

DOMESTIC INVESTMENT PROMOTION
leveraging FDI—creating wealth

EDIP
designed to deliver



Enterprise Development and Investment Promotion
**The road to employment, income
and prosperity**



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION





Sustained—and sustainable—economic growth is the goal of developing countries worldwide. It is the key to reducing and eliminating poverty, avoiding marginalization in a rapidly globalizing world, improving material standards of living, and assisting the peoples of those countries to attain a better and more satisfying way of life.

UNIDO is there to help developing countries to achieve these goals. It does this by providing support for the build-up of productive capacities, to the extent that developing countries will eventually be able to rely on their own domestic resources to finance their growth, while at the same time becoming more attractive for capital inflows that can accelerate the process still further.



Investment and technology promotion

Economic growth required for the eradication of poverty and the achievement of the other associated MDGs depends on capital accumulation (investment) and technical change going hand in hand. Foreign direct investment (FDI) in particular is an important driver of industrial performance, as it is expected to improve industrial productivity growth directly by infusing new capital, technologies and managerial know-how, and by improving the average skills and efficiency levels of industry.

An important factor, inter alia, which would influence the success of FDI promotion efforts, is the availability of qualified local entrepreneurs/investors backing the investment projects. However, finding qualified and capable local investors, and matching the expectations of foreign investors, still remains a grave problem in many developing countries. A credible local investor base will emerge only if the private sector is induced to engage in productive activities by encouraging domestic investments.

Therefore, in order to attain growth, developing countries and those with economies in transition need to mobilize investment—both domestic and foreign—as well as modern technologies, so as to expand their productive assets.

The prime function of EDIP is to stimulate the emergence of new and growth of existing enterprises that produce goods and services for trade, provide employment and income for people, and thereby contribute to poverty alleviation and overall economic growth.



The EDIP programme has two main components: Enterprise Creation and Enterprise Growth. A third component of the programme aims to develop institutional capacity to handle these two elements as well as to build up strong networks to ensure the programme's long-term sustainability.

...❖ *The Enterprise Development and Investment Promotion (EDIP) programme is UNIDO's tool for the job.*



Enterprise creation

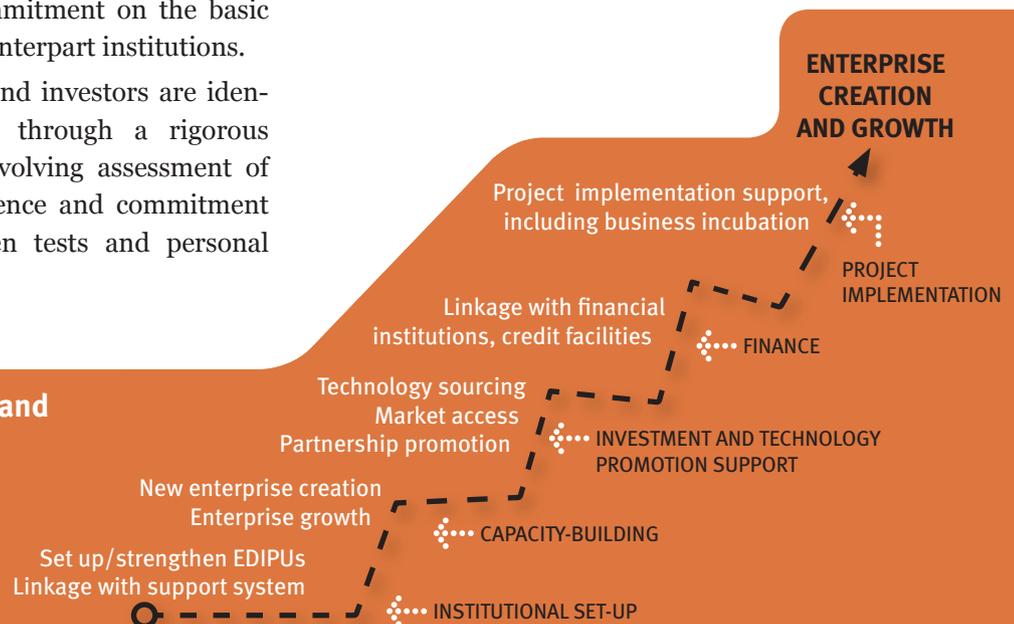
The EDIP programme, which is organized in four stages after some preparatory activities, is aimed at helping potential entrepreneurs and investors translate their ideas into commercial ventures in the manufacturing and service sectors. The emphasis is on small and medium enterprises, which have been recognized all over the world as effective means of facilitating economic development. The main features are:

