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**INVESTMENT PROMOTION SERVICE  
VIENNA**

**US/GLO/90/003**

**Evaluation Report\***

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

\* This document has not been edited.

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**ABBREVIATIONS**

<b>AFEC</b>	<b>Austrian Federal Economic Chamber</b>
<b>AS</b>	<b>Austrian Schilling</b>
<b>DIPP</b>	<b>Databank for Investment Promotion Programme</b>
<b>EC</b>	<b>European Community</b>
<b>EFTA</b>	<b>European Free Trade Association</b>
<b>ERP</b>	<b>European Recovery Programme</b>
<b>FDI</b>	<b>Foreign Direct Investment</b>
<b>GC</b>	<b>General Conference (of UNIDO)</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>IID</b>	<b>Industrial Investment Division</b>
<b>IPF</b>	<b>Indicative Planning Figure</b>
<b>IPS</b>	<b>Investment Promotion Service</b>
<b>IW</b>	<b>Internationale Wirtschaft (International Economy)</b>
<b>IWI</b>	<b>Industriewissenschaftliches Institut</b>
<b>ODI</b>	<b>Outward Directed Investments</b>
<b>OeKB</b>	<b>Oesterreichische Kontrollbank</b>
<b>SMI</b>	<b>Small- and Medium-scale Industries</b>
<b>UNDP</b>	<b>United Nations Development Programme</b>

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The IPS is considered by Austrian authorities and entrepreneurs to be a valuable window to international business opportunities between companies from Austria and developing countries, which otherwise are not always accessible. It, furthermore, fulfills the function of a liaison office between Austrian companies and UNIDO. For UNIDO and its clients in developing countries, the office is a window to Austrian industries and supplements the network of IPSs. An additional advantage is created through the presence of Austrian trade delegations in developing countries on whom UNIDO, through IPS Vienna can call when needed. The project should, therefore, be extended.

The IPS is well managed and carries its activities out in the best interpretation of the project document. It plays an active role in disseminating information about UNIDO activities in general and investment promotion related initiatives in particular. It provides advice to Austrian entrepreneurs on investment possibilities and conditions in developing countries, as well as identifies interested entrepreneurs in Austria to match them with potential partners. Its main clientele are Austrian companies with whom personal contacts are maintained. Contacts to entrepreneurs in developing countries are limited and communication takes place mostly through intermediary offices, such as board of investment unless direct contacts are made during investment promotion meetings. When participating in the latter, IPS staff represents Austrian companies and carries out preliminary discussions with local sponsors of the country hosting the investment forum. Once contacts are established between entrepreneurs, these partners negotiate directly while keeping the IPS informed.

The Service relates well to the head office of the Austrian Federal Economic Chamber and to Austrian trade delegations which results from the fact that staff is seconded from the Chamber to the office. Good contacts are also maintained with various parts of the Industrial Investment Division, including the Feasibility Studies Branch, and other parts of the UNIDO Secretariat. Cooperation is based on good personal contacts. Collaboration with other IPS offices is limited.

The project objective as presently defined, namely to contribute to the promotion of investment flows from Austria to developing countries, is rather ambitious considering traditional Austrian business behavior which concentrates on trade rather than on investment, as well as the international economic situation which is not favorable to international investment activities. In view of the fact that a number of factors external to the project influence these investment flows, the IPS's contribution to attaining this objective cannot be quantified. The Evaluation Team, nonetheless, established that the IPS made valuable contributions to increasing the awareness and knowledge of Austrian entrepreneurs of industrial cooperation opportunities in developing countries.

The project document does not fulfill UNIDO standards for project documents. It does not contain any outputs, neither quantified nor qualified, which is opposed to result-oriented project management and impedes result-oriented performance evaluations.

While the Evaluation Team appreciates that the number and value of projects promoted cannot be determined with certainty due to factors outside the project, some benchmarks should be established for the guidance of the project. The analysis of figures reported on the number of projects under negotiation leads to conclude that a target of 10 - 15 new projects per year coming under negotiation, i.e. entering any stage between initial negotiation up to project conclusion, is realistic. Since no figures on the magnitude of projects are reported by the IPS, a target in terms of value of investments promoted could not be derived by the Evaluation Team.

