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**UNIDO SERVICE IN THE REPUBLIC OF KOREA  
FOR THE PROMOTION OF INDUSTRIAL INVESTMENT  
IN DEVELOPING COUNTRIES**

**US/GLO/96/135**

**Report of the evaluation mission\***

Prepared in cooperation with  
the Government of the Republic of Korea and  
the United Nations Industrial Development Organization

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**List of Acronyms Used in the Report**

APEC	- Asia and Pacific Economic Cooperation
COMFAR	- Computer Model for Feasibility Analysis and Reporting
IPC/ITP	- Investment Promotion and Institutional Capacity-Building Division, Investment and Technology Promotion Branch
IPS	- Investment Promotion Service
ITPO	- Investment and Technology Promotion Office
KCCI	- Korea Chamber of Commerce and Industry
KFSB	- Korea Federation of Small Business
KITA	- Korea International Trade Association
KOICA	- Korea International Cooperation Agency
KOTRA	- Korea Trade-Investment Promotion Agency
MOFAT	- Ministry of Foreign Affairs and Trade
MOST	- Ministry of Science and Technology
NPO	- National Professional Officer
PROPSPIN	- Project Profile Pre-appraisal and Screening Information System
SMIPC	- Small and Medium Industry Promotion Corporation

## Executive Summary of Conclusions and Recommendations

### Conclusions

- The ITPO Seoul is one of the 12 offices of the investment promotion network created by UNIDO in 1975. The Office was established in 1987 and following a period of nearly three years, during which the operations were very limited, starting February 1997 the activities have been re-launched with the recruitment of a new Head.
- The function of the Office is to promote and distribute the information on business opportunities, assuring the link with the Korean economical, industrial and financial infrastructure and the potential partners in developing countries. Considering the limited resources available, the activities of the Office are considered as successful.
- The comparative advantage of the Office, towards other Korean institutions operating in the same sector, is the possibility to utilize the UNIDO worldwide network and its tools and methodologies, with direct access to the UNIDO databank, offering its services free of charges.
- The delegates programme is working well. During the last two and half years the Office has organized the stay in Korea of 10 delegates from developing countries. The positive impact of this programme has been brought to the attention of the evaluation team during the interviews held with the Korean counterparts and commercial representations of developing countries in Seoul.
- According to the statements received from the representatives of developing countries the Office responds to their needs to promote and establish business opportunities with Korean entrepreneurs. Particularly looking for small entrepreneurs, the developing countries have difficulty in finding in Korea institutions interested in supporting their efforts.
- With the establishment of this Office, the Government of the Republic of Korea has proved its transition from country receiving technical assistance from United Nations to a country contributing to the technical assistance for developing countries. Because world's economy has close interdependent relationship with developing countries, the stability and socio-economic development of developing countries are indispensable to peace and prosperity of the entire world. Hence, foreign aid program is also known as development cooperation. UNIDO and the ITPOs network are additional impartial instruments to help the international community to reach these objectives.
- UNIDO has been actively involved in the Tumen River Area Development Program (TRADP), contributing to the inauguration of the first business school in DPRK, the Rajin Business Institute. In 1996 and 1998 UNIDO has organized investment fora in Rajin-Sonbong Free Economic and Trade Zone, in cooperation with the Committee for the Promotion of External Economic Cooperation of DPRK. The participation of South Korean entrepreneurs in the above mentioned events was not realized due to the political situation between the two countries and the connected bureaucratic impediments. In view of the historic summit foreseen in June 2000 between South and North Korea, after years of cold war antagonism, and the recent initiatives taken by DPRK to restore diplomatic ties with various countries, after decades of diplomatic isolation, it could be expected that ITPO Seoul can play a key role in mobilizing, selecting and assisting South Korean interested entrepreneurs, when UNIDO promote in the future similar events in DPRK.

- The results of the Office are a good example of the direct cooperation enterprise to enterprise, which can be considered as the leading orientation of the industrial development in the future, regarding investment and transfer of technology.
- During 1998 and 1999, the SMEs in the Republic of Korea had not very much interest in outward investment, because the country was facing the economic crisis, it can be expected that the situation will change and that the Korean entrepreneurs will newly look for foreign partners.
- The budget of the Office is too scarce to assure a high level of assistance in the implementation of its operations. The budget is US\$ 89.000 for the year 2000. It includes the salary of two persons (Head of Service and Investment Promotion Expert) , travels, expendable equipment, running costs, hospitality and the 10% administrative support charges of UNIDO. The computer system, the office space and 39.000 US\$ are offered by KOICA. However, according to the information received, KOICA informed MOFAT that its support to the ITPO Office would finish at the end of this year, since its mandate does not include direct assistance to enterprises.
- The activities of ITPO Seoul can be divided into two main functions:
  - o information provision on business environment of developing countries and on joint ventures opportunities
  - o assistance to individual SMEs in concluding specific joint venture projects.

The first function seems to have been implemented well through cooperation with the other big organizations like KITA, SMIPC, KCCI, KFSB, KOTRA.

As to the second function, some weaknesses have been ascertained in the follow up and recording of the progress of individual joint venture projects promoted. This might be attributable to the limited manpower. The Office should develop a systematic way to improve the follow up of the activities.

- During the last two years the number of project profiles distributed to the Korean firms has remained stable, around 500 per year. In 95% of the cases the source of origin has been the UNIDO Headquarters. It would be advisable for the Office to develop some efforts to mobilize other sources through contacts with National Investment Promotion Agencies of countries of interest for the Korean entrepreneurs.
- The premises of the Office are small and this situation affects negatively (if compared with the level of other similar institutions ) the image given to any entrepreneur visiting the Office and seeking assistance for industrial partnerships. Moreover it is difficult to host for long time any delegate. For this reason the delegates of ITPO Seoul are always placed in institutions cooperating with ITPO. Having the delegate in the same office and under the continuous supervision can assure a better coordination of his or her activities.
- Some Korean institutions and entrepreneurs would like to have stronger cooperation with the former socialist countries and delegates especially from Russia, with convincing project proposals, would be welcome. The Office should intensify its contacts with ITPO Moscow.

**Recommendations**

- The Korean authorities involved in the activities of ITPO Seoul should analyze the opportunity to give further financial resources to the Office, to allow a longer and better programming of the activities and an appropriate follow up of the projects promoted.
- Provided the resources are enlarged, the Office should develop an expertise to advise the entrepreneurs on pre-feasibility studies , utilizing the UNIDO tools available to this purpose. The Office should also contribute to broadening, among the Korean entrepreneurs, of the importance of pre-feasibility studies for profitable investments.
- A systematic follow up of the projects distributed to the Korean business community should be organized by the Office. Closer follow up should be made by MOFAT, which is financing ITPO Seoul, of the performance of the Office. It seems that the meetings with ITPO are very seldom and the annual work plan is prepared by the Office alone, without consultation with MOFAT.
- Workshops presenting the activities of the Office, coupled with presentations of a specific country profile and project proposals, coming from partners in this country, should be more frequently organized in cooperation with the other Korean agencies.
- An additional action for ITPO Seoul should be to conduct periodical investigations among potential Korean partners (individuals and associations) to obtain an updated list of geographical and industrial preferences. This list, then, can be transmitted to the other ITPOs to try to establish a direct match-making with their potential partners.
- ITPO Seoul can play a pivotal role in selecting the delegates from developing countries. The Korean entrepreneurs consider for their geographical position, Russia and the former socialist countries as the main target countries.
- The evaluation team recommends a further extension of the Office. However, the extension should be given for a period of two, or better, three years in order to allow the Office to be in the position to plan adequately its activities.

## **I. INTRODUCTION**

### **a. The ITPO Network**

Within the Investment Promotion and Institutional Capacity-Building Division (IPC) of UNIDO, it has been established the Investment and Technology Promotion Branch (IPC/ITP), which has a Section dealing with Capacity Building for Partnership Development (CBPD). This Section coordinates all the activities related to capacity building for partnership development with special emphasis on the ITPOs network.

The main objective is to identify, formulate and promote partnerships and investment opportunities between promoters in developing countries and interested foreign investors in industrialized countries. Also the cooperation and partnership South-South is encouraged.