- The programme is result-oriented in the sense that potential investors are expected to set up their own business enterprises—which have to be appropriate to their abilities and backgrounds—after relevant training, and as a result of it.
- There is a firm commitment on the basic objectives by the counterpart institutions.
- The entrepreneurs and investors are identified and selected through a rigorous selection process involving assessment of personality, competence and commitment by means of written tests and personal interviews.

The first step

Before the programme can be fully operational an institutional framework must be set up to sustain it. Programme modules have to be organized in the light of local socio-economic conditions, and in liaison with the support system, in order to facilitate the process of preparation and empowerment of entrepreneurs. The programme itself has to be marketed in order to attract the best potential entrepreneurs. This phase of pre-programme activities will last for 8 to 10 weeks, after which the selected entrepreneurs will start to go through the various EDIP programme stages.

Enterprise Development and Investment Promotion Programme





Enterprise creation – the four stages

1

First stage

An enterprise cannot be assured of long-term success if its management does not possess the necessary knowledge, skills and competence. After suitable candidates have been selected, they will be provided with occupational training in order to strengthen their managerial skills, with a view to assisting them to set up their own enterprises. This stage, lasting for 3-4 weeks, has been designed to cover the following:

- Setting up a small business enterprise: rules, procedures and formalities, whom to contact for what, the nature and extent of assistance available from various institutions.
- Business opportunity identification: how to recognize and identify opportunities, how to screen them, how to firm up a business idea for further exploration.
- Market assessment: how to assess the market potential, guidance in carrying out fieldwork for market assessment for the proposed product or service.
- Development of enterprising competencies.
- Business plan: skills for the preparation of a business plan, and assistance in finalizing the same.
- Essentials of managing a small business enterprise.
- Inputs on how to manage a project.



2

Second stage

After initial training, a vigorous follow-up mechanism provides counselling with the aim of translating business ideas into reality. Entrepreneurs are helped to finalize their ideas, and to obtain the information they need to draw up their business plans. They are helped to identify and select technology as well as to promote partnerships with foreign companies

in the form of joint ventures, technology tie-ups, management, etc. They also receive assistance in applying for the necessary licences and completing the legal formalities. The nature and extent of the counselling depends on the needs of the individual case. It could last up to 12 weeks, or even longer if necessary, and include the following activities:

- Business opportunity identification, analysis and finalization.
- Market research—collection, analysis and compilation of relevant data.
- Identification and sourcing of information on relevant technology, machinery, equipment, raw materials, etc.
- Facilitation of technology tie-ups and joint venture collaboration.
- Compilation of a business plan.
- Completion of legal documentation, seeking necessary registrations, licences and clearances.
- Finalization of the project implementation plan.

Third stage

After business counselling, the next important step is establishing a link with the financial scheme. An appropriate investment package is worked out on the basis of the project's capital requirements and the investor's own financial capacity. Investors are advised and guided on completing the required formalities for seeking loan support from financial institutions. The business counsellor acts as a link between the investor and the financial institution, in order to facilitate the process, and to ensure that the project is linked with the most appropriate financial schemes.

3

4

Fourth stage

With all the essential resources for the project tied up, the investor is guided through the project implementation plan that was formulated during the second stage. Assistance is provided to facilitate essential links with institutions providing infrastructural services (access, water, electricity, etc). Guidance and support is also provided for the procurement, installation and commissioning of the project machinery and equipment as well as procurement of raw materials and other utilities. The business adviser/counsellor monitors the project implementation process very closely, and guides it to the stage of becoming fully operational.



Enterprise growth

We are living in an age of privatization, liberalization and globalization, processes that are drastically changing the business environment, especially for small and medium enterprises in developing countries. It is imperative that their international competitive edge is strengthened in order to keep pace with the new products, processes and services that are constantly emerging. It will no longer be possible to remain in business if enterprises do not respond quickly to the changing contours of markets and management. Systematic and sustainable growth is a result of planned efforts on the part of the entrepreneur.

