organizations will agree to make cash budgetary contributions.

Technical Assistance: - As indicated in Sections 2.2 and 4.1, a number of staff personnel will be requested from one or more technical assistance organization(s). The aggregate amount of such assistance to be requested will probably be between US\$200,000 and 300,000 per year depending upon the source(s) and upon the results of preliminary negotiations. The assistance will comprise mostly expatriate personnel costs and related travel.

Fees: - Experience shows that fee receipts from an enterprise such as EPIC should not be budgeted at any appreciable figure, if at all. Fees are usually established principally as a device for selectively controlling the use of manpower resources in certain service activities, and to restrict unessential distribution of publications.

It is a goal of the Ministry to arrange for EPIC to be financially self-sufficient; i.e., to have an assured source of income sufficient to meet its ordinary needs. The Trade Promotion Fund may come close to providing the needed independence, if it is carefully designed. An amount of approximately 0.25 per cent applied as a general levy on imports would produce enough revenue to support the Centre and its eventual overseas operations.^{16/}

3.3 Cost of the Centre

Initial budget estimates for EPIC have been prepared, and are presented below in three exhibits: a salary schedule, the recurring expenses estimate, and an estimate of the initial outlay for office furnishings and equipment. The operating cost of the Centre, excluding salaries and travel expenses for expatriate experts to be covered under technical assistance grants, is approximately \$135,000 per year.

Salaries have been estimated at values intended to be sufficient to attract and retain qualified staff as specified in the appendix. The training and experience which staff members will obtain will make them attractive to the private sector; accordingly, good people can only be retained by paying competitive salaries. (It should be emphasized that the reasonableness of salary estimates shown has not been exhaustively verified. This will require consultation with a few selected businessmen.)

^{16/} The principle of this move is that imports should bear the financial burden of developing exports to offset them, including the development of related investment projects. At the same time, imports of materials for export products should be exempted.

SALARY SCHEDULE

	<u>Monthly</u>	<u>Annual</u>
Director General	\$800	\$9,600
Director of Operations	★	★
(2) Secretaries	(2) 240	5,760
Administrator	500	6,000
Accountant	300	3,600
Clerk	200	2,400
Driver	50	600
(4) Secretaries/typists	Avg. 110	5,280
Programme Director	★	★
Publications Officer	300	3,600
Programme Officer	300	3,600
Statistician/Research Officer	250	3,000
Senior Project Officers (2)	300-500	7,200 - 12,000
(2)	★	★
Project Officers (2)	200-300	4,800 - 7,200
(2)	★	★
		<u>\$55,440 - 62,640</u>

★ Salaries for expatriate experts to be determined by donor agencies.

RECURRING BUDGET

(for first full year of operation)

Salaries (excluding expatriate experts)	\$55,440-62,640
Travel and subsistence allowance (excluding expatriate experts)	8,000
Office space	5,000
Telephone, telegraph and postage	2,000
Books and periodicals	12,000
Office supplies	2,000
Advertising and publicity	2,000
Consultant fees	30,000
Discretionary grants	8,000
Fairs and exhibitions	--
Contingencies	2,000
	<hr/>
	\$128,440-135,640

FURNITURE AND EQUIPMENT ESTIMATE

(2) Executive offices	2,000
Secretaries' office (2 secretaries) ...	1,200
Administrator's office	600
Accountant & Clerk's office (2 men) ...	800
Secretarial office (4 secretaries/typists)	5,000
Programme Director's office	600
Programme office (3 men)	1,000
(4) Project Officers' offices (2 men each)	2,000
Contingencies	3,000
	<hr/>
	\$16,400

4. SELECTED SPECIAL TOPICS

4.1 Technical Assistance

As indicated in section 2.2 it is planned to include a number of expatriates among the key staff members of the Centre during its formative initial stages. The services of these officers will be sought from technical assistance agencies to be selected by the Ministry after preliminary discussions and evaluation of interest.

The question whether such officers should be advisors or should act directly is a key one. The question was resolved in favour of direct participation as the most effective way to ensure very quick operating effectiveness in a competitive field where few nationals possess ready-made background, and to train local people rapidly by example and on-the-job teamwork.

It is planned also to maintain a close consulting relationship with ECA experts in the Africa Trade Centre and in the African Investment Centre. Additional specialized missions, as well as training assistance and other services, can be requested as appropriate from the International Trade Centre, Geneva, and UNIDO in Vienna, among others.

4.2 The Programming Activity

As the operational focal point for the national export promotion and investment campaign, and as secretariat for the Council, EPIC is expected to identify, monitor, and report on the progress of at least the principal activities which affect the campaign's results. Consequently the programming unit of the Centre will periodically prepare a "Programme Plan" document for the National Export and Investment Development Campaign. The Plan will deal with the principal activities expected to have important impact on the results of the Campaign.

The scope and nature of the activities intended to be covered in the campaign programme plan may be seen from the partial illustrative listing given below:

PROJECT/ACTIVITY	COMMENT/ANALYSIS
<u>Agriculture</u>	
<u>Meat Board</u>	
- Hides and skins standards	- Major increase in export value
- Stockroutes	- Provide more and heavier animals for export
<u>Demonstration Project</u>	
- Rapeseed for export	- New production being considered
	- Project staff may organize marketing

PROJECT/ACTIVITY	COMMENT/ANALYSIS
Commodity Board	
- Washed Coffee	} --
- Co-operatives	
- Expansion of "high quality" markets	
Ministry of Agriculture	
- Minimum Package Programmes	- Export potential (?)
<u>Transport</u>	
Highway Authority	
- Completion of lowlands route to the port.	- Drastic reduction in transport time and cost
- Road completion to East Africa	- Will allow switch from sea to rapid land route
	- Additional impetus to tourist traffic
Ministry of Marine and Ministry of Communications	
-Solution of loading delays at the port	- Should increase number of ships calling and reduce shipping time
<u>Other Infrastructure</u>	
Geothermal power development (Responsible agency ?)	
	- Could provide large quantities of cheap power for remote irrigation projects and related processing without costly transmission lines.
<u>Export Policy Items</u>	
Creation of Export Promotion Fund (Ministry of Commerce and Industry)	
	- Requires decisions concerning licenses and administration
	- Key to financial stability of EPIC
Additional items later	- May include, i.e., items concerning export tax rebate, export credit facilitation.
<u>International Negotiations</u>	
(later)	
<u>Specific Investment/Export Expansion Projects</u>	
Company A ^H	
Fresh vegetables export by air	- New Outlet
	- Requires organization of production under investigation by Company
Company B ^A	
Intensive cattle raising project	- For expansion of present tinned meat exports by equivalent of 30,000 head

* Company names withheld

PROJECT/ACTIVITY	COMMENT/ANALYSIS
Commodity Board Freeze dried coffee project	- Increase revenue and employment from quota sales - Decision soon
Forest Industries Development Study (ECA)	- Includes project identification to be completed 7/72
Additional projects later	- Will include major tourism projects
<u>Other Activities</u>	
<u>Fairs and Exhibitions</u> (Chamber of Commerce) details later	
Trade missions Details later	
Joint actions with diplomatic missions abroad	
Company C [★] Establishment of Management Consultancy Services	- Under consideration by a major firm - Would be a commercial supplement to existing resources. Could exert strong leverage by becoming familiar with local opportunities, conditions, and operating methods.

In conjunction with task B-1 concerning measures to ensure an adequate flow of investment and export expansion projects, reference may be made to section 4.4, "Source of Projects to be Promoted". It is also to be noted that a rudimentary but rather comprehensive (in terms of sectoral coverage) scheme of project identification, evaluation, and promotion has recently been begun by the Development Bank as a means of fulfilling its own need to find projects and project sponsors to finance. The scheme has been serving as at least a short term substitute for a more formal industrial programming activity. EPIC will want to co-operate with the Development Bank to carry the approach further, refine it, and participate as appropriate in the broad thrust of the activity, which is tightly focussed on bringing together specific projects and qualified participants.

Formation of a "project generation task force", involving a few other organizations as well as EPIC and the Development Bank, will be given careful consideration. Some extremely useful work has been done recently at the Planning Directorate which suggests areas for project identification, and the Ministry is in the process of developing comprehensive statistical methods of measuring and displaying industrial performance and trends.

★ Company name withheld.

4.3 Co-ordination With Other Organizations

As a top priority order of business after its inauguration, EPIC will have to establish direct working relationships with a number of other organizations already active in the investment and export fields. These include all of the bodies represented on the Council as well as some additional agencies.

No attempt is made in this document to detail the relationships, but their importance is strongly emphasized. For example, arrangements whereby the Chamber of Commerce continues its traditional activities in the fairs and exhibitions field and the setting up of mechanisms for establishing further areas of collaboration with the Chamber are highly important. They will allow EPIC to concentrate its limited resources in other fields. This avoidance of duplication will increase the impact of the overall system. Similar reasoning can and will be applied to many other relationships.

The same principle applies to international organizations both with respect to obtaining services, (see also "Technical Assistance", section 4.1) and for the purpose of supporting Country X's negotiation of trade and investment agreements. For example, the conclusion of concrete arrangements with the sub-regional economic co-operation organization will become extremely urgent as soon as the international road improvement project is completed (scheduled for 1974).

4.4 Source of Projects to be Promoted

No provision has been made in this phase I operating plan for the EPIC staff to engage in the preparation of feasibility studies, detailed market development projects or other specialized technical work. EPIC will be staffed to interpret, evaluate and arrange for the translation into physical projects of detailed technical work performed elsewhere. "Elsewhere" at present includes the Technical Group, various ministries and parastatal bodies, and their consultants (often provided by technical assistance agencies).

For the moment there exists a large backlog of studies performed over the past six to ten years, which may still be capable of stimulating investment and export expansion projects. Preliminary work suggests that there are indeed a number of studies in this category, and EPIC will do its best to see that all available benefits are derived from the tremendous investment which the stockpile represents. The Development Bank is presently active in this area and EPIC will complement and support the Bank's activities as appropriate.

In addition, there exists a backlog of projects in the minds of businessmen already active in the country. (Several have been referred to in Section 4.2.) The extent and importance of this source remains to be seen over time, but sample discussions during preparation of this plan suggest that it has major potential and can be converted to live projects as a result of the national campaign.

EPIC will be competent to assist in the development of projects from whatever source, via consultants and short-term technical assistance experts. It accepts responsibility for seeing that: (1) a pipeline of projects in various stages of preparation - from idea to implementation - exists, and (2) that quantities are sufficient to provide reasonable confidence that economic expansion targets will be attained.

At some point, perhaps relatively soon, vigorous action to "exploit or discard" existing studies will exhaust the stockpile. Plans must be made to replenish the stockpile or to adopt an alternative project development concept.

Wherever possible EPIC will seek to transfer much of the financial and technical burden of detailed project preparation to prospective investors by seeking their interest at an early stage in the project development cycle. In many cases it may be possible to apply technical assistance grants to specific projects which have already aroused the interest of specific prospective investors. It is expected that this practice, where it is applicable, will save both time and money compared with an alternative procedure of stockpiling feasibility studies.

Nevertheless, the related question of increasing the technical capability available in the country for concentrated attention on specific branches of industry and concentrated work on the development of specific export markets deserves prompt attention. A major firm is evaluating the feasibility of establishing a management consulting branch here. This could be of some definite help if the firm's evaluation results in positive action. Furthermore, at least one banking institution is interested in becoming partially self-sufficient technically. A specialized technical organization could be set up as a division of EPIC, as a separate entity, as an infusion of new resources to the Technical Group or as a re-inforcement of the Development Bank staff. There is a strong case for beginning immediately to build up the existing technical cadre. But a goal of self-sufficiency, either general or for major sectors would probably lead to unhappy results compared with a policy of participating in, managing, and evaluating work done largely outside the official institutions.

There is little doubt that additional technical assistance for such a programme can be secured, provided that the proposed means of organizing and directing the activity is judged to be consistent with results.

4.5 Publications

The Centre's publications programme will of course be developed gradually over the first year or two of operations. Nevertheless, certain documents from a key part of the Centre's tools. EPIC will prepare only those documents which cannot be feasibly obtained elsewhere. An initial listing of publications which will be needed - and existing sources if known - is given below:

TYPE OF PUBLICATION	SOURCE/COMMENTS
List of importers/exporters and products	- National Bank of Commerce (Annual) - Chamber of Commerce (Annual)
Investor's Guide	- Chamber of Commerce (1969) - Development Bank (in publication)
Summary (or text) of pertinent regulations)	- "Guide to Company Registration and taxation" Chamber of Commerce, 1972
Summary (or text) of pertinent incentives)	
Summary (or text) of pertinent taxation rates)	
Directory of manufacturers	- Chamber of Commerce, January 1972 - Ministry of Commerce and Industry (Map and guide - The capital only); 1970
Customs regulations and rates	- Customs Bureau
Directories of overseas contacts for trading partners and for prospective investors	- Various sources; includes ECA for investment contacts and numerous published directories for trading contacts
Statistics	- Various sources; including Central Statistics Office, National Bank and National Bank of Commerce - Statistical Digest, March 1972 Chamber of Commerce
Other publications; e.g. progress reports, newsletters, work programmes	- To be prepared by EPIC as needed

4.6 Overseas Operations

The question of overseas operations is one of great interest and importance. On the one hand the export and investment field is so competitive that personal contacts overseas form a major element in the development campaign. On the other hand, overseas offices are costly and the problem of effective staffing is very serious.

Presently both for exports and for investment projects, the principal constraint is on the "supply-side". In other words there is a backlog of administrative changes, incentive adjustments, programme development, and implementation which must temporarily receive priority as compared with the purely promotional aspects of the campaign. When the pipeline is more nearly full at this end, overseas contacts will begin to become the sticking point. In other words, some "homework" needs to be done before spending on overseas offices will be justified. For now and in the immediate future, it would probably be a waste of money to establish overseas facilities. It might even do great harm, because prospective investors/trading partners would not find Country X's institutional system well prepared to satisfy their aroused interest.

The programme of establishing overseas offices is therefore deferred for at least a year until the way has been prepared for their effective use. In the meantime, alternative short-term arrangements such as the use of specialized missions and the use of commercial attachés abroad will be considered.^{17/}

4.7 Discretionary Incentives or Assistance

As a part of its role in the national export and investment development campaign, EPIC will, within budget and policy constraints to be established, undertake a programme of discretionary grants for purposes such as the following:

- (1) to assist an exporter to assess and/or develop new markets for his export products;
- (2) to assist a manufacturer to develop new or modified products for export markets or to establish packaging or quality control techniques to improve the acceptability of his products in export markets;
- (3) to subsidize investment studies - undertaken for the account of a specific prospective investor - which have a high probability of leading to new or increased productive investment (especially those incorporating export potential).

^{17/} Commercial attachés are presently assigned at the following overseas embassies (later).

4.8 Periodic Review of EPIC's Effectiveness

An outside review of EPIC's activities will be sought periodically. This will be needed at least annually at first, and may be one vehicle for the ECA follow-up consulting support referred to in section 4.1. The review will be problem-oriented, i.e., it will focus on areas where improvements are needed and will propose remedies.

Since staffing is probably the single most critical determinant of EPIC's success or failure, review will include an analysis of overall staff effectiveness and recommendations to enhance performance, including progress towards complete localization.

5. IMPLEMENTATION PLAN

The specific steps of implementation are to be determined, based upon further discussions within the Ministry. The following tasks, as a minimum, are logically required to be completed before announcement of the Centre's inauguration can be made:

- Internal co-ordination within the Ministry.
- Resolution of budget "gap", including acquisition of voluntary contributions and establishment of the Export Promotion Fund.
- Necessary formalities to allow non-civil service status.
- Negotiations with Chamber of Commerce regarding office space and related matters.
- Negotiations with technical assistance agencies and recruitment of the first technical assistance experts.
- Selection of Director General and the first national staff members.
- Revision as necessary of this document.
- Formal approvals ?

CASE NO. 3: INVESTMENT PROMOTION IN A NATIONAL DEVELOPMENT BANK

THE NATIONAL DEVELOPMENT BANK (NDB) LTD.

DESCRIPTION OF INVESTMENT PROMOTION PROGRAMME

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INVESTMENT PROMOTION IN A NATIONAL DEVELOPMENT BANK

As a new institution, the National Development Bank (NDB) had relatively few preinvestment projects underway. In considering the question of business development, executives had an opportunity to choose between two approaches: (1) responding to initiatives of prospective investors, or (2) taking the lead in order to exercise greater control and influence over the pace and direction of the investment programme. NDB chose the second course. Its decision to adopt a positive role was assisted by the fact that a large block of the institution's investible funds would revert to the original lender if not committed by a fixed date.

A pilot programme of project identification and promotion was begun late in 1971, under joint auspices of the research division and the operations division. It began with a simplified industrial programming activity. Wall-size worksheets similar to Exhibit 1 were used to accumulate, display, and analyze information on the current industrial situation. The data described existing projects, those in various stages of commitment or construction, and those which had progressed only to the "paper study" stage.

A number of "inactive" study reports were found which nevertheless had apparent merit. There were also a number of intuitively interesting project possibilities. Consequently, a Part II programming exercise was undertaken immediately. (Please see Exhibit 2.) A dozen project possibilities were quickly designated as leading candidates for an initial promotional campaign. Six attractive opportunities were selected and prepared in the form of project **brochures**. (See Exhibit 3 for a sample: "Integrated Cattle Production and Processing for Export.") It was decided that the initial promotional effort would concentrate on these six projects.

Lists of "high potential" contacts, both local and overseas, were prepared. These were of two kinds: intermediate institutions such as federations of industrialists, chambers of commerce, development finance agencies, and assistance organizations; and direct prospects such as manufacturing firms already active in the project fields and thought to be prospects for participation.

Concurrently, a general information booklet was prepared which describes the benefits available to investors and the attractions for businessmen and their families who come to establish new enterprises and to reside in the country. This was referred to as an "investors guide" (please see Exhibit 4 for the foreword and table of contents), but it is in reality an integral part of the campaign to sell the country and its opportunities to **selected** businessmen.

The "guide" and one or more specific project brochures thus form a complete promotional package to be sent to NDB's prospective project partners.

