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REPORT
ON THE EVALUATION OF THE
INDUSTRIAL INVESTMENT ACTIVITIES
OF UNIDO*

Prepared by the

Evaluation Staff
Office of the Director-General

United Nations Industrial Development Organization
Vienna

* This document has not been edited.

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ABBREVIATIONS

AfDB	African Development Bank
AsDB	Asian Development Bank
APDF	African Project Development Facility
AREA	Area Programmes Division
CCCE	Caisse Centrale de Coopération Economique
CDC	Commonwealth Development Corporation
CDI (CID)	Centre pour le Développement Industriel (Centre for Industrial Development)
COMFAR	Computer Model for Feasibility Analysis and Reporting
COMSEC	Commonwealth Secretariat
DFI	Development Finance Institution
DGI	Directorate General (External Relations) I of the EC
DGVIII	Directorate General VIII (Development) of the EC
DIPP	Databank for Investment Promotion Programme
EC	European Community (Commission)
ECDC	Economic Co-operation among Developing Countries
EEC	European Economic Community
ESCAP	Economic and Social Commission for Asia and the Pacific
FASBOL	Feasibility for Bolivia
FAO	Food and Agriculture Organization of the United Nations
FEAS	Feasibility Studies Branch
FIAS	Foreign Advisory Investment Service (a joint facility of IFC and MIGA)
FMO	Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (Netherlands Development Finance Company)
GC	General Conference
ICC	Investment Co-operation Centre (of UNIDO)
ICFM	Industrial Co-operation and Funds Mobilization Division
IDB	Industrial Development Board
IDDA	Industrial Development Decade for Africa
IDF	Industrial Development Fund
IFC	International Finance Corporation
IID	Industrial Investment Division
IIP	International Investment Partners
IMR	Industrial Management and Rehabilitation Branch
INF	Industrial and Technological Information Section
INFR	Institutional Infrastructure Branch
INPRIS	UNIDO Investment Promotion Information System
INTIB	Industrial and Technological Information Bank
IO/T	Industrial Operations Technology Division
IPCT/TP	Industrial Technology Promotion Division
IPP	Industrial Policy and Perspectives Division
IPS	Investment Promotion Service
ISIC	International Standard Industrial Classification
ISIS	Integrated Set of Information Systems
ITC	International Trade Centre
JPO	Junior Professional Officer
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
MTP	Medium Term Plan

MVA	Manufacturing value added
NIC	Newly industrialized country
PB	Programme and Budgets
PC	Personal Computer
PLAN	Industrial Planning Branch
PROPARCO	Société de Promotion et de Participation pour la Coopération Economique
PROPSPIN	Project Profile Screening and Pre-Appraisal Information System
REG	Regional and Country Studies Branch
SACE	Sezione Speciale per l'Assicurazione del Credito al l'Esportazione (Export Credit Guarantee Agency)
UCD	UNIDO Country Director
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNIDF	United Nations Industrial Development Fund
USAID	U.S. Agency for International Development

GLOSSARY OF TERMS USED IN THE REPORT

- Foreign investor:** Also called by IID foreign partner, is "an enterprise or other business entity willing to supply the foreign inputs required by a project and to implement it with local investor".
- Investment cycle:** Includes investment project identification, screening, preparation, appraisal, promotion, matchmaking, implementation, and start-up of production.
- Local sponsor:** Also called by IID local investor, is "the entrepreneurial risk-taker in a developing country who is seeking inputs (technological, managerial, financial, etc.) required for the implementation of his project".
- Project:** The word is used in the context of an investment project which is defined by IID as "an industrial investment proposal for the establishment of a new production facility or the expansion, modernization or rehabilitation of an existing facility". Projects of technical assistance are so mentioned in the report.
- Sector:** The word is used in the context of an economic sector, i.e. industry, agriculture.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

UNIDO is one of the first international organizations involved in the promotion of foreign investment for the industrialization of developing countries. The various activities undertaken by UNIDO in this area follow accepted and viable approaches but they need improvements, refinements and more concentration on those areas where UNIDO has comparative advantages (box in Foreword). Parallel to this proposal a stronger investment promotion networking of focal points in developed and developing countries and UNIDO Headquarters is needed.

Although a certain concentration of investment activities is evident in UNIDO's Industrial Investment Division (IID), these are also spread in different organizational units and do not add up to an integrated and co-ordinated Programme. The evaluation suggests that UNIDO's investment promotion resources and activities be concentrated under one organizational unit.

To alleviate some of the dispersion of investment related activities in UNIDO, the evaluation recommends that the Feasibility Studies Branch be integrated into IID. Institution building projects dealing with the establishment or strengthening of investment promotion agencies (focal points) and all IPSs and ICCs should come under the same organizational unit. IID should be kept informed of investment proposals identified/developed elsewhere so that they can be promoted through the UNIDO network.

The identification and development of quality investment projects is at the core of any success in investment promotion. Although improvements in this area were observed, the quality of project profiles have been criticized by financial institutions and foreign partners potentially interested in them. More information on the local sponsors is needed to raise the interest of potential foreign partners.

A lot of time has been devoted by UNIDO to prepare and discuss the best format for a project profile. A harmonized set of forms for investment project profiles and sponsors, which allows for modifications to suit local requirements, has been prepared and is being finalized. These forms should be universally used by the UNIDO network.

In countries which are not conversant with the principles and practices of foreign investment promotion and/or are not so attractive for foreign investment, UNIDO should start by offering institution building technical assistance aiming at improving their regulations and image, and by establishing investment promotion agencies rather than holding an investment forum.

The undertaking of pre-investment studies and investment promotion should be better integrated. The evaluation recommends various measures in this direction as well as harmonization of the two computer programmes in use - COMFAR and PROPSPIN (3.5.).

UNIDO provides most of its pre-investment services free-of-charge. Serious consideration should be given to request a contribution from the

partners involved. In addition to creating revenue it ensures the interest of the partners in the project.

Investment fora, especially when they are a part of an integrated investment promotion programme, can constitute an effective means to match local and foreign investors. However, such meetings should not be seen as an end, but as a part of these integrated programmes. UNIDO should be more selective in promoting projects and should get more involved both in the preparation and follow-up phases of fora (3.6.). In countries with a difficult investment climate where holding of fora can be counterproductive, UNIDO should first start with technical assistance as indicated above.

Co-operation with international organizations also promoting investment is good, but co-operation with international and national financial organizations needs improvement. UNIDO can reactivate their interest and rate of financing by presenting them with more potentially bankable projects.

The Investment Promotion Service offices and the Delegates Programme constitute a unique and possibly the best feature of UNIDO's activities in industrial investment. A stronger networking between IPSs, as UNIDO Headquarters and other focal points, is required to maximize their impact. Stronger direction and guidance from UNIDO Headquarters are needed. An Operations Manual for IPSs should be prepared. The documentation regarding approval, reporting and evaluation of IPSs should be standardized as much as possible. Delegates Programmes should be implemented more systematically to better cover investment promotion and training aspects. An Operations Manual for delegates is also needed.

The information databases used in UNIDO and in the IPSs in support of the investment activities need to be further developed, harmonized and made more user-friendly. In particular, INPRIS should become the central Management Information System (MIS) for UNIDO's investment promotion network.

To "make investment happen" and for it to succeed commercially, investment proposals need to fulfil a myriad of pre- and post-investment conditions covering socio-economic, human resource and physical endowment, market, financial and technical aspects. All of these need to be considered during the entire investment cycle and require the expertise of a multi-disciplinary group.

While a strengthened and consolidated UNIDO investment promotion network is recommended, there is still an overreaching need for UNIDO to enhance its present ability to address the broad spectrum of subsectoral development requirements, which include investment. Without investment, the creation, expansion and rehabilitation of developing country enterprises cannot take place.

A stronger UNIDO subsectoral programme capability is currently under discussion, which, when successfully implemented, will need the support of a strong UNIDO Investment Promotion Service network to promote the investment projects which may originate from sectoral programme activities.

The grounds for co-operation need to be carefully put into place. However, this should not present a serious problem since the subsectoral groups and the investment promotion network will have an incentive to co-

operate since investment proposals emanating from the strengthened subsectoral groups are likely to meet higher quality standards and will, therefore, be welcomed by the investment promotion network, as their successful promotion should be faster.

At the same time, if the performance of the subsectoral groups are, inter alia, measured by their ability to support investment, they should be eager to take advantage of the Investment Promotion Services available to them.

FOREWORD

UNIDO is only one of many international organizations dealing with industrial investment, operating in an increasingly competitive market-place. This market-place does not automatically recognize that UNIDO has an international mandate to promote industrial investment. UNIDO can only compete if it exercises its mandate effectively by providing the kind of services that make full use of the inherent comparative advantages the Organization enjoys.

UNIDO's comparative advantages

In investment promotion UNIDO has comparative advantages which it has to exploit if it is to remain a major actor in this competitive field:

- Direct access to the enterprises of developed countries by means of the UNIDO IPS network;
- Access to entrepreneurs of developing and Eastern European countries and knowledge of conditions in these countries and their industries;
- Services offered at subsidized prices which are of particular interest to UNIDO's clients in the range of medium- to small-scale entrepreneurs for whom pre-investment and promotion work is too costly;
- Neutrality of a UN organization operating as an impartial intermediary and honest broker.

Other advantages are also evident, although they have yet to be fully exploited as an integrated package of pre-investment work in form of technical assistance:

- Experience in establishing and strengthening investment promotion agencies in developing countries through institution building projects, which is a costly exercise;
- The capability and capacity to carry out pre-investment studies through the Feasibility Studies Branch.

In its mandated role as an intermediary, UNIDO plays a role complementary to that of the other actors, such as DFIs or other promotion agents. UNIDO's role justifies - or even demands - the integration of its capacities and capabilities in investment-related activities in order to consolidate and fully exploit its potential to serve developing country industries.

Only after critically analyzing its comparative advantages and disadvantages can UNIDO define its market niche and the services it can market successfully. Only after having identified these and the resources and skills needed and the most effective means of deploying them (the overall operational framework) is it possible to evaluate the efficacy of, and recommend changes to, current operations. This is the approach taken in this evaluation.

The development of UNIDO's investment promotion strategy will need to follow from this evaluation. However, an evaluation must address the questions: "Are we directing our efforts to the right clients?"; "Are we providing the right services?"; and, "Do we have the right delivery system?"; or at least "Are we moving in the right direction?" To do this, the evaluation team, following extensive discussions within and outside UNIDO, established benchmarks which reflect UNIDO's comparative advantages.

UNIDO's investment promotion activities serve two client groups. Although the two are closely interlinked, the package of services offered are quite distinct. It is convenient to categorize UNIDO's investment promotion activities as being either infrastructure- or enterprise-oriented. The former relates to activities designed to strengthen a country's capacity to attract investment, e.g. regulatory framework, administrative procedures, promotional institutions, financial/capital markets, etc., while the latter relates to activities at the enterprise level, e.g. matchmaking services, pre-investment studies, project and financial engineering, etc.

Investment activities at the enterprise level

Given its comparative advantages and limitations, for the most part UNIDO's clients are, and will continue to be, medium- to smaller-sized private enterprises with little international experience, which are attempting to develop projects of less than US\$ 5 million investment value.

The Organization's principal mandate is to service clients in the developing countries; i.e. identify a project in a developing country with a developing country sponsor and work from there. We believe that UNIDO's client base could be greatly enlarged by devoting more resources to marketing its services to all outward investors seeking industrial co-operation in developing countries (irrespective of whether the flow is North to South, South to South, West to East, etc.).

UNIDO and its member countries should recognize that circumstances are forcing the Organization to become more selective in providing its services. This process, which has only begun to be recognized and applied, is desirable since there is a need to channel scarce resources to the efficient delivery of appropriate services to UNIDO's clients. The complexities of foreign investment and international joint ventures demand the readiness of both partners to form a successful venture. The promotion of partnership arrangements between entrepreneurs who might not yet have developed the capacity to fully contribute to and benefit from such agreements would be counterproductive to entrepreneurs, member states and UNIDO itself. Last but not least, UNIDO should not stretch its scarce resources to cover too wide a spread of industrial investment activities at the cost of quality. To avoid dilution of capacities and resources, activities should concentrate on a well-defined group of end users.

One way to accomplish this could be to establish quantifiable criteria that clearly define UNIDO's client base. For example, before being considered for promotion, a project should be of a certain level of investment; the firm backing the project should have a certain amount of operating experience and have a certain level of capital.

However, to successfully adjust its focus to be more selective, UNIDO must also adjust the way it is delivering its services. Recent trends indicate that moves in the right direction have started.

In our opinion, one of UNIDO's strongest potential comparative advantages supporting its enterprise-oriented activities is its world-wide contact network. This network provides access to valuable investment information to governments, institutions and private businesses which is not readily available in the same form elsewhere^{*/}. With few exceptions, other investment promotion agencies cannot afford to develop and maintain such networks. Even if they could, they cannot always assume the "honest broker" role of an United Nations organization. Multilateral and bilateral agencies either do not use their networks of field offices for investment promotion (i.e. UNDP) or are much more limited in scope or coverage (i.e. CDC, FAO). This is changing, however, as DFIs become more aggressive in the investment promotion arena (e.g. FIAS, MIGA, APDF, EC). UNIDO cannot afford to lose this competitive edge and it must take immediate steps to expand and strengthen its network, in both developing and developed countries.

Investment information and contacts, which form the substance of UNIDO's package of services, are best developed, maintained and marketed at the country level. Doing investment promotion by long distance (i.e. from Vienna) without localized presence is difficult at best and, at worst, dilutes available resources and leads to a lack of depth in the services being marketed. This is the sound reasoning behind the IPS office concept, and the same rationale should be extended to the developing countries.

The above finding forms one of the most critical points raised as a result of the evaluation. In the longer term, UNIDO could strengthen its position in the market by further developing its "hub and spoke" delivery system; the hub being UNIDO Headquarters and the spokes being in-country investment offices in both developed and developing countries. The basic elements of the system are already in place, while effective networking, by and large, remains to be done. UNIDO Headquarters needs to strengthen greatly its focus. It should ensure (i.e. stipulate and enforce) uniform quality standards and responsive communication systems between the spokes, provide support services such as research (investment techniques, funding sources, market and technical data, etc.) and training, and undertake the global marketing of such UNIDO's services, among other functions. Headquarters should do little in-country promotion and even less project preparation and appraisal work; that being left to the spokes through field offices and technical co-operation efforts.

^{*/} This includes, but is not limited to, the Investment Promotion Services. This comparative advantage is critical to marketing pre-investment services. Moreover, as a general proposition it can be concluded that UNIDO should have a comparative advantage in providing project implementation services on price competitiveness grounds where its services are highly subsidized through donor country contributions.

In addition, UNIDO Headquarters should centralize certain functions, such as information systems, feasibility studies and activities aiming at strengthening developing countries' investment infrastructure. These activities can be supported, however, by the spokes as the need arises.

Investment infrastructure activities

UNIDO's comparative advantage in this field is not so obvious. Much of the funding for these services is through bilateral aid agencies, with whom UNIDO competes for explicitly or implicitly tied aid. It has to rely on supplemental and at most times uncertain "off-budget" financing to assist countries or institutions in implementing recommendations, whereas in bilateral programmes, this funding is often built-in. In the case of country clients, the number of countries needing such services is finite. Systematically tapping the institutional market requires either capturing the country clients through co-operation agreements or establishing an in-country presence. In terms of a *product enhancement* feature, the global institutional network should be completed and further strengthened through technical co-operation for UNIDO to be in a better position to provide enterprise-level assistance.

UNIDO's comparative advantage also lies in its being able to offer enterprise-level services as an integral part of any assistance package. If this is done properly, UNIDO just might be able to dominate the market. Few organizations can offer such a "turnkey" approach.

However, it is clear that, given the competitive market, where product differentiation is key, UNIDO should first reorganize in such a way as to allow these services to be seen as a unique capability, and to ensure that they are packaged and marketed as such.

At the same time it should be clearly understood that the enterprise-level and infrastructure activities are mutually supportive. The greater the extent to which UNIDO is involved in providing infrastructure services, the more opportunities there will be to provide enterprise services, and vice versa.

1. BACKGROUND

1.1. Evaluation of UNIDO Headquarters programmes

1. The relevance and importance of evaluation to UNIDO, whether of programmes or projects, cannot be over-emphasized. "Evaluation is a technique for establishing if and how well goals have been attained. It is a process which seeks to determine as systematically and objectively as possible the relevance, effectiveness and impact of work in progress, or of work completed, by measuring accomplishments against the original objectives and by revealing the reasons for any significant deviation"^{1/}. In evaluating whether and to what extent goals have been attained, evaluation exercises are also designed to be forward-looking, by focusing on lessons learnt from past experience and transforming these into useful recommendations. By recommending programmes and projects that will be effective and impact-oriented, it serves as an important management and policy tool.

2. In reviewing the various Headquarters programmes presented for evaluation, the Secretariat decided that first priority should be accorded to the Industrial Investment "Programme" in view of the particular attention which should be accorded to mobilizing financial resources for the industrialization of developing countries, in the face of recent decreases and even reversals in net financial flows. In addition, there is the declared need to redress the serious imbalance between industrial production in developed countries and developing countries, which could be alleviated, inter alia, by increased foreign investment in the manufacturing sector of the developing countries^{2/}.

1.2. Purpose of the evaluation

3. This evaluation reviews and assesses past and present activities of UNIDO's Industrial Investment "Programme". It is designed to serve donors, beneficiaries (including end users) and UNIDO policy-makers and management through its conclusions and recommendations on actions required to ensure that optimal support is provided by the "Programme" for the mobilization of investment resources to the developing countries.

4. To this end, the evaluation aims at providing the following:

(a) An assessment of the overall achievements of the "Programme" against set objectives and expected results indicated in the Medium Term Plan and in Programme and Budgets document;

(b) An analysis of the extent to which results observed were attributable to "Programme" activities and to determine which organizational units of UNIDO were responsible for these results;

(c) The identification and assessment of factors that have contributed to or hindered the attainment of the "Programme" objectives;

^{1/} Evaluation Manual of the United Nations New York, October 1986.

^{2/} See Annex 1 for a brief note on UNIDO programme evaluation mandates and activities.

(d) An assessment of the "Programme's" relevance and potential effectiveness in providing support to activities designed to address the major challenges facing industrial investment in developing countries including new approaches to these challenges;

(e) Conclusions and recommendations to: (i) enable the policy making organs to review the "Programme" and provide directives where necessary; and (ii) advise UNIDO's secretariat on action required for improving "Programme" design and implementation, efficiency, effectiveness and impact.

1.3. Scope of the evaluation

5. The mandate for this in-depth evaluation, which is contained in document IDB.5/12 adopted by the Fifth Session of the IDB in July 1989 (see Annex 1), does not provide limitations in terms of time frame or breadth for the evaluation exercise. The Evaluation Staff, therefore, endeavoured to establish parameters for the in-depth evaluation to ensure an adequate breadth of coverage while at the same time keeping it manageable. The term "Programme" does not reflect any single programme identified in the Programme and Budgets or the Medium Term Plan. In the context of this evaluation, it comprises various investment activities of UNIDO as reflected in the IDB decision 5/12. In fact, it encompasses activities undertaken not only under the aegis of the Industrial Investment Division (IID) which is the core division of the Organization dealing with this "Programme", but also other organizational units.

6. In reviewing UNIDO's activities it was found that since its inception, resource mobilization is mentioned frequently as an activity under various programmes, subprogrammes and programme elements. This is a reflection of UNIDO's investment activities being diffused in a large number of organizational units. The formulation of IDB decision 5/12 implies that this "Programme" should be evaluated in its totality. In view of the fact that the Trust Fund activities will be the subject of a special evaluation, activities relating to that programme were not specially addressed by this evaluation. A review of a sample of project documents undertaken under Trust Funds was undertaken and the results of this review will be utilized in the special evaluation as detailed in the IDB decision 5/12 (see Annex 1).

7. The coverage of this evaluation comprises the following aspects of the Industrial Investment "Programme" as extracted from UNIDO Medium Term Plan documents:

- Support to developing countries, industrial investment planning and policy formulation processes;
- Co-operation with financial institutions/investment promotion agencies;
- Investment project identification, appraisal and promotion in developed and developing countries;
- Investment-related technical co-operation projects, direct support and institution-building;
- Preparation of pre-investment studies;

- Investment-related training;
- Establishment and strengthening of investment promotion agencies/focal points in developing countries;
- Investment promotion mechanisms (meetings, presentations, tours and missions);
- Information services.

8. The evaluation has to focus on a specified time frame while at the same time take an adequate account of the evolution of the "Programme". It was found that the critical period for appreciable development and results was that covered by the 1984-1989 Medium Term Plan, which also witnessed the transition of UNIDO into a specialized agency. It should be emphasized, however, that experiences acquired before that period were not disregarded. The period 1984-1989, therefore, was considered broad enough to allow for an adequate assessment of on-going activities and, by being far enough in the past, to allow for an assessment of the "Programme's" impact as a whole, in particular the various subprogrammes.

9. Because of the structure of the Organization, investment activities are covered by more than one organizational unit. The evaluation, therefore, also endeavours to pinpoint the resulting overlaps and to propose ways to minimize duplication and better rationalize UNIDO's investment-related activities.

10. The evaluation concentrates on the existing "Programme", how it is carried out, and, does not attempt to focus on the conceptual, social, political and economic issues connected with foreign investment promotion.

Investment incentives

The desire to attract foreign investment has created a situation whereby incentive systems to promote private investment are often designed for foreign investment only. Moreover, there may even be disincentives which mitigate national investment. There is an apparent conviction that economic modernization can only be genuinely carried out by foreign enterprises or by utilizing foreign investment funds and loans. The question of within country investment promotion remains open and does not form a significant part of UNIDO's activities nor does the Organization have a strategic approach to the subject.

1.4. Evaluation activities carried out

11. The in-depth evaluation of the Industrial Investment "Programme" took place from January to December 1990 in three main phases. The first phase was a desk review which involved the analysis of collected literature and data, review of previous evaluation findings, progress reports, annual reports, etc. The second phase was that of actual evaluation which placed particular emphasis on the subprogrammes mentioned above through sent questionnaires and

interviews with participants and beneficiaries of various UNIDO investment activities in the field, and managers of investment subprogrammes and selected operational staff at Headquarters, and visits to other international and bilateral organizations involved in investment promotion/development programmes, etc. The third phase was the actual preparation of this report.

12. The most significant activities of the in-depth evaluation were:

- An in-depth evaluation of one IPS;
- Visits to technical assistance projects related to industrial investment projects (one in the USA, two in Latin America);
- Participation in two investment fora;
- Interviews with 17 former participants in IPS Delegates Programmes;
- Interviews with around 100 former participants in investment fora;
- Interviews with 28 former participants in workshops on project preparation;
- Analysis of 15 questionnaires received from former delegates;
- Analysis of 51 questionnaires from former participants in investment fora;
- Visits to five IPSs (Warsaw, Zurich, Washington, Milan and Cologne);
- Interviews with staff of all IPSs;
- Interviews with key staff concerned with the "Programme" at the Secretariat;
- Visits to several national and international institutions dealing with investment in developing countries^{3/}.

13. Also used, to a greater or lesser extent, in this exercise were former evaluation reports of programmes/projects or activities related to industrial investment, such as

- Reports of in-depth evaluations of IPSs;
- Report of the "In-depth evaluation of completed and on-going pre-investment studies financed by the Government of the Netherlands through the UNIDF" dated 20 March 1990;
- Project Performance Evaluation Reports of technical assistance projects;
- In-depth evaluations of technical assistance projects.

14. The findings and recommendations of the in-depth evaluation are presented in this report. The evaluation received full co-operation and assistance from the various organizational units of UNIDO involved in the "Programme", particularly the Industrial Investment Division (IID), including the Investment Promotion Services, and the Feasibility Studies Branch (FEAS). The evaluation team consisted of the following UNIDO Evaluation Staff members:

- Mr. Oscar Gonzalez-Hernandez, Chief;
- Mr. Hans H. Heep, Senior Evaluation Officer;
- Mr. David Tommy, Evaluation Officer;
- Ms. Caroline Heider, Associate Evaluation Officer.

^{3/} EEC (DGI and DGVIII), CDI, IFC, FIAS, COMSEC, UNCDF, USAID, AfDB, AsDB, ITC, APDF.

15. The team also received assistance from outside consultants on specialized lines of work. These consisted of:

- Ms. Renata Hayder, Consultant in pre-investment studies;
- Mr. Ernst-Gerd vom Kolke, Consultant in electronic data processing;
- Mr. Carl T. Bell, Consultant in industrial investment.

16. The cost of the evaluation, in addition to considerable UNIDO staff time, amounted to approximately US\$ 75,000. Of this, US\$ 45,000 were provided through a Special Purpose Contribution by the Swiss Government to the IDF, while the remainder came from another Special Purpose Contribution by the German Government. This amount was used for the consultants and for the Evaluation Staff's field missions to Argentina, Bangladesh, Belgium, Bolivia, Côte d'Ivoire, Egypt, the Gambia, Germany, Indonesia, Italy, Kenya, Nigeria, Peru, Philippines, Poland, Senegal, Sierra Leone, Singapore, Switzerland, United Kingdom, and the USA.

17. Every effort was made by the evaluation to cover the majority and most important investment-related activities. Although the evaluators do not pretend that this study is exhaustive the depth and breadth of its coverage and analysis are considered adequate to support the report's conclusions and recommendations.