Through this network the enterprises in the industrialized countries are informed on the opportunities of partnership and on the projects looking for investors in developing countries. At the same time the potential investors receive from UNIDO assistance and advice to mobilize technical and financial resources to follow up these opportunities. The main feature of the network is the possibility to cooperate with regional focal points, the other ITPOs, centers for technology and advance research, universities in developed countries and national agencies for the promotion of investments in developing countries.

In 1975, to facilitate these activities, the first Investment Promotion Service (IPS) was established. These services are in contact with the industrial associations, banks, chambers of commerce, ministries and developing agencies in the hosting country. All these offices have established databanks with information on the national enterprises interested in industrial partnerships with promoters in developing countries. Since transfer of technology is closely associated with investment, later these offices have been renamed ITPOs (Investment and Technology Promotion Offices), since 1<sup>st</sup> January 1999.

Thanks to the ITPOs, the potential investors receive information on the investment opportunities and the climate for business in the developing countries in which they are interested.

Through the worldwide network of ITPOs, UNIDO has a comparative advantage in gaining access to valuable investment information, providing investment information and contacts, helping in the identification, formulation and implementation of industrial investment projects in developing countries.

The function of ITPO Seoul is to promote these activities, assuring the liaison with the national economic and business infrastructure and the potential entrepreneurs.

Each ITPO can participate in a unique business intelligence unit, like UNIDO EXCHANGE, that optimize, through an electronic platform, the use of information technology to provide information and knowledge to its members. Through UNIDO EXCHANGE the participants can obtain direct access to the UNIDO expertise, its field offices and affiliated institutions as centers of research and National Investment Promotion Agencies all over the world. The network allows to get qualitative information, under global perspective, on international business, institutional contacts and technology opportunities.

As a result the ITPO network provides the opportunity of having contacts in selected developed economies, establishing mutual advantages with the local business community. This network offers the possibility to find out the needs and offers of investors in developed economies and at the same time providing them with cooperation proposals from developing countries.



**b. Background of ITPO Seoul**

ITPO Seoul started its activity on 15 April 1987 with an initial agreement (Annex III) between the Republic of Korea and UNIDO to implement a project in Seoul for the promotion of industrial investment in developing countries.

More details on the objectives of this project, the structure of the Service and the financial commitments were laid down in a Project Document dated 17 November 1986 (Annex IV), attached to the initial agreement.

ITPO Seoul is financed by a voluntary contribution of the Republic of Korea. The guidelines for the activities of the Office were indicated in this Project Document and the Government counterpart agency at that time was the Ministry of Science and Technology. The initial duration was for two years starting from 15 April 1987. The Office has then further been extended as follows:

- interim extension pending formal renewal from 16 April to 15 July 1989
- further 3-month interim extension from 16 July to 15 October 1989
- on 16 October 1989 formal extension agreed until 15 July 1992
- 3 month extension 16 July – 15 October 1992 pending final decision
- 6 month extension on temporary basis from 16 October to 15 April 1993 on the same terms and conditions
- further extension (8.5 months) until 31 December 1993
- interim extension for 3 months from 1 January 1994 to 31 March 1994, based on a reduced budget. The new Government counterpart is now the Ministry of Foreign Affairs
- extension for 9 months until 31 December 1994
- one year extension from 1 January to 31 December 1995
- on 23 May 1996 the Permanent Mission of the Republic of Korea in Vienna proposed a further extension for the duration of two years with retroactive effect from 1 January 1996. In this letter it was specified that the Office shall be located in the premises of the Korea International Cooperation Agency (KOICA) and that the technical arrangements relating to the functioning of the Office shall be established in a separate agreement between KOICA and UNIDO. The Head of the Office will be appointed by UNIDO as a National Professional Officer.
- in a further exchange of letters, KOICA on 30 October and UNIDO on 11 November 1996, it was stipulated that:
  - o KOICA shall support the Government contribution in kind, each year during a two-year period.
  - o the activities of the Office shall be outlined in the new attached Terms of Reference (Annex V)
  - o the Head of the Office will be appointed by UNIDO as a National Professional Officer (NPO) at the salary level established for this category of staff and within the available budget allocation.
  - o KOICA and UNIDO shall consult each other in pursuit of the successful implementation of IPS Seoul.
  - o during the two-year period, the provisions of the Agreement between the Government of the Republic of Korea and UNIDO shall be applied, mutatis mutandis to KOICA and UNIDO.
- a further extension was granted from 1 January to 30 June 1998, through a letter dated 10 February, 1998 of KOICA, where it was indicated that: “the amount of KOICA’s share of the 1998 budget is to be decided between the Government and KOICA. In addition KOICA shall support the Government contribution in kind mentioned in the budget.

- the agreement was further extended from 1 July 1998 to 31 December 1999 with a letter dated 29 June 1998 of the Permanent Mission of the Republic of Korea in Vienna.
- finally with a letter dated 28 December 1999 the Embassy of the Republic of Korea in Vienna, communicated the intention of the Government to extend the agreement of the operations of the Office for a further 12 month period starting 1 January 2000 till 31 December 2000. The ITPO shall continue to be located in the premises of KOICA. The budget for the operations of the Office in the year 2000 is US\$89,000 plus the contribution in kind of KOICA, covering the computer system and the Office rent including facilities and cleaning. (Annex VI).

As can be seen from the above, the Agreement concerning the Office has been continuously renewed but in practice the activities were discontinued during the period 1993-1996. The present Head of the Office was appointed on 1 February 1997.

During the first year of its reopening ITPO Seoul directed its activities mainly to facilitate outward flow of Korean technology and investment to developing countries, establishing in Korea strong relations with KOTRA and KCCI.

Due to the Asian financial crisis of end 1997 and the shrinkage of potential Korean outward investors, ITPO Seoul has extended its operations to inward investment as well, participating in 1999 to the APEC (Asia and Pacific Economic Cooperation) Investmart and in the 4<sup>th</sup> SMB Techno Plaza, both held in Seoul.

### **c. Purpose of the evaluation**

Evaluation of an ITPO is a process, which attempts to determine as objectively as possible the relevance, efficiency, effectiveness and impact of the activities of the Office in the light of its objectives. It is a learning management tool for improving the quality of the activities, giving advice to the decision-makers and ensuring that accountability requirements by senior management and donor are met.

The Project Document (Annex IV) attached to the initial Agreement between the Republic of Korea and UNIDO was foreseeing in paragraph g) “a joint evaluation not later than six months prior to the completion of the project”. For various reasons, also because the Office restarted its activities in 1997, a joint evaluation has never been conducted.

According to the UNIDO practice, the purpose of an in-depth evaluation is:

- To evaluate the results of the project, in relation to the established objectives, which are normally indicated in the annual work plan.
- To identify and assess the factors that have facilitated the achievements of the Office’s objectives, as well as those factors that have impeded the fulfillment of those objectives.
- To formulate recommendations and suggestions regarding the activities of the Office.

As part of the above-mentioned tasks the evaluation mission has also to review whether the approach utilized has led to optimum results.

The terms of Reference of the mission are in the Annex I.

The evaluation team is composed of one member representative of the donor and one member representative of UNIDO.

The persons nominated to conduct the evaluation have not been directly involved in the design, appraisal

or implementation of the project. Their observations are the direct result of an evaluation carried out on their own capacity. The views and opinions of the team do not reflect the views of the Korean Government or UNIDO.

**d. Organization and methodology of the evaluation**

The evaluation has been conducted, according to the conditions agreed in the Terms of Reference, by a representative of the Government of the Republic of Korea and a representative of UNIDO.

The evaluation team was composed of the following members:

- Mr. Seok-Woong Yang, evaluation team of KOICA (Korea International Cooperation Agency), nominated by the Government of the Republic of Korea.
- Mr. Mario Marchich, Senior Evaluation Officer, Office of Internal Oversight and Evaluation, Representative of UNIDO.

The mission took place from the 15 to 22 May 2000 and visited ITPO Seoul, cooperating institutions, commercial delegations and entrepreneurs in the area of Seoul.

The mission, in accordance with its Terms of Reference, conducted a thorough review of the developments of the Office during the past three years. The mission has analyzed the results of the Office in Seoul, its relevance, effectiveness, and impact and whether the immediate objectives have been achieved.

As regards methodology, this report is based on the information obtained during the visits to the organizations and persons met, as well as the interviews held with the Head of the Office.