By the second quarter of 1972, the NDB programme had reached the point where only final typing and reproduction were necessary before mailing to the first hundred contacts.

Exhibit 1. INDUSTRIAL PROJECTS WORKSHEET - NATIONAL DEVELOPMENT BANK, LTD.

PART 1: SECTORAL ANALYSIS

PROJECTS SECTORS	EXISTING INDUSTRY		INDUSTRIES									PIPELINE			APPARENT OPPORTUNITY		
	Principal Enterprises	Aggregate Volume	Import Volume	Market/Financial				"External Benefits"					Committed and/or under construction	Active in negotiation/ under consideration		"Paper" but inactive	
				Demand Growth	Avail. Mkt. (Dom.)	Export Potential	Profit Potential	Local Inputs	Linkages	Labour Intensity	Foreign Exchange Gain						
FOOD & BEVERAGES TOBACCO TEXTILES & CLOTHING LEATHER & FOOTWEAR WOOD PRODUCTS PAPER & A.P. PRINTING & PUBLICATION CHEMICALS PHARMACEUTICALS PETROLEUM & A.P. RUBBER & PLASTIC PROD. NON-METALLIC MINERALS BASIC METALS METAL PRODUCTS MACHINERY NON-ELECT. MACHINERY ELECT. TRANSPORT EQUIPT. OTHER TOTAL	Name, Products, size indication			Relative Values Indicated by "High", "Medium", or "Low" →													
												Name, Products size indication			Identification of document		
																	Intuitive or Other Judgement

Exhibit 2. INDUSTRIAL PROJECTS WORKSHEET - NATIONAL DEVELOPMENT BANK, LTD.

PART II - PROJECT EVALUATION AND STATUS

SECTOR/PROJECTS	EVALUATION										STATUS SUMMARY		NEXT MILESTONE(S) AND SCHEDULE DATE	PROJECT OFFICERS ASSIGNED	
	Import Volume	Market /Financial				"External Benefits"				Approx. Investment Reqd.	Evaluation Summary	Study identification			Latest status/ date
		Demand Growth	Avail. Market (Dom.)	Export Pot.	Profit Pot.	Local Inputs	Linkages	Labour Intensity	Foreign Exchange						
FOOD	\$ value	----- Relative Values Indicated by "High", "Medium", or "Low" -----													
.....															
.....															
.....															
BEVERAGES/TOBACCO															
.....															
.....															
.....															
TEXTILES & CLOTHING															
LEATHER & FOOTWEAR															
WOOD PRODUCTS															
PAPER & A.P.															
PRINTING PUBLICATION															
CHEMICALS															
PHARMACEUTICALS															
PETROLEUM & A.P.															
RUBBER & PLASTIC PROD.															
NON-METALIC MIN.															
BASIC METALS															
METAL PRODUCTS															
MACHINERY NON-ELECT.															
MACHINERY ELECT.															
TRANSPORT EQUIP.															
OTHER															

Key to: "EVALUATION SUMMARY"

E.g. A 1 P

<u>QUALITY</u>	<u>PRIORITY</u>	<u>ACTION(NDB)</u>
A Excellent	1 Urgent	Promote
B Good	2 Moderate	Back Burner
C Fair	3 Low	No Action
D Poor		

Exhibit 3

NATIONAL DEVELOPMENT BANK (NDB) LTD.

Project Opportunity Description

INTEGRATED CATTLE PRODUCTION AND PROCESSING FOR EXPORT

For further information contact:

General Manager
National Development Bank
P.O.Box 2000
Cables: INDOPS

Introduction

It is believed that an attractive opportunity exists in this country for the establishment of one or more integrated cattle production and processing operations for export. The industry has already begun to develop, but the potential is so large that additional units are believed fully justified.

Structure of the Existing Industry

A half-dozen substantial meat and vegetable processing operations already exist in the country. The bulk of the production is canned, but chilled and frozen shipments, particularly by air, are catching on and show very large volume and excellent profit potentials.

An indication of the present volume of meat processing is that meat canning capacity currently utilized and under construction is estimated at between 25 and 50 million cans annually.

Except for one of the existing enterprises, all of the processing plants simply buy range cattle and butcher them. The animals typically lose a considerable fraction of their body weight in being driven to marketing points or abattoirs, so that the weight of useful meat may be only about 80 kilos per head.

Since the cattle population of the country is about 15,000,000 it may be seen that the present processing volume, 100,000 head per year in total, represents less than 1 per cent of the herd.

Nature and Location of the Project

It is proposed that establishment of additional integrated production and processing units be considered for southern, central, and northern locations to be selected in consultation with the Ministry of Agriculture and the Meat Board. Production of foodstuffs for a fattening programme has been shown to be economical, both in studies and in actual practice. In combination with health care measures (innoculation and parasite control), controlled feeding greatly improves the yield and overall economics of the process in addition to providing an "automatic" quarantine period. Consequently it is feasible to consider the export sale of frozen and chilled beef (again already demonstrated as practical) in addition to a canning programme. Further diversification and export marketing of agricultural production is also possible.

At least one of the present producers is currently seeking proposals for a joint venture to expand his operations and increase throughput by intensive livestock production, including a fattening programme.

Project Economics

No comprehensive operating analysis or investment details are available. The best testimony of feasibility is the expansion already taking place in the industry. Numerous agricultural by-products such as oil cake and molasses are available to supplement normal field crop rations.

As a round-number guide, 100,000 cattle per year at a finished live weight of 300 kilos per head with 35 per cent yield would produce around 10,000,000 kilos of meat. Assuming 80 per cent canned and 20 per cent sold in chilled or frozen state, this should yield a sales volume exceeding \$6,000,000. Additional revenue is available from by-products.

The feed lot portion of such a project was studied by a leading Research Institute in 1969. A copy of the study can be examined at the NDB offices.

Linkages

The present project description is closely related to a series of other projects now being promoted. These include the expansion of fresh and processed vegetable exports, the production and export of frozen fish filets, a can producing factory, infrastructural projects aimed at facilitating the availability of livestock at convenient marketing points, and a solvent extraction plant for high quality oil cake.

Participation Desired

It is desired to associate with a well established firm which is experienced in all phases of an integrated cattle operation, including marketing. The National Development Bank will consider participation on its own account and will assist in the location of suitable local partners. As mentioned earlier, there may be possibilities for association with one or more of the established domestic producers for major expansion and backward integration of the existing operation. In such a case, full technical qualification of the new partner would not be essential.

Exhibit 4

FOREWORD TO THE "INVESTOR'S GUIDE"

This brief "Investor's Guide" is intended as an introduction to our country and to its rich opportunities - cultural and recreational, as well as business.

Our country offers potential markets among the largest in Africa and many advantages as a base for African business development. The National Development Bank is therefore pleased to present the information contained herein to prospective investors and to offer the Bank's assistance for identifying, evaluating and implementing specific projects.

[Signed]

General Manager

Exhibit 4 (continued)

TABLE OF CONTENTS FROM THE "INVESTOR'S GUIDE" ^{*}

1. BRIEF BACKGROUND AND ECONOMIC SUMMARY

- Capsule Description
- History and Government.....
- Overview of the Economy.....

2. THE INDUSTRIAL SITUATION

- Manufacturing Industry.....
- Recent Industrial Project Highlights
- External Trade

3. INDUSTRIAL INCENTIVES

- Income Tax Relief
- Import Duty Relief
- Export Duty Relief
- Remittance of Foreign Exchange.....
- Acquisition of Immovables.....
- Dividends
- Protection
- The Domestic Corporation ,.....
- Branch of a Foreign Company
- Capital Participation
- Participation in Business Management

4. INDUSTRIAL OPPORTUNITIES

5. COMFORTABLE AND EXCITING LIVING FOR THE BUSINESSMAN AND HIS FAMILY

6. TRAVEL INFORMATION.....

^{*} The guide as drafted is sixteen pages in length. It is planned to incorporate suitable photographs and a map showing principal cities, ports and transportation routes.

CASE N° 4 : RATIONALIZATION OF COMPETING INVESTMENT
PROMOTION PROGRAMMES

PROPOSAL FOR RATIONALIZATION OF INDUSTRIAL
DEVELOPMENT PROGRAMMING AND INVESTMENT PROMOTION
IN "COUNTRY A".

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PROPOSAL FOR RATIONALIZATION OF INDUSTRIAL
DEVELOPMENT PROGRAMMING AND INVESTMENT PROMOTION
IN "COUNTRY A " 18/

1. INTRODUCTION

There is a strong likelihood in Country A of direct competition among three partially overlapping and individually meritorious industrial development programmes. At least two of the programmes will rely heavily for their success on foreign investment. All three must inevitably compete for the scarce resources of expert manpower and government backing. Unless care is taken, the competition could result in none of the programmes having sufficient resources to accomplish its objectives. This could easily mean failure of all three programmes or, at best, loss of valuable time while the effort is reorganized and lost momentum restored.

This note is intended for consideration and possible use in influencing the course of events. As suggested below there is at least one approach which may achieve the full potential benefits of the programmes and avoid destructive competition.

2. BACKGROUND : THREE INVESTMENT DEVELOPMENT PROGRAMMES

Country A is by far the most developed, though the least populated (under 3 million), of a group of neighbouring states. The recurrent budget has achieved balanced status. But since independence in 1965 a hoped-for wave of new investment has not taken place. (The only significant new project is a foreign controlled tannery). It is understood that the Government's policy is to reduce the present heavy dependence on a single source of capital and managers by encouraging flows of investment from farther afield.

A succinct definition of the investment objective seems to be to create jobs for 15000 new members of the labour force each year. Although Country A is agriculturally rich, and major agricultural expansion schemes are coming into being, these generally represent productivity gains (e.g. via irrigation) rather than expansion in the size of the agricultural work force. Industry is thus relied on to provide a large share of the needed jobs.

18/ Based on findings of an ECA investment promotion mission.

Since the domestic market is small, capability for export is seen as a fundamental factor in identifying and evaluating possibilities for new industrial investment. Because of a regional grouping Country A - together with its neighbours - enjoys ready access to a fairly large total market. She also recognizes the possibility of using this "base" market as the foundation for establishing economical production for other African and extra-African markets.

To help achieve the objective, a "National Development Finance Corporation" is in final stages of formation. It is planned that for the first year or two NDFC will pursue "target of opportunity" from a wide ranging list of potential ventures compiled as a result of extensive personal contacts over the past few years. Many industrial countries are represented on the list of potential investors.

A set of "modest" incentives for new investment is being considered. It is understood that the level of these incentives will not approach the level established by the Pioneer Investments Act and the Industrial Protection Act recently adopted by one of Country A's neighbours (Country B). It appears to be the judgement of officials in the ministry that the Country B incentives would be unsuitable in the Country A environment because they would greatly reduce government revenue potential while at the same time requiring the expenditure of public funds for infrastructure and training facilities 20/. There is also an understandable concern over the possibility of establishing "privileged" competition, based upon foreign investment and perhaps expatriate management, which would make local small-scale enterprises inherently uneconomic.

Initial "scoping" of the situation by a UNIDO expert assigned to the Ministry of Commerce and Industry to propose long range industrial programming is very interesting. While not yet completely drafted during the mission's visit, the effort was impressive for its simplicity and clarity of concept, harmony with the existing agricultural basis of the economy, and evolutionary pattern of interlocking developments.

20/ Without endorsing the Country B approach in all of its aspects one must concede that jobs are being created in an environment that might not previously have been regarded as promising. Indeed, Country B's development corporation had an impressive array of projects under active negotiation during the mission's visit. Perhaps there is a relevant conclusion to be drawn; viz., that if the target is to create a certain number of jobs on a given schedule, the tools employed to create the jobs will have to be powerful enough to attract an appropriate amount and quality of investment. If the predicted cost of such tools is high, a conscious choice ought to be made between paying the cost and reducing the target.

The scheme is conceived as a five year development programme. Its target is to create jobs on the order of the number estimated to be needed. It is ambitious in capital and manpower requirements. It requires a high degree of integration among certain elements of the programme. Although most of the investment will be private, some key underlying portions are agricultural; these will require concessional loans, grants, or subsidies. Large numbers of expatriate experts will be needed. The whole programme will probably exceed \$200 million, including roughly 15 per cent infrastructure investment. The implementation proposal will probably involve a central programme staff and sub-projects assigned to each important ministry.

A very dynamic small-scale industry project headed by a senior ILO officer has been in existence for only eighteen months but has made rapid progress. The project is converting a modest stake of \$200,000 into a string of specialized small-scale industrial estates in several parts of the country. A key to the project is the provision for technical extension and business advisory services as well as common buying and marketing facilities. This project has reached a stage where success is stretching the staff very thin.

Thus there are three industrial development programmes in Country A, each potentially of crucial importance to the economy. The three are in different stages of development, but they are probably heading for direct resources competition within six months, particularly in the area of expert staff and official backing.

3. OBSERVATIONS AND CONCLUSIONS

Based on the missions' observations and discussions, the following points are advanced as key judgements on which a strategy for action should be based:

- 1) Three parallel industrial development organizations using the same basic resources in Country A are too many.
- 2) The small-scale industry project already has given strong indications of building a successful track record. It merits full support at this stage.
- 3) The quality of the conceptual plan outlined by the UNIDO expert is impressive. The main thrust of the plan - building forward and sideways upon the agricultural base of the economy to tap "natural" industrial potentials, and expanding the agricultural base as needed to provide a balanced overall programme - almost certainly should become the main stream of Country A's industrial development.

4. STRATEGY FOR PROMOTING NATIONAL INDUSTRIAL DEVELOPMENT

A clear strategy, or set of policies, needs to be articulated and used as the basis for decisions to be taken during the next few years. The judgements expressed above lead to the following proposed policy items:

- 1) Recognize the development corporation (NDFC) as the single focal point for industrial development implementation, excepting the small-scale programme, which requires its own specialized institutions.
- 2) Insist on building into the NDFC enough managerial and technical strength to find partners and negotiate agreements according to an established plan containing priorities and based largely on the UNIDO expert's scheme. In other words, NDFC's role must encompass both its present opportunistic approach to project selection and the more systematic and fundamental approach now being developed. This shift also requires a more complex set of performance measurements for NDFC than the obvious value of new investments obtained, number of jobs created, and whether the corporation makes a profit. For example, a key measure will be the degree to which potential linkages are actually converted into mutually reinforcing projects.
- 3) The major details of the plan, including priorities and time phasing, should be established by the government, after extensive consultation with NDFC. Measurement of NDFC's performance is also a government task.
- 4) Purely agricultural elements of the plan (not including agro-industry), and infrastructure development not directly supporting industrial projects, should be managed separately. They must have full visibility both to the custodians of the overall plan and to NDFC. NDFC must also have an effective channel to influence schedule and priority decisions concerning these related projects.

5. IMPLICATIONS FOR NDFC INVESTMENT PROMOTION MACHINERY

Here, in brief form, is an outline of some key considerations for equipping NDFC to play the strong role described in the previous section of this memorandum.

5.1 Functions of the Corporation

For the "acquisitive" activities of the corporation it is appropriate to identify the following functions (remember that this is not a complete list of NDFC functions since it omits a host of technical, management, and administrative tasks):

- Interpret and influence the industrial development plan (which includes export targets);
- Establish NDFC's own projects and priorities to implement the plan;
- Identify and contact prospective partners/investors;
- Promote desired projects and negotiate project plans and investment agreements consistent with government policies and national interest;
- "Represent" investors in completing government formalities;
- Define and advocate changes in or additions to existing policies (e.g. investment and export incentives) to improve investment climate.

5.2 Organization and Staffing

A classical decision must be made in organizing such complex activities. A choice must be made between "vertical" and "horizontal" approaches; i.e., "project" organization vs "functional" organization. As a possible guide to this decision, there is a principle which is frequently used by successful business organizations in determining the "correct" pattern for a given situation. It calls for focussing upon and simplifying the interface between the organization and its "customers".

As applied to NDFC, this means that a prospective investor should be able to look to a single senior individual in NDFC as being knowledgeable in every aspect of his project. Symbolically, of course, that individual is the Chief Executive of NDFC. But there must be another official, a high-powered project officer, whose main task it is to be intimately familiar with the project. His job is to "nurse" both the project and the investor from start to finish. He must have the experience and stature to be a leader in negotiations. He must also have the technical and managerial capability to command respect and to ensure that a project, as finally agreed upon, is a sound venture.

This individual, for a given project, may be one of several officials titled "Vice President (Industry Group X)" or "Director (Industry Group X)." Optionally, he may be called "Senior Industrial Development Officer." He may be supported by one or more assistants, but his

responsibility for the successful conclusion of a project is total. Clearly, this is a "project" oriented approach. All but the first and the last of the functions listed above are included. The other two tasks are broad responsibilities which might well report in the person of a senior officer direct to the chief executive.

There is one more key executive for the "acquisitive" functions. He may be called "Deputy Chief Executive - Development" or "Senior Vice President for Development" or an equivalent. This man directs the project officers and he is next to the Chief Executive in rank. He must be the powerful driving force behind the process of finding investors and concluding agreements. He must have heavy negotiation experience, probably as a successful senior project official in a similar organization or in the corporate development office of an acquisition-oriented manufacturing firm.

5.3 Overseas Representation

This subject raises a difficult dilemma. On the one hand, how can NDFC present Country A's case forcefully, and show a prospective overseas investor that you are serious, without calling on him in person? (Country A is competing with other developing countries which have overseas offices.) On the other hand, can you afford to gamble two or three hundred thousand dollars a year for overseas offices on a fledgling programme?

There are several possible answers. One reply is that the cost is only two or three per cent of the investment volume which must be attracted each year. This is a very modest "finder's fee," if the offices are successful. Another approach is to find at least a temporary substitute for overseas offices - something that can serve to get the programme started at a lower cost. Here there are also multiple possibilities. One is to rely on "missions" sent to deal with several possible opportunities in one country or area during a concentrated time span. Another is to offer to pay a prospective investor's expenses to visit Country A and investigate the opportunity in person. A third is to rely on commercial attachés attached to foreign diplomatic posts. Each of these has rather obvious drawbacks, but each may play a constructive part during early operations.

