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INDUSTRIAL COOPERATION FOR THE PROMOTION OF INVESTMENT PROJECTS IN DEVELOPING COUNTRIES TO BE UNDERTAKEN BY THE JAPANESE PRIVATE SECTOR

US/GLO/90/292
US/GLO/92/006
US/GLO/92/185

Report of the evaluation mission*

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

* This document has not been edited.

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Acknowledgement

The mission wishes to acknowledge the support and information extended to the evaluation mission by the Project. Logistical support provided by the Project as well as by the UNIDO office in Hanoi was excellent and allowed the mission to complete its work within a relatively short span of time. Special thanks go to the personnel of the enterprises visited for their openness and detail of information provided on the different joint venture proposals. This, to a large extent, exemplifies their interest in the Project.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The mission feels that the project was effective in bringing joint venture proposals of Japanese firms in developing countries closer to fruition. Despite the fact that most of the Japanese firms involved up to now in the project are large, they still benefitted by the Project, either because of UNIDO's neutral role, which facilitated introduction in some developing countries because of UNIDO's contacts and knowledge of conditions and institutions in developing countries, or because of pre-investment study methodology. These comparative advantages will become more apparent with the involvement in the Project of Japanese SMIs, since the need for the involvement of the Project in each of the studies will increase.

Out of 17 studies prepared under the project, 14 are feasibility studies and three of another type. None of the feasibility studies has materialized as yet, but eight investment proposals are expected to do so within one to two years. This should not be regarded as a negative comment. The project design is too optimistic and underestimated the amount of time needed to bring a joint venture proposal to fruition in a developing country. In all the three projects, more funds were required to follow-up on the studies. Future project design should provide adequate funds to facilitate quick follow-up actions.

The terms of reference and job descriptions for the consultant contracts were comprehensive and adequate. The consultants fielded possessed the requisite background and were competent in their fields of work. The quality of the studies prepared under the project is high. Backstopping and monitoring of the projects were satisfactory.

At the programme level, the studies have responded to host government industrial priorities, overall economic criteria and objectives, availability of local material and labour and down-stream manufacturing capabilities.

On the basis of the above, the mission recommends that the proposal be continued albeit under an improved and more realistic design.

In view of the reorientation of the Project towards Japanese SMI, it is expected that its involvement in the identification, preparation, negotiation and follow-up of each study will be higher.

The project should deal only with pre-investment studies and leave surveys to other technical assistance interventions. A token co-financing by the Japanese firms in each study should be envisaged.

EXPLANATORY NOTES

The units of measure indicated in this report are those sanctioned by the International System of Units (SI). If not otherwise indicated, the term "dollar", "US$" or "USD" refers to the United States dollar.

List of acronyms

CICP	Committee on International Cooperation Projects
COMFAR	Computer Model for Feasibility Analysis and Reporting
CTA	Chief Technical Adviser
EBRD	European Bank for Reconstruction and Development
GDP	Gross domestic product
HRD	Human resource development
HQ	Headquarters
IFC	International Finance Corporation
IPS	Investment Promotion Service
IRR	Internal rate of return
IRROE	Internal rate of return on equity
JAIDO	Japan International Development Organisation
JICA	Japan International Cooperation Agency
JV	Joint venture
KEIDANREN	Japan Federation of Economic Organisations
MITI	Ministry of International Trade and Industry
MOFA	Ministry of Foreign Affairs
NPO	National Project Officer
PPL	Polypropylene
SMI	Small and medium industry
UNDP	United Nations Development Programme

The value of one US dollar in Japanese Yens, during the period covered by the report, in accordance with the United Nations operational rate of exchange, is as follows:

	1 US$
July 1990	Yen 154.00
January 1991	Yen 136.00
July 1991	Yen 138.00
January 1992	Yen 126.00
July 1992	Yen 125.00
January 1993	Yen 124.00
July 1993	Yen 106.00
January 1994	Yen 112.00
July 1994	Yen 99.00

INTRODUCTION

The projects under evaluation, hereinafter referred to as "the Project" are part of a series of projects, normally with a planned duration of one year, which started with US/GLO/89/163. This project was approved early 1990 and became operational in April 1990 with the fielding of the CTA, who has been the same person up to now. This project continued under US/GLO/90/292, US/GLO/92/006 and US/GLO/92/185, and a further project is presently under processing. The evaluation covers these three last projects.

The main idea behind this Project is to facilitate recycling of financial resources from Japan to developing countries in the form of industrial investments, which will contribute to the economic development of such countries. To facilitate these efforts the Japan Federation of Economic Organization (KEIDANREN) and the Overseas Economic Cooperation Fund established JAIDO, a development financing organization, which is expected to provide equity investments, loan guarantees in commercially viable development projects in developing countries. The Project has close contacts with JAIDO. The latter follows up closely the joint venture proposals analyzed and promoted. The Project is located in the premises of the IPS Tokyo, with whom it has working links.

Japan provides technical cooperation through a variety of organizations. Most official bilateral cooperation is implemented through the Japan International Cooperation Agency (JICA). This cooperation covers all economic sectors and the usual delivery forms. The involvement of Japanese private enterprises in the cooperation related to economic development is sizeable and exemplified by the Project under evaluation.

The evaluation was conducted in response to the requirements established in the project documents governing the Project. In particular, it is to examine the extent to which its results in terms of studies conducted contributed to investment decisions. The evaluation was jointly agreed by the Ministry of Foreign Affairs (MOFA) and UNIDO. The strategy of the evaluation was to analyze in detail a few of the projects covered as case studies, in the practical impossibility to visit all project sponsors. The analysis of the case studies was conducted not only by perusal of the feasibility studies and related correspondence, but also with direct interviews with the sponsors of the Japanese companies, as well as, in selected cases, of the developing countries. In order to best utilize time, one country was chosen where most projects were studied (Viet Nam), one country near Austria (Slovakia) and another one on occasion of an official visit for another purpose (Poland). The latter two visits were only undertaken by the UNIDO nominee to the evaluation, but the results of such visits were validated by the Japanese nominee. Upon arrival in Tokyo, the mission was briefed by MOFA (United Nations Administration Division) and MITI (Technical Cooperation Bureau of the International Trade Policy Bureau). The mission also met officials of JAIDO and of the UNIDO IPS Tokyo office. The mission to Poland took place in January 1994, to Slovakia in March 1994 and to Viet Nam and Japan in May/June 1994.

The debriefing of the mission was undertaken separately by the Japanese and UNIDO nominees, the first with MITI and MOFA and the second at UNIDO HQ with the officers involved in the projects as well as the Permanent Mission of Japan to UNIDO. During these debriefings copies of the draft conclusions and recommendations were handed over. The full list of people seen by the mission is included in Annex 3.

The mission was composed of

Mr. Hodaka Morita, Consultant of ECFA, nominated by the Government of Japan; and
Mr. Oscar Gonzalez-Hernandez, Head, Evaluation Section, nominated by UNIDO.

Both members of the mission had played no role in the design, implementation and monitoring of the project.

Mr. Imran Farooque of the Evaluation Section undertook extensive research and consultations in support of the mission.

I. PROJECT CONCEPT AND DESIGN

A. Socio-economic and institutional context of the project

1. Investments are essential to accelerate the industrialization of developing countries. Investment projects identified by recipient governments and/or local proponents often do not answer all questions relatec to profitability criteria. Also, in most cases, available financial resources and know-how necessary to materialize investments are limited, which make foreign investment necessary.