2. DESCRIPTION AND ANALYSIS OF THE "PROGRAMME"

2.1. Historical developments

18. Since its inception UNIDO has been involved in the promotion of foreign investment for the industrial projects of developing countries, in response to the relevant mandates and directives from the policy making organs. A review of these mandates and directives shows that UNIDO was directed to assist developing countries and, more specifically, their local project sponsors in mobilizing foreign resources to facilitate investment. The importance of the Industrial Investment "Programme" was highlighted by the General Conference in its resolution GC.2/Res.10 on the mobilization of financial resources for industrial development.

19. This resolution requests the Director-General to exert efforts to ensure that UNIDO: "... promotes actively the mobilization of financial resources for the industrial development of the developing countries through increased co-operation with regional and international financial institutions; co-operates with developing countries in the preparation of specific projects for consideration by multilateral development institutions; cooperates with developing countries in identifying and designing industrial projects; strengthens the investment promotion programme which should continue to identify and promote ways and means of mobilizing additional financial resources within the framework of national development objectives and priorities."^{4/}

20. Against the above background, UNIDO was to design its programmes and approaches in order to assist the developing countries to maximize the flow and optimize the use of foreign financial resources to surmount obstacles to industrialization. Since industrial co-operation between entrepreneurs in industrialized countries and project sponsors in developing countries will continue to constitute, together with official grant aid and bank lending, one of the most important resource transfer mechanisms available to developing countries for capital formation in industry.

21. However, at the outset, direct foreign investment was not universally accepted and some developed and developing countries rejected this approach, considering it to constitute a form of neo-colonialism that was contrary to the desired goal of self-reliance. In fact, in 1975, the Lima Declaration and Plan of Action bore in mind "... that the situation in the developing countries has become aggravated ... (*inter alia*) by the transfers resulting from private investments ...". Over time, however, the merits which both parties may derive from foreign investment instruments were recognized. In fact, a broad range of types of foreign investment is now universally being sought by developing country governments in support of their industrialization process.

^{4/} The legislative mandate for the Industrial Investment "Programme" originates, in the main, from General Assembly resolutions 2152 (xxi), paragraphs 1 and 2; 31/163, paragraph 2 (b); 3367 (5-vii), section IV, paragraph 6; 35/64, paragraph 3; 39/235, paragraph 5 (a) and 7; the New Delhi Declaration and Plan of Action, section II; resolution 6, paragraph 8 and resolution 7, paragraphs 1 and 5, adopted at the Fourth General Conference of UNIDO; as well as resolutions GC.2/Res.10 (on the mobilization of financial resources for industrial development) and GC.2/Res.11 (on external debt and industrial development).

22. UNIDO's activities in this field have evolved in recognition of the fact that matching potential partners from different countries for their mutual benefit is a rather risky, lengthy and costly undertaking, which often exceeds the means and resources available to developing country project sponsors. This is further compounded by the fact that the majority of projects from these countries are small- or medium-scale, a category of projects that is not of great interest to international financial institutions. Further, even where financial resources are available, know-how in undertaking the preparation of bankable investment projects is rather limited in developing countries. Consequently, the international service approach to assistance in this area is considered to be relevant and compatible with the Organization's mandate.

23. It should also be pointed out that, while direct foreign investment in developing countries has decreased in real terms in recent years, demand has increased, and the funds available do not meet the growing needs. As a result, competition by governments to attract direct foreign investment has increased.

24. Research done by the International Finance Corporation (IFC)^{5/} indicates that investment promotion programmes appear to have a direct impact on foreign investment flows. The same research indicates that promotion can constitute a more cost-effective approach to attract foreign investment than incentives. However, the largest - and possibly the best - projects have dynamics of their own and are developed essentially outside the purview of the international organizations and official bilateral development assistance. International organizations in general, and UNIDO in particular are therefore left with the more difficult projects, as a result of which efforts, costs and risks of their promotion are comparatively greater. This is all the more reason to re-examine the approaches and instruments used in UNIDO's investment promotion activities and concentrate on quality.

25. Whilst a joint venture is the most sought form of co-operation, other agreements are also pursued. The most common of these other forms of co-operation (either singly or in combination) are listed below. Obviously, these forms of co-operation have certain features in common.

- Debt/equity swaps
- Loans
- Suppliers credit
- Licensing
- Technology
- Turn-key projects
- Market access (local and export)
- Subcontracting
- Compensation trade
- Management services and contracts
- Technical assistance and training

26. UNIDO now recognizes the relative importance of these alternative or complementary forms to joint ventures, taking these into account in its

^{5/} "Marketing a Country - Promotion as a Tool for Attracting Foreign Investment", L.T. Wells, Jr. and A.G. Wint, IFC and MIGA, Washington D.C.

investment-related activities. As a result of investors' normally wishing to minimize the equity portion, project sponsors are encouraged to list among the foreign resources they are seeking, not only equity and loans, but also other types of resources and co-operation. Some IPSs even de-emphasize the equity investment factor since they fear that few foreign partners are willing to invest in equity at the outset of a business relationship.

27. Further, investment flows are no longer only considered in the North-South axis, but more recently also in South-South and West-East directions. UNIDO is increasingly responding to this trend.

28. The Industrial Investment Division (IID) has over the years undergone changes, of which the most recent has been formalized in the Director-General's Bulletin UNIDO/DG/B.126 which establishes geographical subdivisions. Previous to that, the division of work was on project identification and preparation on the one hand and promotion, including IPSs, on the other. The present structure is more responsive to the needs of the different geographical regions and does not split up the project cycle. The Feasibility Studies Branch, in another department, has traditionally provided investment-related technical co-operation, either of a methodological and training nature or by the actual conducting of pre-investment studies. Also involved in activities are the Industrial and Technological Information Section (INF), the Regional and Country Studies Branch (REG), the Section for Economic Co-operation among Developing Countries (ECDC), part of the Area Programmes Division (AREA), the Co-ordination Unit for the Industrial Development Decade for Africa (IDDA) and the Industrial Planning Branch (PLAN).

2.2. "Programme" design

29. The design of the Industrial Investment "Programme" is set out in the Medium Term Plan (objectives) and the bi-annual Programme and Budgets (outputs, activities and inputs) and is complemented by various decisions and resolutions of UNIDO's policy making organs. The mandate of the Industrial Investment "Programme" can be defined as the securing of investment for industrial development, rehabilitation and privatization in developing countries by means of technical co-operation programmes and the encouragement of industrial co-operation promotion measures. Towards this end, UNIDO should strengthen these efforts by providing assistance in the mobilization of financial, technical, managerial and other resources required for the implementation of investment projects through any legitimate form of business-oriented industrial co-operation between sponsors and foreign partners consistent with the national development plans and policies of developing countries. Special attention should be given to co-operation at the enterprise level (public and private). The translation of these mandates into operational programmes include industrial co-operation projects and programmes covering the whole investment project cycle, related to new, expansion, diversification and rehabilitation projects.

30. Against the above background, it is evident that the Industrial Investment "Programme", like other programmes, can be defined by the following elements: development objectives, problems addressed, objectives, outputs, activities, inputs and target groups (end users).

31. For easy reference, a tabulated presentation of the objectives of each programme as well as the corresponding outputs and activities is provided in Annex 2.

2.2.1. Development objective

32. The "Programme" aims, in the long term, at increased industrial production through new, expanded and/or rehabilitated industrial facilities in developing countries.

2.2.2. Problems addressed

33. The following excerpt from the Programme and Budgets, 1988-1989 (GC.2/10, 10 September 1987) captioned "Problems addressed" represents an accurate summary of the problems the Industrial Investment "Programme" should attempt to address:

"Increased industrial production, as stipulated in numerous resolutions and plans, requires among other inputs, investment in new and expanded industrial production facilities in the developing countries, as well as increased utilization of installed capacities on a scale which poses severe problems in the mobilization of financial resources. No less serious a constraint, however, is the scarcity of national skills for project identification, formulation and implementation. With the tendency for industrial technology, size and structure of market and organization to become increasingly complex, this problem will increase in severity unless remedial action is taken. In some developing countries, there is often only limited information about potential sources of external investment funds and about the lending procedures of these funds or information on possible negative or positive aspects connected with foreign investments. In the developed countries, there is generally a lack of understanding of the mutual benefits that can result from industrial joint ventures and other forms of long-term co-operation in the developing countries. Even when potential investors from the developed countries and the sponsors of industrial projects in developing countries have entered into contact with each other, the unfamiliarity of both with many technical and financial aspects of joint ventures may render the conclusion of a viable agreement a difficult process."

2.2.3. Objectives

34. The objectives of the "Programme" are contained in the main in the UNIDO Constitution and the Medium Term Plan (1984-89) and are summarized as follows:

- (a) Assistance provided, at the request of governments of developing countries, in obtaining external financing for specific industrial investment projects on fair, equitable and mutually acceptable terms;
- (b) Provide a forum and act as an instrument to serve the developing countries and the industrialized countries in their contacts, consultations and, at the request of the countries concerned,

negotiations directed towards the industrialization of the developing countries;

- (c) Secure investment for industrial development in developing countries by means of technical co-operation programmes and the encouragement of promotional measures;
- (d) Assist developing countries to expand their industrial production by the promotion of an increased flow of investment resources and the implementation of technical co-operation projects.

35. These objectives are in fact activity statements and should rather be reformulated as recommended under 3.2.

2.2.4. Outputs

36. Both explicit and implicit outputs of the "Programme" can be found in the various documents and resolutions cited above. They are often confused with objectives and are frequently formulated in form of activities. Outputs should describe a number of distinct products (or results) that will be produced by a set of programme activities. Successfully produced and utilized outputs contribute to the achievement of the programme objective. An elaboration of the "Programme's" outputs is set out under 3.2.

2.2.5. Activities

37. The substantive tasks required to produce the outputs are usually defined by the Secretariat and staff of the IPSs. These activities include: the mounting of missions for investment project identification and preparation; screening of project proposals; provision of information on potential projects; promotion and mobilization of resources for the projects; organization of investment fora; undertaking follow-up activities after the fora; establishment of information network/system on investment potential and possibilities; etc. The activities associated with the "Programme" utilize a large component of consultant and expert services.

2.2.6. End users

38. In analyzing the activities, outputs and operating environment, due cognizance should be taken of the end users and beneficiaries. Beneficiaries include the governments, parastatals, development finance institutions and investment promotion agencies. These are direct recipients of UNIDO's interventions and are usually main or associate counterpart agencies. However, end users include industrialists from private and public sectors in developing countries (local sponsors), and industrialists from private and public sector in industrialized countries (investors). These are often reached by UNIDO directly or through the beneficiary institutions. Differentiation must be made between the beneficiaries and the end users of the "Programme" at the planning and implementation stages of UNIDO's pre-investment support activities. Support to beneficiaries does not automatically result in adequate assistance to end users.

39. A survey of the end users of the "Programme" activities shows that, in the majority of cases, they comprise promoters with little project negotiation background, limited equity, lack of ability to meet the conditions set by DFIs

Governments and enterprises

UNIDO is an intergovernmental organization. Its governing board is composed of government officials and its programme and projects undergo government screening and approval. Nevertheless, its interventions are increasingly being done directly at the enterprise level and in the private sector, who are the main performers of industrialization. While many governments are conscious of this development and facilitate the flow of benefits to these end users, there are still cases where the long chain of links from UNIDO to enterprises makes the dialogue and interventions with entrepreneurs difficult and time-consuming.

and commercial lenders etc. Even where the project concept may be sound and the promoter commendable, the project size usually poses difficulties both for the securing of loans as well as for attracting the interest and possible involvement of foreign partners. Therefore, the role of UNIDO and the potential impact of its assistance on the developing countries are particularly important in view of the segment of the business community at which activities are directed.

2.2.7. Analysis of the "Programme" design - structural issues

40. As stated under 2.2.3. and 2.2.4., the "Programme" design requires to be elaborated as suggested under 3.2. The fact that the "Programme" needed to be *reconstructed* from various documents underlines that no single document exists containing a logically consistent and properly specified set of programme objectives, outputs, activities and inputs as a basis for management, implementation and evaluation. This situation has facilitated the dispersal of investment-related activities throughout the Secretariat, leading to duplication of efforts and lack of co-ordination. For this reason, it is difficult to offer, at present, a package of investment-related activities comprising technical co-operation, consultation and investment promotion.

41. In reviewing the various subprogrammes of the 1984-1989 MTP, problems arising from the way mandates are dispersed become apparent. Full realization of UNIDO's mandate would have been attainable through proper co-ordination, which was not the case during the 1984-89 MTP period. The subsequent 1990-95 MTP, however, attempted to redress this, basing itself on target problem areas or common themes as well as country- and region-specific programmes. The subsequent work programmes were meant to respond to priority issues such as the mobilization of financial resources, although no framework was suggested for how organizational units were meant to realize strategic objectives in a co-ordinated and mutually supportive fashion, and better co-ordination has not yet been achieved.

42. The present "Programme" design and UNIDO's organizational structure also allow activities to be carried out in isolation. Often they overlap or operate in parallel. Moreover, management frequently prefers to work in isolation and does not exercise its authority to bring about effective inter-Secretariat co-operation. This resulted in thinly-spread resources to the

extent that numerous activities are carried out with inadequate inputs thus adversely affecting the quantity, quality, timeliness, etc. of UNIDO's "Programme" outputs and their utilization.

43. In addition, the project and programme performance reporting system also lends itself to isolated activity reporting by individual units at the end of various time frames. Lack of co-ordination and duplication of effort is inevitable, given the fact that each organizational unit prepares its own work plan according to its own frame of reference. Linkages are usually lacking, inadequate or established artificially during the consolidation and editing of Annual Reports. In some cases, the overlaps are noticeable from the programme description itself. One such an example is the parallel activities of the IPSs and the newly-established Industrial Co-operation Centres (see also 3.8.).

2.3. Main components of the "Programme"

The sequence adopted in evaluating UNIDO's Investment "Programme" was first to analyze its identified components. These components are listed below and are elaborated in the "Desk Study - Industrial Investment Programme of UNIDO: In-depth Evaluation"^{6/}.

- Project identification, preparation and promotion, including investment fora;
- Co-operation with other international organizations and development finance institutions (DFIs);
- Investment Promotion Services (IPSS) and Delegates Programmes;
- Technical co-operation related to industrial investment;
- Investment Promotion Information System.

2.3.1. Project identification and preparation

44. UNIDO is involved in various degrees in the different stages of the investment project cycle. These include: investment project identification, screening, preparation, appraisal, promotion, matchmaking, implementation, and start-up of production.

2.3.1.1. Identification of investment opportunities

45. Projects are identified by various means, as summarized below:

- (a) Consultants on missions to developing countries in preparation for investment fora;
- (b) Ideas from foreign investors;
- (c) Sponsors contacting UNIDO directly;
- (d) Ideas emanating from technical co-operation projects;
- (e) Direct contacts of IPSs in the developing countries;
- (f) Projects brought by delegates at IPSs.

^{6/} "Desk Study - Industrial Investment Programme of UNIDO - In-depth Evaluation - Draft". Unpublished document. 14 June 1990.

46. The question what constitutes a "promotable" project remains at the core of the success of the first stage of matchmaking. Other international organizations face the same dilemma. Ideally, the project idea should come from the sponsor in order to ensure full identification with the project and the motivation to bring the project to successful completion. A project without a viable sponsor is practically unpromotable. Projects backed by a public or semi-public institution sponsor should only be promoted when the confirmed capacity to back the project is established. It was found that the best sources of projects were (d), (e) and potentially (f), albeit with limitations discussed below. It was found that in general projects identified are still of mixed quality and need stricter screening even at the risk of reducing the total number of projects ready for promotion. If the project sponsor cannot meet financial requirements and the project is unable to attract investors, no amount of assistance from UNIDO will result in a financeable project.

47. Each source of identified projects can be analyzed as follows:

(a) UNIDO consultants who travel to the developing countries in preparation of investment fora are often under pressure to identify projects in quantity. Much criticism was heard from IPSs and foreign investors on the quality of such projects. Project sponsors reported that consultants spent too little, if any, time with them, so that detailed discussions of projects were not really possible. Often projects come from well-known and pursued "official lists" rather than being identified at the entrepreneur level. Therefore, such assignments should be longer, and they should involve a local expert with knowledge of the local investment environment and business community. Furthermore, it is strongly advised that these missions take place only if they have a strong base in the country visited which will adequately prepare the mission and be able to follow up on any questions of interested investors. The evaluation questions the validity of sending a project identification mission to a country where such a base cannot be found.

(b) Ideas coming from foreign investors are not received often. When they are relevant, promotional work concentrates on identifying a suitable project sponsor in the developing country. This approach has the advantage of having secured investor interest, which however may not correspond to the interests and capacities of local sponsors. Some isolated attempts have been made in this direction and there is increasingly recognition of the approach's potential. There is not much experience in IID with this approach.

(c) Few sponsors approach UNIDO directly for help in developing their ideas. A possible reason for this is that not much publicity to this approach is carried out. CDI claims that a large number of its projects are identified in such a way, possibly because of the promotional efforts it undertakes in this regard.

(d) The best potential source of investment projects is by technical co-operation projects aiming at creating a local investment promotion agency, which will assist sponsors to develop their ideas into promotable project profiles and advise them on the options of promotion abroad, even if payoff is not immediate. More time is usually spent on developing investment opportunities which are likely to be more solid. (Many technical co-operation projects backstopped by other organizational units, particularly Industrial Planning, Feasibility Studies and Industrial Management and Rehabilitation and

technical branches (as indicated under 2.3.5.) are also prospective sources of investment projects. However, it has been observed that little information on the projects identified flows to IID.

(e) IPSs in developed countries identify a sizeable number of projects. Contacts are established by them either in connection with the Secretariat's investment promotion activities, e.g. fora, or independently in connection with an IPS host country-based forum. Project ideas generated through such contacts are usually not shared with IID or the IPS-network. These projects reportedly form the lion's share of projects successfully promoted by these offices. This may be explained by the fact that only projects which are promotable in the IPS host country are developed. Also the close involvement of the IPS with the project results in a greater IPS effort to promote the project.

(f) Projects promoted by delegates originate either from preparatory work of the delegate(s) or, as often reported, stem from earlier activities, such as technical assistance projects, fora, etc. The Delegates Programme is a very effective tool for investment promotion thanks to the personal engagement of the delegate who acts as a knowledgeable intermediary between two partners.

48. The optimal source of projects are local private enterprises which have perceived business opportunities. Project proposals vary from offering limited information (name of the country, type of product, name and address of local sponsor and total investment required), to those containing comprehensive feasibility data. The approach for processing these requests varies as indicated under 2.3.1.2.

2.3.1.2. Screening of investment proposals

49. Investment proposals received by IID are screened and classified according to three categories (A, B, C) depending on the completeness, reliability and quality of information. This practice is, however, not yet uniformly applied by all geographical groups of IID.

50. Status A is given to those proposals for which adequate techno-economic information is available and a basic financial assessment has been or can readily be made. Status B is accorded to proposals for which information is incomplete and which require further elaboration. Status C is generally for proposals that are mere concepts or ideas. Adequate information on the local sponsor should be available, but in most cases, this requirement is not fulfilled. Investment proposals with inadequate information on both the project and the local sponsor should not be considered for promotion, as it happens at the moment.

51. Whilst various sources of requests have been identified, in the majority of cases it is apparent (particularly with IID and FEAS) that most of the project proposals are collected, assessed and verified in the first instance by consultants working in the field. Subsequent to this, each of the regional geographical units of IID is responsible for the project from its conceptual stage through to its implementation. Proposals screened, appraised and selected by IID are sent to IPS offices for promotion and/or as appropriate are promoted at investment fora. At the IPSs, these proposals undergo additional appraisal and screening, allegedly because some of these

proposals do not meet the criteria and/or needs of the investors in the IPS home country.

52. Appraisal criteria vary throughout UNIDO, and even within the geographical units of IID. Furthermore, different formats for presentation of project proposals are used in addition to the "official" questionnaires. Differences may include the degree of detail required on market, technical and financial aspects, as well as on the local sponsor, and the investment terminology used.

53. Proposals contained in INTIB are not processed; and proposals received under the ECDC programme which relate to investment are not always classified as such and undergo little if any screening. In the case of IID, depending on the amount and quality of information, the proposals are prepared in accordance with two levels of detail (Annex 3).

54. The format and content of the project questionnaire has been the subject of prolonged discussions in IID and the IPSs. We feel that the debate should concentrate more on content than on form. There seems to be no consensus on whether the questionnaires should be standardized or tailored to the requirements and needs of a specific region, country or end user. However, it seems to the evaluators that standardization is desirable since too much time is spent in developing formats and project preparation techniques. Initiatives in this direction were taken, nonetheless, agreement and universal application of harmonized formats have not been attained.

55. Fundamental to the promotability of project proposals is the rationale of the proposal as well as completeness and reliability of the data provided in the project questionnaire. This issue was stressed by the IPS staff responsible for project promotion. Questionnaires in which only some of the questions are answered are seemingly unpromotable. Therefore, detailed briefing of consultants and others involved in project identification, in terms of information needs of potential investors, is crucial. It was extensively reported that a potential investor forms a first opinion on the project's attractiveness on the basis of the presentation and quality of project information. Usually, the time spent by a potential investor on reviewing a project proposal is limited. Therefore, critical information should be conveyed in a clear and concise way. Differences of opinion do, however, exist between the IPSs and IID on the amount of detail to be provided at this stage of the investment project cycle.

56. Another issue that emerged from the evaluation relates to the "age of a project". If the profile has been prepared over one year ago without an update, it is not likely to be promotable.

57. There is a consensus that complete information on the sponsor and the project environment is more important than overly detailed information on the project itself, at least for the purpose of the first presentation to potential investors. Annex 4 gives a proposal of essential points that should be addressed by a questionnaire on local sponsors. The quantity of information demanded by foreign investors also depends to a great extent on the country in which the project is located.

58. Initially, projects are screened to check whether they "make sense". This is often an intuitive process which involves checking the consistency,

integrity and compatibility of data. As the project develops, there is often a need to do a more thorough analysis of financial and eventually of economic feasibility although the latter is seldom done in the context of IID's work.

59. Consequently, at the initial stage of project appraisal projections of financial results of operations can be limited to basic calculations of profitability. The presentation of elaborate calculations based on sophisticated computer models where basic assumptions concerning project development are uncertain can be counterproductive vis-à-vis potential investors. Moreover, the preparation of detailed pre-investment studies, without involving local and/or foreign investors, is questionable. Detailed financial calculations based on speculative information are usually meaningless and not particularly important at the initial stage of project promotion. With enough information, an investor will do his own feasibility calculations. Although detailed calculations may be useful for project screening, generally they are not worth the time and expense.

60. The issue of screening of investment proposals is of particular importance in the scope of UNIDO's investment-related activities. UNIDO has undertaken activities aimed at the improvement of the methodology of project identification, formulation and evaluation. The "Manual for the Preparation of Industrial Feasibility Studies" (ID/206), published in 1978, set up an internationally recognized methodology for elaborating market, technical and financial feasibility aspects of investment projects at different levels of their development cycle.

61. UNIDO is currently updating, using and promoting two different yet similar computer-aided methodologies to facilitate the screening of investment projects: COMFAR (financial and economic) and PROPSPIN (only financial). This evaluation reviewed these two methodologies, as well as certain adaptations used in the field.

2.3.1.3. COMFAR (Computer Model for Feasibility Analysis and Reporting)

62. Based on the methodology contained in UNIDO's "Manual for the Preparation of Industrial Feasibility Studies", a computer software package called COMFAR was developed in 1983. Since then, around 500 copies of the software were sold by UNIDO, and 155 copies were distributed free-of-charge to organizations in the least developed countries. COMFAR, which is protected by a license, and the UNIDO methodology of project feasibility analysis are internationally recognized and accepted by numerous financial institutions. In recognition of its expertise, UNIDO gets orders to prepare financial analyses or feasibility studies with the use of COMFAR from organizations such as the Italian Investment Risk Insurance Agency (SACE) and the Swiss Development Corporation. When UNIDO undertakes preparation of comprehensive pre-investment studies through outside consultants, the use of COMFAR is requested.

63. COMFAR is constructed in a dialogue mode, i.e. the user is constantly informed on the computer screen about the options offered by the programme to make the next move. It allows financial and economic cost-benefit analysis to be conducted in nine different languages (English, French, Spanish, Arabic, Russian, Chinese, German, Polish and Hebrew). A graphics module presents the results of calculations in form of schedules and bar and pie charts. Since

COMFAR is written in the PASCAL and Assembler programming language and the programme is provided in compiled form, formulae used for calculations cannot be changed or manipulated easily by users who lack programming knowledge.

64. COMFAR input tables consist of three groups of data: text variables, general variables and 213 lines, where the quantitative project proposal data are entered. To enter data, the user moves from one line to another by typing the number of the desired line. The user needs to consult the COMFAR manual to determine on which line each item should be entered. Training in COMFAR usually lasts two to three weeks and covers financial and economic cost-benefit analysis, the use of COMFAR and its graphic module and all the options offered by the programme for conducting sensitivity analyses.

65. The new generation of COMFAR, scheduled to be released by the end of 1991, will include three modules: preliminary screening, detailed analysis and in-depth appraisal of project profitability and liquidity. The user will be given an option to choose the degree of depth of financial and economic appraisal of the investment project, depending on the stage of project development and the quantitative information available to the user. To make the programme more user-friendly and easier to operate it is planned to design the new version of COMFAR in such a way that the user will start by specifying the types of measures and financial schedules desired as output (for example cash-flow tables, pay-back period, break-even point) and the programme will then determine the data required as input.