The mission team presented at the end of the evaluation, in Seoul at the Ministry of Foreign Affairs and Trade, United Nations Division, its conclusions and recommendations in draft.

**II. CONTEXT**

**a. Institutional framework**

Korea achieved remarkable economic progress during the last four decades. The GDP rose from U\$2 billion in 1960 to U\$520 billion in 1996. Per capita GNP was also increased drastically, from \$79 in 1960 to \$11,380 in 1996. Korean economy, however, has experienced a temporary setback by being swept into the Asian financial crisis, which occurred, in late 1997. The economy could stage a much more rapid recovery from the crisis than generally anticipated. Economic indicators such as GDP growth, foreign currency reserve, show that Korea has retrieved its vitality to the pre-crisis level. In 1999 Korea regained the rank of the world's 13th biggest trading volume (12th largest in export with \$144 billion).

Korea's outward flow of investments had been at a low ebb, both in number and amount, until the mid-1970s. The poor records in overseas investments are attributable to the weakness in domestic industrial base and the persistent deficiency in international balance of payments. Outward FDI during the period of 1968-1975 totals 82 projects, \$55,656 thousand only. Major sectors of investments were natural resources development, construction and trade. With the background of strengthened economy and big surplus in foreign reserve, the outward FDI of Korea became invigorated since late 1980s, primarily aimed to solve trade frictions, pursue low wages or access overseas market. Korean Government policies on

FDI were also greatly liberalized during this period.

FDI in manufacturing sector became full-fledged since June 1996 with the adoption by Korean authorities of 'automatic approval system'. 1996 has recorded \$6.3 billion overseas investment. The figures however dwindled to \$5.8 billion in 1997, \$5.1 billion in 1998 and \$4.3 billion in 1999, presumably affected by the economic hardship. Indeed the investment capabilities of large-sized companies, especially chaebol, have been declining. It deserves special attention that investments by SMEs are gaining momentum. In 1999, the number of outward investments by SMEs increased to 1027, showing 62% rise from the preceding years. Investment amounts ranging from \$100 thousand to \$500 thousand account for 40% of total FDI projects. Considering the present trend, outward FDI by SMEs will continue to increase in the coming years.

Necessities have arisen for the Korean Government to support more private sector for their trade and investment efforts. Accordingly, such public institutions as KOTRA and SMIPC were established by the Government. Civil associations such as KCCI, KITA and KFSB also joined the network of supporting activities for Korean SMEs. In late 1980s when outward FDI became activated, Korean Government and UNIDO concluded the agreement for the establishment of IPS Seoul.

When FDI in manufacturing sector became full-fledged in late 1996, negotiations to reactivate the activities of the Office were initiated.

With the global network of UNIDO including focal points and IPAs, ITPO can play a substantial role in assisting SMEs in their investments overseas, especially in developing countries. Korean SMEs that have little experience in overseas market will be benefited by the activities of ITPO. As part of UNIDO's worldwide network of ITPOs, the Office can use methodologies, mechanisms and software developed by UNIDO in the fields of industrial investment and technology transfer.

In developing its infrastructure, the Office has mainly relations with MOFAT and KOICA, both of which support directly the budget of ITPO Seoul. Relations with foreign economic and trade commissions in Seoul are also established. It is to be noted that MOFAT has incorporated in its mandate the trade function since early 1998. Therefore, MOFAT can strengthen its industry-related function by utilizing ITPO.

#### **b. The constitutional documents**

The Office was governed by an exchange of letters between the Government of Korea and UNIDO and a project document enclosed to the first agreement establishing the Office in Seoul. This project document has remained valid over the years and no amendments were introduced.

In October 1996 through an exchange of letters between KOICA and UNIDO the Office was extended for two years and the main modification introduced was that the activities contained in the project document annexed to the agreement of April 1987 shall be replaced by the new Terms of Reference (Annex V).

The old format of the project document foresaw the descriptions of: background, justification, development objective, project objective, activities, institutional structure, budget and reporting/evaluation requirements.

The new Terms of Reference specify the objectives of the Office, which are to promote industrial investment and mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc.) from Korea to developing countries and countries with economies in transition, in the framework of the UNIDO's worldwide network of Investment Promotion Services. Further, these Terms of Reference state the functions and the activities, the methodologies mechanisms and software to

implement the operations, the beneficiaries, the coordination arrangements with UNIDO Headquarters, the two-year budget of the Office, the annual work programme and the way of reporting to UNIDO Headquarters.

Finally, the Office will maintain cooperative arrangements with the responsible Korean authorities and institutions, targeting the countries in line with the indications of the policy-making organs in Korea, the UNIDO priorities and the interests of the Korean entrepreneurial environment.

Several activities are listed in these new Terms of Reference guiding the activities of the Office. They can be grouped into the following major areas:

- Information dissemination and establishment of contacts with local industrial associations and related institutions.
- Advisory functions: such as screening investment proposals, carry out pre-appraisal work using COMFAR and PROPSPIN
- Identification of business contacts and match-making.
- Promotion of investment proposals, monitoring the negotiation process and assisting the partners, if requested.
- Compilation of an inventory of contact points and potential investors.
- Delegates programme and their training.
- Support to investment fora organized by UNIDO, receiving official delegations from foreign countries interested in direct contacts with the Korean business community, introducing the visitors to potentially interested parties.
- Interaction with the National Investment Promotion Agencies of developing countries concerned.

The evaluation team considers that ITPO Seoul is accomplishing most of these foreseen activities, however for the advisory functions, the appraisal work and the monitoring of the negotiation processes, the scarcity of human and financial resources makes it difficult for the Office to be very active in these fields. In some cases the implementation of the appraisal work, utilizing COMFAR is done with the support of cooperating Korean institutions.

### **c. Staffing of the Office**

The staff of the Office is appointed by UNIDO according to its rules and regulations. The staff is recruited under the National Professional Officers category. Their salary is paid in local currency and it is established on the basis of the UN salary scale applicable to this category of staff.

Starting May this year, in order to save funds of the budget, the staff is working part-time (70% the Head and 50% the Investment Promotion Officer).

The present Head has been appointed in February 1997.

The staff is composed of two officers: Head and Investment Promotion Expert.

The actual Investment Promotion Officer has been recruited few months ago and she is specialized in relations with China.

At the time of this evaluation, no delegates were working in Seoul.

The evaluation team can conclude that the Office is well organized and the duties are defined in the framework of the strategy established by the Head of the Office in accordance with UNIDO and Korean

guidelines.

**d. Budget**

The budget of the Office has decreased since the starting of the operations in 1987. The initial cash budget for the first two years was \$310,000, excluding the administrative support costs of UNIDO (13% on personnel and 5% on all other costs). In the budget it was included also administrative support personnel that now has been eliminated.

Since January 1998 a new flat rate of 10% on administrative support costs is applied on all the budget.

The budget approved for the year 2000 is \$ 89,000 in cash plus the KOICA contribution in kind for the computer system and the rent of the Office (Annex VI).

The financial resources are provided by MOFAT and KOICA.

The evaluation mission wishes to underline that also within the relevant budget constraints, the Office has always operated at the maximum of its capacity and with professionalism. The dedication, efficiency and competence of the Office have been unanimously outlined by the persons met.

**e. Sectors of capacity building to be dealt by ITPO Seoul**

During the last years UNIDO has developed an extensive investment and technology programme, based on the role played by overseas capital and transfer of technology in accelerating the industrial development of developing countries. A successful investment promotion is strongly related with an efficient policy for technology development and its transfer.

For developing this programme, UNIDO has focused its activities on assisting small and medium-scale entrepreneurs. In Korea during the 1970s the government policy was to support selected large-scale enterprises, the “chaebols”. The Government provided these enterprises with bank credits, preferential interest rates, foreign loans and tax incentives. This industrial strategy created and supported the “chaebols” as engines of rapid industrial development, but one of the consequences of this policy has been the arising of obstacles for a healthy growth of the small and medium enterprises. One of the positive results was that the “chaebols” expanded R&D activities, introducing the concept of technology-driven industrial development.

However, in a market economy, industrial development policy implementation operates through the private sector and during the last years the Government in Korea is reinforcing the role of the SMEs and the support to them in consideration of their weakness particularly in relation to the economic power concentrated in the “chaebols”.