2. In order to help in solving the above problems, this Project aims at promoting industrial investments from the Japanese private sector to developing countries mainly by the provision of technical and financial support to conduct feasibility studies. The mission estimates that the UNIDO's intervention is meaningful since UNIDO has a proven method for the preparation of feasibility studies, has the knowledge of the world situation of selected industrial sub-sectors and the necessary contacts in the developing countries. The Project has, therefore, a rationale which fits the cooperation policy of the Japanese Government.

3. In terms of institutional context, the Japan Federation of Economic Organisations (KEIDANREN) established the Committee on International Cooperation Projects (CICP) and the Japan International Development Organization (JAIDO), a joint-stock company, in early 1989, as a tool to stimulate the direct foreign investments by the private sector. JAIDO has been set up as a joint stock company with capital provided by about one hundred private corporations and the Overseas Economic Cooperation Fund of the Japanese Government. Among seventeen studies conducted under the Project, four studies involve JAIDO as a potential investor.

4. The Project has had little contacts with CICP whose operationality could not be ascertained. CICP guidelines to approve projects are of a very general nature. However, the Project has the potential to become an advisor to this committee.

5. The project document emphasizes the importance of investigating "commercial profitability" and "economic viability" of the potential projects. Given the existing local conditions, in each pre-investment study undertaken by the Project, the mission found out that the commercial profitability and economic viability have been well investigated. Potential investors both in Japan ano the targeted countries have played significant roles in each study.

6. In terms of the linkage between the project selection and "Macro-national level development priorities", it varies depending on each country. Newer projects are selected on the basis of the New Aid Plan for Thailand, Malaysia, the Philippines, Indonesia, Pakistan, and Sri Lanka. The New Aid Plan, which has been established by the collaboration of Japan and each country, specifies industrial sector priorities in each country, where the proposals fit. However, for other countries, there are no such priorities.

7. The New Aid Plan specifies the industrial sector priorities in respect of the targeted countries as follows:

Thailand:	Metal processing, toys, textile, furniture, china, plastics
Malaysia:	Metal processing, china, glass products, office equipments, rubber sandal, personal computers, casting items
Philippines:	Metal processing, furniture, computer software, fashion accessories, toys
Indonesia:	Handiworks, rubber items, electric machinery, ceramics, plastic items, aluminum items
Pakistan:	Textiles
Sri Lanka:	Metal goods

8. The JV proposals entertained by the Project are not fully in line with such priorities since work on them started, in some cases, prior to the Plan.

9. The Project is one of the few schemes of MITI to encourage investment and subsidize pre-investment work in developing countries. This is particularly relevant to diversify Japanese investments which have concentrated in a few target countries, mostly in the Far East.

Other related technical cooperation

10. Within UNIDO's network of Investment Promotion Services in developed countries aiming at fostering industrial investment to the developing countries, the Japanese Government, through MITI, finances an IPS in Tokyo, which is managed by UNIDO.

11. The IPS Tokyo has the general objective of promoting industrial investments from Japanese companies into developing countries, i.e. in the same line of the Project under evaluation. However, the investment cycle starting with the identification of proposals up to the actual operation of a joint venture is a long one. The mission found that there were no overlaps between the two projects because the IPS operates much more upstream of the Project under evaluation. In other words, the IPS identifies projects and promotes them at an earlier stage with Japanese companies, while the Project under evaluation, at least as of recent, works on projects already identified by the Japanese and local sponsors and where a final "push" is needed for their materialization. Therefore, there is a logic to keep the IPS and the Project separate. However, there are obvious links between the two. In fact, project proposals not close to fruition should be handled by the IPS, and proposals needing feasibility work should be referred to the Project for processing. These links should be strengthened in the future.

B. Project document

12. The project, since its inception, has been covered by four project documents, namely US/GLO/89/163, US/GLO/90/292, US/GLO/92/006 and US/GLO/92/185, each with a one year planned duration, although there have been overlaps between them because of the timing of individual studies and the fact that some of the studies were financed under two project documents. The reason for this one year breakdown refers to the possibility of the donor to make only one-year commitments. The project documents are the same in contents and financing. The problem to be dealt with by the project is realistic, and the approach followed was appropriate to solve the problem.

13. The development objective is well stated but was too optimistic since it underestimated the amount of time needed to bring the pipeline proposals to their fruition. The immediate objective is too general and contains no quantifiable indicators and has elements which are activities. The real objective of the project is more specific and narrow and should refer to "preliminary agreements for joint ventures based on pre-investment studies prepared by the Project for proposals already being entertained by Japanese sponsors and those of developing countries".

14. The activity no. 4 for output 2 is more of a backstopping nature, while the others are correct. The Project has a Direct Support function, although this is not explicitly indicated in the project document. Indicators for the outputs are stated and the relations between inputs/activities and outputs/objectives are clear and adequate. No workplan was prepared. This would have facilitated the management and monitoring of the project.

15. Risks in achieving the outputs were indicated as well as the interested beneficiaries of the project and how they would benefit from it. In the new project document, because of the reorientation of the Project to serve SMIs, these risks will be significantly increased and should be clearly stated. This is because of the relatively lesser interest of such industries to invest or

outsource in developing countries. This state is exemplified by a promotional brochure sent early 1994 to over 100 SMIs, which produced no response, while in 1992, 12 proposals were identified on the basis of ten letters sent to large trading companies.

16. Subsequent project documents would benefit from appraisal by the respective UNIDO Quality Assurance Officer. The individual project documents were appraised (three times) in the past noting that *"they need considerable improvement with regard to objectives and inputs"*. These improvements were never made.

II. PROJECT IMPLEMENTATION

A. Delivery of inputs

(a) UNIDO inputs

17. A comparison of approved budgets and actual expenditures, per budget line, for the three projects under evaluation shows the following:

US/GLO/90/292

Budget line	Original budget	Actual expenditure at 30 April 1994	Difference
11-01 Chief Technical Adviser	0	150,191	-150,191
11-50 Short-term consultant	150,000	657,747	-507,747
13-00 Administrative support	48,000	35,133	+12,867
15-00 Project travel	22,000	48,430	-26,430
16-00 Other personnel costs	18,000	37,889	-19,889
21-00 Sub-contracts	948,000	250,000	+698,000
41-00 Expendable equipment	45,000	2,129	+42,871
43-00 Premises	0	42,295	-42,295
59-00 Sundries	7,938	10,429	-2,488
TOTAL	**1,238,938**	**1,234,243**	**+4,695**

US/GLO/92/006

Budget line	Original budget	Actual expenditure at 30 April 1994	Difference
11-01 Chief Technical Adviser	0	166,532	-166,535
11-02 Investment promotion expert	0	24,951	-24,951
11-50 Short-term consultant	150,000	650,491	-500,491
13-00 Administrative support	48,000	42,492	+5,508
15-00 Project travel	22,000	44,223	-22,223
16-00 Other personnel costs	18,000	1,248	+16,752
18-00 Surrender prior years' oblig.	(2,020)	(2,020)	0
21-00 Sub-contracts	948,000	249,360	+698,640
41-00 Expendable equipment	45,000	3,367	+41,633
43-00 Premises	0	43,886	-43,886
59-00 Sundries	7,938	9,255	-1,317
TOTAL	**1,238,938**	**1,233,782**	**+5,156**