66. A data bridge which allows for transfer of data between COMFAR and LOTUS 1-2-3 was developed by the Feasibility Studies Branch and was released together with the manual by the end of 1990.

2.3.1.4. PROPSPIN (Project Profile Screening and Pre-Appraisal Information System)

67. PROPSPIN was developed in the early eighties as a simple tool for fast project proposal screening. The first version was completed in 1984 and around 80 software copies have been distributed since then among users in developing countries and IPS offices. The programme is based on LOTUS 1-2-3 spread-sheet, i.e. the LOTUS programme has to be started before one can proceed with PROPSPIN. Basic knowledge of LOTUS 1-2-3 is therefore needed before PROPSPIN can be applied. A one-week training period is usually sufficient to get acquainted with the programme. PROPSPIN is distributed free-of-charge.

68. PROPSPIN has been further developed since its introduction. The first version was simpler and required less detailed information to produce financial feasibility indicators. Newer versions are more sophisticated and can carry out financial analysis with results akin to COMFAR. A new version of PROPSPIN has been prepared and it is expected to be released by mid-1991. This version should be fully compatible with the methodology of project financial appraisal presented in the tenth chapter of the "Manual for the Preparation of Industrial Feasibility Studies".

69. The structure of PROPSPIN input tables is simple and clear to the user. All the disaggregated items of input tables (initial fixed investment, sources of financing, consumption of raw materials, etc.) is displayed on the screen and the user can move easily around it using the arrow keys. Its applications

and the popularity of spread sheet based computer programmes all over the world undoubtedly contribute to the demand for PROPSPIN. PROPSPIN presents the financial results of a given project's operations in the form of tables and ratios. It does not offer a package of ready-to-use graphs. Economic impact can only be partially assessed by analysis of two tables calculated in PROPSPIN: structure of value added and foreign exchange effect.

70. Formulae used in PROPSPIN for the calculation of various schedules and ratios are locked and protected against accidental deletion by the user. They can be seen at the top of the screen. Most of them are obvious (total investment cost is the sum of local and foreign investment in land, engineering works, machinery and equipment, pre-production capital expenditures and technology cost; annual depreciation is the initial investment multiplied by the annual depreciation rate; etc.). The formulae can, however, be unlocked with the use of LOTUS 1-2-3 commands and the user can try to adapt PROPSPIN to special needs and project conditions. This feature can be seen as an advantage on the one hand (the programme is flexible), and as a danger on the other. Modifications to PROPSPIN will not appear on its printouts and the outside financial analyst or the investor cannot be sure how the results presented to her/him were calculated and whether any changes on the original version of the programme have been made. The danger is that they will be still called PROPSPIN results.

71. In certain UNIDO institution-building technical co-operation projects, other computer programmes for project financial appraisal are used, most of which are based on PROPSPIN. Bolivia, for example, has developed its own version called FASBOL, a programme which generally follows the UNIDO Manual and requires similar input data to that used in PROPSPIN, but which presents the results in a slightly different way. In Ecuador, PROPSPIN was adapted to the local conditions (the adaptation concerns mainly the distribution of taxable profit). (A direct and detailed comparison of these other programmes with PROPSPIN was not made because the programmes themselves were not available.)

2.3.1.5. Comparison of COMFAR and PROPSPIN

72. A detailed comparison of the two models is contained in Annex 5. In summary, it can be said that both programmes operate on the basis of similar input data. This is to be expected, as financial analysis requires a certain type and quantity of data. Both systems can be used for initial project appraisal, whereas for computing a detailed feasibility study COMFAR is required as it provides more detailed and comprehensive information for the actual investment decision. Differences in input data and computation models of the two programmes result in differences in the output tables, e.g. in variations of the internal rate of return by a few percentage points. A crucial distinction exists between the two programmes regarding their presentation of cash flow tables: PROPSPIN reflects financial data in one currency only, whereas in COMFAR calculations can be made in different currencies. The latter is of particular importance in countries whose local currency is not convertible and investments in foreign currency may require compensation by export earnings. Some of the terminology used differs in both systems and, in the case of PROPSPIN, is not in entire harmony with internationally accepted terminology. The integration of the Feasibility Studies Branch into IID as proposed in section 3.3. would be a first step towards harmonizing both computer programmes.

2.3.1.6. Compatibility of data collected in project questionnaire and input required by computer programmes

73. A certain number of project proposals reach a stage at which the collected data is sufficiently complete to run a financial analysis on a computer programme. Since the project questionnaire is, in many cases, the only source of information, the completeness and reliability of data included therein is of crucial importance.

74. For the majority of items, the information provided in the project questionnaire corresponds to the requirements of UNIDO computer programmes. A financial analyst should be able to run COMFAR and PROPSPIN on the basis of the questionnaire, provided that all its questions are answered and reasonable assumptions can be made on the basis of experience for those items where information is missing. Data which is not asked for in the questionnaire, though significant for the financial analysis, includes rates of depreciation of the initial investment, conditions of loans (interest rates, grace periods, ways and periods of repayment), overhead, costs of maintenance and spare parts, minimum days of coverage for various items of working capital, income tax rates and tax holidays. In terms of costs of raw materials, utilities and direct labour PROPSPIN needs technical coefficients (consumption of each raw material, energy, water, etc. and direct labour, per unit of output of each final product), whereas questionnaires provide only total figures. This problem does not arise with COMFAR. It seems that PROPSPIN entries rather than the questionnaire should be changed in this respect because of two factors: at the initial stage of project formulation, when a technical analysis has usually not yet been prepared, technical coefficients are not available and, even if they were, the information is rather aggregated by the programme during calculations and does not appear individually in outputs. Therefore, such a breakdown of figures is superfluous at that stage. Instead, more significant outputs, like cash flows in foreign currency and net present value, could be included in the programme.

2.3.1.7. Training activities in pre-investment studies

75. Training activities in the context of the Investment "Programme" concentrate essentially on the Delegates Programmes (see 2.3.4.2.) and on pre-investment studies covered by this chapter.

76. UNIDO training workshops and seminars on pre-investment studies are usually organized at the request of a government or a parastatal institution. For seminars organized in the field the host institution is responsible for selecting the candidates. Therefore, candidates usually come from official agencies such as ministries, development agencies, planning committees, investment promotion centres, etc. Only for regional or international seminars, where participants come from a number of countries, is the selection done at UNIDO Headquarters.

77. Training offered by UNIDO in the field of investment project preparation and evaluation is aimed at upgrading and improving professional skills of national project analysts from developing countries who should have some experience in and responsibility for investment appraisal. Starting in 1981, two types of workshops have dominated over the last years:

- A general workshop for the preparation, evaluation and financing of industrial investment projects, usually lasting three to six weeks. The programme covers the entire project development cycle, teaching all aspects of market, technical, financial and cost-benefit analysis on the basis of the UNIDO "Manual for the Preparation of Industrial Feasibility Studies". Case studies are also undertaken as well. Whenever computers are available, the participants are exposed to the general principles and applications of COMFAR.
- A specific workshop on COMFAR, usually addressed to graduates of the general workshops, lasting two to three weeks, based on case studies; the number of participants is lower than the general courses, as it is limited by the number of personal computers available for training.

78. A total of 81 general workshops with 2000 participants and 66 COMFAR courses with 809 participants were organized by UNIDO during 1984-1989. The number of general workshops and their participants has remained at around the same annual level, with the exception of 1987, when a large training programme for Algeria was implemented (13 courses with 402 participants). The number of COMFAR seminars has increased constantly since 1984, when the first regular training was organized. The geographical distribution of these courses is as follows:

	General	COMFAR
Africa	47	37
Asia	15	14
Latin America and the Caribbean	3	2
Middle East	1	7
Europe	15	6
Total	81	66

79. The venue of workshops is concentrated in Africa and Asia (around 77% of all seminars were conducted in these two regions, with Africa alone having a share of 58% in general workshops and 56% in COMFAR). European training courses, organized mainly in Poland, Germany, France and Italy, cover participants from several countries. Refresher workshops were conducted in 1989 in Germany and in 1990 in Poland to former participants, where the accent was placed on case studies.

80. At the end of each training workshop, participants evaluate the workshop in terms of instruction methodology, teaching materials, usefulness, etc. The analysis of participants' reactions to the programme reveals that the UNIDO courses meet the expectations of their participants and are appreciated for their professional level and teaching methods. Follow-up training is usually suggested. Participants also often ask for more case studies and/or case

studies which relate to the type of projects encountered in their home country. A master demonstration case study, covering all possible entries and options offered by COMFAR and specially designed for training purposes, would be needed.

Ex-post evaluations of training activities

Very often organizers and participants of training programmes, even in developed economies, are satisfied with the fact that so many people are trained in a particular discipline. But certain questions still arise: Will the trainees use the skills acquired? Are these skills the most relevant?

Those questions can only be answered by ex-post evaluations whereby former trainees are interviewed on the job, a few months after the training. Although expensive, only such evaluations can provide accurate feedback on the impact and effectiveness of the training.

81. Ex-post interviews were conducted among former participants from two African countries to two COMFAR training courses. In one case interviews were conducted with 13 participants at a manager or higher level from commercial banks which have access, inter alia, to a special fund for economic recovery. In the second case, interviews were conducted with 15 participants, professionals at middle management level, 8 from the National Investment Board, 3 from development banks, 2 from a consulting firm, 1 from a ministry and 1 from a private company. In general, the course basically met their expectations and improved the skills required for their jobs. Those interviewed suggested that such courses make more use of real case studies and that a personal computer be available for each participant. In the first case, 25% claim to be using COMFAR as a result of the training received and only 15% have spread the information on COMFAR in their banks. It should be mentioned that in all their banks they had already a computer programme for financial analysis. To which extent COMFAR has substituted their own programmes is not known, but seems doubtful. At any rate, five banks bought the programme subsequently to the course, but delays (more than nine months) were experienced in receiving it, and this could have a negative impact on the participants' possibility to apply what he/she has learned during the training.

82. In the second training programme, mostly due to the lack of access to hardware, but also because of lack of financial analysis experience and even less on economic analysis, application of COMFAR at the participants' work place was not found. Loans are extended in the country mainly against collateral. In this case the training had only served to introduce the subject since the knowledge acquired is not being used systematically.

83. Precise information on the application of PROPSPIN skills acquired through training is not available. The programme is still considered to be under development and is therefore not officially marketed, as COMFAR is. Some training was provided, especially in Latin America, in the context of

technical co-operation projects, and at IPSs, especially in the context of the delegates programmes.

84. Skills of project analysts in developing countries are upgraded also within the framework of other UNIDO activities which include a training component, like delegates programmes or institution building projects and direct on-the-job training by experts.

2.3.2. Investment project promotion

85. Despite the various interpretations given to investment promotion within the various organizational units of UNIDO, the generally accepted definition is, quite simply, "to make investment happen". Investment promotion may be defined^{7/} as a set of marketing activities through which governments and other institutions try to attract foreign investors.

86. Investment promotion includes the following types of activity: advertising, direct mailing, investment seminars, investment missions, participation in trade shows and exhibitions, distribution of literature, one-to-one direct marketing efforts, visits of prospective investors, matching prospective investors with local partners, acquiring permits and approvals from various government departments, preparing project proposals, conducting feasibility studies, and providing services to the investor after projects have become operational. These can be grouped into three broad categories, depending on their immediate objective:

- Activities to promote the image of the country as a site for investment;
- Activities to generate direct foreign investment;
- Activities to service sponsors and investors.

87. UNIDO undertakes all the above activities. The underlining activity comprises investment project matchmaking and supporting the potential partners until they are committed to or have commenced an industrial partnership. This is undertaken on a project-by-project basis by IID, IPSs, delegates etc., or is attempted on a more extensive basis through investment fora.

88. From direct observations of investment fora, during interviews with organizers and end users, and analysis of questionnaires received from delegates and former participants in investment fora (Annex 7 and 6) the evaluation found a common position that fora are useful though with some reservations. The concern expressed is that they should not be seen as an isolated output but rather as a milestone in the overall process of investment promotion. Critical to the success of fora are preparatory activities and follow-up, on which UNIDO has often placed less emphasis than on the forum itself.

89. Investment fora constitute for UNIDO the most visible and widely used instrument for matchmaking which enable prospective foreign partners and local sponsors to discuss and negotiate specific project proposals. Investment fora

^{7/} "Marketing a Country - Promotion as a Tool for Attracting Foreign Investment", L.T. Wells, Jr. and A.G. Wint, IFC and MIGA.

have three basic phases: the pre-forum (preparatory) phase, the forum itself and the follow-up phase.

2.3.2.1. Preparatory activities leading to investment fora

90. The quality of investment proposals is crucial to the success of matchmaking. Sound investment proposals should be the output of preparatory activities. Observations made during field missions confirmed the need for improved preparatory work, especially in identifying and developing quality projects which are promotable, as an essential prerequisite for a successful meeting. While key issues of this preparation process are discussed below, the importance of other issues, such as follow-up, etc., should not be underestimated.

91. We found that the organization of fora often suffered from financial, staff and time constraints. To start with, the staff allocated by UNIDO to the organization of such fora is limited. Firm commitment with regard to the provision of UNIDO's inputs was not always made in time. The consultants engaged to identify projects are not always of the highest quality and often work under pressure to identify a large number of projects in too short a time.

Country Promotion

Country promotion has been undertaken by UNIDO to some extent in connection with the organization of investment fora, through country promotion tours arranged with UNIDO's assistance, meetings arranged by the country's representations or embassies abroad and as a part of the delegates programme. Other such activities include the preparation and publication of investor's guides, country papers on policies and procedures for foreign investment and information on company formation. An analytical paper on the industrial sector concerned, in the case of sector-specific fora, is often but not always prepared. There is no single optimal means of promoting a country except that any of the above or a combination of them, when judiciously applied, can positively influence foreign investors provided that the country's investment environment and regulations are favourable.

92. While observing one forum, an obvious contradiction surfaced. When the organizers spend months, if not, in a few cases, years, preparing and screening as well as promoting sound projects for a forum, then the forum should not be turned into a free-for-all, where projects at all stages of preparation are suddenly accepted to inflate the number of projects promoted (by as much as three times) without differentiating them from the projects which were carefully identified and prepared. With little or no time to investigate the background of these local sponsors and to screen projects, the overall quality of the project portfolio suffers and the reputation of the country as well as of the organizers is also seriously affected.

93. In the majority of cases observed, the lack of quality of investment proposals identified has been blamed on insufficient resources and time for preparatory activities.

2.3.2.2. Investment fora

94. The immediate objective of fora is to bring together project sponsors from developing countries and potential investors, mostly from industrialized countries, to discuss different forms of co-operation in specific investment projects. These matchmaking activities are undertaken parallel to presentations on policies, incentives and other questions related to foreign investment in the particular country hosting the forum.

95. The concept of investment fora is a valid one and offers sponsors from targeted developing countries the possibility of meeting foreign partners to initiate negotiations leading to a possible industrial co-operation relationship. This opportunity cannot otherwise be offered to such a large number of parties and constitutes for developing country entrepreneurs a valuable exposure to international business practices, requirements and opportunities.

96. Usually at the outset of investment fora, presentations are made regarding investment conditions in the host country to raise the interest of the prospective foreign investor as well as to answer specific questions they pose. In limited cases, such discussions have been the basis for changes in the policies and regulations regarding foreign investment and company formation. UNIDO and other international and national investment promotion agencies and DFIs also present themselves and the services they can extend and participate in discussions.

97. UNIDO's position during the actual business negotiations is essentially passive since it is alleged that both parties want to discuss their projects and terms in private. In some cases, however, local promoters lack the knowledge to negotiate favourable terms and conditions for the co-operation agreements. UNIDO has provided assistance in this connection at certain fora; this is a service which the promoters interviewed found useful and which could be more broadly applied.

98. UNIDO organizes, by itself or in co-operation with other inter-governmental organizations like Centre pour le Développement Industriel (CDI), Commission of the European Communities (EEC), Commonwealth Secretariat (COMSEC), etc. between two to five investment fora per year, either at national, subregional, regional or international level. Four are scheduled for 1991. These fora are usually at national, regional or inter-regional levels. The structure of these fora is more or less standard. During the first couple of days there are presentations on such topics as the role of international financing institutions; the investment climate in the country/region; the experience of joint venture companies already operating in the area; the role of chambers of commerce and industry in the development of the private sector in the country/region; and the role of small-scale industries in the industrial development process; etc. In the case of the two Warsaw fora, such presentations were assessed as a total success. In some cases, however, these presentations can be rather theoretical and irrelevant. Involvement of local sponsors and foreign investors in these varies from forum to forum; at some fora there was no meaningful degree of participant

involvement, and presentations did not lead to discussions. For the majority of fora, concern has been expressed by interviewed participants (Annex 6) about the focus and the relevance of the topics to the problems facing the prospective co-operation agreements.

Investment climate

The question whether the country as such can be successfully promoted as being attractive to foreign investors is mainly a political issue. Policy changes to improve the investment climate may be indicated which, however, might run up against other national policies. Nonetheless, it is a fact that promotional activities for projects based in countries with unfavourable investment conditions are difficult to pursue and are mostly not successful. Therefore, organizing fora in such an environment can lead to marginal results only and might even be counter-productive. Resources spent on these activities could be engaged more productively for financing technical co-operation projects to identify constraints to direct foreign investment, to advise on remedial measures, to establish or strengthen institutions as future counterparts for promotional activities (which could be undertaken once a more conducive investment climate is secured) and to provide direct assistance to entrepreneurs who might otherwise not be ready for joint ventures with foreign partners. UNIDO tends to be eager to respond positively to member states' requests for or even suggest investment fora, even if requisite preconditions are not met. The Secretariat is demand oriented and there seems to be inadequate thought given to re-directing requests to more appropriate kinds of assistance.

99. It appears that participants favour a discussion of issues affecting them directly, such as what is expected from the local sponsor, what conditions will encourage the foreign investor to go abroad and has to mobilize of resources for small- and medium-scale industries. With respect to foreign investors, they have an interest in discussions on industrial and investment policies including incentives, investment insurance, financing and bilateral investment protection treaties, and past experience of foreign investors established in the country/region. Particularly with regard to fora in Eastern European countries, UNIDO has enlisted the co-operation of international management and accounting consultancy firms, which consisted essentially of them partly financing the preparations of the fora (later recuperated by fees) and attracting participants from developed countries.

100. Some participants and end users have advocated the possibility of including some training aspects in the preparatory phase to the investment forum in order to foster to negotiation skills and prepare project profiles. We understand that this has been done for some fora.

101. In view of the large numbers of both the projects presented at investment fora and participants, the allocation of time for the individual meetings becomes a difficult task. During some fora, but not all,

participants are informed at the outset that the maximum period allowed per appointment is approximately 45 minutes. The allotted time is obviously not always enough for in-depth discussions or business negotiations, especially in view of the fact that in the majority of cases these will be the first contact. Some participants have questioned this approach and wonder if trust or rapport can be established under such pressure of time. While further consideration should be given to the optimal number of projects promoted per forum, it should be made clear to the participants that the time allowed for the pre-arranged meeting is only to establish the first contact, and that the project sponsor and investor are free to arrange further meetings.

102. The "success" indicator for fora focuses on the quantity of projects promoted and discussed, and less on their quality. Thus, the organizers define the ultimate success of a forum based on the number of letters of intent signed, individual meetings arranged, etc.

103. The issue of letters of intent constituting the prime criteria of success is questionable. It is felt that this practice needs to be de-emphasized, since the only valid success criterion is a binding co-operation agreement. The letter of intent should therefore be seen as merely a preliminary expression of intent to co-operate further and should not be seen as separate from the broader context of negotiations of which it is only a first step.

104. Some years ago, the Technology Policy, Acquisition and Negotiation Unit prepared an undistributed and unpublished paper on "Negotiations and Contracting" which, after publishing it as an official document or working paper, should be mandatory reading for forum organizers and participants. In particular, it contains two model letters of intent, one only indicating the interest of the two parties and the other reflecting a certain amount of obligation on the part of both partners. It is felt that these types of letters of intent more accurately reflect the parties' agreement to implement the form of co-operation, e.g. a joint venture decided.

2.3.2.3. Follow-up to investment fora

105. It has been observed that limited follow-up is undertaken to investment fora contrary to the problems to be addressed by the "Programme" as stated under 2.2.2. The perceived lack of systematic follow-up to fora is a cause of concern to former participants. Follow-up is often not foreseen in the budget of fora. In conclusion, the approach taken supports the impression that investment fora are a means in themselves which contradicts with IID's stated intentions.

106. There is little, if any, UNIDO involvement in the physical implementation and start-up of production. The activities covered under this phase include:

- Evaluation of technology;
- Selection of suitable plant and equipment;
- Supervision of the commissioning of the plant;
- In-plant training;
- Management assistance for start-up.

107. IID does not have the manpower to permit it to involve itself in the above activities, many of which are in fact requested by the foreign partner. If such an involvement is to take place in future, it should be done under technical co-operation.

2.3.2.4. Focal points in developing countries (promotion agencies)

Investment promotion agencies

UNIDO has often involved local ministries or public institutions in the preparation of investment fora. These focal points are handicapped by bureaucratic and lengthy procedures. Furthermore, in endeavouring to carry out additional activities in conjunction with their regular work, focal points sometimes have conflicting interests or time constraints. An ideal focal point does not exist in a number of countries. They could be developed through institution-building type of technical co-operation projects. In countries with less attractive investment climates, the creation of such a focal point should precede the convening of an investment forum.

Private entrepreneurs are not always willing to approach a governmental institution as they are reluctant to expose their ideas to competitors and have misgivings about exchanging information with the public sector.

Development banks operate as a prime source of local capital and are instrumental in mobilizing external financial and technical support. They are sometimes equipped to provide management and technical back-up services. Together with chambers of commerce/industry, they are a suitable type of institution to serve as focal points.

Ideally, investment promotion agencies should be autonomous quasi-government agencies, in order to ensure government support and funding, but they should have strong ties to the private business community.

108. Investment fora have, in the main, been carried out in co-operation with government bodies such as ministries of industry and investment promotion agencies. However, the nature of information required in the process of organizing fora calls for the confidence of local sponsors and inputs from a variety of sources - a task which governmental institutions are, in most cases, ill-equipped to obtain. Preparatory activities are, in fact, organized at the request of UNIDO and are often carried out without a solid knowledge of the local business community of the country targeted. Preparatory activities carried out by short-term consultants without focal point support, as it is often the case, are bound to be unsatisfactory. Of particular relevance to the success of preparatory activities are the existence of strong focal points in the targeted countries and the attractiveness of the country for foreign investors. Further, adequate follow-up activities require the

involvement of a responsible local promotion agency with immediate contacts to local entrepreneurs.

2.3.2.5. Other matchmaking approaches

109. An alternative to fora held in developing countries is the organization of fora in developed countries. Several selected local sponsors from one or several developing countries are invited to a developed country to meet potential investors, usually on the occasion of a specialized industrial fair. This is essentially organized by the IPS of the host country. The advantages of this approach are:

- Several developing countries can be covered at the same time;
- The projects and their sponsors, being in the same specialized field, have a chance of being better prepared and screened;
- The range of local sponsors and investors is narrower since they are all in the same specialized field;
- The local sponsor is able to meet a large number of potential investors and may even be in a better position to compare various offers.

however, with the disadvantages that:

- The investors do not have a chance to see the sponsor in his environment;
- Country image-promoting activities are more difficult to undertake.

110. Another matchmaking approach which merits greater attention, especially when only a small number of projects are available for promotion which do not justify the organization of fora, is to identify interested investors and arrange for them to meet a number of potential pre-selected sponsors. Alternatively, sponsors could be assisted to visit potential investors. IPSs have used such approaches for matchmaking.

111. Promotional work is successfully done through the Delegates Programme (see 2.3.4.2.) which presently constitutes the most viable alternative to investment fora.

2.3.3. Co-operation with other international organizations and development financing institutions

112. When reviewing international organizations active in the investment field two important developments were noted:

- (a) A considerable number of international organizations involved in investment promotion, not to mention consulting firms and consultants, are entering into the investment promotion area^{9/}. This has increased the competition to find sound projects which

^{9/} The Foreign Advisory Investment Service (FIAS) is currently undertaking a "Survey of official programmes to promote foreign direct investment in developing countries" (draft for comments, June 1990). The draft report provides a good overview of such programmes in respect of bilateral donors and CDI, the EC-IIP Programme, ITC, UNIDO and the World Bank group. (There are of course more international organizations involved in such work at the donor/executor end, such as COMSEC and ESCAP.)

can meet the increasingly stringent requirements of financing institutions.

- (b) At the same time, international and regional financing institutions, disposing of much larger financial resources than UNIDO, are in constant search of good projects, and they are tending to move upstream to find them.

113. Against this background, it is hardly surprising that competition, rather than co-operation, to find projects and sponsors often characterizes the relationship between the different organizations.

114. It seems that no one organization, including UNIDO, services the whole investment project cycle adequately. There are certain stages of the cycle which are covered better than others. However, once an organization enters the cycle, it should be able to follow the project through to the end. UNIDO, being a forebear of investment promotion activities, has acquired a good reputation and an edge over other organizations working in the same field. This applies particularly to investment fora and IPSs, which are seen as UNIDO's main areas of comparative advantage. Project identification and development are activities that seem to be undertaken by UNIDO without adequately taking into account the needs of other international organizations. Because of this, and other reasons touched upon below, these activities often yield proposals which are not attractive to other organizations, particularly financing institutions.

