

**UNITED NATIONS**  
**DEVELOPMENT INDUSTRIAL DEVELOPMENT ORGANIZATION**

Distr.  
RESTRICTED  
ADM/EVA/R.2  
ORIGINAL: ENGLISH

**INVESTMENT AND TECHNOLOGY  
PROMOTION OFFICE  
Bratislava (Slovak Republic)**

**Evaluation Report**

Prepared in cooperation with  
the  
Investment and Technology Promotion Office Bratislava (Slovak Republic)  
and the  
United Nations Industrial Development Organization

1 July 2002

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This document has not been formally edited.

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### **List of Acronyms**

<b>COMFAR</b>	Computer Model for Feasibility Analysis and reporting
<b>EXIM Bank</b>	Export-Import Bank
<b>IDB</b>	Industrial Development Board (UNIDO)
<b>JETRO</b>	Japan Export and Trade Promotion Organization
<b>MOU</b>	Memorandum of Understanding
<b>NADSME</b>	National Agency for Development of SMEs
<b>PHARE</b>	Eastern European Assistance for Economic Reconversion
<b>SARIO</b>	Slovak Investment and Trade Development Agency
<b>SMEs</b>	Small and Medium Enterprise(s)

## **List of Institutions, Enterprises and List of Persons met**

### **Benefit Finance**

Ms. Marian Hlavacka

Mr. Otto Cechovic

### **BEZ Transformátory, a.s.**

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### **BIC Group Holding**

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### **City of Banská Bystrica**

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### **Ministry of Economy of the Slovak Republic**

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Dipl. Ing. Marta Prnová

### **National Agency for Development of Small and Medium Enterprises**

Mr. Juraj Majtán

### **SARIO, š.p.o. Slovak Investment and Trade Development Agency**

Ms. Elena Hudcovicová

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### **Slovak Chamber of Commerce and Industry**

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Ms. Ivana Miskejeva

**Vucht Duslo Group**

Mr. RNDr. Petro Milan

**Železnice opravovne a strojárne ZVOLEN, a.s.**

Mr. Dipl. Ing. Lubomír Pospíšil

**Zväz priemyselných podnikateľov Slovenska**

Ms. JUDr. Juraj Nemes

## **SUMMARY**

The Government of the Slovak Republic approved the establishment of the Investment and Technology Promotion Office in Bratislava (ITPO) through a formal agreement with UNIDO signed on 25 June 1999.

The joint in-depth evaluation of ITPO Bratislava has taken place according to Article V of the above-mentioned agreement. The evaluation was carried out in May 2002 by a representative of the Government of the Slovak Republic and a representative of UNIDO. The evaluators were never directly involved in the design, appraisal or implementation of the ITPO Bratislava.

The ITPO started actual operations in April 2000, after an initial period devoted to establishing the Office. Activities of the ITPO can be classified as “upstream” and “downstream”. The first type of activities is of promotional nature (preparation and dissemination of promotional material, establishment of contacts, visits and participation in meetings), awareness raising (preparation of and participation in seminars, fairs, and conferences) and capacity building nature (training in COMFAR, support in the preparation of investment project profiles etc.). The second type is closer to the ultimate objective of the project relating to the promotion of investments and it consists in the identification and promotion of investment and technology projects as well as in support to identification of funding and project negotiations.

The ITPO results in terms of downstream activities are still limited. They should be seen within the context of a newly established office and considering the difficulties of obtaining information from entrepreneurs on the actual results of contacts established by the ITPO. The limited results are also due to the absence of a clear and consistent strategy and the delayed start of downstream activities in 2000. Another important aspect to be considered is the complicated internal enterprise factors that are outside of the scope of ITPO assistance. Finally, it is worth noting that results must be assessed against benchmarks. The average of all UNIDO ITPOs shows a rate of success of 3.4 out of 100 project promoted (IDB 25/CRP.5). UNIDO experience with other offices also shows that several years are required in terms of concluded projects (contracts signed).

Companies and institutions in the Slovak Republic see the comparative advantage of the ITPO in its capability to attract “non-traditional” investment partners and increase investment opportunities for Slovak companies. The technical services and methodologies provided by the Office are considered of good quality. Institutions appreciate the Office’s capability to evaluate and screen projects and to provide support in project preparation as well as to provide ad-hoc advisory services on specific projects.

The most appreciated activities are those relating to capacity building in project preparation and the promotion of projects through UNIDO channels such as the ITPO network and the electronic platform Exchange even though these are no concrete results so far. The delegate programme is considered by all concerned as the most useful and successful activity.

The achievements of the ITPO so far may be summarized as follows:

1. The ITPO has developed a broad range of institutional contacts with investment promotion agencies, SME support institutions, chambers of commerce and industry, R&D institutions, and financial institutions as well as with enterprises across the country. Since the Slovak Republic is not a country with a prudent obligatory corporativism formalized by appropriate legislation, the selection, usefulness and complexity of such contacts cannot be evaluated in rigorous terms.
2. Through its promotional work the office is now relatively well known in Bratislava and its services are increasingly being demanded through inter-institutional contacts.
3. The ITPO succeeded in disseminating broadly information on investment projects and on the investment climate in the Slovak Republic. Non-traditional investment partners such as Japan have been contacted on priority basis and beneficial relationships between institutions and enterprises have been established. Very frequent changes in the legal and institutional provisions of the business environment in the Slovak Republic represent natural limitations to a consistent presentation and dissemination effort.
4. For 5 projects foreign partners have been identified and negotiations are ongoing; one project is at an advanced stage of negotiations and one subcontracting project was recently concluded in cooperation with the subcontracting exchange office in Bratislava.

After analyzing ITPO activities through a desk analysis and field level interviews and taking into account the early stage and short term existence of the Office, the evaluators came to the conclusion that the ITPO is relevant. This recommendation is made in light of Government policies and priorities concerning employment generation and the connected promotion of technology and investments in support to the industrial sector and considering that ITPO activities complement and provide value added to those carried out by other related institutions. Furthermore, its services are considered useful by the entrepreneurs who benefited of cooperation with the Office. In this light, a two years extension of the project should be considered.

The project requires however a reorientation and a refocusing of its activities in order to achieve better results in a shorter period of time and to increase its effectiveness. As a general approach, it is recommended that the Office should concentrate on few activities that are of distinctive relevance and highest value to counterparts and beneficiaries, as follows:

1. The ITPO should in future focus on the promotion of inward investments. Technology promotion opportunities and participation in developing countries' basic infrastructure development should be monitored and identified as a second priority.
2. The highest proportion of the ITPO activities should be devoted to downstream project promotion and negotiation work.



3. The activities relating to promotion of the office, representation and information distribution should be de-emphasized.
4. The Office should decrease activities relating to project identification and rely in this context more on the projects identified by other organizations and institutions that are in a better position to perform this function due to their stronger rooting and networks within the country. It would also be beneficial to strengthen the synergies with the Subcontracting Exchange of NADSME in Bratislava.
5. The ITPO should be more selective in identifying and promoting only those projects that have the highest likelihood of succeeding. This would enhance effectiveness and enable the office not to spread its resources too thin.
6. The financial resources available to the office should be reoriented in order to accommodate a strongly strengthened delegate programme component by repeating the programme in Japan and expanding it, for instance, to the UK, Spain and Italy.
7. Considering the high priority awarded by the government to promote investment in the regions with high unemployment rates and considering the present plans by SARIO to decentralize more strongly its activities to the regions, the evaluators recommend that the ITPO support this trend at least on a pilot basis. One Professional Officer should be located for a period of time in Eastern Slovak Republic where most of the direct and personal support activities for enterprises are required. The future Slovak delegates should also spend some time in the regions to identify and formulate jointly with the entrepreneurs the projects to be promoted abroad. In addition to the direct support and advisory activities, the ITPO should offer UNIDO training packages in entrepreneurship development and investment promotion.
8. A strategy for technology promotion abroad should be developed and implemented. Some elements of the strategy could be: the utilization of UNIDO manual on technology transfer negotiations and the provision of punctual training in this respect; a strengthening of the ties with Slovak R&D institutes and the identification of key partners to be closely linked with the UNIDO Technology Centers network.
9. A more proactive approach should be followed for promoting Slovak technologies and expertise based on concrete opportunities offered by UNIDO's Integrated Programmes.
10. A more structured cooperation with the financial system is highly recommended. The evaluators recommend that the opportunities which might be offered by the EXIM Bank and the newly established PHARE grant for SMEs should be looked into. Experiences by other offices, particularly the Italy ITPO, should be studied to see how the Office has succeeded in linking its activities with mutual credit guarantee schemes. Some opportunities seem also to exist with new financial intermediaries –

especially private financial companies – dealing with venture and seed capital focused on technological innovation performance by Slovak companies.

11. It would be highly advisable that a formal programmatic cooperation agreement with SARIO be put in place.
12. In the event of an extension of the project, a detailed project document should be prepared based on the logical framework. The document should be formally approved by the Government and constitute the legal and financial base for implementation, monitoring and future evaluations.
13. Communication between the ITPO and the relevant Government counterparts as well as among different Government departments should be improved. A Steering Committee should be established with the participation of representatives of the Ministry of Economy, the Ministry of Foreign Affairs, the Vienna based Permanent Mission, SARIO and the ITPO and other relevant offices of UNIDO.
14. Steering and support by UNIDO Headquarters should be strengthened and go beyond administrative and global policy matters.
15. The contractual status of all staff should be reviewed by UNIDO and the Government in order to establish common contractual standards.

## **1. INTRODUCTION**

The Government of the Slovak Republic approved the establishment of the Investment and Technology Promotion Office in Bratislava through a formal agreement with UNIDO signed on 25 June 1999. The Agreement and the annexed Terms of Reference are attached in ANNEX I.

The Office has been operational as part of the UNIDO's Investment and Technology promotion network and programme since 2000. After a first logistical and organizational phase, the office has started actual operations in April 2000.

The joint in-depth evaluation of ITPO Bratislava has taken place according to Article V of the above-mentioned agreement. The Terms of Reference of the in-depth evaluation are attached in ANNEX II.

The evaluation was carried out jointly by a representative of the Government of the Slovak Republic and a representative of UNIDO. The evaluators were never directly involved in the design, appraisal or implementation of the ITPO Bratislava.

The joint field level evaluation took place in the period from 23 May 2002 to 24 May 2002 and from 28 May 2002 to 30 May 2002 according to the itinerary attached in ANNEX VI.

The joint in-depth independent evaluation was carried out by:

Mr. Marian Vitkovic, nominated by the Government and  
Ms. Donatella Magliani, nominated by UNIDO.

The field mission was prepared on the basis of a desk review of background material available in UNIDO and of additional information provided by the ITPO for the purpose of the evaluation. The evaluators met representatives of the Government (Ministries of Foreign Affairs and of Economy), nine Institutions and thirteen enterprises. Interviews were carried out with ITPO staff, the Resident Coordinator of UNDP as well as UNIDO Headquarter's staff. Meetings were based on interview schedules prepared in advance to ensure conformity of approach. The programme was organized with the ITPO in consultation with the evaluators and the UNIDO project management.

## 2. PROJECT CONCEPT AND DESIGN

### 2.1 Socio economic context

Evaluation of ITPO/UNIDO real and/or potential relevance to Slovakia's social and economic structures is a difficult and abstract task. First of all, Slovakia has been the object of unprecedented massive industrialization during the second half of the twentieth century under the socialist planned economy regime. In the 1930s, 57 per cent of population was employed in the agricultural sector. In the 1990s, at the time of substantial transition of the whole socio-economic system, it was already down to nine per cent. Predominance of heavy branches of manufacturing industries producing mainly semi products and low sophisticated engineering goods (with an important portion of it shared by military industry) was a result of "artificial orientation" on scale-effects of the former COMECON-area with partial misleading specialization profiles. However, Slovakia has been, from the beginning of 1990 onwards, a definitely industrialized country with clear need for restructuring and important technology modernization of current country-dominant industries. These are primarily in the chemical, electro-technical, mechanical engineering, wood processing and the construction materials production sector, just to mention the most important branches here. The most significant results of the still ongoing transition process are best illustrated by a standard macroeconomic set of data, as follows:

#### Slovakia's economy during the transition period (1989=100 per cent)

	<i>Parameter / Year</i>	1993	1994	1995	1996	1997	1998	1999	2000	2001
1.	GDP	74.8	78.5	84.0	89.9	95.7	99.8	101.7	103.9	107.2
2.	Industrial production, including small enterprises and small business licences (in 1996 prices)	67.6	70.9	76.8	78.7	80.8	78.4	82.5	83.0	84.0
3.	Production of construction industry <sup>1</sup> (in 1996 prices)	47.8	44.6	45.7	48.4	52.8	47.6	38.3	47.0	47.0
4.	Agricultural production (in 1989 prices)	68.0	71.2	72.9	74.9	74.5	74.8	76.7	76.5	76.7
5.	GDP generated in services (in comparable prices) – estimate	97.0	103.8	106.7	116.5	128.1	132.3	133.2	143.8	153.0
6.	Retail sales (in 1996 prices)	77.5	78.7	80.2	85.7	89.6	92.7	92.9	95.3	101.3
7.	Real wages	72.8	75.0	78.3	83.9	89.4	92.1	89.0	84.7	85.6
8.	Investments (in 1996 prices)	102.3	104.4	111.7	157.1	175.4	186.5	167.7	166.0	177.0
9.	Inflation rate (CPI)	11.7	9.4	7.2	5.4	6.4	5.2	14.2	8.4	6.5
10.	Unemployment rates (ILO methodology)	12.2	13.7	13.1	11.3	11.8	12.5	16.2	18.6	19.2

<sup>1</sup> Construction works performed by own employees, including small enterprises, small business licenses and organizations other than construction companies.

Source: Slovak Statistical Office.

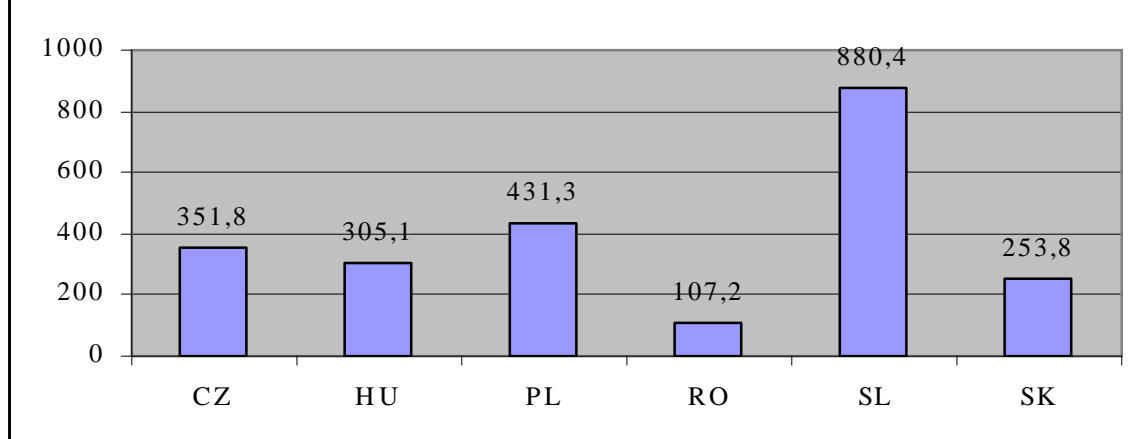
Other important changes have occurred within the structure of property of economic assets. Due to the privatisation process (the first wave was called “voucher privatisation”, the second one was realised through “direct sales”, the third wave was marked by re-concentration and some re-privatisation with substantial involvement of foreign capital). Until the end of 2001, about 83.6 per cent of property of the overall value of property in the Slovak Republic belonged to private owners. Throughout 2002 in connection with the finalization of important network utilities privatisation, this number will most likely increase further to the level of 93 to 94 per cent. Besides this, more than fifty thousands SMEs (commercial companies) and over 300.000 companies with self-employed persons - entrepreneurs (craftsmen) have been established until now as a result of new industry branches' and services' sector development, spin-off's and outsourcing processes through the restructuring of previous overcapacitized industrial conglomerates.

Ultimately, Slovakia is not yet a fully opened country with an effective customs and non-tariff protection system in place. While the portion of exports (or imports) as a part of GDP picked up over 80 per cent in 2001 there is still need to strengthen export promotion activities in future with respect to insufficient level and funding of these activities until now.

From the production factors' analysis, Slovakia has had many clear comparative advantages not only in comparison with most developed countries of OECD or EU, but even within the CEE transition region. In particular:

- The prices of agricultural and other kind of land are not above the level of 10 per cent of EU average (even if the market is in such cases regulated).
- Prices of energy, gas and water supply are significantly below the level of neighboring countries' economies.
- Very high level of human's capital educational background (as a synthesis of some standard education and scored abilities) in some principal disciplines (mathematics, foreign languages, basic technical knowledge's at the primary, secondary and tertiary level of education) attain 84 per cent of EU - countries average. In comparison, the average wage comparison (with data from 1999 to 2001) showed no increase in real wages and unit labour costs (ULC) in manufacturing industries, which are still at 30 per cent of the Austrian level.
- There is a good and broad variety of viable research and development (R&D) institutions with different kinds of ownership; many of them are successful in international cooperation even in industrial R&D (the number of institutions under the competence the Ministry of Economy; the number is total 28).

### Average monthly wages and GDP in Central European transition countries in 1999 (in USD)



On the other side, the Slovak government is confronted practically throughout the whole transition period with the following persistent and even increasing structural problems and imbalances:

- High unemployment rate, endogenously caused by restructuring and modernization of industries and economic reform. Many of the industrial plants, after the start of transition, proved non-viable because of the strong emphasis on new products' and consumers' (or market) demand. Others introduced new investment in technologies, which were mainly labour-saving in contrast to previous overemployment.
- Persistent substantial interregional differences in unemployment (in range from 5 to 35 per cent between several districts) and capacity utilization. Commonly the level of real GDP between different regions varies – here at the end of 1999 the level of GDP creation attained in Bratislava counted for 102 per cent of an EU-average, while in the regions of Eastern and Southern Slovakia (Prešov, Košice and Banská Bystrica county) it remained only between 35 to 40 per cent of this average. It is no wonder, that under such structural conditions, a generically designed labour market policy does not function.
- Added to the above, there was an insufficient level of FDI inflow until 1999 – up to then Slovakia attracted only one per cent of the whole FDI amount directed to CEFTA countries. There were several reasons for this situation. First of all, the unfavourable official privatisation policy during 1994-1998, as well as many shortcomings in improving legal and regulatory framework for business activities in general.