Budget line		Original budget	Actual expenditure at 30 April 1994	Difference
11-01	Chief Technical Adviser	150,000	191,804	-41,804
11-50	Short-term consultant	150,000	880,918	-730,918
13-00	Administrative support	48,000	2,319	+45,681
15-00	Project travel	22,000	40,428	-18,428
16-00	Other personnel costs	18,000	5,329	+12,671
17-00	National experts	0	51,682	-51,682
18-00	Surrender prior years' oblig.	(16)	(16)	0
21-00	Sub-contracts	948,000	0	+948,000
41-00	Expendable equipment	45,000	4,228	+40,772
43-00	Premises	0	53,000	-53,000
59-00	Sundries	7,938	14,003	-6,065
TOTAL		1,238,938	1,243,695	-4,757

18. The changes of the budget refer to the inclusion of a CTA not foreseen as such in the first two projects, to changes from subcontracts to individual experts and inclusion of rental for premises. Equipment has not been needed as originally foreseen. At first, one could suppose that using consulting firms belonging to the particular companies interested in the joint venture would hamper objectivity. On the other hand, the know-how of the involved industrial processes and detailed investment costs are best known by the company itself, and, therefore, it is legitimate to expect that the consulting firms are intimate or associated with the company. This explains why competitive bidding was seldom used, and, when it was, the company interested in the joint venture made the best bid because of comparative advantages.

19. In general, the real cost of the pre-investment studies was higher than the amount provided under the project. The additional amount was provided by the firm itself either directly or as cost-sharing. A number of upstream and downstream studies (such as updating and adjusting feasibility studies) were done by the interested companies, and the related costs were covered by the same. When the project reorients itself to small and medium industries, one should have in mind the lower interest and capability of these companies to support such costs. Furthermore, their capability to undertake feasibility work is considerably reduced in relation to larger companies, and more extensive utilization of independent consulting firms and consultants will be needed.

20. Sufficient funds should be allocated for project travel, budget line 15-00, to facilitate quick follow-up actions on the investment studies and to enable discussions with potential investors and financing institutions. This budget line was always underestimated, and provision of funds was required through budget revision, which was time consuming.

(b) Project monitoring and steering

21. The project is well managed by the CTA, who has the necessary qualifications and motivation. Quarterly reports are prepared, though not always in a timely fashion, and sent to UNIDO HQ and the Japanese authorities (MOFA, United Nations Administration Division, and MITI, Technical Cooperation Bureau of the International Trade Policy Bureau). The CTA was

involved in or conducted the financial analysis of some of the feasibility studies undertaken, such as Przyjazn Cokery, pulleys in Indonesia and fruit juice in Bulgaria. There has been adequate involvement from several substantive sections of UNIDO and the UNIDO field offices where the Project operated.

B. Implementation of activities

(1) Activities for output 1

(i) Identify 15 to 20 candidate investment projects through UNIDO's mechanisms (i.e. Investors' Fora, submissions of IPS offices and investment project portfolios emanating as outputs of various UNIDO technical assistance activities), and from JAIDO and other pertinent Japanese private sector.

(ii) Introduce the above projects to the private sector in Japan to ascertain their business interests.

(iii) Select, in consultation with the Japanese Government some five to six investment projects out of the candidate investment projects, to which UNIDO's support should be extended based on the results of activity (ii) above.

(iv) Determine the scope of UNIDO assistance for each selected project and prepare the terms of reference.

(v) Carry out the necessary activities for each selected investment project based on arrangements agreed upon by the parties concerned.

FINDINGS:
In terms of candidate investment projects identified through UNIDO's mechanisms (excluding IPS Tokyo), the above mentioned procedure is followed. However, for those proposals identified through JAIDO, other pertinent Japanese private sector and IPS Tokyo, the actual selection procedure goes as follows, which does not necessarily follow activities (i), (ii) and (iii):

- A candidate investment project which already has potential investors is identified through JAIDO and other pertinent Japanese private sector;

- UNIDO makes a decision whether the candidate project should be selected for the project or not, based on the selection guidelines of the project, which are described below;

The selection guidelines of the project are as follows:

- The following two conditions must be satisfied:
  1) Potential investors of both Japanese and a developing country's sides have been determined;
  2) A pre-feasibility study and negotiation by potential investors have been already conducted to a certain extent.

- The project which satisfies the following items has priority:
  1) A project which has a possibility for Japan International Development Organization (JAIDO) to invest;
  2) A project which is related to the improvement of the environmental situation in developing countries.

- A project which is related to the industrial sectors and the countries specified in the New Aid Plan (for details of the New Aid Plan, refer to the section I.A.);

- A project which is conducted in the following countries;
  Countries along the Persian Gulf, Mongolia, Viet Nam, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan and Peru.

Activities (iv) and (v) are always conducted as stated in the project document.

At the end, the most successful projects are related to their intrinsic merits namely financial viability and the interest of both sponsors, which explains the lack of complementarity between the studies undertaken in the various countries.

Seventeen studies were conducted under US/GLO/90/292 (five studies), US/GLO/92/006 (six studies) and US/GLO/92/185 (six studies). The approximate number of candidate projects was eighty, among which thirty-five were investigated in more detail and narrowed down to the seventeen studies actually conducted.

Among the seventeen studies conducted under the Project, two were identified through UNIDO (excluding IPS Tokyo), and the other fifteen were identified through JAIDO, other pertinent Japanese private sector and IPS Tokyo. The relatively small number of studies identified through UNIDO (excluding IPS Tokyo) seems to reflect the fact that the related mechanisms are time consuming.

The mission was not aware of significant delays in the approval and undertaking of the different studies.

(2) Activities for output 2

(i) Visits to local project proponents by UNIDO consultants to provide advice on technical, marketing, financial and legal aspects upon request;

(ii) Visits to foreign partner by technical or managerial staff of local project proponents for training prior to start up and / or invite experts of foreign partner for similar purpose.

FINDINGS:
Activity (i) is occasionally conducted, but activity (ii) is not conducted. The reason is that Japanese potential investors in the Project are big companies in most cases and can provide such training and advice directly and without UNIDO assistance. Since the Project is going to be oriented to medium-small scale industries, the necessity of such assistance by UNIDO will increase in the future.

III. PROJECT RESULTS AND ACHIEVEMENT OF OBJECTIVES

A. Outputs

(1) Output 1

22. Detailed technical, marketing and financial data required (e.g. technical review, market and raw material analyses, feasibility studies, etc.) for five to six investment projects. The studies prepared will conform to UNIDO methodology as applied to these studies as far as possible, but the specific requirements of individual investors will be accommodated and emphasis placed accordingly.

FINDINGS:
Seventeen studies were conducted under US/GLO/90/292 (five studies), US/GLO/92/006 (six studies) and US/GLO/92/185 (six studies). Each study closely follows the UNIDO format, and the overall content of each study is satisfactory.

(2) Output 2

23. Viable investment projects negotiated between local and foreign partners, based on the studies completed.

FINDINGS:
In a half of the cases, the negotiation has been conducted by the parties concerned without UNIDO assistance. However, in the other cases, UNIDO staff was actively involved in the negotiation. Since the Project is now oriented to small/medium-scale industries, the need for UNIDO's involvement at the negotiation stage will increase.