115. Export trade orientation is an essential ingredient of joint ventures, particularly in countries with a small internal market. Research has shown^{9/} that export orientation is one of the factors which make a project attractive to investors. It is surprising that UNIDO's co-operation with the International Trade Centre (ITC) is limited to the posting of one expert in one IPS.

116. It has been observed during this evaluation that existing arrangements with DFIs are impeded by various factors and not fully satisfactory to either side. Moreover, the scope for co-operation with national and international DFIs has potential for expansion, as recommended under 3.7.

117. The desired co-operation between UNIDO and DFIs should range over the different stages of the investment project cycle which lead to the securing of funding from DFIs for project financing. As one means of facilitating the latter, DFI representatives are invited to take part in investment fora and to brief participants on their organizations' operations and functions. However, those international agencies which have co-operated in organizing or attending investment fora have been exposed to their shortcomings. This has resulted in an ambivalent attitude towards them. The evaluation heard repeated criticism of the quality of projects, particularly the lack of serious project sponsors, as well as of the timeliness of arrangements of the meetings.

^{9/} "Marketing a Country - Promotion as a Tool for Attracting Foreign Investment", L.T. Wells, Jr. and A.G. Wint, IFC and MIGA, Washington D.C.

118. No clear understanding seems to exist as to the distribution of work and responsibilities between UNIDO and DFIs. While IID sees its role as one of identifying and formulating projects and proposing them for financing to the DFIs, in fact international financing institutions have long ago embarked on the identification and preparation of projects which meet their standards. On the other hand, the DFIs claim to lack sufficient contacts to potential investors from industrialized countries and have therefore expressed interest in utilizing UNIDO's capacities and capabilities in this area. Moreover, because of the perceived shortage of capable entrepreneurs in developing countries, international agencies, particularly DFIs, can benefit from UNIDO's assistance in identifying serious sponsors.

119. It has not been regular practice to involve local development banks in the organization and preparatory work of investment fora, such as sponsor selection and project identification and formulation. Considering the wealth of knowledge and experience at the disposal of these organizations, the failure to draw on these resources has affected project quality since vital "insider" information has not been fully taken into account.

120. Most projects developed and promoted by UNIDO, even with the involvement of IPSs, do not secure financing from bilateral financing institutions (Netherlands Development Finance Company (FMO), Caisse Centrale de Coopération Economique (CCCE), Société de Promotion et de Participation pour la Coopération Economique (PROPARGO), mostly because of limited contacts with them, project quality and because of their preference to finance larger size projects.

121. The participation of national and international DFI representatives at UNIDO investment fora was assessed from different perspectives. Since these meetings bring partners together at an early project development stage, project-specific advice on financing possibilities may often be premature. On the other hand, an information gap on the role of financing organizations has been reported, and DFI participation for the purpose of providing such information may benefit project promoters. Depending on the particularities of each investment forum, the kind of information which should be provided by local and international DFIs should be agreed upon, so that their presentations and hand-outs meet the information requirements of the forum participants.

122. The quantity over quality approach of projects promoted by UNIDO is a fundamental impediment to more effective co-operation between UNIDO and promotion organizations and DFIs. With financing institutions tending to adhere to strict, rigidly-defined requirements, many projects under promotion by UNIDO fail to meet these requirements. On the other hand, attractive projects are often implemented without the assistance of UNIDO and even of an international financing organization. It is the projects in between the two extremes which require and are worthy of promotion assistance.

123. A further major constraint to co-operation is the difference in the size of projects which UNIDO promotes and the much larger sized projects desired by financial institutions, due to operational and administration economies of scale inherent to large loans. (For instance, it costs IFC about US\$ 250,000 to process a project. With a 125 basis point spread on the cost of money, anything below about US\$ 5 million becomes unattractive. However, the IFC's African Enterprise Fund locally based in Africa with lower overheads is

attempting to tackle this issue.) Moreover, financing conditions have become less favourable, and the financing of projects of very small entrepreneurs in developing countries is becoming increasingly difficult. The goal is to find ways to avoid heavy equity demands - deferred equity is one way; leasing is another, for example.

124. To enhance UNIDO's co-operation with DFIs, as well as to provide an effective tool for promoting investment projects, an agro-industry subsector-matching exercise was tried in co-operation with IFC. This concept was meant, on one side, to identify technologies and potential partners in one industrialized country and, on the other side, to select projects and local sponsors suitable for and interested in co-operating with a foreign partner. The most valuable output of this approach was the creation of a roster of enterprises capable of and interested in joint ventures with developing country partners, which can be further used in the scope of the investment matchmaking. Such databases are more relevant to IPSs who have direct contact with foreign investors, provided of course that the database and contacts are kept up-to-date.

125. To increase co-operation with international DFIs, UNIDO faces the following dilemma: whereas detailed project preparation and financial engineering must, to some degree, go hand in hand with the development of its financial package, UNIDO does not have the expertise to undertake the latter, and financial institutions (private or public) are not, with rare exceptions, inclined to step into the breach for a project that is not "theirs". Therefore, UNIDO, initially before approaching DFIs, should determine the suitability of sponsors and the technical feasibility of their projects (e.g. markets for the products, suitable technology, adequate infrastructure) and indicate that UNIDO is in a position to link potential partners with the project. If this is done properly and with an eye towards financing criteria UNIDO will have greater success when approaching DFIs.

2.3.4. IPSs, Industrial Co-operation Centres and Delegates Programmes

2.3.4.1. Investment Promotion Services and Industrial Co-operation Centres^{10/}

126. An exclusive feature of UNIDO's Investment "Programme" is its capability to attract investment and other forms of co-operation from developed countries and newly industrialized countries through its IPS network, which is able to sensitize entrepreneurs/firms in the host countries to the potential in, and needs of, the developing countries.

127. The first IPS was established in Brussels in 1975, which has since ceased operation. Others followed in Cologne, Milan, Paris, Seoul, Tokyo, Vienna, Warsaw, Washington (formerly New York) and Zurich. IPS offices in Lisbon, Athens, Prague, Teheran and Ankara are currently being planned. The initial objective of these offices was to alert firms in industrialized countries to partnership opportunities in developing countries. Financing for these offices - both installation and operation - comes from the voluntary contributions of the host countries concerned. The operation of these offices

^{10/} Investment Promotion Service offices are located in Cologne, Milan, Paris, Seoul, Tokyo, Vienna, Warsaw, Washington and Zurich. Industrial Co-operation Centres are located in Beijing and Moscow.

is stipulated in the relevant agreements which vary in content, but all recognize that a central direction is to be provided by UNIDO Headquarters. These offices aim to present their host country business community with investment projects, as far as possible in line with expressed preferences regarding geographical regions and industrial subsectors, and assist in establishing direct contacts between sponsors and potential investors. The IPSs' involvement may also include assisting in the development, negotiation and initial start-up of investment projects.

128. Recent developments with respect to the enhancement of the role and effectiveness of the IPS network are contained in resolution GC.3/Res.19 of November 1989 adopted by the Third General Conference which, *inter alia*, approved the concept of guidelines for the functioning of the offices; and instructed the Secretariat to endeavour, at the request of an interested country, to encourage extrabudgetary financing for the instalment and operating expenses of IPS offices in developing countries. This may be seen as a point of departure with respect to the location, operations and financing of IPSs which, when established in developing countries, would concentrate more on promoting investment flows into the country rather than directing flows out of the host country. No mention was made in the resolution of the relationship of these offices with the investment promotion agencies already existing in some developing countries. It is assumed that would both have the same purpose, an IPS in a developing country would be the equivalent of an investment promotion agency (see 3.4.3.).

129. As a third type of investment promotion institutions, UNIDO established in January 1990 two offices with a simultaneous inward and outward investment orientation: the Industrial Co-operation Centres (ICC) in Beijing and Moscow. The same approach, however, has already been applied by IPSs in Warsaw and Seoul. Due to the short life-time of the two ICCs, experience has as yet been limited, and their activities have therefore not been considered in the scope of this evaluation. However, some aspects of these offices will be taken into consideration under 3.8.

IPS host country arrangements

IPSs, being host country based and financed, sometimes target their operations to a limited number of countries, based on political and economic criteria. They also target countries which benefit from host country aid programmes which may include investment promotion and trade-related components. This targeting may also apply to the countries from which IPSs receive delegates. By doing so investment promotion is eased by tapping bilateral financial resources, subsidies and commercial concessions. While this focused approach dilutes the desired universality of UN operations, a positive aspect is that, rather than spreading resources too thinly, IPSs may concentrate on a limited number of countries, thus increasing their possibilities of achieving a positive impact.

130. The performance of an IPS is measured by the number of successfully promoted and concluded investment and industrial co-operation agreements in developing countries. As projects must be commercially viable in order to succeed, IPSs concentrate on projects that promise maximum economic return and minimum investment risk. Projects in "problem" countries, which will not be of great interest to their clients (potential investors), may, therefore, be promoted less actively. The amount of effort a particular IPS expends on promoting projects from more "difficult" countries varies. The effort made is a factor of IPS staff time available, investor perception of investment opportunities vs. country risk; and priority, or interest of a host country in promoting investment in certain countries. The latter factor is strongly influenced by traditional historical ties. Host government policy which favours some countries over others will also obviously have an influence on an IPS.

131. Countries which are less attractive to foreign investors are possibly better attended to by UNIDO Headquarters, through traditional extension services to enterprises and with institution-building projects to establish industrial service institutions and investment promotion agencies and to advise on improving investment incentive policies and procedures. IPSs appear to co-operate well with local investment promotion agencies and development finance institutions.

132. It is apparent that the IPSs provide UNIDO with the unique and advantageous position of having its "ears to the ground" in selected developed economies which enable them to establish mutually beneficial ties with the business community. Through this network, UNIDO is in a very good position to know needs and offers of the investors in developed countries and combined with information from various sections of UNIDO and directly from the field, match them with investment and co-operation proposals from developing countries.

133. The evaluation has observed that links to industries in IPS host countries could be expanded and strengthened. IPSs, however, are making efforts to build up rosters of potential partners for foreign investment projects in order to fully exploit all possibilities of their home market. Any inadequacy in this respect is mostly due to staff constraints.

134. IPSs have evolved their own modus operandi in the absence of structured Headquarters' guidance. Some are more effective than others. Since IPSs are intrinsically UNIDO offices, it is felt that they should all follow a harmonized set of basic operational and administrative policies and procedures which, however, would still allow each office the flexibility to adjust to their host country environment. The UNDP field office network operates on this basis, as do embassies, consulates and bilateral trade offices. Standard methodologies, report formats, work routines, etc. based on the best IPS practices need to be identified, drawn up and installed uniformly.

135. There is some controversy between the IPSs and UNIDO Headquarters on the line of communications, the quality and quantity of information required to satisfy the needs of the host countries' entrepreneurs, the extent of primary data and statistics to be provided, aspects to be focused on, etc. In some cases, there are even contradictions and differences in opinion among IPSs as to the quantity of information initially required by, or to be made available

to, potential investors. These issues need to be effectively addressed in an eventual effort to harmonize the IPS network with IID.

136. The supportive role or "value-added" provided by UNIDO Headquarters to the IPSs is considered crucial to the performance of IPSs and the sustained interest of its donors. One of the main reasons for the success of the IPS matchmaking process is the perceived neutrality and objectivity of UNIDO and the sanction of project quality that promotion by UNIDO implies. Poor project profiles submitted to IPSs from time to time are a cause of great concern to them.

2.3.4.2. Delegates Programmes

137. One common and rather successful feature of the IPSs is the Delegates Programme. This programme gives an opportunity to investment promotion professionals from developing countries to gain training and experience in the field of investment promotion in the IPS host country by doing actual promotion either of their home country itself or of specific projects. While the basic approach does not differ among the various IPS offices, the details, size and duration of each programme vary depending on the approach, the possibilities of the host IPS, and the professional profile of the delegate in question.

Delegates Programmes

In the case of IPS Zurich, the work of the delegate from Uruguay was so successful that his country decided to create and finance a permanent delegate with the overall function of attracting foreign investment from Europe to Uruguay.

Another delegate "success story" is unfolding at IPS Milan. With the support of IPS Milan, the Argentine delegate has, since March 1989, promoted US\$ 168 million worth of commitments to co-operate between Argentine sponsors and Italian investors, US\$ 40.5 million of which has already secured bank financing, with another US\$ 5 million is being syndicated by a bank.

138. Adequate space to accommodate an optimal number of delegates is an acute problem in some IPS offices.

139. The programme is widely appreciated by all former participants (Annex 7) and is seen by both IPSs and delegates alike as a useful and effective means for the promotion of investment projects. An invaluable aspect of the programme is the delegate's ability to build a relatively direct and personal link between prospective partners at both ends. The programme also has a great potential multiplier effect.

140. The objectives of the Delegates Programme range from the provision of basic training opportunities to actual integration in daily operations and promotional work, the latter being the more frequent. Inherent to this spread is the need to offer programmes at different levels suitable to the background

and experience of the participants. However, the evaluation observed that programmes for individual delegates have sometimes fallen short of expectations and requirements. Often this is due to the lack of IPS staff, time available, space or availability of local training opportunities. Moreover, delegates have dissimilar backgrounds, and hence the benefits delegates gain from a programme in a particular country varies.

141. Although there is an obvious need for flexibility, UNIDO has not developed a standardized concept for or defined the contents of the Delegates Programme. Programmes may therefore cover any combination of the following: short introductory briefings, country presentations and meetings with business associations, informal discussions of projects at the IPS office among staff and other delegates, and visiting entrepreneurs to actually promoting projects. Not all delegates have been taught in project preparation and screening methodologies.

142. The extent to which the delegates have been able to promote a specific investment project varies highly. Cases of delegates having insufficient work experience or not having a positive attitude, have hindered them in engaging in the full range of investment promotion activities. Therefore, the nomination and selection modalities of delegates must be carefully carried out. Some IPS offices make every effort to interview delegates before selecting them. Better structured and defined training programmes would also help the specific needs of the participants.

143. The programme duration varies widely, depending on the policy and needs of the IPS office concerned. In some offices the programme lasts one year, a period which the delegates found professionally suitable and useful. In fact, it takes a minimum of three to six months for an "outsider" to understand a foreign business community and its dynamics. Other offices organize shorter programmes. In one case, the duration was cut down to two months for the purpose of increasing the quantity of delegates accommodated. This is far less than adequate and adversely affects the quality of the programme. A useful approach is the so-called "shuttle programme" which foresees that delegates return to the IPS after having done some follow-up work in her/his home country. This approach has so far been taken by only one IPS, however, in the light of its potential for establishing better contacts with investors as well as enabling the delegate to collect additionally required data, other IPSs may consider adopting this concept.

144. Many delegates mentioned that, after their assignment is completed, little to no professional contact is maintained with IPS staff, although continued co-operation would be desirable in order to follow up the projects initiated. IPS staff and time constraints, however, often hinder the continuation of collaboration.

2.3.5. Technical co-operation related to industrial investment

145. Although UNIDO has large Headquarters-based programmes such as the Investment "Programme", the Organization is primarily oriented towards traditional technical assistance, its planning and nature being the prerogative of the governments of the developing countries. Therefore, the evaluation is, in this context, dealing with two large groups of activities (the project-based technical assistance being by far the largest, the other being the development and promotion of industrial investment projects), each

having many points of contact, and each with its own separate set of activities and dynamics.

146. UNIDO's technical assistance can be categorized as serving three main functions: institution building; direct support; and direct training. A random sample chosen on the basis of data available on the UNIDO mainframe system shows that in the period starting January 1988 through to 1990, 95 investment-related projects for about 90 countries^{11/} were initiated by UNIDO. The budgets of these projects vary from about US\$ 8,000 to US\$ 2.4 million and are, except in two cases, financed from UNIDO-administered sources^{12/}.

147. The first category of technical assistance - institution building - includes projects for the establishment or strengthening of investment promotion offices or export processing zone organizations, either as independent bodies or as ministerial departments. These institutions may, in some cases, also be oriented towards promoting local investment, but they are mainly intended to function as a foreign investment promotion agency. As mentioned under 2.3.2.4., strong focal points (investment promotion agencies) in developing countries are of vital importance for the success of promotional activities such as investment fora; these institution building or strengthening projects are, therefore, a pivotal component in an overall concept for promoting the flow of resources.

148. The second category - direct support activities - includes, *inter alia*, the preparation of investor guides, as well as investment project identification, formulation and promotion. These operations may take place in the context of an institution building project, as indicated above, or an investment forum or, as has happened in the past, independently of the two, for instance as a result of a planning project. The latter approach neglects the necessity for project promotion and is, therefore, not recommendable. This type of direct support, which is also extended to small- and medium-scale industries, mostly appears to be particularly welcomed since the majority of end users find promotional pre-investment activities, such as preparation of studies and identification of potential partners, to be prohibitively costly. Not only are the financial implications rather high, but contacts with potential investors from abroad are difficult to establish and knowledge of how to formulate the project is not always present.

149. With respect to feasibility study projects, UNIDO claims that studies are "prepared with impartiality, confidentiality and highest standard and at a reasonable cost". Such studies cover a wide range of industrial subsectors, e.g. agro-based and light industries, chemicals, etc. Between the period 1984 and 1988, 80 pre-feasibility and feasibility studies were finalized, of which it is claimed that close to 30% led to positive investment decisions and subsequent investments. It is also said that project sponsors/promoters are integrated into the feasibility study process. However, no evidence was obtained to verify this claim.

^{11/} The number of countries has not been established precisely, as some projects are of regional, inter-regional or global character and therefore involve more than one country.

^{12/} UNDP-financed projects have not been fully covered in the sample.

150. The third category - direct training projects - concentrates, in the main, on Delegates Programmes and pre-investment training courses both of which are covered by separate chapters (2.3.4.2. and 2.3.1.7., respectively) and hence will not be further discussed in this context. It should, however, be noted that human resource development activities in the field of investment promotion are not confined to the two groups cited above, but also constitute part of the formerly mentioned institution building and direct support projects.

151. In addition, enterprise-to-enterprise projects which seek to promote industrial co-operation, including joint ventures between them. These projects are usually located in developing countries, exceptionally also in a developed country thus operating almost like an IPS (e.g. Africa Industrial Partners Project in Atlanta).

152. The implementation of the above-mentioned projects is entrusted to different branches, thereby dispersing investment-related operations throughout the Secretariat (as also seen from the "Programme" design analysis under 2.2.6.) This state of affairs have led to extreme cases, such as a project executed by a Branch under which over forty pre-investment studies were prepared in isolation of the Feasibility Studies Branch and IID; this led to uneven quality of the studies and an almost absolute lack of follow-up.

2.3.6. Investment information systems

153. The various activities related to investment project promotion require accurate, updated and reliable information. For the preparation and screening of investment projects, details are needed on technologies, equipment, markets, and particularly information related to developing countries, their foreign investment conditions and laws, import/export regulations, availability and cost of raw materials and utilities, labour, land and facilities. For the matchmaking process pertinent information on sponsors must be known to identify and attract the interest of potential investors. Data on development financing institutions and their terms and conditions is needed to secure financing. In short: there is a wide range of information needed for the process of investment promotion which, however, is not always easily available or reliable.

154. In response to some of these information needs, the computerized Investment Promotion System (INPRIS), only formally a component of UNIDO's Industrial and Technological Information Bank (INTIB), was developed by the Industrial Investment Division. It originally contained five database files. Recently, the system has been changed to contain only four files and these files have been renamed. They are: Investment Projects (formerly Project) File; Foreign Partners (formerly Investor) File; Financial Facilities and Institutions (formerly Bank) File; and Counterpart Institutions (formerly Institution) File. The fifth file was called the Country Investment Profiles File which, due to lack of staff to maintain it, was dropped. This file attempted to provide information on the prevailing investment conditions in developing countries. It was never maintained in database form and therefore was never considered an integral part of INPRIS.

155. The Investment Projects file contains summarized details of specific industrial investment opportunities in developing countries for which a sponsor is seeking a foreign partner to supply resources not available

locally. Information contained in the Investment Projects file includes: ISIC code, project number and title, product and capacity, total project cost, study available (yes/no), project status (active or not), date entered, local sponsor (yes/no), sponsor's address, and finally an activity record on any follow-up taken (usually contains dates of correspondence only).

156. This file is the most important file in the system. At the outset, the file was maintained centrally. Recently, responsibility for its upkeep has been decentralized amongst the geographical divisions of IID. Without adequate central monitoring many of the projects listed have become out of date or the activities being pursued to promote the project are not recorded. This file is used primarily by IID staff for projects being promoted by them, and to a much smaller extent by some IPSs. Most IPSs have their own, and mostly more sophisticated, project databases which are not systematically shared with IID. IPS access to INPRIS is also hardly made use of because of the state of the files and difficult user access to the file from outside Headquarters. A more sophisticated and comprehensive project database system, as developed in some of the IPSs, needs to be installed at Headquarters and throughout the network. Such a file should be updated regularly and made easily accessible to all IPSs.

157. The Foreign Partners file contains details of firms in industrialized countries (including some NICs) which have expressed interest in industrial partnership opportunities in developing countries. The file lists the type of products they manufacture classified according to the ISIC code, and indicates the developing countries or regions in which firms are mainly interested. The impression received is that this file has few, if any, users, because its information is out of date. Moreover, IPSs use more accurate, commercial, and user-friendly online databases as well as handbooks, which contain most of the company information they require.

158. However, it must be stated that, although commercial databases or compendia contain a wealth of data, they may not always reveal specific information on the companies' real interest in co-operating with developing country sponsors. IPSs have made attempts to make up for this gap by contacting companies to elicit their interest and capabilities. Individual IPSs maintain their own short-list of companies, which they usually peruse first when seeking potential investors. One example of note is the effort undertaken to identify potential investors in agri-business in France. IID also tries to build up such lists for some countries, not covered by an IPS.

159. The Financial Facilities and Institutions file contains details of national, regional and interregional development and other financial institutions willing to provide funding for investment projects in developing countries. This file is not used by staff members at Headquarters nor by IPSs, since they have a good knowledge of interested financial institutions in their host country.

160. The Counterpart Institutions file contains details of development institutions, e.g. industry associations, ministries of industry, development corporations, and some information on the countries and regions to which their activities extend. This should be updated because IPSs and IID need focal point/partner institutions in developing countries to assist in promoting projects.

161. IPSs repeatedly said that an up-to-date country investment climate database, although recently discontinued, could be of great use during the investment promotion process. IPSs and potential investors very often know little about investment conditions prevailing in lesser known countries and find it difficult to promote projects in such countries without this type of information. In this respect, commercial databases have limited information. Access to commercially available information has not been fully exploited. UNIDO should supplement commercial databases for lesser known countries where such information is not readily available.

162. The UNIDO INTIB system, mentioned above and in fact maintained separately from INPRIS, contains, inter alia, a separate joint venture file which comprises opportunities for investment sought and offered which are not screened by UNIDO Headquarters. New entries are published regularly in the UNIDO Newsletter as they are received. We feel that this file should be integrated and kept in the INPRIS database, as there is no justification for a parallel activity in another division. The database also comprises a file on technologies which could be used during project preparation, when selecting appropriate technological approaches, as well as in the screening process (see also 2.3.2.). This file is, however, little used by IID and IPSs. Other files mentioned as part of INTIB^{13/} were not found to be used or usable by the "Programme". The ECDC section keeps and publicizes lists of projects of various sorts, related to the countries where they operate. Among these projects are investment projects which should be screened and kept in INPRIS.

163. INPRIS is now being operated on the UNIDO mainframe at Headquarters. Access to the mainframe from outside stations such as those installed at IPS offices is rather complicated and time-consuming since it is done through a Geneva-based central unit. Updating and maintenance of the INPRIS system is decentralized to the officers in the various geographical units of IID. An associate expert is able to spend only part of his time in maintaining the system trying to accomplish what is a full-time job.

164. The information flow between UNIDO and the IPS network is at present rather sketchy and limited almost exclusively to projects under promotion. There are various schools of thought: some advocate that the development of an electronic mail system might improve the situation, however, this opinion is not supported unanimously. Some of the IPSs claim to be using information systems such as INPRIS and INTIB but others claim that these do not conform to the objectives of their offices. Most IPSs have developed and are utilizing their own databases.

^{13/} ID/WG.486/1. "INTIB Programme: An overview", 12 May 1987.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1. Overall concept

165. The Industrial Investment Activities of UNIDO have an important place in UNIDO's programmes. It is one of the three priority elements common to industrial development as specified in the MTP 1992-1997. The evaluation found that the various activities undertaken by UNIDO on industrial investment follow accepted and viable approaches. However, they need improvements, refinements, more concentration on those areas where UNIDO has comparative advantages, and, above all, improved integration and structure. The services most required by the end users of the "Programme" were found to be a business-like presentation of a project idea and matchmaking. UNIDO is perceived as an honest broker in guiding the above activities.

Focus of conclusions and recommendations

The conclusions and recommendations which follow could lead to an overly critical opinion of UNIDO's efforts in the field of industrial investment. This would be unfair to the associated UNIDO staff, many of whom have already taken excellent initiatives. In fact, numerous recommendations formulated by the evaluation were based on suggestions received from UNIDO Headquarters and IPS staff on "what works". We have included them here, after we ourselves have become convinced, through research and interviews, that they are sound in practice. The core problem found by the evaluation was that these initiatives were taken mostly on an individual basis and need to be crystallized and institutionalized by management and applied uniformly by all staff.