The inventory of Austrian companies should be considered as an output of the IPS. A target for its regular expansion should be set to encourage continuous efforts to contact new

companies. Considering that a large number of enterprises which are interested in industrial cooperation projects in developing countries have probably been captured in the first phase of inquiries, it seems realistic to set a relatively low target of some 20 new companies to be registered per year.

Delegate programmes should equally be considered as an output of the IPS. The fact that these programmes are financed by sources external to the project calls for caution when quantifying the number/duration of delegates to be accommodated. However, aiming at 10 - 12 w/m of delegates at the IPS per year might create an incentive for IID and the IPS to identify sources of financing. Improved coordination of investment promotion programmes backstopped by IID and delegates working at the IPS might help in bridging the resource gap.

## I. INTRODUCTION

### A. Reasons for the evaluation

1. The project document (US/GLO/90/003) foresees that an evaluation be carried out not later than September 1992 to enable all parties concerned to decide on the continuation of the project. In addition, it is the purpose of the evaluation:

- To assess the achievements of the project against its objectives, including a re-examination of the project design;
- To identify and assess the factors that have facilitated the achievements of the project's objective, as well as those factors that have impeded the fulfillment of those objectives;
- To review and assess the involvement of the project in (a) the promotion of industrial investment projects, (b) the delegates programmes, (c) developing country presentation meetings and investment promotion fora, and (d) information services to developing countries related to Austrian services and products.

### B. Dates, composition of the mission, methodology and proceedings

2. This evaluation of the IPS Vienna is the first exercise carried out jointly by the Austrian Federal Economic Chamber (AFEC) and UNIDO after previous projects had been reviewed solely by the Austrian side. It covers the performance and attainments of the project US/GLO/90/003, therefore concentrates on the period starting 1 February 1990 until the date of the in-depth evaluation, while taking previous phases of the project into account to the extent necessary. Annual reports prepared by the IPS and which were considered by the Evaluation Team cover the period 1 June 1989 - 31 December 1990 and 1 January 1991 - 31 December 1991, hence fall not entirely within the time frame of the evaluation.

3. The mission took place from 2-6 and 23-27 November 1992 during which representatives of the Austrian Government, the AFEC, IPS and UNIDO staff, and Austrian entrepreneurs were interviewed and relevant documentation was reviewed and analyzed. In addition to personal interviews, some forty Austrian entrepreneurs were contacted by telephone.

4. In order to collect data from industrialists in developing countries, the Evaluation Team intended to develop a questionnaire and send it to Austrian Trade Delegates and UNIDO Country Directors with the request to carry out relevant interviews with entrepreneurs. This approach was thought to ensure that the experience of industrialists from developing countries with the operations of the IPS Vienna would be reflected to some extent in the report. Eventually, the approach was, however, abandoned as desk reviews revealed that the IPS Vienna had only limited direct contacts to entrepreneurs but rather dealt with intermediate offices, such as boards of investment, etc. Available documentation was sufficiently clear to assess frequency and content of these contacts.

5. The mission was composed of the following members:

Dr. W. Tinkl, Austrian Federal Economic Chamber,  
as the representative of the donor; and

Ms. C. Heider, Evaluation Officer,  
as the representative of UNIDO;

who both had not been associated with the project under evaluation during their design, appraisal or implementation stages.

6. The evaluation was carried out in accordance with UNIDO standards for in-depth evaluations as detailed in the Director-General's Bulletin UNIDO/DG/B.106.

## II. PROJECT CONCEPT AND DESIGN

### A. Socio-Economic and Institutional Context

#### **Investment Flows**

7. In 1991 Austria's GDP amounted to AS 1,912 billion (US\$ 160 billion) showing a growth rate of 2% in 1992. The latter is slightly lower than expected due to agricultural performance affected by unexpected hot and dry weather conditions and comparatively low income from tourism. Industry, commerce and larger parts of services industries have, nonetheless, developed in line with expectations. The Austrian economy, and in particular the manufacturing sector with its strong export orientation depends, *inter alia*, on other countries' economic performance and exchange rate fluctuations. Forecasts for 1993, therefore, have to take due cognition of developments in the international economic scene which is not yet showing signs of a greater up-swing. In addition, it is expected that the Austrian Schilling will gain 2% in value as a result of exchange rate adjustments of major other currencies which will affect trade and tourism.