Yet another interim approach is to employ an overseas agent to help find technical and financial partners and to assist in negotiations. Certain banks and investment houses have formed subsidiaries to function in such a fashion. They will usually participate directly or indirectly in the financing and may receive a share of equity in consideration of their services.

Finally there is the possibility of joining together with other states to "pool" resources for effective and economical overseas representation.

6. CLIMATE FOR SOLUTION

It would be most helpful if the initial staffing and financing of NDFC were conducted with a view toward the enlarged scope described in this paper. (It is likely that the larger scope will ultimately prevail, because the probable alternative is failure or stagnation.)

A rational solution can be obtained, since all of the participants in the situation are capable and dedicated. What is needed is a potent sponsor for rationalization. He should preferably not be in a position to appear to benefit from implementation of a broadened scheme, but he must be able to stimulate discussion and articulate the pros and cons. He must carry personal weight by virtue of his present knowledge of the people involved; and he must already hold their respect.

CASE N° 5 : ROLE OF A CENTRAL FINANCIAL INSTITUTION

NATIONAL INDUSTRIAL BANK (NIB)
THE N.I.B. PROJECT DEVELOPMENT SYSTEM
Description and Operating Plan

THE N.I.B. PROJECT DEVELOPMENT SYSTEM

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1.0 BACKGROUND : THE NEED FOR ACCELERATING PROJECT DEVELOPMENT

1.1 Introduction

This document describes the N.I.B. Project Development System. Since N.I.B. is relatively new, some elements of the system are themselves under development. It is therefore possible and likely that some major and minor changes and additions will be made before the system is fully operational. This, then, is a preliminary description and operating plan. The complete system as conceived to date has been outlined in this document as a vehicle for internal communication and discussion, as a basis for certain management decisions, and as an implementation guide.

1.2 N.I.B.'s Functional Organization

The National Industrial Bank came into existence on August 10, 1970 an Act of Country D's National Assembly. As a brief review, N.I.B.'s statutory objectives may be partially paraphrased as follows:

In accordance with national and economic development priorities:

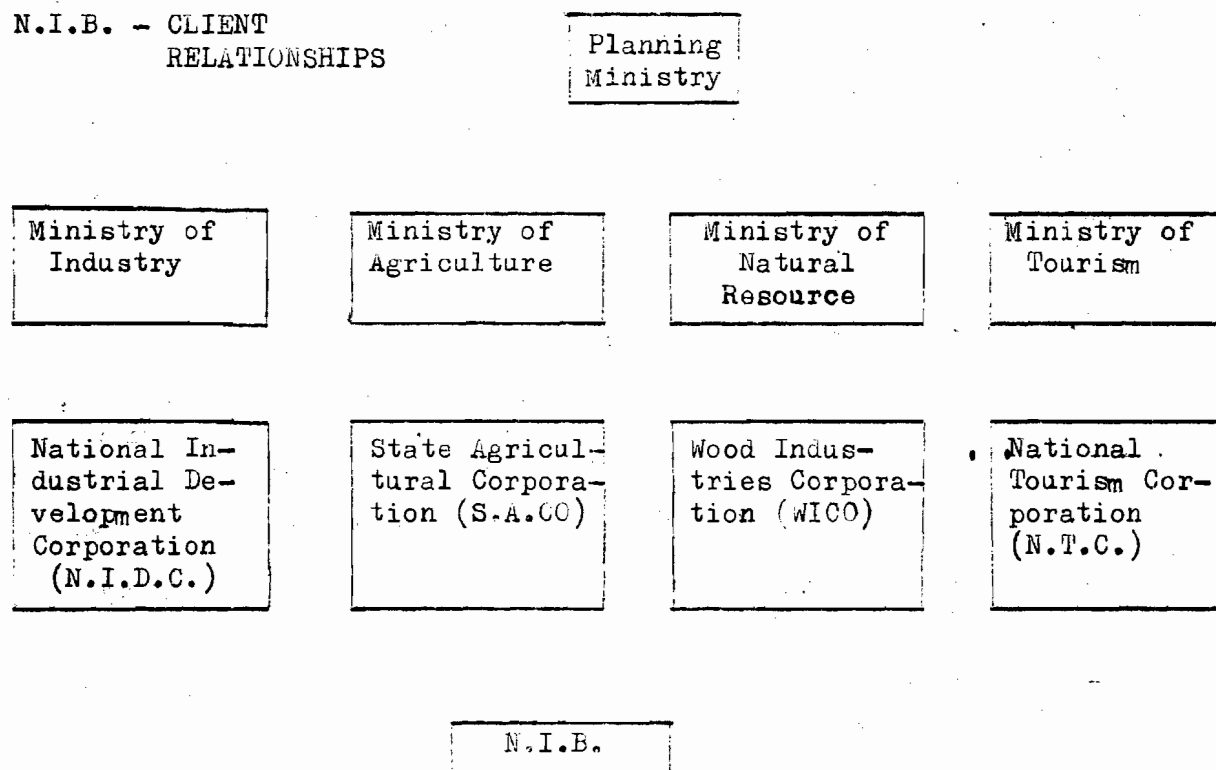
- provide long-and medium-term financing for a broad range of development projects 20/
- provide technical assistance and advice to promote industrial development;
- undertake other necessary or advantageous activities to further the above.

N.I.B. is organized into four departments including Finance, Operations, Research and Planning, and Administration (including legal services). Operations is further sub-divided into Evaluation, Follow-up, and Promotion Divisions. Both the Evaluation and Promotion Divisions of the Operations Department play important parts in the development of projects in which N.I.B. ultimately invests. Research and Planning also plays an active part, e.g. through its sectoral studies, through follow-up of project studies, and through the co-ordination of social and economic project evaluation criteria.

20/ "(a) the development of manufacturing, assembly and processing industries including industries engaged in the processing of products of agriculture, forestry or fishing; (b) the development of the engineering, construction, transport, tourist and mining industries; (c) the development of large-scale corporate agriculture, ranching, forestry and fishing..."

1.3 The Project Development Gap

Although N.I.B.'s portfolio includes investments in a number of privately owned projects, its main clients are the parastatal organizations. The relationships of the principal clients, their cognizant ministries, and N.I.B. are shown in the diagram below:



The initial backlog of loan application which N.I.B. assumed when it began operations has shrunk to a current total of 25 projects for a total requested N.I.B. participation of \$12 million ^{21/}. Unfortunately, only a minority represent economically attractive projects as presently conceived. The development plan for 1970-1975 calls for an annual total of about \$35 million of capital investment, of which N.I.B.'s contribution should probably be about 30 per cent. Applying rule-of-thumb estimates of attrition rates and application-to-approval cycle times, it would be reasonable to expect N.I.B.'s application backlog to be much larger. It would have to approach two to four times the current level in order to yield the required annual rate of approved investments. Thus there is a serious shortage in the flow of viable projects from the parastatal corporations to N.I.B. Conversely, preliminary analysis of N.I.B. compilations of sectoral and project studies prepared during the last half-dozen years suggests that a large potential backlog of projects exists.

^{21/} Source: Work Programme, Operations Department, 24 February 1972.

2.0 THE PROJECT DEVELOPMENT STRATEGY: A PRAGMATIC APPROACH

It is accepted as given that N.I.B. will not soon (and perhaps never) command the resources to conduct substantial project preparation work on its own, or to finance and manage such work on contract. The basic system of project development must therefore rely upon the parastatal organizations identified earlier to perform or manage the bulk of the detailed preparation work. N.I.B.'s role is nevertheless operationally important and strategically critical.

Based upon its statutory responsibilities, and facilitated by its inherently central position as approving and financing agency, N.I.B. has established a dual approach as its answer to the project development gap. N.I.B. will:

- act as a catalyst in the identification of potential projects and in stimulating the follow-up of existing sectoral and project studies by the concerned agencies;
- provide a set of specially tailored services to the N.I.B. clients - services designed to multiply the effectiveness of the clients' existing or projected resources towards filling the project pipeline with an appropriate number of projects whose probability of successful implementation is universally high.

3.0 SUMMARY OF THE PROJECT DEVELOPMENT SYSTEM

The purpose of this section is to describe the catalytic methods and the specialized services which are applied to carry out the project development strategy.

For convenience, the description is organized in three parts which are, however, closely inter-related:

- 1) Filling the pipeline (quantity)
- 2) Filling the pipeline (quality)
- 3) The N.I.B. Services Corporation

Together, the three elements comprise "The N.I.B. Project Development System".

3.1 Filling the Pipeline (Quantity)

As indicated earlier the supply of projects ready for formal financing application is not sufficient to meet the development objectives. N.I.B. aims to stimulate the development of projects by its clients through measures described in the following paragraphs.

3.1.1 Investment Programming Activity

The Operations Department will work with clients separately to analyze the prospects of the existing loan application backlog, but more importantly to evaluate each client's own backlog of projects which have not yet reached the loan application stage. This will be done within the context of a N.I.B. "investment programming activity" which will identify and characterize probable and prospective projects likely to be submitted to N.I.B. during the next several years.

A quick summary of possibilities for further exploration with each of the principal parastatal clients is given below:

NTC - The desire currently is for sources of outside financing to support a chain of western hotels and to pick up a national park project which was abandoned by a foreign sponsor in an advanced planning stage. Management participation will be accepted, but for strictly limited time periods. An extensive study by a leading international consultant, whose recent completion was a year behind schedule, is the stimulus for a co-ordinated tourism development plan to be completed within some months time with participation by the Ministry of Tourism among others. At that time a more comprehensive view of other forthcoming projects will be possible.

SACO - A number of projects have already been submitted to N.I.B. At present the Planning Manager's post is vacant, but the Operations Manager is doing double duty. The existence of a large number of sub-sectoral and project studies provides fertile ground for an N.I.B. liaison officer or a consultant to assist in laying out or projecting likely developments.

Some examples of projects at an early conceptual stage are another tannery (since the presently projected operations can process only 600,000 out of 7,000,000 skins available annually) and a bone meal production facility.

IDC - Largely because of some recent personnel changes, IDC is temporarily operating on day-to-day basis with respect to the programming of industrial investments and the preparation of projects. Attention is basically being given to one project at a time to bring

it to the point of readiness for submission to N.I.B. in a formal loan application. It will probably be the end of the year before IDC will be in a position to identify a schedule of likely project submissions, together with estimates of their sizes.

Some examples of projects which will probably be submitted are leather footwear, a garment factory in conjunction with the Prosperity textile mill, and a pitchblende operation. In certain cases it may be a subsidiary, rather than IDC itself, which approaches N.I.B.

It is expected that IDC will have roughly \$10 million for equity investment from the forthcoming government budget allocations, and perhaps another 10 million from internally generated funds. Soft loans from abroad are also expected to be available to complement N.I.B.'s participation.

3.1.2 N.I.B. Sectoral Studies

The Research and Planning Department has embarked upon a programme of sectoral surveys which will identify possible investment opportunities. The studies will be used to stimulate the concerned parastatal organizations to pursue identified project ideas. Research and Planning has recently conducted a rough study exercise in the forest industries area.

It is planned to make all possible use of other organizations such as the Industrial Study Group (ISG) as a source of technical work. An example is Research and Planning's recent collaboration with ISG for the completion of a vegetable oil study. Research and Planning has also performed a preliminary survey of the dairy industry.

3.1.3 Catalytic Follow-up of Completed Studies

Another activity conceived and carried out by Research and Planning is the accumulation and publication of lists identifying the numerous studies performed during the past few years in various development sectors. An extensive tabulation has already been completed for agro-related projects. The document will be a valuable check list during the investment programming exercise with SACO.

Several more such listings are in progress. The one covering industrial projects (IDC scope) should be finished within a month.

3.2 Filling the Pipeline (Quality)

N.I.B.'s experience, both with operational results of existing projects and with the evaluation of loan applications, has led to some pragmatic measures designed to help ensure that a project which is approved in the future has a high probability of successful implementation. A very thorough and detailed evaluation procedure has been

developed with the assistance of an outside consultant. This procedure serves very well for the N.I.B.'s internal purposes. Now in the context of working with N.I.B. clients to inform them about N.I.B.'s evaluation standards and about the kinds of possible project weaknesses which will have to be avoided or overcome in order to win N.I.B. approval, several simplifying devices have been adopted to complement the official evaluation manual.

3.2.1 Project Risk Analysis

Although much of the voluminous project documentation is purely descriptive, an evaluation report, even at a very early stage, often pinpoints "questionable" areas. These are points on which the evaluator feels that the project concept or plan is either incomplete or unconvincing, or possibly opens the way for a serious shortfall in project performance. Frequently such questions or objections can be overcome and the project thus made acceptable to the Bank. N.I.B. wishes to encourage sponsors to identify and deal with such points at the earliest possible stage of a project. This must preferably be done long before a loan application is submitted.

As a convenience in communicating N.I.B.'s specific concerns and in establishing a dialogue with sponsors to avoid serious difficulties at advanced stages of a project, N.I.B. has established a summary report called a Project Risk Analysis. The report is based upon the use of an illustrative check-list of possible risk areas which is supplemented by the evaluator's judgement and knowledge concerning the project being evaluated. The summary report form is reproduced below:

PROJECT RISK ANALYSIS, SUMMARY
(Use narrative supplements as necessary)

Project: Evaluator: Date: . . .

Risk Element	Rating Symbol	Analysis/Comments
<u>MARKET</u> Size Availability Distribution channels Marketing cost Style Protection Competition Other		
<u>PRODUCTION</u> Raw materials Labour Technology Infrastructure Location Cost Plant construction Scheduling Quality Capacity Other		
<u>MANAGEMENT/FINANCE</u> Performance record Balanced team Adequacy of finance Training provisions Contract terms Motivation Supplier incentive Profitability Social and political factors Other		
<u>OTHER</u>		

Risks in each of the listed areas will be rated in accordance with the following scale:

Severe	- Apparently unacceptable
Borderline	- Needs discussion, may require a response
Low	- No objections raised
Incomplete	- Data missing or inadequate
NA	- Item does not apply to this project

It is expected that the educational programme described below in Section 3.2.3 will greatly reduce the number of challenges raised at the time of submission of a loan application.

3.2.2 Responses to Risk Analysis

As suggested by the rating key listed above, a risk rating of S, B, or I on any element requires a response from the project sponsor. The variety of problems and possible responses is too great to tabulate; and common sense is the basic guide to acceptability of a response. In any case the subject will receive substantial coverage during the seminars described below. An example is also given here for illustration (it may be somewhat overdrawn for emphasis)

An S ("severe") rating may be applied under the "supplier incentive" element when the production equipment is to be furnished by an organization considered not to have a substantial stake in the project's long range success. This rating may be assessed even though the supplier has agreed to a minority equity position in the project, if it is thought possible that the value of his "equity" may have been added to the equipment price.

The best response to such a risk assessment would probably be to secure as a substantial minority participant an organization actively engaged elsewhere in the same line of business and for that partner to endorse the equipment supply arrangements. Since even this precaution can be defeated through collusion, it may be appropriate also to consider some form of "incentive contracting" arrangements. For example, a percentage of the payment could be withheld pending production verification of output, quality, and reliability. Only ingenuity and negotiating realities limit the variety of such contract clauses. It is well to place major emphasis on the participant's reputation for fairness, however, because litigation can seldom rescue a project that has gone "sour". But proposing protective clauses may bring to light some unscrupulous operators masquerading as investors.

3.2.3 The Seminar Programme

Interviews with officials of the principal parastatal clients suggest that the "visible" element of N.I.B.'s Project Development System will be welcomed, but with varying degrees of enthusiasm. The responses can almost be predicted from the situation summaries included in Section 3.1.1.

It is suggested that emphasis not be placed on the integrated nature of the N.I.B. system when discussing cooperative activities with the clients. In order to encourage a free flow of cooperation, the several elements - principally the investment programming and risk analysis activities - may preferably be discussed mainly in the context of the benefits these confer upon the client organization. As will be seen later, certain further services concerning technical assistance coordination and project promotion advice are also to be made available. In order to assist the introduction of N.I.B.'s procedure and services to the clients, it is planned to offer a series of seminars to the staff of each of the client organizations. Although details are yet to be worked out, it is tentatively planned to conduct a brief introductory session for executives followed by a longer training and discussion session for project officers. One or more follow-up sessions would be scheduled as needed to deal with difficult points or to elaborate additional features.

Such sessions will be scheduled in such a way that the result of one session can be used to better prepare the next one.

3.2.4 The "Invest in Country D" Booklet

Another service which N.I.B. will provide for its clients is the preparation of a booklet which presents the general case for investing in Country D. Since some investors have recently shown confusion over the political climate for foreign investment, it is believed that a brief document which presents a frank and positive statement of benefits and faces the difficult questions squarely, may help to spark the interest of high quality project partners.

3.2.5 Contacts with Other Organizations

N.I.B. has and will continue to develop extensive contacts with organizations which may be helpful either as sources of technical assistance or as coordination points. Contacts with the sectoral ministries, Devplan, ISG and a number of bilateral and international assistance agencies are already well developed. A few such organizations with which additional contacts may usefully be explored are:

- Export Promotion Bureau, Ministry of Commerce

- African Investment Centre, Economic Commission for Africa,
- SIFIDA Investment Company, Geneva.

3.3 The N.I.B. Services Corporation

The concept of a service subsidiary built around a range of management consulting services and including among its offerings the provision of computer software services has been already brought to life by N.I.B.'s Financial Department. There is no doubt that such a recourse could have an important beneficial impact on the operating results of existing enterprises and upon the quality of new projects being implemented. There is a great need for the kind of services described.

Furthermore, N.I.B. is a very logical sponsor of, and participant in, such a venture. In the project programming, preparation, promotion and implementation areas, staffs of the parastatal organizations are critically short and it is unlikely that they can soon develop the multiple cadres of experts needed. They can also use assistance in operational matters. All of these areas vitally affect the successful discharge of N.I.B.'s responsibilities and its long term financial health. In addition there is reason to expect that clients would accept (and pay for) assistance from an organization sponsored by N.I.B.