166. All elements and instruments for a well conceived, implementable and viable programme related to industrial investment are, in principle, available to UNIDO. Some of these elements (investment fora) originally launched by UNIDO have been adopted by other organizations and agencies with success. For instance, UNIDO's activities in this area are not too different from those practised by the later established CDI although the latter disposes of considerably more financial resources.

167. UNIDO's activities should become further integrated through better co-operation among the various Headquarters departments and sections involved; enhanced links between Headquarters and its field offices such as the IPSs; greater attention to the end users; reduction in the emphasis on the number of projects promoted and greater attention given to their quality and more systematic and aggressive preparation and follow-up of certain activities to achieve a higher number of projects eventually implemented. A stronger networking of focal points in developed and developing countries and UNIDO Headquarters is needed. This chapter suggests various measures in support of those activities which, hopefully, will result in increased effectiveness and impact of the "Programme".

3.2. "Programme" design

168. The problems outlined in 2.2. and 3.3. have resulted in an Industrial Investment "Programme" that is complex, unco-ordinated, duplicative and fragmented. Aside from various investment-related programme elements, mostly in IID, the total of UNIDO's investment activities does not constitute an integrated Industrial Investment "Programme" but a series of sets of industrial investment activities. The most convincing argument for this finding can be found in the formulation of the present "Programme" design in the Medium Term Plan and Programme and Budgets which is in the form of sets of activities while responsibility for the carrying them out is diffused. While programme documents attempt to some extent to meet design criteria to establish a programme structure, at the operational level this is still fragmented due to the lack of managerial and organizational linkages between sets of activities, some of which may even overlap.

169. The programme objective should define the improvements or changes expected in developing countries as a result of the programme having successfully produced and utilized outputs as defined. The objective of UNIDO's programme could be stated in very simple terms:

"Realization of a specified amount of business-oriented industrial co-operation agreements which cover the investment of financial, physical and technical resources in developing countries, on fair, equitable and mutually acceptable terms and within the framework of the beneficiary country's socio-economic policies and priorities."

This statement would need to be quantified by realistic targets.

170. The statement of the problems addressed by the Investment "Programme" is considered relevant to the present situation. As defined (see 2.2.2) they reflect the current emphasis on the need for the Organization to strengthen presently inadequate capacities and capabilities of particular groups or segments such as the private sector, small- and medium-scale entrepreneurs, to increase the manufacturing value added (MVA) to the local raw material base, etc. as well as to rehabilitate badly operating industries. However, on close analysis, it is apparent that the thrust of the present "Programme" is on problems connected with the mobilization of financial and physical resources while inadequate attention appears to be paid to entrepreneurial skills and capacity development. The issue of training is implied in practically each of the main problems identified but its importance has not been adequately singled out and emphasized.

171. The "Programme's" outputs need to be reformulated as suggested below. This reformulation reflects the kind of results which UNIDO seeks to produce through its investment support activities. The fact remains that when many units are responsible for their attainment, lack of co-ordination severely reduces the optimal utilization and impact of these outputs. In addition, due to individual approaches, a particular output could be produced in varying forms and quality by a number of organizational units without benefitting from the possibility of mutually supportive activities or from the lessons learned from the experiences of others (see also 3.3.).

172. UNIDO's Industrial Investment "Programme" outputs should be formulated as follows:

- (a) A specified number of viable investment project proposals and industrial co-operation opportunities identified, formulated and appraised from developing countries which would be the object of promotion among potential partners in industrialized and selected developed countries.
- (b) A specified number of viable industrial investment project proposals and industrial co-operation opportunities identified, formulated and appraised in industrialized countries for redeployment of industrial production facilities to developing countries.
- (c) A specified number of pre-investment studies (opportunity, market, pre-feasibility and feasibility studies) which facilitate the decision of international and national investment promotion agencies, foreign partners and local sponsors on the financial and economic viability of a particular investment proposal.
- (d) A specified number of industrial co-operation and/or investment proposals negotiated and agreements reached between developed country partners and developing country local sponsors.
- (e) A specified number of industrial co-operation and investment agreements under implementation.
- (f) In order to provide direct support to the realization of (d) above: (i) a specified number of investment fora, country presentation tours, etc. held; (ii) specified frequency of investment-related information (from IID, IPSs, UNIDO focal points, etc.) provided; (iii) a specified number of investment environment policy, prospects, technology, market studies produced.
- (g) A specified number of defined co-operation programmes with international, regional and national investment agencies developed and under implementation.
- (h) A strengthened and expanded network (specify) of IPSs and investment promotion agencies in target countries which complement and supplement UNIDO's Investment "Programme".
- (i) A specified number of programmes and related projects which establish or strengthen regional and national self-sustaining capacities in the field of pre-investment and investment follow-up activities. This may include trained manpower, development and institutionalization of policies, procedures and methodologies for all facets of investment promotion activities.

173. Outputs quantified and qualified according to the above recommendation will need to be supported by relevant activities carried out by specific organizational units and specified inputs, provided in a timely fashion.

174. The end users and beneficiaries are usually confused in programme documents. There is a need to distinguish clearly between the two categories. The end users should be industrialists from private and public sectors of both developed and developing countries. The beneficiaries are actually the intermediaries identified to act as stepping stones or focal points and who service the end users. In view of the weakness in various activities, at identifying and clearly defining the end users, the impact of various activities are often misdirected.

3.3. Organizational units involved and co-operation among them

175. Although a specialized division exists with the mandate to promote foreign investment, i.e. IID, investment-related activities are dispersed throughout the Secretariat. This spread is illustrated in Annex 8. Two major groups of activities which do not come within IID's purview should be singled out: pre-investment studies and the Industrial Co-operation Centres in Beijing and Moscow.

176. The flow of information between organizational units is rather limited and needs improvement. Information tends to be the prerogative of the organizational unit which first gets hold of it and does not necessarily flow to the most appropriate unit(s). While this is a general problem affecting the Secretariat as a whole, it applies particularly to investment-related activities. Capacities available at the Secretariat in support of investment activities are neither fully exploited nor placed to serve the Organization's member states in an integrated and co-ordinated fashion. The most pertinent example is that of the Industrial Investment Division and the Feasibility Studies Branch which, by definition, should be close collaborators, working under one umbrella. Too often IID does not utilize the Feasibility Studies Branch to undertake pre-feasibility or full feasibility studies when warranted, nor are projects identified or studied by the Feasibility Studies Branch always passed on to IID for promotion. Other parts of the house could contribute their technical knowledge to investment projects and technically screen such proposals although it is recognized that the competent technical officers are so pressed with their technical co-operation activities that little time is left for screening investment project proposals. Some pre-investment studies are backstopped directly by technical branches, which conflicts somewhat with the mandates of the Feasibility Studies Branch. Sections dealing with technical assistance projects with an investment orientation should pass on identified investment proposals to IID for promotion. Conversely, some investment projects proposed for promotion qualify more for technical assistance, and should, therefore, be passed on to the relevant organizational unit.

177. The evaluation is convinced that grouping these activities under the same organizational unit would strengthen UNIDO's capabilities in investment promotion by (a) providing a less fragmented picture to the outside; (b) grouping as far as feasible most phases of the investment cycle into one operational unit; (c) ensuring a proper utilization of the various mechanisms and instruments used during the various phases of the investment cycle, and (d) strengthening the networking of different field offices among themselves and with Headquarters. This would allow, inter alia, the Organization to better prepare proposals for consideration by financing institutions and to achieve greater success in finding financing for them than at present. In making the recommendation, we have been guided by the success of FAO's

Investment Centre, which has secured financing, leading to projects US\$ 38 billion worth of investment during 1984-1989. In UNIDO's case, because of the dispersal of investment-related activities and the various depths of intervention, despite claims to numerous proposals receiving financing, it is impossible to determine the total value of financing secured.

Investment Promotion Package

UNIDO's investment-related activities should not be separated but offered as an integrated package. By grouping investment-related activities, such as technical assistance to establish promotion agencies, investment project identification, country presentation tours, investment fora, delegates programmes, networking among all IPSs and investment promotion agencies, investment-related information, etc., in a single package, appropriately adjusted to the recipient country's needs, UNIDO's services will increase their impact and effectiveness, and could be marketed more effectively.

178. Two other additional recommendations are made under 3.9. regarding the grouping of backstopping responsibilities of institution-building projects related to investment and the flow of information between IID and other parts of UNIDO. These two recommendations would as well contribute, along with the recommendations made under this heading, to strengthen means of achieving UNIDO's goals in increasing financing to the industrialization of developing countries.

3.4. Project identification and preparation; sponsors; project profiles; investment promotion agencies.

179. Under 2.3.1.1. the different ways for investment project identification were analyzed. By and large, this process needs refining although the evaluation recognizes that substantial improvements took place in recent years. However, too much accent is still placed on quantity of projects identified as opposed to their quality. The root of low quality of profiles covers aspects such as overestimated markets, underestimated prices of raw materials, speculative estimates of investments required, and technologies suggested are too sophisticated for the recipient country.

180. The best sources of projects are those emanating from technical assistance projects associated with a promotion agency and from IPSs' endeavours (which may include delegates' interventions) (see 2.3.1.1.).

181. A key participant in the project cycle is the local sponsor, an important instrument for the promotion of a project is the project profile and an important institution involved in the whole process is the promotion agency in the developing country. Some considerations on these three elements are offered here.

3.4.1. Sponsors

182. There are basically three kinds of sponsors in developing countries:

- Those with established large companies needing only marginal UNIDO assistance^{14/};
- Those experienced in local business, with good knowledge of their project ideas, but inadequate finance, technology and knowledge to develop them and to establish the right contacts abroad. These should be UNIDO's prime "customers" (target group) for investment support activities;
- Those with little or no business experience, with only a vague project idea. They will need to gain more experience before their proposals may be promotable abroad. In the majority of cases they are better suited to technical assistance extension services than to assistance in foreign investment promotion.

183. The information collected is often unreliable and insufficient to allow the potential investor to assess the suitability of his potential local partner. This is important because it was found that the foreign investor's interest focuses in the first place on capabilities/capacities and reputation of the sponsor/company and only in a second instance on information on the project. A separate, more comprehensive form on the sponsor as suggested in Annex 4 is required. CDI, for example, places considerable emphasis on supplying information on sponsors in developing countries.

3.4.2. Project profile

184. IID has dedicated a considerable amount of resources and time to this question over the years.

185. The variety of different profiles presently in use causes confusion and prevents full comparability of projects. The evaluation feels that standardization is needed with possibly three types of forms:

- One for a project idea, containing in addition to a minimum amount of information on the project, a minimum of one page on the sponsor;
- Another for a more developed project, possibly with a pre-feasibility study behind it (a more complete pre-investment study is not required at this stage) but with a minimum two-page information on the sponsor;
- Another for rehabilitation/expansion based on the above but containing more information on the historical developments of the existing company.

^{14/} The situation is different in Eastern European countries where the bulk of UNIDO's clients is constituted by large public companies.

186. These forms should be used throughout UNIDO and not only by all IPSs and geographical units of IID, but also for project proposals resulting from technical assistance projects backstopped elsewhere for submission to IID. These forms could be adapted to suit particular conditions but their basic structure should remain unchanged. The evaluation found that too much time has been spent at Headquarters, the IPSs and in the field on this subject, and a consensus should be arrived at soon. Needless to say, the information contained in the form should be reliable and as complete as possible. If a question cannot be answered, guesses should be avoided and a plausible explanation should be given of why not.

187. Pre-investment studies may be attached to or mentioned in the form when sending it to prospective investors to show that a certain amount of work has been carried out on the proposal. However, the foreign investor will usually carry out his/her own studies or would want to become involved in supervising it. The evaluation therefore feels it is a waste of resources to carry out a full feasibility study in the absence of seriously interested investment partners. The best proof for such an interest is participation in, or better still, the financing of the study. In addition, once this stage is reached it would be beneficial to identify a lead financier so that its needs can be accommodated as well.

188. Finally, whatever form is used it should contain an appraisal by the person who completed it on the quality, promotability, merits and demerits of the project, together with his name, address and telephone number. This will not only ensure a more responsible attitude for its completion, but also allow requests for clarification to be made.

189. IID has recently circulated a form which seeks to incorporate the strengths of the many forms used in the past, with a view toward a uniform form which meets the needs of all concerned. The reaction of some IPSs has been positive. Once all reactions have been received a decision on a harmonized set of forms should be taken and these should be issued^{15/}.

3.4.3. Promotion agencies

190. Since the project cycle is a complex and long process, it is difficult to monitor it at distance. The programme approach, adopted for Latin American, merits attention. The concept, if properly applied, promises to be more successful. A trend towards applying this approach to other regions is reported by IID. The approach aims at establishing in the target country an institution able to continue promotional and follow-up work and to link up with UNIDO's network. The investment promotion agency should have clearly defined functions which should include: identification of projects and local promoters, preparation of background information on investment environment; advice on policies, etc.; and follow-up activities. Such bodies should be seen as having promotional, not regulatory functions to projects promoted. They should have a quasi-public nature and work as closely as possible with the local entrepreneurs who tend to be reluctant to approach state institutions and inform them of their business plans.

^{15/} Some suggestions for data to be demanded in questionnaires are also given in paragraph 74 of chapter 2.3.1.6.

191. Despite the costs associated with financing these investment promotion agencies, UNIDO should do its utmost to convince developing countries who do not have such an agency that this would be a primary precondition to achieving success in foreign investment promotion. As part of a UNIDO network, such agencies should have qualified staff capable of supporting missions of external consultants, gathering investment-related information, preparing pre-investment studies, maintaining a database on local sponsors and identifying attractive projects. UNIDO could provide continuous training to the staff of such focal points and, in return, get services of assured quality, for instance, to undertake pre-investment studies on preferential terms as well as support to investment project identification missions. The delegates at the IPSs should ideally come from such investment promotion agencies who would provide back-up services to them.

192. The effectiveness of regional investment promotion agencies remains to be demonstrated. It was found that the reach of such institutions is often limited to the country in which they are located. Regional, interregional and global co-operation can be attained by improved networking between the various national promotion agencies.

3.5. Pre-investment studies and related computer programmes

193. While UNIDO is equipped to undertake pre-investment studies (which should be part of an integrated package of investment promotion activities), these are not always carried out in the context of investment promotion programmes. One of the main reasons for this may be that the main actors, IID and FEAS, belong to separate departments and have different accountability criteria.

194. We believe that increased co-operation between those two units would be beneficial to the impact of the investment activities of UNIDO, and we are convinced that the only way to achieve this co-operation is to merge both units, as recommended in point 3.3.

195. An example of the existing overlap is given by the separate development of two computer investment project appraisal systems as described in 2.3.1. The following recommendations are made to harmonize both systems and improve related training activities.

3.5.1. Computer aids and related training

196. Computer programmes are helpful and powerful tools, considerably facilitating the financial and economic analysis of investment projects. The two programmes currently promoted by UNIDO are similar in terms of amount of input data required to assess the project, time needed for entering it, running the calculations and evaluating the results. PROPSPIN seems to be popular, particularly among those users who have been exposed to LOTUS 1-2-3, and is considered relatively simple and easy to handle for appraisal of investment proposals. It could be made even simpler if the amount of input data is limited to what is essential for pre-screening purposes. If the programme is to be further promoted as an official UNIDO tool, legal aspects have to be considered as the programme is not independent of LOTUS 1-2-3. In addition, the technical solution for protecting its formulae against any changes by the users has to be found. The programme is still being developed

and it is recommended that its final version be tested by an experienced independent financial analyst.

197. The new edition of COMFAR promises to meet the demand for a simple tool suitable for the first appraisal and selection of investment projects. The two softwares could co-exist and even be connected through the recently developed data bridge. Both systems can be used during different stages of investment project preparation and are responsive to varying complexities of data processing and information requirements. For the sake of harmonization, both programmes should use the same terminology, which is not the case. Under no circumstances should UNIDO continue to promote two systems separately with a claim that the other is less desirable. The separate promotion of two different computer programmes, used basically for the same purpose, seems to be harmful for the image of the Organization or at least confusing to users. Either one system is dropped, or both are promoted together as options to meet the personal tastes of end users. In such case it is also recommended that regular training in the use of both PROPSPIN and COMFAR be provided to IPS and UNIDO Headquarters staff and external users.

198. Evaluation of the past training programmes on pre-investment studies reveals that their efficiency can be increased through certain modifications of programmes and better selection of participants. It was found that the contents of the programmes was too standardized and that specific training programmes should be better tailored to the needs of the targeted participation group. A whole cycle of training should be offered to the same group of participants. Basic training in project appraisal should be followed by a computer software utilization course organized a few months later and further training on specific subjects (demand forecasting, negotiations of commercial agreements, etc.) after another few months. Such continuous training would provide more feedback from participants and allow for more flexibility in subsequent stages of the programme. Some of the graduates of such cyclical training could become lecturers for basic-level seminars. Lack of developing country specific case study material is often bemoaned by participants as well as lack of access to appropriate computers at their work place. Particularly the latter makes the relevance of provided training in computer applications questionable, if requisite hardware is not available.

199. Finally, UNIDO should provide training updates, particularly on industrial financing, to its own staff.

3.5.2. Pre-investment studies

200. The concept itself is valid and appreciated. A number of feasibility and pre-feasibility studies conducted by the Feasibility Studies Branch were analyzed under a previous evaluation and the following recommendations in respect of these studies can be made.

201. Too many expensive studies have been prepared in response to an official request without adequate assessment of actual need. Not enough thought is given to the most suitable level of study which should be carried out. While advice on the level of the study (full/pre-feasibility, opportunity, market) required was often missing, studies carried out are of various depth and often contain approximately the same information.

202. Studies have been even undertaken without reference to previous pre-investment studies. A clear involvement in the preparation of the study by the sponsor was often not visible. Even less apparent was the involvement of the foreign investor. As recommended in an in-depth evaluation report^{14/}, no full feasibility study should be prepared in the absence of a viable local sponsor and an interested investor (national and/or foreign). Furthermore, to ensure their involvement, UNIDO should request local and/or foreign partners to share the cost of the study. This is practised by other organizations (e.g. African Project Development Facility (APDF), Centre for Industrial Development (CID) and the EEC's International Investment Partners (IIP).

203. The approval process and actual implementation of a pre-investment study takes too long (often over two years) to be of help for a business decision. Few, if any, requests for a study originate in other parts of the house because of the time it takes to complete them. Special procedures and approaches should be developed for small projects.

Selling services

UNIDO provides most of its pre-investment services - either in relation to matchmaking or preparation of feasibility studies - free of charge. The evaluation found that international organizations involved in this work ask one or both of investment project partners to defray part of costs. After all, the aim is to establish a commercial operation. This contribution has two major advantages: it creates revenue, and above all, it ensures that the parties have a serious interest in the project. It will also enable the client to demand a high quality of service which they would otherwise be reticent to do when services are provided free of charge.

Although in some cases charges have been made in connection with the participation of investment fora, a financial contribution for investment promotion services rendered needs serious consideration.

204. Little follow-up, if any, is undertaken once a pre-investment study has been concluded. If an investment project originating from other UNIDO activities lends itself to investment promotion, it should be handled by IID, as mentioned under 3.3.

3.6. Project promotion: matchmaking and investment fora

205. The matchmaking process is carried out by four means: directly by IPSs; by Headquarters; by the delegates; and, finally, by the investment promotion

^{14/} DP/ID/SER.C/29. "Report of the Evaluation Mission, Completed and On-going Pre-investment Studies financed by the Government of the Netherlands through the IDF", March 1990.

fora in IPS host countries and in developing countries. UNIDO's role has traditionally been limited to the actual matchmaking, i.e. arranging for a sponsor to meet an interested foreign partner. This role has been considered to have been fulfilled when the two parties sign a so-called letter of intent, which is an expression of goodwill from both parties to further negotiate the project. Although increasingly IID and IPS staff do not consider letters of intent as the final benchmark of success, this trend needs to be reflected in UNIDO's activity reports and other publications for the sake of UNIDO's credibility. Its use as a dollar denominated success criteria to measure actual investment agreements concluded should be discontinued. More advanced success criteria should also be used, such as the acceptance of projects by DFIs for financing and/or the commencement of implementation of co-operation agreements. Also, during fora, too much pressure is often exercised on promoters to sign letters of intent which could even be counterproductive.

206. Promotion is often stopped when a project finds an interested foreign partner, although a trend to follow-up on matchmaking was observed and found to be healthy. Research has shown that an increase in the number of firms competing to invest in a project is likely to lead to improvements in the terms and condition of the project^{17/}. This was confirmed by numerous interviews undertaken by the evaluation and UNIDO's practices should be adjusted accordingly. For instance, promotion of a project should continue even when a foreign partner is interested in a proposal, until the sponsor requests UNIDO to no longer do so.

207. UNIDO, particularly IPSs, is sometimes involved in the subsequent negotiation phase, even in the seeking and securing of financing for the project. We find this a necessary and positive development since it involves the Organization in making actual investments happen, which constitutes a tangible criterion of success.

3.6.1. Investment fora

208. The organizational aspects of the fora need to be reviewed. Host countries as well as UNIDO should endeavour to allow adequate lead time as well as to commit adequate inputs in time. Albeit crucial, proper preparation of fora is not always carried out sufficiently. While the ideal preparation period may vary from country to country, enough time should be allocated for preparations to ensure that the projects are adequately identified and prepared and entrepreneurs, both local and foreign, adequately screened. Only projects that have been strictly screened should be presented at fora. At the same time, the preparatory phase should not be too long to avoid obsolescence of projects. Adequate follow-up to fora which, at present, is hardly done should be made part of a package of investment promotion activities. Shortfalls regarding the latter create the impression that investment fora are an end in themselves after which UNIDO's and the co-organizers' interest in projects and sponsors ceases. It is necessary to counteract to this perception.

209. In organizing fora, UNIDO does not involve enough other investment-related national institutions (banks, etc.). Strong investment promotion

^{17/} Joseph M. Grieco. "Between Dependence and Autonomy: India's Experience with the International Computer Industry". International Organization 36 (Summer 1982): 609-32.

agencies in developing countries should be involved in preparing, undertaking and following up fora. If such institutions do not exist, they should be established through technical assistance projects (see 3.4.3. and 3.7.). The existence of such an agency should even be made a mandatory precondition to the holding of a forum. Other local organizations such as representatives of commercial information companies, bilateral investment promotion agents, etc., which could serve as source of information should be consulted regularly.

210. The investment climate of the targeted country or countries should be analyzed before organizing fora. In some cases, a forum may not be the optimal means of increasing the flow of foreign investment. Instead, upstream activities such as the establishment of an investment promotion agency may be more appropriate through which improvements of regulatory procedures and investment incentives should be considered and proposed to the governments.

211. Where the number of promising investment projects is limited in a particular country, these should be promoted individually rather than subsuming them in a large quantity of low-quality projects. For such situations, UNIDO should offer an alternative approach to an investment forum, as stipulated under 2.3.2.5.

212. Country presentation tours to targeted developed countries are not always organized systematically in conjunction with fora as a means for advertising the event and raising interest of potential investors. Pre-matching of projects and potential investors (as done in the case of e.g. Bolivia, IPS Cologne and Milan host country investment fora) is desirable and would go some way toward ensuring that participants in fora have a high potential to being matched.

213. The objectives and procedures of investment fora should be made clear to participants in the documentation and at the beginning of the fora through an opening address by the Secretariat. Foreign participants should also be vetted before being allowed to participate in a forum. Information on the companies they represent is also needed for advance distribution to local entrepreneurs. The ratio between real investors and lawyers, equipment vendors and consultants should be improved; there are too many of the latter attending fora. Further the ratio between foreign and local participants attending fora should be balanced.

214. There is a need to have discussions on latest industrial developments (subsectors, technologies, markets, etc.) and foreign investment issues in particular (e.g. investment forum in Warsaw and packaging fair in Düsseldorf). With respect to duration and proportioning of time (negotiations vs. presentations), five days total is the maximum which should be allotted for fora on the whole. Plant visits during fora should be arranged by and at the individual request of future partners. This possibility seemingly needs to be spelt out either in brochures and during the opening address.

215. IPS representatives' participating in fora are often too passive. The IPS participant should be in a position to initiate negotiations on specific projects on behalf of the entrepreneurs who could not attend. Some good examples of this have been observed.

216. Subsector-focused fora in connection with industrial fairs, where a selected number of sponsors can meet a large number of potential investors who

are exhibiting at the fair is an effective approach to investment promotion (e.g. Düsseldorf packaging industry fair), even if, in the initial stage, contacts may lead first to trade rather than investment agreements.

217. The evaluation believes that, while investment fora are an acceptable activity which can have a tangible impact on a country's image and increase investment, therefore comprise a vital part of an industrial investment programme, they should not be seen as an output per se but rather as one mechanism among many in support of investment promotion.

3.7. Co-operation with other international organizations and development finance institutions

218. At the moment UNIDO is seen as only one of the many actors in the field of investment promotion, and not as a major or critically-needed one. UNIDO's profile among the other agencies seeking investment opportunities is primarily formed by the investment fora it organizes. The opinion of representatives of international organizations to these meetings is ambivalent and those attending fora primarily hope to identify a few interesting local entrepreneurs. Too large a number of investment profiles of questionable quality has been repeatedly noted by these organizations.

219. It seems that ultimately co-ordination among international organizations should take place at the country level. The recommendation given earlier for the establishment of solid foreign investment promotion agencies in developing countries would go a long way towards ensuring that a national decision is taken to select the most appropriate international organization to undertake a given task and co-ordinate the various actors.