Today UNIDO is one of the leading agencies offering assistance to SMEs in their efforts to establish international partnerships.

Through Investmarts, fora and business meetings UNIDO has a worldwide recognized reputation for its successful promotion of financial and technological alliances among small companies throughout the developed and developing world.

The ITPOs network is at the forefront of UNIDO’s promotional work to encourage the flow of investments and technological resources from developed to developing countries and among developing

countries themselves. In this framework, ITPO Seoul can play a very important role as link with the Korean small entrepreneurs and the UNIDO global development programme, for developing and disseminating industrial partnership opportunities.

ITPO Seoul can support and improve the quality of the service of the national Korean agencies operating in this sector, in building their capacity through:

- selection and training of delegates from developing countries
- offering the UNIDO comparative advantages in investment promotion
- assuring a continuous and worldwide link with the field
- utilizing the UNIDO software for feasibility studies
- stimulating proposals of partnerships originated from Korean companies for developing and developed countries, acting in this case of a two-way transaction.
- assistance for their exposure to the international business
- provision of technical and linguistic assistance for partners interested in business with Korea
- support for investment programmes launched by the Tumen River Secretariat under the United Nations patronage
- its better position to provide accurate information on countries economic trends and specific company information, for matching potential partners.

To sum up an ITPO participating in the UNIDO network, has the capacity to provide information on the basic needed issues for investment promotion:

- how to promote the investments
- how to identify and analyze investment projects
- how to formulate project proposals
- how to conduct pre-investment analyses

Beside that, the Office is able to provide direct free of charge assistance to SMEs, which are requesting its help for questions related to international business and partnership abroad. In this sense, the existence of the Office has to be considered as an additional instrument provided by the Korean Government for the support of the entrepreneurs of the private sector.

### III. ORGANIZATION OF THE ACTIVITIES

#### a. Programming

As it has been mentioned the Office has no longer a project document which should indicate its objectives, the expected results quantified, the activities foreseen and the inputs to reach these results.

The Office prepares every year an annual work programme, which is presented to UNIDO Headquarters. This report is prepared in draft and is submitted to UNIDO for approval normally during the month of December of the previous year. UNIDO in turn will then submit this programme to the Korean Government through the Korean Permanent Mission in Vienna. The mission has ascertained that during the last three years no comments or remarks were made to UNIDO or ITPO Seoul by MOFAT.

The mission looked at the work programmes 1999 and 2000. These work plans describe:

- the operations of the Office
- the dissemination of investment proposals to potentially interested entrepreneurs
- the promotion of joint venture agreements
- the promotion of investment fora and related events organized by UNIDO
- the presentation of countries of potential interest for Korea
- the delegate programme planned for the year
- the activities for the development of inward flow of investments
- the updating of the roster of the potential Korean enterprises
- the promotion and the marketing of the UNIDO services
- the updating of the joint venture projects in portfolio
- the working relations with the major Korean institutions dealing with industrial partnerships and investment promotion.

Every year the Office prepares an annual report in English of the activities and results, which is distributed to all the parties concerned (UNIDO, MOFAT, KOICA).

The evaluation team has examined the annual reports for the years 1997, 1998 and 1999, drawing from these documents the following analyses on the activities of the Office.

#### b. Financing

The only resources of ITPO Seoul are the annual contributions of MOFAT (in cash) and of KOICA (in cash and kind). Since the Office has not in the present budget its own resources for the delegates programme, the financing of the delegates is made through various formulae:

- it can be paid from the budget of an investment forum
- it can be offered by another ITPO (like it happened with ITPO Tokyo) but just for a very short period
- it can be financed by other institutions, national or interregional
- it can be financed by other UNDP activities.

The resources are negotiated every year and consequently this is affecting the long-term programming of the activities of the Office.



The UNIDO Headquarters is encouraging the ITPOs to look for and mobilize external resources, however since the staff of ITPO Seoul is already working part-time, it seems difficult to the evaluation team that the Office can improve in this direction.

#### IV. ANALYSIS OF THE ACTIVITIES

##### a. Information dissemination and databank of project proposals

The information disseminated by ITPO Seoul can be divided into three groups:

- individual project information, regarding opportunities in developing countries
- general information on developing countries, their investment climate and provision of ad hoc documentation on these countries
- know-how, especially in the implementation of different stages of the development of an investment proposal.

The information and project profiles are mainly distributed by mail, e-mail, fax and through the web site of the Office: <http://www.ipsoseoul.org>.

The evaluation team had the impression that the tools of promotion of the Office are properly utilized.

The databank of the Office is updated every three months. Companies and projects are classified according to the international industrial classification standards.

The effectiveness of an ITPO depends on the rapidity with which information on investment opportunities is transmitted to potential investors and associations that are retransmitting the information to their members.

As of 21 April 2000 the Korean companies registered in the databank of ITPO Seoul were 576 divided in the following industrial sectors:

Non-metal raw materials	-	26
Machinery and equipment	-	118
Chemical	-	52
Pharmaceuticals	-	14
Electric and electronic	-	52
Furniture and paper	-	17
Textile and garment	-	60
Footwear and leather	-	17
Food processing	-	52
Construction	-	29
Other sectors	-	<u>139</u>
<b>Total</b>	-	<b><u>576</u></b>

It has to be noted that 90% of these companies are SMEs.

During the last three years the project proposals distributed to the Korean firms for potential investors can be distributed as follows:

### 1997

479 projects divided as follows:

Asia and Pacific	-	225
Arab and Europe	-	198
Latin America	-	36
Africa	-	20

The sources of origin of these projects were:

<u>UNIDO HQs</u>	-	37	(all investment projects for DPRK)
<u>UNIDO Network</u>	-	8	(India, Bahrain and Moscow)
<u>IPAs:</u>			
Philippines	-	17	
Brazil	-	36	
China	-	148	
Pakistan	-	21	
Ukraine	-	181	
<u>Delegates</u>	-	30	(Malawi and Algeria)
<u>Private firms</u>	-	1	

### 1998

498 projects divided as follows:

Asia and Pacific	-	275
Middle East	-	39
Europe and CIS	-	51
Latin America	-	55
Africa	-	78

The sources of origin of these projects were:

<u>UNIDO HQs</u>	-	496
<u>Tanzanian Delegation</u>	-	1
<u>Private firms of Korea</u>	-	1

### 1999

482 projects divided as follows:

India	-	129
China	-	195
Pakistan	-	117
Bahrain	-	15
Tanzania	-	25
Nigeria	-	1

The sources of origin of these projects were:

<u>UNIDO HQs</u>	-	476
<u>UNIDO Network :</u>		
Pakistan	-	3
India	-	2
Nigeria	-	1

The number of projects for which, after having diffused them in the network, the ITPO received at least one enquiry from Korean entrepreneurs are:

For 146 projects in 1997

For 165 projects in 1998

For 108 projects in 1999.

As can be seen from these figures the number of projects received by ITPO has been constant and most of them have been received from UNIDO Headquarters or from the UNIDO network.

The number of projects for which the Korean entrepreneurs requested at least once additional information has decreased in 1999.

The number of projects for which the Office was more deeply involved (assistance for the letter of intent, translation, further enquiries, etc) is as follows:

1997	:	12			
Asia: 6	-	Africa: 6			
1998	:	27			
Asia: 6	-	Middle East: 6	-	Europe/CIS: 3	- Africa: 12
1999	:	5			
More specifically:					
○ a leather factory in Pakistan					
○ a pharmaceutical project in China					
○ a project for mechanical conveyor equipment in India					
○ a dry-vegetable factory in Cambodia					
○ a factory for bamboo food in China					

#### **b. Identification of potential partners**

ITPO Seoul makes a lot of efforts in advising entrepreneurs for the promotion of investment projects. This activity constitutes an important indicator for the relevance of the Office and its positive performance.

According to the interviews held with Korean entrepreneurs and commercial representatives of two countries, one of the most attractive aspects of the work of ITPO for the entrepreneurs is that this assistance is given free of charge and is provided with professionalism and enthusiasm.

Some thresholds should be set for the provision of these support services. The Office has limited resources and if the requested support exceed the normal assistance in match-making between Korean companies and

international promoters, ending into other services normally provided by business consultant companies, then there should be strong concern regarding the seriousness of the entrepreneur.