In response to the above weaknesses and in addition to other important macroeconomic measures oriented to improving critical macroeconomic disequilibria in 1998-2000, the

Slovak government introduced a policy for attracting FDIs and conducted substantial reforms in order to improve the business environment. Many reforms were finalised as late as 2001, so the positive effects are to be expected in future. However, there are still noticeable improvements in performance of enterprise sector as indicated in the table below:

### Financial results of companies in 1998 – 2001

	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>1</sup>	2001 <sup>1</sup>	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>1</sup>	2001 <sup>1</sup>
	Rate of profit (in bil.Sk)				Profit to revenues ratio (in per cent)			
Non-financial and financial companies together	53.6	57.2	98.3	132.1	3.3	3.2	5	6.5
Financial companies	12.2	2.4	17.8	16.3	4.7	1	6	6.3
Non-financial companies	41.4	54.8	80.5	115.8	3.1	3.6	4.8	6.5
<i>of which</i>								
Companies up to 19 employees	18.9	23.9	28.1	31.5	6.3	6.3	8.2	8.6
Companies with 20 and more employees	22.5	30.9	52.4	84.3	2.1	2.7	4	6
<i>of which</i>								
Agriculture	0.1	-0.4	0.6	1.2	0.3	-1.1	1.4	2.7
Manufacturing	-2.4	8.7	21.3	41.2	-0.5	1.9	3.9	6.6
Construction	2.7	1.3	1.7	3.2	4	2.6	3.2	5.5
Services in total	11.4	8.2	19	23.8	2.9	1.8	3.6	4.6
<i>non-financial companies with 20 and more employees</i>								
Companies which gained profit	69	67.4	73.9	103.3	9	8.7	7.2	8.5
Companies which inferred loss	-46.5	-36.5	-21.5	-19	-16.2	-10.1	-7.4	-9.2

<sup>1</sup> 1.Quarter – 3.Quarter.

Analyzing financial statements of companies and their development during 2001 (as compared with the data for 2000) they could be still seen in the consolidation process. This process is marked by several important changes:

- The increase in profit of non-financial companies (with 20 and more employees) by nearly SKK 32 billion in 2001 (in contrast with previous two years) was reached almost at the account of the profit growth in profit companies. The cutdown in loss of the companies which inferred loss was made on the expense of only SKK 2.5 billion of the whole sum.
- Profit to revenues ratio increased by two percentage points in non-financial companies with 20 and more employees (from four per cent to six per cent) and profitable enterprises have been able to improve their ratio by 1.3 percent (from 7.2 per cent to 8.5 per cent), whereas profits had been declining for the previous two years.
- In 2001, the position of enterprises with a net loss (within the group of companies with 20 and more employees) significantly deteriorated. Its share in the number of companies for the first time during the transition decreased below 30 per cent, its share on output was 14.6 per cent in 2001 (as compared with 21.8 per cent in 2000) and its share in value added was 11.7 per cent (as compared with 20.6 per cent in 2000).

Many factors lie behind this development such as substantial tax cutting (tax rate on corporate income which was decreased from 40 to 29 per cent since 1 January 2000 and finally to 25 per cent beginning 1 January 2002), the improvement of legal and regulatory framework for business, and, last but not least, huge restructuring done by corporations and by the managers themselves (first of all return of orientation on core business instead of non-effective cross-branches expansion which was typical in past) are worth to note here. Thus, the Slovak manufacturing industry consists today of about eight-thousand more or less viable independent corporations which increased their financial losses by their extensive involvement in dynamic internal and external market competition.

Considering the socio-economic situation outlined above, the ITPO/UNIDO in Slovakia could provide valuable services in support of measures taken by governmental bodies to foster the restructuring process, job creation and to attract FDIs. These measures are detailed below:

1. One of the significant institutional measures, was the establishment of the Slovak Investment and Trade Development Agency (SARIO) as of August 2000, which should provide foreign investors with the so-called “one-stop-shop” and ensure close co-ordination with a number of state administrative bodies. Substantial changes have occurred in SARIO in August 2002. The legal form was changed from a public limited company to a state budgetary organization and put under direct competence of the Ministry of Economy. Top-management was completely replaced and a new business plan for 2002-2004, with a help of EU-technical assistance, was prepared which contains a clear orientation on following topics:

- Creation of new employment through FDI attraction based on a regional strategy. Until 2004 at least nine thousands new jobs should be created, among them at least 75 per cent outside Bratislava county.
- Two thirds of new investments should have a “green-field” character, one sixth of them a “brown-field” one, and another one sixth as a joint venture.
- Help to develop investors demand (one ITPO/UNIDO area of complementary activity) at least 650 new jobs should be created until 2004.
- Direct SARIO-representations will be established in UK, France, USA, Germany and Netherlands. According the new SARIO strategy, following countries are considered as most important for potential FDI inflow to Slovakia: USA, Japan, Germany, UK, Netherlands and Italy.
- It is worth to note, that overall intensity of SARIO activities has really increased in the first half of 2002 marked by substantial orientation on concrete work connected with preparing industrial parks or locating FDI in several regions of Slovakia, and even in the important dissemination of many “upstream” and promotional activities in Slovakia and abroad.

2. The amendment to the Income Taxation Act No. 466 was passed effective as of 1 January 2001, dealing with the support for foreign investments with a view of creating more attractive conditions for foreign investors.



In the Act No. 466 from 5 December 2000, the amendment of the Income Taxation Act, Par. 35 has been introduced, according to which

- the possibility of making use of a tax credit up to 100% of the tax for five consecutive tax periods starting with the tax period over which the tax payer posts for the first time a tax base. A tax at a tax base unreduced by a tax loss is extended to include also a tax-payer's business activities in the Slovak Republic through an incorporated company or an organisational unit,
- by cutting the value of paid-up monetary investment in registered capital from EUR 5.0 million to EUR 4.5 million in producing goods the line of which is extended to include further processing or completion of supplied materials and components (because of the elimination of the so-called indirect support for exports the condition for the production of goods intended for exports or the production of goods not produced in the Slovak Republic),
- raising the value of paid-up monetary investment in registered capital from EUR 2.5 million to EUR 3 million, if the principal place of business for a company is the territory of a district with an unemployment rate higher than 10% by National Labour Office statistics,
- raising the value from EUR 1.5 million to EUR 2 million in cases for businesses in selected tourism services and application software services,
- the share of paid-up investment in registered capital of a corporate body by a foreign person from resources abroad throughout the period of drawing on a tax credit is adjusted from 75% to at least 60%,
- following a five-year draw down on a tax credit, the tax-payer can draw on another tax credit up to 50% of the reported tax, if he raises company registered capital through other monetary or non-monetary investments just like with drawing on a 100% tax credit by a sum of EUR 4.5 million and a sum of EUR 3.0 million.

Moreover, it delineates the period for granting a tax credit to entities established over the period between 1 January 2001 and 31 December 2003 on the grounds that the year 2004 is a reference year of the Slovak Republic's admission to the European Union, and beyond this period exceptions to the general taxation principles should not apply but permitted exceptions can only be terminated by this period instead.

3. The promotion of investment, hence FDI, is ensured by the Act No. 175/1999 Coll. on certain measures related to the preparation of major investments and on amendment to certain laws, which took effect on 1 August 1999, aimed to simplify and accelerate the settlement of ownership relations in preparing structures which make up a major investment. An investment cost of at least SKK one billion, whose planned volume of production or employment is of importance in national economic terms and according the government decision that its realisation is in the public interest, is considered a major investment. At the time being, the following applicants have been awarded major investment certificates: Volkswagen Slovakia, a.s.(Bratislava), VUMA, a.s. (Nové Mesto nad Váhom), Whirlpool Slovakia, a.s. (Bratislava), Slovako, a.s. (Žiar nad Hronom), Plastic Omnium Auto Exteriors, s.r.o. (Bratislava), Plastic Omnium Fuel Systems, s.r.o (Bratislava), Auto - priemyselný park, s.r.o. (Lozorno).

4. An amendment to the Foreign Exchange Act No. 442 Coll. of 1 December 2000 allows under Art. I(3) organisational units of foreign nationals having registered offices within an EU or OECD country (for example, insurers, foreign bank branches, securities dealers, investment companies and funds) established in the Slovak Republic to acquire real estate internally they need for their business. This embraces acquiring operational premises for business purposes by foreign insurers and securities dealers whose branches are set up internally under an amendment to the Insurance Act and an amendment to the Securities Act. An enactment of 1998 made it possible to acquire such real estate by foreign bank branches only, namely through construction, with such real estate disposal being limited.

5. The government has eliminated different practices regarding real estate appraisal for domestic and foreign businessmen by the virtue of Regulation No. 375/1999 Coll., thereby equalising the burdens of taxation in real transfers.

6. Investment protection was provided under Investment Support and Mutual Protection Agreements. The conclusion of this agreement is being co-ordinated by the Slovak Ministry of Finance. These agreements are economic and international legal instruments with the purpose to create favourable conditions for the economic co-operation development. Each "Investment Support and Mutual Protection Agreement" is based on standard conditions common in international law practice (they define the term investments, address the issue of most favoured nation clause and national treatment, the issue of providing the protection to investors and their investments in case of either an expropriation or liquidated damages for other reasons, and in case of any disputes; they also govern the procedure to be followed in settling them).

7. In order to facilitate potential entry of significant foreign investments in the Slovak economy, the government passed the "Measures in support for significant foreign investments", on 10 May 2000 under its Decree No. 301/1999. To be more precise, these are draft changes in tax incentives and contributions to newly created jobs with the condition of a high-profile strategic investor.

8. Law on Investment Incentives stipulates special conditions for providing individual state aid for development of regions in a form of investment incentives, the types of investment incentives, the procedure and competency of bodies of state administration and the National Labor Office in their provision and control of their use.

Investment incentive is a state aid for initial investments and for new jobs created in connection with these investments, provided for procurement of tangible fixed assets and intangible fixed assets necessary for starting a production or starting to provide services, or for expansion of production, or for expanding services, or for acquisition of a company, in a form of:

- relief in corporate income tax according to a special regulation,
- contribution to creating a new job according to a special regulation,

- contribution for retraining of employees hired for new jobs according to a special regulation.

Conditions for providing investment incentives:

- a) establishment of a new operation unit, expansion or upgrade of an existing operation unit for the purpose of introducing a new manufacturing or new services, or expansion or upgrade of the existing manufacturing, or existing services, or change in the assortment of produced goods, or principal change in production process, or acquisition of a company from an entrepreneur who encounters difficulties with the enterprise, or purchase a part of such a company,
- b) spending at least SKK 400,000,000 for procurement of tangible fixed assets or intangible fixed assets, of which at least SKK 200,000,000 must be covered by the equity of the beneficiary of such investment incentives, who applies for investment incentives (hereinafter only as the “applicant”),
- c) achieving at least 80% of total sale revenues from business activities stated on the application for investment incentives (hereinafter only as the “application”) and
- d) procurement of tangible fixed assets or intangible fixed assets according to par. b) and launching business activities stated in the application not later than within three years from the date of issuing resolution on providing investment incentives.

The business activity will be conducted in a region, where the unemployment rate is at least ten per cent according to the statistical data of the National Labor Office as of the last day of a calendar half year preceding to the calendar half year in which the application was submitted. The amounts stated in par are reduced to half.

There is no legal title to provision of investment incentives.

**Tax relief for beneficiaries of investment incentives:**

- the possibility of making use of a tax credit up to 100% of the tax for five consecutive tax periods starting with the tax period over which the tax payer posts for the first time a tax base and a tax at a tax base unreduced by a tax loss is extended to include also a tax-payer doing business in the Slovak Republic’s territory through an incorporated company or an organisational unit,
- by cutting the value of paid-up monetary investment in registered capital from EUR 5.0 million to EUR 4.5 million in producing goods the line of which is extended to include further processing or completion of supplied materials and components (because of the elimination of the so-called indirect support for exports the condition for the production of goods intended for exports or the production of goods not produced in the Slovak Republic),
- raising the value of paid-up monetary investment in registered capital from EUR 2.5 million to EUR 3 million, if the principal place of business for a company is the territory of a district with an unemployment rate higher than 10% by National Labour Office statistics,
- raising the value from EUR 1.5 million to EUR 2 million in cases for businesses in selected tourism services and application software services,

- the share of paid-up investment in registered capital of a corporate body by a foreign person from resources abroad throughout the period of drawing on a tax credit is adjusted from 75% to at least 60%,
- following a five-year drawdown on a tax credit, the tax-payer may draw on another tax credit up to 50% of the reported tax, if he raises company registered capital through other monetary or non-monetary investments just like with drawing on a 100% tax credit by a sum of EUR 4.5 million and a sum of EUR 3.0 million.

Contribution for a newly created job to the Employer who was provided investment incentives

The employer, who is a beneficiary of investment incentives for creating a new job, shall receive contribution from the district labor office for each newly created jobs based on his written application (after 12 months from the date of creating a new job). Condition for provision of the contribution is that the employer proves that the new job is occupied by an employee having an employment contract during these 12 months, in total at least 300 calendar days, and if the total average book number of his employees as natural persons for the period of a calendar year, in which a new job was created, was not lower than the total average book number of employees as natural persons in a calendar year prior to the year when this new job was created. The total average book number of employees as natural persons for this purpose is demonstrated by the employer, who is a beneficiary of investment incentives when filing application for providing contribution for newly created jobs.

The date of creating a new job is the date stated in a written announcement of the employer (who is the beneficiary of investment incentives) to the relevant district labor office on creating a new job. The relevant district labor office is the district labor office in which territorial district the new job was created.

The employer who is the beneficiary of investment incentives and (who applied for provision of contribution for newly created job) is obliged to prove to the district labor office that the newly created job is taken by an employee by the virtue of an officially certified copy of the employment contract. This should not occur later than within five working days from the date of commencement of such employment.

The total amount of contribution provided for newly created job by an employer depending on the level of unemployment rate recorded in the region, where the new job was created, is as follows:

<b>Unemployment rate in the region At the end of calendar month Before the new job was created</b>	<b>Total contribution per one new job</b>
Over 30%	SKK 160,000
Over 25% and up to 30%	SKK 130,000
Over 20% and up to 25%	SKK 100,000
Over 15% and up to 20%	SKK 70,000
Over 10% and up to 15%	SKK 40,000
10% and below	SKK 30,000

The contribution is provided in monthly installments 12 months after the elapsed date when the new job was created. The amount of the monthly installment is SKK 10,000.

Contribution for retraining of employees provided to the employer, to whom investment incentives were provided to:

- The employer, who is a beneficiary of investment incentives containing contribution for retraining, shall receive contribution from the district labor office for retraining of employees hired for newly created jobs.
- The District Labor Office shall provide contribution for retraining per one employee in amount of SKK 10,000 at the most, if after completing retraining the employer continues to employ such employee for at least twelve months.
- Contribution for retraining of employees to the employer is provided and based on a written agreement made between such employer and the District Labor Office, in the territorial district of which the new job was created for which the employee is being retrained.

9. Industrial park development support systems is another supporting tool for foreign investment inflows in particular areas. On 18 May 2001, the Act on the support for the establishment of industrial parks and amendment to Act of the NC SR No. 180/1995 Coll. was passed under the number 193, whereby legislative conditions for setting up industrial parks have been created and effective beginning 1 June 2001. The preparedness of these areas for the entry of strategic investors is one important criteria for investment placement. Industrial parks also create considerable development stimuli for the other parts of the regions, where they can perform a major role in their development. The Act lays down necessary conditions for businessmen to become involved in co-operative relations within specialised territorial units. The purpose is to develop them on a "bottom-up" initiative basis, keeping in mind the fact that the boundaries defined by approved spatial planning documentation for towns and municipalities will be accepted during their formation process. Given that municipalities (towns) act as crucial subjects of law, municipalities retain the possibility of establishing industrial parks with no limitation and with no special enactment. The Act does not restrict the possibility to develop only structures for foreign investors in industrial parks. But, also domestic investors can develop their production capacities. The Act envisages for industrial parks to be established by municipalities. The support for setting up an industrial park can be granted exclusively to a municipality, namely up to 70% of the cost of territory technical equipment for industrial parks, of development essential to the establishment of an industrial park, the cost of purchase, rent or exchange of land meant for the establishment of an industrial park and payment of fees and compensations for land exclusion from agricultural land resources and forest land resources. The remaining 30% of these costs shall be provided by municipalities through own resources or funds from investors who are interested to carry on business in the industrial park or other funds. The sum of SKK 452 million has been reserved in this year's budget to promote the establishment of industrial parks. The municipalities aspiring for the grants, will be ranked also taking into account the level of employment, existing production, industrial and social structure in a region.

10. Draft measures for removal of respective barriers to investment are contained in a material issued by the Ministry of Economy in cooperation with the Slovak Government Office entitled as "Improving Legislative and Regulative Framework in Support of the Business and Investment". Following negotiation with individual government departments, the material was approved by the Slovak Government on 13 September 2000 under the Slovak Government Decree No. 703. It is focused on simplification of the procedure of company foundation and registration, the acceleration of issuance of trade licences, visas and work permits to foreign staff, the revival of at the time being actually non-functional procedure of the right of lien, the improvement of minority shareholders' protection, higher effectiveness of the taxation system, the operation of cadastral offices and arbitration tribunals. Concrete measures include the set-up of a central register for real estate liens, modification to the floating lien and tackling other barriers to investment. The implementation of tasks thereunder for respective government departments constitutes a set of measures to create a business environment and prerequisites for higher economic growth. They will at the same time secure law-making process more transparent as well as approximated to the rule of law and legal principles of the European Union and the OECD countries. Those crucial are set out below.

11. With the Act No. 238/2000 Coll. on Bankruptcy and Composition, which entered into force on 1 December 2000, creditor's rights have been strengthened.

12. Other modifications related to the Commercial Code and the Criminal Code are aimed at minimising the risk of action to the detriment of own company and an unambiguous definition of criminal responsibility on the part of its statutory bodies and deepening the specification of responsibilities of company bodies and strengthening the control right of minority shareholders.

Main changes incorporated in Commercial Code:

1. The rights of shareholders have been strengthened – the threshold for calling an extraordinary meeting was reduced from 10 per cent to 5 per cent
2. The principle "one vote, one share" was established.
3. The minimum shareholding requirement for filing derivative suits was lowered.

The government approved in mid-April a draft law altering and amending the Civil Code. Its objective is to create legal and institutional framework for the right of lien, which will bring more possibilities for businesses to get access to external finance, in particular in the sector of SME's. Today the SME's have a minimal opportunity to use the lien on movable assets (e.g. machinery, technologies, motor vehicles, stock, etc.). Business financing decisions are constrained by the possibility to lien only immovable assets or well-rated claims, and those not holding them face difficult access to credits. The new law will enhance the effectiveness in securing the obligations, also by providing the debtors with an opportunity to lien future rights and revenues, thereby increasing the probability on the debtor's side to get a credit. The objects subjected to this type of secured transactions could be things, rights, other property values, including the dwelling or non-residential room, which could be then

transferable, unless excluded from lien-transaction by special regulation. The law assumes the creation of central notarial registers where the lien rights and testaments should be deposited. The register of lien rights will be informative and available to the public, the registry will file only the notices of encumbrances, not the actual documents attesting the lien. The time-sequence of the liens entered in a registry will play decisive role in the satisfaction of creditors. Governmental draft of the law assumes the cancellation of preferential treatment in case of tax authorities. The main objective of the central registry of probates is to avoid the harm that the legator's will in probate proceeding will not be consumed due to a lack of information about the place of its depository. The registry will be electronically accessible only by notaries and courts. For the Slovak Republic it is a prerequisite for joining the European Registry of Probates.

Proposed modifications:

1. The range of possibilities to exercise the lien will be extended.
2. The period concerning the cancellation of bearer deposit books will be shortened.
3. Preferential treatment of the lien of tax authorities is to be abolished.
4. The possibility on the notary's side to safekeep the cash deposits is to be reduced.
5. The period (because of time constraints) will be extended.

Several measures undertaken in individual areas represent a systemic solution to the improvement of the business environment for operation of both foreign and domestic investments in the Slovak Republic. Their implementation along with securing the political and macroeconomic stability and consistent development of a market economy institutional framework is in line with the Programme Declaration of the Slovak Government.

