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**UNIDO INVESTMENT PROMOTION SERVICE OFFICE  
IN TURKEY**

US/GLO/94/301

Report of the Evaluation Mission<sup>(1)</sup>

*prepared in cooperation with  
the Government of Turkey  
and  
the United Nations Industrial Development Organization*

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\* This document has not been edited.

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UNIDO INVESTMENT PROMOTION SERVICE OFFICE IN TURKEY

<UNIDO pub>. <Mission report> on the establishment of a <UNIDO>  
<investment promotion> centre for <industrial promotion>,  
<technology transfer> and <cooperation> in <Turkey> - covers (1)  
the <methodology> pursued in <project selection>, <project  
evaluation> and subsequently in <project implementation> (2)  
~~resulting in a <project document> with~~ <sup>financial</sup> <economic analysis>,  
<administrative aspects> and <input-output analysis>.  
Conclusions, <recommendations>. Annexes ~~tables~~, list of contacts,  
list of projects, <statistics>. <Restricted>

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## EXPLANATORY NOTES

The structure and contents of this report are based on Annex II of the Director-General's *Bulletin on In-depth Evaluations of Technical Cooperation Projects (UNIDO/DG/B.106)*; some changes, however, have been introduced in view of the special characteristics of the project.

Unless otherwise specified, the term "*the Office*" designates the Istanbul Investment Promotion Service. The following abbreviations and acronyms have been used in the report:

BL	Budget Line
BRE-Net	Bureau for the Approachment of Enterprises
CIS	Commonwealth of Independent States
COMFAR	Computer Model for Feasibility Analysis and Reporting
DEIK	Foreign Economic Relations Board
DIPP	Data Bank for Investment Project Profiles
EBRD	European Bank for Reconstruction and Development
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
GATT	General Agreement on Tariffs and Trade
GDFI	General Directorate of Foreign Investment
IBOS	International Business Opportunities Service
IDF	Industrial Development Fund of UNIDO
IIPP	Industrial Investment Project Profile
INTIB	Industrial and Technological Information Bank
IPS	Investment Promotion Service Office
ITPD	Investment and Technology Promotion Division of UNIDO

<b>KOSGEB</b>	<b>Small and Medium Industry Development Organization</b>
<b>PROPSPIN</b>	<b>Project Profile Screening and Pre-appraisal Information System</b>
<b>SMEs</b>	<b>Small and medium enterprises</b>
<b>SSA</b>	<b>Special service agreement</b>
<b>TIKA</b>	<b>Turkish International Cooperation Agency</b>
<b>TOSYOV</b>	<b>Turkish Entrepreneurs and Managers Foundation</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>
<b>UNIDO</b>	<b>United Nations Industrial Development Organization</b>
<b>UNV</b>	<b>United Nations Volunteer</b>
<b>USD</b>	<b>United States Dollars</b>

## EXECUTIVE SUMMARY

Considering the short period of operation and the limited resources at its disposal, the performance of IPS Istanbul can be regarded, on average, as satisfactory, although some of the targets foreseen in the project document have not been achieved.

The Office, which has both an outward and an inward investment orientation, is made up of a small group of well prepared and motivated staff, who have carried out a considerable amount of work.

However, the limited resources available in the project budget for follow up and the absence of mechanisms (such as the *Delegates Programme*) have reduced the operational capacity of the Office. The situation has been compounded by the fact that almost one third of the project budget has not been paid yet.

An inventory containing approximately 1,520 records of Turkish enterprises interested in cooperation with foreign partners has been established and is maintained in 3 separate databases.

Outward promotion has been the most successful component. Several hundred project profiles have been screened to identify those which met the requirements of Turkish investors: 12 projects have been concluded between Turkish investors and local sponsors (almost all in the CIS countries); some of these projects have already reached the implementation stage. In addition to this, 109 projects are currently under promotion (in the Czech Republic, Ukraine, Russia, Kyrgyzstan, Turkmenistan, Uzbekistan, China and India).

Inward promotion has not met the initial expectations. Due to the lack of adequate resources for a comprehensive promotional campaign abroad, IPS Istanbul has obtained limited results with regard to the enhanced awareness in international business circles of Turkey's investment climate. No projects have been concluded with partners in industrialized countries although 3 are under negotiation. It would be unfair, however, to put the blame on IPS Istanbul. In fact, the Office has identified several investment opportunities in the country, prepared 36 pre-appraisal studies and distributed them to UNIDO and the IPS network. All the persons interviewed by the mission indicated that the quality of the proposals was good. The problems appear to lie in the promotional phase, instead.

The interviews conducted by the mission confirmed that there was a considerable demand for the services offered by the Office. Although several institutions are dealing with investment promotion in Turkey, none seems to offer the same type of direct assistance on a project-by-project basis as IPS Istanbul.

For the entrepreneurs in particular the main comparative advantages appear to be (i) the quality of the pre-appraisal studies conducted; (ii) the support received when



discussing with financial institutions; (iii) the possibility of receiving assistance in a foreign country through an affiliated institution - either an IPS or a local investment agency.

UNIDO tools and methodologies are regularly applied in the identification, screening and preparation of investment profiles and pre-appraisal studies. However, the monitoring of promotional activities is not well established. This makes it difficult to keep track of the work of the IPS, particularly now that the Office has so many projects to follow.

Relations with UNIDO headquarters are frequent but essentially limited to the IPS Coordination Unit and - to a lesser extent - to the staff responsible for investment promotion in Eastern Europe and CIS countries. The integration of the Office with the IPS network remains unsatisfactory; promising contacts have been established only with Milan, Bahrain, and Beijing.

In order to enable the IPS to consolidate the work carried out so far and to produce tangible results, the project should be extended for a period of three years. However, a number of key aspects need to be carefully reviewed, so that the Office is utilized at its full potential.

Although the inclusion of both an inward and outward investment component remains justified, the focus of the project need to be sharpened. Clear priorities have to be established with realistic targets and adequate resources.

A thorough review of inward promotion should be conducted with the close involvement of UNIDO headquarters, with a view to identifying existing constraints and bottlenecks and defining the most appropriate strategy to overcome them.

Relations with Turkish investment-related and financial institutions (including banks) should be intensified and a systematic promotional effort should be made to advertise the achievements of IPS Istanbul.

Since the Office is small, and cannot adequately cover the whole country - particularly if it is expected to maintain fairly high quality standards, which imply direct and close relationships with its clients - an effort should be made to identify institutions in selected regions that have the capacity to become focal points of the IPS.

A more systematic approach should be adopted with regard to the planning and monitoring of the IPS activities. DIPP should be used at its full capacity and the services provided to clients should be regularly recorded. Work programmes and annual reports should be prepared in a consistent and timely manner and should be used as an effective management tool.

UNIDO headquarters should play a proactive role and follow more closely the operation of IPS Istanbul, possibly with regular visits to the Office.

## **I. INTRODUCTION**

### **A. BACKGROUND OF THE PROJECT**

The Investment Promotion Service Office (IPS) in Turkey was set up and operates within the framework of project US/GLO/94/301, which is financed with a special purpose contribution of the Government of Turkey to the Industrial Development Fund (IDF) of UNIDO.

The agreement for the establishment of the IPS was signed in June 1994; it provided for the initial operation of the Office over a period of two years, with a total budget of USD 620,325. Subsequently, however, the project budget was renegotiated and reduced to USD 499,064, covering a period of 21 months from February 1995. The actual implementation of the project started in April 1995 - with the recruitment of the two professional staff - and is due to terminate in December 1996.

The IPS is located in Istanbul and has a simultaneous inward and outward investment orientation. The main functions to be carried out by the Office are:

- compilation of investment related information (available technologies, investment opportunities, investment policies, etc) and its dissemination in potential partner countries;
- assistance to the domestic companies in drafting and appraising investment and other industrial cooperation projects;
- assistance in establishing contacts between domestic and foreign companies;
- assistance in negotiating agreements and contracts between domestic and foreign partners;
- follow-up of established contacts and monitoring their development.

The Government counterpart organization is the Turkish International Cooperation Agency (TIKA), which comes under the Ministry of Foreign Affairs.