“Growth” or “change” in an enterprise can best be described as moving from one level (where it is now), to a higher one (where it ought to be). This could involve expansion, diversification, product development, quality improvement,



cost reduction, etc. The Enterprise Growth programme is designed to (a) help existing entrepreneurs redefine business processes by analyzing current performance of their enterprises; (b) facilitate entrepreneurs in opportunity mapping for growth in relation to the inherent potential that an enterprise has and the impact of external factors on growth; (c) ultimately, help entrepreneurs develop core competencies and strategic awareness leading to sustainable growth. It does this by:

- Creating strategic awareness through helping entrepreneurs to look objectively at their businesses and recognize the basis from which to develop.
- Identifying those aspects that need to be strengthened and/or corrected, and working out an action plan.
- Understanding the potential the business has for growth.
- Arriving at growth plans, while recognizing that growth is not simply expansion or diversification.
- Understanding the implications of growth on the current business.
- Examining the impact of internal and external factors on growth, and setting achievable growth plans and targets.
- Assisting in the implementation of the growth plans.



Implementing the programme

EDIP is there to assist small and medium enterprises in developing countries to achieve their full potential, but it cannot do this unless it has an organization with expert personnel there on the spot to do the actual development and promotion. And so the programme starts off by establishing an institutional framework—the Enterprise Development and Investment Promotion Unit (EDIPU). This can be established within an existing public or private institution that is concerned with investment promotion and the development of small and medium businesses.

The EPIDU team of advisers and counsellors who will implement the programme has to be selected and trained—a process of “training the trainers”, who will have to be masters of entrepreneurial competence, investment and technology promotion, and enterprise growth. Their formal and theoretical training will be followed by on-the-job training, in order to expose them to the practical application of what they have learned. This will include the identification of potential entrepreneurs and investors as well as the identification of investment opportunities matching their profiles.

The EDIPU staff will work closely with the entrepreneurs/investors in promoting investment opportunities through advisory/counselling services on a continuing basis, including, where necessary, support for partner-

ship arrangements and technology tie-ups, linking with financial schemes, and providing all support necessary for the establishment of enterprises. A similar approach will be followed for the Enterprise Growth programme.

... ❖ *An additional dimension of the programme is the development of business incubators and technology parks as institutional mechanisms to promote small and medium enterprises. This is optional and, where needed, the services will cover the preparation of business plans as well as further assistance in establishing and operating the incubator/technology park.*





Ongoing EDIP programmes



-  Institutionalized
-  In Process

Inter-Regional Centre for Entrepreneurship and Investment Training (IRC)—India

IRC was established in 1997 in cooperation with the Government of India in order to provide technical assistance to developing countries in the area of SME development. It is located at the Entrepreneurship Development Institute of India in Ahmedabad, India.

The Centre is currently participating in the implementation of the EDIP programmes in Lao PDR, Mozambique, Yemen and Sudan.

The Centre has made valuable contributions in the establishment of regional focal point institutions—Arab Regional Centre for Entrepreneurship and Investment Training (ARCEIT) in Bahrain and the Advisory Centre for Industrial Development (CADI) in Mozambique.

Arab Regional Centre for Entrepreneurship and Investment Training (ARCEIT)—Bahrain

ARCEIT, attached to the UNIDO Investment and Technology Promotion Office in Bahrain, was established in February 2001 in cooperation with the Ministry of Finance, Ministry of Industry and Commerce and the Bahrain Development Bank with the objective of implementing the EDIP



programme in Bahrain and promoting the programme in the Arab region. The phenomenal success of the EDIP model implemented in Bahrain earned it a name of its own—“the Bahrain Model”—and has been successfully replicated in Jordan, Kuwait, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Uruguay and Yemen.

The EDIP model today is well recognized by various financial and developmental institutions such as the Arab Gulf Programme for United Nations Development Organizations (AGFUND), the Islamic Development Bank, the Kuwait Fund for Economic and Social Development, Kuwait Finance House, etc. AGFUND is funding a three-year EDIP programme for the Mano River Union (Sierra Leone, Liberia, Guinea). The programme also mirrors prominently in the ongoing UNIDO project for Iraq funded by IRFFI (International Reconstruction Fund for Iraq).

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