8. Up to 1988 the entire Austrian promotional system was geared to promoting Austrian exports rather than on establishing joint ventures or other cooperation agreements abroad. One of the reasons for this strategy is the importance given to creating and securing jobs within the country rather than relocating manufacturing or other industrial activities abroad. Legal and tax system were not very encouraging to foreign investment activities, as for example losses occurring in a daughter company abroad cannot be deducted from taxable income of the main company in Austria. The Tax Reform of 1989, which brought about some major changes, took into account the interests of the export sector which sought to increase international activities by setting up and expanding subsidiaries abroad. The international "affiliation privilege" which allows for tax free profits from foreign companies with whom a minimum of 25% qualified interests exists, is now also applied in Austria. Further desirable improvements which would support greater internationalization of Austrian industries have been discussed among the authorities concerned, though without yielding any effect until now.

**Table 1: Austrian Outward Directed Investments (million AS)**

Year	ODI Total Volume	ODI Netannual
1970	1,448	291
1980	10,717	1,302
1988	33,999	3,574
1989	45,878	11,879
1990	64,132	18,254
1991	79,132	15,000

Source: Austrian Balance of Payments Statistics



9. Apart from the mentioned systemic impediments, outward directed investments (ODI) have shown positive trends over the past decades with major acceleration to be noted during the 1980s: in 1990, Austrian ODI amounted to 4.4% of the Austrian total investment volume, as compared to 0.5% in 1980, and the total volume of ODI accounted for 3.58% of the GDP. Overseas investment guarantees rose between 1988 and 1989 to 1.4% (1.0% in 1987) in terms of total possible liability. Table 1 illustrates ODI trends and indicates that measures taken in the frame of the tax reform obviously had effects, as e.g. the total ODI has reached almost the same level as total foreign direct investments (FDI) into Austria.

10. The structure of overseas investments shows a trend which reflects industries' bias towards export and trade activities, namely with 62% being invested in marketing subsidiaries and only 18% of investments made in manufacturing industries. Geographically speaking, foreign investments concentrate in Europe with 79.0%, whereas Austrian investment activities in other regions are less active with the following distribution: the Americas 18.0%, Asia and Australia 2.7%, and Africa 0.1%. More than 91% of foreign investments flow into OECD countries, of which about 56% are EC members and 18% EFTA states. Approximately one quarter of Austrian firms hold foreign investments in one country, while about 20% of Austrian companies have invested in more than five countries.

11. At the enterprise level, international cooperation beyond trade relations is affected by a rather low percentage of equity capital, the capitalization ratio of an average Austrian company is around 20%, which limits resources available for (foreign) investment and impedes the capacity to which a possibly difficult and longer start-up period of a joint venture (in e.g. a developing country) can be sustained. Understandably, the majority of foreign investments are made by large-scale industries (1,000 or more employees), with the percentage of medium and small-scale enterprises (less than 500 employees) accounting for 23% of all ODI only. The main industrial branches in which foreign investments exist are metal industries, mechanical engineering, and chemical industries.

12. A survey of experience made by Austrian Trade Delegates, which was carried out by the Industriewissenschaftliches Institut (IWI) in 1988, showed that apart from the shortage of adequate equity capital, main factors influencing investment decisions were the lack of qualified personnel (in terms of numbers and qualifications including language skills), inadequate business size, lack of venture capital, and a mentality which traditionally is anchored in and focuses on the domestic market and tends to prefer foreign markets in closer proximity, such as Eastern European countries.