In light of the above some guidelines should be established to govern the extent to which these activities should be carried out by ITPO Seoul. The possibility that a project might be lost applying such rules should not be frightening, as such rules are meant to facilitate the identification of serious investors. The evaluation team had the confirmation that as far as all the major Korean institutions involved in the promotion of businesses with foreign partners, ITPO has played a significant advisory and promotion role regarding their external actions looking for business abroad. The support and information provided by ITPO Seoul to these institutions are very much appreciated.

The main tasks of the Office are:

- identifying and establishing contacts with Korean entrepreneurs interested in industrial cooperation with developing countries
- promoting offers for joint ventures or partnerships.

In order to realize these tasks the Office is periodically contacting the Korean business community, distributing information, through workshop/seminars or through the main industrial and cooperation institutions.

ITPO is a working unit, which has received extensive autonomy by UNIDO Headquarters. The Office in this way is able to respond quickly to the needs of the private sector. Its flexibility and possibility to offer a personalized service are comparative advantages of the ITPO. Due to its neutral role on the Korean scenario ITPO Seoul is in a better position to cooperate with big institution like KCCI and KITA.

The UN patronage, as well as the international image as neutral agency are additional advantages of ITPO Seoul and may become very effective tools, especially in promoting DPRK projects.

### **c. Advisory functions and promotion of business opportunities**

During the last three years ITPO Seoul has received and disseminated 1,459 industrial projects relating to promotion activities organized by UNIDO. ITPO Seoul distributed these projects among the Korean business community.

Due to the lack of resources the Office has not been able to establish a system of follow up. Additionally, like the other entrepreneurs all over the world, also the Korean entrepreneurs are not so keen in disclosing the business steps undertaken on a project proposal presented by ITPO. Of course, this is a prerogative of the entrepreneurs. However, in such cases it has to be considered that ITPO has accomplished its task, even if further developments will not be directly attributed to the work performed by the Office.

During 1999 the efforts of ITPO Seoul in assisting the establishment of joint ventures or partnerships in developing countries for Korean companies, especially small and medium enterprises, have been rewarded by two partnership agreements concluded in Thailand (production of medical x-ray equipment) and China (factory for dried vegetables).

For these projects the Office gave assistance upon request of the Korean companies, particularly for the preparation of the international contracts in English and Korean language. If requested, the Office is still granting assistance to these companies.

Among the activities of the Office there is also the promotion of investment fora organized by UNIDO. So far, from 1997, the ITPO Seoul promoted 13 fora to which have participated Korean companies.

1997	-	China (Fujian Province)	six companies participated
		Brazil (Belo Horizonte)	eight companies participated
		India (Khajuraho, Madhya Pradesh)	one company participated
1998	-	Russia (Vladivostok)	twenty-five companies participated
		China (Yanbian)	twenty-six companies participated
		India (Ahmedabad)	four companies participated
1999	-	Lebanon (Beirut)	four companies participated
		India (Calcutta, West Bengal)	four companies participated
		Tunisia (Tunis)	two companies participated
		China (Huzhou)	two companies participated
2000	-	India (Jaipur)	two companies participated
		Pakistan (Islamabad)	five companies participated
		Bahrain	two companies participated

The nature of assistance offered by ITPO Seoul to the Korean firms participating in the UNIDO fora can be summarized as follow:

- subsidies for the travel costs of the entrepreneurs
- guidance during the travel (some entrepreneurs do not have international experience)
- assistance and interpretation at the negotiations during the forum.
- other administrative assistance, like visa, preparation of the travel and organization of the meetings.

In implementing these activities ITPO Seoul provides “direct assistance to private business”, which is not given by KOICA, the Korean donor agency. In this context can be said that the ITPO Seoul activities have complemented KOICA cooperation programmes (bilateral and multilateral) which aim at a better welfare of developing countries by constructing vocational training centers, hospitals, schools and providing equipment and technical expertise. Therefore, the KOICA’s assistance is given at a general country level. ITPO Seoul has also been engaged in projects attracting FDI into Korea. This activity for inward flow of investments and technology was more promoted during 1998 and part of 1999 when the country was suffering economic hardship due to the Asian financial crisis. Comparing the advantages of ITPO Seoul it has to be pointed out that this activity of direct enterprise assistance is not within the mandate of KOICA.

#### **d. Management of the Office**

The Office is properly managed and operates dynamically in relation with the resources at its disposal.

The Office is progressively known in Korea, not only by the national institutions but also by the small entrepreneurs. The targeting of the developing countries for potential investment activities is done according to the guidelines of the Korean policy making organs and the priorities set by UNIDO for the assistance to the developing countries.

The cooperation with MOFAT should be intensified and the Ministry should comment the work plan prepared by the Office at the beginning of each year.

The final beneficiaries of the activities of ITPO Seoul are the entrepreneurs and associations of entrepreneurs in Korea. Those met by the evaluation mission have been very positive regarding the information, the services and the assistance provided by the Office.

Contacts with entrepreneurs in developing countries are very limited and confined to meetings during investment promotion events, it cannot be pretended larger activities by a two-person office.

The continuous relations of the Office with the national infrastructure allow to cover all the country, which centralize the main part of the activities in Seoul. Closer relations have been established with the Chamber of Commerce and Industry of Pusan, mainly for exchange of information and organization of seminars.

The backstopping of ITPO Seoul by the UNIDO Headquarters is considered satisfactory, continuous and in line with the necessities of the Office, which attempts to cope with all the requests received from Vienna concerning promotion of cooperation with the developing countries, of course, within the limits of interest of the Korean entrepreneurs for some geographical areas, which are mainly Asia and Eastern Europe.

**e. Delegates programme**

According to the project document of 1986 paragraph 2 “Objectives of the project”, training opportunities in the field of industrial investment promotion are foreseen for nationals of developing countries in the Republic of Korea.

The hosting of delegates is one of the priorities of the Office and it aims at fostering business collaboration between Korea and the delegate’s home country.

The delegates programme is understood to be an investment promotion training. The choice of the countries of origin of the delegates is in accordance with the Office’s strategy to focus on those countries which are more likely to meet the interest of the Korean entrepreneurs. The characteristic of the programme is to have in ITPO a national of a developing country of potential interest for the Korean business community. This person generally is coming from a development agency or an institution related to industrial development in his/her country. The delegate will have the knowledge of the language of the country looking for cooperation, of the local investment legislation, of the administrative institutional structure and of the local business climate.

The efficacy and impact of a delegate varies according to his/her country of origin, his/her professional experience and the importance he/she gives to the programme for the development of his/her country. To sum up a delegate has the task to present his/her country promoting the opportunities the country can offer. The tasks of the delegate during the stay at ITPO are:

- To inform the institutions and the entrepreneurs in Korea about the programme
- To promote the project proposals coming from his/her country
- To act in Korea as focal point for the promoters in his/her country, who wish to get in touch with Korean institutions or enterprises
- To help the entrepreneurs or authorities of his/her country visiting Korea in preparing the meetings.
- To inform the institutions of his/her country on the opportunities of the industrial cooperation in Korea.

During the last three years ten delegates worked at ITPO:

- Mr. C. Kaferapanjira (Malawi) – September 1997 – February 1998 stationed at KCCI
- Mr. M. Yassini (Algeria) – December 1997 – March 1998 stationed at KITA
- Ms Y. Gorbunova (Russia) – March – May 1998 stationed at SMIPC

Ms. S. Hua (China) – July – September 1998 stationed at SMIPC  
 Mr. Y. Bunna (Cambodia) – May – July 1998 stationed at SMIPC  
 Mr. L. Magwentshu (South Africa) – November 1999 (one week) stationed at ITPO  
 Mr. A. Bettaieb (Tunisia) – March 1999 (one week) stationed at ITPO  
 Mr. B. Soltane (Tunisia) – March 1999 (one week) stationed at ITPO  
 Mr. A. Fakhro (Bahrain) – February – April 2000 stationed at SMIPC  
 Ms. S. Taibo (Mozambique) – March 2000 (10 days) stationed at ITPO

The costs related to the delegates programme can be divided into two parts:

- round airfare and daily subsistence allowance
- promotional costs incurred while in Korea, including local transportation and communications

Only for the Cambodian delegate all costs were paid by the budget of ITPO Seoul.