### **B. REASONS FOR THE EVALUATION**

The project document stipulates that a joint in-depth evaluation should be conducted not later than six months prior to the completion of the project. As indicated in the Terms of Reference (see Annex I), the evaluation is intended to:

- assess the achievements of the project against its objectives and expected outputs;

- identify and assess the factors that have facilitated the achievement - or have impeded the fulfilment - of the project's objectives;
- make suggestions for the future of the Istanbul IPS.

### **C. ORGANIZATION AND METHODOLOGY OF THE EVALUATION**

The evaluation team consisted of Mr. C. Scaratti, Quality Assurance Officer of ITPD, nominated by UNIDO and Dr. M. T. Kodaloğlu, Deputy Head of the Economic, Commercial and Technical Cooperation Department of TİKA, nominated by the Government of Turkey.

Prior to starting the evaluation, Mr. Scaratti consulted the documentation on the project available at UNIDO headquarters and interviewed several staff members who dealt with IPS Istanbul or who were involved in investment promotion matters.

Owing to budgetary constraints, the field evaluation lasted only four days (including the transfer from Istanbul to Ankara) and took place from 30 July to 2 August 1996. Although the time available was unusually short for this type of joint evaluations - which have an average duration of 1-2 weeks - a special effort was made by the mission to examine the key substantive aspects of the IPS and to discuss its performance with a small, but representative, sample of cooperating institutions and clients.

Since Dr. Kodaloğlu, due to previous commitments, could only be present at the beginning and at the end of the mission, the programme had to undergo some modifications. The first day was therefore devoted to reviewing the project files and to discussing with the staff (Mr. Öner, Mr. Ok and Ms. Örken) the achievements and constraints of the IPS. The mission also had the opportunity to interview an entrepreneur who was visiting the Office.

On the second day, further discussions took place with the IPS staff on a number of aspects which required clarification; the facilities and databases of the IPS were briefly reviewed and meetings were arranged at the Istanbul Chamber of Industry and with a Turkish company which had concluded a joint-venture agreement in Bahrain. The third day, on the way to Ankara, a visit was paid to another enterprise located in Adapazarı, which was about to start the production of baking equipment in Kyrgyzstan. Upon arrival in Ankara, Mr. Scaratti met with Dr. Kodaloğlu and discussed with him the preliminary findings of the mission.

The final day was entirely devoted to meetings with organizations and institutions located in Ankara: ie, the General Directorate for Foreign Investment (GDFI), the State Planning Organization (SPO), the Small Industry Development Organization (KOSGEB), and UNDP. Finally, a short debriefing session was organized at TİKA: in the absence of the president, the mission met with Mr. Togo.

## II. PROJECT CONCEPT AND DESIGN

### A. CONCEPT OF UNIDO INVESTMENT PROMOTION SERVICE

Investment and technology promotion is one of the seven thematic priorities of UNIDO. Unlike other organizations that work rather on the improvement of the general investment climate in developing countries, UNIDO concentrates on the identification and promotion of specific industrial projects.

IPS offices are one of the instruments of UNIDO to facilitate the flow of foreign investment to industry in developing countries and economies in transition. Currently there are 11 offices in operation - located in Athens, Beijing, Istanbul, Manama, Milan, Paris, Tokyo, Vienna, Warsaw, Zurich and Moscow<sup>(2)</sup> - while several more are under negotiation.

While IPSs are entirely funded by the government of the countries in which they are located, they are established and operated as UNIDO offices in accordance with the priorities, regulations, and procedures of the organization, taking into account the socio-economic framework and policy objectives of the host country.

Since the first IPSs were set up in industrialized countries, their activities were focused on outward investment. However, with the establishment of offices in newly industrialized countries and developing countries as well, an inward component has also been added. Nowadays, therefore, there exist two types of IPSs: (i) the traditional ones, which are exclusively outward oriented and (ii) those which have a dual function - ie, both outward and inward. The Istanbul IPS is an instance of the latter, since it is intended to promote both Turkish investment to selected developing countries and foreign investment into Turkey.

The core tasks of an IPS office include (a) the identification of enterprises in the host country that are interested in industrial partnerships with developing and/or developed countries, (b) the screening of viable investment opportunities, and (c) assistance in the formulation of sound project proposals and their promotion through the IPS network and affiliated institutions. For this purpose, a number of tools and software packages have been developed by UNIDO, such as the *IIPP*, *DIPP* and *PROPSPIN*<sup>(3)</sup>.

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<sup>(2)</sup> The official denomination of the Moscow office is Industrial Cooperation Centre.

<sup>(3)</sup> The *IIPP* is a standardized project profile form which is used for promoting investment opportunities; *DIPP* is an integrated software package designed to automate the maintenance and use of information necessary for the promotion of investment opportunities; *PROPSPIN* is a computer software which facilitate the preparation, screening and analysis of industrial investment projects.

One of the most successful mechanisms to support the operation of IPSs is the *Delegates Programme*, which enables officials of investment promotion agencies and private sector organizations in developing countries to participate for a period of time (usually a few months) in the day-to-day work of the office and to develop direct contacts with host country industrialists and with development and financing institutions. Apart from directly promoting investment projects, delegates are also a valuable source of information on investment conditions in their home countries and on the incentives offered to foreign investors, a feature that is greatly appreciated by prospective foreign partners.

In order to distinguish the IPS offices from other investment promotion agencies and to avoid duplication, UNIDO gradually developed a concept which makes use of the professional competence of the organization and the availability of supporting tools in order to go beyond the sole matchmaking, by providing advice and assistance to the negotiating efforts of the partners on technical, legal, economic and other aspects of industrial cooperation and on access to credit lines.

After the conclusion of negotiations, the IPS can assist the partners in preparing a pre-investment study applying the methodology established in the *Manual for the Preparation of Industrial Feasibility Studies* and using the *COMFAR* software. The application of this tool, which is recognized by the banks, provides the pre-investment study with a quality standard that makes it easier to access credit lines. In some IPSs a special fund (known as *Project Completion Facility*) has been established for the purpose of co-financing the preparation of such studies.

Advisory services of this type increase the chances of bringing investment opportunities to the implementation stage and thus to achieving tangible results in terms of capital and technology transfer. In some IPS offices such advisory services are becoming the major component of their activities.

## **B. SOCIO-ECONOMIC AND INSTITUTIONAL CONTEXT OF THE PROJECT**

Since the mid-1980s, foreign capital inflow has been playing an increasingly prominent part in the Turkish economy, following the new legal arrangements adopted by the Government. While foreign capital investment over the period 1954-1980 amounted to around USD 280 million, a total of USD 15.6 billion in FDI was approved between 1980 and September 1995, with actual inflow reaching USD 8 billion (see Annex 5.a). A major portion of foreign capital investment in Turkey originated from the USA, Germany, France, Holland, Switzerland, the United Kingdom, Italy and Japan. At the end of 1995, over 3,000 companies established on foreign capital were active in Turkey, mainly in the service and industrial sectors.

The amount of foreign capital permits reached the record level of USD 2,938,320 in 1995, with 68% going to the manufacturing sector: the food, cement, chemical, electronic and transportation industries have attracted the highest interest

of foreign investors<sup>(4)</sup>. However, preliminary figures for the first half of 1996 show a decline in foreign investment.

In terms of investment incentives, the manufacturing industry has been always supported more than other sectors, with its share climbing to 86.9% of the total in 1995 (see Annex 5.b). Between 1985 and 1992 (the year for which the latest statistical data is available), an average of 340 manufacturers were added every year. In the same period, the number of workers in the manufacturing sector increased by an yearly average of 16,600 (see Annex 5.c).

From the 1960s until the end of 1995, 275 small industry sites with 66,335 enterprises and 36 industrial regions have been organized by Small and Medium Industry Development Organization (KOSGEB); 457 new small industry sites and 164 new industrial regions are currently being planned. Although the Government's efforts were mainly oriented to support investment initiatives in underdeveloped areas, the distribution of industrial enterprises over the whole country remains unbalanced, with a major concentration in the Marmara and Aegean regions (see Annex 5.d).

Manufacturing is characterized by the predominance of micro<sup>(5)</sup> and small<sup>(6)</sup> enterprises - 98.35% of the total in 1992 (see Annex 5.c), mainly in the textile and machinery sectors (see Annex 5.e). Although SMEs have shown great flexibility in recent years, their capital resources are limited and therefore need support to make investment. Turkey's entry into a customs union with the EU, which came into effect in January 1996, will create new business opportunities for SMEs, but will also require sustained efforts to enhance their competitiveness.