## **2.2 Relevance**

### **2.2.1 Relevance within the country context**

Reduction of unemployment, particularly in the poorer regions of Eastern Slovak Republic is one of the top priorities of the Government's economic and social policy. In this context, the Government awards top priority to an enabling environment for strengthening the industrial sector through restructuring and revitalizing of existing enterprises and creating new ones and thus generating employment. Due to the lack of internal capital, foreign direct investments are considered of key importance for modernizing equipment and technologies, enhancing competitiveness of products, increasing capacity utilization and obtaining larger market shares.

The Investment and Technology Promotion Office in Bratislava has the objective of mobilizing investments and promoting technology transfer and has relevance as one of the Government sponsored instruments in support to the afore mentioned priorities.

Within the Slovak Republic Institutional context the ITPO has a clear-cut identity and covers needs and activities that are complementary to those covered by other institutions active in

the field of investment and technology promotion. All representatives of the Institutions met by the evaluation mission highlighted a number of value added activities performed by the office.

The main strength of the Office is seen as its being part of an International Network consisting of other Investment and Technology Promotion Offices across the world. The delegate programme (Japan, France and Belgium) is unanimously considered as a very relevant activity of the office. The contacts established with companies and institutions in other countries, particularly Japan that was the first country covered by the delegate programme, are considered of high value added for the sister institutions. According to institutions, regional and municipal authorities and enterprises, the contacts established through the ITPO network are relevant as they are neutral, based on qualified advice and entail a trust building element that cannot be easily achieved through bilateral channels. UNIDO's international network has also been instrumental in supporting Slovak Republic in its efforts to make the country and its investment climate and opportunities better known abroad.

Other relevant activities are considered the tools and methodologies used by UNIDO for investment promotion, such as COMFAR, and the screening and evaluation process of projects through UNIDO Industrial Investment Project Profiles. Another comparative advantage lies in UNIDO's electronic platform "Exchange" that has been actively used for disseminating information on investment and technology projects generated by the Slovak institutions. For instance, all SARIO projects are being disseminated through Exchange.

To sum up, the Institutions interviewed do not view the ITPO as duplicating their activities and consider the promotional and methodological support of ITPO as a definite value added for their own activities.

The entrepreneurs interviewed by the evaluation mission noted the same comparative advantages mentioned under the institutional context. The entrepreneurs have in addition expressed appreciation for the continuous exchange of information and ad-hoc advice provided by the staff of the office. Such advice has been assessed as fast, flexible and of good technical content. The lack of concrete results so far is to be attributed - among others - to internal complex enterprise specific factors that are outside the realm of ITPO interventions.

Considering the above, the evaluators conclude that the ITPO is relevant in light of Government policies and priorities concerning employment generation and the connected promotion of technology and investments in support to the industrial sector, that its activities complement and provide value added to those carried out by other related institutions and that its services are considered useful by the entrepreneurs who benefited of previous cooperation.



## 2.2.2 Relevance with respect to UNIDO policies

Investment and Technology promotion is one of UNIDO's service modules and is an activity instrumental to UNIDO's overall mandate of promoting economic growth and employment generation. The ITPO network, which is fully funded by voluntary donor contributions, and the tools and methodologies developed by UNIDO are considered by Member States amongst the assets of the Organization. The UNIDO Governing Bodies regularly review the activities of the programme. The most recent decision was taken by the 25<sup>th</sup> IDB in May 2002. The IDB decision for investment and technology promotion encouraged, among others, the Director General to continue to increase the number of Investment and Technology Promotion Offices and to strengthen their networking capacities. The IDB furthermore adopted amended guidelines for the functioning of the offices.

## 2.3 Project design

The Office was established in accordance with an agreement between UNIDO and the Government of the Slovak Republic signed on 25 June 1999. The agreement includes Terms of Reference of the Office that define its functions and activities, methodologies, mechanisms and softwares to be used, coordination arrangements, a three year budget, annual work programmes and reporting.

According to the terms of reference, the objective of the office is to: *“promote the mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc) from the Slovak Republic to developing countries and countries with economies in transition and from abroad to the Slovak Republic”*

The TOR include functions and activities of the office but do not indicate results to be achieved. The terms of reference envisage that *“an annual work programme will be prepared and submitted before January by the Head to UNIDO Headquarters for approval... and give detailed description of the proposed activities, specific projects, and events during the coming year, together with a proposed time schedule and quantified achievement targets”*.

Under coordination arrangements it is envisaged that UNIDO HQs will supervise the Office and that it shall cooperate with other offices in the UNIDO network. Furthermore *“cooperative arrangements will be maintained by the office with the responsible Slovak authorities and institutions”*.

A summary of the terms of reference, the activities planned and/or undertaken during the reporting period and based on the documents produced by the ITPO is included in ANNEX III.

The evaluators came to the following conclusions on the design of the documents and on the information they include:

1. The lack of a project document based on the logical framework represents a serious shortcoming. The project document should outline the country context, the problems

to be addressed, the constraints the country is facing and the strategy pursued by the office, the objectives aimed at, the outputs to be produced including result indicators as well as the activities based on milestones and a detailed work plan. The absence of a project document made the implementation, monitoring and evaluation processes difficult.

2. The work programme 2000-2001 and its amendment dated November 2001 are more specific as compared with the terms of reference attached to the project agreement. For instance, they include information on sectors to be targeted on priority basis for outward and inward investments as indicated by Government resolution and the Ministry of Economy. Furthermore they include some quantitative result indicators by type of activity, e.g. the number of projects to be identified and evaluated. However, these documents are relatively vague frameworks.
3. The Work Programme 2002 is more focused and strategic than previous ones. It identifies sectoral and country priorities and a limited set of priority activities. This shows that after the first years of operations the strategy is becoming clearer for the office. However, the draft programme describes only activities and does not include expected outputs and result indicators.
4. An analysis of the original agreement and of the work programmes shows that the focus of activities in terms of inward and outward investment promotion kept changing. The original agreement envisages both types of activities. The work programme for 2000-2001 awards higher priority to inward promotion while the annual report for the same period covers activities of both types. The work programme for 2002 focuses again on inward promotion. These changes are apparently due to communications shortcomings between the office and the relevant Ministries. However, it is also noted that, based on financial and policy provisions of the ITPO Agreement, the office had the possibility to act in a relatively independent, strategic and advisory manner. Considering that there was no emotional “instruction” setting definite obligations for the ITPO, there was sufficient scope for acting in a proactive and self-managed manner.

The problem of shift in focus should be solved by the preparation of a project document to be formally approved by all sides that clearly establishes priorities, focus, strategy and result indicators for the two types of promotional flows. Since the General Conference guidelines relating to ITPOs envisage a general agreement and generic guidelines, it is recommended that the project document be attached to such general legal documents as a project specific bilateral arrangement with the donor.

The Government counterparts should approve the document officially as the legal and substantive base for implementation, monitoring and evaluation. The annual work plans should become an annex to the project document as short- term frameworks drafted in direct relationship with the document and based on the same logic. The annual work plans should be discussed with and approved by the Government counterparts.

### 3. EFFICIENCY OF IMPLEMENTATION

#### 3.1 Project budget

The table reproduced below provides a summary of the total budget and of yearly phasings and indicates the percentages that were utilized for the respective items.

ITPO Bratislava (Slovak Republic) US/SLO/99/070 and UT/SLO/99/070 Expenditure List 2000 - 2001 (in US Dollars or US Dollars Equivalent)							
Budget Line	Description	Expenditure 2000	Expenditure 2001	Total Expenditure	Percentage of Expenditure	Allocation/Carry over 2002*	Total Budget
11-01	Head of Office	\$55,395	\$49,960	\$105,355	31.82	\$62,385	\$167,740
11-50	Internat. Consultants	\$0	\$0	\$0	0.00	\$6,000	\$6,000
12-01	Deputy Head	\$12,126	\$31,662	\$43,788	13.23	\$41,438	\$85,226
12-02	Invest. Prom. Officer	\$9,701	\$25,136	\$34,837	10.52	\$33,550	\$68,387
12-03	Invest. Prom. Officer	\$8,239	\$21,101	\$29,340	8.86	\$29,066	\$58,406
13-00	Support staff	\$19,096	\$5,900	\$24,996	7.55	\$40,493	\$65,489
15-00	Travel	\$4,791	\$17,122	\$21,913	6.62	\$25,182	\$47,095
16-00	Headquarter travel	\$0	\$0	\$0	0.00	\$6,000	\$6,000
31-00	Delegates	\$0	\$0	\$0	0.00	\$25,000	\$25,000
43-00	Premises	\$3,578	\$3,812	\$7,390	2.23	\$41,384	\$48,774
45-00	Local Procurement	\$23,314	\$18,592	\$41,906	12.66	\$22,640	\$64,546
51-00	Miscellaneous	\$9,250	\$10,944	\$20,194	6.10	\$43,118	\$63,312
55-00	Hospitality	\$1,041	\$340	\$1,381	0.42	\$5,827	\$7,208
<b>Total</b>		<b>\$146,531</b>	<b>\$184,569</b>	<b>\$331,100</b>	<b>100.00</b>	<b>\$382,083</b>	<b>\$713,183</b>
* <b>Remark:</b> for the year 2002 there seem to be discrepancies with the UNIDO's new financial system (AGRESSO), which makes accurate reporting of expenditure difficult or impossible at this point of time.							

The original Project allotment document was issued in July 1999 on the basis of the budget attached to the ITPO agreement with minor adjustments. Revision b was prepared to rephase funds from 1999 to 2000 and revision c was prepared to rephase funds into 2001 and to extend duration of the project until end of 2002, according to the three years duration envisaged in the agreement. Revision d rephased unspent balances from 2001 into 2002 and allocated US 25.000 savings for the delegate programme in Japan. Revision e allocated funds to the in-depth evaluation. All budget revisions were sent to the donor for information.

The Head of the ITPO managed the funds in a prudent and careful manner. Savings were utilized for priority activities e.g. the delegate programme. Inputs were delivered in time.

### **3.2 Implementation of activities**

The evaluators have assessed activities on the basis of the reports and/or information provided by the ITPO, the interviews with Government counterparts, institutions and companies, UNIDO Headquarters staff, and a cross checking of the information provided by the respective groups.

The activities of the ITPO can be classified as “upstream” and “downstream”. The first type of activities is of promotional nature (preparation and propagation of promotional material, establishment of contacts, visits and participation in meetings), awareness raising (preparation of and participation in seminars, fairs, and conferences) and capacity building nature (training in COMFAR, support in the preparation of investment project profiles etc.). The second type is closer to the ultimate objective of the project relating to the promotion of investments and it consists in the identification and promotion of investment and technology projects through tools such as the delegate programme and the electronic platform Exchange as well as in support to identification of funding and project negotiations.

The two types of activities are closely interrelated as identification/promotion of actual investment and technology projects is possible after and in parallel with promotional and awareness building activities. This was particularly the case of ITPO Bratislava that had to make itself known in the first period after its establishment.

Upstream activities have a high “mortality” rate, as not all contacts established can lead to actual cooperation activities. They are furthermore of long term nature and their impact can only be judged in terms of a better known office that gradually becomes a qualified point of reference for the promotion of investments and technology in Slovak Republic.

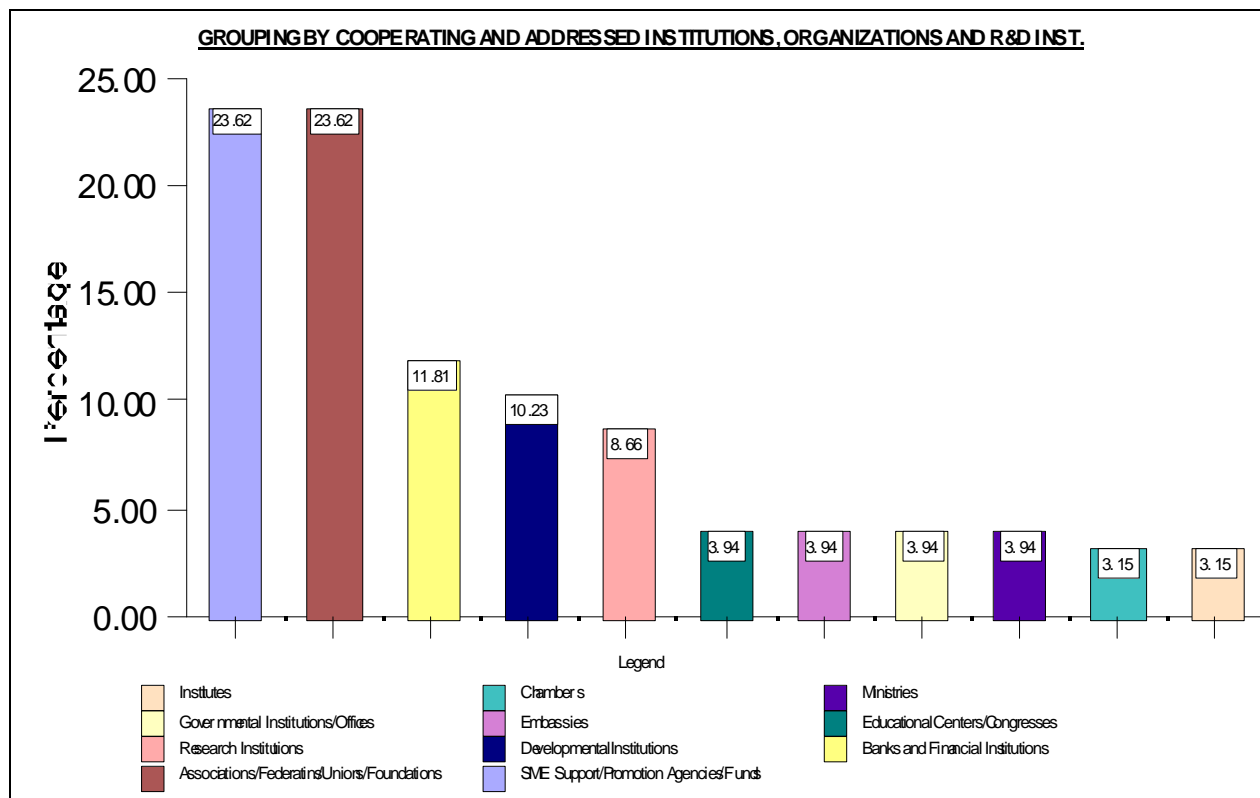
The activities reported by the ITPO are:

- Establishment of the Office.
- Establishment of contacts with Institutions and Organization dealing with promotion of investments, transfer of technology, R&D, financing, SMEs.
- Establishment of contacts with companies.
- Participation in events, seminars, conferences etc.
- Preparation of information and promotional material.
- Identification of Slovak Companies and experts for UNIDO Technical Cooperation roster.
- Organization of delegate programmes in Tokyo, France and Belgium.
- Identification and promotion of investment and technology projects.

Table 2 and 3 below provide a summarized picture of the type of contacts established and the ITPO clients. A detailed list of ITPO cooperating institutions and clients from the industrial sectors is attached in Annex IV.

### 3.2.1 Institutional cooperation activities

The table reproduced below shows the range of institutional contacts established by the ITPO.



Within this broad range of Institutions and based on information provided by the office, it appears that the focus of the ITPO has been to establish contacts with the Slovak Institutions of relevance for the promotion of investments and technology. Particular attention has been devoted to cooperation with SARIO, NADSME, the Slovak Chamber of Trade and Industry and entrepreneurial associations.

SARIO has been the key partner in identifying and promoting projects, benefited of capacity building activities by the Office (e.g. COMFAR training, training and use of Exchange for the promotion of SARIO projects) and joint promotional activities such as the delegate programmes.

NADSME and ITPO signed a memorandum of understanding in December 2000. The MOU envisages different types of cooperation ranging from the supply of information to potential partners, jointly promoting the idea of investing, searching partners and selecting services, joint provision of specialized services such as policy and market advice, evaluation of projects, financial engineering etc. Activities with the other organizations mainly relate to the identification of enterprises that are looking for a foreign investor.

The Institutions contacted by the evaluation mission assess ITPO cooperation activities as positive. ITPO is seen as a “needed activity” in view of its potential to attract new partners and increase financing opportunities, its capability to evaluate and screen projects and provide support in project

preparation as well as its being able to provide prompt ad hoc advisory services on concrete projects.

It should however be noted that the good cooperation took time to materialize. For instance, SARIO perceived ITPO at the beginning as a ‘competing’ body and it has taken time to identify the synergy effects between the two institutions, a process that has been facilitated by a change of management in SARIO. The evaluators are of the view that it would be very useful if a written cooperation agreement and work plan be established between SARIO and ITPO also in light of the new business plan that has been prepared by SARIO.

According to the evaluators, a shortcoming is the fact that institutional contacts have been established on a very broad and random basis. The list of institutional contacts provided by ITPO includes a variety of organizations, ranging from SME support institutions, funding institutions, embassies, different types of commerce chambers etc. In order to increase impact of its activities, it is recommended that the Office further focuses in future its institutional cooperation on a few selected key partner Organizations.