The financing of the delegates is coming from different sources: UNIDO projects promoting investment fora, from other ITPOs and from the country of origin itself, which is demonstrating that the advantage of this programme is more and more recognized by the developing countries themselves. As can be seen the majority of the delegates were stationed, during their stay in Korea, outside the premises of ITPO. Only four of the delegates were stationed at ITPO. This was possible because their stay was very short, one week. In fact, the small premises of ITPO do not allow to host delegates for longer time.

The work of the delegates is very much appreciated by the Korean institutions dealing with cooperation activities and by the Korean entrepreneurs, allowing them to obtain direct information on important economic and industrial issues of the country of origin of the delegate.

#### **f. Relevance and impact of the Office**

All the parties interviewed by the evaluation mission expressed their appreciation for the work of ITPO and considered that through ITPO they receive valuable information on international business opportunities and industrial partnership cooperation.

Among the business community the Office is considered like a UN/government institution, which is institutionally giving services free of charge.

The sustainability of the Office depends entirely on the financial support given by the Government of Korea (MOFAT and KOICA) with which the relations should be closer, particularly with MOFAT. The ministry considers KOICA the focal point for international cooperation and its technical wing for the execution of the technical assistance, this is also why the Office is based in the KOICA premises.

This in-depth evaluation was requested by MOFAT to have the possibility to examine the advantages of having an ITPO in Seoul and its cost/effectiveness vis à vis KOICA activities.

The advantage of having an ITPO operating in Korea includes:

- the possibility of hosting the Office of a UN specialized agency. UNIDO is strongly supported by developing countries, which see in this organization help for their industrialization efforts and consequently improvement of their level of employment and alleviation of poverty. Therefore, hosting an implementation wing of UNIDO's investment and technology promotion programme, it enhances the image of Korea towards the developing countries. The effects and impact of having this Office cannot be, therefore, only measured in pure terms of costs.

- This commitment of the Government of Korea towards the developing countries and the difficulties they are facing, was also expressed at the last General Conference of UNIDO in December 1999, by the Head of the Delegation of the Republic of Korea. Being “strongly committed to sharing with other developing countries pivotal experiences and achievements”, Korea confirmed its intention to continue to assist the work of the ITPO Seoul.
- The utilization of all the UNIDO resources (including those of the other ITPOs spread all over the world). For a Korean focal point the utilization of these resources may be difficult or limited, due to the understandable competition of the other investment/trade promotion institutions of Korea.

Both KOICA and UNIDO have as a mandate to contribute to the socio-economic progress of developing countries. However, the salient point of difference is that while UNIDO ITPO provides direct assistance to private small and medium businesses, KOICA is providing assistance at general state/public level of the country.

Moreover ITPO Seoul is also engaged in activities attracting FDI into Korea.

Another comparative advantage is that ITPO can better respond to the needs of the private sector giving personalized services. The level of assistance given to a UNIDO delegate is higher of that received by an invited trainee at any other Korean cooperation agencies .

Finally, the UN flag and the international image as neutral agency are advantages that might become effective tools especially in promoting DPRK projects.

Tangible results in term of number and value of the projects concluded or operational are not known, because the Office does not have a system of follow up of the project proposals distributed and of the match-making promoted.

The work of the ITPOs is an “ungrateful” job, because the activities of promotion of investments require a lot of efforts to promote the opportunities and the research of potential partners. However, only in a small percentage of cases there are positive results, on which quite often the assisted entrepreneurs do not want to disclose their achievements. Therefore, to quantify the impact of the Office in terms of number of projects under negotiation or concluded with its assistance, it is not the most precise method, for the above mentioned reasons. A fair and more equitable indicator of the efficacy of the Office would be the number of project profiles distributed to the Korean companies, the companies in the roster, the number of Korean firms which have participated in fora and meetings promoted by UNIDO, the country presentation seminars held, the number of delegates hosted.

The evaluation team, considering the above mentioned points of view, can conclude that as far as relevance is concerned, the Office is properly operating, it is needed by the Korean institutions, by the private entrepreneurs and it is complying with the trends of Korea and UNIDO as far as investment policies and objectives are concerned.

The impact, represented by the achievement of the objectives foreseen in the terms of reference of the Office, can also be considered as more than satisfactory, especially f related to the limited resources (financial, human and of space) at the disposal of the Office.



## V. PERSPECTIVES FOR THE FUTURE

### a. The Office and the Korean cooperation

On 15 April 1987 when IPS Seoul was first established, the Korean Government counterpart agency was MOST (Ministry of Science and Technology). The counterpart agency was later changed to MOFAT which restarted the activities of the Office in February 1997. KOICA, bilateral donor agency under MOFAT, provides ITPO Seoul with contribution in kind and a part of financial contribution on continual basis since reopening of the Office.

For the ITPO Seoul, the following five organizations have rendered substantial assistance.

- KOTRA (Korea Trade-Investment Promotion Agency)
- SMIPC (Small and Medium Industry Promotion Corp)
- KCCI (Korea Chamber of Commerce and Industry)
- KITA (Korea International Trade Association)
- KFSB (Korea Federation of Small Business)

Each one of these five big organizations has different member companies (sometime overlapping) and each one has its own priority in developing its activity.

Availability of their support/resources varies upon time. ITPO Seoul is in the position to choose the organization, which can provide the best cooperation for each project/programme.

Besides the above, SMBA (Small and Medium Business Administration), Government agency in charge of SME policies, has not spared efforts to help ITPO. Cooperation from KINITI (Korea Institute of Industry and Technology Information) and KDB (Korea Development Bank) is also very active in relation to technology transfer projects.

So far the functions of ITPO Seoul are oriented towards the priorities of the Korean public institutions.

The programme of the Office has been of substantial support to the activities of these institutions in the field of international cooperation and promotion of potential business.

The evaluation team is of the opinion that this cooperation with ITPO should be increased also through the direct support of these institutions to the activities proper of the Office.

The Republic of Korea lacks natural resources and is constrained by a small domestic market, but is well endowed with hard working and highly educated labour force. Therefore, export expansion has been the main factor that has sustained the high economic growth rate. However, the economic crisis in Asia and the weakness of the Japanese Yen at the beginning of 1998, contributed to the fall of the Korean exports at the end of 1998.

The Republic of Korea is facing challenges from low-wage countries such as China and other south-east Asian nations and increasing wage rates at home as well as the growing introduction of protectionist measures in industrialized countries.

The labour-intensive consumer goods industry of Korea has been quite successful in meeting the demands of growing domestic and foreign markets. Recently, increasing emphasis has been given to high-technology industries, including the production of automatic data-processing equipment. This strategy derives from South Korea's comparative advantage: a scarcity of natural resources, but an abundance of skilled labour.

In stimulating overall economic growth, the spectacular expansion of exports enabled South Korean manufacturing enterprises to become efficient and internationally competitive. Competing in the world market encouraged specialization in products in which the country enjoys comparative advantages, like automobiles, semiconductors, information processing, textile, telecommunications and shipbuilding.

All these considerations should induce the Korean institutions, especially thinking to the possibilities of business development with North Korea, now that the countries have finally started a fifty years long waited dialog, to intensify their relations with ITPO Seoul, taking the opportunity of its neutral role.

For instance the continued success of the delegate's activities may in the long run stimulate the direct funding by the institutions of delegate's costs. In this direction ITPO Seoul can be utilized to invite under the delegates programme of the Office, delegates from countries where Korean businessmen have difficulties in establishing contacts, like for example Cuba.

#### **b      The UNIDO strategy**

During the last years, due to the reduction of its budget, UNIDO had to follow a policy of optimization of the resources and of reorientation of its activities.

In December 1997 the General Conference of the organization prepared a "business plan" which can briefly resumed as follows:

- the activities of the organization are grouped in two main sectors:
  - o The reinforcement of the industrial capacities of the developing countries, promoting investments and the related technologies and improving the infrastructural tools (industrial policy, quality, information and statistics).
  - o The support for an industrial sustainable development, paying due attention to the environment.
- these activities are concentrated on the following targets:
  - o support to the least developed countries (LDC), particularly Africa.
  - o support to the industries in the agro-food sector.
  - o support to the SMEs.