The seventh Five-Year Development Plan of Turkey (1996-2000) envisages a further increase of the share of the private sector in manufacturing as well as of the inflow of foreign investment into the country, in order to attain an industrial development rate of 6.0-7.8% annually. The main thrust of the Plan is on employment generation - with particular regard to SMEs, environmental protection and regional development. In line with the principles of the GATT and the EU, investment incentives will not be allocated to specific sectors but will be provided on a project-by-project basis. In August 1996, the Government announced a new programme to support SMEs: it is envisaged that guarantee requirements in credit procedures will be hanged on the equipment and machinery of the new investments, while credit evaluations will be based on the economic feasibility of the investment.

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<sup>(4)</sup> 35% of these permits were directed towards new investments, 19.5% to participation in companies, 17.3% to the development of existing investments and 28% to capital increases in companies.

<sup>(5)</sup> ie, with less than 9 employees.

<sup>(6)</sup> ie, with 10 to 49 employees.

Against this background, it is to be expected that the demand for the services of IPS Istanbul in the identification, screening and promotion of viable investment projects will considerably increase.

On the other hand, the major political and economic changes occurred in Eastern Europe and the former Soviet Union have generated a growing demand for goods and services which Turkey is well placed to provide due to its geographical location, traditional contacts and cultural heritage. Turkish foreign investment in the region has considerably increased, mainly in the construction and manufacturing sectors. The demand for foreign investment remains strong, as many CIS countries are committed to strengthen the role of the private sector, which is still lower than 30-40% of total output.

### **C. PROJECT DOCUMENT**

The project document constitutes an integral part of the agreement signed by UNIDO and the Turkish Government and provides the framework for the operation of the IPS; it sets out the objectives, expected results and activities of the Office as well as its inputs and related budget.

The document was apparently formulated according to the old format for the establishment of an IPS<sup>(7)</sup>, which is characterised by a plurality of objectives; more specifically, the project has:

One Development Objective:

*To upgrade mutually advantageous economic linkages between Turkish and foreign economies (both developed and developing) through direct investment and various forms of industrial cooperation.*

Three Immediate Objectives:

1. *To establish an IPS Office in Istanbul*
2. *To raise the real and/or expected value of gross output of manufacturing joint ventures concluded between Turkish enterprises and enterprises in the developing countries through 30 industrial investment cooperation projects.*

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<sup>(7)</sup> Although this format is still to be found in the *Operational Manual for Investment Promotion Service Offices*, Rev. 1 of November 1992, its application has been discontinued and the most recent IPS projects are based on a simpler and more logical structure. Moreover, it should be noted that the immediate objectives of IPS Istanbul present significant deviations from those of the *Guidelines*. This aspect, however, is discussed in Sections III.D and IV.A.

- 3 *To raise gross national input<sup>(8)</sup> in Turkey accounted for by firms with foreign capital participation from industrialised countries (including 100% foreign-owned firms) through 30 investment projects.*

**Seven Outputs:**

- 1.1 *An established IPS office capable of carrying out its functions*
- 2.1 *Inventory of industrial enterprises in Turkey interested in business cooperation with counterparts in developing countries (1,000 records); approximately 100 investment/cooperation projects in developing countries screened according to the specific requirements of Turkish enterprises.*
- 2.2 *Enhanced awareness among Turkish industrial enterprises of the availability of attractive business cooperation opportunities in the developing countries.*
- 2.3 *Approximately 30 industrial investment cooperation opportunities in the developing countries for whose joint implementation written agreements have been concluded between Turkish enterprises and suitably qualified local investors.*
- 3.1 *Inventory of industrial enterprises interested in business cooperation in Turkey with partners in industrialized countries (approximately 2,000 records).*
- 3.2 *Enhanced awareness in international business circles of the investment climate in Turkey.*
- 3.3 *A total of 30 investment project agreements concluded with foreign partners through joint-ventures and other forms of business cooperation*

### **III. PROJECT IMPLEMENTATION**

#### **A. DELIVERY OF INPUTS**

Delivery of inputs proceeds on the basis of the initial project budget and its successive revisions. As mentioned in Section I.A, the overall budget stands at USD 499,064. This amount was to be paid according to the following schedule: USD 279,487 upon approval of the project and USD 219,577 in January 1996. To date, only USD 319,461 has been paid, leaving an outstanding balance of USD 179,603.

Two revisions have been carried out (in June 1995 and in June 1996), essentially for the purpose of rephrasing the project. This has led to a slight decrease (USD 610) in the project budget; the grand total, however, has remained unchanged.

The only significant changes relate to individual budget lines; BL 43-00 (Premises) was considerably reduced - since the cost of the lease has been lower than originally foreseen - and the amount thus released was reallocated to BL 42-00

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<sup>(8)</sup> Thus in the project document.



(Non-expendable Equipment), BL 17-00 (National Experts), BL 15-00 (Project Travel) and BL 55-00 (Hospitality).

**Table 1: Budget and Expenditures**

Budget Lines		Initial Project Budget	Revision of 5 June 1996	Detailed Report on Project as at 30 September 1996	
				Expenditures, Obligations & Commitments	Uncommitted Balance <sup>(9)</sup>
11-01 <sup>(10)</sup>	Head of Service	114,075	114,075	103,171	10,904
11-02	Investment promotion Expert	72,714	72,714	65,772	6,942
13-00	Administrative support personnel	71,900	71,900	24,693	47,207
15-00	Project travel	26,000	32,000	14,772	17,228
16-00	Other personnel costs	1,200	1,200	1,163	37
17-01	National experts	21,000	29,000	0	29,000
41-00	Expendable equipment	15,600	16,000	1,902	14,098
42-000	Non-expendable equipment	39,500	52,500	45,444	7,056
43-00	Premises	72,500	39,500	19,329	20,171
51-00	Sundries	15,000	15,000	10,877	4,123
55-00	Hospitality	4,500	9,490	2,685	6,805
99-00	PROJECT TOTAL	453,989	453,379	289,808	163,571
	Support costs <sup>(11)</sup>	45,075			
	GRAND TOTAL	499,064			

<sup>(9)</sup> Although issued in September, the report reflects the situation of the accounts as at the end of July; the actual uncommitted balance may therefore be lower.

<sup>(10)</sup> Although the Head and his Deputy are shown against BL 11-01 and BL 11-02 (ie, international personnel), they have been recruited under a Special Service Agreement (SSA) at the National Professional Officer level.

<sup>(11)</sup> 13% on personnel costs (ie, BL 11-00, BL 13-00 and BL 17-00) and 5% on all other costs.

The project consists essentially of two major inputs - ie, personnel, which accounts for 63.4% of the total and equipment (including premises), which represents 23.8%.

The budget makes no provision for mechanisms such as the *Delegate Programme* and the *Project Completion Facility* which represent a key feature in some of the IPSs established in other countries.

It should be noted that, against this background, the shortfall in payment has had considerable implications for the operation of the Office and has led to the postponement of all non essential expenditures, including the recruitment of national consultants.

## **B. IMPLEMENTATION OF ACTIVITIES**

### Activities for Output 1.1

#### **1** *Finalize institutional and administrative prerequisites.*

The Office faced a number of initial difficulties of a procedural and administrative nature (such as the signature of the lease agreement without the previous clearance of UNIDO's Legal Service, obtaining a telephone connection, etc.). On the other hand, the translation into Turkish of the project agreement and its publication in the Official Gazette (a prerequisite for the legal operation of the IPS in the country) required more efforts than originally anticipated. These difficulties, however, have been overcome.

#### **2** *Open the IPS office*

The Office, which is located on one of the major avenues on the Asian side of Istanbul, became fully operational in July 1995. A formal ceremony to mark the opening of the IPS was held in April 1996.

#### **3** *Recruit personnel*

IPS Istanbul consists of 2 professional and 2 support staff. The recruitment of the Head (Mr. V. Öner) and his deputy (Mr. T. Ok) was in fact the first substantive activity to be carried out by the project in April 1995. The secretary (Ms. M. Örken) joined the Office in July of the same year. The remaining vacant post - that of clerk - was filled in September 1995 (by Mr. E. Orgün, who later resigned for personal reasons and was replaced by Mr. O. Rami in March 1996).

Although the project foresees the employment of national consultants, none has been recruited, due to the budgetary constraints already mentioned.