3.3.1 The "Fail-Safe Approach"

Several different arrangements are possible. The approach presently being explored is described below. It is characterized as a phased, "fail-safe" approach which will allow a natural evolution over about a two-year period. Thus there will be time and opportunities to take corrective action as needed, or to drop the project without serious loss or embarrassment.

The several steps are as follows:

Step 1 - A broad-based management consultant firm is recruited by the Operations Department to participate in the phased programme. Two representatives are based at the Bank. Their services are free to N.I.B. clients (and financed by a technical assistance agency). As necessary, specialists are sent from the consultants' parent organization for specific assignments. They are briefed and their activities are directed by the local representatives who do their best to ensure that the short-term people take full account of local conditions and preferences. The assignments and overall direction of the team are established by N.I.B.'s Operations Department.

Step 2 - After about a year a "go/no-go" decision is made. If the decision is positive, an N.I.B. subsidiary corporation is formed whose stock is held 51 per cent by N.I.B. and 49 per cent by the parent consulting firm. The local staff is enlarged but no attempt is made to maintain a full range of capabilities on hand, the outside resources being tapped as necessary.

The computer software capability is introduced subsequently through a "Step 1" arrangement with a suitable computer manufacturer or independent computer services firm.

Step 3 - At the end of the second year a go/no-go decision is made concerning the computer software services activity. If the decision is positive, capitalization of N.I.B. Services Corporation is re-organized to include the parent service firm. N.I.B. maintains its 51 per cent holding.

4.0. PUTTING THE PROJECT DEVELOPMENT SYSTEM INTO EFFECT

Clearly, a number of elements of the system are already in effect. What this document describes is an evolutionary programme to increase the scope and depth of N.I.B.'s activities to keep pace with its role in the Country D's growing and developing economy.

Much of the evolutionary system development will be accomplished in the context of already planned and already instituted internal organization and staff development programmes. However, several items will require special attention and will probably call for special consulting assistance and/or specific recruitment. In some cases a great deal of N.I.B. management attention will be needed to ensure that adequate performance standards are established and maintained. Initial attention will be given to sorting out the system elements which fall into each of these implementation "categories" and devising plans concerning scheduling and resource commitments as necessary.

CASE NO. 6: FEASIBILITY OF MULTINATIONAL INDUSTRIALIZATION
AGENCIES

MULTINATIONAL INDUSTRIALIZATION AGENCIES
FOR AFRICA
A Preliminary Feasibility Report

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MULTINATIONAL INDUSTRIALIZATION AGENCIES FOR AFRICA
A PRELIMINARY FEASIBILITY REPORT 22/

1.0 SUMMARY

There are clear reasons to insist that the goal of accelerating industrialization in Africa requires some form of co-ordinated and joint efforts among groups of countries. But although the past decade has seen an abundance of schemes aimed at implementing such efforts, there has been relatively little concrete in the way of results.

This document examines available information and concludes that:

- (1) Past efforts have suffered either from overambitious goals, inadequate or ineffective political commitment, severe deficiency of implementation machinery and resources, or from a combination of these ills.
- (2) Several established multinational organizations are embarking on action programmes which will either repeat past mistakes or not, depending on factors largely outside their direct control.
- (3) An important and possibly crucial opportunity is available to the international technical assistance community: to be instrumental in securing the establishment of stronger programmes, based upon existing organizations and addressing already-accepted objectives.

Subject to field evaluation, a programme of action is proposed to assist one or more of the multinational organizations to implement a balanced programme. The eventual objective is to establish as a major African institution the means by which such assistance shall become generally available.

2.0 INTRODUCTION

2.1 BACKGROUND

This document is an outgrowth of several tasks included in the programme of work and priorities of the Commission; viz., the "Assistance to Governments" task under Investment Promotion [4C:3(a)] and two studies, "An Investigation of Complementation Methods to Include Studies of Successful and Unsuccessful Applications and Recommendations for Increasing the Probability of Success" [4C:3(B)(i)], and "A Study of the Factors that Determine the Viability and General Soundness of Proposed Multinational Projects" [4C:3(b)(ii)].

2.2 IMPORTANCE OF THE MULTINATIONAL APPROACH TO INDUSTRIALIZATION

As the most recent in a series of formal policy statements on the subject of multinational co-operation in the field of industrialization the following excerpts from that adopted by the first Conference of Ministers of the Economic Commission for Africa ^{23/} are reproduced:

"Most African countries have small local markets and the purchasing power of their population is low. These constitute a constraint on industrial development. To remove this constraint, collective action must be taken to develop physical infrastructure to facilitate the flow of trade between African States. A formula needs to be established for industrial harmonization, to determine the allocation of specific industries the sharing of benefits from multinational industries and the ownership and control ^{24/} of such industries and non-African participation where necessary.

"Indeed the need for the ECA to do more than it has done in the past has been expressed in the demand that the Commission should be more operational More specifically:

(ii) ECA should help African States take the necessary steps to consolidate their inter-governmental groupings by increasing the number of multinational development enterprises and establishing further groupings where necessary."^{25/}

3.0 AN INTERMEDIATE APPRAISAL: THE 1963-1968 EXPERIENCE

3.1 REVIEW OF PAST MOVES FAVOURING MULTINATIONAL INDUSTRIAL CO-OPERATION^{26/}

At the fifth session, held in February 1963, the Commission called for assistance to be provided to governments in the promotion of sub-regional co-operation in the development of industries (E/3727/Rev.1, paragraph 261); and a series of important initiatives were subsequently taken by ECA. Industrial co-ordination missions were sent to each sub-region to assess concrete possibilities of industrial development. The missions to the West and East African sub-regions (E/CN.14/246 and E/CN.14/247, respectively) took place in 1963, to the North African sub-region in 1964 (E/CN.14/248), and to the Central African sub-region in 1965 (E/CN.14/L.320). They served a dual

^{23/} Tunis, February 1971.

^{24/} "Africa's Strategy for Development in the 1970s", ECA, E/CN.14/493/Rev.3, 6 February 1971, p. 16.

^{25/} Ibid, p. 26

^{26/} Reproduced from "A Venture in Self-Reliance, Ten Years of ECA", ECA, E/CN.14/424, 1968, pp. 109-112.

purpose. First, they placed the problems and prospects of African industrialization in their appropriate economic setting. Secondly, they identified a number of multinational industrial projects and indicated the areas of sub-regional co-operation. Sufficient groundwork was thus done to make it possible for countries to co-operate on specific projects.

The Bamako Conference on Industrial Co-ordination in West Africa, held in October 1964 (E/CN.14/324), was a significant landmark in ECA's efforts in the field of co-ordinated industrial development and one that helped to usher in the second phase of ECA's activities. The project approach crystallizes specific areas of co-operation. However, a comprehensive framework setting out the scope for equitable industrial distribution and balance is essential to facilitate multinational negotiations on identified projects. Furthermore, interdependent as they are, industries thrive not in isolation but in complexes. It was therefore, essential to formulate an overall strategy of co-ordinated industrial development - a master plan against which specific actions could be defined and evaluated.

The Commission's activities were therefore, directed mainly to sub-regional industrial harmonization studies. The first of this series of studies was undertaken for the East African sub-region and completed in 1965. The results were submitted to the Sub-regional Meeting on Economic Co-operation in East Africa, held in Lusaka in October that year (E/CN.14/346). In 1966, studies for the West African sub-region were compiled and submitted to a similar conference held in Niamey in October (E/CN.14/436, E/CN.14/INR/144). Studies for the North and Central African sub-regions were completed in 1968.

The harmonization studies laid a firm and thus persuasive theoretical basis for economic co-operation. These studies furnished a detailed picture of inter-industry relationships and facilitated a more thorough analysis of the benefits of co-operation than could be achieved on the basis of project studies alone. They highlighted the key areas of sub-regional co-operation and demonstrated quantitatively the benefits that would accrue to each country in the different sub-regions. They also illustrated that no single country by itself could aspire to economic self-sufficiency and that economic co-operation was essential if industrial development was to be accelerated.

The broad outlines of a comprehensive strategy embracing the entire range of industries and directed towards the central objective of balanced industrial growth thus began to emerge. The harmonization studies suggested approaches to the problems of industrial distribution and compensation which had overshadowed earlier attempts to co-operation on specific industrial projects.

The prefeasibility reports which formed the basis of the harmonization studies revealed the sizable industrial possibilities of Africa in definite terms and demonstrated the economic viability of numerous individual projects. About forty major industry sectors were examined in each sub-region, totalling 160 studies for Africa, excluding South Africa. Each sectoral study was based on a careful survey and analysis of markets, natural resources, input factors, installed capacity and existing facilities. It also formulated proposals for new projects based on projections of demand to 1980 and indicated, inter alia, the investment and other input requirements.

The large number of industrial projects identified comprised four categories which follow the size of market required for a specific industry: sub-regional, multinational, national and inter-sub-regional. The projects covered, inter alia, the following industries: bricks, ceramics, refractories, rubber, textiles, electronics, cement, cement-based industries, synthetic fibres, beverages, tobacco, bags and bagging materials, paint, glass, leather and shoes, non-ferrous metal industries, engineering industries, furniture, petroleum, iron and steel, chemicals and fertilizers, pulp and paper, and mechanized timber industries.

Based on the prefeasibility studies, compendia of investment opportunities were compiled for each sub-region. By presenting investment opportunities in summary documents, the way was opened to attract increased investments, especially from external sources. This step heralded a turning point in the Commission's activities and ushered in an action-oriented phase of effort. The subsequent emphasis has been on the promotion of the scores of national, multinational, sub-regional and inter-sub-regional industrial projects identified by prefeasibility studies.

The first positive step in this phase was taken when, in January 1967, ECA convened the Conference of Industrialists and Financiers at Addis Ababa (E/CN.14/392). This conference was attended by participants from industrialized countries and it reviewed the prospects and possibilities of the active participation of industrialists and financiers from these countries in African industrialization in the light of the investment opportunities identified. The Conference stressed the absence or inadequacy of appropriate machinery for the dissemination of information on industrial opportunities in Africa and recommended the establishment of industrial promotion centres. This view was endorsed by the Commission, at its eighth session. The secretariat took the necessary initiative immediately and teams of experts visited the sub-regions to appraise existing national promotion machinery. Based on their findings, a scheme for multinational promotion machinery was drawn up and considered by the Conference on Industry and Finance, held at Addis Ababa in March 1968 (E/CN.14/414). Correspondents were also nominated in the industrialized countries to keep in close touch with ECA in the field of industry.

So far as national industrial projects are concerned, governments are making increasing efforts of either strengthening existing agencies or establishing new ones for their promotion. Recent submissions to the United Nations Development Programme for assistance are clear indications of this. As a result of the Conference on Industry and Finance, which included representatives of African governments and chambers of commerce, efforts for the establishment of multinational promotion machinery received a powerful impetus. The establishment of this machinery and its effective functioning is a matter closely linked with the establishment and operation of the sub-regional co-operation machinery which can facilitate multinational negotiations and agreements. Steady progress is being achieved in this respect. Governments have agreed to the establishment of economic communities in their respective sub-regions and smaller groupings are already going concerns, e.g., the Central African Customs Union (UDEAC), the Maghreb Permanent Consultative Committee and the East African Economic Community.

3.2 POLICY CONCLUSIONS FROM THE 1963-1968 EXPERIENCE^{27/}

While the countries in each of the four sub-regions have taken a first step towards closer economic co-operation at the sub-regional level, the specific measures of co-operation have yet to be elaborated. It is now widely recognized that trade liberalization has only a limited impact in the short term on the economic structures of developing countries. If integration is to make an effective contribution to the industrial development of African countries, it will have to include more than trade liberalization.

Theoretically the approach best suited to meet the development objectives of African countries would be comprehensive planning at the sub-regional level. But given the political, technical and administrative obstacles, a selective commodity-by-commodity approach would raise fewer problems. Within each sub-region recent programmes of national industrialization for import substitution have increased local capability to supply the demand for manufacture, but this is often embodied either in sub-optimal sized, and therefore high cost, industries, or else in adequately sized industries with under-utilized capacity. It might, therefore be possible to negotiate selective tariff concessions on goods which can be traded within the sub-region. Such an apparently selective system of tariff preferences could after a few rounds of negotiation bring most of the sub-regional trade under a free trade regime.

From the point of view of ECA the essential points are that:

- (a) Each sub-regional group should have an agreed programme of multinational development in which each member country finds some reasonably equitable benefits;
- (b) The areas of possible joint programmes must be studied at a level of technical and economic detail which makes it possible for groups of countries to negotiate final commitments;
- (c) At the successive stages of economic co-operation the various programmes must be opened up in some sort of order so as to retain the cohesiveness of the sub-regional group;
- (d) Sub-regional economic co-operation presupposes the establishment of institutions to plan and execute the sub-regional programmes.

The above considerations suggest a number of conclusions regarding the ECA's work programme for the beginning of the next decade. With a view to assisting African governments in this field, the work programme will be formulated to facilitate the following main, broad lines of action:

^{27/} Ibid, pp. 31-33

- (a) African countries will have to set up or strengthen their multinational institutional machinery within which they can discuss and take decisions on, their collective policies and projects;
- (b) An essential part of the multinational machinery should be a civil service to advise on and promote their joint undertakings;
- (c) African countries should agree on, and find the material means for implementing, a number of concrete development projects which increase economic contacts between their countries.

4.0 MORE RECENT EFFORTS AND ACCOMPLISHMENTS

How much has the picture changed since 1968? A great deal, certainly, but no one can yet point to any dramatic "breakthroughs" in co-operative industrial development. The progress has been painfully slow. Quite possibly, one should not expect a dramatic change for the better; certainly there is little reason to expect anything sudden. But it is suggested that a partial survey of recent developments in Africa leads to identification of a common pattern which has not been conducive to success. Based upon this analysis of a "failure pattern", a simple action alternative emerges. While not promising ideal results the alternative has the potential advantages of being effective (i.e., of yielding concrete results) and of being politically and economically feasible.

This section will examine the status of activities devoted to the eventual implementation of multinational industries. It deals in turn with multinational organizations, United Nations field assistance, and actual multinational projects.

4.1 MULTINATIONAL ORGANIZATIONS

For purposes of analysis the following organizations have been selected:

Conseil de l'Entente
OERS
CEAO (UDEAO)
UDEAC
EAC

Each is briefly identified, and a summary is presented of the organization's activities and plans in the industrial development area.

4.1.1 Conseil de l'Entente

The Conseil de l'Entente, whose membership comprises Dahomey, Ivory Coast, Niger, Upper Volta and Togo, is headquartered in Abidjan, Ivory Coast. It is understood that the Entente feels that financing is the pacing problem for industrialization rather than the identification or definition of viable projects

or the expansion of markets, per se. A year ago, the Entente, together with Ghana, had prepared for them a study of some industries with the intention of arriving at a scheme for industrial allocation.

At the moment the major project of multinational significance is CIMAO, a cement plant project reportedly valued at some \$45 million. Infrastructure, including port facilities and a railroad are reportedly being partially financed by ADB, FED, and UNDP. The EEC Secretariat has been assisting the Entente in connexion with planning for multinational projects.

4.1.2 Organization des Etats Riverains du Fleuve Sénégal (OERS)^{28/}

Membership of the OERS is Guinea, Mali, Mauritania and Senegal. Its headquarters is Dakar, Senegal.

During 1970 the OERS members met and agreed to the following allocation of industries:

Guinea	paper tyres
Senegal	petrochemicals pharmaceuticals
Mauritania	copper fabrication iron and steel
Mali	iron and steel nitrogen

At a roundtable meeting in March, 1971, it was further agreed that OERS would convene a "financing consortium" sometime around the end of 1971 for the purpose of lining up sources of investment capital to implement the allocation decisions. The "consortium" would comprise agencies such as FED, USAID, and UNDP.

It is not known what formal mechanism exists for continuously monitoring implementation of the decisions. It is known that Senegal has announced intention to construct a pharmaceutical plant to serve the OERS market.

4.1.3 Communauté Economique de l'Afrique de l'Ouest (CEAO)

This new organization is intended to succeed the present UDEAO (Union Douaniere des Etats de l'Afrique de l'Ouest), whose members are Mauritania, Mali, Senegal, Ivory Coast, Upper Volta, and Dahomey.

^{28/} OERS has been re-structured since this feasibility study was prepared. The successor organization is Organization Pour la Mise en Valeur du Fleuve Sénégal, Guinea is no longer a member.

UDEAO was formed with the principal purpose of fostering trade expansion among the member countries. At its request a study was conducted by an EEC staff member with a view toward increasing the organizations effectiveness and expanding the scope of its activities to include other aspects of economic development.^{29/} During 1970 a protocol outlining the objectives of the prospective organization was endorsed by the governments. A draft treaty is presently being prepared in Ougadougou by the secretariat of the UDEAO with assistance from the EEC secretariat of Brussels.^{30/} The secretariat is considering the formation of some kind of a development corporation to deal with projects in such fields as transport, communication and industry.

4.1.4 Union Douanière et Economique de l'Afrique Centrale (UDEAC)

UDEAC was formed in Brazzaville in 1964. Its membership has shifted somewhat; it presently comprises Cameroon, People's Republic of the Congo, Gabon, and the Central African Republic. Headquarters are in Bangui (CAR).

It is understood that UDEAC is now looking for new industries to serve its membership. Its search is concentrating on large industries which could not be economically installed to serve a single one of the members. A significant fact is that it is believed that the existence of the "taxe unique" is a strong plus factor in smoothing the way toward implementation of any schemes which may develop, in that it represents "machinery-in-being" for equalizing gains from new industrial projects among the countries.

4.1.5 East African Community (EAC)

The East African Community comprises Kenya, Uganda, and Tanzania. Its headquarters is Arusha, Tanzania.

Past EAC efforts for industrial integration include the so-called Kampala Agreement of 1964, which allocated certain industries to each country but did not concurrently establish an effective implementation mechanism. Presently, a new effort at establishing common industries is underway, spearheaded by the Sub-committee on Industries of the Council of Ministers, the Common Market and Economic Affairs Secretariat and the East African Development Bank.