24. The question was raised in some interviews in recipient countries and UNIDO whether feasibility studies in respect of proposals not pursued by the partners should not be derestricted and made available to other interested partners. The fact is that proposals are not pursued because of lack of feasibility, and, therefore, this would apply to other partners as well. Besides, derestricting feasibility studies could inhibit the participating foreign sponsors to make available information which they may not want to publicize. Therefore, apart from survey type of studies, the pre-investment studies prepared under the project should retain their restricted status.

25. In relation to quality of the studies prepared under the first project, which was criticized in the first in-depth evaluation, the mission noted a considerable improvement in the studies prepared by the Project, both in terms of comprehensiveness and quality of the information and its processing.

Proposals developed under US/GLO/89/165

26. The evaluation team analyzed briefly the present status of the JV proposals developed under the first project, namely US/GLO/89/165. This was done as a desk study since there was no opportunity to discuss details with the sponsors both in Japan and in developing countries. The analysis was carried out to allow a comparison of the degree of success between the first project and those under evaluation. The former had already been subject to an in-depth evaluation in June 1992.

27. The status of these proposals is as follows:

Philippines: Copper fabrication

This project seems to have been of particular interest to JAIDO. However, because of lack of interest of the prospective Japanese investors, the idea was shelved.

Philippines: Alumina refractories manufacture

The local company was to be privatized but excessive delays in this privatization caused drop of interest from the Japanese investors.

Madagascar: Cement plant

The local political situation and lack of economies of scale made this project unattractive to the Japanese sponsors.

Malaysia: High tech industrial park

A detailed engineering design was made by JICA as a follow up to UNIDO's conceptual study. It seems that the Malaysian Government has approved the scheme which is being materialized.

Nicaragua: Caustic soda plant rehabilitation - market study and feasibility study

A market study was conducted in order to find out whether the existing plant deserved rehabilitation. The result was positive, and a feasibility study was conducted by a Japanese consulting firm. In the process, the Government of Nicaragua lost interest (the plant was to be privatized) as well as the prospective Japanese sponsor.

28. It may be concluded that the results of the first project were deceiving, in comparison with the subsequent projects subject of this evaluation. The previous evaluation recommended a number of improvements in terms of project selection and presence of sponsors, both in japan and in the target countries, which seemed to have been adopted by the Project, thus contributing to the substantial improvement of its effectiveness. The learning curve of the project in a difficult and high risk area which is the promotion of industrial investments in developing countries has definitely improved.

B. Achievement of the immediate objective

29. The immediate objective is stated in the three project documents as follows:

> *The transfer of financial resources, technology and managerial know-how to developing countries through support of the promotional activities undertaken by the Japanese private sector. The activities to be carried out under this project hence aim at bringing "pipeline" investment projects, which may otherwise remain latent, to their fruition.*

30. As mentioned under 'project design', this objective is too ambitious and mixed with activity elements. The mentioned "transfer" can only be achieved once the plants are in operation, which requires much more time and is dependent on external factors to the project. Therefore, the immediate objective, as is stated in the project document, was not reached. The immediate objective should have been more modest, namely a number of preliminary agreements between the joint venture partners upon completion of the feasibility work. In that case, eight agreements were achieved, and, therefore, the immediate objective would have been reached. However, it

may be concluded that, to a certain degree, the outputs of the Project have contributed towards the achievement of the project objective considering that, of the 17 studies (three were non-feasibility studies), 14 investment studies were already undertaken, of which eight are positively rated, thus indicating a 57% success rate.

C. Contribution to the achievement of the development objective

31. The development objective is stated in the project document as follows:

> *To promote industrial investment and related transfer of technology from the Japanese private sector to developing countries.*

32. This objective is too broad and vague and similar to the immediate objective of the project. At most, it could have been the transfer of technology and financial resources made possible by the joint ventures. As such, the development objective, while not yet reached, will be reached once the first joint ventures materialize. Sufficient time, however, should be allowed for this to happen. The development objective for this Project could only be ascertained by an ex-post evaluation conducted several years after its termination.

IV. CONCLUSIONS

33. In the Project, seventeen industrial studies have been conducted, among which fourteen are feasibility studies and three of another type (industrial survey, master plan, pre-feasibility or opportunity study).

34. The quality of the studies conducted in respect of each industrial project is high and follow accepted pre-investment methodologies. The capability of the international and national staff and consultants involved in each study is also high. In some cases, UNIDO technical staff of Headquarters was involved by providing technical inputs.

35. None of the feasibility studies has materialized yet. By this, the mission understands actual production or at least the start of the plant's erection. However, eight out of fourteen (57%) feasibility studies are currently under active negotiation and, in the opinion of the mission, are expected to materialize as indicated in the sheets of Annex 1. On the basis of the ratio of 57%, the mission evaluates the Project to be effective.

36. The mission estimates the Project to be useful (relevant) because of the following advantages, which are recognized by both Japanese and developing country sides:

- Financial help for conducting feasibility studies;
- UNIDO can provide various information regarding business opportunities, risks and practices in developing countries and has knowledge of the world situation of selected industrial subsectors;
- UNIDO has a proven method for the preparation of feasibility studies;
- Neutral role assumed by UNIDO in the negotiations;
- Identifies potential subsectors in developing countries, where local material and labour and manufacturing capabilities are available.

V. RECOMMENDATIONS

37. In view of the validity of the approach adopted by the project and its usefulness in paving the way to Japanese industrial investments in developing countries, the mission recommends that the Project be continued.

38. The design of the Project should be more focused and more realistic (not so optimistic), particularly in view of its new reorientation towards assisting Japanese SMIs. This will introduce higher risks (external factors to the project). Detailed recommendations regarding the improvement of the project design are provided under chapter I.B of this report.

39. In line with the reorientation of the project towards SMIs, an increase in its promotional activities to attract Japanese SMIs to the project should take place. Such promotional activities should consist of presentations of a general nature and direct negotiations between the project staff and interested Japanese entrepreneurs. This promotion should be sponsored by local bodies, such as prefecture governments, business associations or banks interested in lending to Japanese joint ventures abroad.

40. The project will have to develop new screening criteria for the industrial opportunities to be assisted in the future, in line with the Japanese Government New Aid Plan and the special requirements of SMIs.

41. Funds for follow-up of studies prepared under the project should be foreseen. This follow-up can consist of updating of data or modifications suggested by the negotiations of the intervening parties. Up to now, this follow-up has been taken care totally by the specific Japanese counterpart companies. The mission is not convinced that the same approach will be always possible when the counterpart is an SMI. Furthermore, because of the possible higher mortality rate of small and medium investment proposals, a phased approach to pre-investment work may be warranted in some cases. This approach will consist in preparing first an opportunity study or project profile rather than proceeding immediately with the preparation of a full feasibility study. In this way one can have a preliminary idea about the feasibility of the project, ascertain the continuing interest of the parties involved and only then proceed to the next stage.

42. While the industrial and infrastructure surveys prepared in the past by the project have been of use, particularly for the recipient countries, it is not recommended to pursue this type of work in the future under the project. The mission feels that, no matter how useful they are, they fall outside the direct scope of the project. In the specific case of the survey on Viet Nam, the mission recommends its translation into Vietnamese for distribution in local Government circles, as well as wide distribution to Japanese companies interested in this country, with a possible translation of the report into Japanese.