4. *Prepare annual work programme*

Only one annual work programme was prepared by IPS Istanbul, at the end of 1995. While the programme provides useful data and observations on the work of the Office, it does not entirely meet the requirements set out by UNIDO for the preparation of this type of document<sup>(12)</sup>: the emphasis is more on the activities implemented by the Office during its first months of operation rather than on the specific tasks to be undertaken over the next year.

The mission found that a technical note, providing recommendations on the start-up of the Office and the preparation of its first work programme<sup>(13)</sup>, was sent to IPS Istanbul in June 1995. Although some of the suggestions have been followed, this does not seem to have been the case with the outline of the work programme.

5 *Outline the information system*

The wording of this activity is slightly misleading, since the basic outline of an IPS's information system is already established<sup>(14)</sup>. What the Office did was to install the software provided by UNIDO - ie, *DIPP*, *PROSPIN* and *COMFAR*. Electronic connections (via Internet and e-mail) were also arranged to facilitate communications with UNIDO headquarters and the IPS network.

6 *Make Specifications for, and procure, equipment*

The office equipment was purchased through UNDP Ankara.

7 *(i) Establish and maintain contacts with UNIDO Headquarters; (ii) establish and maintain contacts with IPS offices and study their experience; (iii) implement the activities for immediate objectives 2 and 3.*

(i) Both professionals participated in a short briefing at UNIDO headquarters in May 1995: in November of the same year, Mr. Ok attended a COMFAR training course in Vienna. The Office maintains close and frequent contacts with the IPS Coordination Unit, although the focus seems to be more on administrative than on substantive matters. A good working relationship has also been established with the staff of ITPD responsible for investment in Europe and CIS countries. There are apparently few contacts with other substantive units of UNIDO<sup>(15)</sup>. Apart from the

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<sup>(12)</sup> As indicated on page VIII-A-1 of the *Operational Manual for the Investment Promotion Service Offices, Rev. 1*.

<sup>(13)</sup> The note, dated 27.6.1995 was entitled: "Some elements to be taken into consideration for the launching of IPS Istanbul and drafting of its first annual work programme".

<sup>(14)</sup> In fact, in the work programme prepared by the Office, the activity has been renamed as "Design and install information system".

<sup>(15)</sup> In a couple of cases (ie, delivery of promotional material for an investment forum in the People's Republic of Korea, inquiries to the INTIB Databank) the mission noted that these contacts were characterized by a certain degree of misunderstanding on both sides.

Managing Director, no ITPD staff has officially visited the Istanbul IPS<sup>(16)</sup>.

(ii) Visits were arranged to the IPSs in Warsaw, Milan and Washington; in addition, Mr. Öner has regularly participated in the periodic meetings of IPS Heads (two in Vienna and one in Bahrain). Good working relationships have been established with IPS Milan (although this has not led to concrete results so far) as well as with the new IPSs in Beijing and Bahrain. Contacts with other IPSs, however, seem to be very limited<sup>(17)</sup>.

(iii) This component is discussed in the activities listed below.

### Activities for Output 2.1

- 1 *Prepare/disseminate questionnaires to Turkish enterprises to ascertain those interested in business cooperation with counterparts in developing countries;*
- 2 *Evaluate responses*

Using as a source the databases provided by the Istanbul Chamber of Industry and KOSGEB, the Office identified several hundred Turkish companies potentially interested in cooperation with foreign partners in both developing and industrialized countries. A single questionnaire was prepared (ie, for both inward and outward investment) and sent to all the companies to ascertain their requirements as well as their readiness to use the services of IPS Istanbul.

Based on the responses to the questionnaire, 153 companies were contacted; more than 60 were visited by the Office staff.

- 3 *Screen some 1000 business partnership opportunities in the developing countries*

Several hundred investment opportunities provided by IPS Milan and UNIDO Headquarters were initially screened by the Office. The activity is performed on a continuous basis, whenever new project profiles are received from UNIDO or other sources.

- 4 *Participate in the identification and formulation missions backstopped by the Investment Service of UNIDO.*

In October 1995, IPS Istanbul participated in a project formulation mission to Ukraine organized by the UNIDO Investment Service. With the assistance of headquarters, the Office arranged a mission to Jordan and Palestine in April 1996 to screen investment proposals.

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<sup>(16)</sup> However, the Coordinator for the Investment Programme in Europe and CIS Countries informally visited IPS Istanbul during some of his missions to Turkey.

<sup>(17)</sup> The Office had managed to establish some useful contacts with IPS Washington, before the latter was closed. The mission was also informed that, although a Turkish delegate is working at IPS Tokyo, there is apparently very little interaction with IPS Istanbul.

5 *Compile technology offered by Turkish enterprises in the UNIDO Newsletter*

The activity was not implemented since the publication of the *UNIDO Newsletter* was discontinued.

6 *Computerize information;*  
7 *Annually update database*

Information on the investment opportunities identified by IPS Istanbul and those received from UNIDO is regularly entered into DIPP; however, only 3 of its 5 databases - ie, Projects, Investors and Sponsors - are in use. The mission was informed that, although DIPP had been provided to the IPS Istanbul with some 1400 records, many of these were incomplete or outdated. In addition to DIPP, information on local sponsors and investors is also available in the two databases provided by KOSGEB and the Istanbul Chamber of Industry.

*Activities for Output 2.2*

1 *Organize country presentations by senior officials and industrialists from developing countries*

The activity could not be implemented since no financial provision was made for that purpose in the project budget. However, the Office has attended a number of bilateral and regional meetings sponsored by Turkish organizations, such as TIKA and DEIK, and has managed to establish some useful business contacts with delegations of developing countries.

2 *Compile/disseminate information on investment conditions in developing countries.*

The Office has collected a considerable amount of literature and publications on investment-related matters in Eastern Europe, the Black Sea and Central Asia. It has also arranged the publication of some articles on investment conditions in selected developing countries.

3 *Maintain and distribute the International Business Opportunity Service (IBOS) of the World Bank*

The activity was not implemented. The Office could not understand why it had been included in the project, since *IBOS* is focused on commercial opportunities.

*Activities for Output 2.3*

1 *Promote business opportunities in developing countries among potential Turkish partners*

The lists of project profiles received from UNIDO headquarters have been usually published in leading national economic magazines (mainly in the *Ekonomist*) and regularly distributed to investment-related institutions, entrepreneurial associations and chambers of industry for promotion among their members. *Investment Fora* organized by UNIDO in countries of interest to Turkish entrepreneurs have also been advertised through the same channels.

- 2 *Assist Turkish companies in establishing direct contacts with prospective partners in developing countries.*

This has been mainly done by providing information on the potential sponsors and facilitating contacts in the target countries through UNIDO projects, local institutions and IPSs (chiefly Bahrain and Beijing). The Office reported that, in a number of cases, local sponsors had not been adequately screened, thus creating considerable problems to the potential Turkish investors who had contacted them.

A mission to Azerbaijan was carried out by the Office in March 1996, to advise the local SME Development Agency on investment promotion and to train consultants in UNIDO methodologies. Following this, IPS Istanbul proposed to UNDP the assignment of a Turkish UNV in Baku to assist in the identification of suitable local sponsors and in the formulation and evaluation of projects; a final decision is pending. The Office also assisted in organizing the visit of a Turkish business delegation to Ukraine in July 1996.

- 3 *Organize on-the-job orientation programme for officials delegated by developing countries*

No funds were earmarked in the project budget for this activity. The Office however, managed to arrange a short training programme for a consultant from the SME Development Agency in Azerbaijan. A possible delegate from Ukraine was also identified and financing possibilities from extra-budgetary have been explored (with no concrete results so far).

#### Activities for Output 3.1

- 1 *Retrieve, organize and store the information compiled for the investment forum*

This was not implemented, since no investment forum is foreseen under the current project.

- 2 *Prepare/disseminate questionnaires to Turkish enterprises interested in cooperation with partners in industrialized countries;*
- 3 *Evaluate responses*

As mentioned above, this was done in conjunction with activities 2.1.1 and 2.1.2.

#### Activities for Output 3.2

- 1 *Organize missions (two per annum) of Turkish government officials, industry associations executives and industrialists to potential partner countries*

No funds were earmarked in the project for this activity. However, the Office assisted in arranging the missions of two senior staff from the General Directorate of Foreign Investment to IPS Tokyo and IPS Milan; the missions are to be undertaken in the second half of 1996 and will be financed from extra-budgetary sources.