### **3.2.2 Activities with enterprises**

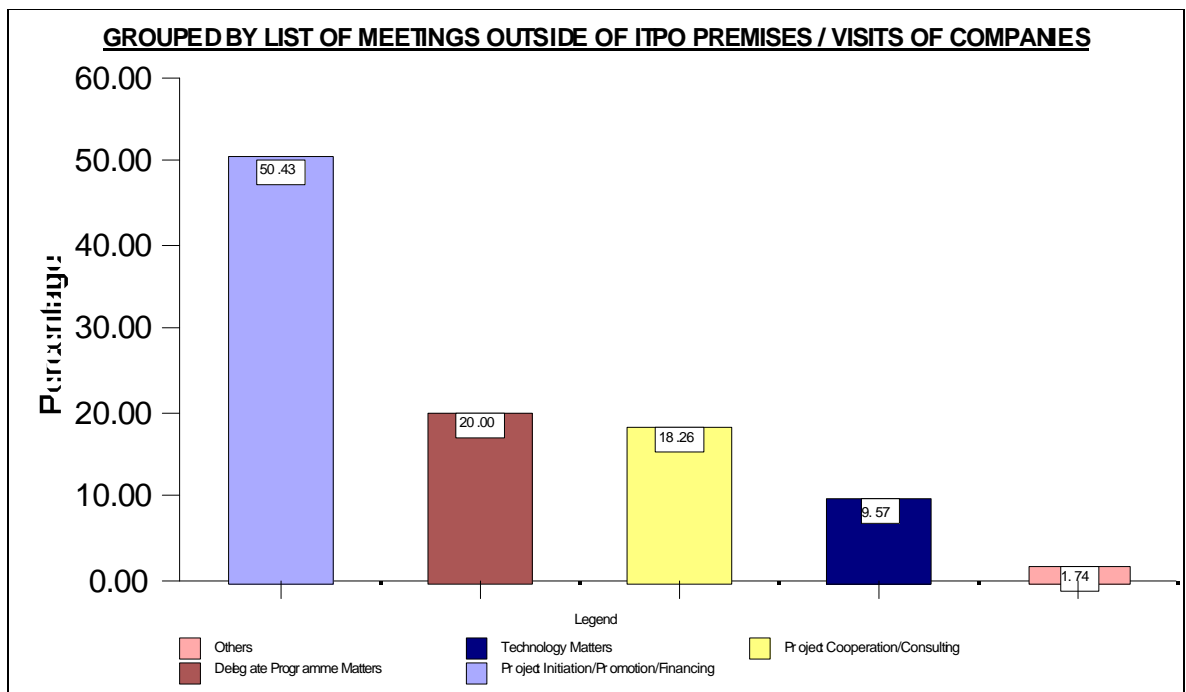
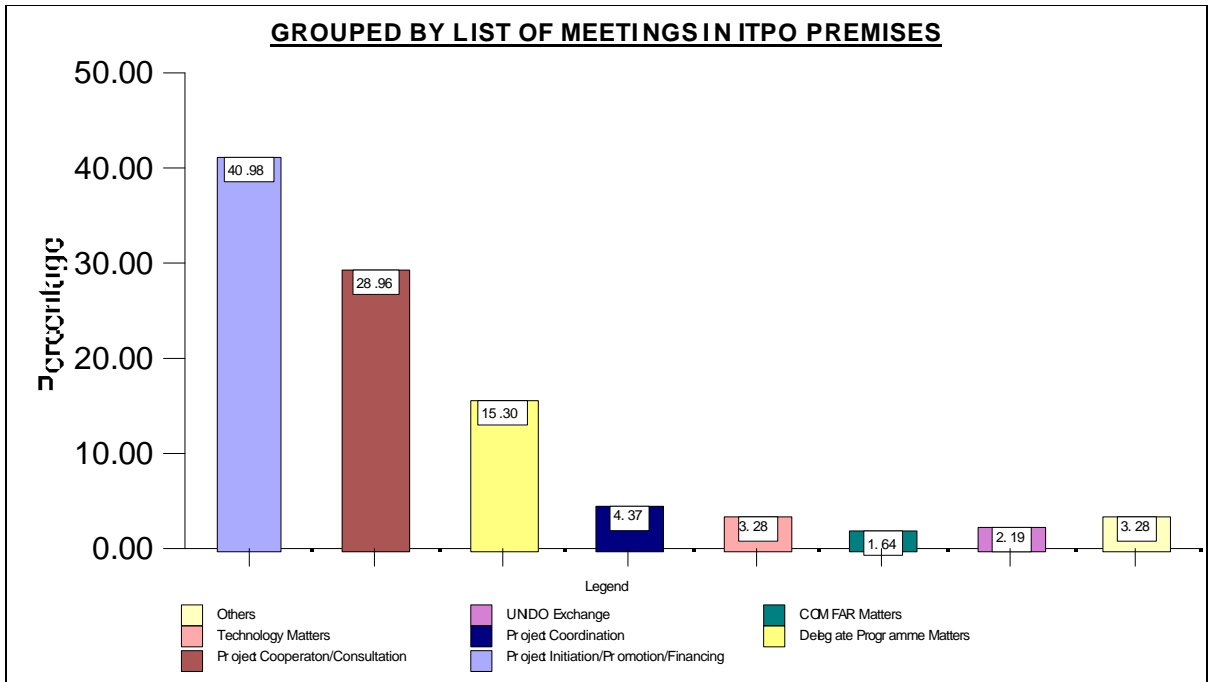
The Office has established contacts with companies, a data bank of partners and projects and identified, screened, assisted in the preparation and promotion of projects. The projects identified range from the mobilization of finance, technology, know-how, market access, and managerial support, selling of technologies abroad to offer of technologies and expertise for UNIDO Technical Cooperation.

The profile of companies contacted is extremely varied in terms of size, legal situation, sectors, type of problems faced and location. Some are large enterprises in the process of privatization, other are new small innovative enterprises looking for expansion opportunities, other are at the bankruptcy stage, and some require support in the creation of industrial parks and zones. Contacts have also been established with regional and municipal authorities.

Annex V provides some examples of projects at a relatively advanced stage of development. This information can be used as an example of the type of activities that the ITPO carries out with respect to companies.

Information provided by the ITPO concerning meetings at its premises and visits to companies shows that the main bulk of time was devoted to activities relating to project initiation, promotion and financing, project consultancy services, delegate programme matters and technology issues.

The bar charts in the tables below provide a visual picture of the type of meetings carried out in the reporting period.



As an outcome of the interviews with enterprises, the evaluators identified the following points of interest by the entrepreneurs regarding ITPO operations:

- Supporting in the identification and preparation of project profiles.
- Opening the doors for contacts in new countries, particularly Japan.
- Advice tailor made for the partners' needs and entrepreneurial cultures abroad.
- Trust building through UNIDO as intermediary.
- Promotion of projects, diversification of potential partners.
- Spreading information on Slovak Republic's investment climate and opportunities.
- Full range of services: project identification, preparation, promotion; several promotional channels available such as Exchange, ITPO network, UNIDO web page; country presentations; company presentations; meetings with financing institutions.
- Quality of soft wares (COMFAR).
- Fast and flexible delivery of services.

The evaluators, after having carefully reviewed the list and typology of companies contacted by the office, are of the opinion that the approach followed in identifying and contacting them has been too scattered and broad. Possibly because of the start up phase, the office has spread its activities too thin. In order to increase chances of success, the evaluators recommend that a profile of companies based on a set of economic, social and environmental standard criteria should be established in order to enable the office to better select its contacts and focus its work. In a country with structural and transition features like Slovak Republic it is important to set up criteria at the level of concrete industry and branch, as well as external/internal, markets for given product lines.

Another issue of key relevance relates to financing. This is the major problem faced by all companies, irrespective of their type, size and location, and it represents the major obstacle for the completion of projects. The Office has taken some initiatives in order to assist partners in identifying sources of financing, mainly with private funding groups and with Bank Austria. The project that seems to have the best probability of success relates to the establishment of a sterile insect mass production in Slovak Republic by INSECTA being at present promoted for funding by a private financing group called Benefit Finance.

The evaluators recommend that a larger amount of future activities be devoted to assisting companies identify and promote financing.

Concerning outward investments, the opportunities offered by the export/investment promotion and insurance facilities by the EXIM Bank should be seriously looked into at a high level. The potential for the ITPO is to assist companies to formulate fundable proposals suitable for application with EXIM and the bank has interest in receiving good investment project applications as no proposal has been received so far.

Concerning inward investments, the office is considered relevant in the sense that it can support entrepreneurs that do not have experience in working with foreign partners and find it hard to present their economic situation to foreign investors according to international standards. The possibilities existing at present in Slovak Republic are however limited. SMEs have hardly any access opportunities to commercial banks. One venue that should be pursued relates to the new Phare grant scheme for SMEs.

In general, the evaluators felt that the office has tackled the issue of financing in a somewhat haphazard manner and that a clear-cut financial strategy should be developed with the Ministry of Economy and SARIO. It would also be important that the office analyses the experience of other



countries with credit lines and facilities (Italy and the Italy based ITPO for instance) in order to identify good practices and possibly advise the Government and Investment related institutions on this issue.

### **3.2.3 Information and awareness building activities**

The Office prepared printed and electronic information and promotional material and participated in a large number of events, seminars, conferences and exhibitions. The office also links its information activities with those of other organizations in order to achieve multiplier effects. Information on the office activities and projects is for instance included in the information newsletter of NADSME.

The evaluators are not in a position to assess the quality of these promotional efforts, as they were not present in any of such event. Based on the interviews carried out, however, it was possible to verify that the Office is now sufficiently well known. It is also interesting to note that many contacts for the office have been established indirectly through channels such as the institutions and the Ministry of Economy.

While in the first two years of operation of the office the high attention and amount of resources devoted to information and promotion might have been justified, the evaluators recommend that this activity be in future de-emphasized. An exception should be made for the Regions where promotion and information activities are still needed.

A closer and causal link between upstream activities and downstream ones is needed since the gap between the two types of activities (timeframes, issues covered, resources allocated etc.) is likely to influence the efficiency of the project.

### **3.2.4 Investment and technology promotion activities**

ITPO promotes both the projects it identifies and those of partner institutions, mainly SARIO. The channels used for promotion are UNIDO web page, the electronic platform Exchange, direct contacts with other ITPOs and Technology Centers belonging to UNIDO network and the delegate programme.

Dissemination of projects through Exchange has already led to the establishment of some non-traditional contacts such as with companies in Malaysia and Israel. This activity is however at an early stage to show results.

The by far most successful activity is the delegate programme. Under this scheme, delegates from the country are placed for a relatively long period of time in the ITPO of another country of strategic interest for investment promotion. In the case of Slovak Republic one delegate from SARIO was placed at ITPO Tokyo and succeeded in identifying a number of opportunities, one of which is at an advanced stage of negotiation and is expected to be concluded soon. At present a delegate programme is being organized for France and Belgium. This activity is unanimously considered excellent and SARIO stressed that the programme has been useful for establishing enterprise level and for deepening inter-institutional contacts and also for opening the doors for inter-institutional contacts (e.g. with JETRO).

The evaluators recommend that the delegate programme be strengthened in future and that new countries such as Italy, UK and Spain be included. China, Poland and Russia are also relevant

countries covered by a UNIDO ITPO. In general the evaluators are of the opinion that downstream work relating to the identification, formulation and promotion of projects should be given priority.

### **3.3 Steering by the Ministries of Economy and of Foreign Affairs**

In order to be effective and meet the country's requirements, the ITPO must be in a position to align its activities fully to the policies and priorities set by the Government. The ITPO mentions that its activities have been developed after study of a number of Government resolutions and strategies (progress report 2000). However, in addition to written policies and documents, the activities, work plans and achievements of the office must regularly be steered by and discussed with the relevant Government counterparts. A good communication flow is necessary in order to ensure reciprocal understanding and jointly determine strategies and action plans on the basis of a demand oriented approach. All parties involved, including Ministry officials informed the evaluators, that the communication flow did not work as required. Communications need to be improved between Ministries and the office but also among different Ministerial departments. This is a matter that requires urgent attention and remedial action.

In addition to the afore mentioned recommendation that a yearly or half-yearly meeting be called by the Ministry of Economy with the participation of all parties involved in order to regularly monitor progress of activities and elaborate/agree upon work plans and priorities, the evaluators recommend that the ITPO management take a more proactive and less formal approach in the communication with Governmental counterparts. An analytical and propositive approach would be beneficial to the cooperation and would increase effectiveness.

### **3.4 ITPO management**

Individual steering and support by UNIDO Headquarters is mostly limited to administrative matters as well as to the overall management of the ITPO network. Particularly in the case of newly established offices staffed with personnel with no UNIDO Headquarters knowledge and experience it is of utmost importance to provide coaching, training and continuous substantive support in order for the office to perform effectively. It should be pointed out that there is only one senior officer assisted by two GS staff in charge of the ITPO programme that comprises 18 offices including Investment Promotion Units. This is a matter that requires attention by UNIDO management.

The Head established the Office in a quick and efficient manner. The Office has been fully staffed since the beginning of its operations in April 2000; there has been rotation of two staff members.

Daily operations and financial management of the office function smoothly. Staff is committed and counterparts consider services fast, flexible and of good quality.

Oral and written communication requires improvements. A more proactive and strategic approach should be followed in external communications, particularly with the Ministerial counterparts. The quality of reports deserves improvement and substantive project related activities could have been given higher priority as compared to promotional ones.

A matter of some concern is the internal communications flow within the Office and the distribution of responsibilities. Staff other than the Head of Office should be given more exposure to UNIDO's work at large, including training opportunities, meetings at HQs and travel abroad.

The lack of standard contractual arrangements somewhat distort the financial picture of the project and have the potential of creating interpersonal problems. The evaluators recommend that UNIDO management and the Government counterpart look into this matter.

### **3.5 Reporting**

The evaluators were provided with the progress reports 2000 and 2001 as well as with the Annual Reports 2000 and 2001. As background information for the evaluation, the ITPO provided extensive data on the activities carried out so far. While the reports constitute a base for analyzing the activities of the office, they have the major drawback of being only quantitative and not qualitative. The information provided is a list of activities implemented with very limited analysis of the strategies pursued by the office, the positive outcomes and the reasons for progress made as well as the constraints and challenges faced and the solutions proposed. The evaluators were able to make a judgment mainly on the basis of further desk analysis of the data provided and the interviews carried out with the office, its institutional counterparts and the entrepreneurs.

The evaluators strongly recommend that future reports be more analytical in order for the Government and UNIDO Headquarters to have a more solid base for monitoring and evaluating the work of the office and its results. However it is worth noticing that, according to information provided to the evaluators, the process of transmission of the reports from UNIDO Headquarters through the Permanent Mission and the respective focal points in the Ministries of Foreign Affairs and Economy is far too lengthy. Furthermore, work programmes and reports, while acknowledged by UNIDO, do not seem to be analyzed in detail. The Government never provided any written comments on the annual reports. A special issue relates to the so-called “dead-weight ratio”, meaning that many reported activities were started and performed by other institutions, with the ITPO acting as a lateral support actor. In future it will be necessary to develop a reporting methodology reflecting the extent of real substantive involvement of the office and the lack of duplications. In this context, it is also important to notice that many of the institutions and enterprises visited had prior contacts with UNIDO irrespectively of the ITPO.

To improve the communication flow, the evaluators recommend that a more structured and periodic monitoring approach be adopted. This could take the form of a meeting called by the Ministry of Economy and attended by the Ministry of Foreign Affairs, the Vienna based Permanent Mission and relevant organizations working closely with the ITPO like SARIO and NADSME. The Head and the deputy Head of the Office and relevant officials of UNIDO Headquarters should attend the meeting. UNIDO should be responsible jointly with the ITPO of the substantive preparation of the meeting. The activities of the previous years would be presented, explained and discussed in order to ensure optimal understanding of the progress made by all parties. The meeting would also review the work plan for the ensuing year and approve the orientation proposed.

The background information and reports would be submitted beforehand by the Office to allow for early perusal.

## 4. RESULTS

### 4.1 Production of outputs

Outputs are tangible results of the activities carried out by the Office such as projects identified and promoted, partnerships achieved and capacities built up. They should furthermore be based on result indicators of quantitative and qualitative nature.

As mentioned in the paragraph on project design, this type of information was not provided in the original terms of reference of the office, a major obstacle for monitoring and evaluation.

With these reservations and in addition to establishing the Office and the investment projects' database, the ITPO reported the following upstream outputs produced for the period 1 February 2000 to March 2002:

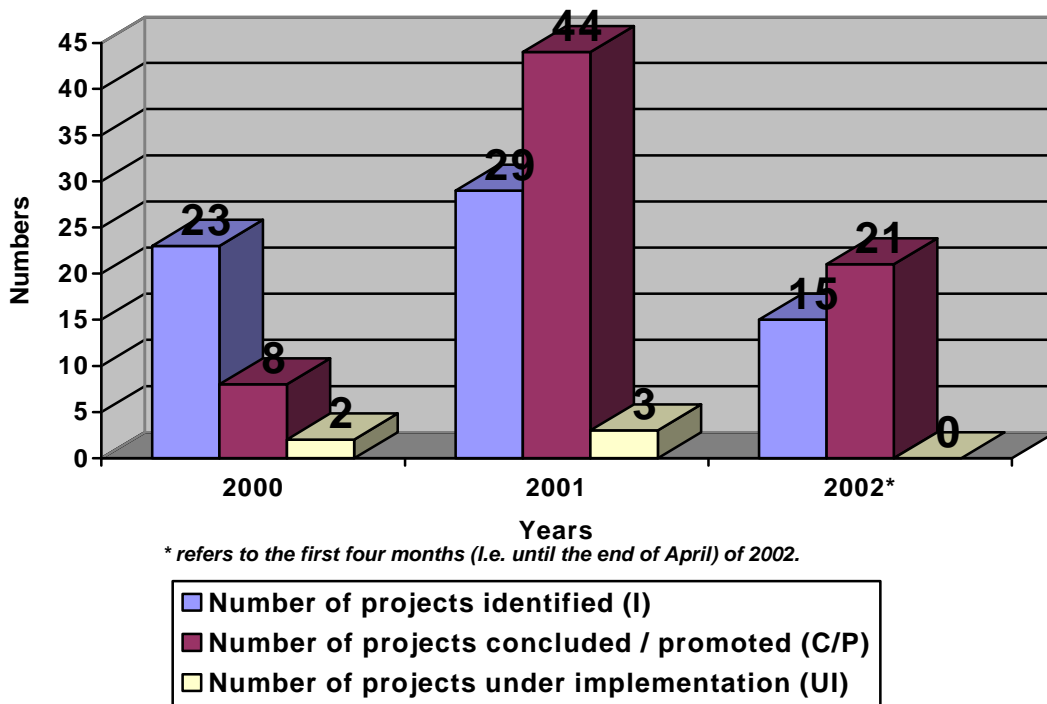
- Number of events, seminars, conferences, exhibitions organized by or with the participation of the ITPO: 77.
- Printed and electronic information material product: 42 pieces.
- Delegate Programme: one delegate from Slovak Republic in Japan, completed; delegate programme for France and Belgium prepared.
- Number of Slovak companies and experts for UNIDO Technical cooperation roster: 3 companies and 21 experts identified.

The following downstream, project related outputs are reported:

- Number of investment/technology projects identified: 67.
- Number of projects formulated (ITPO terminology: concluded) through the preparation of an Industrial Investment Project Profile or the UNIDO Exchange form and promoted through UNIDO channels: 88.
- Number of projects under negotiation (ITPO terminology: implementation), i.e. for which a foreign partner has been identified and assistance in negotiations provided: 5.
- Number of projects concluded in cooperation with the Subcontracting Exchange of NADSME Bratislava (decision made): one.

Reproduced below is a bar chart showing the different types of projects for the years 2000, 2001 and 2002 (until end of April).

## LIST OF PROJECTS



A qualitative analysis of the outputs based on the evaluators' assessment after the interviews leads to the following conclusions:

1. The Office was established in a fast and cost-effective manner. It is located in the UN house, a good location for visibility, policy and coordination purposes. Project database is established. Staff is fully on board and services are provided with commitment and in an effective manner.
2. Contacts with Institutions and Organizations are wide ranging. Cooperation lines with key Institutions, particularly SARIO and NADSME, have been identified and are being implemented. The Office is considered as providing complementary value added services with respect to other Institutions. The approach followed by the office to work mainly through Institutions for establishing contacts with enterprises is effective and should be further enhanced.
3. Some contacts with R&D institutions have been established. The criteria for selection and the outcome of such contacts are not evident. The strategy for technology promotion still needs to be defined. Results in this respect are limited and not commensurate with existing potential in 2000-2002.
4. Some contacts with financial institutions have been established. The definition of realistic funding opportunities and of a funding strategy for inward and outward promotion is necessary to ensure results.
5. A large amount of promotional activities has been implemented. This has resulted in the Office being now known and relatively well established in Bratislava. Project effectiveness can be enhanced by devoting less attention to representation and promotion, with the exception of information/promotional work in the provinces
6. The delegate programme is of high value, the quality good. It needs strengthening.

7. The build up of a roster of Slovak companies and experts is at a very early stage. It needs strengthening and closer linkages with UNIDO Technical cooperation activities
8. New institutional linkages abroad have been established, particularly in Japan
9. Information about Slovak Republic and its investment climate/opportunities has been broadly disseminated
10. Investment and technology projects identified both by the Office and by SARIO have been broadly disseminated
11. Capacity building has taken place in project screening and preparation. UNIDO soft wares such as COMFAR and the methodology for preparing investment project profiles have been transferred to interested partners.
12. For 5 projects foreign partners have been identified and assistance in negotiations provided
13. One project is at an advanced stage of negotiation and is likely to be concluded very soon
14. One subcontracting project promoted jointly with the Bratislava subcontracting exchange /NADSDE was finalized.