^{29/} "La creation d'une Organization de Coopération Industrielle, Economique et Douanière entre les Etats membres de l'Union Douanière des Etats de l'Afrique de l'Ouest" (unpublished) J.E. David, cited in "Report of an ECA Economic Co-operation Mission to West Africa", E/CN.14/478, 18 May, 1970.

^{30/} "Rapport de mission effectuée par M.P.A. Placktor. Centre de Coopération économique auprès de la CEE à Bruxelles, 22 Février 1971.

Notably, the EACM has contracted for thorough feasibility studies in three major industries; iron and steel, automotive, and chemicals and fertilizer. The studies are scheduled for completion during 1971. A major industrial segmentation study was undertaken last year by the EADB with UNIDO financial assistance, and limited ECA participation. Discussion is currently underway with ECA regarding creation of an East African Investment Promotion Centre to help strengthen the implementation machinery.

4.2 UNITED NATIONS FIELD ASSISTANCE

The purpose of this section is to indicate the kind and extent of current United Nations assistance to developing Africa for industrial development.

4.2.1 UNDP Special Fund Assistance

This complex subject can perhaps best be approached by illustration. For this purpose we have tabulated the UNDP Special Fund projects relating to industrial development in Africa.^{31/} There are thirty-six projects covering 25 countries; plus two regional projects. The total UNDP contribution involved averages about a million dollars per project, or about a quarter-million dollars per project annually. (This rule of thumb applies with remarkable consistency from sub-region to sub-region.) Government counterpart contributions usually make overall project values considerably higher. The distribution by participating and executing agencies is as follows:

UNIDO	16
ILO	13
UN	4
FAO	2
IBRD	1
	<u>36</u>

The projects range in scope all the way from broad planning and policy making through "industrial studies" and investment promotion to general management advisory services and development of small-scale industries. In the context of this present analysis, it is to be noted that only in the northern and eastern sub-regions is any direct support given to multinational industries, and in each of these the geographical scope is sub-sub-regional. In other words, of \$17 million a year being spent by UNDP Special Fund for high-leverage industrialization assistance, the cause of multinational industries benefits from a very small fraction.

^{31/} See appendix (section 6.0) for tabulation and supporting analytical data.

4.2.2 The United Nations Development Advisory Team (UNDAT)

The first UNDAT is being organized to serve the member States of UDEAC (Congo D.R., Cameroon, Central African Republic and Gabon), Chad, and Equatorial Guinea. Its headquarters has been established at Yaoundé, Cameroon. A director has been selected and is proceeding with staff recruitment. There will be approximately eight professional staff members, of whom one is planned to be an "industry man."

The UNDAT mission is to provide planning assistance to its constituent governments and to multinational organizations, including for example, the UDEAC.

4.2.3 Special Trust Fund

The Trust Fund is meant to secure additional funds not available through the UN. It is projected that the fund would be deposited with the ADB, and ADB has indicated that it would gladly co-operate in its administration since the scheme is "complementary or supplementary" to the African Development Fund.^{32/} OAU is to appoint a team to work out articles of agreement as a necessary preliminary to establishment of the fund. The money would be available to assist any development project, the money to be spent through ECA (and in some instances directly by the member governments). The fund can be used to investigate and to prepare projects (not exclusively multinational) for implementation, but not for the implementation itself. The articles of agreement would be submitted to a meeting of the OAU Heads of State for approval. It is estimated that the Trust Fund will become operable in 1972 or in 1973.

4.3 STATUS OF MULTINATIONAL PROJECTS - A SAMPLING

The ECA secretariat has prepared a tabulation of recent major African industrial projects^{33/} for the ECA/OAU Conference of Ministers of Industry, scheduled for May 1971. The listing includes approximately 400 projects valued at about 3,000 million US dollars. It includes those projects known to have entered production during the three years 1967, 1968, and 1969, or which were definitely under construction by the end of 1969.

Of the 400 projects, only one is listed as being multinational in character. This is a \$17 million oil refinery in Gabon, which began production in 1967 to serve Gabon and neighbouring countries, "who are Co-owners."

As of February 1971 the ECA Industry Division had itself completed 28 specific project descriptions for submission to member governments. Of these, seven had a multinational character. Of the seven, three are "mainly national".

^{32/} It is understood that the African Development Fund comprises voluntary contributions from industrialized nations. It is administered by the African Development Bank in accordance with IBERD investment criteria. The fund stood at \$3.3 million committed as of November, 1970. It was hoped and intended by the bank to expand the fund greatly.

^{33/} "Major Industrial Projects in Developing Africa (1967 - 1969)", ECA, E/CN.14/INR/189, 18 March 1971.

The remaining four are an ammonia plant in Nigeria, and three plants to serve the East African Community: an ammonia plant, a wire drawing and tube welding plant, and an integrated fibreboard mill.

A further illustration of the current low rate of implementation of multinational projects is given by the following.

Early in 1971, a European aid organization sponsored a mission to Africa by a team of seasoned consultants. Their task was to identify potential investment opportunities in the metal working industries and to prepare project descriptions for promotion to prospective European investors. The consultants were firm in their conviction that it would essentially be a waste of the technical assistance money to devote any of their time to multinational industries. This conviction seemed to be caused by the fact that to their knowledge no effective machinery yet existed for implementing such projects, once identified, even if investors were ready to move. Similar observations by another organization dedicated to promoting private investment in Africa have led to total concentration by them on national projects.

4.4 EVALUATION OF RECENT EFFORTS

It can be seen from the foregoing paragraphs that, as was stated in the summary, "there has been little concrete in the way of results." Without presenting detailed evidence, it is suggested that in each of the cases dealt with, lack of progress to date may be assigned to the adoption of over-ambitious goals, to inadequate or ineffective political commitment, to severe deficiency of implementation machinery and resources, or to some combination of these factors.

Since several established multinational organizations and at least one new or reconstituted one are now on the point of adopting action programmes newly aimed at the identification and implementation of co-operative industrial development projects, it is appropriate to question whether the new efforts will or will not be appreciably more successful than the previous ones. From the limited information readily available and which is summarized above, a persuasive argument could be made that the same shortcomings are likely again to restrict or prevent satisfactory results. The train of logic concludes that unless the goal-resource balance is shifted considerably, at least the first half of the 1970s will see far less co-operative achievement than the region needs, wants, or is capable of attaining.

5.0 NEW PROPOSAL: MULTINATIONAL INDUSTRIALIZATION AGENCIES

5.1 THE OPPORTUNITY

Section 4 concludes that unless goals and resources are adjusted to be compatible with each other, presently projected efforts for establishing multinational industrial projects will in all probability fall short of satisfactory results. Another way to describe the situation is that this key element of Africa's development strategy for the 1970s probably cannot be carried out without some special assistance not now programmed, and apparently not yet in the "pipeline".

5.2 DESCRIPTION OF THE PROPOSAL

5.2.1 Concept and Functions

The concept of this proposal may be summarized as follows: an "Industrialization Agency" (IA) would be created to serve a group of countries having already-established ties and common interests. OERS, UDEAO (CEAO), the Entente, and UDEAC are possible examples of such groups. From present information it seems that each of these organizations is in the process of attempting to strengthen its effectiveness in accelerating industrialization, the member States having recognized that for each of the countries to "go-it-alone" is inadequate. It is the premise of this proposal that each such grouping could derive powerful benefits from creating an industrialization agency to carry out its co-operative industrialization policy. In other words, there might be four Industrialization Agencies to serve the West and Central African states.

Industrial development results, not just studies, would be the charge of the agency. This means that it would be responsible for securing new investment, together with required technology and management. One key to its successful operation would be the establishment of projects according to a scheme of agreed-upon principles for apportioning benefits. Thus the programme would be designed to distribute benefits equitably to all of the countries. To repeat, the test of accomplishment would not be studies and recommendations, but results.

5.2.2 Operating Mechanism

The agency would have a degree of executive authority to be negotiated with the countries concerned, and certain safeguards would be established. It would require an earnest commitment on the part of the Heads of State and would have the resources to collect, sift, refine, package and promote (internally and externally) projects which could serve the countries. The agency would be heavily staffed and manned for performance. As indicated above, a form of complementation would be incorporated in the project schemes to be implemented by the agency. It would seek to deal with a relatively small number of projects which collectively would have a major impact on the industrial and economic development of the member States. As a means of facilitating project implementation, the Heads of State would be invited to agree to make themselves available to the industrialization agency as a periodic Board of Directors to consider and adopt programmes of projects proposed by the agency.

5.2.3 Integration Into Existing Framework

Close association with the already existing multinational apparatus in a given area will be highly desirable. Firm, direct ties may be absolutely essential as a means of reinforcing established specific commitments and objectives, rather than introducing new and conflicting alliances. In any case it is suggested that the groupings of states identified above are logical locations for exploring specific programmes. The only limitation presently conceived on the degree to which an industrialization agency should be incorporated into the existing co-operation body is the preservation of the "direct route" for securing specific programme approval of Heads of State.

5.2.4 Funding Prospects

It is likely that an industrialization agency would readily qualify for UNDP Special Fund support provided that it were firmly supported at the top governmental level by the participating states. Similarly, in view of the acknowledged importance of the agency's objectives, it is very likely that bilateral assistance, possibly supplementing that from multilateral sources, can be attracted.

In the longer run, it is considered feasible to secure the establishment for Africa of a "programme-funded" financial intermediary to support African co-operative industrial development through underwriting at least part of the recurring expenses of industrialization agencies and similar organizations.

5.2.5 Expected Benefits

The proposed agency is designed to secure new industrial projects based on markets shared among groups of African countries. The approach is definitely and deliberately not "ideal"; but the mechanism is believed to permit important concrete results and to be politically and economically feasible. If field work confirms this tentative conclusion, creation of such industrialization agencies could lead to truly notable accomplishments by the middle 1970s.

5.3 EVALUATION AND IMPLEMENTATION

In line with the recommendations of the First Conference of Ministers of ECA, as quoted in section 2, and the Programme of Work and Priorities of the secretariat, ECA will explore with representatives of potential sponsors and participants, their views regarding the basic approach outlined here, together with their suggestions concerning the desirability of its implementation and possible changes or refinements. Once that critical task has been accomplished, additional actions will be planned as appropriate.

6.0 APPENDIX: SUPPORTING DATA CONCERNING UNDP SPECIAL FUND PROJECTS RELATING TO INDUSTRIAL DEVELOPMENT IN AFRICA

This appendix presents data supporting observations made in section 4.2.1, "UNDP Special Fund Assistance". Table 1 lists the current projects and certain financial data applicable to each project. Table 2 presents a summary of the data and the results of some analytical calculations.

Table 1: UNDP Special Fund Projects^{34/} In Africa Relating to Industrial Development (as of 31.1.1971)

Sub-region/ Country	Project	Executing Agency	Project life (years)	Total value \$ mln.	UNDP contribution \$ mln.	Govt. contribution \$ mln.
NORTHERN						
Algeria	National Institute of Productivity and Industrial Development	ILO	5	5.4	1.8	3.7
	Centre for Industrial and Technological Studies	UNIDO	3	1.5	.8	.6
Libya	Centre for Industrial Development and Research	UNIDO	4	6.2	.9	5.4
Morocco	n.a.					
Tunisia	National Centre for Industrial Studies	UNIDO	5	1.8	.8	1.0
UAR	Institutes for Small Industries	ILO	6	3.4	1.1	2.4
	Engineering/Industrial Design Development Centre	UNIDO	5	2.3	1.0	1.2
Maghreb	Centre of Industrial Studies for the Maghreb	UNIDO	5	2.1	1.5	.6
EASTERN						
Burundi	National Economic Development Bank	UN	4	.4	.4	.0
Ethiopia	Development Planning	IBRD	3	2.7	1.6	1.0
	Centre for Entrepreneurship & Management	ILO	5	1.4	.9	.5
Kenya	Management Training and Advisory Centre	ILO	6	1.3	.9	.4
	Industrial Survey and Promotion Centre	UNIDO	2	.6	.5	.1
Madagascar	n.a.					
Malawi	n.a.					
Mauritius	n.a.					
Rwanda	Pilot plant for industrialization and Pyrethrum production	UNIDO	3	1.9	1.5	.4
Somalia	n.a.					
Sudan	Industrial Research Institute	UNIDO	9	3.8	1.6	2.3
	Management Development and Productivity	ILO	5	1.1	.5	.5
Tanzania	Industrial Studies & Development Centre	UNIDO	7	1.3	1.0	.3
	National Institute for Productivity	ILO	5	1.2	.9	.3
	Forest Industries Development Planning	FAO	6	2.6	1.5	1.2
Uganda	Management Training & Advisory Centre	ILO	5	1.8	1.1	.6
	Small Industry Development Programme and Establishment of Industrial Estate	UNIDO	5	1.9	.7	1.1
Zambia	Development of Small-scale Industries	UNIDO	3	.9	.6	.3
East African Community	East African Development Bank, Industrial Studies Unit	UNIDO	3	.6	.3	.3

34/ Adapted from: UNDP Projects In the Special Fund Component, UNDP, DP/SF/Reports, Series B, No. 11

Table 1: Continued

Sub-region/ Country	Project	Executing Agency	Project life (years)	Total value \$mln.	UNDP contribution \$mln.	Govt. contribution \$mln.
<u>WESTERN</u>						
Dahomey	n.a.					
Ghana	Management Development & Productivity Institute	ILO	5	1.4	.9	.6
	Assistance to the Ghana Industrial Holding Corporation	UNIDO	4	1.6	.8	.9
Guinea	National Centre for Management Training and Development	ILO	6	2.5	1.4	1.1
Ivory Coast	Assistance to Industrial Development Bureau	UNIDO	3	.8	.5	.3
Liberia	Assistance to the Department of Planning and Economic Affairs	UN	6½	2.1	1.7	.4
Mali	Assistance to State-Owned Enterprises	ILO	3	1.0	0.9	.1
Mauritania	Assistance In Economic Planning	UN	2	.6	.5	.1
Niger	Feasibility Study for the Industrial Processing of Millet	FAO	3	1.4	.8	.7
Nigeria	n.a.					
Senegal	National Society for Industrial Studies and Promotion (SONEPI)	UNIDO	3	1.0	.5	.5
Sierra Leone	Assistance In Development Planning	UN	3	.3	1.0	.3
Togo	Small-scale Industries and Industrial	UNIDO	3	1.0	.4	.6
Upper Volta	n.a.					
<u>CENTRAL</u>						
Cameroon	Centre of Assistance to small- and medium-size enterprises, Douala	ILO	2	.7	.3	.4
CAR	n.a.					
Chad	n.a.					
Congo, D.R.	Assistance to State Enterprises	ILO	3	1.3	1.0	.3
Equatorial Guinea	n.a.					
Gabon	n.a.					
<u>SOUTHERN**</u>						
Botswana	n.a.					
Lesotho	n.a.					
Swaziland	Small Enterprise Handicrafts Development	ILO	3	1.5	.9	.7
<u>REGIONAL</u>						
All	African Development Bank - Pre- Investment Unit	UN	5	4.9	3.0	1.9
All	African Institute for Economic Development and Planning (Dakar)	UN	6	7.9	6.2	1.7

** Usually included in the Eastern Sub-region but here tabulated separately for emphasis.

Table 2: Summary and Analysis of UNDP Special Fund Industrial Development Assistance to Africa by Sub-region and Regional Totals

Sub-region	Number countries in sub-region	Number countries represented	Number projects	Total project years	Total value (\$mln)	UNDP contribution (\$mln)	Govt. contribution (\$mln)	Total (\$mln) per project year	UNDP (\$mln) per project year	Total value annual rate (\$mln)	UNDP contribution annual rate (\$mln)
Northern	5	4	7	33	22.7	7.9	14.9	.68	.24	4.8	1.7
Eastern	12	8	15	71	23.5	17.0	9.3	.33	.23	5.0	3.5
Western	13	10	11	41	14.7	9.4	5.6	.36	.23	4.0	2.5
Central	7	2	2	5	2.0	1.3	0.7	.40	.26	0.8	0.5
Southern	3	1	1	3	1.5	0.9	0.7	.50	.30	0.5	0.3
TOTAL (Less Regional)	40	25	36	153	64.4	36.5	31.2	.42	.24	15.1	8.5
Regional	-	-	2	11	12.8	9.2	3.6	1.16	.83	2.3	1.7
GRAND TOTAL	-	-	38	164	77.2	45.7	34.8	-	-	17.4	10.2

CASE N° 7 : A MULTI-NATIONAL INVESTMENT CENTRE

OPERATION OF THE DEVELOPMENT DIVISION (DDIV)
OF THE MULTINATIONAL DEVELOPMENT BANK

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* To be used in conjunction with the illustrative sample project brief,
"Industrial Alcohol Project for Country G".

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INTRODUCTION

Effective 31 March 1971, the Multinational Development Bank (MDB) established a new division to organize and carry out a systematic programme of project development aimed at further increasing the Bank's contribution to the industrialization of its members states. The new division is called the Development Division (DDIV). Formal announcement followed extensive preparatory work which had been in progress for at least two years, and in which the ECA Industry Division at various times played an active role.

As a part of DDIV's activation, it was decided to concentrate on the installation of an operational approach designed to multiply the effective capacity of available technical resources and to achieve concrete results (new industrial investments) in a minimum of time. Accordingly, a relatively comprehensive set of operating guidelines has been developed, including an operations manual and "sample" project brochures, among others.

Since a number of officials of African industrialization agencies have expressed interest in studying the detailed approach being implemented by DDIV, initial versions of five of the relevant documents are reproduced on the following pages.

MULTINATIONAL DEVELOPMENT BANK

I

OPERATIONS MANUAL
FOR THE DEVELOPMENT DIVISION (DDIV)

Development Division

1. INTRODUCTION

The purpose of this operations manual is two-fold:

- 1) To explain the present conception of DDIV's role within the MDB system and its intended means of carrying out the assigned role;
- 2) To provide an organized body of specific instructions and/or guidelines for its own personnel's use in accomplishing the objectives.

It is fully expected that many of the specifics described in the manual will change or evolve as more operational experience accumulates. The present operations manual should therefore be regarded as a "baseline" document, a starting point.