220. From the evaluation's visit to a number of international organizations (see 1.1.) areas were identified in which co-operation between UNIDO and these organizations are desirable, should continue or be further expanded. While it cannot be the task of the evaluation to draw up a comprehensive and exhaustive list of areas without first seeking the latter's agreement, the following suggestions are made for further discussion:

- Preparation and organization of investment fora (e.g. with CDI and COMSEC) and other mutually supportive activities during all phases of the project cycle, e.g. utilization of the EC Chason Facility.
- Policy studies regarding foreign investment promotion with FIAS and others.
- Placing of ITC's foreign trade advisors in IPSs and sharing each other's databases.
- Secondment of UNIDO staff to pre-investment organizations such as APDF, to name just one facility.

221. Co-operation with international and national or bilateral DFIs merits special consideration. These institutions should be at the receiving end of our investment project promotion activities. The evaluation tried to find projects developed by UNIDO which qualified for financing by such

institutions. There were few, because most projects did not meet the criteria of the financing institutions. In addition to the problem of project size, this can be seen as a result of emphasis of quantity rather than quality of the projects identified, developed and promoted. It is felt that presenting a bad, or badly conceived, project is worse than presenting no project at all.

222. We believe that the problem has to be attacked at two levels, in view of the obvious need for the projects promoted to fulfil basic quality criteria:

- The financing criteria of the international DFIs should be determined, and only those projects meeting these criteria should be presented to DFIs.
- At the developing country level, better contacts should be developed with local and regional development and commercial banks. Local DFIs are the traditional intermediaries for credit lines offered by international DFIs and, therefore, are able to finance smaller projects. The presence of a strong investment promotion agency should facilitate these contacts. These national focal points should of course also be closely associated with the organization and holding of fora, as mentioned under 3.6.

223. Mention should be made of UNIDO's relations with the World Bank. After the demise of the World Bank/UNIDO Co-operative Programme in 1986, these relations reached an all-time low. As the largest development financing organization, the World Bank is too important to be simply ignored. In 1990 UNIDO started a new chapter in relations with the World Bank with a programme focusing on Africa. This co-operation foresees the exchange of views on IDDA country papers and presenting to the Bank UNIDO's Strategic Management Approach as applied in Africa, as well as co-operation in specific countries. While this new effort is commendable, it is too upstream to have a direct impact on investment, and we feel that emphasis should also be placed on investment-related work at the country level, where numerous credits for productive projects extended by the World Bank should be better tapped.

224. To sum up, the following recommendations are made which would lead to a better acceptance of projects by DFIs:

(1) UNIDO must be more selective as to the projects and sponsors it supports concentrating on those projects which are bankable.

(2) UNIDO should not undertake a full feasibility study without the participation of the "lead" financing institution and ensure the backing of a viable local sponsor and interested investor, who should share the cost of the study.

(3) While participation of local DFIs may be useful at investment fora, the same is not necessarily true at the moment for international DFIs whose attendance is irregular and is mostly aimed at meeting sponsors. Of course, the promotion of quality projects would resurrect the active interest of international DFIs.

(4) Knowing the requirements of both commercial and public financing institutions is the key to fostering better relationships. UNIDO should establish a liaison post to analyze these, train staff on how to comply with these requirements and, in other ways, work towards establishing better relationships.

(5) UNIDO should not, at this time, attempt to enter into broad co-operative arrangements with financial institutions, but efforts to co-operate should start on a case-by-case, project-by-project basis.

3.8. Investment Promotion Services, Industrial Co-operation Centres and Delegates Programmes

225. UNIDO has a distinct advantage created by the existence of IPSs which function as focal points in certain developed countries or NICs. However, as described in 2.3.4., IPSs are operating too independently. The potential advantages of closer networking between themselves and with UNIDO Headquarters have not been realized. Overall, direction from Headquarters has been weak. This is a long standing problem. It is necessary to have a clear definition of the relationship between IID and IPSs, and among the IPSs themselves. Toward this end, an Operations Manual for IPSs containing basic policies and guidelines for their operation, relations with Headquarters and with their host institutions, and for the networking should be prepared. All offices, both present and future ones, should report to the same organizational unit of UNIDO to maximize the advantages of networking.

226. As a reflection of this situation, the documents governing the operations of each individual IPS have been diverse, and resistance has been found in achieving even a minimum amount of standardization. At present, these documents consist of memoranda of understanding, exchange of official letters between UNIDO and the host government and project documents of various degrees of detail and content. ICCs are governed by yet another set of documents. Each case of opening a new service or renewing its mandate and contract is handled anew which is extremely time-consuming and unnecessary.

227. IPS documentation should be standardized and amalgamated into a harmonized project document format (which may have another name) containing: Context; Justification; Development objective; Immediate objectives; Outputs; Activities; Inputs (budget); Risks; Prior obligations; Project reporting and evaluation; Legal context. A model project document should be included in the proposed Operations Manual.

228. The same applies to the monitoring and evaluation methodology and reporting. Periodic joint evaluations (by host country and UNIDO) using the same criteria, which have already been carried out in a few cases, should henceforth be undertaken systematically. As part of some of these evaluations targeted developing countries should be visited.

229. The reporting requirements for IPSs are too superficial. In addition to the reporting inherent to the updating of INPRIS' project files, IPSs should be requested to prepare well-structured periodic reports which provide information on their performance against set objectives and expected outputs. Reports by the Milan office provide an example of more performance-oriented reporting.

230. The assessment of IPSs observed in Warsaw, Cologne and Milan during the evaluation was positive. To increase IPS effectiveness, however, every effort should be made to ensure that as many staff as possible possess: developing country experience; knowledge of UNIDO's operations to tap its resources to support their promotion activities; skills and knowledge of financial analysis, investment financing and market analysis; some experience in commerce, industry or finance. (The same would, of course, apply to IID staff as well.) Experience in the cutting edge of financing technology, although desirable, would be unrealistic to expect.

231. Various interviews with former delegates, entrepreneurs, staff of banks confirmed that some IPSs require stronger connections to their business and banking community. In some cases, this may be caused by the location of the office (not in a business centre) or by the profile of the IPS staff who may have little business experience and contacts. In respect of the latter, UNIDO should exercise a stronger say in the appointment of the staff of IPSs.

232. The Delegates Programme has demonstrated its value and merits considerable expansion. In the evaluation of two IPSs it was recognized as its principal and most effective component. Again, the weak networking and overall direction of IPSs have resulted in Delegates Programmes producing uneven results.

233. Terms of reference should be prepared for delegates at two levels:

- Basic training on investment promotion (as once successfully undertaken in the former New York IPS);
- Practical promotion of projects.

234. Each delegate should operate under a clearly defined programme which sets out the programme objective (an amount of increased investment under implementation in their home country), the outputs (a set of investment agreements under negotiation or concluded, etc.), the promotion activities they are expected to carry out to produce the investment agreements, and the inputs they require to accomplish these tasks (training, office facilities, etc.).

235. The delegate, if she/he is to successfully participate in such a programme, would need to be selected based on a minimum set of professional qualifications. The level of qualification required will depend on the programme's intentions, whether it is more oriented toward training the delegate or more toward supporting an experienced investment promotion professional in her/his work.

236. An experienced delegate who is in the position to promote a portfolio of viable projects in an IPS host country should be given two years to do so. In cases of delegates with family obligations, provision for the relocation of family members should be allowed when a Delegates Programme exceeds 12 months.

237. An extended version of the Japanese "shuttle programme", whereby after a short assignment the delegate returns to her/his country to collect supplementary information and negotiate identified projects with local sponsors and then returns for a second stay at the IPS office, should be

seriously considered by other IPSs as well. The duration of each assignment, however, should not be limited to two months as it is the case in Tokyo.

238. The manner in which delegates are selected needs to be based on stricter criteria. Some candidates were found inefficient or lacking professional qualifications. The IPS should be closely involved in their selection and should be able to interview applicants before selection. This is already practised by some offices. To assess the suitability of the candidate and to be able to adjust the Delegates Programme to the participant's specific training needs, detailed information on his background and experience in investment promotion is needed.

239. Former delegates found that the administrative support provided by the IPSs was generally adequate. However, most delegates interviewed found that substantive support needs improvement. IPS staff time available to support delegates is rather limited. This also affects follow-up, when delegates return to their home countries. Efforts should be made to correct these shortcomings.

240. When the Delegates Programme was first started, participants were first assigned to the Industrial Investment Division at UNIDO Headquarters. This was found to be useful, particularly for getting acquainted with UNIDO's operations and methodologies, and to foster the delegate's identification with the Organization. This practice should be reinstated and a structured initiation programme should be developed along the lines of the JPC Induction Programme. In fact, all IPS staff should have intensive briefings at Headquarters. The lack of knowledge of UNIDO's operations hampers IPS staff in exploiting, explaining and advertising UNIDO's services.

3.9. Technical co-operation related to industrial investment

241. Investment-related technical co-operation projects are also undertaken in other parts of UNIDO besides IID, as described under 2.3.5. In a few cases this dispersal may be justified in light of the diverse expertise required, e.g. to undertake a pre-feasibility study for a technically sophisticated investment project. The lack of integration, however, has created a sub-optimal impact in cases where, for example, pre-investment studies carried out resulted in feasible and technically sound projects which, however, were not promoted up to actual investment. Furthermore, technical inputs desirable during the screening process of investment projects have reportedly not been obtained on regular basis.

242. Investment promotion work requires commercially-oriented approaches and specialized methodologies which need to be instilled in investment promotion agencies established or strengthened through technical assistance institution building projects. The latter should not be handled by organizational units concerned with technical assistance only, which lack expertise in commercial investment, but by that organizational unit which is specialized in investment promotion work. This would also facilitate a unified marketing of a defined UNIDO approach to this subject. IID is already carrying out some of these projects. Co-operation with the investment promotion agencies established and assisted by IID have a greater promise to continue after assistance ceases provided they are included in UNIDO's network. Applying this concept would go a long way towards sustained strengthening local capabilities in project

identification, preparation and promotion, fostering working relations in those developing countries which, in the long run, will participate in UNIDO's network.

243. An inter-country network of such agencies following harmonized approaches would facilitate the flow of experiences from project to project and avoid the present situations where an inordinate amount of time is spent developing methodologies to prepare profiles, appraise projects, analyze and describe project cycles, and develop training course materials on such topics.

244. With regard to such investment institution building projects, the following recommendations are made on the basis of the observations during visits to some of them:

- The technical co-operation projects should ensure that the institution assisted establishes strong contacts with local sponsors and with the UNIDO investment network which has links with investors;
- In some cases, the projects should become more involved in advising the government on foreign investment policies and procedures.

245. Finally, those technical co-operation projects backstopped by other organizational units which have investment potential should be clearly identified from the start, as UNDP does, and IID be informed of any investment project proposal identified and/or developed for their appraisal and subsequent promotion. UNIDO's Area Programmes and Appraisal Section and the Project Review Committee should be more vigilant in this regard.

3.10. Information databases

246. The information systems designed for the staff of IID and IPSs are used to limited extent only, and most certainly not up to their potential. This applies to both INPRIS and even more to INTIB files (see 2.3.6). It is somewhat surprising that the INTIB file on technologies is not used more frequently, possibly because it is not well-known to many potential users. INTIB staff should spend more time demonstrating the system's capabilities to the many potential in-house users. One reason why INPRIS is not used much is that the information in each of the files (specified in 2.3.6.) is out of date. Moreover, staff members of IID and IPS are not very knowledgeable about the software capabilities of the system. For users outside Headquarters such as IPSs it is still complicated and time-consuming to access the UNIDO mainframe. To fill the vacuum IPSs have developed their own systems. The system developed by IPS Milan should, with suitable modifications, be installed at Headquarters and all IPSs. Discussions have already commenced on this.

247. The INPRIS Investment Projects file should be updated on a regular basis. Some staff members use this file for reference only. For the file to be more useful for portfolio management more information from the full project profile should be added as well as more detailed information on promotion actions taken and follow-up required. Specific details on the investment package being negotiated should be included.

248. The Foreign Partner (investor) file could be retained but it seems that no one actually uses it, primarily because the information is out of date, but also because IPSs maintain their own files, and use commercial databases to identify potential investor companies. Commercial systems offering on-line databases as well as handbooks with company information for various countries should systematically be consulted for updating and supplementing IPSs databases.

249. The Financial Institution file is not used by staff members at Headquarters or the IPSs because they already have a knowledge of the suitable financial institutions in their host countries. There is no need to maintain such a file on the computer.

250. The Counterpart Institutions file should be updated as it seems to have value which can be enhanced.

251. Besides the information presently retained in the database files, there are other kinds of information of value to the investment promotion agencies, IPSs and UNIDO, such as information on local companies who are potentially viable partners for foreign investors. To our knowledge, this information is only incompletely available from commercial databases. It may even be possible to commercially exploit this information.

252. In addition, other types of information are needed; for example, information about the investment environment, such as policies and regulations, and basic economic data of countries. UNIDO investment promotion staff should use, *inter alia*, ITC trade flow information as these aspects are a vital component important to identify investment opportunities since many potential projects are export-oriented.

253. Information available on commercial databases is rapidly expanding. Recent developments should be closely monitored and exploited by UNIDO.

254. The INPRIS system is installed in the UNIDO mainframe to which, in principle, every IID staff member has access. Information systems/networks should have a minimum of redundancy, which means information should be stored and updated centrally. A decentralized system on microcomputers bears the risk of updating the same file differently, with the result that staff members work with information of differing reliability. Therefore, INPRIS should remain on the mainframe and be further developed there. This would also facilitate an eventual integration of pure investment projects with those technical assistance projects which may lead to or even require investment in the follow-up. The latter are already maintained to some extent on the mainframe.

255. The ISIS system on which INPRIS is based is very powerful, but it was found that its full capabilities are not known to staff members and therefore not exploited. For example, IID staff members have to prepare regular reports on the progress of their projects. Numerical data for the report is calculated without making use of INPRIS, even though the system could, if properly set up, provide the statistical analyses required. Training for all users of INPRIS is essential so that they might fully appreciate the system's capabilities and use it to its potential. Prior to such training, the varied and sometimes differing information needs have to be determined and programmed into the system to allow it to meet all requests.

256. Since it is proposed that the INPRIS system will be used by staff members at both Headquarters and the IPSs, the mainframe should be readily accessible from outside UNIDO Headquarters. Its capacity to be accessed by 12 persons at a time needs to be realized. INPRIS on the mainframe works in page mode; therefore, the technical requirements for an access from outside are more costly than they would be with line mode. Nevertheless, the DATEX-P type communication links in page mode should be installed at the IPSs so that they can use INPRIS from their offices for their promotion activities. This access should be user-friendly. The log-in time should be as fast as it is with commercial databases. As a reference: access to commercial databases is possible within 30 seconds. In addition, just one password should be necessary to get into the mainframe and then straight to the INPRIS system. A central system would, inter alia, require standard investment project management and information systems at all IPSs and at Headquarters.

257. An electronic mail system could be of interest for communications between Headquarters and the IPSs, and among the IPSs. Some staff members of IID and IPSs were of the opinion that at present an electronic mail system is of secondary priority since the time saved is really not that critical. So this remains a long-term option.

In summary:

- INPRIS should become the central repository of investment project Management Information System (MIS) and the information contained in the Investment Projects files should be expanded and kept up-to-date as a first order of priority.
- The Foreign Partners file can be retained but needs to be updated.
- The Financial Facilities and Institutions file is no longer required except for internal IID use.
- A Local Sponsors file should be built up with information about companies in developing countries. This information could eventually be offered to commercial database producers.
- The joint venture file of the INTIB System should be integrated into INPRIS.
- For further information needs, which cannot be satisfied from internal sources, there should be the possibility to make searches in on-line databases.
- All staff members should be trained in the full capabilities of the INPRIS system so that it can be properly and fully used to increase staff productivity.
- Statistical information required for performance reporting should be ascertained (i.e. to monitor project promotion performance, prepare monthly reports, etc.) and the ISIS software should be fully exploited facilitate the preparation of these reports (develop display formats, etc.).

- For each type of information required, there should be standardized questionnaires and other forms so that computer input work is facilitated.
 - On-line access from outside should be more user-friendly. Computer access should not take longer than 30 seconds (as with commercial databases) and just one password should be necessary to get straight into the INPRIS System.
 - Country risk, policies, incentives information/market information should be obtained as much as possible from commercial data files and ITC. For countries not covered, UNIDO should maintain such information and make it available commercially. Moreover, a file on local sponsors not covered by commercial databases should be developed and made available.
 - To achieve all these changes, a professional staff member working full-time should be appointed who would be responsible for the development and maintenance of an improved INPRIS System. This information manager should be an expert in the capabilities of database systems and have in-depth knowledge of the work and information needs of IID, IPSs, focal points and investment programme end users. This staff member should be capable of fulfilling the following tasks:
 - Preparing an analysis of the varying information needs of the different staff members at Headquarters and the IPSs;
 - Programming this data into the ISIS software, including corresponding display formats for the above-mentioned figures, etc.;
 - Designing user-friendly access from outside the House;
 - Training staff members at Headquarters and the IPSs;
 - Updating the various files as required;
 - Analyzing and proposing files to be deleted and proposing new ones;
 - An action which can be immediately pursued until the changes suggested above can be implemented is to introduce to INPRIS and all IPSs the file format used in Milan's DIPP database as a standard file format to exchange data between the IPS offices and UNIDO Headquarters. DIPP runs on PCs and has been based on dBase III+. DIPP files can, therefore, be used with a lot of software packages, like Lotus 1-2-3, for further processing. Using DIPP file formats would give users the freedom to use the DIPP application or to develop their own application within dBase III+ or dBase IV, in order to view and use the information contained. The updating of this information should take place in Vienna.
- As soon as the necessary adjustments of INPRIS on the mainframe have taken place, the information could be transferred from the DIPP system on the central PC in Vienna where the data updating takes place, to INPRIS on the mainframe.

UNIDO programme evaluation mandates and activities

In response to mandates given by the Policy Making Organs UNIDO, over the past three years, has made appreciable progress in preparing for and undertaking evaluations of technical co-operation including refining and improving the relevant methodologies.

Prior to 1988, not much attention had been focused on the evaluation of Headquarters programmes. Comparable work, done in the past, did not generally constitute a proper evaluation, since it did not address the questions of programme relevance, effectiveness and impact and, with a few exceptions, tended to concentrate on the achieving of outputs, activities undertaken and financial statements. Furthermore, findings were not structured so as to ensure their application.

In 1988 the Evaluation Staff of UNIDO commenced their evaluation of Headquarters programmes by undertaking an in-depth evaluation of the System of Consultations. The report of this evaluation was submitted to the Fifth Session of the Industrial Development Board (IDB) of UNIDO in July 1989 and received a positive response. Furthermore, the IDB concluded that the evaluation of Headquarters programmes was a useful management tool to monitor and steer the programmes and decided to institutionalize this activity. As a consequence, the IDB, in its Fifth Session, adopted decision 5/12 on evaluation of UNIDO's programmes and activities, which reads as follows:

"The Industrial Development Board:

(a) Recalled conclusion 1989/4, paragraph (j) of the Programme and Budget Committee, which agreed on the important role of systematic and long-term scheduled in-depth reviews of UNIDO Headquarters and field programmes as a source of feedback to the decision-making process of the Organization, and recommended to the Board that it ensure that further action is taken to that effect during the 1990-1991 biennium;

(b) Took note with appreciation of the report on the evaluation of the System of Consultations as a first in-depth programme evaluation to be carried out by the Evaluation Staff of the Office of the Director-General;

(c) Requested the Director-General to undertake further in-depth evaluations of the important activities of the Organization, giving priority in particular to:

- Development of human resources;
- Economic co-operation among developing countries, inter alia, solidarity meetings;
- The industrial investment activities of UNIDO, namely (i) investment project identification and preparation and (ii) investment projects promotion including the Investment Promotion Services;
- Development and transfer of technology;
- Special trust fund projects.

(d) Requested the Director-General to report to the Board at its Sixth Session on the implementation of the present decision."

Decision 5/12 was subsequently endorsed by the Third General Conference of UNIDO. It was later complemented by decision 6/14 of the IDB at its Sixth Session, which reads as follows:

"The Industrial Development Board:

(a) Noted with interest the increasing role of systematic and long-term scheduled in-depth reviews of UNIDO Headquarters and field programmes in the decision-making process of the Organization;

(b) Urged the Director-General to strengthen the resources available to ensure effective and systematic in-depth evaluations and their follow-up;

(c) Requested the Director-General, two years after the completion of an evaluation, to outline in the annual report the actions which have been taken to implement the recommendations made;

(d) Recalled Board decision IDB.5/Dec.12, whereby the Director-General was requested to undertake further in-depth evaluations in five priority activities of the Organization;

(e) Urged the Director-General to undertake in-depth evaluations of the five activities of UNIDO requested in the aforesaid decision according to the plans indicated in paragraphs 8 to 14 of document IDB.6/2;

(f) Requested the Director-General to continue to develop UNIDO methodology and practices in its evaluation activities and to report on that issue to the General Conference at its Fourth Session."

Therefore, the choice of carrying out the in-depth "Programme" Evaluation of UNIDO's Industrial Investment Activities was in accordance with the plan indicated in paragraphs 8 to 14 of the document IDB.6/2 endorsed by the IDB at its Sixth Session (IDB.6/Dec.14, para. (e)).

Annex 2

Objectives, outputs and programme/subprogramme elements

Subprogramme 4: Pre-investment activities
1984-1985

Programme element^{a/}

Medium-Term Plan 1984-1989

Programme and Budget 1984-1985
Programme element and output/service

Objective

Assist developing countries, by the promotion of an increasing flow of investment resources and through the implementation of technical co-operation projects, to expand their industrial participation.

1. Preparation of feasibility studies for industrial investment

1.1 Preparation of sales publications on industrial feasibility studies for national and international financing organizations, governmental bodies, managers and staff of national consulting firms.

1.2 Preparation of computer model for feasibility analysis and reporting (COMFAR), a computer programme for project preparation and evaluation.

2. Identification and formulation of industrial project proposals for international co-operation in developing countries.

2.1 600 industrial investment project proposals identified and formulated for subsequent promotion among potential partners in industrialized and selected developing countries.

2.2 50 industrial investment project proposals for redeployment of industrial production facilities identified.

3. Development and application of promotion tools for international co-operation in developing countries.

3.1 200 manufacturing profiles ("How to start manufacturing industries") prepared and earlier profiles revised and updated.

^{a/} As indicated in P&B document.

4. Promotion of industrial investment projects in developing countries.

5. UNIDO/World Bank co-operative programme.

3.2 List of 200 selected industrial investment projects published.

3.3 Roster of resources enlarged to include 3,000 to 4,000 enterprises in industrial countries and selected developing countries prepared to participate in co-operation.

3.4 Series of industrial investment profiles describing investment conditions and other relevant information.

3.5* Computer data bank linking UNIDO with World Bank the International Finance Corporation, the Centre for Industrial Development, and other bilateral and private sources of industrial investment projects; with accessibility to national investment agencies, development finance companies, etc. in developing countries.

4.1 6 investment promotion meetings prepared and organized.

4.2 50 country presentation tours arranged for 12 developing countries.

5.1 5 joint projects implemented.

5.2 8 industrial sector studies carried out, utilizing specialized knowledge of UNIDO and the World Bank.

5.3 Technical assistance projects financed by the World Bank and executed by UNIDO.

6. Mobilization of financial resources for industrial investment projects in developing

7. UNIDO Investment Promotion Services

8. Upgrading of capabilities of officials concerned with the financing of industrial development and with investment in developing countries.

6.1 Technical publication on directory of financial resources for industrial projects in developing countries - updated and expanded.

7.1 Operation of and substantive support to about 10 UNIDO investment promotion services whose output is expected to be the promotion of international co-operation of about 150 industrial projects and the training for various durations in investment promotion of about 50 officials from developing countries.

8.1 250 officials from developing countries attended three-month courses on industrial development financing and pre-investment subjects.

8.2 20 officials from developing countries trained on-the-job in IPS's, including special sector training with industry in Japan and other countries.

Subprogramme 4: Pre-investment activities
1986-1987

Programme element

Medium-Term Plan 1984-1989

Programme and Budget 1986-1987

Programme element and output/service

Objective

To secure investment for industrial development in developing countries by means of technical co-operation programmes and the encouragement of promotional measures.

1. Preparation and evaluation of feasibility studies for industrial investment.
2. Upgrading national capabilities to conduct pre-investment studies.
3. Computer applications to pre-investment studies
4. Identification and formulation of industrial project proposals for international co-operation in developing countries.
5. Development and application of promotion tools for international co-operation among developing countries.

- 1.1 5 inter-country projects, 5 interregional/global projects and 30 country projects completed and 30 new projects initiated.
- 2.1 3 inter-country projects and 15 country projects in 12 countries on-going, 10 of which will be completed and 20 new projects commenced.
- 3.1 25 projects in 15 countries completed and 40 new projects initiated.
- 3.2 Maintenance and expansion of COMFAR.
- 4.1 700 industrial investment project proposals for developing countries identified and formulated for promotion among potential partners in industrialized and selected developing countries.
- 4.2 250 industrial investment projects identified for redeployment of industrial production facilities.
- 5.1 Series of technical publications.

6. Promotion of industrial investment projects

6.1 6 investment promotion meetings prepared and organized.

6.2 50 country presentation tours for ten developing countries arranged.

6.3 Advisory services on the creation of joint ventures provided.

7. UNIDO/World Bank co-operative programme.

7.1 Series of technical publications jointly prepared.

7.2 Identification and preparation of 20 technical assistance projects for financing from IBRD loans and IDA credits and executed by UNIDO.