- 2 *Prepare/disseminate information on investment-related legislation through appropriate media and publish promotional articles.*

Not much has been done in this respect, partly because the information is already being collected and edited by other institutions and partly due to budgetary constraints. A promotional article on investment conditions in Turkey and on the portfolio of investment opportunities identified by IPS Istanbul was published in an Italian economic magazine (*Espansione*).

- 3 *Disseminate supplements (two per annum) to update Investors Guide to Turkey.*

Since updates of this type already exist, the Office has confined itself to distributing them - together with other information material - to potential foreign investors.

- 4 *Brief 150 executives of foreign firms on industrial ventures opportunities in Turkey.*

It is not clear from the project document how this activity was supposed to be implemented; presumably not through the organization of special events, since there is no budgetary provision for that. In this respect, the Office has attended several fairs and meetings of foreign business held in Turkey in order to present the role of IPS Istanbul.

### Activities for Output 3.3

- 1 *Prepare approximately 20 studies of rehabilitation/modernization needs of Turkish companies for use of potential foreign partners;*
- 2 *Disseminate investment projects to potential foreign partners*

36 pre-appraisal studies have been prepared using the PROPSPIN software and forwarded to UNIDO headquarters and the various IPSs for promotion (see Annex 4). Project profiles and pre-appraisal studies have also been regularly sent to several institutions and banks in Turkey<sup>(18)</sup>. Direct contacts have been established with several foreign commercial missions and programmes<sup>(19)</sup> in Turkey as well with a number of institutions outside the country<sup>(20)</sup>, and selected project proposals have been submitted to them.

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<sup>(18)</sup> Among others, GDFI, DEIK, the Istanbul Chamber of Industry, KOSGEB, TOSYOV, the Turkish Industrial Development Bank, the Industrial Investment and Credit Bank.

<sup>(19)</sup> eg, the Australian, British and South-African Commercial Consulates, the Black Sea Trade and Development Bank, the Organization for Cooperation and Investment between France and Turkey, etc.

<sup>(20)</sup> eg, EBRD, American Enterprise Fund, Ukraine Fund, US Overseas Private Investment Corporation, US Small Business Administration, etc.

- 3 *Bring prospective foreign and Turkish partners into contact;*
- 4 *Assist Turkish companies in negotiating and concluding investment projects with foreign partners*

The implementation of these activities has been limited, since the foreign response to the promotional efforts has been lower than expected. In fact, only 3 projects are currently under negotiation; in none of these cases the potential foreign investor was identified through the IPS network. As a means to enhance outward promotion, the Office discussed with UNDP Ankara the possibility of placing a UNV at IPS Istanbul (the decision is pending) and acquired from BRE-Net a database containing 200 records of European enterprises interested in cooperation with foreign partners.

### **C. ACHIEVEMENT OF OUTPUTS<sup>(21)</sup>**

#### Output 1.1

The IPS is operational and regularly carries out the functions indicated in the project document.

#### Output 2.1

An inventory containing some 1,520 records of Turkish enterprises interested in cooperation with foreign partners has been established, although it is maintained in 3 separate databases. Approximately 1200 records refer to enterprises interested in outward investment. Several hundred project profiles have been screened to identify those which meet the requirements of Turkish investors; 109<sup>(22)</sup> projects are currently under promotion (in the Czech Republic, Ukraine, Russia, Kyrgyzstan, Turkmenistan, Uzbekistan, China and India)

#### Output 2.2

Judging from the number of projects under promotion, IPS Istanbul appears to have been quite successful in raising awareness among Turkish entrepreneurs of the availability of attractive business opportunities in developing countries.

#### Output 2.3

12 written agreements have been concluded between Turkish investors and foreign sponsors for the implementation of joint partnership projects: 11 are in developing countries and 1 in Australia (see Annex 3).

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<sup>(21)</sup> The text of the outputs is given in section II.C.

<sup>(22)</sup> Of these, 100 were submitted by UNIDO and 9 were identified by IPS Istanbul.



### Output 3.1

Almost all the enterprises in the inventory mentioned above (see Output 2.1) are interested in business partnerships with industrialized countries; 320 records concern companies which are exclusively focused on inward investment.

### Output 3.2

Due to the lack of adequate resources for a comprehensive promotional campaign abroad, IPS Istanbul has obtained limited results with regard to the enhanced awareness in international business circles of Turkey's investment climate; most of the work has been conducted in Turkey.

### Output 3.3

No agreements relating to inward investment have been concluded so far, although 36 projects are under promotion; 3 of these are currently under negotiation.

## **D. ACHIEVEMENT OF IMMEDIATE OBJECTIVES<sup>(23)</sup>**

If the letter of the project document is to be closely adhered to, then only *immediate objective 1* has been fully achieved - ie, the establishment of an IPS Office in Istanbul<sup>(24)</sup>

However, the mission believes that *immediate objectives 2 and 3* are - in their present formulation - unrealistic. An *increase in gross national output* as a result of new investment projects, either in Turkey or in developing countries, can only be achieved (all other conditions being equal) when the projects come into production. This is not the direct responsibility of an IPS, whose role is to facilitate the conclusion of an investment but not to be involved in its actual implementation.

A reference to an *increase in national output* would be more appropriate at the level of the development objective; it might also be used as an indicator to measure the success of the IPS, but only in the long run.

Even if one disregards the first part of immediate objectives 2 and 3, and, more pragmatically, considers only the number of projects concluded, the targets set in the document - ie, 30 outward and 30 inward investment projects - appear rather ambitious for a newly-established IPS.

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<sup>(23)</sup> The text of the immediate objectives is given in Section II.C.

<sup>(24)</sup> This objective is practically the same as output 1.1.

Considering the duration of the project, the appropriate target range would have been 10-15 concluded projects (including both outward and inward investment).

#### **E. CONTRIBUTION TO THE DEVELOPMENT OBJECTIVE<sup>(25)</sup>**

It is too early to measure the impact of IPS Istanbul IPS on the development objective, which by definition is a long-term goal beyond the direct responsibility of the project. What can be said is that - once the agreements concluded materialize into concrete industrial cooperation partnerships - the project will have contributed to strengthening the economic linkages between Turkey and a number of foreign economies.

### **IV. CONCLUSIONS**

Taking into account the various external and internal factors which have affected the implementation of the project, the mission considers that the performance of IPS Istanbul has been satisfactory, although some of its targets have not been achieved. The key aspects relating to the operation of the Office are examined below.

#### **A. ADEQUACY OF THE PROJECT DOCUMENT**

The project document does not give adequate consideration to the "physiological" difficulties that are usually associated with the establishment of a new IPS and underestimates the time and efforts required to get the office off the ground.

Immediate objectives and outputs are rather ambitious - sometimes even unrealistic. No budgetary provision has been made to carry out certain key activities. On the other hand, the inclusion of some activities in the project remains unclear.

Therefore, the project document cannot be fully regarded as a valid yardstick to assess the performance of IPS Istanbul

#### **B. OVERALL OPERATION OF THE OFFICE**

IPS Istanbul is made up of a small group of well prepared and motivated staff, with adequate computer literacy and good knowledge of English. Given the small size of the Office, a clear division of responsibilities is not always applicable, and all the staff - including the Head - are requested to perform a wide range of tasks.

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<sup>(25)</sup> The text of the development objective is given in Section II.C.

The Office location is easily accessible, although there is no sign that allows to identify the IPS from the outside. The internal set-up and the available facilities appear to be adequate; however, problems are reported in the functioning of the electronic connections.

Considering that IPS Istanbul was established in April 1995, the Office has carried out a considerable amount of work in terms of investment opportunities identified and projects prepared. However, the limited resources available in the project budget for follow up and the absence of mechanisms such as the *Delegates Programme* have reduced the operational capacity of the Office. The situation has been compounded by the fact that almost one third of the project budget has not been paid yet. In this respect, the mission was informed that IPS Istanbul has proposed to charge for certain services and has worked out a scale of possible fees.

Many contacts have been established with several Turkish investment-related institutions, both public and private, although working relationships seem to be particularly close with only a few of them in Istanbul and Ankara: the Istanbul Chamber of Industry, KOSGEB, DEIK and GDFI. An attempt was made to start contacts with the Chambers of Industry in other regions of the country, but there has been no concrete follow up due to lack of resources.