The manual is organized around the nominal flow pattern for a project going through the bank under the guidance of DDIV. Section 2 defines the terms of reference formally assigned to DDIV by the Bank. Section 3 presents a summary of the expected project flow and identifies the successive stages of a project's life cycle. Section 4 describes the elements - tasks, documents, and decision points - comprising each stage. Finally, Section 5 provides a listing of related documents, such as specifications for preparing required reports, which have been issued separately and are incorporated by reference as parts of the DDIV Operations Manual.

2. THE DDIV TERMS OF REFERENCE

The objectives of DDIV have been succinctly stated as follows: 35/

- (a) To bring into existence industrial projects which, without MDB promotion, might not have been established or established only at a later stage.
- (b) Thereby contributing to the efforts needed in effecting and accelerating balanced and integrated industrial development of the Member States.
- (c) To establish the Bank as a co-ordinator of "multinational" industrial projects which in one form or another require the co-ordination of production and/or distribution (including export) within the Member States.

35/ Source: Position Description for Manager - Development Division, MDB, 31 March, 1971

As a further guide to DDIV operations the following broad list of activities has also been provided: 36/

- (a) Preparation of complete feasibility reports of specific projects identified by the Planning Division (PDIV) and approved for promotion by the General Manager.
- (b) Contact for the purpose of acquisition of technical expertise (e.g. UNIDO, World Bank, bilateral agencies, consultants, possible technical project partners) when necessary to carry out feasibility studies and prepare reports.
- (c) Criteria for feasibility and viability.
- (d) Promotion of projects that meet the requirements of feasibility and viability.
- (e) Technical assistance to investors in preparation and implementation of project plans.
- (f) Co-ordination of MDB's promotion activities with those of national development corporations, national development banks and other financial institutions, such institutions as ECA, the Secretariat of the subregional economic cooperation organization (ECO), etc. Possible technical assistance in this connexion.
- (g) To bring in the necessary local financial partner(s) at an early stage of project preparation and a technical partner as early as possible.
- (h) To develop the Division in such a way that costs for project preparation and technical assistance can be recovered from implemented projects so that the Division after the initial years of establishment will be able to cover its own costs.
- (i) Whenever feasible, to submit feasibility reports to the Board for principle approval of the Bank's participation.
- (j) To accept, after approval, project proposals for preparation and promotion and prepared projects for promotion from other bodies that have identified and prepared those projects.

Together, the objectives and the activity list form the official terms of reference for DDIV. It will be seen that they are at the same time very specific and very flexible, requiring a great deal of interpretation for "reduction to practice". The next section summarizes DDIV's operational interpretation of its role by defining a series of successive stages through which a project will normally progress.

36/ Position Description for Manager - Development Division, MDB, 31 March, 1971.

3. SUMMARY OF THE PROJECT FLOW

Six stages in the life of a project have been defined as an aid to orderly definition of the tasks, the documents and the decision points comprising the total project life cycle. The six stages are the following

1. The idea stage
2. The identification stage
3. The pre-feasibility stage
4. The feasibility stage
5. The project planning stage
6. The implementation stage

The complete 37/ project life cycle is shown in the accompanying schematic diagram (see following page). For each of the six stages, selected tasks, documents, and decision points have been separately identified and coded by symbols. Each of the symbols is further identified by a three-digit number which indicates the paragraph number in which the reader may find further details.

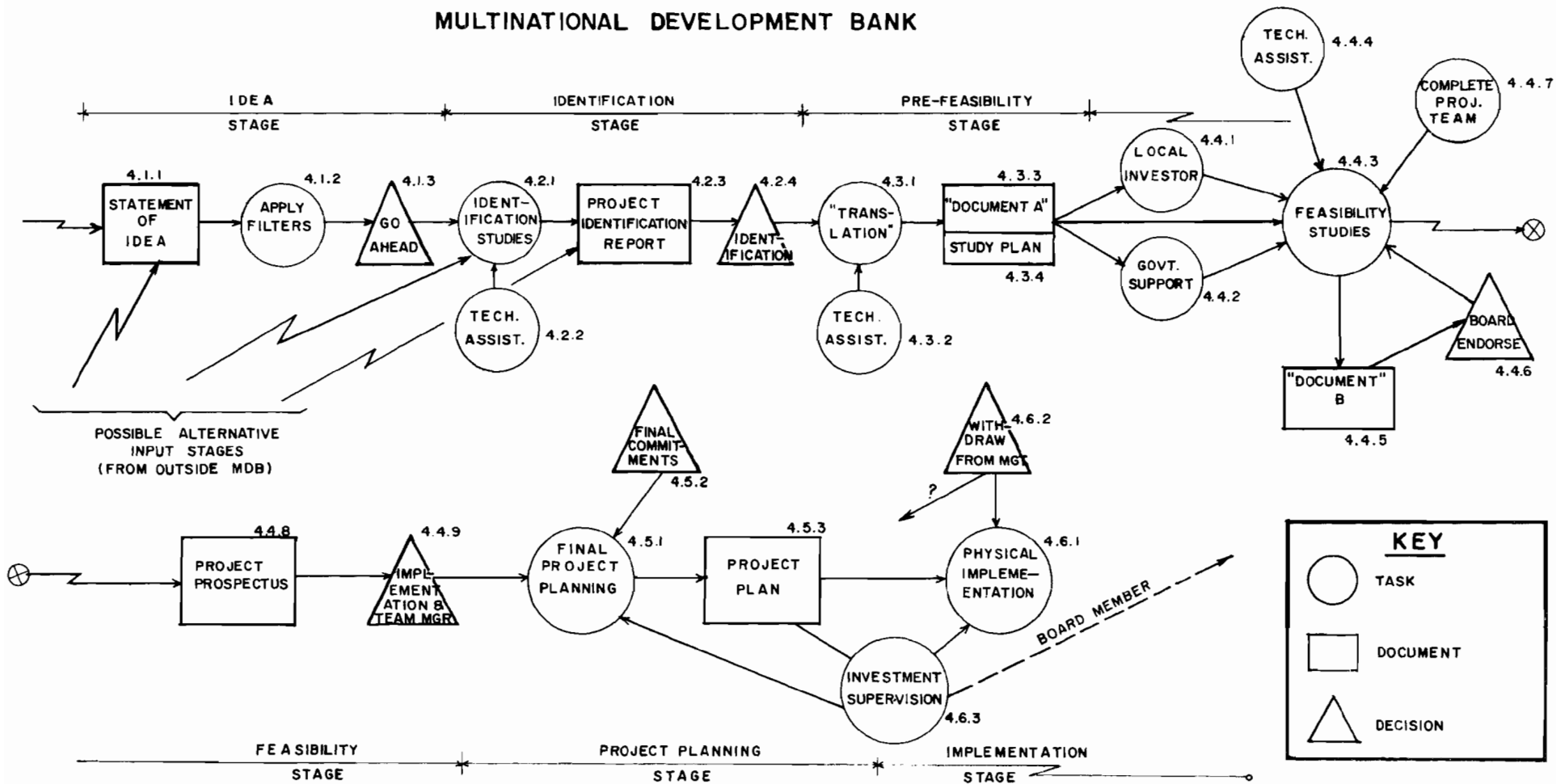
It may be noted that a project with which DDIV will be concerned may enter the system at several alternative points, depending upon the stage of its definition when the bank first becomes involved. In principle, if the project is received in the "idea", "identification", or "pre-feasibility" stage, it will be dealt with during part of its life by DDIV. If it arrives at a later stage, it may go directly to the Evaluation Division and DDIV's services may not be needed.

4. DEFINITION OF OPERATIONAL STAGES: TASKS, DOCUMENTS, AND DECISION POINTS

This section systematically defines each of the project flow elements appearing on the "operational project flow diagram" (previous page). Paragraph numbers match the three-digit numbers appearing on the diagram.

37/ The diagram is not intended to be complete with respect to MDB's overall operations. For example, projects may come in which require no participation by DDIV, but go instead to the Evaluation Division.

OPERATIONAL PROJECT FLOW DIAGRAM (Assuming DDIV Involvement) MULTINATIONAL DEVELOPMENT BANK



The diagram and the descriptive paragraphs assume that at each of the decision points a favourable decision is reached. In other words, that every project which enters the system continues through into the implementation stage. (While we have no estimate now of the "dropout ratio" there is no doubt that some projects will fall by the wayside.)

4.1 THE IDEA STAGE

4.1.1 Statement of Idea

A project idea may originate from any one of many sources. Some examples are: private investors or entrepreneurs, government ministries or their related industrial promotion organs, national development corporations, the ECO ~~38~~ secretariat and the MDB itself. MDB through its Planning Division (PDIV) is expected to be a major source of project ideas, based upon an extensive series of sectoral studies which project demands and industrial capacity growth through 1980.

A project idea which originates outside the Bank may enter in the form of a letter, with or without accompanying data, depending upon how far the sponsor has gone with his own investigations.

4.1.2 Apply Filters

Before accepting a project idea for further work, the Bank screens it, using a number of "filters", to make sure, or increase the probability, that the Bank's participation in an eventual project would be acceptable to the Board.

The filters include, but are not necessarily limited to, the following:

- Is it within a reasonable size range?
- Is a similar idea being actively pursued by others within the Member States?
- Could the project probably proceed without the Bank's involvement?
- Would the Bank's participation contribute to earlier realization than probable through alternative sponsorship?
- Is the project compatible with appropriate priorities for industrial development as judged by the Bank's Planning Division?

Screening according to the filters is accomplished mainly through discussion; no report is issued.

4.1.3 Decision to Go Further

If the idea passes the filters mentioned in the previous paragraph, a decision whether to go further will be based upon commercial and social considerations. The decision will be determined or influenced by management judgement concerning likelihood of eventual successful implementation, the expected ease or difficulty of assembling a project team and securing necessary government approvals, the availability of funds and other judgement elements.

A favourable decision will move the idea on to the "project identification" stage.

4.2 THE IDENTIFICATION STAGE

"Identification" refers to the early stage of pre-feasibility work. We refer to a project as "identified" when we are convinced that a reasonable probability exists that a viable industrial opportunity can be defined.

4.2.1 Identification Studies

The term "identification studies" refers to the body of work which must be done to gather enough information and to perform enough analysis and synthesis to convince the Bank management that a project has been identified. In other words it should be possible to conclude either that there is a reasonable probability that a viable project of interest to the Bank can be defined, or that the project idea does not meet that criterion and should be dropped.

The direction of the studies is determined by judgement depending upon the nature of the prospective project. Market studies, raw material surveys, transport factors, cost-volume relationships are some of the elements which may command attention at this stage.

This task would normally be performed by the Planning Division (PDIV) if the project idea originated there. If it originated outside, either DDIV or PDIV might take the lead, depending on work loads.

4.2.2 Technical Assistance

It is possible that specialized technical skills beyond the capability of the Bank's staff may be required before an identification decision can be reached. In that event technical assistance will be sought from private or public sources, on an opportunistic basis.

4.2.3 Project Identification Report

A Project Identification Report (PIR) will be the formal basis on which a decision whether or not to "identify" a project will be recommended. The PIR will contain a compendium of relevant data and analyses and a statement of the recommendation and its basis.

4.2.4 The "Identification" Decision

Based on the PIR (above), three decisions are possible: go ahead to the pre-feasibility stage, drop the idea or perform further study work to support one of the first two possibilities. If the decision is positive the project has been "identified" and it moves on to the prefeasibility stage.

4.3 THE PRE-FEASIBILITY STAGE

The pre-feasibility stage leads up to the publication of a pre-feasibility report called "Document A", which can be used to enlist local investor interest and government support.

4.3.1 "Translation" to Project Format

The "translation" task, in its simplest form may be nothing more than an editing job: selecting material from the identification report and packaging it in a format that can be used outside the Bank to enlist local investor interest and government support for the project proposal. More generally it will involve the production of somewhat more detailed cost estimates, confirmation of one or more critical assumptions, further research concerning the market parameters, or whatever key investigations are considered necessary to enable the resulting document to accomplish its mission.

4.3.2 Technical Assistance

As in Section 4.2.2, it is possible that technical expertise not directly available to the Bank will be necessary to complete the preparation of an effective pre-feasibility report. Acquisition of technical assistance will be undertaken as required.

4.3.3 "Document A" Pre-feasibility Report

"Document A" is one of two principal outputs of the pre-feasibility stage. As indicated earlier, it is designed to enlist local investor interest and government support for the project. Details of the requirements for preparation of Document A are given in the "Guide to Preparation of Document A (pre-feasibility)" and "An Industrial Alcohol Project for Country G, Illustrative Sample of Document A". Both of these documents have been published separately for use by project officers.

4.3.4 Study Plan for Feasibility Stage

The Study Plan is the second major output from the pre-feasibility stage. This document lists aspects of the project required to be studied further to establish the project's feasibility. The tasks may concern markets, technology, costs, product design or other subjects. It also estimates the amount of work involved in each task and potential sources of the necessary skills.

Once the Report and the Study Plan are complete, the project may be considered to have entered the feasibility stage.

4.4. THE FEASIBILITY STAGE

The feasibility stage may be short and relatively simple, or it may stretch out seemingly forever. It is complete when there exists a "project prospectus" which purports to satisfy the requirements for establishing feasibility and viability. This includes relatively detailed cost breakdowns, production processes, equipment lists, and marketing details. Before this point is reached, it is expected that a "project team" of investment partners will have been identified (and that the Bank's Board will have agreed in principle to MDB participation).

4.4.1 Enlistment of Local Investor Interest

Before embarking on any ambitious or detailed studies, it is intended to secure expressions of serious interest from local investors. This will be done based upon the pre-feasibility report, and will be a condition of going further.

4.4.2 Acquisition of Government Support

Similarly it is considered essential to obtain preliminary indications of sympathetic interest and support from some or all of the government agencies which will have to give their formal approval at a later stage.

4.4.3 Detailed Feasibility Studies

This is a broad task and, as indicated on the project flow diagram, there are related events which occur part way through these studies. The feasibility studies would be performed in accordance with the Study Plan (section 4.3.4) and may include, but are not limited to, any of the following:-

- Products - markets - marketing
- Materials - substitutes
- Process - plan - equipment
- Manpower - services

Organization - management - know-how
Location - transportation
Legal, fiscal aspects - licensing
Investment costs - capital structure
Pricing of inputs and outputs
Social desirability

4.4.4 Technical Assistance

Specialized technical expertise will be acquired as necessary to fulfill the study commitments. It is anticipated that a major source of up-to-date skill will be the community of existing business enterprises throughout the world specializing in the field of the project being investigated. It is likely that such contacts may lead to the enlistment of investment partners for the project.

4.4.5 "Document B" Intermediate Feasibility Report

At a point to be determined for each project, an intermediate feasibility report is prepared and submitted to the Board of Directors for in-principle endorsement of the project. This step is crucial since it enables the project to be aggressively "sold" to project partners on the basis that MDB believes in the project enough to back it financially.

This report is based largely upon "Document A" (Section 4.3.3). It contains refinements based on later study work. It also contains the results of negotiations with prospective investors and with government authorities. A tentative makeup of the financing package is presented, including any special conditions contemplated by any of the parties. "Document B" is further defined in the document "Guide to preparation of 'Document B' (Intermediate Feasibility Report)".

4.4.6 Board Endorsement

As indicated above, it is expected that the MDB Board will be requested to give its tentative approval to a project at some time during the feasibility stage. The purpose of this step is partly to obtain the Board's sanction for continuing to devote attention to the project, but especially to place DDIV in a position to make serious overtures to prospective project partners based upon the Board's "stamp of approval".

4.4.7 Completion of the Project Team

It is considered normal and desirable to have obtained at least tentative commitments from a full set of prospective members of the project team during the feasibility stage. This has the advantage that detailed studies may incorporate special needs or parameters determined by the identity of specific partners. In this way the resulting project prospectus will almost surely be acceptable in most respects to the ultimate team members. It is also intended that a major part of the burden of carrying out the feasibility studies will be borne by the prospective partners.

It may almost be inferred that if it is not possible to identify and obtain tentative commitments from team members at this stage, there is something wrong with the project. The alternative, of course, is to use the project prospectus as the basis for finding partners; but this procedure often requires time-consuming "repeat" studies to establish key data and conclusions. The "repeat" problem arises because the original results would almost inevitably conflict with certain conditions specific to the prospective partner being pursued.

4.4.8 The Project Prospectus

Given tentative Board endorsement and tentative commitments from the other intended team members, the project prospectus becomes a baseline document upon which the parties can establish their mutual commitments to complete detailed implementation planning and to go ahead with physical implementation. At this stage all questions materially influencing the project's viability should have been resolved or the areas of uncertainty reduced to unimportant dimensions. The respective contributions of each of the partners to the project appear as a part of this document or as an accompanying exhibit.

As mentioned in Section 4.4.7, in cases where the team has not been completed before issuance of the project prospectus, that document becomes the basis on which recruiting activity then proceeds.

4.4.9 Implementation Decision

When the project prospectus and the team are both complete, the decision to go ahead can be made formal. One of the participants or his agent will normally be agreed upon as the team manager for the planning and construction phases. The MDB Board would at this time agree to the final participation formula and approve necessary contracts.

With this step completed, the project moves into the detailed project planning stage.

4.5 THE PROJECT PLANNING STAGE

After the implementation decision is made, there are usually many planning details to be completed. These may involve final equipment purchasing specifications and delivery schedules, completion of the project management and technical cadre, submission of required government documentation for licensing and necessary imports, arrangements with construction contractors, and others. It is frequently the case that this planning stage overlaps the physical implementation stage, since the site preparation and construction cycle may logically begin before final equipment purchase commitments need to be made.

4.5.1 Final Project Planning

This task refers to preparation of documents to form the basis for construction and/or purchase agreements to cover the physical project, as well as such important items as supply and distribution contracts, to name only a few.

4.5.2 Final Commitments

When planning has progressed far enough, the construction schedule is set and equipment contracts are based upon that benchmark. Other commercial agreements fall into place. Management contracts, if any, are also concluded. Financial agreements such as suppliers' credits, loan disbursement schedules and others are concluded. Securities issues are put into final form. The sum of these diverse activities constitutes the "Final Commitment".