8. Mobilization of financial resources for industrial investment projects in developing countries.

8.1 Technical publications.

9. UNIDO Investment Promotion Services.

9.1 Operation of and support to UNIDO Investment Promotion Services and strengthening of the network of institutions to carry out similar tasks in selected developing countries.

9.2 200 industrial investment projects in developing countries promoted.

9.3 50 officials from developing countries trained.

Subprogramme 4: Pre-investment activities
1988-1989

Programme element

Medium-Term Plan 1984-1989

Programme and Budget 1988-1989
Programme element and output/service

Objective

To further industrial investment in developing countries through the promotion at the enterprise level between project sponsors in developing countries and potential partners in industrialized and selected developing countries.

1. Identification and formulation of industrial investment project proposals for international co-operation in developing countries.

1.1 700 industrial investment project proposals from developing countries identified and formulated for promotion among potential partners in industrialized and selected developing countries.

1.2 260 opportunities in industrialized countries identified for redeployment of industrial production facilities to developing countries.

2. Promotion of industrial investment projects in developing countries

2.1 6 investment project promotion meetings prepared and organized.

2.2 50 country presentation tours for 10 developing countries.

2.3 5 investment project promotion meetings prepared and organized in Africa.

3. Development and application of promotion tools for international co-operation among developing countries.

3.1 Technical publications.

3.2 Maintenance and expansion of the investment promotion information system (INPRIS) and the project profile screening and pre-appraisal information system (PROPSPIN).

4. UNIDO Investment Promotion Services

4.1 Support to and of network of UNIDO investment promotion services and strengthening of the network of institutions carrying our similar work in other countries.

4.2 150 industrial investment projects in developing countries concluded.

4.3 Orientation in investment promotion of 50 officials from developing countries.

5. Mobilization of financing resources for industrial investment projects in developing countries.

5.1 Development of programmes of co-operation with international, regional and national development finance institutions.

5.2 Technical publications: directory or development finance institutions (update).

6. Programme formulation and management

6.1 Development and formulation of policies and procedures, planning and directing, co-ordination and supervision of the overall work of division.

6.2 Relationship with World Bank Development of industrial sectoral work focussing on selected subsectors etc.

6.3 Co-ordinate UNIDO's country policy and industrial sector work with WB.

6.4 8 technical assistance projects for bank financing or financing on a cost-sharing basis between UNIDO/UNDP and the WB for UNIDO execution.



UNIDO

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INDUSTRIAL INVESTMENT DIVISION

INDUSTRIAL INVESTMENT PROJECT PROFILE

Country: _____ *Project number: _____

*ISIC: _____ Submission date: _____

Project title:

Project description

Part A - Information on the project

1. Technical aspects

1.1 Is this project a new enterprise or expansion/modernization of an existing one?

1.2 Product(s) to be manufactured:

* To be filled in by UNIDO

1.3 For which market? (Export, local, etc.):

1.4 Plant capacity and manufacturing process:

1.5 Availability of manpower, raw materials and utilities (power, water, etc.):

1.6 Plant location and availability of infrastructural facilities:

2. Financial aspects

2.1 Total project cost, broken down into land, construction, installed equipment and working capital, indicating foreign exchange component:

	<u>Local currency component (in US\$)</u>	<u>Foreign currency component (in US\$)</u>	<u>Total (in US\$)</u>
Fixed investment:			
Land			
Buildings			
Machinery and equipment			
Working capital			
Pre-operational expenses			
Interest during construction			
Provision for contingencies			
	_____	_____	_____
Total	_____	_____	_____

2.2 Proposed financial structure, indicating expected sources and terms of equity and loans:

	<u>Local sources (in US\$)</u>	<u>Foreign sources (in US\$)</u>	<u>Total (in US\$)</u>
Equity			
Long-term loans			
Medium-term loans			
Short-term loans			
	_____	_____	_____
Total	_____	_____	_____

2.3 Information on profitability and return on investment:

3. Foreign contribution desired

Indicate whichever is needed among the following:

- Equity participation
- Loans
- Licence and know-how
- Access to foreign markets
- Other

4. Project study available:

- Pre-feasibility
- Feasibility
- Other
- None

5. Currency exchange rate used:

Date:

Rate: US\$ 1 =

Part B - Information on sponsor(s)

Do you wish to have this information kept confidential? Yes No

1. Name of company:

Address:

Telephone and telex numbers:

Contact person:

2. Business experience (present line of business):

3. Annual turnover (gross sales) (in US\$):

4. Present ownership:

5. Share capital (nominal):

6. Bank connections:

7. Affiliated companies:

8. Year of establishment:

9. Number of employees:



Country:	*Project No.:	*ISIC:	Date of submission:
Project title:			
Project summary	Total project cost (in \$US million equivalent)	Foreign co-operation sought	
Product:	Land and buildings:	Cash investment	<input type="checkbox"/>
Planned capacity/output:	Machinery and equipment:	Equity	<input type="checkbox"/>
Location:	Working capital:	Loans	<input type="checkbox"/>
Market: Domestic _____ %	Other: _____	Joint venture	<input type="checkbox"/>
Export _____ %	Total: _____	Subcontracting	<input type="checkbox"/>
This is <input type="checkbox"/> a new project <input type="checkbox"/> the expansion/modernization of an existing project	Foreign exchange portion:	Licensing	<input type="checkbox"/>
	Ownership structure: _____ % local private _____ % local State _____ % foreign	Sale of technology	<input type="checkbox"/>
We have <input type="checkbox"/> a feasibility study dated _____ <input type="checkbox"/> a detailed project description <input type="checkbox"/> other studies:	There is a local partner:	Turnkey project	<input type="checkbox"/>
	Public sector <input type="checkbox"/> Private sector <input type="checkbox"/> Not yet identified <input type="checkbox"/>	Equipment supply	<input type="checkbox"/>
		Market access	<input type="checkbox"/>
		Expertise	
		Management	<input type="checkbox"/>
		Technical	<input type="checkbox"/>
		Training	<input type="checkbox"/>
		Marketing	<input type="checkbox"/>
Brief description of the project			
Responsible Officer: _____			

*To be filled in by UNIDO.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INDUSTRIAL INVESTMENT DIVISION

INDUSTRIAL INVESTMENT PROFILE

Country: *ISIC:	*Project No.: Date of Submission
Project Title:	

One of the principal tasks of UNIDO's Industrial Investment Division is the identification and subsequent promotion of industrial projects to be located in developing countries.

The purpose of this form is to present sufficient information on a proposed project to enable a potential partner to decide whether it is of interest to him or not. It is important, therefore, that the form be completed in as much detail as possible.

If insufficient space has been provided for certain answers, or if a particular aspect of relevance to the project is not covered by the form, please attach additional sheets. On the other hand, if you do not have sufficient information to answer a question, try to estimate to the best of your knowledge (and indicate this) or leave the question blank and proceed to the next one.

Please indicate which part of the information, if any, you wish to have treated confidentially.

Any correspondence concerning the proposed project (and any other matter connected with industrial investments in developing countries) should be addressed to:

The Director
Industrial Investment Division
United Nations Industrial Development Organization (UNIDO)
P.O. Box 300
A-1400 Vienna
Austria, Europe

Telephone: (0222) 2631 4811/12
Telex: 135612

* To be filled in by UNIDO.

1. PROJECT DESCRIPTION

- 1.1 Is this a new project or an expansion/modernization of an existing project? New
 Expansion/modernization

Who initiated the project and when? _____

1.2 What are the products to be manufactured? Describe size, quality, and other important specifications of each product to be produced.

- 1.3 Which background information is available on the project (e.g. pre-feasibility study)? Please list and give dates when they were carried out and by whom, including studies under preparation, or necessary updating:
- None
 - (Pre-)feasibility study
 - Detailed project description
 - Technical study
 - Market study
 - Other

2. PLANT CAPACITY

2.1 Specify plant capacity, i.e. what is the "rated" capacity (maximum production) of the plant?

- 2.2 On what basis has the proposed plant capacity been estimated? Projected sales
 Minimum economic size
 Other (specify)

2.3 Describe the annual production programme for each finished product (main product(s), by-product(s)) to be manufactured.

Production Quantity

Product	Unit	Per hour	Per shift	Shift/day	Working days/year	Quantity per year

2.4 If this is an expansion/modernization project, give details on present production, bottlenecks, reason for modernization, expansion, etc.

4.1 Indicate in the following table what utilities will be required.

Type	Quantity (per year)	Unit price delivered at factory	
		Local currency	US\$ equivalent
Fuel, oil, etc.			
Coal			
Gas			
Electricity			
Water			
Other			

4.2 Is sufficient electricity already available at the proposed site to operate plant at full capacity? Yes No

If not, is additional supply planned for the future? Yes No

4.3 Is there information available on electricity supply failures and interruptions? Yes No

4.4 Is water available in sufficient quantity at the proposed site? Yes No

4.5 Is the supply of water constant or are there seasonal fluctuations?

4.6 Is the quality of the water at the proposed site satisfactory or are treatment facilities such as seawater desalination required?

4.7 Indicate what additional investment, if any, will be necessary in respect of the following items:

Electricity generators	_____
Transmission lines	_____
Sub-stations	_____
Water wells	_____
Water pipes	_____
Other (specify)	_____

US\$

5. LOCATION AND SITE

The following questions may only be answered if the site has already been selected or proposed:

5.1 Where is the factory to be built or expanded?

5.2 Why was this location selected?

Close to raw materials

Close to markets

Convenient for transportation

Close to existing facilities

Other (specify)

5.3 Is there a Free Trade Zone or an Industrial Estate in which the factory could be built?

Yes No

5.4 How much land will be required?

_____ square meters

How high is its estimated unit cost?

US\$ _____ per square meter

Is land readily available?

Yes No

If not, indicate how you propose obtaining land:

5.5 Are adequate transportation facilities (road, rail, port) available at the proposed site?

Yes No

5.6 Are post and telecommunication facilities available?

Yes No

5.7 Are there housing facilities near the proposed site which could accommodate workers?

Yes No

If not, are there plans to erect housing facilities?

Yes No

5.8 What environmental impacts are expected to result from the project?

Do relevant environmental protection regulations exist?

Yes No

Are existing waste disposal (effluent treatment) facilities adequate?

Yes No

5.9 What additional investments may be required to overcome deficiencies in:

US\$

Transportation _____

Communication _____

Housing _____

Waste disposal _____

Environmental _____

protection _____

Other (specify) _____

6. MANAGEMENT AND LABOUR

6.1 List estimated local and foreign personnel requirements and average annual wages, inclusive of all allowances and benefits, required when the proposed plant is operating at full capacity (in the case of expansion/modernization, indicating present and projected figures).

Administration and production	Local		Foreign	
	Number	Annual wage/ person (US\$ equivalent)	Number	Annual wage/ person (US\$ equivalent)
Management				
Clerical				
Technical supervision				
Skilled labour				
Unskilled labour				
Seasonal labour				
Other (e.g. marketing staff)				
Total				

6.2 What staff training will be needed to ensure the effective operation including maintenance and repair of the project?

	No. of staff requiring training		Proposed duration	
	Locally	Abroad	Locally	Abroad
Management				
Technical supervision				
Skilled labour				
Clerical				
Marketing				

6.3 What type of assistance will be needed from foreign staff, and for how long? Indicate also the level and number of staff needed to provide the assistance foreseen.

Type of assistance	Level of foreign personnel	Number	Duration of assistance

7. : LOCAL MARKET

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7.1 Estimate the current annual demand in your country for the product(s) envisaged by this project:

At what rate is the local market expected to expand over the next few years?

_____ % per year

7.2 How is this demand for each product being satisfied at present?

_____ % by local production

_____ % by importation

7.3 If imported, what are the current c.i.f. landed costs per unit of product(s) for each of the products? What are the duty tariffs, taxes and other costs?

7.4 If locally produced, what are the current selling prices per unit of product(s)?

7.5 What measures will be taken to capture (a share of) the local market?

Requesting Government protection from imports

Offering lower sales prices

Manufacturing better quality products

Offering better servicing

Other (specify)

7.6 What percentage of your production is intended for sale on the local market?

_____ %

7.7 Is there a sales organization existing or is it necessary to build one up (size, qualifications)?

8. EXPORT MARKET

8.1 Does your country already export the product(s) to be manufactured by the proposed plant? Yes No

If yes, to which countries?

8.2 Is your product(s) subject to any special importation quotas in your export markets? Yes No

If yes, specify.

8.3 Will your product(s) benefit from trade agreements between your country and proposed export markets? Yes No

If yes, how?

8.4 What is the proposed f.o.b. selling price per unit for your product(s) on the export market? Yes No
(This information will be kept confidential.) US\$ _____

8.5 What percentage of your production is intended for exportation? _____ %

8.6 Is there additional staff (number, qualification) needed for export marketing?

9. PROJECT IMPLEMENTATION (FACTORY ESTABLISHMENT)

9.1 Do you consider the technology envisaged appropriate for your project (labour or capital intensive, etc.)? Yes No

If not, have alternative technologies been investigated? Please specify. Yes No

9.2 What licences or technical know-how will be required for the project?

9.3 Are plant and machine operators and erection (i.e. construction) personnel available locally? Yes No

If not, how do you expect to hire them?

9.4 What is the estimated time schedule required for the following activities?

Months

Completion of additional studies	_____
Supply of machinery	_____
Planning, engineering, and erection of plant	_____
Completion of arrangements for supply of raw materials	_____
Completion of arrangements for marketing of finished products	_____
Start-up and initial operations	_____

Approximately how much time do you estimate will elapse from the time the investment decision is taken to the start-up of the plant? _____

1C. INVESTMENT COST AND FINANCING

10.1 Estimate of investment costs (as of _____):
(DATE)

	Local Currency	Foreign Currency	Total
	(expressed in US\$)		
Land			
Site preparation			
Design and engineering			
Buildings and civil works			
Auxiliary and service facilities e.g. Utilities			
Infrastructure			
Plant machinery and equipment			
Pre-production capital expenditures			
SUB-TOTAL			
Contingencies			
TOTAL FIXED INVESTMENT			
Working capital			
TOTAL INITIAL INVESTMENT			

10.2 Proposed sources of finance:

	Local currency	Foreign currency	Total
	(expressed in US\$)		
Equity			
Long term loans			
e.g. Suppliers' credits			
Official loans or credits			
(Source: _____)-----			
Other (specify)			
Short and medium term loans			
TOTAL FINANCING			

10.3 What ownership (participation is equity) is foreseen for the project?

_____ % local (private)
 _____ % local (state)
 _____ % foreign

11. NATIONAL ECONOMIC AND SOCIAL BENEFITS

11.1 How does this project fit into the Government's national economic development plan?

11.2 What other projects, either operational or planned, have important technical or commercial backward, downstream, or horizontal linkages (connections) with the proposed project?

11.3 Describe the direct and indirect social benefits which are expected to result from the proposed project.

12. FOREIGN CO-OPERATION SOUGHT

Cash investment

- Equity

- Loans

Joint venture

Sub-contracting

Licencing

Sale of technology

Turnkey project

Equipment supply

Market access

Expertise

- Management

- Technical

- Training

- Marketing

INFORMATION ON SPONSOR(S)

Do you wish to have this information kept confidential? Yes No

1. Name of company:

Address:

Telephone and telex numbers:

Contact person:

2. Business experience (present line of business):

3. Annual turnover (gross sales) (in US\$):

4. Present ownership:

5. Share capital (nominal):

6. Bank connections:

7. Affiliated companies:

8. Year of establishment:

9. Number of employees:

Questionnaire on project local sponsor

1. Name of the company (person)
2. Type and fields of primary and secondary activities (manufacturing, trading, service, others)
3. Address, telephone, telex, fax
4. Established in year
5. Legal form of the company (limited liability, joint stock, partnership, other)
6. Main partners
7. Ownership (public, private, co-operative, other)
8. Number of staff and employees

	Direct	Technical	Administrative	Total
Number of people				
Wage/Salary per person (monthly)				
Hours per shift				
9. Production				
	Product 1	Product 2	Product 3	
Description				
Price				
-domestic				
-export				
Annual quantity produced				
% of capacity utilized				
If production capacity is not fully utilized, give reasons.				

10. Annual consumption of raw materials

Domestic Imported

Quantity

Annual cost

Are the raw materials available throughout the year or seasonally?

11. Domestic market

11.1. Sales level in the last 3 years

11.2. Main competitors and their share in the market

12. Export market

12.1. Value of export in the last 3 years (in fob prices in US\$)

12.2. Share of export in total sales revenues in the last 3 years

12.3. Main export markets (countries, regions)

If no products are exported, give reasons and assess export development possibilities in the next 3 years.

13. Short description of production process

14. Existing production facilities

Area (in sq.m.)

Value

Land

Area covered

Other facilities and utilities

Sources of energy

Is energy continuously available?

Water supply

Transport connections

Sewage system

Waste treatment

Others

15. Impact of production on natural environment

16. Machinery and equipment

Item	Origin (local or imported)	New or second hand	Made in year	Installed in year	Annual production capacity	Value in US dollars
------	----------------------------------	--------------------------	-----------------	----------------------	----------------------------------	---------------------------

Total

17. **When did the company carry on the last investment?**
Year
Cost
Details
18. **Any investment under implementation or planned within the next 3 years (other than project under consideration)?**
19. **Sales policy**
Direct sales (how many buying enterprises?)
Wholesale (how many wholesalers?)
Exclusive distributors (how many?)
Others
20. **How is the after-sale service organized?**
21. **What terms of credit does the company offer to its customers?**
22. **Any short- or medium-term agreements signed (co-operation, license, others)**
23. **Investment in other companies**
Form
Value in US dollars
24. **Are any of company's assets mortgaged? If yes, specify.**
25. **Professional background of top management**
26. **Name and address of the bank, where the company has an account**

Please enclose:

1. Company profile, if available. If not, describe the company on 2-3 pages.
2. Profit & Loss Account for the last 3 years.
3. Balance Sheet for the last 3 years
4. Annual Report of the last years
5. Copy of Registration Certificate or Certificate of Incorporation, if the company is newly established
6. Photos of company's site
7. Any other information or materials that you consider relevant.

Comparison between COMFAR and PROPSPIN

Inputs and calculation mode

Comparison of input data required by COMFAR and PROPSPIN on investment, its financial structure, production costs and quantities, working capital, sales, prices and income tax reveals that they are almost identical. Time needed to input all data and get the results of calculations on the same project is also very similar.

Both programmes can be used for the very first appraisal of investment projects and very simple calculations, when only a limited qualifiable information is available (in the extreme case, this information can be limited to a few basic numbers: total initial investment, sources of its financing, total annual production costs and sales revenues, minimum days of coverage for the estimation of working capital required).

There are certain differences in input tables of COMFAR and PROPSPIN. Those, which may have some impact on the completeness and clearness of financial analysis, are listed below:

- (i) In PROPSPIN all entries are made in one currency, nevertheless, certain other input data allow to disaggregate them into foreign and local component (percentage share of foreign investment in total cost, cif prices for material inputs, export share in total sales, etc.).
- (ii) The structure of the initial investment table in PROPSPIN allows for a more detailed and better diversification of investment costs; an important item among them are contingencies, which are not explicitly mentioned in COMFAR and unexperienced financial analysts tend to forget about them.
- (iii) PROPSPIN offers one type of depreciation (straight line) and one type of debt repayment (constant principal); in COMFAR three types of both depreciation and repayment can be entered.
- (iv) In PROPSPIN one disbursement of each loan is possible, in COMFAR the disbursements can be determined separately for each year of construction and operation period.
- (v) In PROPSPIN investment during production is limited to replacement, automatically made by the programme when the depreciation period is over; in COMFAR the user can specify the period and the amount investment during operations himself.
- (vi) PROPSPIN assumes that raw materials, utilities and direct labour are hundred per cent variable costs and all the others are hundred per cent fixed; in COMFAR the user specifies the degree of variability of each separate item of production costs.

The methodology of both COMFAR and PROPSPIN is based on the UNIDO Manual. Yet, there are certain differences in outputs produced by both programmes. These differences result from the following slightly different assumptions underlying COMFAR and PROPSPIN:

- (i) The operating period is different in both programmes: in COMFAR it is always 15 years, in PROPSPIN it is 15 years minus the construction period. therefore, the operating period is always shorter in PROPSPIN and it is one of the reasons that PROPSPIN produces lower profitability measures based on discounted cash flows.
- (ii) COMFAR assumes that loan disbursements are made in the middle of the period and PROPSPIN - at the beginning; these different assumptions cause different financial costs (interest payments) in the same year of operations, hence different total production costs.
- (iii) Depreciation charges
 - Depreciation on the initial investment in PROPSPIN is lower than in COMFAR, because of the different assumptions concerning items, which are included in the pre-production capital expenditures: in COMFAR interest charged on loans during the construction period, as well as the expenses on marketing, training, trial runs, etc. are included in the pre-production capital expenditures and depreciated, while in PROPSPIN these two groups are treated as operating expenses made during the construction period (COMFAR approach reflects the methodology presented in the Manual and international standards of financial analysis).
 - Depreciation charges on investment made during operations are calculated in different ways: in COMFAR depreciation is charged starting from the year following the investment, in PROPSPIN - starting from the same year that the investment is made; these differences result again in different total production costs.
 - Working capital required, although assessed on the same basic methodology, is different in both programmes (the total amount of working capital is higher in PROPSPIN) because of the different basis on which certain items of working capital (accounts receivable and payable, cash in hand) are calculated; this is the second basic reason causing the internal rate of return being lower in PROPSPIN than in COMFAR.
 - Initial working capital specified as input in PROPSPIN does not appear later on as a part of the total initial investment and hence - cash outflow in a cash flow table, giving a lowered figure in terms of finance required to cover the investment outlays; this assumption should be changed in the next version of PROPSPIN.

Different assumptions of both programmes, although not very significant, generate different results in terms of basic measures of the project's financial profitability. The level of the internal rate of return on the same project calculated by the two programmes can vary by a few percentage points. The range of the difference depends upon the size of the project, duration of construction period, share of loans in project financing and loans conditions, amount of the initial working capital and its subsequent increase during the operating period and the size and structure of investment made during production. Therefore, the results of COMFAR and PROPSPIN are not directly comparable.

Presentation of the results

In terms of the in-depth financial analysis COMFAR gives a better and more comprehensive information for the actual investment decision. One of the crucial differences between the two programmes is in the presentation of cash flow tables. PROPSPIN presents all the inflows and outflows of cash only in one currency, whereas in COMFAR all the inflows, outflows and cash balance for each year of construction and operation are disaggregated into those occurring in foreign and in local currency. This separate presentation is of vital importance for projects which generally produce a cash surplus (when total inflows and outflows in both local and foreign currency are taken as an aggregate), but are not liquid in terms of foreign currency. This is the case of projects which are in some part financed by foreign loans during the construction period and do not yield export revenues during operations.

COMFAR and PROPSPIN show the results of financial calculations in tables and schedules. The lists of output tables of both programmes are presented below:

COMFAR	PROPSPIN
1. Summary	1. Summary
2. Total initial investment	2. Depreciation
3. Investment during production	3. Debt service
4. Total production costs	
5. Working capital requirements	4. Working capital analysis
6. Source of finance	
7. Cash flow table	5. Cash flow table
8. Net income statement	6. Net income statement
9. Balance sheet	7. Balance sheet
	8. Ratio analysis

The list reveals similarity of the essential content of the output of COMFAR and PROPSPIN. In majority of cases, information which is not directly presented (like debt service or depreciation charges not separately listed in

COMFAR) in any of these programmes can be found in other tables and schedules (source of finance or production costs). Financial ratios (rates of return, pay-back-period, debt/equity ratio) listed all on one page in PROPSPIN are also calculated by COMFAR, but the user has to know where to look for them. Therefore, it could be recommended that certain modifications in the presentation are made in both programmes: For COMFAR, it would be good if all basic ratios were listed together; for PROPSPIN, the presentation of the total investment and total production costs in separate tables calculated by the programme would save the user time and effort of calculating them himself. Also one of the classic measures of project worth - net present value - currently not provided by PROPSPIN would increase its usefulness.

It should also be mentioned here that the structure and terminology used by both programmes in the same financial schedules for the presentation of the same numbers is not always identical. The most essential differences are listed below:

(i) Cash flow table

COMFAR	PROPSPIN
A. Cash inflows	A. Sources of cash
1. equity	1. equity
2. loans	2. loans
3. sales revenues	3. operating profit
4. changes in current liabilities	4. depreciation
B. Cash outflows	B. Uses of cash
1. investment incl. replacement	1. investment incl. replacement
2. changes in current assets	2. changes in working capital
3. operating costs	
4. debt service	3. debt service
5. income tax	4. income tax
6. dividends	5. dividends
C. Surplus/deficit (A-B)	C. Decrease/increase (A-B)
D. Cumulated cash balance	D. Cumulative net cash flow

The last two lines in both tables have exactly the same financial meaning (and should be the same numbers) but are called differently. The bottom line in PROPSPIN has a misleading name, because "net cash flow" in financial analysis is usually a total of net profit, interest and depreciation minus current investment expenses, not a simple difference between source and

use of cash. Net cash flows are used for the calculation of discounted measures of project profitability (internal rate of return and net present value).

(ii) Net income statement

COMFAR	PROFSPIN
1. sales revenues minus	1. sales revenues minus
2. variable costs = variable margin minus	2. direct costs = gross margin on sales minus
3. non-variable costs (incl. depreciation) = operational margin minus	3. indirect costs and depreciation = operational profit minus
4. cost of finance = gross profit minus	4. interest = profit before tax minus
5. income tax = net profit	5. income tax = net profit

All terms marked off in bold letters have exactly the same financial meaning (operational margin = operating profit, gross profit = profit before tax). Therefore, the application of different terminology can be confusing to the user.