To achieve these objectives the organization has launched an approach for the support of the developing countries that has been called "integrated programme by country". The idea is to elaborate for the global industrial development of a country a package of projects interconnected and directed by a national coordinator of the programme.

This approach should ensure the consistency of the interventions and should be the most suitable framework of intervention of the international assistance for the industrial development.

All over the world 40 country integrated programmes have already been prepared and of which 28 have already been started.

Finally, an electronic network for the exchange of information including: the ITPOs, the national investment promotion agencies, the offices of UNIDO in the developing countries and the related technical centers, has

been established by UNIDO. It has to be noted that this network is not yet fully operational.

Through UNIDO EXCHANGE the members of the network can have direct access to all the UNIDO related expertise, its field offices and affiliated institutions. The fact that various categories of industrial development actors are gathered around a unique platform, enable UNIDO EXCHANGE members to benefit from each other's diverse experience and to share their concerns and needs.

UNIDO EXCHANGE will facilitate new partnerships between businesses and knowledge-based institutions, providing direct links to UNIDO's services and business databases, contributing to the integrated approach to industrialization supported by the organization. It will represent a worldwide databank of investment opportunities and transfer of technology.

**c. The action and the strategy of the Office**

For UNIDO ITPO to be firmly rooted in Korea, the best strategy might lie in steady implementation of the existing programmes/projects using UNIDO tools and methodology. Along with the routine efforts, special care shall be taken to upgrade the Office functions, in both quality and quantity, while giving substantial benefits to Korean industrial community. The following strategies should be envisaged:

First, prospective investment opportunities in developing countries should continue to be supplied to Korean SMEs. It is important to obtain valuable and feasible projects only. UNIDO's global network and electronic softwares such as UNIDO Exchange shall be fully utilized to identify joint venture projects attractive for Korean investors.

Second, the unique methodology of UNIDO in investment and technology promotion, such as delegate programme, UNIDO fora and investment climate seminars shall be actively organized to facilitate matchmaking between Korean private sector and overseas promoters. Projects follow-up work shall be systematized, and if budget allows, one staff should be assigned exclusively to monitor projects negotiation process.

Third, the Office in Seoul plans to develop its assistance in feasibility study service using UNIDO's Mini COMFAR, providing an additional and valuable tool to Korean SMEs. This work however will require posting of one staff specialized in the software, therefore, budget and related training will have to be adjusted.

The strategy of the Office for the future includes also the following actions:

Regarding industrial sectors, manufacturing industries which are losing competitiveness and thus need restructuring in Korea, such as textile/garment and leather/footwear, as well as industries which have big demands from developing economies such as food processing and machinery/equipment, will have priority in the activities of the Office.

Regarding the geographical perspective, developing countries which are near to Korea but with a low level of business transactions, such as Cambodia, Laos and Myanmar, will be given priority. Finally, Africa will receive more attention than the other continents, in line with UNIDO Headquarters policy.

UNIDO Headquarters on its part, it is expected to develop projects, which have great demands from Korean private sector, such as DPRK projects.

To develop the activities and implement this strategy an adequate budget should be granted for the Office.

The Office shall be ideally staffed as follows:

- |                                  |  |
|----------------------------------|--|
| (1) Head                         | (1) Deputy Head (cum projects follow-up) |
| (1) Feasibility Study Specialist | (1) General Service staff                |

It is also desirable that Office space be expanded into double of the present one to enable the accommodation of the delegates. For the time being, ITPO Seoul shall exert utmost efforts to foster favorable environment towards that end with the current-level resources.

## VI. CONCLUSIONS

- 1) The ITPO Seoul is one of the 12 offices of the investment promotion network created by UNIDO in 1975. The Office was established in 1987 and following a period of nearly three years, during which the operations were very limited, starting February 1997 the activities have been re-launched with the recruitment of a new Head.

Considering the limited financial resources, the activities of the Office have to be considered successful. The emphasis is placed firstly on the promotion of investment projects and related technology transfer proposed by developing countries, secondly on project proposals from industrialized countries and finally also on proposals originated from Korean companies.

In this way the Office acts on two ways transactions: out and in-ward flow of investments.

The function of the Office is to promote and distribute the information on business opportunities, assuring the link with the Korean economical, industrial and financial infrastructure and the potential partners in developing countries.

The prime concern for the establishment of this Office is to have the Korean business companies and institutions better acquainted with ITPO Seoul services, as well as with the UNIDO's facilities for stimulating international cooperation.

- 2) The comparative advantage of the Office, towards other Korean institutions operating in the same sector, is the possibility to utilize the UNIDO world-wide network and its tools and methodologies, with direct access to the UNIDO databank, offering its services free of charges.
- 3) The delegates programme is working well. During the last two and half years the Office has organized the stay in Korea of 10 delegates from developing countries. The average period of stay of the delegates is around two months. The positive impact of this programme has been brought to the attention of the evaluation team during the interviews held with the Korean counterparts and commercial representations of developing countries in Seoul.
- 4) According to the statements received from the representatives of developing countries the Office responds to their needs to promote and establish business opportunities with Korean entrepreneurs. Particularly looking for small entrepreneurs, the developing countries have difficulty in finding in Korea institutions interested in supporting their efforts. The ITPO can fill in this gap and, in consideration of its neutral position, is better placed to attract and promote Korean investment and transfer of technology into developing countries, which have few possibilities to promote themselves in Korea.
- 5) With the establishment of this Office, the Government of the Republic of Korea has proved its transition from country receiving technical assistance from United Nations to a country contributing to

the technical assistance for developing countries. Also considering the investment possibilities in the former socialist countries this new role of the Republic of Korea, and consequently of the ITPO, deserves careful consideration. The evaluation team wishes to highlight this concept reporting some of the statements in the presentation pamphlet of KOICA, the Korea International Cooperation Agency:

“Korea strives to join the international effort to build a human society where everyone can live better together .....The world has become smaller to be referred to as a global village.....the world has become increasingly interdependent..... Korea has achieved remarkable economic growth and has emerged as one of the world’s economic leaders ..... We cannot forget the warm helping hands of the international community which has acted as one of the driving force in Ko rea’s economic development ..... Because world’s economy has close interdependent relationship with developing countries, the stability and socio-economic development of developing countries are indispensable to peace and prosperity of the entire world. Hence, foreign aid program is also known as development cooperation.”

UNIDO and the ITPOs network are additional impartial instruments to help the international community to reach these objectives.

- 6) UNIDO has been actively involved in the Tumen River Area Development Program (TRADP), contributing to the inauguration of the first business school in DPRK, the Rajin Business Institute. In 1996 and 1998 UNIDO has organized investment fora in Rajin-Sonbong Free Economic and Trade Zone, in cooperation with the Committee for the Promotion of External Economic Cooperation of DPRK.

The participation of South Korean entrepreneurs in the above mentioned events was not realized due to the political situation between the two countries and the connected bureaucratic impediments.

In view of the historic summit foreseen in June 2000 between South and North Korea, after years of cold war antagonism, and the recent initiatives taken by DPRK to restore diplomatic ties with various countries, after decades of diplomatic isolation, it could be expected that ITPO Seoul can play a key role in mobilizing, selecting and assisting South Korean interested entrepreneurs, when UNIDO promote in the future similar events in DPRK.

- 7) One of the main concerns of the ITPO is to create better understanding, among Korean enterprises, of the necessity of new approaches to the needs of developing countries.

More than ten years ago the Office was instrumental in establishing a direct linkage with the International Cooperation Centre in Beijing, to foster close economic cooperation through exchange of delegates.

- 8) The results of the Office are a good example of the direct cooperation enterprise to enterprise, which can be considered as the leading orientation of the industrial development in the future, regarding investment and transfer of technology.
- 9) The dedication and the professionalism of the staff of ITPO has been underlined to the evaluation team during all the meetings held with the counterparts in Korea.

It deserves a particular mention the fact that, in view of the limited budgetary resources facing the Office, the staff has agreed to be remunerated at part time level, although dedicating more than the daily foreseen time to perform the activities for the good functioning of the Office.

- 10) A further positive point for the existence of the Office is its role as liaison point between the

international community and the other institutional Korean investment promotion agencies.