4.5.3 The Project Plan

By this time, too much detail exists for all of it to be bound logically into one document. The sum total of the commitment documents may be referred to as the Project Plan. A summary of the major commitments and schedules may also be compiled and referred to as the Project Plan.

4.6 THE IMPLEMENTATION STAGE

Section 4.5 mentioned that implementation may often begin before the planning stage is completed. The boundary between the two stages is probably not very crisp. But the beginning of the physical implementation is usually a well-marked and justifiably celebrated event.

4.6.1 Physical Implementation

This activity usually begins with site preparation and hopefully continues into a long and profitable period of plant operations.

4.6.2 Withdrawal from Project Management Activity

At some time during the planning stages, perhaps after construction has begun, the Bank withdraws from active participation in project management. (E.g., it may have been a member of a project task force established to assist the team leader.) This is a decision which is taken, hopefully, when it is clear that the project can make its way alone.

4.6.3 Investment Supervision

This term denotes a formal Bank activity which begins from the time the Bank finally commits its financial participation. The Bank carries out this task through a special staff, employing established reporting and consultative procedures. It is aimed at fulfilling the Bank's responsibility to safeguard its investment. The function continues indefinitely, and is usually complemented by placing a Bank nominee on the Board of Directors of the enterprise.

5. APPENDIX: LIST OF DOCUMENTS

INCORPORATED BY REFERENCE

The following MDB documents or their latest revisions are considered to form parts of this operations manual. Their functions may be inferred from the titles:

- Guide for Preparation of "Document A" (Pre-feasibility)
22 July 1971
- Industrial Alcohol Project for Country G (Sample of Document A)
22 July 1971
- Guide for Preparation of "Document B" (Intermediate Feasibility Report)
28 July 1971
- Position Guide: Manager, Development Division
1 March 1971

Multinational Development Bank

II

GUIDE FOR PREPARATION
OF "DOCUMENT A" (Pre-feasibility)

Development Division

1. INTRODUCTION

The purpose of this guide is to describe requirements for the preparation of the first presentation document to be issued in connexion with a specific project being prepared and promoted by the Development Division (DDIV). The document, called "Document A", is a pre-feasibility report based on the project identification studies. (For more details on the relationship, see the DDIV Operations Manual , dated 27 July 1971).

This "guide" is intended to provide guidelines, as the title implies, not a fixed specification. We should like to indicate the general content and level of detail judged appropriate for two purposes:

- 1) to attract the interest of local investors, and
- 2) to gain the support of government officials.

The guide provides a specimen table of contents and describes the kind of information desired under each of the main subject headings.

As a further illustration of specific content, please see the illustrative document, "Industrial Alcohol Project for Country G" which presents a live example of the "Document A" pre-feasibility report.

2. DESCRIPTION OF REPORT CONTENTS

The following pages describe each of the main sections suggested for inclusion in a pre-feasibility report at the "Document A" stage. It is emphasized that sub-structure will frequently need to be tailored to the nature of a specific project; the project officer preparing a report must exercise his ingenuity to present the project in a manner consistent with principles of clarity and full disclosure. It is desired that a reader be enabled both to understand the basic characteristics of the project and to assess it "on its merits".

2.1 Introduction and Summary

The purpose of this section is to present a capsule description of the project's nature and of its projected results. In a few sentences, this should allow a reader to decide whether to go on to examine the rest of the report.

2.2 The Opportunity

The purpose of this section is to describe the business opportunity available or potentially available. It is necessary to convey an understanding of the proposed product; the market intended to be served; the dynamics of the market, including such things as price fluctuations and competitors' activities; and special factors (such as favourable availability of a key input or of a newly proven technological process, or specific governmental measures) which give the project its distinctive character and provide a "competitive edge".

2.3 Description of the Project

The purpose of this section is to define the physical aspects of the project. Except where some elements have been pre-empted by earlier sections, it is desired to provide an orderly presentation of subjects including, but not limited to:

- product range and volume
- production processes and facilities
- inputs, costs and availability
- prices
- distribution channels and promotion techniques
- special considerations such as transport, taxes, licensing arrangements.

Where significant choices need to be made after further analysis, as between two competing technical processes, the rationale should be summarized. Reasons for selection of the project size should be indicated, as for example, market penetration potential, or limitation on raw material availability.

2.4 Tentative Financial Analysis

The purpose of this section is to display in as specific a manner as possible the expected financial characteristics of the proposed project. This would normally require as a minimum the provision of a proforma income statement, an analysis of the required investment, and a break-even analysis. In some cases a cashflow analysis would also be indicated.

It is expected that, at such an early stage, broad areas of uncertainty must still exist. For example, it will probably not be possible to give detailed cost break-downs and convincingly detailed equipment lists. Nevertheless, the exhibits should be prepared in a form that allows existing estimates and/or judgements to be displayed. It is perfectly acceptable to show a total cost figure from which only one or two of the major elements have been broken out. The intent is to communicate all that we know or can infer about the financial characteristics of the project. (The reader may be able to apply his own experience or judgement to fill in some of the blanks. In any case he should be able to gauge the extent of the information lacking as well as that at hand.)

2.5 Linkages with other Projects

This is a very important element of the document. It places the project in context with existing industrial enterprises and identifies possible and/or planned projects which will have technical or commercial links with the proposed installation. For example, a major point in attracting support for one project may be the fact that related opportunities will naturally arise later because of parallel developments.

2.6 Appendices

Although it is typically based upon a body of material collectively referred to as "identification studies", the "Document A" pre-feasibility report is designed for maximum clarity and economy of presentation. Consequently many data tables, technical explanations and other important and/or informative background analyses do not fit readily into the body of the report.

Selections of such valuable material may alternatively be cited in the report or included as appendices, according to the project officer's judgement.

3. SOME GENERAL NOTES

The following items represent suggestions designed to help the project officer achieve a high standard of usability in his completed report. Some are cautionary notes; others are positive recommendations. In general, it is expected that attention to these details will reduce the frequency of nagging questions from evaluators.

- References for key numbers should be given in footnotes, if not identified in the text.
- Where values such as costs are not precisely known, it will often be useful to employ an estimated range, rather than to omit giving a value.

- "Document A" will form a basis for refined project presentations later, assuming that support is found to exist. It is completely acceptable to include key displays containing significant blanks, in the expectation that later studies will supply missing information.

- Critical assumptions should be identified. For example, if a special government concession or exemption is required, this fact should be pointed out. (The identification of "key assumptions" is itself a matter involving careful judgement.)

Multinational Development Bank

III

INDUSTRIAL ALCOHOL PROJECT FOR COUNTRY G

ILLUSTRATIVE SAMPLE OF
"DOCUMENT A" (PRE FEASIBILITY)

22 July 1971

Development Division

NOTE: This document illustrates content and level of detail of a project brief suitable for first stage presentation to acquire Government support and investor interest. No representation of commercial viability for this project is expressed or implied by publication of this illustrative material.

1. INTRODUCTION AND SUMMARY

It is proposed to establish a commercial alcohol industry in Country G. Production of 2.5 million gallons a year can be supported by availability of currently wasted by-product molasses from sugar refining.

Pending development of organic chemical production using alcohol as an input, it is proposed to market the output as a mandatory motor fuel additive, through government directive. Economics of the process and of alternative disposal of the raw material allow an acceptable return on investment of 9 per cent at a yearly sales level approaching \$1 million.

2. THE OPPORTUNITY

2.1 The Availability of Unused Molasses

At present, and for a number of years past, there has been a large surplus of molasses - the principal sugar refining by-product - on the local market. While about a third of the molasses produced has been exported the remainder has been unable to be disposed of on world markets and has mostly been discarded.

The molasses - approaching 50,000 tons per year - is available at a fraction of the world market price to serve as the principal raw material for an industrial alcohol project. At a probable yield of 53 gallons per ton of molasses, the output would be about 2.5 million gallons of alcohol per year.

2.2 The Product: Industrial Alcohol

World production of industrial (ethyl) alcohol is approximately _____ tons. The world price varies between _____ and _____ per ton (_____ and _____ per gallon). Consumption of the product is roughly distributed as follows:

2.3 The Long-Range Market for Country G Production

Since industrial alcohol, like molasses, is a commodity of relatively low value/volume ratio, export would be hindered by transport cost to the ocean port. Hence its production must be justified by foreseeable local demand.

Chemically, ethyl alcohol is the starting point for a large number of compounds finding widespread industrial uses. The diagram below gives an indication of the range of possible chemical products.

D I A G R A M L A T E R

These organic chemicals are inputs for manufacturing processes producing dyes and pigments, pharmaceuticals, pest control agents, plastics, photographic supplies and surface coatings among others.

It is projected that economical production of industrial alcohol in Country G will facilitate the creation of a chemical manufacturing complex based on forward linkages from the alcohol output. Planning studies have begun and their status is summarized in Section 5 of this report. But for the present, a potential base market for the entire alcohol production is available.

2.4 The Interim Market

As an interim measure, it is proposed that the alcohol production be disposed of in the form of a motor fuel additive. The alcohol would be mixed with gasoline, in proportions up to a technically acceptable maximum of 20%, by the oil companies at their depots, and distributed through the normal channels. Motor fuel consumption is currently about 24-29 million gallons per year. Hence the proposed production of 2.5 million gallons of alcohol could supply about one-half of the potential consumption, based on present motor fuel useage.

The approach of marketing industrial alcohol as a motor fuel additive until domestic organic chemical industries can be developed to absorb the production has been successfully used by Australia, France and India. It has been demonstrated that no technical difficulties exist; in fact some advantages are claimed for the mixed fuel, including better starting, reduced air pollution, and reduced carbon deposits in the engine. But oil companies have not voluntarily agreed to the mixing procedure, so the practice has been for governments to fix the terms of such an arrangement by executive order.

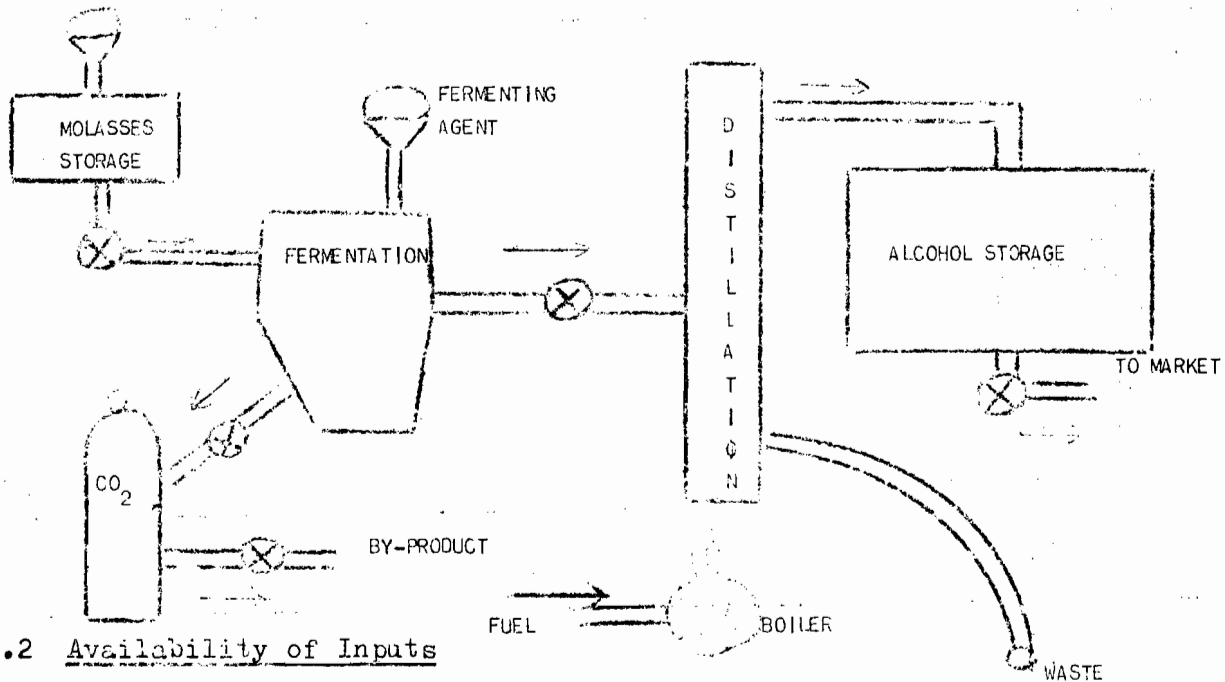
In the case of Country G, it is estimated that an ex-plant price of \$0.374 per gallon, excluding tax, would be fair to the oil companies. This rate is calculated based upon
The government would apply an excise tax to compensate for the reduction in duty collected through reduced petroleum imports.

3. DESCRIPTION OF THE PROJECT

3.1 The Production Process

Alcohol production is a relatively simple process involving fermentation and distillation. The diagram below presents a rough schematic diagram:

ROUGH SCHEMATIC -- PROCESS FLOW FOR ALCOHOL PRODUCTION



3.2 Availability of Inputs

As mentioned in Section 2.1, on the order of 50,000 tons of molasses is expected to be available each year for alcohol production. Calculations in this report are based on a raw material cost of \$2.80 per ton f.o.b. the sugar mill holding tanks. It has been tentatively indicated by two existing sugar mills that they would be interested in bulk sales at this price level, as an alternative to dumping. \$2.80 is the estimated maximum price that can be paid for the molasses in order to produce alcohol at the \$0.374 per gallon selling price and earn a reasonable return on investment.

Since the exports of molasses, though limited in volume, have recently been priced at approximately five times the bulk price of \$2.80 per ton, it would be necessary to ensure raw material supplies through a long-term agreement.

It is not foreseen that any problems would arise in connexion with inputs of supplies, labour, or utilities, assuming plant location as suggested in Section 3.3

3.3 Plant Requirement

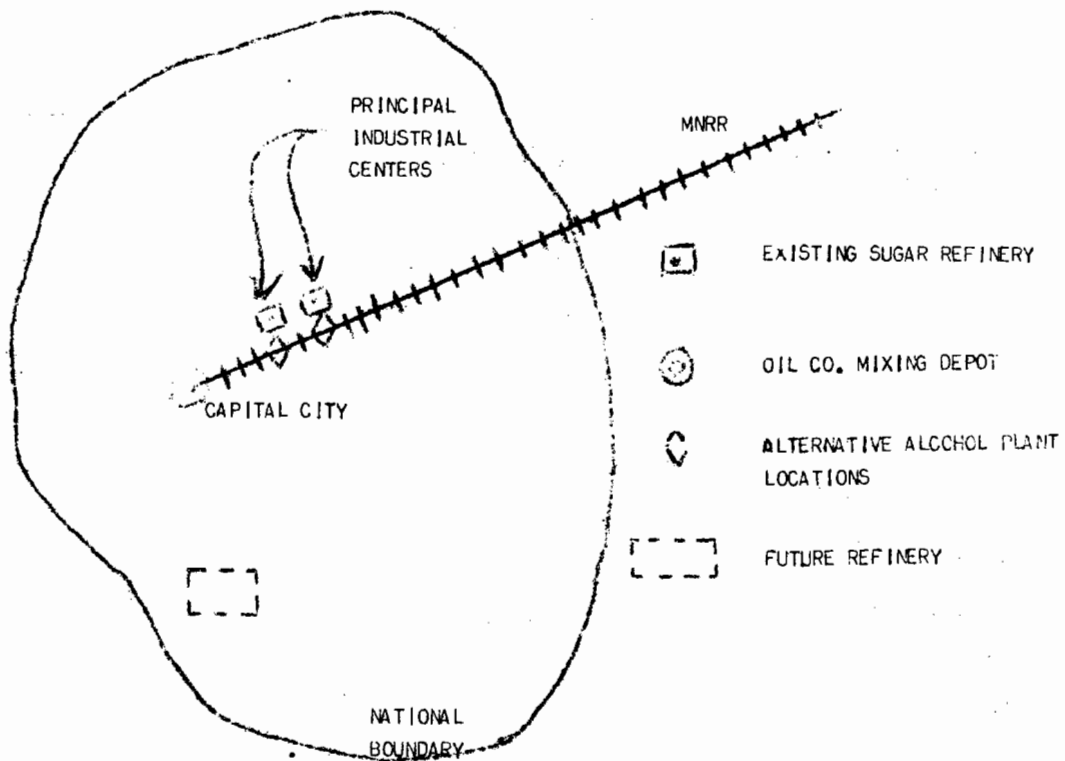
A plant for manufacturing the alcohol can be obtained as a package unit from any one of a number of overseas sources. There may be cost advantages to manufacture a number of the components locally, taking advantage of the engineering and production capabilities already in place. The principal elements, with a rough indication of their cost, are listed below:

<u>Component</u>	<u>Rough Cost Indication*</u> <u>(x \$1000)</u>	<u>Best Candidates for</u> <u>local Manufacture</u>
Storage		
Molasses		x
Alcohol		x
CO ₂		
Fuel		x
Fermentation		x
Distillation		
Boiler		
Pumps		x
Pump Drives		
Transport equipment		x (partial)
	<hr/>	
TOTAL:	750	

As a first approximation, one would expect to locate the alcohol plant adjacent to the largest source of molasses, which in this case would be the _____ plant. The remaining input would be trucked, requiring some 6-10 trips per day depending on the size of tank trucks employed. It is assumed that output will be picked up by oil company trucks. The two existing sugar refineries are only about fifty miles apart and both are within four hours haul of the capital, which is the centre of the fuel market.

The following diagram gives the approximate physical relationships among existing and proposed sugar mills, the proposed production facility and the principal oil company depots.

LOCATION DIAGRAM



4. TENTATIVE FINANCIAL ANALYSIS

Only a rough indication of costs and profit levels can be given at this stage of investigation. The following pro-forma profit and loss statement is based upon numerous assumptions which will have to be individually explored.