In order to see the project results so far in the proper perspective it should be noted that, according to UNIDO experience with other Investment Promotion Offices, projects materialize in a period of at least one to two years. Often it is very difficult to keep track of results, as entrepreneurs do not always share information on actual negotiations and their results. The information dissemination and awareness building activities are of a long-term nature and their results cannot be quantified.

#### **4.2 Achievement of the purpose/immediate objective (effectiveness)**

The Terms of Reference of the ITPO Bratislava mention the following objective:” the IPs shall promote the mobilization of investment resources (finance, technology, know how, market access, managerial support, etc.) from the Slovak Republic to developing countries and countries with economies in transition and from abroad to the Slovak Republic.” This objective is based on a standard text of all ITPOs. However, the evaluators believe that this objective is too vague and that it is in fact a summary of a broad set of activities without any quantification. It is therefore hardly possible to use it as a reference for evaluating progress made towards the achievement of the project objective.

In terms of overall achievements, it can be stated that the ITPO has found its niche in the institutional framework of Slovak Republic, it has established a broad range of business and international institutional contacts and has broadly disseminated information concerning the investment climate in the country and specific project opportunities. Some project negotiations are underway. These are all good prerequisites for achieving results in terms of investment and technology promotion but do not represent outcomes and impact as yet.

## 5. CONCLUSIONS

### RELEVANCE

1. The inward investment promotion function of the ITPO is relevant in light of the country's priorities relating to employment generation, particularly in the less advanced regions and the related policy concerning investment promotion. Such relevance is likely to increase once new policies facilitating investments and decentralization will be in place.
2. Outward investment does not have many chances of success due to lack of capital and also because companies are facing priority problems with respect to their internal situation. Transfer of technology has more probability to succeed through Technical Cooperation and/or other promotional channels than outward investment promotion. Systematic monitoring and analysis of potential demand in this field should take place.
3. All Institutions and enterprises cooperating with the office consider the ITPO activities relevant, despite the fact that projects have not been finalized so far.
4. The project is relevant with respect to UNIDO policies and priorities. Investment and technology promotion are amongst the key services provided by UNIDO and a strengthening of the UNIDO related networks, including the Investment and Technology Centers, are envisaged. The Industrial Development Board adopted a decision at its 25th Session (May 2002), inter alia, "*encouraging the Director General to increase the number of the Investment and Technology Promotion Offices and to strengthen the networking capacities between these offices*". The IDB decision establishes the guidelines for the functioning of the Offices. The activities of the ITPO Bratislava are in line with the policy set by Member States.

### DESIGN

1. The lack of a project document based on the logical framework represents a serious shortcoming. The absence of a project document hampered the implementation process and has given rise to misunderstandings. The monitoring and evaluation processes have been made difficult due to the lack of a reference framework and of clear-cut result indicators.
2. The focus of the ITPO's activities has kept changing from inward to outward investment and technology promotion. These changes in focus have affected the effectiveness of the implementation process.

### EFFICIENCY OF IMPLEMENTATION

1. The ITPO management administered the budget in a prudent manner. Inputs were delivered in time.
2. The assessment by the Institutions and companies cooperating with the ITPO is positive. ITPO is seen as a needed activity complementing and providing value added to those of other institutions working in the same field. The comparative advantage of the ITPO is seen in its capability to attract 'non-traditional' investment partners and increase investment opportunities for Slovak companies. The technical services and methodologies provided by the Office are considered of good quality. Institutions appreciate the Office's capability to evaluate and screen projects and to provide support in project preparation as well as to provide ad-hoc advisory services on specific projects.
3. The approach followed by the ITPO in identifying and contacting companies has been too broad and has affected effectiveness. The office is not following a set of criteria for identifying projects with a good likelihood of success and has spread its activities too thin.
4. The approach pursued by the ITPO to increasingly decentralize level of attention to the poorer regions with the highest unemployment rate and of cooperating with regional and municipal authorities is worthy of support and requires further strengthening.

5. The issue of financing is of key importance to all companies in Slovak Republic, which are facing major capital shortcomings. While the office has taken some initiatives with respect to identifying financing opportunities, there has been an absence of a clear-cut financing strategy. The approach followed has been somewhat haphazard and of ad-hoc nature.
6. The Office has devoted a large amount of its time and resources for upstream activities of representative, promotional (relating to the Office itself) and information nature. While this intense promotional phase was necessary within the context of the start up of the Office, the direct relationship between promotion/information and downstream work related to the promotion of specific projects is not evident.
7. The most successful and appreciated activities are those relating to capacity building in project preparation and the promotion of projects through UNIDO channels such as the ITPO network and the electronic platform Exchange. The delegate programme is considered by all concerned as the most useful and successful activity.
8. The office provides on continuous basis capacity building support for the screening and preparation of investment projects and in building contacts and carrying out of negotiations.
9. 88 projects are being at present disseminated and promoted through UNIDO channels.
10. Coordination and communications between the Office and the relevant Counterparts in the Ministries of Foreign Affairs and Economy and communications within the respective Government departments has not worked effectively and in a smooth manner. This has created misunderstandings and has been unsatisfactory on all sides. Communication flows and mechanisms, both formal and informal, require improvement.
11. Steering and support by Headquarters has been mostly limited to administrative matters. More substantive coaching and information support by Headquarters would have been beneficial, particularly in light of the fact that the Office was new and staffed with Personnel that had not previously worked with UNIDO and thus lacked in-depth knowledge about the Organization.
12. Daily operations of the Office function smoothly. However, the evaluators noted a problem of internal communications. The Head of the office has a different contractual status as compared with the rest of the office and had by far the greatest exposure to international travel and UNIDO HQs related contacts. While recognizing the different level of responsibilities, a more balanced approach in terms of contractual arrangements and outside exposure would have been beneficial to interpersonal relationships and team building.

## **REPORTING**

1. Reports prepared by the Office include mainly quantitative data and are weak, although improving with the time, in terms of qualitative analysis and strategic orientation.

## **PRODUCTION OF OUTPUTS**

1. After two and a half years of operations the office is established and fully operational. It has developed a broad range of institutional contacts with investment promotion agencies, SME support institutions, chambers of commerce and industry, R&D institutions, and financial institutions as well as with enterprises across the country. The level and depth of institutional relations vary. ITPO has established fruitful cooperation with SARIO, NADSME, industrial associations and the chamber of commerce. Good cooperation is in place with the two UNIDO related institutions in Bratislava, the subcontracting exchange and the cleaner production center. The strategic approach with Technology and Financial institutions requires improvements.
2. Through its promotional work the office is now relatively well known in Bratislava and its services are increasingly being demanded through inter-institutional contacts.



3. A project database has been established and technology/expertise offers sent to UNIDO Headquarters for inclusion in the Technical cooperation roster. No results have been achieved so far by UNIDO in terms of utilization of such expertise/technologies
4. The ITPO succeeded in disseminating broadly information on investment projects and on the investment climate in Slovak Republic. Non-traditional investment partners such as Japan have been contacted on priority basis and beneficial relationships between institutions and enterprises have been established.
5. For 5 projects foreign partners have been identified and negotiations are being carried out; one project is at an advanced stage of negotiations and one subcontracting project was recently concluded in cooperation with the subcontracting exchange.
6. The results in terms of downstream activities are still limited. They should be seen within the context of a newly established office and considering the difficulties of obtaining information from entrepreneurs on the actual results of contacts established by the ITPO. Furthermore, the lack of concrete results so far is to be attributed – among others – to internal complex enterprise specific factors that are indeed outside the realm of ITPO interventions. It must also be noted that the lack of a consistent strategy and the relative late start of downstream activities delayed the attainment of results in terms of projects and partnerships concluded. Finally, it is also worth noting that results must be assessed against benchmarks. The average of all UNIDO ITPOs shows a rate of success of 3.4 of out 100 projects promoted (IDB 25/CRP.5). UNIDO experience with other offices shows also that several years are required in terms of concluded projects (contracts signed).

## **6. RECOMMENDATIONS**

### **6.1 Project extension**

After careful weighting and discussions of all positive, as well as insufficient, results till now, the evaluators recommend that the project be extended. The rationale for this recommendation is that the project is relevant within the context of the country policies and priorities for employment generation, economic growth and investment/technology promotion. Its services are furthermore demanded and considered of value added by related institutions and client companies. Another reason for recommending extension is that the Government has invested resources that, after the initial period are likely to start bringing results. This initial investment can be optimized by giving the project sufficient time for bringing tangible benefits to the country.

### **6.2 Refocusing and reorientation**

The project requires a reorientation and a refocusing of its activities in order to achieve better results in a shorter period of time and to increase its effectiveness. As a general approach, it is recommended that the Office should concentrate on few activities that are of distinctive relevance and highest value to counterparts and beneficiaries.

The following is recommended:

1. The ITPO should in future focus on the promotion of inward investments, the need for capital, technology, product improvement and enlargement of market shares being the key problems faced by industrial enterprises in Slovak Republic. Outward investments should be given lower priority.
2. The highest proportion of the ITPO activities should be devoted to downstream project promotion and negotiation work. The international networks and tools for investment promotion are considered unanimously as the main value added of the office. The capability by the Office and by the other UNIDO ITPOs to provide direct support in identifying partners and assisting Slovak enterprises to screen, prepare, disseminate project and eventually carry out negotiations is highly appreciated in Slovak Republic. It fills a gap that cannot be covered in the short term by any other institution.
3. The activities relating to promotion of the office, representation and information distribution should be de-emphasized. The Office is by now relatively well known in Bratislava and its participation in meetings and events should take place in a selective manner when substantive contributions and links with the Office's downstream activities are evident. Information and awareness building activities should be transferred to the regions where information efforts are still required.
4. The Office should also decrease activities relating to project identification and rely in this context more on the projects identified by other organizations and institutions that are in a better position to perform this function due to their stronger rooting and networks within the country. SARIO, NADSME and the industrial associations should be the main partners in this context.
5. It would also be beneficial to strengthen the synergies with the Subcontracting Exchange in Bratislava. The latter Office has been established in 1994 and has set up a large network of contacts that are complementary to those of the ITPO. It is recommended that consideration

be given to locate the subcontracting exchange in the UN House in order to streamline activities, ensure coordination of contacts, database and networks and possibly streamline staffing of the two combined offices.

6. The ITPO should be more selective in identifying and promoting only those projects that have the highest likelihood of succeeding. This would enhance effectiveness and enable the office not to spread its resources too thin.
7. The evaluators recommend that a set of economic, social and environmental criteria be identified in order to select such projects in an objective manner based on a standard approach.
8. The financial resources available to the office should be reoriented in order to accommodate a strongly strengthened delegate programme component. This is seen as the most successful activity of the office and the connected ITPO network.
9. The Office is already planning a repetition of the delegate programme in Japan and is organizing a programme in France and Belgium. In addition, it is recommended that a delegate be located in the Italy ITPO (the evaluators verified the willingness of the Office to host a Slovak delegate), the UK and Spain (the offices are expected to be opened soon).

### **6.3 Decentralization**

1. Considering the high priority awarded by the government to promote investment in the regions with high unemployment rates and considering the present plans by SARIO to decentralize more strongly its activities to the regions, the evaluators recommend that the ITPO support this trend at least on a pilot basis. One Professional Officer should be located for a longer period of time in Eastern Slovak Republic where most of the direct and personal support activities for enterprises are required. The future Slovak delegates should also spend some time in the region to identify and formulate jointly with the entrepreneurs the projects to be promoted abroad. In addition to the direct support and advisory activities the ITPO should offer through UNIDO training packages in entrepreneurship development and investment promotion. This approach has been successfully followed by other ITPOs (Poland, Bahrain, Shanghai) that can provide experience and lessons learned in support to ITPO Slovak Republic.

### **6.4 Technology promotion**

1. A strategy for technology promotion abroad should be developed and implemented. The evaluators are not in a position to provide details on the recommended strategy. However some such elements could be: the utilization of UNIDO manual on technology transfer negotiations and the provision of punctual training in this respect; a strengthening of the ties with Slovak R&D institutes and the identification of key partners to be closely linked with the UNIDO Technology Centers network.
2. Slovak technology and expertise has some prospects of being promoted within the context of UNIDO's Integrated Programmes and projects of technical assistance. The ITPO has started identifying technologies and experts for inclusion in UNIDO roster. A more proactive approach is however needed the opportunities offered by the TC projects and

programmes with Slovak technologies and expertise based on concrete opportunities offered by UNIDO's Integrated Programmes.

## **6.5 Financing**

1. A more structured cooperation with the financial system is highly recommended. The evaluators recommend that opportunities be looked into with the EXIM Bank and the newly established PHARE grant for SMEs.
2. Experiences by other offices, particularly the Italy ITPO, should be studied to see how the Office has succeeded in linking its activities with mutual credit guarantee schemes.

## **6.6 Institutional cooperation**

1. The evaluators came to the conclusion that there is scope for a beneficial cooperation with other Institutions in Slovak Republic. The ITPO has already done a very good job in this respect and excellent prospects exist in particularly in the cooperation with SARIO. Since the latter Organization is undergoing some changes and has recently established a new business plan to revamp and guide its operations, it would be highly advisable that the future work of ITPO be closely connected with SARIO and that a formal programmatic cooperation agreement be put in place.

## **6.7 Project document and indicators**

1. The evaluators strongly recommend that, in the event of an extension of the project, a detailed project document be prepared based on the logical framework. The document should include verifiable and realistic result indicators based on an in-depth analysis of the opportunities, challenges and constraints faced by Slovak Republic in terms of promotion investments and technology transfer. The project should cover a time frame of two to three years to allow for a reorientation of the activities as recommended above and the achievement of results. The document should be formally approved by the Government and constitute the legal and financial base for implementation, monitoring and future evaluations.
2. Concerning indicators, a word of caution and some clarification is required in order for all parties to share full understanding on the results that can realistically be obtained. In this connection, UNIDO's experience and international practice should be kept in mind. The key indicators applied by all ITPOs and at the international level are the project that have been promoted, in other words those projects that have been disseminated and for which partners have been identified. To the extent possible, reporting on results should also cover projects "concluded", i.e. projects for which there is concrete evidence that the two parties have signed an agreement. In this connection, however, it should be kept in mind that very often entrepreneurs do not provide the information on the actual results of the contacts established by the office for a number of reasons and that it is almost impossible to keep track of results of all the promotional activities launched.

## **6.8 Communications and reporting**

1. Annual and progress reports prepared by the office should be improved. Quantitative information on results should be provided on the basis of the afore-mentioned terminology.

The reports should also be more specific in terms of qualitative results. They should include concrete examples of the different activities carried out to facilitate understanding of the achievement of the office.

2. Communication between the ITPO and the relevant Government counterparts as well as among different Government departments should be much improved. The evaluators strongly recommend that the ITPO management takes a less formalistic and more flexible approach in meeting the information demands of the counterparts and that it also become more flexible and pro-positive in terms of its strategies and priorities, based on existing Government policies and priorities. In addition, the evaluators strongly recommend that a Steering Committee be established with the participation of representatives of the Ministry of Economy, the Ministry of Foreign Affairs, the Vienna based Permanent Mission, SARIO and the ITPO and other relevant offices of UNIDO. The steering committee would be called on a yearly or half yearly basis by the Ministry of Economy in order to monitor progress of activities, discuss solutions to problems and agree upon work programmes and priorities for the forthcoming period. The lead counterpart should be the Ministry of Economy.

## **6.9 Support by UNIDO Headquarters and project management**

1. Steering and support by UNIDO Headquarters should be strengthened and go beyond administrative and overall policy related matters. The Office would increase its effectiveness if it was to be provided with continuous substantive coaching and support not only on specific investment and technology related matters but also on broader substantive issues. This would for instance enable the office to play a more proactive role within the context of UN wide activities for Eastern Europe led by UNDP, in line with the Governmental policy of a strong UN presence located in the UN house.
2. Internal communication and teamwork within the ITPO need improvement. All staff and in particular the Deputy Head should be given the opportunity for higher exposure to international and UNIDO Headquarters' related contacts, meetings and training. This would enhance the effectiveness of the office as a whole. The contractual status of all staff should be reviewed jointly with the Government as the evaluators feel that the existence of common standards would be beneficial.

## 7. LESSONS LEARNED

1. The resources and time frame for a newly established ITPO are limited as compared with the magnitude of the investment and technology promotion tasks and the very broad terms of reference of standard agreements. The broad and generic framework agreement entails the danger of creating unrealistic expectations in terms of what the office can really achieve in a certain period of time and with a limited amount of resources. There is therefore a need to establish from the outset and on the basis of a realistic and transparent negotiation process a very focused strategy highlighting the distinctive competence and the highest value of the ITPO for the counterparts and the beneficiaries. The likelihood of achieving tangible benefits increases if the project is designed on the basis of a thorough analysis of the country situation, the opportunities and constraints faced in the field on investment and technology promotion, the institutional situation and the financing opportunities and constraints.
2. The project should be based on a detailed project document based on the logical framework and including realistic and measurable result indicators. In case the government and UNIDO opt for the signature of a general agreement with Terms of Reference for the office, it is strongly recommended that the Terms of Reference and the ITPO's work programme(s) be based on the logical framework and cover all the issues mentioned under point 1 above.
3. In newly established offices the start up phase needs to focus on activities relating to the promotion of the Office, the identification of partners, awareness building, information etc. There is however a risk that this emphasis on "upstream" work be stretched too much to the detriment of project related promotional and partnership building activities. The project strategy and work plan should to the extent possible link upstream with downstream activities and envisage a change in focus towards project related downstream work at the earliest possible stage.
4. Investment and Technology Promotion Offices do not work in isolation but, in order to be effective, need to closely interrelate with national Investment and Trade Promotion Institutions, with SME and other industry related organizations and institutions, with R&D centers as well as with the financial system. The ITPO should from the outset clearly identify the gaps it is expected to fill, its value added activities and the type of inter-institutional cooperation that is envisaged for the different types of bodies.
5. ITPOs relate usually to several Government and Institutional Counterparts. In order to ensure smooth communication and good reciprocal understanding, it is of great importance to consider establishing formal or informal steering mechanisms with all parties involved and that the office should have on lead counterpart.
6. The definition of quantitative results or the 'success indicators' of the ITPOs are still being debated. The ultimate objective of the programme is to promote investments and technology transfer and thus contribute to economic growth and employment generation. In terms of outputs produced there is often the assumption that the key indicator of success is 'projects concluded', i.e. where there is concrete evidence that an agreement has taken place. ITPOs however have a number of activities that produce outputs of not fully tangible and quantifiable nature, e.g. the awareness building activities concerning the investment climate in the host country or the establishment of institutional linkages and contacts at the international level. Furthermore entrepreneurs often do not share information about actual results of their negotiations making thus reporting incomplete. Finally the key indicator that

is at present used broadly to measure success is the number of projects promoted and for which partners have been identified and put in direct contact through the ITPO. To avoid misunderstandings and the creation of wrong expectations, to facilitate implementation and monitoring as well as evaluation it is strongly recommended that standard indicators be defined by UNIDO and agreed upon with the Governments sponsoring the ITPOs.