43. While the location of the project in the IPS premises has increased cooperation between the two, it would be desirable to increase this cooperation. The mission did not have an opportunity to analyze the operations of the IPS nor was it within its mandate. It seems that the typical activities undertaken by the IPS Tokyo are much more upstream of the investment cycle, which does not facilitate cooperation. However, increased cooperation could take place in two areas: (a) the transfer to the IPS of activities upstream of the investment cycle (such as surveys); and (b) the transfer to the Project of feasibility work in respect of profiles promoted by the IPS, where such feasibility work will facilitate investment decisions by the Japanese entrepreneur interested in the proposal, providing of course that it meets the screening criteria established by the project.

44. As indicated in the evaluation report, the participating Japanese companies have, in most cases, co-financed the feasibility studies, which is indicative of their interest in the proposal. The mission is aware of the difficulties in adopting the same approach in respect of SMIs, but it still wishes to recommend that this practice be followed by having the Japanese firm contributing at least with a token 10-15% of the cost of the study.

VI. LESSONS LEARNED

45. The project demonstrates the need and usefulness, even for large companies, to subsidize the preparation of pre-investment work in respect of well identified joint venture proposals, in order to bring them to their fruition. It also demonstrates the usefulness for both partners (sponsors in developed and developing countries) to have a study prepared by or under a neutral third party, such as UNIDO, ir order to increase its acceptability.

46. COMFAR is validated as a powerful instrument to show economic and financial feasibility and to allow the undertaking of sensitivity analyses.

Annex 1

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**BANGLADESH: Feasibility study on integrated textile mills**
Total investment:	**USD 78.6 million**
Partners:	A.K.Khan & Co., Ltd. (Bangladesh) Nichimen Corporation (Japan) Toyobo Engineering Co., Ltd. (Japan) Japan International Development Organization Ltd. (Japan) Gabungan Koperasi Batik Indonesia (Indonesia) The equity will be shared as follows: Japanese sponsor 28%, JAIDO 16%, GKBI 6%, local sponsor 17.5% and international banks 72.5%.

Description of the joint venture

A.K.Khan & Co., Ltd., a well-established local company, had an initial idea of creating an integrated cotton mill. Through discussions with potential foreign investors, the plan has been changed to include only weaving and finishing. The site location is near Chittagong.

Background

In Bangladesh, the industry of ready-made garment (RMG) production is expanding. The availability of an abundant and cheap labour force makes RMG in Bangladesh competitive in the world market. However, the RMG spends 70% of its foreign earnings to import raw fabrics because of the unavailability of high quality, domestic-made fabrics.

Analysis of the study

The study analyzes four cases, among which cases 1, 2 and 3 are integrated textile mills with spinning, weaving and finishing processes. The difference among these three is the quality of the fabrics. Case 4 is the case in which the spinning operation is taken out from case 1. The study mainly analyzes case 1, but does not conclude as to which case should be selected. Based on the study, the parties concerned discussed to come up with the conclusion of selecting case 4. The major reason of this selection is the fact that yarn is abundantly available from outside the country, and it is rather cost effective to concentrate on spinning and weaving process.

The project targets solely on the RMG export market. The study is based on the forecast of garment exports with the annual projected growth rate of 18%, which is half of the actual growth rate of the 36% average during the period from 1987/88 to 1991/92.

The study deals properly with the environmental issues.

Present situation of the proposal

In January 1994, the partners signed the joint venture agreement.

UNIDO intervention

In January of 1992, UNIDO was involved in the feasibility study. Japanese potential investors regard the followings as advantages of the involvement.

- Financial support for the study.
- The sophisticated method of feasibility study which UNIDO can provide.
- UNIDO involvement has made the Bangladesh government much more serious about the project.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**INDONESIA: Feasibility study report on foundry products**
Total investment:	**USD 0.96 million**
Partners:	PT Himalaya Transmeka of Indonesia (Indonesia) Nabeya Kogyo Co., Ltd. (Japan)

Description of joint venture

PT Himalaya Transmeka of Indonesia and Nabeya Kogyo Co., Ltd. (Japan) plan to establish a joint venture company to produce and distribute casting products and high quality pulleys in Indonesia. In addition to the Indonesian local market, the JV company will export eventually 50% of pulleys to the mother company in Japan, Nabeya Kogyo Co. The JV aims at producing 228 MT of pulleys and 60 MT of other products at its full capacity.

Background

The quality of the locally produced pulleys in Indonesia is below international standard. This is partly due to the fact that the pulley industry in Indonesia is not sufficiently exposed to international competition because of the 30% import duties imposed.

Analysis of the study

The study assumes the following gradual catch up of the production capacity as a base case.

Year 1	Year 2	Year 3	Year 4	Year 5
30%	50%	65%	80%	100%

In terms of domestic demand, the study assumes an annual growth rate of 15%, similar to the annual average growth of manufacturing industries excluding petroleum and natural gas experienced by Indonesia during 1983 to 1990. The mission evaluates these assumptions to be conservative enough to conduct the study.

Based on these assumptions, the study conducted financial analyses for three cases. In addition to the base case, two alternative cases include one case of earlier catch up of production capacity and the other case of lower equipment and land/building costs.

In addition to these three case analyses, the mission suggests that sensitivity analyses regarding market price and domestic demand estimation should have been conducted.

The study properly covers the environmental issues.

Present situation of the proposal

The JV partners are currently working on the final details of the agreement. Nabeya Kogyo expects that the signature of the agreement is pretty close.

UNIDO intervention

UNIDO was involved in the feasibility study from the beginning. The CTA of the Project joined the study as a financial analyst. In addition to financial support, Nabeya Kogyo especially appreciates the valid method of the feasibility study which UNIDO has provided.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**POLAND: Feasibility study on rationalization and modernization of the Przyjazn cokery**
Total investment:	**USD 36.26 million** Refers to improvements and related equipment.
Partners:	- **KOBE STEEL Ltd.** - **The KANSAI COKE AND CHEMICALS CO.** - **Government of Poland (Ministry of Industry)** The study was prepared by two above firms together with the consulting firm NICHIMEN.

Description of the joint venture

The project aims at increasing the production capacity from 2,210 to 2,850 (10^3) tons/year, at improving labour productivity from a total of 3,280 employees to 2,200, at savings on energy and raw materials and strengthening environmental control. The latter is to be achieved by the introduction of analytical equipment for quality control, the installation of a coke oven gas holder and of a dust collector, the introduction of low pressure desulphurization process and by improving the waste water treatment facility.

Background

The Przyjazn cokery started its operations in 1987. With the change of the Polish economy to the market system in 1989, several problems affecting this plant became apparent: excessive staffing (around four times the optimum), little pollution control, inefficient plant operation and concentration on a few markets (essentially the former USSR and the Katovice Steel Mill) with artificially set prices. The proposal was brought to the attention of JAIDO by NICHIMEN/KOBE. JAIDO participated in the field missions.

Poland is rich in coking coal. Due to environmental problem in Japan, companies plan to increase the outsourcing of procurement for this raw material.