UNIDO tools and methodologies appear to be regularly applied in the identification, screening and preparation of investment profiles and pre-appraisal studies. However, the monitoring of promotional activities is not well established; the *Promotion and Follow-up* databases of *DIPP* are not used and the main developments (eg, meetings held, advisory services provided, etc.) relating to individual projects are not recorded on a regular basis. On the other hand, no log book of visitors is maintained. This makes it difficult to keep track of the work of the IPS, particularly now that the Office has so many projects to follow.

The substantive activities of IPS Istanbul need to be better documented. The mission found that the information provided in the work programme and the annual report was insufficient to form a clear picture of the situation of the Office.

Relations with UNIDO headquarters are frequent but essentially limited to the IPS Coordination Unit and - to a lesser extent - to the staff responsible for investment promotion in Eastern Europe and CIS countries. Judging from the official correspondence, most of the interaction with the Coordination Unit refers to administrative and financial matters. The integration of the Office with the IPS network remains unsatisfactory; promising contacts have been established only with Milan, Bahrain, and Beijing.

### **C. EFFECTIVENESS OF OUTWARD PROMOTION**

With 109 projects under promotion and 12 concluded, this component appears to have been quite successful. Even if one considers that two of the concluded

projects need to be renegotiated due to problems with local partners (and taking also into account the fact that a third one is in Australia, which is not a developing country), the figure is still high for a newly established IPS office. It is worth noting that some of these projects have already reached the implementation stage.

#### **D. EFFECTIVENESS OF INWARD PROMOTION**

With no concluded projects so far, this component has not met the initial expectations. It would be unfair, however, to put the blame on IPS Istanbul. In fact, the Office has identified several investment opportunities in the country, prepared 36 pre-appraisal studies and distributed them to UNIDO and the IPS network. All the persons interviewed indicated that the quality of the proposals was good.

The main problem seems to lie in the promotional phase. In this respect, it should be noted that IPS Istanbul does not have any mechanisms to carry out direct project promotion among investors in industrialized countries. This was supposed to be done by the IPS network.

It is beyond the responsibility of the evaluation mission to analyze the reasons why the network has not proved successful in this case. However, it should be pointed out that the simple dissemination of investment proposals - even if they meet very high quality standards - is not enough to identify potential foreign investors. Inward promotion is a very complex and delicate task, which requires careful preparation as well as a dedicated and sustained effort. Since each IPS has its own well defined priorities and limited staff, it cannot be expected to follow with the necessary attention all the proposals it receives (even if these come from another IPS). The cooperation between IPS Istanbul and IPS Milan confirms that (a) an awareness-generation campaign is needed before starting active promotion and (b) this can only be done effectively if additional human resources are available.

#### **E. RELEVANCE OF IPS ISTANBUL**

The interviews conducted by the mission confirmed that there was a considerable demand for the services offered by the Office. Although several institutions are dealing with investment promotion in Turkey, none seems to offer the same type of direct assistance on a project-by-project basis as IPS Istanbul.

For the entrepreneurs in particular, the main comparative advantages appear to have been (i) the quality of the pre-appraisal studies conducted; (ii) the support received when discussing with financial institutions (iii) the possibility of receiving assistance in a foreign country through an affiliated institution - either an IPS or a local investment agency.

## V. RECOMMENDATIONS

In order to enable the IPS to consolidate the work carried out so far and to produce tangible results, the project should be extended for a period of three years. However, a number key aspects need to be carefully reviewed, so that the Office is utilized at its full potential.

Although the inclusion of both an inward and outward investment component remains justified, the focus of the project need to be sharpened. Clear priorities have to be established with realistic targets and adequate resources.

A Thorough review of inward promotion should be conducted with the close involvement of UNIDO headquarters, with a view to identifying existing constraints and bottlenecks and defining the most appropriate strategy to overcome them. In this respect, the mission recommends that:

- Promotional efforts should concentrate on a few target countries, possibly those with an IPS or an affiliated institution.
- A close operational link should be established with these IPSs through regular visits and, above all, the assignment of Turkish delegates; sufficient funds for this should be earmarked in the project budget.
- The possibility of reversing the traditional approach used for inward investment should be considered - ie, by first identifying the foreign partners interested in cooperation with Turkey and only then looking for local sponsors.
- The organization of an investors forum in Turkey should be also considered, provided this is well targeted and adequately prepared.

Relations with Turkish investment-related and financial institutions (including banks) should be intensified and a systematic promotional effort should be made to advertise the achievements of IPS Istanbul.

Since the Office is small, and cannot adequately cover the whole country - particularly if it is expected to maintain fairly high quality standards, which imply direct and close relationships with its clients - an effort should be made to identify institutions in selected regions that have the capacity to become focal points of the IPS.

A more systematic approach should be adopted with regard to the planning and monitoring of the IPS activities: *DIPP* should be used at its full capacity and the services provided to clients should be regularly recorded. Work programmes and annual reports should be prepared in a consistent and timely manner and should be used as effective management tools.

UNIDO headquarters should play a proactive role and follow more closely the operation of IPS Istanbul, possibly with regular visits to the Office.

The possibility of charging fees for certain services of the IPS - provided this is done on a cost-recovery basis - should be further discussed with the Turkish authorities and UNIDO headquarters.

## **VI. LESSONS LEARNED**

The establishment of an IPS, particularly when the concerned office has both an inward and outward orientation, requires careful planning, taking into account the specific conditions of the host country.

Project design needs to be realistic, with achievable targets and adequate budget resources to implement the activities.

Sufficient time has to be allocated for the start-up of a new office, to cope with the initial difficulties that are likely to arise during the inception phase.

Inward promotion goes beyond the scope of an individual office and can only be effective if a coordinated effort is made at the level of the IPS network.

**Annex 1**

**ORGANIZATIONS VISITED AND PERSONS MET**

**UNIDO HEADQUARTERS (Vienna)**

- Mr. Y. Maruno, Managing Director, Investment and Technology Promotion Division
- Mr. R. Norris, Chief, IPSO Coordination Unit
- Ms. A. Salburg, Chief, Financial Management of Technical Cooperation
- Mr. J. Navratil, Senior Evaluation Officer
- Mr. A. Nickels, Senior Area Programme Officer, Africa Programme (formerly Senior Industrial Development Officer, ITPD)
- Mr. M. Külür, Coordinator for Eastern Europe and CIS Countries, Investment Services
- Mr. A. Akopov, Industrial Investment Officer, Eastern Europe and CIS Countries, Investment Services
- Mr. J-C. Carrier, Industrial Information Officer, Industrial Information Section
- Ms. M. Subroto, Industrial Investment Officer, Asian Countries, Investment Services
- Mr. A. Suzaki, Industrial Investment Officer, Arab Countries, Investment Services
- Mr. R. Plomp, Expert, Investment Services
- Ms. R. Samii, Expert, Investment Services
- Ms. E. Zimmermann, Programme Assistant, IPSO Coordination Unit
- Ms. M. Lukumbuzya-Pomaroli, Programme Clerk, IPSO Coordination Unit

**TURKISH MISSION (Vienna)**

- Ms. F. Ok, Ambassador

**IPS OFFICE IN ISTANBUL**

- Mr. V. Öner, Head
- Mr. T. Ok, Deputy Head
- Ms. M. Örkün, Secretary

**TURKISH INTERNATIONAL COOPERATION AGENCY - TIKA (Ankara)**

- Mr. Y. Togo, Vice President

**GENERAL DIRECTORATE OF FOREIGN INVESTMENT (Ankara)**

- Mr. E. Güney, Director-General

**ISTANBUL CHAMBER OF INDUSTRY (Istanbul)**

- Mr. I. K. Akıncı, Adviser to the Secretary-General

**SMALL AND MEDIUM INDUSTRY DEVELOPMENT ORGANIZATION - KOSGEB (Ankara)**

- Mr. M. Kepir, Vice President

**STATE PLANNING ORGANIZATION - (Ankara)**

- Mr. C. Y. Yücedar, Expert
- Mr. H. A. Metin, Expert
- Ms. M. Orgun, Expert, in charge of UNDP and UN projects
- Mr. H. Sürel, Expert

**UNDP (Ankara)**

- Mr. P. van Hanswijck de Jonge, Resident Representative
- Ms. S. Aydınligıl, Assistant Resident Representative

**FAO (Ankara)**

- Mr. M. Muthoo, Representative
- Mr. T. Onul, National Professional Officer

**ZAFER (Istanbul)**

- Mr. M. Arslan, Manager

**GÜRSOY GROUP OF COMPANIES (Istanbul)**

- Mr. A. Gürsoy, Vice President, Gürsoy Paint & Chemical Ind. Co.
- Mr. T. Sökmen, Managing Director, Gürsoy International Trading Inc.