7. In terms of outcomes and impact, consideration should be given to report results on the value of fixed investments through FDI attraction and the number of employment opportunities created due to project realization.
8. For newly established offices that are not staffed with Professionals coming from UNIDO it will be of utmost importance to provide extensive training and briefings before the activities start. Such training should be provided to all relevant staff according to their specific requirements.
9. Information and substantive coaching and support by Headquarters must be a regular feature of backstopping by UNIDO in order for the Offices to perform effectively.
10. The Guidelines for the functioning of the Investment and Technology Promotion Offices approved by the IDB in May 2002 envisage that professional staff can be recruited both as international and as local personnel. To avoid creating disbalances in the Offices to the extent possible it should be avoided that different contractual arrangements of professional staff, particularly head and deputy head, be concluded.

**TERMS OF REFERENCE**  
**Joint In-depth Evaluation of the**  
**UNIDO Investment and Technology Promotion Office (ITPO) in Slovak Republic**  
**(US/UT/SLO/99/070)**

**I. BACKGROUND**

The Investment and Technology Promotion Office (ITPO) in Bratislava has been in operation since 2000. The Office functions according to the Agreement between UNIDO and the Government of the Slovak Republic signed on 25 June 1999, annexing the Terms of Reference for the Office and a three-year budget.

**A joint in-depth evaluation of ITPO Bratislava will be undertaken according to Article V “Evaluation” of the above-mentioned Agreement.**

**II. PURPOSE**

The main purpose of the evaluation is:

- (a) to assess the achievements of the Office against its Terms of Reference and indicators established in the yearly Work Programme;
- (b) to contribute to the improvement of performance of the Office by analyzing current areas of activities, needs and problems as well as proposing practical solutions to address them;
- (c) to make recommendations on the role of the ITPO Network in general and ITPO Bratislava in particular in the implementation of new initiatives in the field of investment and technology promotion;
- (d) to ensure optimal allocation and use of resources.

**III. METHOD AND SCOPE**

The evaluation will consist of desk studies (analysis of the Terms of Reference, annual reports and other project files both at UNIDO Headquarters and at the Office in Bratislava), review of databases and other facilities at the ITP Office, interviews with the staff at UNIDO Headquarters and at the ITP Office, with governmental bodies in Bratislava, representatives of private industry in Slovak Republic and cooperation agencies. In particular, the evaluation team will interview end users of the projects' services in Slovak Republic.

In order to optimize the cost of the evaluation, the team will use different channels of communication to obtain relevant information from direct users of the services provided by the ITPO.



The evaluation will assess the achievements of the projects against objectives and expected outputs as set out in the annual Work Programmes. In this context it will, in particular, assess the effectiveness of the activities implemented. It will also identify and assess the factors that have facilitated the achievements of project objectives as well as those factors that have impeded the fulfillment of those objectives.

The evaluation will in particular address the following issues:

- (a) Compliance of objectives with both institutional framework and policy priorities of the Slovak Government and UNIDO;
- (b) Relevance of the ITPO activities as viewed by the Slovak Republic's private industry; linkage with the Slovak business community and investment-related agencies;
- (c) ITPO management; actual integration of the operations of the ITPO into the mainstream of UNIDO's activities to achieve better impact of services;
- (d) Optimal utilization of resources related to the Office location and staff structure;
- (e) Effectiveness and impact of activities such as promotion of business partnerships, participation in investment meetings, advice in negotiations, preparation of pre-investment analyses, etc. by assessment of results achieved on the basis of impact indicators established by UNIDO;
- (f) Geographical orientation of the activities;
- (g) Integration of the Office into UNIDO's ITPO Network and UNIDO-related technical cooperation activities. The quality of direction and guidance provided by UNIDO Headquarters; use of UNIDO methodological tools; the quality of reporting and monitoring;
- (h) Relations established by the ITPO with investment-related agencies and industry associations in other countries.

#### **IV. COMPOSITION OF EVALUATION TEAM**

The Evaluation Team will be composed of:

- One expert nominated by the Government of Slovak Republic
- One representative of UNIDO

These team members should not have been directly involved in the design, appraisal or implementation of the project.

Members of the evaluation team are not authorized to make any commitment, neither on behalf of the Government of Slovak Republic nor UNIDO.

#### **V. TIME TABLE, REPORT AND BUDGET**

Timing of the evaluation is foreseen for May-June 2002. The evaluation is scheduled as follows:

- Preparatory work (analysis of available documents and reports), interviews with UNIDO staff concerned
- Visits to organizations
- Drafting conclusions and recommendations and debriefing sessions
- Drafting the evaluation report

A debriefing session will be organized at UNIDO Headquarters at the end of the evaluation with representatives of the Permanent Mission of Slovak Republic, the Managing Director of PCF, the Directors of PCF/PCB and PTC/IPT and the ITPO Coordinator for the evaluation team to present the findings of the evaluation mission.

As the report is the product of an independent team acting in their personal capacities, it is up to that team to make use of the comments made by the parties involved and to reflect them in the final report. However, the evaluation team is responsible for reflecting any factual corrections brought to their attention prior to the finalization of the report.

All necessary documentation should be made available to each member of the evaluation mission from day one of the mission.

The costs associated to the evaluation will be charged to the project US/SLO/99/070.

**AGREEMENT**  
**between**  
  
**the United Nations Industrial Development Organization**  
**and**  
**the Government of the Slovak Republic**  
  
**concerning the establishment of**  
**a UNIDO Investment Promotion Service in Bratislava**

WHEREAS Article II of the Constitution of the United Nations Industrial Development Organization (hereinafter referred to as "UNIDO"), in defining its functions mandates UNIDO to assist developing countries:

"...in the development, expansion and modernization of their industries...", "...with special reference to the transfer of technology from the industrialized to the developing countries as well as among the developing countries themselves...", "...special measures designed to promote co-operation in the industrial field among developing countries and between the developed and developing countries...";

WHEREAS the Government of the Slovak Republic (hereinafter referred to as "the Government") has informed UNIDO of its willingness to make a special purpose contribution to the Industrial Development Fund (hereinafter referred to as "the IDF") to meet the costs of the UNIDO Investment Promotion Service in Bratislava (hereinafter referred to as "IPS Bratislava");

WHEREAS it has been agreed between UNIDO and the Government that UNIDO shall be responsible under the terms of this Agreement and the UNIDO financial regulations and rules for the management of the funds contributed by the Government for the IPS Bratislava;

THEREFORE the Government and UNIDO hereby agree to enter into the following Agreement:

**Article I**  
**Purpose of the Agreement**

1.1. The purpose of this Agreement is to establish and operate a UNIDO IPS Bratislava in accordance with the objectives, recommendations and guidelines established by the UNIDO's policy-making organs for such Services.

1.2. The IPS BRATISLAVA shall promote industrial investment to developing countries and countries with economies in transition, as well as industrial investment from abroad to the host country.

1.3. The IPS Bratislava will be part of UNIDO`s world-wide network of IPSs and will use methodologies, mechanisms and softwares developed by UNIDO in the fields of industrial investment and technology transfer. UNIDO will operate and supervise the IPS Bratislava.

1.4. The functions, activities, operational methodologies and administrative arrangements of the IPS Bratislava are described in the TERMS OF REFERENCE (attached as Annex A) which form an integral part of this Agreement.

1.5. The main entity on the Government`s side dealing with the IPS Bratislava activities shall be the Ministry of Foreign Affairs of the Slovak Republic.

1.6. The IPS Bratislava will have access to the infrastructure available in the Slovak Republic to secure co-operation between foreign partners and relevant agencies and institutions in the Slovak Republic.

## **Article II**

### **Funding arrangements for the IPS Bratislava**

2.1. The IPS Bratislava shall be funded for renewable periods, each of a three-year duration, from the Government`s special purpose contribution to the IDF. In order to meet the costs of the IPS Bratislava, including programme support costs, UNIDO is authorized to draw from the special purpose contributions the amounts indicated in the Budget for the IPS Bratislava (Annex B) and the Schedule of Payments (Annex C), both annexes constituting an integral part of this Agreement. A new budget showing cash contributions shall be established for each three-year period. Funds will be transferred to UNIDO in accordance with the Schedule of Payments, in United States dollars and in Slovak crowns. The Slovak crowns contribution to cover the local costs of the IPS Bratislava shall be the equivalent of the United States dollars. The Government shall, in accordance with the Schedule of Payments, deposit the funds indicated in the IPS Bratislava Budget, in Slovak crowns, to the United Nations Industrial Development Fund Account No. 5001645-989/0900 Slovenská sporitelna, Krajská pobočka Bratislava, Nám. SNP 18, filiálka Obchodná 57, 816 07 Bratislava, Slovak Republic quoting "IPS Bratislava Slovak Republic" and, in US dollars, to UNIDO OPF Account No. 0422-01004/00, Creditanstalt-Bankverein, bank code 11000, Schottengasse 6, 1010 Vienna, Austria, quoting "IPS Bratislava Slovak Republic". These funds will be used exclusively for the IPS Bratislava.

2.2. If there are insufficient funds in the IPS Bratislava accounts to meet the costs of the IPS Bratislava, the Government shall, in accordance with the schedule of payments, deposit additional funds to the above-mentioned UNIDO account numbers.

2.3. The IPS Bratislava accounts and the activities financed therefrom shall be administered by UNIDO in accordance with its applicable regulations, rules and administrative instructions. Accordingly, personnel shall be engaged and administered; equipment, supplies, and services purchased; and contracts entered into in accordance with the provisions of such regulations, rules and administrative instructions. Interest shall be credited to the IPS Bratislava accounts in accordance with the financial regulations, rules and directives of UNIDO.

2.4. All financial accounts and statements shall be expressed in United States dollars and there shall be no accounting or reporting in other currencies. For the purpose of recording receipts and/or payments, all transactions shall be converted into United States dollars at the official United Nations accounting rate of exchange applicable on the date of receipt and/or payment.

2.5. The IPS Bratislava accounts and the activities financed therefrom will be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules and administrative instructions of UNIDO.

### **Article III IPS Bratislava Budget**

3.1. The IPS Bratislava accounts shall be charged with actual expenditures incurred by UNIDO in the performance of activities under this Agreement and with an amount in United States dollars for the programme support services provided by UNIDO for the operation of the IPS Bratislava in line with the UNIDO financial rules and as specified in the IPS Bratislava budget.

3.2. The IPS Bratislava accounts further shall be charged with an amount equivalent to one (1) per cent of the remuneration of the net salary of persons, engaged by UNIDO and whose engagement is financed by the IPS Bratislava accounts, to provide a reserve for coverage of any claim for service-incurred death, injury or illness, under the applicable UNIDO regulations and rules or contracts, which reserve cannot be refunded to the Government.

3.3. UNIDO shall commence and continue to conduct operations under this Agreement upon receipt of a copy of this Agreement, signed by both parties, and upon receipt of sufficient funds to meet the Government's payment obligations, as stipulated in Article II, 2.1 and 2.2.

3.4. The Government undertakes to meet the actual cost of the IPS Bratislava operation detailed in the budget for the IPS Bratislava and UNIDO undertakes not to make any commitments not specified in the budget without the Government's written approval.

3.5. If UNIDO considers that changes between components and/or additional services not foreseen in the IPS Bratislava budget are required, UNIDO is authorized to carry out a budget revision within the approved budget for a particular year. If, however, the revised budget calls for additional financing, such a revision shall be submitted to the Government for approval. Any amount of the annual contribution not spent at the end of the year will be carried forward to be used for covering the IPS Bratislava project expenditures during the following year.

3.6. Apart from the contribution stated in Article II, the Government shall assist in the fulfilment of the IPS Bratislava objectives by taking measures to put to the disposal and free of charge office premises.

### **Article IV Personnel Arrangements**

The Head of the IPS Bratislava and the Deputy Head shall be appointed by the Director-General of UNIDO after consultation with the Government, and in accordance with the Staff Regulations and Rules of UNIDO applicable to technical cooperation project personnel. The Director-General of UNIDO shall appoint national experts as well as national support staff on the basis of the individual contracts. UNIDO will supervise the IPS Bratislava staff who will report only to UNIDO.

#### **Article V Evaluation**

Evaluation of the results of IPS Bratislava's activities described in this Agreement, including joint evaluation by UNIDO and the Government, shall be undertaken every three years and a provision for such an evaluation is included in the IPS Bratislava budget.

#### **Article VI Financial Reporting**

In addition to any reports specified in the TERMS OF REFERENCE, UNIDO shall provide the Government with the following statements and reports in the format normally followed by UNIDO for accounting and financial reporting:

- (a) An annual financial statement in respect of IPS Bratislava accounts showing income and expenditures for the year, assets and liabilities as of 31 December with respect to the funds provided by the Government for the IPS Bratislava;
- (b) A final financial statement within six (6) months after closing the project, following termination or expiration of this Agreement.

#### **Article VII Ownership of Equipment, etc.**

Ownership of technical and other equipment, materials and supplies, financed from the funds contributed by the Government for the IPS Bratislava shall vest in UNIDO. Following operational completion of the IPS Bratislava, ownership of equipment, materials and supplies necessary for operation of the IPS Bratislava shall be transferred to the Government or to an entity nominated by it.

#### **Article VIII IPS Bratislava Accounts on Termination of the Agreement**

8.1. On termination of this Agreement, the IPS Bratislava accounts shall remain open until all expenditures incurred by UNIDO have been satisfied. Any balance due to UNIDO under Article III shall be charged by UNIDO to the Government, and the Government will reimburse UNIDO for any negative balance.

8.2. Upon submission of a final financial statement in accordance with Article VI, any surplus remaining in the IPS Bratislava accounts shall be returned to the Government or disposed of as requested by the Government.

**Article IX  
Privileges and Immunities**

In accordance with Article 21 of the Constitution of UNIDO, the Convention on the Privileges and Immunities of the United Nations (1946) shall apply to the UNIDO Investment Promotion Service in Bratislava. Accordingly, Article II of that Convention shall apply to the IPS Bratislava, its property, funds, assets, premises and archives, Article III to the communications of the IPS Bratislava, Articles V and VII to UNIDO officials assigned to the IPS Bratislava and Articles VI and VII to the experts on mission for UNIDO in connection with the IPS Bratislava.

**Article X  
Facilitation of the Execution of UNIDO's Assistance**

The Government shall take any measures which may be necessary to exempt the UNIDO, their experts and other persons performing services on its behalf, from regulations and other legal provisions, which may interfere with operations under this Agreement, and shall grant them such other facilities that may be necessary for the speedy and efficient implementation of UNIDO assistance.

**Article XI  
General Provisions**

10.1. This Agreement is concluded for an indefinite period on the understanding, however, that each party shall have the right to terminate it upon giving six (6) months' notice in writing to the other party. At the same time, measures shall be taken to secure that the termination of this Agreement shall not have a negative impact on implementation of projects or other actions in progress realized through the IPS Bratislava.

10.2. This Agreement may be modified by written agreement between the parties hereto. Such amendments shall comply with the recommendations of the policy-making organs of UNIDO and the requirements of the Operational Manual for UNIDO's IPS Network.

10.3. This Agreement shall enter into force upon the day of signature.

IN WITNESS WHEREOF, the undersigned persons, being duly authorized thereto, have signed this Agreement in two copies in English at Vienna on this.....day of.....1999 and at Bratislava on this .....day of.....1999.

For the United Nations Industrial  
Development Organization:

For the Government  
of the Slovak Republic:

.....  
Carlos Magariños

.....  
Eduard Kukan

Director-General

Minister of Foreign Affairs



## ANNEX A

### TERMS OF REFERENCE OF THE UNIDO IPS IN BRATISLAVA

#### OBJECTIVES

As one office in UNIDO`s worldwide Network of IPSs, the IPS Bratislava shall promote industrial investment to developing countries and countries with economies in transition as well as industrial investment from abroad to the host country. More specifically, the IPS shall promote the mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc.) from the Slovak Republic to developing countries and countries with economies in transition and from abroad to the Slovak Republic.

#### FUNCTIONS AND ACTIVITIES

The following detailed guidelines for the functioning of IPS are derived from Document GC.3/13 and Resolution GC.3/Res. 19, approved by the General Conference of UNIDO on 24 November 1989. Specifically, the functions and activities of IPSs are:

1. [quote] 10 (b) To assess investment projects, the details of which have been supplied to them from UNIDO Headquarters or other sources, with a view to determining whether an enterprise can be found in their host countries that will be able and willing to supply the resources sought for such projects. [unquote]

Under this heading the main activities of the IPS will be to:

- Screen investment proposals received from UNIDO Headquarters or other IPSs so as to select those for which potential interest could be identified in the Slovak Republic.
- By using the UNIDO Industrial Investment Project Profile Form, formulate the investment opportunities thus screened and carry out a pre-appraisal using the PROPSPIN<sup>1</sup> software. Modify the original proposal if this is suggested by the PROPSPIN appraisal.
- Appraise investment opportunities originating from prospective investors in Slovak Republic looking for a partner in a developing country. Identify those partners who are willing to negotiate a cooperation agreement.

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<sup>1</sup>**PROPSPIN:** The Programme uses standard project profile forms to assist in project formulation and screening, and a simple software package for initial appraisal purposes entitled “**Project Profile Screening and Pre-Appraisal Information System**”. The software is also a valid support for negotiating partners to undertake sensitivity analysis.

- Enter information on each investment opportunity into the Projects and Sponsors Data Banks of DIPP<sup>2</sup> so as to initiate promotion of the proposal.

2. [quote] 10 (a) To build contacts with enterprises in their host countries willing to consider a business venture with a partner in a developing country or to provide inputs for such a venture;

10 (h) To gather, present and disseminate information on specific manufacturing facilities which enterprises in their host countries seek to establish in developing countries through a business partnership with a local entrepreneur; to assist in identifying local partners and help both parties to conclude an agreement. [unquote]

The IPS will specifically:

- Establish contacts with industrial associations, investment and commercial banks, chambers of commerce, etc. in the Slovak Republic. Those organizations which are willing to cooperate with the IPS in identifying investment opportunities in developing countries and promoting investment in association with the IPS, will be retained as local contact points.
- Through the contact points or directly, establish working relations with Slovak enterprises willing to act as foreign investor for investment in developing countries.
- A roster of contact points and potential investors in the Slovak Republic will be established, forming the basis for a data bank which utilizes the DIPP software. The data bank should be continuously updated and expanded.

3. [quote] 10 (c) To utilize their contacts with host country enterprises for the promotion of the investment projects referred to above by informing such enterprises of these projects and of foreign resources sought by their local investors. To provide information on individual local investors and on the climate for investment in the developing countries concerned. [unquote]

Specifically the IPS will:

- Ensure circulation of project profiles in the Slovak Republic to potential investors.
- Provide information and contacts to potential investors/partners from the Slovak Republic on investment opportunities and local sponsors/investors in developing countries, assisting them if and as required.
- Distribute in the Slovak Republic information on investment climate, legislation and incentives, approval procedures and other formalities required

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<sup>2</sup> **DIPP**: The software “**Data Bank for the Investment Promotion Programme**” provides a package for Investment Promotion Agencies in developing countries to keep track of investment promotion activities at the level of each individual negotiation.

to formalize an industrial cooperation agreement with local partners of developing countries concerned.

- Provide contact to and information on financial institutions in developing countries willing to provide loans or equity participation to industrial cooperation agreements.