The establishment by UNIDO of the Industrial Partnership Promotion Network (IPPN), a worldwide network of promotion of the industrial partnership, will help the ITPO in developing its capacity for the distribution of the information and the promotion of direct contacts between Korean and developing countries entrepreneurs.

- 11) During 1998 and 1999, the SMEs in the Republic of Korea had not very much interest in outward investment, because the country was facing the economic crisis, it can be expected that the situation will change and that the Korean entrepreneurs will newly look for foreign partners.
- 12) ITPO Seoul is operating its own homepage in Korean language. In this way UNIDO programmes/projects, as well as investment opportunities in developing countries, are efficiently introduced to the Korean business community. Since the web site is frequently accessed from the private sector, the Office makes proper use of advanced technology in fulfilling its main function of information provision.
- 13) The budget of the Office is too scarce to assure a high level of assistance in the implementation of its operations. The budget is US\$ 89.000 for the year 2000. It includes the salary of two persons (Head of Service and Investment Promotion Expert) , travels, expendable equipment, running costs, hospitality and the 10% administrative support charges of UNIDO. The computer system, the office space and 39.000 US\$ are offered by KOICA. However, according to the information received, KOICA informed MOFAT that its support to the ITPO Office would finish at the end of this year, since its mandate does not include direct assistance to enterprises.
- 14) As a consequence of the budget, the human resources available (two persons part-time) are not sufficient to give the possibility to closely follow the technical and financial feasibility of the projects promoted and that have found potential interested partners. Other ITPOs have developed internal expertise for advising on the feasibility of the projects and to follow them up until they are operational. UNIDO has a computer software for feasibility analysis of projects (COMFAR) and the activities of ITPO Seoul have been confined to the dissemination of the know-how and utilization of the software among the interested institutions and companies in Korea.
- 15) The activities of ITPO Seoul can be divided into two main functions:
  - o information provision on business environment of developing countries and on joint ventures opportunities
  - o assistance to individual SMEs in concluding specific joint venture projects.

The first function seems to have been implemented well through cooperation with the other big organizations like KITA, SMIPC, KCCI, KFSB, KOTRA.

As to the second function, some weaknesses have been ascertained in the follow up and recording of the progress of individual joint venture projects promoted. This might be attributable to the limited manpower. The Office should develop a systematic way to improve the follow up of the activities

- 16) During the last two years the number of project profiles distributed to the Korean firms has remained stable, around 500 per year. However in 95% of the cases the source of origin has been the UNIDO Headquarters. It would be advisable for the Office to develop some efforts to mobilize other sources through contacts with National Investment Promotion Agencies of countries of interest for the Korean entrepreneurs.
- 17) There is lack of coordination with the UNIDO Headquarters priorities and the integrated programmes. ITPO Seoul can hardly contribute to the formulation of integrated programmes, but it is just contributing

in their implementation stage by hosting delegates, organizing country presentation seminars and mobilizing Korean business delegations for participation in investment promotion and technology transfer fora.

- 18) The premises of the Office are small (only one room) and this situation affects negatively (if compared with the level of other similar institutions ) the image given to any entrepreneur visiting the Office and seeking assistance for industrial partnerships. Moreover it is difficult to host for long time any delegate. For this reason the delegates of ITPO Seoul are always placed in institutions cooperating with ITPO. Having the delegate in the same office and under the continuous supervision can assure a better coordination of his or her activities.
- 19) Regarding the network of contacts points in the territory of the Republic of Korea, In the province only one focal point at the local Chamber of Commerce of Pusan has been established so far. However all the activities in Korea are centralized in Seoul.
- 20) Some Korean institutions and entrepreneurs would like to have stronger cooperation with the former socialist countries and delegates especially from Russia, with convincing project proposals, would be welcome. The Office should intensify its contacts with ITPO Moscow.
- 21) Like the other ITPOs, also Seoul office has not yet access to the INTRANET system of the Headquarters and this situation does not allow to have immediately the information on the activities of the organization. The Headquarters should remedy this situation.
- 22) The workload of the Office surpasses the limits of the working capacity of the two staff members, but the performance of the staff is at a commendable level.

## **VII. RECOMMENDATIONS**

- 1) The Korean authorities involved in the activities of ITPO Seoul should analyze the opportunity to give further financial resources to the Office, to allow a longer and better programming of the activities and an appropriate follow up of the projects promoted.
- 2) Provided the resources are enlarged, the Office should develop an expertise to advise the entrepreneurs on pre-feasibility studies , utilizing the UNIDO tools available to this purpose. The Office should also contribute to broadening, among the Korean entrepreneurs, of the importance of pre-feasibility studies for profitable investments or joint ventures. It seems that, so far, the small Korean entrepreneurs prefer to rely upon their intuition.
- 3) Subject to the same conditions also a systematic follow up of the projects distributed to the Korean business community should be organized by the Office. Closer follow up should be made by MOFAT, which is financing ITPO Seoul, of the performance of the Office. It seems that the meetings with ITPO are very seldom and the annual work plan is prepared by the Office alone, without consultation with MOFAT.
- 4) Although the existence of the Office is known among the institutional Korean agencies dealing with investment promotion and transfer of technology, there is still need for further diffusion of the information of the services offered (free of charges) to the entrepreneurs.
- 5) The distribution of the information on the available Korean technology transferable to developing countries in, particularly, Asia and Africa should continue to be circulated by ITPO Seoul utilizing the

UNIDO EXCHANGE network.

- 6) Workshops presenting the activities of the Office, coupled with presentations of a specific country profile and project proposals, coming from partners in this country, should be more frequently organized in cooperation with the other Korean agencies. Of course, also these activities are subject to sufficient resources.

All the agencies visited have expressed their appreciation for the activity of the Office in this direction and their interest in co-organizing similar events.

- 7) An additional action for ITPO Seoul should be to conduct periodical investigations among potential Korean partners (individuals and associations) to obtain an updated list of geographical and industrial preferences. This list, then, can be transmitted to the other ITPOs to try to establish a direct match-making with their potential partners.
- 8) In view of the budget constraints the costs of the delegates programme should be borne by the Korean Government or by the institutions interested in developing, through the delegate, contacts with the specific country. ITPO Seoul can play a pivotal role in selecting the delegate utilizing the UNIDO EXCHANGE network. The Korean entrepreneurs consider for their geographical position, Russia and the former socialist countries as one of the main target countries.
- 9) The evaluation team recommends a further extension of the Office. However, the extension should be given for a period of two, or better, three years in order to allow the Office to be in the position to plan adequately its activities.

Targets should be quantified with the possibility to be ascertained through well specified indicators.

Joint periodical evaluations should be organized with MOFAT or other selected institutions, analyzing the results achieved. The extension of the Office has to be timely agreed by the parties concerned, to avoid the consequences that the delay can have on the activities of the Office and on the staff morale.



## VII. LESSONS LEARNED

- As already pointed out in previous evaluations of Offices dealing with transfer of technology and investment promotion, this work requires a lot of time and efforts to negotiate and identify business opportunities, which only in few cases reach positive developments. The ratio cost/benefit of this activity is very high.
- This kind of work is “ungrateful”, because the activities to promote investments and partnerships require a lot of efforts to identify and prepare feasible opportunities, which only in a small percentage give concrete results.  
Moreover, if an entrepreneur, who was assisted by the Office, does not want to disclose the business steps undertaken on a possibility presented to him by ITPO, this is his prerogative.  
In these cases the Office has fulfilled its task, even if further business developments will not be directly attributed to the promotion work undertaken by the Office. However, when these cases happen (and they happen quite frequently because the entrepreneurs are not inclined to disclose positive businesses to avoid to be obliged to the Office or for fiscal reasons), they confirm how vexatious and ungrateful can be the investment promotion work.
- A work plan is necessary to direct the activities and to be used as a tool to measure the results obtained.
- An annual meeting of all the parties financing the activities of the Office is imperative to follow up the actions undertaken and to give the possibility to take any corrective decision.
- A continuous monitoring of the operations of the Office has to be periodically carried out by UNIDO and MOFAT, in order to identify immediately any problem. The periodical reports prepared to this effect are a valid instrument.
- The appropriate selection of the Head of the Office, taking into account his experience in industrial investments and possibly, knowledge of the UN system is very important for the positive development of the activities of the Office and the relations with the Headquarters.