Analysis of the study

The study is comprehensive and well prepared. It recommends privatization of the cokery. The financial and economic analysis was prepared in cooperation with the Polish consulting firm PROXIMA and did not use COMFAR. The study revealed a low IRR of 5.31%, which could be increased by lowering the book value of assets. Increase of cost by 10% as one of the scenarios chosen for sensitive analysis is unlikely because of the continuing depressed market situation for coking coal. This is aggravated by the introduction of PCI steel making technology, which reduces the need of coal from 500 kg/ton of steel to 200 kg.

Present situation of the proposal

Due to the weak results found by the study and the continuation of the depressed market for coke, the proposal is not feasible and, therefore, is not likely to materialize in its present form.

There are some differences of opinion between the Japanese and Polish partners regarding the present status of environmental control in the plant. A new President of the Przyjazn Cokery Plant has reactivated the discussions with the Japanese partners towards a modified project which would include an increase in power generation and BTX production. The Japanese companies continue to be interested in investing in this field in Poland, which is one of the few countries in the world with excess production of coking coal. Additional studies would still be required.

UNIDO intervention

A UNIDO staff member made the presentation of the study to the Polish authorities in a round table with all interested parties. The IPS Warsaw arranged the contacts in Poland.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**SLOVAKIA: Modernization, balancing and expansion of polypropylene production at SLOVNAFT**
Total investment:	**USD 40.3 million** The above figure refers to new investment and may go down as a result of the negotiations between the partners.
Partners:	- **SLOVNAFT:** A public joint stock company in the process of privatization. - **CHISSO Corporation:** A leading manufacturer of petrochemicals and polymer resins. - **ITOCHU Corporation:** A leading trading house in Japan with an extensive sales network worldwide, including Slovakia. 17% of its business refers to energy and chemicals.

Description of the joint venture

The project is to revamp the presently operating no.2 polypropylene production unit of 40,000 tons/year production capacity up to 80,000 tons/year. The current slurry process will be improved by applying a high activity catalyst and modifications in several processes. The older no.1 unit of 30,000 tons/year capacity will be scrapped except the palletizing unit which will be used for the revamped plant.

EBFD and JAIDO are being targeted as co-financing/lending agencies. Proportion of share holding is under discussion, but it will be about 50/50 national/foreign.

Background

ITOCHU erected the polypropylene plants no.1 and 2 of SLOVNAFT. There is no Japanese investment in Europe in this line of business because of strong presence of European petrochemical companies. After an initial appraisal ITOCHU decided that one of the Central European countries would be appropriate for an investment, and in view of the previous association with SLOVNAFT this was a logical choice. Also, access to raw materials and growing markets in the surrounding area support this position.

Analysis of the study

The study is well prepared and comprehensive and was very useful to establish the feasibility of the project and to guide the Slovak partners in further negotiations with the two Japanese partners.

The marketing study was particularly well carried out, being the most important element. Equally the sensitivity analysis was well done. The market growth is correctly estimated. It is not believed that recycling of waste will substantially influence market projections since the major

application for their PPL is fibre, where recycling possibilities are rather low. Although there is a considerable gap between world demand/installed capacity (pages 3-34, 3-45), it will diminish in 1996-97. The solution for this will be competitiveness, and this is why it is so important to have a correct product price. The proposal scheme for revamping is accepted since a new plant would be cost prohibitive.

SLOVNAFT is analyzing in detail some aspects of the study. In particular, they are checking the sensitivity to the price of the final product and whether the assumptions made in this connection are correct. They are also looking into the total project cost with a view to identify items where costs could be lowered. Project costs are important since they influence profitability. There are possibilities to decrease the total cost of the project. They agree that the IRROE should be at least 15%, therefore, a higher tax incentive as proposed by the study is in order.

The Foreign Exchange Balance of the project is not clearly indicated in the study. Upon a closer analysis, this is mentioned as "money exchange" in the cash flow statements.

The cost of personnel dismissals (at least 183-126 = 57 employees) is not accounted for in the financial analysis. It is not clear whether these employees/workers can be absorbed by the other SLOVNAFT subsidiaries. This matter deserves further study and should be included as a cost in the financial analysis.

Not enough time was given to the Japanese preparers of the study to confer and discuss it in draft with the Slovak counterparts.

From the environment point of view, PPL production is acceptable. The study covers well questions related to environmental control.

It appears that the total cost of the study, not counting previous analyses and adjustments made to the October 1993 version, was above the amount covered by the project.

Present situation of the proposal

The proposal is being adjusted and negotiated with the Slovak side (a top level meeting is planned for mid-June 1994 in Tokyo) and for presentation to the EBRD.

It is very likely to materialize.

UNIDO intervention

UNIDO intervention was useful to minimize risks (grant contribution to pre-investment work), to introduce a neutral presentation of the study and to use accepted feasibility methodology.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**VIET NAM: Industrial investment promotion report with special reference to the North and South Triangle Zones**
Total investment:	**not applicable**
Partners:	**not applicable**
	Study was undertaken by experts provided by the Japanese consulting firms ALMEC Corp. and UNICO International Corporation.

Description of the study

The study aims at identifying opportunities and constraints to industrial investment in Viet Nam. The study has an infrastructure and an industrial part. The first one reviews the present situation in the infrastructure and identifies needs for improvements in the transportation system, electric power supply and the telecommunications system. The industrial survey covers the policy and institutional framework for manufacturing, analyses the most promising industrial subsectors, maps up the industrial development prospects for the North and South Triangle Zones and recommends measures to improve the foreign investment climate. The study focuses on the North and south Triangle Zones (Hanoi, Haiphong, Quang Nimh and Ho Chi Minh City, Bien Hoa, Vung Tau), which are considered by the Government as the locomotives for economic growth in the country.

Background

The study follows on World Bank studies (UNDP-funded) on transport and energy. On the Vietnamese side, the Government prepared, three years ago, a strategy for development for this decade. In this strategy, three zones with high economic growth potential were identified, of which the North and South were prioritized. The latter contains 40% of the country's industrial production (without oil) and 27% of the GDP. From the Japanese side, Viet Nam is considered as one of the target countries for future investment and outsourcing. Little is known of business opportunities of this country in Japan, particularly to small and medium industries.

This communion of interests was identified during discussions between the Hanoi UNIDO Office and the State Planning Committee who nominated the Institute for long-term and regional planning as the main local counterpart to the study. The study was prepared in close cooperation with the counterpart and was translated in draft form into Vietnamese. This draft was discussed in a joint meeting in Hanoi on 1-2 December 1993 and was completed, taking into account the local comments expressed during that meeting.

Analysis of the study

The study follows the accepted methodology for infrastructure and industrial surveys (of the World Bank type). It is of very good quality and is particularly well timed. It recommends ways and means to improve environmental control. The close participation of the Vietnamese counterpart ensured its understanding and acceptance by the same. It provides a sound basis for investment promotion and development cooperation work, both at the level of infrastructure and policy, as well as by identifying 20 industrial profiles. It was confirmed that some of these profiles have met the interest of some Japanese companies who have started pre-investment studies on their own. The study has been also useful to pave the way for bilateral cooperation of three projects financed by Japan (improvement of the Hai Phong port, of the road Hanoi to Hai Phong and hydropower station in the South). The first two projects have been approved and amount to about $ 130 million.

For the Vietnamese side, the study was useful to show the Government how to approach industrial investment in a market economy.