4. [quote] 10 (d) To bring the local investor and the prospective foreign partner into direct contact through UNIDO investment project promotion meetings/forums and through any other appropriate means with a view to their commencing negotiations on cooperating in the implementation of the project;

10 (f) To assist developing countries in arousing the interest of potential foreign partners in industrial investment opportunities and in the incentives offered by those countries, by receiving delegations representing both the public and private sector and arranging direct contacts between the members of these delegations and the industrial and financial communities of the host countries. [unquote]

The IPS will in particular:

- Provide support to investment forums organized by UNIDO Headquarters or other IPS`s, by promoting the investment proposals of the particular event among the Slovak business community, as well as arranging the participation of interested business representatives and potential investors from the Slovak Republic in the event.
- Receive official delegations from foreign countries interested in establishing direct contacts with the Slovak business community, introducing the visitors to potentially interested parties.
- Introduce the required inputs into the DIPP Data Bank, to organize the above activities, monitor the follow-up and register the results of the promotion.

5. [quote] 10 (e) To support and assist both parties in their negotiations and in completing the preparation of pre-investment studies, up to the stage at which the parties can conclude a written agreement to implement the project. [unquote]

Upon request by the concerned industrial partners, the IPS will carry out the following activities:

- Assist negotiating parties in their discussions up to the stage at which the parties will conclude a detailed written agreement to implement the project.
- Make available and use the UNIDO know-how and expertise in the field of technology transfer and acquisition, contractual arrangements, investment guarantees, compliance with international standards in quality, environment, etc.. In particular the negotiating parties could avail themselves of the support of PROPSPIN, to assess the results of variables introduced during the negotiations; could receive guidance from UNIDO`s model contracts for

certain specific fields; and be assisted in obtaining government clearance for the proposal if such formality is required by the country hosting the investment.

- Assist in the definition of a financial package and mobilization of financing resources necessary for the implementation of the project.
- If adequate provision is allocated in the IPS budget, to apply the Project Completion Facility which offers the possibility of testing the agreement formalized by the parties before they proceed with the investment, using the UNIDO methodology for preparing a feasibility study through the COMFAR<sup>3</sup> (the facility offers both a quality test and better access to financial institutions and their credit lines).
- Monitor the process of each negotiation and secure its follow-up, by entering detailed information on each negotiation step into the DIPP Data Bank.

6. [quote] 10 (g) To assist the developing countries in building and strengthening national capabilities for attracting foreign investment by hosting delegations from developing countries and providing them with on-the-job orientation through the promotion vis-à-vis potential foreign partners of specific investment opportunities in their home countries. [unquote]

The IPS will:

- Interact with the National Investment Promotion Agencies/units of developing countries concerned; provide them with high-level advice and/or support; organize on an ad-hoc basis with some of their staff training sessions/courses on subjects of interest to these institutions.
- Develop a Delegate Programme, in accordance with the relevant provisions made in the IPS manual. In particular, the IPS Bratislava will host delegates from selected developing countries for a given period in order to promote industrial partnerships and joint-ventures with those countries.

7. [quote] Accelerate the flow of financial and other resources from industrialized countries into the Slovak Republic through resources including finance, technology, know-how, market access and managerial support with a view to establishing projects. [unquote]

Under this heading the activities of the IPS will be to:

- Prepare and disseminate a questionnaire addressed to Slovak industrial enterprises selected according to predetermined criteria to ascertain those interested in cooperation with counterparts in industrialized countries;

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<sup>3</sup> **COMFAR:** The software package "**Computer Model for Feasibility Analysis and Reporting**" provides a user-friendly methodology for the preparation of opportunity and feasibility studies, which is recognized worldwide for its quality and reliability. The software is based on the UNIDO "Manual for the Preparation of Industrial Feasibility Studies".

- Evaluate responses to questionnaire and prepare inventory of those with capability for successful business partnerships with partners in industrialized countries;
- Secure the coordination of foreign technical assistance projects designed for the development of Slovak Republic's industry related to UNIDO.

8. [quote] 10 (i) To undertake such other activities as are conducive to the achievement of the objectives of IPSs. [unquote]

The IPS will in particular:

- Act as a catalyst and source of technical expertise in the design, organization and implementation of key events organized at the national, regional, international levels, possibly with high-level international sponsorships.
- Contribute to the design and/or implementation of other investment and technology related activities and programmes; contribute to the mobilization of financial resources for such programmes (multiplying effect through the IPS).
- Act, if required, as an efficient channel of communication to bring UNIDO programmes, expertise, documentation, studies to the attention of interested authorities, organizations and enterprises in the Slovak Republic.
- Actively participate in activities developed by UNIDO in the field of investment contributing to strengthening the entire network of IPSs and to developing innovative tools and methods.
- Carry out activities as required by UNIDO/IPS mandate, regulations and procedures, in particular as far as financial, technical and administrative reporting are concerned.

## **METHODOLOGIES, MECHANISMS AND SOFTWARES**

The IPS will use the following methodologies, mechanisms and softwares developed by UNIDO for industrial investment promotion and for use by the IPS Network:

- Operational Manual for IPSs
- Industrial Investment Project Profile Form
- Data Bank for Investment Promotion Programme (DIPP) Software
- Project Profile Screening and Pre-Appraisal Information System (PROPSPIN) Software
- Computer Model for Feasibility Analysis and Reporting (COMFAR) Software
- Project Completion Facility (if a budget allocation is made)
- Delegate Programme
- UNIDO Manuals, model contracts, etc., in the field of technology transfer
  - Further methodology mechanisms and software with regard to UNIDO's Service Modules.

## **BENEFICIARIES**

Industrial companies and entrepreneurs in the Slovak Republic involved in industrial cooperation with partners from developing countries and countries with economies in transition.

## **COORDINATION ARRANGEMENTS**

The IPS will be supervised by the Investment and Technology Promotion Branch within the Investment Promotion and Institutional Capacity-Building Division (IPC/ITP) at UNIDO Headquarters, who will consult with other UNIDO services as required. The IPS will also co-ordinate its activities with other units and projects of UNIDO concerned with industrial investment.

The IPS will also closely cooperate with other IPSs in the UNIDO Network. Provisions should be made in the budget for the IPS Head to participate in the twice-yearly co-ordination meetings for all Heads of IPSs organized by UNIDO Headquarters.

Finally, co-operative arrangements will be maintained by the IPS with the responsible Slovak authorities and institutions.

## **THREE-YEAR BUDGET FOR THE IPS**

In line with the anticipated level of activity of the IPS, a three-year budget showing the required cash and in-kind contributions from the Government and estimated expenditures for operation of the IPS will be submitted by UNIDO to the Government.

## **ANNUAL WORK PROGRAMME**

An ANNUAL WORK PROGRAMME will be prepared and submitted before 1 January by the Head of the IPS to UNIDO Headquarters for approval.

The ANNUAL WORK PROGRAMME should give a detailed description of the proposed activities, specific projects and events during the coming year, together with a proposed time schedule and quantified achievement targets.

## **REPORTING**

UNIDO shall furnish the Government with an annual report on the activities of the IPS, as well as an annual financial statement.

The Head of the IPS will submit to UNIDO Headquarters progress reports, as and when necessary, and an annual report (by 31 January) as well as other information as specified in the IPS Operational Manual and other UNIDO directives.

## ANNEX B

### IPS BUDGET FOR THE YEARS 1999-2001 in US\$\*

Budget Line	Expenditure Title	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
		US\$	US\$	US\$
11-01	Head of Office	58,000	59,000	60,000
12-01	National Professional Officer	29,000	29,000	29,000
12-02	National Professional Officer	26,000	27,000	28,000
12-03	National Professional Officer	22,000	23,000	24,000
13-00	Administrative Support Staff	14,000	15,000	15,000
	<b>Subtotal Personnel</b>	<b>149,000</b>	<b>153,000</b>	<b>156,000</b>
15-00	Project Travel	19,000	20,000	21,000
41-00	Expendable Equipment (consumable office supplies, maintenance for office equipment)	5,000	3,000	3,000
42-00	Non-expendable Equipment (equipment for office, computers, printers, fax, photocopier, vehicle, etc.)	35,000	3,000	2,000
43-00	Premises (incl. general expenses)	20,000	21,000	22,000
51-00	Sundries (insur-ance, repairs, petrol, editing, printing, postage, bank, etc.)	28,000	24,000	25,000
55-00	Hospitality	3,000	3,000	3,000
	<b>Subtotal</b>	<b>259,000</b>	<b>227,000</b>	<b>232,000</b>
	Programme Support Costs	25,900	22,700	23,200
	<b>GRAND TOTAL</b>	<b>284,900</b>	<b>249,700</b>	<b>255,200</b>

\*To reflect provisions as stipulated in Article II, para. 2.1, the budget calculated in US dollars will be split in two currencies according to the Schedule of Payments (Annex C), following the signing of the Agreement.

## ANNEX C

### SCHEDULE OF PAYMENTS FOR THE YEARS 1998 - 2001\*

1. **Budget IPS Bratislava for each year (in USD)**

1 <sup>st</sup> year	-	284,900
2 <sup>nd</sup> year	-	249,700
3 <sup>rd</sup> year	-	255,200

2. **Balance of the UNIDO accounts (in USD)**

in convertible currency	-	82,800
in local currency (SK)	-	78,200

3. **Payments in convertible currency (in USD)**

Date		Amount
1.10.1998	-	70,000
1.07.1999	-	80,000
1.04.2000	-	90,000
15.1.2001	-	100,000

4. **Payments in local currency (equivalent SK in USD)**

Date		Amount
1.10.1998	-	70,000
1.07.1999	-	80,000
1.04.2000	-	90,000
15.1.2001	-	100,000

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\*Schedule of Payments will be adjusted to the date of signing of the Agreement.



### ANNEX III: Summary of ITPO TOR, annual programmes and annual reports

Agreement UNIDO and Slovak Republic	Work Programme 2000 - 2001	Progress Report 2 - 31.8.2000	Annual Report 21.2. – 31.12.2000	Progress Report 1.1. – 31.10.2001	Annual Report 2001	Work Programme 2002
<ul style="list-style-type: none"> <li>• Inward/Outward promotion</li> <li>• Assess Projects <ul style="list-style-type: none"> <li>➢ Screen projects from HQs</li> <li>➢ Formulate investment opportunities screen /pre-appraisal</li> <li>➢ Appraise investment opportunities originating from Slovak Republic</li> <li>➢ Enter opportunities into databases</li> </ul> </li> <li>• Build contacts with enterprises</li> <li>• Establish contacts with associates</li> <li>• Build roster of contacts Potential investors in Slovak Republic</li> <li>• Distribute info on investment climate, legislation, incentive</li> <li>• Establish contacts with financial institutions</li> <li>• Bring partners together</li> <li>• Participate in fora and receive delegations</li> <li>• Assist in negotiations (PROSPIN, model contracts, etc.)</li> <li>• Assist in mobilization of financial packages</li> <li>• Use UNIDO methodologies and software (COMFAR)</li> </ul>	<ul style="list-style-type: none"> <li>• Priority sectors identified</li> <li>• Inward promotion</li> <li>• Establish database of potential investors in Slovak Republic</li> <li>• Develop project portfolio for promotion abroad (2000:15 – 2001:30)</li> <li>• Identify and evaluate transfer of technology proposals profiles prepared (2000:4 – 2001:5-10)</li> <li>• Assist local companies/foreign investors in investment process (preparation, promotion, negotiation-completion)</li> <li>• <b>One</b> delegate from Slovak Republic abroad</li> <li>• Disseminate investment country information by electronic media</li> <li>• Promote COMFAR</li> <li>• Participate in investment fora organized by SARIO</li> <li>• Mobilize risk capital funds for SMEs</li> <li>• Cooperation with institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment/start-up of office</li> <li>• Establishment of business contacts (local associations and foreign partners)</li> <li>• Establishment of cooperation with national and foreign institutions</li> <li>• Preparation of reports, data and information relevant to potential investors</li> <li>• Identification of enterprises and visits</li> <li>• Evaluation of projects submitted by Slovak partners</li> <li>• Company profiles prepared</li> <li>• Submit IITPPs to UNIDO</li> <li>• Disseminate foreign offers to Slovak companies</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment and start-up of the office</li> <li>• Establishment of business contacts</li> <li>• Establishment of cooperation with national and foreign institutions</li> <li>• Collection and processing of documents</li> <li>• Preparation of reports and information relevant to potential investors</li> <li>• Identification – formulation – evaluation – promotion (both for inward and outward promotion)</li> <li>• Published and disseminated information</li> <li>• Delegate Programme (“DP”)</li> <li>• Promotional activities <ul style="list-style-type: none"> <li>➢ UNIDO Exchange</li> <li>➢ Country presentation by electronic media</li> <li>➢ Participation of ITPO Bratislava in special events</li> </ul> </li> <li>• Cooperation with Slovak institutions <ul style="list-style-type: none"> <li>➢ Cooperation with the National Agency for Development of Small and Medium Enterprises (NADSME)</li> <li>➢ Cooperation with</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Inward Investment and Technology Promotion <ul style="list-style-type: none"> <li>➢ ITPO BA realized for SARIO one day training on using investment project’s methodology of UNIDO (COMFAR)</li> <li>➢ Provides mechanism for dissemination SARIO investment projects to UNIDO network</li> <li>➢ Organized Delegate Programme to Japan with ITPO Tokyo (SARIO took part in the Delegate Programme)</li> <li>➢ Joint information and promotion material about cooperation and coordination between SARIO and ITPO BA.</li> <li>➢ ITPO BA taking part in the investment conference in Oslo, Norway</li> <li>➢ ITPO BA established a hyperlink connection from the own UNIDO</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Training on exchange (SARIO)</li> <li>• Dissemination of SARIO investment projects to UNIDO network and exchange</li> <li>• Joint promotional material with SARIO</li> <li>• <b>20</b> projects chosen and prepared with SARIO and identified by office</li> <li>• Companies required by Ministry of Economy visited, profiles prepared, info disseminated through Exchange</li> <li>• Screening of Transfer of Technology opportunities (IPs, etc.)</li> <li>• Identification /visits R&amp;D institutions</li> <li>• List of potential projects identified with names</li> <li>• Roster Consultants and vendor companies</li> <li>• Contacts ITPO Tokyo and France (projects promoted/ disseminated listed)</li> <li>• China and Malaysia identified for transfer of Slovak technology</li> <li>• One delegate to Japan</li> <li>• One <b>CD prepared</b></li> <li>• Hyperlink UNIDO-SARIO</li> <li>• Promotional article</li> <li>• Participation in <b>two</b> investment seminars</li> </ul>	<ul style="list-style-type: none"> <li>• Country presentation</li> <li>• Fora and fairs, conferences, presentations</li> <li>• Promotion of softwares, methodologies</li> <li>• Increase delegate programme</li> <li>• Updating investment /technology portfolio</li> <li>• Updating database on technology offers</li> <li>• Appraisal of business opportunities/pre-investment analysis</li> <li>• Foreign aid project? <ul style="list-style-type: none"> <li>➢ France</li> <li>➢ Japan</li> <li>➢ China</li> </ul> </li> <li>• Sectoral focus: <ul style="list-style-type: none"> <li>➢ Automotive industry</li> <li>➢ Biotechnology</li> <li>➢ Subcontracting</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>• Delegate programme (“DP”)</li> <li>• Channel of communication with UNIDO.</li> <li>• Contacts and strengthen network of other IPs</li> </ul>			<p>SARIO</p> <ul style="list-style-type: none"> <li>➤ Cooperation with SCPC</li> <li>➤ Cooperation with R&amp;D institutions</li> </ul>	<p>the own UNIDO web pages to SARIO’s</p> <ul style="list-style-type: none"> <li>• Outward Investment and Technology Promotion <ul style="list-style-type: none"> <li>➤ ITPO BA visited all the companies required by the Ministry of Economy</li> <li>➤ ITPO BA has been screening UNIDO integrated programs and in the case of adequacy directs technology offers of Slovak companies to the coordinators of the programs.</li> </ul> </li> <li>• Cooperation with R&amp;D institutions <ul style="list-style-type: none"> <li>➤ Slovak R&amp;D institutions informed about possibilities of cooperation with UNIDO.</li> </ul> </li> <li>• Requests for registration to UNIDO’s roster of Consulting Companies received</li> <li>• Cooperation with Subcontracting Exchange of Slovak Republic (SPX) in identification of Slovak partners</li> <li>• Cooperation with SCPC on the project TEST</li> <li>• Cooperation with other international</li> </ul>	<p>investment seminars</p>	
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				<p>organisations and financial institutions</p> <ul style="list-style-type: none"> <li>➤ Promotion of the city of Banska Bystrica in Japan attracting FDI</li> <li>➤ Cooperation with Bank Austria, Vienna</li> <li>➤ Presentation of BOT Program</li> <li>➤ Executed and posted the projects of several companies to UNIDO Exchange Internet portal</li> <li>➤ In connection with outward investment activities close contacts were established with Chinese institutions</li> <li>➤ Created articles on Slovak Republic inviting investors</li> </ul>		
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ANNEX IV: List of cooperating institutions and enterprises

<b>1. Category: SME Support/Promotion Agencies/Funds</b>		<b>23.62%</b>
1.	6. Slovak Investment and Trade Development Agency (SARIO)	
2.	7. National Agency for SMEs Development (NADSME)	
3.	8. Regional Advisory and Information Centre (RAIC) Dunajská Streda	
4.	9. RAIC Komárno	
5.	10. RAIC Košice	
6.	11. RAIC Lu..enec	
7.	12. RAIC Martin	
8.	13. RAIC Nitra	
9.	14. RAIC Poprad	
10.	15. RAIC Povaňská Bystrica	
11.	16. RAIC Prešov	
12.	17. RAIC Trebišov	
13.	18. RAIC Tren..in	
14.	19. RAIC Zvolen	
15.	20. Business and Innovation Centre (BIC) Banská Bystrica	
16.	21. BIC Bratislava	
17.	22. BIC Košice	
18.	23. BIC Prievidza	
19.	24. BIC Spišská Nová Ves	
20.	25. Foreign Trade Support Fund (FPZO)	
21.	28. Slovak Cleaner Production Centre (SCPC)	
22.	31. Subcontracting Exchange of Slovak Republic	
23.	58. Slovak National Clearing Centre	
24.	60. International Visegrad Fund	
25.	64. GOLEM	
26.	65. Istroconti	
27.	78. National Property Fund	
28.	83. Slovak American Enterprise Fund	
29.	88. BIC Group s.r.o. Bratislava	
30.	95. JETRO, Vienna	