PRO FORMA PROFIT AND LOSS STATEMENT

(Based on 2.5 Million Gallons output per annum)

	<u>\$ x 1000</u>
Sales at \$0.374 per gallon (excluding excise tax)	935
Cost of goods sold	
Molasses 47,000 tons at \$2.80	130
Other raw materials	
Labour	
Depreciation	75
Maintenance and repairs	38
Utilities	
Other	-
Selling and Administrative Expenses	
Interest and taxes	
Other	
Total	<u>800</u>
Profit before income taxes	135
Income tax	40
Net profit	95
Net profit as % of sales	10%

Similarly, rough order of magnitude estimates of return on investment and cash flow turnaround are presented below:

PRO FORMA PROFITABILITY CALCULATION

Investment	<u>\$ x 1000</u>
Capital Equipment (inc. transport)	750 ^{##}
Land	150
Working Capital	<u>110</u>
Total investment	1,010

Return on investment 9%
Time to positive cumulative cash flow 6 years

5. LINKAGES WITH OTHER PROJECTS

- later -

6. APPENDIX: MOLASSES UTILIZATION BACKGROUND

- later -

* Assumes 24 hour/day operation, days per year

Multinational Development Bank

IV
GUIDE FOR PREPARATION
OF
"DOCUMENT B"
INTERMEDIATE FEASIBILITY REPORT

28 July 1971

Development Division

1. INTRODUCTION

The purpose of this document is to describe requirements for the preparation of an intermediate feasibility report to be issued during the course of the feasibility stage.

1.1 Purpose of "Document B"

The primary purpose of "Document B" is to obtain tentative agreement of the Bank's Board to participate in financing the project. This step is seen as a key milestone. The Board's "stamp of approval" will enable the Development Division (DDIV) to make serious overtures to prospective project partners on the basis that the Bank believes in the project enough to participate financially

Once Board endorsement is obtained, consideration may be given to releasing Document B itself for use as an aid in securing preliminary commitments from prospective partners.

1.2 Preparation and Submission to the Board

It will be seen that "Document B" is largely based upon the content of the "Document A" pre-feasibility report^{39/}. In fact, it is a refined version of the earlier report, with additional sections designed to help the Board appraise the project's soundness.

Timing for preparation and submission of "Document B" will be selected to fit with the progress of studies and negotiations in progress during the feasibility stage^{40/}.

A negative decision by the Board would effectively terminate the Bank's involvement in the project. A positive decision is intended to include guidance concerning the approximate level of participation likely to win future approval. Board endorsement at this stage is endorsement "in principle" and its later ratification depends upon successful conclusion of studies aimed at economic, technical and social justification.

2. DESCRIPTION OF REPORT CONTENTS

The following pages describe each of the main sections recommended for inclusion in an intermediate feasibility report at the "Document B" stage. It is emphasized that sub-structure of the report will frequently need to be tailored to the nature of a given project, hence no detailed outline is specified. The project officer preparing a report must exercise his ingenuity to present the project and accompanying analyses in a manner consistent with principles of clarity and full disclosure.

^{39/} Please see "Guide to Preparation of 'Document A' (Pre-feasibility)", DDIV, 22 July 1971.

^{40/} Please see "Operations Manual for DDIV", 27 July 1971.

It is desired that the Board members and other readers be enabled to understand the basics of the project, including its expected results.

A summary of a tentative financing plan will also be provided, indicating suggested participation by the Bank. Finally an appraisal of risks inherent in the project will be presented, to enable the Board to apply its balanced judgement to a decision.

2.1 Summary and Recommendation

The purpose of this first section of the intermediate feasibility report is to present a capsule description of the project and to briefly state the basis for recommending Board endorsement of the project. The suggested amount and proportion of the Bank's participation should also be disclosed in this section.

2.2 The Opportunity

The purpose of this section is to describe the business opportunity available or potentially available. It is necessary to convey an understanding of the proposed product; the market intended to be served; the dynamics of the market, including such things as price fluctuations, quality and style considerations, and competitors' actions and possible reactions. Attention should be drawn to special factors, such as availability of a key input on favourable terms or the emergence of a newly proven technological process, which are expected to give the proposed project a distinctive character and provide the basis for claiming the existence of a "competitive edge".

Adequate data to substantiate market and penetration estimates should be included. Uncertainties which might give rise to serious questions should be pointed out, and plans for resolution summarized.

2.3 Description of the Project

The purpose of this section is to define the physical aspects of the project in sufficient detail to demonstrate understanding of potential problem areas and preparedness to deal with them constructively.

Except where some elements have been pre-empted by earlier sections, it is desired to provide an orderly presentation of subjects including, but not limited to:

- product specifications, product lines, and volumes
- production processes and technology
- sources of inputs
- plant and equipment requirements and likely sources
- prices of inputs and outputs
- distribution channels and tentative plans for establishment

- sales promotion techniques anticipated
- plans for acquisition of management expertise
- training requirements
- special considerations such as transport, taxes, licensing arrangements

Where major selections have been made among alternative approaches, (for example, among alternative production processes or distribution channels) the competing solutions should be identified and selection rationale summarized. The basis for selection of the project size (e.g. raw material availability, economic production scale, market penetration factors) should be discussed and conclusions presented.

2.4 Preliminary Financial Analysis

The purpose of this section is to display in as specific a manner as possible the expected financial characteristics of the project. As a minimum this includes a five- or ten-year proforma operating summary, a moderately detailed profit and loss statement for the expected normal operating point of the plant, an investment analysis indicating estimated timing of increments and including working capital requirements, a discussion of the appropriate depreciation and amortization schedules, and a break-even analysis. A cash flow summary will be employed to support the working capital schedule.

It is expected that sizeable areas of uncertainty will still exist when Document B is prepared. The report should comment on these gaps, noting the expected method for reducing the uncertainty to a level acceptable in the eventual project prospectus^{41/}.

Exhibits should be prepared at the appropriate level of detail to permit existing estimates and data to be presented in full. Where data is incomplete it is acceptable to show a total figure - for production costs, as an example - with only some of the component elements broken out. It may be useful to indicate a range of values for a few elements whose importance requires an estimate, but for which good data is not yet at hand. (Part of the function of these exhibits is to disclose gaps in the project information, as well as to present what has already been accumulated.)

2.5 Contributions and Interests

The purpose of this section is to describe the results of preliminary analyses and negotiations concerning the shape of the eventual project agreements defining "contributions and interests" of the team members. It is intended that the section provide as much detail as possible. Where some

^{41/} For a description of the project prospectus, please see section 4.4.8 of the DDIV Operations Manual.

of the information is speculative, perhaps representing little more than the project officer's judgement of what a suitable allocation might be, this should be clearly stated.

The term "contributions and interests" refers to the whole range of participation modes through which project partners may supply resources to the project, and in turn derive benefits from it. Thus, management contracts, supply arrangements, licensing of technology, and marketing agreements among others may be included. All such arrangements - express or implied - which are likely to involve project team members should be described in this section to convey the entire system of participations and benefits. It is of great importance that no material element be omitted, and the project officer is required to exercise care in identifying all relevant items. Among other reasons, this special care is necessary to protect the Bank from possible lawsuits for negligence or misrepresentation at a later time.

2.6 Project Risk Analysis

The purpose of this section is to explore the major risks inherent in the project, as it has been elaborated to date. Generally, the subject may be addressed in terms of technological, management, marketing and financial risks. An overall conclusion should be presented, rating the project as "conservative", "moderately conservative", "moderately speculative" or "speculative" in terms of safety of the Bank's proposed investment.

The following represents a partial illustrative checklist for identifying risk elements. The comprehensive listing is almost infinite; each project officer must use his judgement and his knowledge of the opportunity, the project, and the prospective team members to identify the critical risk items for his project.

ILLUSTRATIVE CHECKLIST OF PROJECT RISK ELEMENTS

Marketing Risks

- size of market
- availability of market
- distribution channels
- marketing cost
- product style
- protection of market
- competition
- other

Technical and Production Risks

- raw materials
- labour skill and availability
- technology
- infrastructure
- location
- cost
- plant construction
- scheduling
- capacity
- transportation
- other

Management/Financial Risks

- performance record
- balanced team
- adequacy of finance
- training provisions
- contract terms
- motivation of management
- supplier incentive
- profitability
- social and political factors
- other

2.7 Linkages with Other Projects

This is a very important element of the document. It places the project in context with existing industrial enterprises and identifies possible and/or planned projects which will have technical or commercial links with the proposed installation. For example, a major point in attracting support for one project may be the fact that related opportunities will naturally arise later because of parallel developments.

2.8 Appendix: Supporting Data and Analyses

"Document B" is based upon the "Document A" pre-feasibility report plus additional studies and analyses. Certain data tables, technical explanations and other important and/or informative background analyses do not fit readily into the body of the report since it is designed for clarity and simplicity.

Selections of such valuable material may alternatively be cited in the report or included as appendices, according to the project officer's judgement.

MULTINATIONAL DEVELOPMENT BANK (MDB)

V. ANNOUNCEMENT OF POSITION OPENINGS IN THE
DEVELOPMENT DIVISION (DDIV)

POST TITLE Senior Project Officer - Project Preparation and
Promotion (2 positions).

DURATION One or two years; may be renewed

DATE REQUIRED As soon as possible

DUTY STATION Capital City, Country G, with necessary travel within Africa
and abroad

OBJECTIVE OF THE

DEVELOPMENT DIVISION: To establish new industrial projects in member States
(and develop new business for the Bank) by identifying,
preparing and promoting viable projects in accordance
with priorities and policies established by the
national governments, the Economic Co-operation
Organization and the MDB.

DUTIES Under the direction of the Manager -- Development Division, the
Senior Project Officers will form the nucleus of the newly
established Division during its developmental phases.
Specifically, the Senior Project Officers will:

1. Identify industrial project ideas through contact
with private and public agencies. (Alternatively,
DDIV will receive detailed project identification
reports from the Bank's Planning Division.) Participate
in evaluation of the ideas.
2. Prepare pre-feasibility reports on selected project
ideas as the basis for enlisting prospective
partners and government support. Conduct necessary
preparatory studies, making appropriate use of
specialized outside technical assistance. Conduct
discussions and negotiations incident to enlistment
of partners and government support.
3. Plan, direct, and participate in the execution of
necessary further studies to establish feasibility
and viability of the projects, employing appropriate
specialized technical assistance. Continue
attraction of, and negotiations with, prospective
project team members (financial, technical,
management, marketing contributions as appropriate.)

4. Prepare intermediate feasibility reports for MDB Board endorsement. Prepare final project prospectuses to demonstrate project feasibility and viability, and to describe proposed financial packages.
5. Participate in drawing up of final commitments among project team members regarding contribution and interests, and designation of project management for implementation.
6. If necessary, represent the Bank on an implementation task force to assist the project team manager during completion of final detailed implementation arrangements.
7. Direct, guide, share work and responsibility with assigned local counterpart. A major objective of the project officer is to help the counterpart develop the range of skills and experience necessary for an eventual independent role.

QUALIFICATIONS: Engineering degree preferred, master's degree in business administration very desirable. Thorough familiarity with range of industrial processes and with financial, marketing and management aspects of establishing industrial enterprises. Demonstrated capability in executive-level negotiations, as through management or consulting experience. Imagination and drive to create projects and project teams, beginning with very limited data sources.

LANGUAGE: English

BACKGROUND

INFORMATION:

The Multinational Development Bank was chartered in 1969 by the governments of Country A, Country G, Country S, and Country R.

The Bank is exclusively concerned with the furtherance of its members' industrial development. MDB has recently established the Development Division to focus and expand its project development activities. A manager has been appointed; planning and initial project work are underway. Manning of the senior staff and counterpart posts is now urgently required.

CASE NO. 8 : COORDINATION OF OVERLAPPING INDUSTRIAL
PROJECT PROPOSALS

A JOINT PROGRAMME
TO COORDINATE CERTAIN AFRICAN INDUSTRIAL PROJECT PROPOSALS
(Preliminary Coordination Document)

A JOINT PROGRAMME
TO COORDINATE CERTAIN AFRICAN INDUSTRIAL PROJECT PROPOSALS

TABLE OF CONTENTS

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A JOINT PROGRAMME
TO COORDINATE CERTAIN AFRICAN INDUSTRIAL PROJECT PROPOSALS

1. INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

A large number of industrial projects which African countries desire to establish cannot be justified on economic grounds unless neighbouring markets are made available to absorb important fractions of plant capacity. This fact has frequently led to the proposal of such "multinational" projects, but usually without the prior benefit of reciprocal agreements among the countries involved. In fact, there are instances of simultaneous offerings by several neighbouring countries of almost identical projects, each proposing to distribute much of its output in the others' markets. Such happenings have been a source of embarrassment to all concerned and have led to insistent suggestions that such projects be "screened" before inviting prospective investors' attention to them.

This proposal describes an action programme to coordinate the adoption and promotion of certain projects involving multi-country markets. It is tentatively proposed to invite the sponsorship of established African inter-governmental economic cooperation organizations for a joint UNIDO/ECA task force to rationalize existing project proposals, to win their endorsement by involved governments, and to develop project brochures for the resulting set of endorsed projects. The action would be scheduled for completion within the 1972-1973 period to produce viable projects for a projected African investment promotion meeting in 1973 and/or for promotion via other channels at the governments' request.

1.2 BACKGROUND

The Third African Meeting for the Promotion of Specific Industrial Projects was held from 24 November to 1 December in Abidjan, Ivory Coast. The meeting was organized by UNIDO and jointly sponsored by UNIDO, ADB, and ECA. Several hundred million dollars worth of projects were discussed with prospective investors. Participants from industrialized countries and African industrialization officials pronounced the affair successful in terms of the establishment of potentially productive personal contacts and the discovery of mutual interest in a number of projects.

However, a source of comment and disappointment among some of the participants was the frequent appearance of "unscreened" multinational projects presented by individual governments. Such projects had been prepared on the basis of a market assumed to include neighbouring countries as well as the host country. In most cases the neighbouring countries had not given, nor been asked to give, assurances that their markets would be available and that competing plants would not be permitted to be installed there.

The investors felt that they could not reasonably be asked to accept the burden of performing all the work necessary to ensure availability of the dispersed markets. This judgement was based on the probability that some form of reciprocal agreements will have to be negotiated, involving at least several governments and a like number of projects. It was understandably felt that this job should have been carried out in advance of presenting the projects, since its successful completion would be a basic prerequisite to the projects' commercial soundness.

2. PROGRAMME DESCRIPTION

2.1 APPROACH

The joint programme is designed to operate in close conjunction with the secretariat of an established inter-governmental economic cooperation organization. ECA and UNIDO personnel would visit the secretariat and the appropriate industrialization officials in each of the member States to invite support for a specific set of industrial projects. The projects would have been selected insofar as possible from those projects submitted by the member States at the recent Abidjan project promotion meeting. Necessary additions and/or substitutions would be made on a pragmatic basis, the objective being to arrive at a set of projects endorsed by all of the member States. It is expected that the set would contain one project for each country, and that each project would share the markets of all the states.

It is tentatively proposed that initial efforts be focussed on the members of the UDEAC, together with Chad. Details of the preliminary project list and the proposed operational procedure are given in the following sections. A second application of the proposed might appropriately be the Entente-Ghana group. Again, details are presented below.

The actions proposed herein would be coordinated with those called for in the proposal for the establishment of Multinational Industrialization Agencies (MIA)^{42/}. Briefly, the emphasis here is on the selection of an initial set of industrial projects, while that of the MIA is upon the institutional system for implementing and expanding upon such efforts.

^{42/} Please refer to Case Number 6.

2.2 TENTATIVE PROGRAMME FOR UDEAC-Chad

A tentative selection of projects is listed below. It has been developed primarily from the projects submitted by the countries at the UNIDO/ECA/ADB project promotion meeting in Abidjan. The selection has been made on an informal basis, considering to the extent possible the resources and other economic characteristics of the countries.

Country	Abidjan Proj. No.	Project Title	Est. Inv. \$ US m.	Remarks
Cameroon	CMR-15	Air conditioners and refrigerators	na	
CAR	CAF-05	Tyres and tubes (bicycles and mopeds)	1.2	
Chad	CHD-03	Malt factory	1.2	May require larger capacity. (Initially conceived for domestic market only).
Congo (B)	COB-01	Pulp, paper and boards	11	
Gabon	-	Petrochemical plant	na	Gabon did not submit projects at Abidjan

No rigorous justification for the set of projects given above is offered; in fact none is possible with the limited data available. Nevertheless, the projects have all been considered desirable by the individual governments. It is also nearly certain that each requires more than its host country market to be viable. There is thus a strong prima facie case for reciprocal agreements among the five countries concerning market entry and possible protection.

2.3 TENTATIVE PROGRAMME FOR ENTENTE-GHANA

A tentative selection of projects for Entente/Ghana is tabulated below. The list has been developed primarily from the projects presented by the countries at the UNIDO/ECA/ADB project promotion meeting in Abidjan. Selection from among the projects has been made on an informal, semi-intuitive basis, considering to the extent possible the resources and other economic characteristics of the countries.

Country	Abidjan Proj. No.	Project title	Est. Inv. US\$ m.	Remarks
Dahomey		Wire drawing or scrap melting and rolling mill	na	ECA proposed project
Ghana	GHA-02	Kraft paper/boards	0.5	
Ivory Coast	IVC-13	Pharmaceutical products	na	
Niger	NER-03	Meat and tomato canning	0.7	
Togo	TOG-01	Pesticides and insecticides	na	
Upper Volta	UPV-10	Enamelware	2.0	

No rigorous or detailed justification for the set of projects given above is offered; in fact none is possible with the limited data available. Nevertheless the projects have all been considered desirable by the individual governments. Since it is also nearly certain that each project requires more than its host country market to be viable, there is a strong prima facie case for reciprocal agreements among the six countries concerning market entry and possible protection.

2.4 PROCEDURE FOR IMPLEMENTATION

It is tentatively planned to invite the support and cooperation of the inter-governmental organizations (the Entente in one case and UDEAC in the other) as an essential element in the implementation of the two programmes described above. Furthermore the Central African UNDAT in the case of UDEAC-Chad, and the ADB in the case of the Entente-Ghana have been involved (as have UNIDO and ECA field officers) in preliminary phases of attempts at industrial development harmonization. Initial interest has also been expressed in the Multinational Industrialization Agencies concept among many of the groups and countries concerned. Thus their participation in this activity may be invited on a priority basis as a possible means of achieving a coordinated programme and of applying the maximum resource possible.