On a more critical point, the study concentrated too much on the hardware portion of development, but misses or is weak on HRD, institutional services, such as standardization and quality control and financing mechanisms. Prioritization of the recommendations would be needed. Also it does not fit the terms of reference of the Project having no immediate investment potential.

Present situation of the proposal (study)

The study is being translated into Vietnamese and will be submitted to the Party Congress in mid-July 1994. As mentioned before, it served as a basis for bilateral infrastructure cooperation projects and is allegedly being used by some Japanese firms for identifying investment opportunities. The study should be derestricted to make it available to other donors.

UNIDO involvement

In addition to the identification of the need for the study and its close monitoring by project staff (CTA), who participated in the survey missions, the Hanoi meeting of December 1993 and the final report were prepared with the participation of the former Regional and Country Studies Branch and Industrial Investment Division of UNIDO.

The UNIDO office in Hanoi was involved in all stages of the study.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**VIET NAM: Float glass production**
Total investment:	**USD 130 million**
	After a more careful calculation of the investment costs. this figure has decreased.
Partners:	- **ASAHI Glass Company Ltd.** - **Union of Building Materials Enterprises No.1** (now Union of Glass and Ceramics)

Description of the joint venture

The joint venture aims at establishing, as a green field project, a float glass plant with a capacity of 500 tons/day at Cat Lai in the South of the country. Share holding 30/70 is to be divided between Vietnamese Co./ASAHI with possible IFC participation.

Background

A visit of a Vietnamese delegation to Japan arranged by the IPS Tokyo in 1990 brought the project to surface. ASAHI is very active in this field having plants in India, Thailand, Indonesia, Philippines and China and was already eyeing this proposal. A further plant in Viet Nam is logic for ASAHI.

Since the submission of the report in 1992 ASAHI has had contacts and negotiations with the Vietnamese counterpart, and an update of the study is now complete.

Analysis of the study

The study follows the COMFAR system and is well prepared. It identifies correctly bottlenecks in terms of infrastructure: road access and electricity supply. The market situation is Viet Nam for glass has improved since the study was prepared, not only in quantity but also in price. Smuggling from China has gone down in view of the increased market and prices in China.

Environmental control is well covered by the study.

Present situation of the proposal

The study was completed in September 1992. It has been changed subsequently. Certain figures were adjusted such as raw material prices, which were on the high side (e.g. sand), know-how fees, land use rights and transportation. The electricity will be supplied by the own 6,000 KW diesel oil generator. Total investment has gone down. The evaluation mission had no access to this revised study.

ASAHI expects that, by the end of the year, the joint venture agreement will be signed. IFC will be approached to co-finance the project.

Some bottlenecks are still to be solved. Ways and means are being searched to reach foreign exchange balance in the construction and operation of the plant as requested by the Vietnamese side who also has difficulties to raise 30% of the capital.

UNIDO intervention

UNIDO arranged for the first contacts with the Vietnamese side. It was convenient that the first study was prepared under the UNIDO aegis, which gave it a neutral flavour. The COMFAR methodology for financial and sensitivity analysis was useful. The CTA participated in some missions.

JOINT VENTURE PROPOSAL

Basic characteristics

Title:	**VIET NAM: Feasibility study on a cement plant in Nghi Son Area**
Total Investment:	**USD 342 million**
Partners:	Viet Nam National Cement Corporation, Hanoi, Socialist Republic of Vietnam Mitsubishi Materials Corporation, Tokyo, Japan Nihon Cement Co., Ltd., Tokyo, Japan

Description of the joint venture

Several new cement plants in Viet Nam are under consideration. This feasibility study deals with a new cement plant with 2.3 million tons/year capacity to be erected in Nghi Son, Northern Viet Nam. The expected financial structure of the JV is 30% capital (among which Japan 70% and Viet Nam 30%) and 70% liability. In terms of the target market, 60% is domestic and 40% is export.

Background

The domestic demand for cement in Viet Nam (in 1992, 3.8 million tons) is expanding at the rate of 23-36% per year in the past three years. The expansion is expected to continue for at least ten years. The domestic demand has already exceeded production capacity, and the gap is expected to increase.

Analysis of the study

In the market analysis, domestic demand growth rate in the coming ten years is estimated to be approximately 15% per year. Given the growth rate of 23-36% in the past three years, this future growth rate estimation seems to be appropriately conservative.

The foreign exchange balance of the project is not clearly indicated in the study. According to the interviews by the mission, for the Vietnamese side, it is desirable to sell all the products in the domestic market because of the expected shortage of cement. In this case, however, not enough US foreign exchange would be available for the JV to pay back the Japanese investors. Therefore, it is more realistic to export 40% of the products to obtain the needed foreign currency.

The study well investigates the export potential of the Southeast Asian market.

The study mentions the necessary production devices to adequately deal with environmental issues.

Present situation of the proposal

Both Japanese and Vietnamese sides expect to reach a JV agreement within 1994.

UNIDO intervention

In 1988, Mitsubishi Materials initiated the study. In 1991, the study concluded not to have such positive results. In January of 1993, Mitsubishi Materials resumed the study with Nihon Cement, and in April, UNIDO got involved in the study. Both Japanese and Vietnamese potential investors regard the following as advantages of the involvement.

- Financial support for the study.
- The sophisticated method of feasibility study which UNIDO can provide.
- Because of the objectivity and neutrality UNIDO involvement brings, the Vietnamese government has become more optimistic about the proposal.

Annex 2

IN-DEPTH EVALUATION MISSION

Industrial Cooperation for the Promotion of Investment Projects in Developing Countries to be undertaken by Japan Private Sector US/GLO/90/292, US/GLO/92/006 and US/GLO/92/185

TERMS OF REFERENCE

I. INTRODUCTION

Purpose of the project

To promote industrial investment and related transfer of technology from the Japanese private sector to developing countries. The project outputs are feasibility studies and the target beneficiaries are: (i) local project proponents, (ii) Government authorities, (iii) financial institutions both in industrialized and developing countries and (iv) potential Japanese investors.

Background of the project

The Government of Japan initiated a programme to recycle the financial resources from Japan to developing countries with the participation of its private sector. As a part of these efforts, the Japan Federation of Economic Organization (KEIDANREN) established the Committee on International Cooperation projects (CICP) and the Japan International Development Organization (JAIDO) - tools to stimulate direct foreign investment by the private sector.

The first project under the programme was US/GLO/86/163 - Industrial Cooperation for the Promotion of Investment Projects in Developing Countries. A number of pre-investment studies were carried out under this project. The project was subject of an in-depth evaluation in April/May 1992 - the findings of which will be an input to this evaluation exercise as well.