<b>2. Category: Associations/Federations/Unions/Foundations</b>		23.62%
1.	32. Federation of Employers' Associations of the Slovak Republic (AZZZ)	
2.	33. Federation of the Industrial Associations of the Slovak Republic (ZPZ,SR)	
3.	35. Union of Entrepreneurs of Slovak Republic (ZPS)	
4.	36. Association of Electrical Engineering Industry of the SR	
5.	37. Association of Textile and Clothing Industry of the SR	
6.	38. The Pulp-Paper Industry Association of the SR	
7.	39. Association of Metallurgy, Mining and Geology of the SR	
8.	40. Association of Chemical and Pharmaceutical Industry of the SR	
9.	41. Association of Mechanical Engineering Industry of the SR	
10.	42. Association of Construction Entrepreneurs of Slovak Republic	
11.	43. Slovak Wood Processors Association	
12.	44. Slovak Association of Dairies Industry	
13.	45. Slovak Craft Industry Federation	
14.	46. Association of Glass Industry of the SR	
15.	47. Association of Textile and Clothing Industry	
16.	48. Association of Glass and Artificial Jewelry Industry, Ľeliežovce, Ubl'a	
17.	49. Association of Iron Foundries	
18.	50. Association of Leather and Shoes Industry of the SR	
19.	51. Association of Employers of Power Industry in SR	
20.	52. Automotive Industry Association of the SR	
21.	53. Slovak Association of Furniture Producers (ASON)	
22.	69. Association for Development of Region Horna Nitra	
23.	77. Civil Association for Development of Region Veľký Krtíš	
24.	80. Association of Industrial Development and Revitalisation (APRR)	
25.	84. Association of Corporate Treasures (SAF)	
26.	89. Union of towns, cities	
27.	34. Industrial Entrepreneur's Corporation of Slovak Republic (ZPPS)	
28.	99. INNOVA Slovak Republic Foundation	
29.	101. Association of progressive technology support in Bratislava	
30.	102. Association of the Industrial cooperation Project Offices	

<b>3. Category: Banks and financial institutions</b>		11.81%
1.	1. Tatra banka	
2.	2. SZRB (Slovak guarantee and development bank)	
3.	3. VÚB	
4.	4. ISTROBANKA	
5.	5. ING BANK	
6.	6. Post bank	
7.	7. Citibank	
8.	8. BANK AUSTRIA, Vienna	
9.	9. Investment Bank of Japan, Germany	
10.	1. All Finance Group	
11.	2. Slavia Capital	
12.	3. Benefit Finance	
13.	4. East Fund Management	
14.	5. QUANT financial services, Vienna	
15.	6. IBJ-BA Consulting, Vienna	

<b>4. Category: Developmental Institutions</b>		10.23%
1.	54. Regional Office Prešov, Regional Development Department	
2.	55. Regional Office Spišská Nová Ves	
3.	56. Regional Office Banská Bystrica	
4.	57. District Office Vranov, Regional Development Department	
5.	59. Economic Development Center of US Steel Košice	
6.	62. International Business Development Consulting Italy Cyril Alif	
7.	67. Regional Development Agency Tren..in	
8.	68. Regional Development Agency Lu..enec	
9.	70. Tren..in Regional Development Agency (SCHCI)	
10.	86. Economic Developers Association of Canada	
11.	3. SEA Bratislava / Slovak Energy Agency	
12.	5. Profing s.r.o. Bratislava / Private company for environmental, energy audits, technical support for government etc.	
13.	92. Energy Center Bratislava	

<b>5. Category: Research Institutions</b>		8.66%
1.	1. Výskumný ústav vodného hospodárstva SR / Water Research Institute	
2.	2. EGU, Bratislava / Power Research Institute	
3.	4. VUJE Trnava / Nuclear Power Plants Research Institute	
4.	6. VUPC, Bratislava / Pulp & Paper Research Institute	
5.	7. EVPU, a.s., Nová Dubnica / Electrotechnical Research and Projecting Institute	
6.	8. VUNAR a.s., Nové Zámky / Research Tool Institute	
7.	9. Výskumný ústav dopravy SR / Transport Research Institute	
8.	10. VUCHT Bratislava / Chemical, Technological Research Institute	
9.	11. Štátny výskumný ústav drevárskych výrobkov Bratislava / State Forest Products Research Institute	
10.	12. Výskumný ústav zeleninársky Nové Zámky / Research Institute of Vegetables	
11.	13. Výskumný ústav zvära..ský Bratislava / Welding Research Institute	

<b>6. Category: Educational Centers/Congresses</b>		3.94%
1.	61. European Automotive Congress (EAEC)	
2.	79. University of Economics	
3.	91. Slovak University of Technology in Bratislava	
4.	93. Faculty of molecular biology	
5.	100. Slovak Univ. of Technology in Bratislava, Faculty of Mechanical Engineering	

<b>7. Category: Embassies</b>		3.94%
1.	71. Austrian Embassy	
2.	72. Portugese Embassy	
3.	73. Embassy of the Netherlands	
4.	74. Embassy of Germany	
5.	75. US Commercial Service, Embassy of USA	

<b>8. Category: Governmental Institutions/Offices</b>		3.94%
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1.	63. Antimonopoly Office
2.	85. Slovak Environment Agency, Banska Bystrica
3.	90. Tax Office Humenné
4.	97. Municipal authorities Banska Bystrica
5.	103. Office for European Union Programmes at FEI STU Bratislava

<b>9. Category: Ministries</b>		<b>3.94%</b>
1.	1. Ministry of Economy of the SR	
2.	2. Ministry of Foreign Affairs of the SR	
3.	3. Ministry of Agriculture SR	
4.	4. Ministry of Finance SR	
5.	5. Ministry of Construction and Regional Development of the SR	

<b>10. Category: Chambers</b>		<b>3.15%</b>
1.	27. Slovak Chamber of Commerce and Industry (SOPK)	
2.	29. French-Slovak Chamber of Commerce	
3.	30. US Chamber of Commerce	
4.	82. AM-SL. Chamber	

<b>11. Category: Institutes</b>		<b>3.15%</b>
1.	26. Slovak Institute of International Studies	
2.	81. The British Council	
3.	94. Slovak academy of science (SAV), Institute of molecularly biology	
4.	96. County Council Banska Bystrica	

**TOTAL: 127**

## ANNEX V: Project examples

### **Summary of selected projects promoted through UNIDO-ITPO BA**

#### ***UNIOL Vranov nad Toplou***

*The aim of the project:* To build a new plant for production of large dimensional bricks.

*Estimated total investment costs:* 10,8m USD

*The task of UNIDO-ITPO:* To find a foreign partner for JV with Slovak company UNIOL.

November 2000 - UNIDO-ITPO started work on this project. The UNIOL IITPP was disseminated to UNIDO ITPOs network.

February 2001 - the response was received from UNIDO- ITPO Athens. They found potential partner for Slovak company UNIOL Vranov – Greek company SABO Hellas S.A., which expressed interest to participate in this projects by technology input.

March 12<sup>th</sup> –14<sup>th</sup>, 2001 - Mr. Tassos Zervas, Commercial Director of Sabo Hellas S.A. and Mr. Elias Antonakakis Deputy Head visited premises of the Slovak company UNIOL and took part in the meeting with Slovak company UNIOL – Mr. Tarkanic. UNIDO-ITPO BA provided active assistance during negotiations.

May 2001 - Greek company sent an offer to UNIOL with suggestion to construct some of the equipment locally in order to reduce the cost of the investment. The both companies also discussed about entering of 3rd potential partner or financial institution to the projects. The Greek company found possibility to finance technology from IFC (International Finance Corporation).

April 2002 - Mr. Antonakakis announced SABO visit and meeting with UNIOL representatives in near future.

Project promoted through UNIDO EXCHANGE.

*The current situation of the project:* The announced visit of the SABO Hellas S.A. is expected.

#### ***EMINENCE France***

*The aim of the project:* To start garments (men's underwear) production in Slovak Republic

*Estimated total investment costs:* USD 3,75m, yearly export 250mSKK

*The task of UNIDO-ITPO:* To help EMINENCE find appropriate premises.

April 2000 – UNIDO–ITPO BA provided information about Support for foreign investors

October 2000 – ITPO BA received project Eminence

November 28<sup>th</sup>, 2000 – meeting with representatives of Eminence: Mr. Serres, Mr. Boisson, Mr. Mahe.

UNIDO-ITPO worked on the preparation of different appropriate premises for Eminence:



- Sklotex Revuca – Mr. Gocaltovsky, Slovakotex Mr. Dvorsky, Pleta Banska Stiavnica, C.S.I. Slovenka Vranov Mr. Ilcisin, Mr. Bak, Finis Spisska Nova Ves, , Merina Trencin Mr. Rokasi, Pratex Cadca Mr. Vekse, Association of textile industry Mr. Kubecka, The Eminence (Mr. Serres, Mr. Boisson, Mr. Mahe) expressed interest to visit Slovenka Vranov and UNIDO-ITPO BA organized the following meetings:

March 5<sup>th</sup>, 2001

- meeting with Ms. Koblikova, Tax Office Humenne and with Mr. Macej, Regional Government Office Presov, information about current situation in buildings, pledge right, and problems with collection of all necessary information.

- meeting with Mr. Bak, Bankruptcy administrator and Mr. Ilcisin, owner of C.S.I., IlaS

March 7<sup>th</sup>, 2001

meeting - Ministry of Economy, Mr. Lavo, Mr. Kapko, director of Foreign investment department, Mr. Rajnoha Textile Specialist. ME SR cannot support entry of Eminence to Slovenka, because of private ownership in Slovenka. The advice of Ministry of Economy is to find other company, where ownership situation is less complicated than in Slovenka Vranov.

Other possibilities found for Eminence: building of Chirana Humenne in bankruptcy (Eminence had a meeting with Nylstar in Humenne 6.3.2001).

April 2001 - C.S.I. Slovenka Vranov sent offer to EMINENCE: bidding prices of real estate (production hall, energy building, dye house), warmth and electric power.

May 2001 - Mr. Serres announced that the company EMINENCE further to the shareholders meeting will not be treated the purchase of industrial facilities in Slovak Republic on a short-term basis. Eminence will inform UNIDO-ITPO as soon as they start working again on this project. Cooperation with UNIDO-ITPO has been greatly appreciated.

*The current situation of the project:* Eminence will inform UNIDO-ITPO as soon as they start working again on this project.

## ***INSECTA***

InSecta Ltd. London, cooperation with Forest Research Institute

*The aim of the project:* Sterile Insect Mass Production Facility in Slovak Republic. (Project of IAEA International Atomic Energy Agency)

The purpose of the proposed facility is to produce various species of sterile insects – starting with Mediterranean fruit fly (Medfly) and Tsetse fly for export sale to governments and agricultural producer organizations to be used in the control of damaging insect pests.

*Estimated total investment costs:* 21,6mUSD, 1,6m USD – pilot plant, 20mUSD – production, R&D

*The task of UNIDO-ITPO:* To find Slovak partners, banks for project financing (30-40%) and appropriate premises for establishment of a new plant.

November 2000 – UNIDO-ITPO BA identified appropriate Industrial zone in Ivanka pri Dunaji and organized meeting with representative of Industrial zone (Mr. Baca) for InSecta (Mr. Novotny, Mr. Kozanek).

2001 UNIDO-ITPO BA organized:

- presentation of the project (Mr. Goldsmith, Mr. Beans, Mr. Kozanek, Mr. Novotny) for banks, Slovak companies and institutions and meetings with Tatrabank (Ms. Lorincova, Mr. Kubala, Mr. Turek) and Postova bank  
- dissemination of the project (East Fund Management,)  
- UNIDO meeting with BA CA bank Vienna (Mr. Stanek) with support of UNIDO HQ (Mr. Rodrigues) to find sources for financing of the project  
2002 - meeting with potential Slovak partner Benefit Finance  
*The current situation of the project:* The company started to prepare pilot plant in Zvolen

### ***CHEMES HUMENNE***

*The aim of the project:* Development and production of the transport & manufacturing equipment for mould material used in mines, in stone, pit industry, in cement industry (technologies, access to new markets).

*Estimated total investment costs:* 1m USD

*The task of UNIDO-ITPO:* To find appropriate foreign partner

October 2000 - Visit of the company, meeting with Mr. Chvostal – start cooperation

June, July 2001 - Delegate Program (DP) SR in UNIDO-ITPO Tokyo – project identified for promotion through DP, meeting with delegate Mr. Kozar

May 2002 - Delegate Program SR in UNIDO-ITPO Paris, project identified for promotion through DP, meeting with delegate Mr. Reiner

September 2002 - Delegate Program SR in UNIDO-ITPO Belgium project identified for promotion through DP

*The current situation of the project:* The project is under promotion – DP France, Chemes has interest to promote Industrial park in Humenne through UNIDO EXCHANGE

### ***PROJECT SLANA VODA***

*The aim of the project:* Construction and operation of curative Spa based on iodine-bromine water in Oravska Polhora with foreign partner. 3 stages of the project:

1. Permits and licenses, renewal of existing well or drilling a new one for medicinal water production
2. Construction of complete technical and transport infrastructure
3. Construction of curative Spa

*Estimated total investment costs:* 43,5m USD

*The task of UNIDO-ITPO:* To help to find strategic partner for the projects

April 2002 Meeting with Mayor of Oravska Polhora Mr. Pecarka,

May 2002 - Delegate Program SR in UNIDO-ITPO Paris, project identified for promotion through DP, meeting with delegate Mr. Reiner

September 2002 - Delegate Program SR in UNIDO-ITPO Belgium project identified for promotion through DP.

The project is a part of SARIO project portfolio and was inserted to Internet platform UNIDO EXCHANGE in year 2001

*The current situation of the project:* The project is under promotion – DP France & Belgium

## **ZOS ZVOLEN**

*The aim of the project:* Reconstruction and modernization of trams and Diesel locomotives and production of diesel railcars. The company is going to modernize the railway passenger wagons for the Railway of the Slovak Republic. This is enlargement of the production program of the company. Modernized passenger wagons must fulfill the requirements for the transport of passengers in the international express trains.

*Estimated total investment costs:* 20m USD (for financing of the mentioned modernization of passenger wagons)

*The task of UNIDO-ITPO:*

June, July 2001 - Delegate Program SR in UNIDO-ITPO Tokyo – project identified for promotion through DP, meeting with the delegate Mr. Kozar

May 2002 - Delegate Program SR in UNIDO-ITPO Paris, project identified for promotion through DP, meeting with the delegate Mr. Reiner

September 2002 - Delegate Program SR in UNIDO-ITPO Belgium, project identified for promotion through DP

*The current situation of the project:* Under promotion in DP France & Belgium

## **Central European Silicone Liptovský Hrádok**

*The aim of the project:* Production base of high volume and low-cost photovoltaic solar cells and panels (UNDP project).

*Estimated total investment costs:* 100 m USD

*The task of UNIDO-ITPO:* To find a partner for Joint Venture

2001 meeting with Mr. Kysela UNDP

June, July 2001 - Delegate Program SR in UNIDO-ITPO Tokyo – project identified for promotion through DP, meeting with the delegate Mr. Kozar

*The current situation of the project:* Next follow-up & actions will be taken by delegate Mr. Kozar

## **AVC CADCA**

*The aim of the project:* Production parts for automotive industry - cooperation and development. The company AVC Cadca is in the process of negotiation with Volkswagen in delivery of new parts for cars. New production is planned for a period of 6 years in amount 35 000 pieces of car parts per year. The samples of car parts are planned in August 2002. The intention of the company is to search for a partner, which will provide technology for realization of the project for Volkswagen. Also the company has interest to find a foreign partner for their premises in Rakova.

*Estimated total investment costs:* 1,068m USD

*The task of UNIDO-ITPO:* To promote project with aim to find a foreign partner.

April 2002 - Visit of the company premises, meeting with the delegate Mr. Reiner

DP France & Belgium 2002, project identified for promotion through DP

*The current situation of the project:* Under promotion in DP France.

ANNEX VI: Itinerary of field visits

**2002 ITPO Ba Evaluation - Schedule of Meetings ( D. Magliani, M. Vitkovic )**

**23<sup>rd</sup> May Bratislava**

09:00 **ITPO Ba** +

*12:00 – 13:00 Lunch break*

13:30 **Ministry of Economy SR**, Mierová 19, BA, ( Pánik, Mrvová, ... ) +

15:00 **BIC Group**, Zochova 5, BA, ( Strelecký ) +

16:00 DM & MV – day concluding notes

*18:00 D. Magliani – **Hotel Dukla***

**24<sup>th</sup> May Bratislava**

08:00 **Slovak Chamber for Trade and Industry**, Gorkého 9, BA ( Berith, Kurišová ) +

*09:00 Coffee break*

10:00 **Ministry of Foreign Affairs SR**, Hlboká cesta 2, BA ( ??? ) +

11:00 **Industrial Entrepreneurs´ Corporation of Slovak Republic**, Za stanicou 1, BA + ( Bojda, Némeš )

*12:00 13:00 Lunch break*

13:00 **EXIM Banka**, Grosslingova 1, BA, ( Bilkovicová, Žvaková ) +

14:00 **Benefit Finance**, Kuzmányho 8, BA ( Cechovic ) +

15:00 **NADSME and SPX** Prievozská 30, BA, ( Majtán ) +

16:00 **UNDP**, Grosslingova 35, ( Ben Slay ) +

16:30 DM & MV – day concluding notes

*17:16 Train to Vienna for D. Magliani*

## 28<sup>th</sup> May Slovak Republic

11:00 **Municipal Authorities Banska Bystrica**, CSA 26, (Mr. Maša, M. 0903 513 828) +

13:00 – 13:30 *Lunch break*

13:30 **SEZ Dolny Kubin**, M.R. Štefanika 1831/46, Dolný Kubin, + ?  
( Mr. Banas M. 0905 853 870, 043 5809 225)

14:15 **Kovohuty**, Nábřežie Oravy 625/12, Dolný Kubin, +  
(Mr. Oparty, M. 0905 755 728, 043 586 4889)

15:45 **Tesla**, Pálenica 53/79, Liptovský Hrádok, +  
(Ms. Gazsiova, M. 0905 134 476, Mr. Sako 044 520 1469)

16:30 **Microstep**, M.R. Štefánika 73, Liptovský Hrádok ( Mr. Lizuch, M: 0905 929 818 ) +

17:20 *Move to Humenné or around (20:30) – hotel Chemes,*

*nám. Slobody 51*

## 29<sup>th</sup> May Slovak Republic

08:15 **Chemes**, Chemlonská 1, Humenné,  
( Mr. Chvostal, , 057 771 2202, M. 0905 928 304) +

09:40 **Uniol**, Cemernianska 137, Vranov nad Toplou,  
( Mr. Tarkanic, M. 0905 256 947, 057 442 2065) +

12:30 – 13:15 *Lunch break*

15:30 **ŽOS**, Zvolen, Môtovská cesta 259/11, (Mr. Pospíšil, 045 5302 211) +

16:15 **LDC**, P.Jilemnického 2465/17, Zvolen, (Mr. Lahky, M.0905 623 055) +

17:30 **Forest Research Institute / InSecta**, Lesnícka 11, Banská Štiavnica  
( Novotný, M: 0907 791 861 ) +

17:30 *Move to Bratislava (20:30)*

21:00 *D. Magliani – Hotel Dukla*

## 30<sup>th</sup> May Bratislava

09:00 **BEZ Transformátory**, Rybnicna 40, BA, (Mr. Fekete, 4959 5315) +

10:00 **Istrochem**, Nobelova 34, BA (Mr. Centík, 4951 2912) +

11:00 **VÚCHT**, Nobelova 34, BA (Mr. Petro, 4445 9181) +

*11:00 – 12:45 Lunch break*

13:00 **SARIO**, Martincekova 17, BA ( Lukác, Hudcovicová, Kozár, 5810 0337)

+

14:00 **Cleaner Production Centre**, Pionierska 15, ( Fecková, Báležová ) +

15:00 DM & MV – summarizing notes ...

16:16 or 17:16 ... Train to Vienna for D. Magliani