**BAYSAN, SANAYİ VE TİCARET (Adapazarı)**

- Mr. D. A. Bayraktar, Owner
- Mr. M. Çoban, Advisor
- Mr. B. Güney, Technical advisor



Annex 2

Project US/GLO/94/301  
UNIDO INVESTMENT PROMOTION SERVICE OFFICE IN TURKEY

**Joint In-depth Evaluation of  
the Government of Turkey and UNIDO**

TERMS OF REFERENCE

**I. BACKGROUND**

The agreement for the establishment of the UNIDO Investment Promotion Service Office (IPSO) in Turkey was signed in June 1994. The IPSO was set up and operates within the framework of project US/GLO/94/301, which is financed with a special purpose contribution of the Government of Turkey to the Industrial Development Fund (IDF). Project implementation started in April 1995 and is due to terminate in December 1996; the total budget amounts to US\$ 499,064.

The IPSO is located in Istanbul and has a simultaneous inward and outward investment orientation. Its objectives, as stated in the project document, are:

- To raise the real and expected value of gross output of manufacturing joint ventures concluded between Turkish enterprises and enterprises in the developing countries through industrial investment cooperation projects. *[A target of 30 projects has been set by the end of the current project]*
- To raise gross national input in Turkey accounted for by firms with foreign capital participation from industrialised countries through investment projects. *[A target of 30 projects has been set by the end of the current project].*

The main functions to be carried out by the Office are:

- compilation of investment related information (available technologies, investment opportunities, investment policies, etc) and its dissemination in potential partner countries;
- assistance to the domestic companies in drafting and appraising investment and other industrial cooperation projects;
- assistance in establishing contacts between domestic and foreign companies;
- assistance in negotiating agreements and contracts between domestic and foreign partners;
- follow-up of established contacts and monitoring their development.

The Government counterpart organization is the Turkish International Cooperation Agency (TIKA), Ministry of Foreign Affairs.

## **II. SCOPE, PURPOSE AND METHODS OF THE EVALUATION**

The joint in-depth evaluation is stipulated in the project document which sets out in detail the justification of the project, its objectives, outputs and activities, as well as inputs and related budgets. The evaluation is to be undertaken not later than six months prior to the completion of the project and shall provide the basis for a joint decision on its further extension.

(i) The purpose of the in-depth evaluation is:

- to assess the achievements of the project against its objectives and expected outputs - including a re-examination of the project design and an eventual proposal for a new design;
- to identify and assess the factors that have facilitated the achievement, or have impeded the fulfilment, of the project's objectives

Within this framework, the mission will also review whether the approach utilized has led to optimum results, or whether another one would have improved results.

(ii) Specifically, the mission will address the following issues:

- ▶ Adequacy of the present project document
- ▶ Overall operation of the IPSO:
  - ◻ Substantive set-up of the office and quality of available facilities (with particular regard to databases);
  - ◻ Timeliness and accuracy of workplans and reports; effectiveness of monitoring system;
  - ◻ Application of standard guidelines, manuals and procedures;
  - ◻ The extent to which the Office is integrated into UNIDO's IPS network and UNIDO's various investment related programmes;
  - ◻ The direction and guidance provided by UNIDO Headquarters;
  - ◻ The working relations established by the Office with investment-related institutions in Turkey;
- ▶ Structure, efficiency and effectiveness of Outward Promotion:
  - ◻ Inventory of Turkish enterprises interested in business cooperation with partners in developing countries;
  - ◻ Identification/screening of investment opportunities in developing countries suitable to the specific requirements of Turkish enterprises;

- Enhanced awareness among Turkish enterprises of business opportunities in developing countries (eg, country presentations, compilation/dissemination of information on investment conditions in developing countries, promotion of screened project profiles, etc.);
- Support services provided to clients (eg, establishing contacts with foreign partners, assistance in contract negotiation, etc.);
- ▶ **Structure, efficiency and effectiveness of Inward Promotion:**
  - Inventory of Turkish industrial enterprises interested in business cooperation with partners in industrialized countries;
  - Enhanced awareness in international business circles of the investment climate in Turkey (eg, missions to partner countries, promotional articles, *Investors' Guide to Turkey* updates, briefing of foreign executives, etc.);
  - Support services provided to clients (company analyses, bringing partners into contact, assistance in negotiations, identification of funding sources, etc.);
- ▶ **Relevance and impact of the IPSO:**
  - The extent to which the Office has managed to find a clearly identified niche for its services;
  - The extent to which the Office meets the requirements of its clients and these have confidence in the capabilities of the IPSO;
  - The extent to which the services provided by the Office have contributed to the conclusion and implementation of industrial cooperation agreements between Turkish enterprises and partners in developing and industrialized countries.

While a review of the past is very important, the evaluation is expected to lead also to suggestions for the future of the project and for the improvement of the whole IPS network.

(iii) The evaluation will consist of:

- desk studies (analysis of the project document, workplans, reports and other project files both at UNIDO headquarters and at the IPS Office in Istanbul);
- review of databases and other facilities at the IPSO;
- discussions with staff at UNIDO headquarters and at the IPSO;
- interviews with selected government bodies, non-governmental institutions and clients (such as industrial associations, chambers of commerce, banks, enterprises) which are concerned with investment promotion or have benefitted from the activities of the IPSO.

- (iv) The mission will maintain close liaison with the Industrial Investment and Technology Promotion Division, any other appropriate organizational unit in UNIDO, the project staff and the concerned government organization in Turkey.

Substantive and administrative support to the mission shall be provided by UNIDO in Vienna and the IPS in Istanbul.

- (v) 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 commitment on behalf of the Government of Turkey or UNIDO.

### **III. COMPOSITION OF THE MISSION**

The mission will be composed of the following members:

- One representative of the Government of Turkey;
- One representative of UNIDO.

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

### **IV. TIMETABLE AND FINAL REPORT**

The evaluation mission will take place from 29 July to 2 August 1996, visiting Istanbul and Ankara. At the end of its work, the mission will be debriefed at the Ministry of Foreign Affairs and/or TIKA in Ankara and will present a summary of the preliminary conclusions and recommendations resulting from the work done.

A draft report will be prepared within three weeks of completion of the field work; following discussions with the officers concerned with the IPS Istanbul, and after receiving their comments on factual omissions or errors, the final version of the report will be submitted simultaneously to the Government of Turkey and UNIDO.

As regards the contents and structure of the report, Annex II of the Director-General's Bulletin on in-depth evaluations of technical cooperation projects (UNIDO/DG/B.106) should be followed, taking into consideration the changes required by the special characteristics of the project.

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Annex 3

**LIST OF CONCLUDED PROJECTS**

Project Title and No. (Investor)	Target country	Title	Amount in USD	Status
AZAT, KYR/002/1/96-04, (Uygulama, Ankara)	Kyrgyzstan	Kitchen cabinets	200,000	Assembly equipment and manufactured products are being sent
BAYSAN, KYR/003/1/96-04, (Baysan, Adapazarı)	Kyrgyzstan	Baking plant machines, equipment and accessories	280,000	Installation in progress
BURÇ, KYR/004/1/96-05 (Burç, Adapazarı)	Kyrgyzstan	Sausage production	470,000	Installation in progress
CLASS, AZE/001/1/95-10 (Sun-Sa + Sabah, Ankara)	Azerbaijan	Spring & foam mattresses	2,100,000	Financing is being looked for
ÇUHADAR, RUS/001/1/95-10, (Çuhadaroğlu, Istanbul)	Russia	PVC door and window frames, twin and triple sealed glasses	2,000,000	Financing is being looked for
EPSILON, MLD/001/1/96-06, (Epsilon Mold, Chisinau)	Moldova	Tiles and bricks	8,950,000	Being renegotiated between the partners: the size and technology may change
GÜRSOY, BAH/001/1/96-02, (Gürsoy, Istanbul)	Bahrain	Paints, varnishes and thinners	2,860,000	Letter of intent from Bahrain Development Bank secured; financial terms are being negotiated
MIS PETROL, KYR/001/1/96-02, (H. Sevil, Denizli)	Kyrgyzstan	Auto service station	1,450,000	Installation in progress
MOROTEKS, TKM/002/1/96-01, (Moroteks, Istanbul)	Turkmenistan	Wool, yarn and blankets	2,650,000	Negotiation with CA-AEF in progress
PROMOTA, RUS/002/1/96-04, (Promota, Istanbul)	Russia (Kabardino Balkaria)	Leather processing	2,340,000	Financing is being looked for
UZKUR, UZB/002/1/96-03, (Kurtsan ilaçları, Istanbul)	Uzbekistan	Non-prescription pharmaceuticals	5,060,000	Problems with partner; project is being revised.
YETİŞKEN, AUS/001/1/96-06 (Yetişken, Izmit)	Australia	Wet-blue leather processing	5,300,000	Financial terms are being negotiated