Subsequently - three more projects were formulated and approved. The three project documents contain more or less the same text. The following studies have been carried out under these projects:

US/GLO/90/292 (Japanese contribution: US$ 1,238,938)

- Feasibility study on caustic soda production in Nicaragua
- Feasibility study on a Bixin Extraction Plant in the Dominican Republic
- Feasibility study on Synthetic Resin production in Malaysia
- Feasibility study for a sheet glass plant in Viet Nam
- Feasibility study for a Phzryjazn coke plant in Poland

US/GLO/92/006 (Japanese contribution: US$ US$ 1,238,938)

- Feasibility study on a PVC Processing Plant project in Pakistan
- Feasibility study on Yellow Phosphorus Refining in Kazakhstan
- Feasibility study on Integrated Textile Mills in Bangladesh
- Feasibility study on Secondary Concrete Products in Turkey
- Pre-feasibility study on a Steel Industrial Complex in Thailand

- Feasibility study report on Restructuring of Polypropylene Production Facilities of Slovnaft in the Slovak Republic

US/GLO/92/185 (Japanese contribution: US$ US$ 1,238,938)

- Feasibility study report on Foundry Products in Indonesia

- Feasibility study on Manufacturing of Agar-Agar and Carrageenan in Indonesia
- Feasibility study on Fruit Juice Processing in Bulgaria
- Feasibility study on a Cement Plant in Nghi Son Area, Viet Nam
- Feasibility study on a Cotton Combed Spinning Mill in Uzbekistan
- Pre-investment survey report on the investment promotion in the industrial development in triangle zones of South and North Viet Nam

The proposed projects are expected to foster industrial cooperation between Japan and the developing countries by identifying, preparing and implementing investment projects in selected developing countries with the active participation of the Japanese private sector. The individual projects were to be identified through UNIDO mechanisms (namely: investors Fora, submissions of IPS offices and investment project portfolios) as well as through JAIDO and other pertinent Japanese sources. The investment projects identified for feasibility studies were to be screened through an established methodology in order to verify their suitability for consideration under the project.

II. EVALUATION

The purpose of the evaluation is to assess the overall achievements of the project, assess and identify factors which have facilitated quality of project achievements, ascertain the relevance and effectiveness of the project, assess the impact and effect generated by the project; what follow-up actions were initiated and what lessons can be drawn at operational, organizational and policy levels. The results of the findings of the evaluation would be useful to the donor, UNIDO and the recipient country in determining future course of action, including follow-up, if any.

Scope, purpose and methods of the evaluation

The primary purpose of the in-depth evaluation is:

(a) to assess the achievement of the studies against the objective and expected results (outputs);

(b) to identify and assess factors which facilitated or impeded project progress;

(c) to examine the extent to which the results of the project in terms of the studies conducted, contributed to investment decisions and to determine the significance of such investments, for employment, economic growth and environmental concerns.

As part of the above mentioned tasks, the evaluation will include a review of the following:

Origin:

(i) Project identification and screening procedures;

(ii) country selection criteria;

(iii) selection criteria of companies and product range;

(iv) level of investment envisaged;

(v) type of industries (medium vs. large)

(vi) whether a new project or an expansion;

(vii) were the studies requested by the ministry, enterprises, associations or financing organizations;

(viii) what was the extent of participation by the recipient country/enterprise in drafting terms of reference for the proposed study;

(ix) were there sponsors for the study;

(x) what type of studies were carried out (opportunity, pre-feasibility and feasibility)?

(xi) was the purpose of the study a follow-up to previous pre-investment work or just its start of it.

Mechanism of approval

(i) Approval process (selection process, including criteria for selection);

(ii) time required for approval by UNIDO and by the Government of Japan;

(iii) criteria for approval.

Execution of studies

(i) Usual duration; possible delays in implementation;

(ii) Who implemented the study? Subcontracts, individual experts. Use of national capabilities;

(iii) how were studies presented to decision-makers, meetings - presentations;

(iv) did the studies fit the national sector or subsector development plans;

(v) was there any training component, computer/COMFAR component

Quality of studies

(i) Scope (e.g. level of the feasibility study - adequacy of the financial analysis);

(ii) quality and extent of technological analysis;

(iii) quality and extent of market analysis;

(iv) was an economic cost benefit analysis done;

(v) how complete were the studies, including identification of sources of finance and financing planning;

(vi) did the studies take into consideration and review environmental concerns and energy conservation measures.

Follow-up to studies

(i) Have the studies resulted in a report that will enable the project sponsors to take an investment decision;

(ii) how are the results of the studies assessed by the parties concerned and how are the resulting conclusions/recommendations being utilized/considered;

(iii) what has been done to follow-up on the pre-investment studies carried out;

(iv) how many of the studies resulted in decisions or actual investment;

(v) assessment of impact on development and investment policy;

(vi) what follow-up support and or activities are called for to ensure the optimal use of projects recommendations;

(vii) what conclusions can be drawn in terms of project's relevance, performance and success;

Programme level analysis

(i) Was there any connection or complementarity between the individual studies;

(ii) was there a specific focus on region, type of country or industrial branch;

(iii) are studies/reports examined or approved by the appropriate Japanese counterparts, either in progress or after completion;

(iv) was there any feedback from relevant authorities in Japan on the studies;

(v) was there any involvement of Japanese companies in the follow-up;

(vi) did the contribution from Japan improve the effectiveness of the UNIDO programme (more studies, more rapid implementation, etc.)

(vii) advantages and disadvantages for Japan of cooperating with UNIDO in this programme.

Lessons learned

What are the main positive and negative lessons that can be learned from the experience of these projects, in particular with respect to:

- local participation and capacity building;
- development of the sector or subsectors concerned

III. COMPOSITION OF THE TEAM

The evaluation team will be composed of the following:

- one nominee of the Government of Japan
- one nominee of UNIDO

Qualifications

The team should possess a combination of technical expertise in evaluation and techno-economic feasibility studies. The team members selected are expected to be independent who have played no role in the design, implementation and monitoring of the project.

IV. CONSULTATIONS IN THE FIELD

The mission is expected to visit project sites in selected target countries as well as Tokyo in order to establish close contacts with the target group and end-users in the targeted countries and Japan. For this purpose, the mission will visit Hanoi (Viet Nam) for field investigations. The UNIDO nominee will, in addition, visit another project site (Bratislava, Slovakia) in view of its proximity to UNIDO HQ. From Hanoi, the mission will proceed to Tokyo for consultations with the donor government and the CTA of the project.

The mission will maintain close liaison with the UNDP Resident Representatives of the countries visited, the concerned Government/private organizations and associations and local UNIDO staff.

The mission, other than the field trip, will spend time at UNIDO HQ to review project files and interview relevant officials responsible for the programme to gather information on project implementation.

Although the mission should feel free to discuss with the authorities concerned all matters relevant to its assignment, it is not authorized to make any comments or commitments on behalf of the donor country or UNIDO.

V. TIME TABLE AND REPORT OF THE EVALUATION

- The donor and UNIDO nominees will receive briefing at the respective organizations and review project documentation.
- The mission will undertake a field assignment to Viet Nam and Slovakia to analyze specific study results in those countries.
- Preparation the evaluation report at UNIDO HQ.

The mission will conclude its findings with an evaluation report according to the UNIDO format, as stipulated in the Director-General's bulletin UNIDO/DG/B.106. The team will be expected to make a presentation of the preliminary findings of the evaluation both in Japan and UNIDO before formal submission of the report to the Government of Japan and UNIDO.

Proposed tentative schedule: to commence from third week of May 1994

LIST OF PEOPLE MET

In Viet Nam

Institute for Long Term and Regional Planning, State Planning Committee
Mr. Nguyen Quang Thai
Deputy Director-general, National Project Director

Mr. Pham Quang Ham
Director, Industrial Department

Mr. Nguyen Quang Vinh
Senior Expert, Infrastructure Department

Ms. Nguyen Thi Nga
Expert, Infrastructure Department

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