In PROPSPIN the net income statement covers both construction and production period of project life, whereas by definition this financial document should include only the production period.

One more input data which could affect the results presented in the net income statement is the period of tax holidays (in PROPSPIN it is called "income tax deferred"). In PROPSPIN, this period is the total of construction period and the actual tax holidays, but this assumption is not mentioned in the Manual.

(iii) Balance sheet

The internal structure of assets and liabilities is different in both programmes. The one used in PROPSPIN provides more information and is closer to international standards and to the structure of the balance sheet presented in the Manual. However, the item listed as "cash" under current assets is in fact the sum of cash-in-hand from the working capital table and cumulative cash balance (the bottom line of cash flow table). Therefore, it should not be called "cash" and should not be listed as current asset. The explanation provided in the PROPSPIN Manual on this item is not adequate to the number actually calculated by the programme either.

Aggregate analysis of
questionnaires on investment fora

This annex is comprised of the analysis of 51 questionnaires selected from a total of some 100 filled in and returned by ex-participants at investment fora organized by UNIDO, either independently or jointly with organizations such as EEC, CDI, etc. In all 203 questionnaires were circulated. Of the 100 returned, some were disqualified as they were not properly completed.

The information provided in the questionnaires was useful for the evaluation exercise. More revealing, however, as was discovered by all who participated in the conduct of evaluations, were the actual interviews and discussions with the ex-participants. In addition to the questions posed in the questionnaires, other very worthy questions asked during interviews included:

- What pre-forum preparations did the local sponsor undertake?
- Was a project dossier prepared by the sponsor or was this activity left entirely to UNIDO and its collaborators?
- Is a development certificate/permit a pre-requisite for obtaining local inputs (financial, etc.)?
- What is the size of your project and has this proved to be a handicap in obtaining foreign inputs, e.g. from IFC and other DFIs?
- Has any condition been imposed by foreign partners that has resulted in a delay and/or failure of the project?
- In view of the size of your project, do you believe that the forum made it possible for you to meet people that it would have otherwise been impossible for you to meet?
- What is the exact background of the promoters; are they qualified in the sectors that they are promoting?

The review of fifty-one questionnaires resulted in their grouping per country as follows: Bangladesh (5); Cameroon (3); Indonesia (2); Kenya (18); Philippines (10); Poland (8); Senegal (3); Sierra Leone (1); Zaire (1). In view of the fact that the forms were not necessarily completed fully, the reader will not always see a correlation between the number of participants and the answers provided.

Although well over half of the respondees expressed satisfaction with the preparatory activities, this may not be an accurate reflection of their feelings. A widespread complaint is that the participants received little or no advance background information on the fora or on their potential partners, with the

result that many went to the fora ill-prepared. Without knowing how far in advance preparations for fora begin, it could be surmised from the returns that not enough time was given to the exercise. Also, it would appear that the co-ordination arrangements were not totally adequate.

A major disappointment centered around the fact that the genuine investors were far outnumbered by equipment vendors and consultants. Screening of foreign investors is widely called for. Also, some participating investors usually come from multinational organizations with little interest in small- or medium-scale projects. Multinationals have subsidiaries which might be better matched with entrepreneurs from developing countries. The list of potential investors should probably be examined so that fresh contacts can be made. A "Who's Who in Business" could be a goldmine in this respect.

At the local level, whereas UN offices and government bodies generally operate through contacts, newspapers are a good means for announcing upcoming fora to the local business community and are sometimes used.

Matchmaking on the part of the organizers under the present arrangements would seem to produce few results. It might be worthwhile if lists of potential partners were distributed well beforehand so that interested parties could make their own written introductions and other enquiries if need be prior to fora. Although the majority of respondees say that it is productive to negotiate a business deal with a partner you are meeting for the first time (Item 6), virtually all qualify this by stating that the fora are useful for "initial contact" only. Pre-matching, therefore, as sometimes carried out, seems necessary.

Although from the 51 questionnaires being considered, 182 projects were reported to have been discussed, with a few respondees stating "numerous", only 54 on the outside had a chance of materializing if discussions continued beyond the meeting (22). Reading the forms, one can get the impression that at least some local sponsors expect discussions will continue under the auspices of a UN or governmental body (7). Post-fora evaluations were recommended by nine respondees.

Formal presentations/speeches should be kept to a minimum and a strict agenda adhered to. There were a few complaints of host countries dominating the proceedings.

One gets the impression that many fora are just too large and lead to missed/overlapping appointments in often noisy surroundings. The number of participants should be reduced to a number which allows Secretariat staff to better guide investors and sponsors to their appointed meetings in a calmer environment.

The above is a brief summary of the most glaring and commonly reported fora weaknesses. Attached is a Quantitative Summary of the responses as well as a compilation of questionnaire results for each of the countries indicated above.

Quantitative Summary of 51 Questionnaires Reviewed
on Investment Promotion Meetings Organized Worldwide

1. Preparatory activities adequate?

Yes: 32 In between: 1 No: 14 No comment: 4

2. Reasons for negative assessment:

Pre fora arrangements:

- Poor organization, e.g. matchmaking activities and scheduling of appointments often resulted in clashes (4)
- Publicizing projects and identifying panelists required (2)
- Invitations by telex only with no background information on forum or its participants, despite repeated efforts to receive both (2)
- Sponsors and investors should be briefed before forum in order to come better prepared (2)
- No feedback by foreign investors to projects' sponsors prior to forum (2)
- Participant did not want to pay registration fee (1)
- No market studies prepared beforehand. It seemed to be presumed that with enough investment and modern technology, a market would automatically open (1)
- Sponsors' capacities not considered (1)
- Relevant ministries not always involved in organization with the result that financing opportunities for projects often missed (1)
- Projects not discussed prior to forum (1)
- Project profiles lacked detail and did not correspond to interest (1)
- Some project proposals had questionable figures (1)
- UNIDO should assist with clearing projects from a techno-economic angle (1)

Observations during fora:

- No meeting of consultant group (1)
- Consultant groups only came for contacts with other consultant groups (1)
- No access to UNIDO staff to discuss projects due to time constraints (1)

3. How did participant know about the meeting?

UNIDO office (11); Government Body (9); Newspaper (8); IPS offices (5); Radio (2); Private Company (2); Telex (1); In the system (1); Hired for it (1); Courier (1); Approach by partner (1)

4. Duration adequate?

Yes: 42 No: 7

5. Reasons for assessment:

- Could be reduced depending on number of participants (2)
- It could be reduced even further if better organized (1)

- Lack of time for individual meetings (4)
- Duration of one week would be better (1)
- One day more would have been better (1)
- One-on-one conferences too short and should consist of two stages, the first to establish compatibility of the parties and the second for detailed discussions and finalization of agreement (1)

6. Is it productive to negotiate a business deal with a partner you are meeting for the first time?

Yes: 30 No: 19

7. Were you informed about partners beforehand?

Yes: 6 No: 31 Insufficiently: 10

8. If not, what advance information would you have liked?

- Comprehensive background information on participants, including current interests (36)
- Advance material, such as it was, was misleading. Presumed investors often turned out to be vendors (1)
- Investors themselves came unprepared (1)
- More advance information on forum (1)
- Would like opportunity to make contacts prior to a forum (1)

9. Fora rating: (E-Excellent; VG-Very Good, etc.)

- Organization: E (5); VG (9); G (17); P (8); VP (4)
- In-session servicing: E (11); VG (10); G (15); P (10); VP (2)
- Technical level of participants: E (2); VG (12); G (18); P (7); VP (5)
- Advice provided by Secretariat: E (3); VG (10); G (13); P (6); VP (4)
- Quality of projects: E (1); VG (11); G (13); P (9); VP (3)
- Other:
 - Panel discussions: E (); VG (); G (); P (); VP (1)
 - Participation in sessions: E (); VG (1); G (); P (1); VP ()
 - Secretarial assistance: E (); VG (); G (); P (); VP (1)
 - Hotel arrangements: E (); VG (1); G (); P (); VP ()
 - Reliability; confidence: E (); VG (1); G (); P (); VP ()
 - Contacts and follow-up: E (); VG (); G (); P (2); VP ()

10. Reasons for assessment:

Pre fora arrangements:

- Poor organization (3)
- More Secretariat support staff should have been arranged (3)
- Insufficient information prior to forum re agenda, participants (1)
- More time should be provided for individual meetings (1)
- Participant resented being told about registration fee two days before the forum (1)

Observations during fora:

- Foreign (East European (2)) participants only interested in selling equipment (7)
- Matchmaking activities and appointment schedules often clashed (4)
- Individual meeting areas congested and noisy (2)
- Project profiles should have been more detailed (2)
- Session well organized but panel discussions were not, due to lack of material at the technical level (2)
- UNIDO's role unclear (1)
- Only host country made presentation; and little attention given to experiences with joint ventures (1)
- Participants were not focussed enough and were uncertain about what to expect or what might be achieved (1)
- Little outside interest in resposdee's field, which is self-help construction for those unable to afford most durable materials (1)
- Local project sponsors had very little technical knowledge (1)
- Potential partners did not turn up (1)
- No real negotiations resulted (1)

Recommendations for improvement:

Foreign participants should be more carefully screened (3)
Advice on legal aspects of business arrangements required (1)

Zambian delegation very satisfied with forum (1)

11. Secretariat economic presentation: E (8); VG (17); G (7); P (3); VP (4)
Background information on forum: E (10); VG (12); G (12); P (3); VP (1)

12. Usefulness of fora in terms of

Relevance/initiating negotiations: E (5); VG (12); G (13); P (8); VP (1)

Relevance/sensitizing participants: E (8); VG (10); G (12); P (2); VP (1)

Exchange of ideas: E (9); VG (16); G (8); P (); VP (1)

Other: Excellent opportunity

to meet new partners E (); VG (3); G (); P (); VP ()

New development

opportunities E (); VG (); G (); P (); VP (1)

Often did not know whom

one was speaking

with so no real

negotiations were

attempted

E (); VG (); G (); P (); VP (1)

Atmosphere not conducive

to negotiations

E (); VG (); G (); P (); VP (1)

Results

E (); VG (); G (); P (); VP (1)

13. To what extent did forum reach objectives?

Completely (5)

In between (1)

Substantially (16)

Sufficiently (13)

Insufficiently (8)

Not at all (4)

Overall usefulness:

E (4); VG (7); G (17); P (2); VP (2)

14. Reasons for assessment:

Pre fora arrangements:

Better organization and prior information on participants would have
been beneficial (3)

One participant expressed that in-depth guidance and direction is
needed so that the purpose of a forum is fully understood (1)

Forum included 500 sponsors and 40 investors, an unworkable ration (1)

Insufficient publicity and background materials (1)

More investors rather than vendors should be invited to participate (2)

UNIDO should play a role in assisting/developing entrepreneurship
in the country as well as ensuring that estimates of cost for
equipment are correct (1)

Observations during fora:

Matchmaking activities and appointment schedules often clashed (3)

More vendors than investors participating (3)

Foreign investors only interested in government or existing
projects (1)

In general, service to entrepreneurs not provided (1)

Speakers elaborated on irrelevant topics (1)

Forum brought together contacts already known; no new contacts (1)

Too much emphasis on construction in the formal sector (1)

No success in meeting partners for joint ventures (2)

Forum produced no concrete results; all very superficial (1)

Positive results:

- New contacts (3)
- Follow-up possibilities high (2)
- Got impression that most participants pleased with forum and outcome but recommended follow-up (1)

15. High points?

- Contacts made (20)
- Panel discussions (5)
- Presentation on country needs and available resources (3)
- Individual meetings (3)
- Organization (2)
- Information on UNIDO activities relating to industrial promotion (2)
- Beginning to understand expectations of European investors in Africa (1)
- General presentation very good (1)
- Seminar (1)
- Training session (1)
- Opportunity to speak with other IPS people (1)
- Efficiency of Secretariat personnel (1)

16. Low points?

- Foreign participants were a disappointment and few in number (5)
- Meetings were not well organized or monitored at individual levels (5)
- Speeches boring, often superficial and not necessarily of interest to participants (4)
- Too many vendors and too few investors (4)
- Foreign investors, such as there were, were interested in large-scale projects (3)
- Panel discussions (3)
- Lack of thorough preparation and no mechanism for follow-up (3)
- Lack of information on foreign participants, some of whom merely left calling cards (2)
- Participants often disappeared before end (1)
- More representatives from other countries required; more financiers (1)
- Presence of consultants searching for clients (1)
- Too much looking for financing (1)
- Poorly structured plenary sessions (1)
- Information given on individual business meetings inadequate (1)
- No subsequent serious business discussions (1)
- More projects should have been put forward (1)
- Lack of government assistance in general (1)
- Too much concentration on forum host country (1)
- UNIDO Forum not concrete (1)
- A panel of foreign investors should have been formed and a presentation given outlining their expectations, resources and experiences (1)
- Both companies chosen to talk of their experiences were multinational firms to whom participants could not relate. More modest companies should be invited to make presentations (1)
- There should have been a formal end to the forum with a Draft Report prepared summarizing topics covered and decisions made during forum, excluding individual negotiations (1)
- High cost of demonstration (1)

17. How many projects did you discuss? AND
 18. How many are likely to materialize?

None (2) None Maybe	None (1) 2 or 3 (?)	One (4) None	One (3) None	One (1) One
One (1) Unknown	Two (5) None	Two (2) One	Two (1) Unknown	Two (1) Ten (?)
Three (2) None	Three (1) Unknown	Three (3) One	Three (1) Two	Three (3) Three
Four (1) None	Four (2) Two	Four (2) Three	Four (1) Four	Five (1) Unknown
Five (1) Three	Five (2) Two	Six (1) Two	Ten (1) None	Ten (1) 3-5
Eleven (2) Eleven	Fourteen (1) One	Thirty (1) Unknown	Numerous (2) Unknown	

19. What other projects not announced are likely to materialize?

None (14) Few, if any (1) One (5) Two (3) Three (1) Eleven (1)

20. What follow-up would you like to see?

Further exposure to financiers and customers	(10)
Follow-up to discussions	(10)
Additional contact/meetings to finalize discussions	(5)
Follow-up by UNIDO to assess results	(4)
Assessment of results by UNIDO three or six to twelve months after forum	(4)
UNIDO project promotion and follow-up sometimes but not necessarily always using IPS network	(3)
UNIDO should provide assistance with final negotiations	(3)
Personal contacts with UNIDO offices	(1)
Periodic evaluation of projects	(1)
Participant would like to be kept up to date on economic policy developments, telecommunications, banking procedures	(1)
Greater use of trade commissions	(1)
Easing of governmental import regulations	(1)
More realistic estimates of market possibilities	(1)
Another forum with improved modalities	(1)
Follow-up fora in specialized fields	(1)
Continuation of negotiation process with contacts made	(1)

Aggregate analysis of
questionnaires on the Delegates Programme

This review covers 15 questionnaires prepared by participants in the Delegates Programme. Delegates were assigned to Austria (2), France (1), Japan (9), Korea (1), Switzerland (1) and the United States (1). What follows is a summary of the questionnaires prepared by the delegates to each participating country, with suggestions for consideration by UNIDO on how the Programme might be improved. It should be clearly understood that the summary reflects answers given by the delegates in the questionnaire and does not always fully coincide with the views of the Evaluation Staff.

General:

1-2. Position prior to programme and after?

Of the 15 respondees, only six were definitely engaged in investment promotion activities; three delegates were involved with "Planning", which could encompass any number of things; and the remaining six had no obvious connection with the field. For instance, one of these six was a legal appraiser of projects; two were probably chemists by training; another an electrical engineer or metallurgist; another a national expert for a UNIDO project; another a project analyst.

Suggestion: Delegates should come only from the ranks of staff of Investment Promotion Agencies. Many returned to their countries and were reassigned to another department and not necessarily one which involved expertise in investment promotion. This was particularly true in the cases of delegates who were absent for longer periods of time.

Screening of nominees/applicants for the programme is necessary so that, in future, all, not merely 40%, have the desired background. Interviews should be conducted prior to selection, in accordance with UNIDO guidelines.

3. Do you expect to continue in this line of work for the next two years?

Thirteen of the 15 delegates expected to remain in their present line of work over the next two years; one was not certain and one did not respond to the question. This means, of course, that only six of the 14 respondees expected to remain active in investment promotion work.

4-5. Has there been a change in government/investment policy regarding foreign investment since your return from the Delegates Programme?

Nine delegates reported positive changes in government policy since their return; five reported none and one left the question unanswered. Positive changes included the easing of foreign investment restrictions; decentralizing of authority for approving such investment; an easing of foreign exchange limitations and requirements; general

simplification of procedures and the introduction of incentives, the latter of which were not elaborated upon.

6. Did you have a say in the selection of the IPS you were assigned to?

Six had a say in the country of appointment while eight did not. One delegate did not respond.

Suggestion: Lack of say of delegates posed some problems in terms of cultural orientation. While giving a delegate his first choice of location cannot be allowed, as much as possible delegates should be assigned to those countries which have commercial and cooperation links with their home countries. Genuine fluency in a common language is of prime importance since imprecise use of the working language can lead to misunderstandings.

Quality of the programme:

7. Did the programme meet your expectations?

- More than expected: 3
- As expected: 10
- Less than expected: 1

8. What percentage of your time was devoted to ...

<u>Actual on-the-job training</u>	<u>Promotion of national projects</u>	<u>General Presentation of country</u>
90%	90% (1)	90%
60%	60% (5)	60%
50% (2)	50% (1)	50% (2)
40% (3)	40% (4)	40% (3)
35% (1)	35%	35% (1)
30% (1)	30% (1)	30% (3)
25%	25% (2)	25% (2)
20% (2)	20%	20% (1)
10% (4)	10%	10% (2)

The above figures do not tally up to 15 as one delegate did not respond to this question and another filled in this item incompletely, with a portion of his time unaccounted for.

Training needs will vary somewhat from country to country in accordance with customs so it is difficult to know what would be considered an ideal rationing of time; however, if one could presume that on average 75% of a delegate's time should be apportioned to promoting his country and its projects since the two are inextricably linked, no more than 25% should be devoted to training. There was no separate item for administration.

Training:

Of the 14 respondees to this question, only six reported that less than 25% of their time was apportioned to training. Seven delegates estimated that 30% of their time and more was allotted to training and of these, five, more than one-third of the 13 respondees, said 40% (3) and even 50% (2) of their time was given over to training. In the cases of Switzerland and the United States, only 10% of the delegates' time was given over to training. This percentage could be considered by some to be too low.

Promotion of National Projects and Country:

Only eight delegates reported spending 75% or more of their time on actual promotion work. Most dramatically, only three of the nine delegates assigned to Japan spent the equivalent of 75% on promotion; a disproportionately high amount of time was devoted to training due to the orientation of the programme in this country. It is worth noting, however, that in the two instances where delegates did spend an appreciable amount of time at an IPS (one and two years respectively), training was reported as consuming only 10% of the delegates' time.

Suggestion. UNIDO could consider involving the embassy or consulate of the delegate's home country, in particular a Trade Attaché, in an orientation programme. This programme could include business trends and accepted/expected practices.

Having said that, a newly-arrived Trade Attaché would be as unfamiliar with customs as the delegate. Consequently, the IPS could be instructed to prepare an information paper (or booklet) setting out in broad terms what a delegate should know about the country, its customs and, most specifically, the business community and its preferred practices.

9. Did you conclude any negotiations or get any Letters of Intent signed during your assignment?

Eleven out of the 15 respondees stated that negotiations were concluded or Letters of Intent signed.

10. If 'Yes' to 9 above, please provide details on the project(s).

Fifty-one projects were listed and just about half of these (25) described some level of activity, activity being defined as the signing of Letters of Intent or registration of companies. Six of these 25 projects have apparently progressed further and have reached the implementation stage. The status of the other proposals cannot be determined from the questionnaires.

Usefulness:

11. Has the programme been beneficial for your professional work?

- Considerably: 10
- Somewhat: 3
- Hardly: 1
- Not at all:

12. What aspects of the investment promotion development cycle handled by the IPS have been most beneficial for you considering the work you perform?

- Secretarial support and facilities 8
- Investment evaluation and promotional activities 4
- Guidance in terms of business environment 2
- Helpfulness of IPS staff 2
- Reasonable financial support 2
- Helpfulness of UNIDO headquarters staff 1
- Provision for follow-up and backstopping facilities 1
- Little gained professionally from UNIDO but enjoyed Vienna 1

13. Was the duration of the assignment ...

- Too long: 1 (two years)
- Adequate: 5 (one year)
- Too short: 8 (six months or less)

One participant did not respond to question.

14. If too long or too short, please explain why.

- Short periods suitable for introducing project proposals but not long enough to enter into serious discussions with potential partners. 6
- UNIDO and Bangladesh had agreed on an initial on-the-job training assignment of six months but UNIDO officials and the respondee agreed that this period was too short; however, Bangladesh Government policy did not allow respondee to return. 1
- Two-year duration is too long particularly as UNIDO could not take decisions if problems arose with projects. As a result, a lot of time was simply wasted. 1
- Time was required for the participant to become familiar with the Korean culture and this respondee recommended a two-year period with facilities for families provided. 1

Suggestion: A two-year duration is probably ideal but, should such a term become the norm, the organizers might want to consider having the delegate return to his home country for say months 11-13 to bring himself up to date on any changes in policy or trends and, as importantly, perform personal follow-up to his overseas efforts and observe first-hand the results.

15. How do you assess the technical level of the programme?

- Higher than expected: 2
- As expected: 9
- Less than expected: 2

16. Any particular suggestions regarding the programme as a whole?

- Would like training beforehand (as well as language training (1)). 3
- Proposed a duration of two years (or five (1)). 2
- UNIDO should extend its promotional activities within developing regions, not just a specific country. 1
- First month should be devoted to training as at least one participant was not provided with any. 1
- Greater financial assistance to enable delegate to contact more companies throughout the entire host country and as a result accomplish more in terms of investment project promotion. 1
- Proposed a duration of 18 months with months 13-15 being spent at the IPS office and months 1-12 and 16-18 in the home country. 1
- Proposed a longer duration without specifying time span. 1
- Portfolio of projects should be prepared by UNIDO/IPS before delegate's arrival. 1
- Participants should come from other than government staff. 1

Effectiveness:

17. To what extent did the programme achieve its immediate objective?

- Completely: 3
- Substantially: 3
- Sufficiently: 5
- Insufficiently: 1
- Not at all:

18-19. Are you applying the skills and techniques acquired during the programme?

Yes: 14

20. Do you see the need for a follow-up programme?

Yes: 15

21. If 'Yes', please elaborate.

- Would like follow-up on projects under negotiation during delegate's term (3) and an opportunity to contact other IPSs with a view to establishing a network between all UNIDO IPSs and potential delegates (2). 3
- In the form of an Investors' Forum in Jakarta. 2
- For a country like France, which has little knowledge about the Philippines, continuing and more aggressive promotional activities on investment should be undertaken. 1
- IPS offices should strive for a higher profile and closer relations with private and governmental organizations. 1
- Would like additional on-the-job training at other IPSs. 1
- UNIDO assistance still required with respect to matchmaking. 1
- An annual meeting of all programme alumni would be desirable to renew relationships and share information. 1

- Programme should be extended to include new candidates. 1
- Shuttle programme should be included to visit the business community from time to time. 1
- Important to know whether efforts taken resulted in the desired benefits. 1
- Trained personnel may be better located for better utilization or for rendering additional services as and when required. 1

Suggestions for improvement:

22. Please give any additional comments on perceived shortcomings of the arrangements and training details of the programme as well as on effective ways for improving similar programmes.

- Sufficient financial support needed so that the delegate can visit more regions and increase contacts. 4
- UNIDO-IPS should continue to monitor contracts initiated by delegates. 3
- Delegates should come from permanently assigned staff as opposed to those subject to transfer. 1
- UNIDO should extend activities to include assisting developing countries with the export of their industrial output. 1
- IPS office should have more experts possessing greater familiarity with the Japanese business community. 1
- Logistics within IPS office could be improved. 1
- More preparation time to gather appropriate investment portfolio. 1
- Delegates should be sent to UNIDO for de-briefing and then on a tour of other offices within IPS network. 1
- Time period should be two years. 1
- Programme should be limited to three months per delegate. 1
- Establishment of a communication network among IPS delegates in order to continue work. 1
- Facilities for families should be provided. 1
- Diplomatic status should be given to delegates for convenience while travelling. 1
- Only permanently posted officials from investment promotion departments should be chosen for participation in the programme. 1
- UNIDO should include marketing assistance as well as investment promotion in their training programme.

Organizational units involved in industrial investment activities

		Organizational Units									
		IID + IPSS	FEAS	INFR	PLAN	IMR	IO/T	ICFM	IPP	IPCT/TP ^{a/}	AREA ^{b/}
Activities	Policy Advice	+		*	*				+		
	IB-Pro-jects	*	*	*	*	+		+			*
	Project Identifi-cation	*	*	*	*	*	*	*	*	*	*
	Pre-in-vestment studies	*	*	*	*	+	*				
	Project screening	*	*	*	*	*	*	*			+
	Project promotion	*	*	*	+	*		*		*	
	Negotia-tions	*	*	*				*			

* full involvement

+ marginal involvement

a/ Essentially INF and PAN.

b/ Including ECDC.