Annex 4

**PROJECTS IDENTIFIED BY IPS ISTANBUL AND UNDER PROMOTION**

<b>PROJECT NO.</b>	<b>TARGET COUNTRY</b>	<b>BUSINESS AREA</b>	<b>INVESTMENT SOUGHT (in million US\$)</b>
TUR/001/1/95-09	Turkey	Expansion/modernisation of cylinder liner production and reconditioning/ overhauling service for automotive industry and heavy duty diesel engines	0.0
TUR/002/1/95-08	Turkey	Modernization/Expansion of existing facility (on 1500m2) for production of insulation materials & paint for buildings	0.0
TUR/003/1/95-08	Turkey	Production of glass bricks (raw material: scrap glass), light briquettes, construction material, solar energy systems	0.31
TUR/004/1/95-08	Turkey	Production of cookies and biscuits	2.50
TUR/005/1/95-08	Turkey	Production of cellophane (raw material: cellulose) to be used in packaging cookies and other bakery products	6.00
TUR/006/1/95-07	Turkey	Production of raw material for cold drawing of iron and steel	0.0
TUR/007/1/95-08	Turkey	Setting up of an industrial laundry facility	1.0
TUR/008/1/95-08	Turkey	Printing and publishing	0.12
TUR/009/1/95-10	Turkey	Production of wooden and laminated furniture, steel reinforced doors and wooden window frames	1.55
TUR/010/1/95-10	Turkey	Production of motor car brake components	4.65
TUR/011/1/95-10	Turkey	Production of parts for motor vehicles	2.40
TUR/012/1/95-11	Turkey	Door and window frames, kitchen cabinets, furniture and other wooden products	0.0
TUR/013/1/95-10	Turkey	Production of woven labels, narrow woven fabrics and other rubber involving products	8.30
TUR/014/1/95-10	Turkey	Expansion of the production of cranes and crane operating systems	0.0
TUR/015/1/95-10	Turkey	Production of pesticides and fertilizers and drugs and medicines	0.0
TUR/016/1/95-10	Turkey	Modernization of a plant producing wastewater and water treatment equipment	0.0
TUR/017/1/95-10	Turkey	Production of electromechanic parts for household appliances and automotive industries	0.0
TUR/018/1/95-12	Turkey	Production of aluminum profile for double sealed glass	1.16
TUR/019/1/95-10	Turkey	Production of fibre	0.0
TUR/020/1/95-10	Turkey	Production of industrial type, steam press ironing machines	3.0
TUR/021/1/95-10	Turkey	Production of office furniture	1.37
TUR/022/1/95-10	Turkey	Production of textile machinery	0.0
TUR/023/1/95-10	Turkey	Production of loudspeakers and gearboxes	0.0
TUR/024/1/95-10	Turkey	Expansion of the production of disperse dyes and textile auxiliaries	0.0
TUR/025/1/95-10	Turkey	Manufacture of full electronic machinery	0.20
TUR/026/1/95-10	Turkey	Production of pipes and fittings for motor vehicles	4.40
TUR/027/1/95-10	Turkey	Production of bakery equipments	0.0
TUR/028/1/95-11	Turkey	Chicken farming, wearing apparel and knitted fabrics, agricultural equipments	0.0
TUR/029/1/96-01	Turkey	Aluminum profiles and frames	2.10

TUR/030/1/96-01	Turkey	Pre-fabricated wood frame single family houses	4.80
TUR/031/1/96-03	Turkey	Copper tube	29.00
TUR/032/1/96-04	Turkey	Hotel construction	5.53
TUR/033/1/96-04	Turkey	Flour processing, food production	53.00
TUR/034/1/96-07	Turkey	Linen processing	2.53
TUR/035/1/96-07	Turkey	Fiber glass rovings	7.00
TUR/036/1/96-07	Turkey	Land transportation of cars and pickups	29.00
KYR/005/1/96-05	Kyrgyzstan	Leather processing	8.34
KYR/006/1/96-06	Kyrgyzstan	Milk and dairy products	0.13
TKM/001/1/95-11	Turkmenistan	Paint and thinner manufacturing	6.00
TKM/003/1/96-02	Turkmenistan	Baby cream, psuat cream and herbal toothpaste	1.29
UKR/001/1/95-11	Ukraine	Production of herbal pastilles and herbal drops	1.62
UKR/002/1/95-12	Ukraine	Herbal shampoo and conditioner	1.45
UKR/003/1/95-12	Ukraine	Bath and toilet soap	2.10
UKR/004/1/96-01	Ukraine	Baby cream, psuat cream (for psoriasis), herbal toothpaste	0.83
UZB/001/1/96-02	Uzbekistan	Bath and toilet soap	0.84

Annex 5.a

**SECTORAL DISTRIBUTION OF FOREIGN INVESTMENT PERMITS**  
(Million USD)

<b>Sector</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
Agriculture	22.4	36.0	31.2	29.3	31.7
Mining	39.8	19.0	11.8	6.2	60.6
Manufacturing	1,095.5	1,273.9	1,726.6	1,106.2	1,996.5
Services	809.6	492.2	501.7	342.9	849.5
Total	1,967.3	1,821.1	2,271.3	1,484.6	2,938.3

Annex 5.b

**SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVES**

<b>Sectors</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
Agriculture	1.5	1.3	1.1	1.0	0.4
Mining	3.6	2.9	2.8	2.0	0.6
Manufacturing	62.6	66.3	69.5	60.1	86.9
Energy	4.3	2.2	5.6	4.9	2.5
Services	28.0	27.3	21.0	32.0	9.6



Annex 5.c

**BREAKDOWN OF MANUFACTURING ENTERPRISES BY SIZE**

Scale	Number of Enterprises		Number of Workers	
	1985	1992	1985	1992
Micro (1-9)	183,574 (94.52%)	185,387 (94.30%)	472,070 (33.51%)	544,519 (35.71%)
Small (10-49)	8,035 (4.14%)	7,982 (4.05%)	169,634 (12.04%)	175,555 (11.51%)
Medium (50-199)	1,750 (0.90%)	2,254 (1.15%)	165,759 (11.77%)	214,004 (14.03%)
Large (200+)	861 (0.44%)	980 (0.50%)	601,339 (42.68%)	590,964 (38.75%)
Total	194,220	196,603	1,408,802	1,525,042

Annex 5.d

**GEOGRAPHICAL DISTRIBUTION OF MANUFACTURING ENTERPRISES**

Region	Number of Enterprises	Production Share
Marmara	74,753	67.25
Aegean	34,492	5.85
Mediterranean	20,819	9.05
Central Anatolia	30,869	9.55
Black Sea	18,005	5.58
East Anatolia	6,366	1.14
Southeast Anatolia	11,299	1.58
Total	196,603	100.00

**Annex 5.e**

**SECTORAL DISTRIBUTION OF MANUFACTURING ENTERPRISES**

<b>Sectors</b>	<b>Number of Enterprises</b>	<b>Percentage Share in Production</b>
Food	22,301	17.7
Textiles	57,240	15.5
Forestry Products	42,615	1.1
Paper/Printing	6,737	3.0
Chemicals	5,756	27.8
Soil Products	7,415	7.2
Basic Metals	2,211	6.2
Machinery	49,185	21.2
Others	3,143	0.3
Total	196,603	100.0