#### **Institutional Infrastructure**

13. The Oesterreichische Kontrollbank (Austrian export credit and insurance institution, OeKB) is the main financing and guarantee institution associated with international cooperation. In promotion of foreign investments, it offers credit lines and investment guarantees (G4) to Austrian entrepreneurs by which losses resulting from political and economic risks are covered up to a certified amount. Individual loans do not exceed (the equivalent of) AS 3 billion with a maximum duration of 25 years, and the outstanding aggregate amount of guarantees does not surpass the present upper limit of AS 220 billion at any given time. Even though the approval of the OeKB is not a pre-requisite, the average Austrian company is reluctant to cooperate with entrepreneurs in countries for which OeKB guarantees are not given. The Finanzierungsgarantiegesellschaft (Finance Guarantee Corporation, FGG), by means of its "Ost-West-Fond", offers guarantees to manufacturing companies, long-term loans and participation guarantees with a coverage of usually up to 85% of the agreed amount. Under the same fond, a "risk sharing" scheme is operated. Under the ERP Fund, a special promotional programme was set up in 1988 to encourage overseas investments by Austrian companies and showed a promising start in 1988/9 with 9% (AS 5.5 billion) and in 1990/1 with 25% (AS 16.1 billion) of all ODI being supported through this mechanism. The "Starthilfekreditaktion" (start-up assistance loan) is jointly financed by OeKB, ERP Fund and the AFEC and is reserved for financing of export promoting

investments into developing countries with joint ventures being given preference. Finally, the "Buerger" is an institution which provides a special scheme for small- and medium-scale industries (SMI) when investing abroad, guaranteeing up to 80% of finance, and up to 80% economic and 100% political risk for projects. This scheme, however, is not used to its full extent due the limited capacities of SMIs to engage in foreign investment activities.

14. In addition to the afore-mentioned institutions, the Department for Foreign Economic Relations of the AFEC has recently become increasingly active in assisting the internationalization of Austrian companies. This department of the AFEC manages the worldwide network of some 90 trade delegations who, besides their main task of assisting Austrian companies in export promotion, inform Austrian companies about cooperation and investment possibilities with foreign companies. Another service created a few years ago within the framework of the Department for Foreign Economic Relations which is involved in assisting Austrian firms in internationalizing is the Technology Transfer Desk. Advising Austrian companies on the details of internationalization procedures, and marketing activities in close cooperation with trade delegations abroad are the main activities of this service.

#### B. Project Document

15. The project is governed by an exchange of notes between the Permanent Representative of Austria to UNIDO and the Director General of UNIDO and a project document which contains, *inter alia*, special provisions and a schedule of payments. Therefore, the project operates on the basis of a single agreement which minimizes related administrative work. This project document remained valid over the years, i.e. hardly any amendments were introduced since US/GLO/79/226 was signed in 1980, so that later agreements constitute extensions of the existing arrangement. As a matter of fact, the objective is not even detailed in any of the documents but the first one with reference being made to earlier project numbers, and activities do not differ either. These factors illustrate the continuity of the office's objectives and activities.

16. The standard format for large-scale projects which foresees descriptions of: background, justification, development objective, project objective, outputs, activities, inputs, risks and reporting/evaluation requirements, is not being followed by the subject project. Instead, the document contains the following headings: background, objectives, activities, institutional structure, and special provisions. The internal logic of the project, by which outputs are produced as a result of the activities and are necessary to attain project objectives, is not maintained by the chosen format. Moreover, details given are not always sufficient and/or in accordance with UNIDO standards, e.g. details under the first heading (background) refer briefly to the agreement between AFEC and UNIDO to operate the office, however, do not comprise any data relevant to investment promotion from the perspective of Austria and/or developing countries. This information, however, would be needed to understand the reasoning behind the establishment of the office and its operating environment.

17. The objective of the project, while being expressed in more words and partially listing the functions (and not the purpose) of the IPS, can be summarized as follows:

*"contribute to the industrialization process of developing countries by means of identifying and promoting investment from Austria into developing countries"*

which is in accordance with the general objectives of IPSs as defined in, *inter alia*, GC.3/13 Report by the Director General to the General Conference on Investment Promotion Services, August 1989. Considering, however, possibilities and attitudes of Austrian entrepreneurs towards foreign investment, as explained under Chapter II.A., the project objective, as a medium-term goal, appears rather ambitious. It seems more realistic to adopt the objective of increased investment flows from Austria to developing countries as a longer-term aim. Similarly, Austrian authorities and IPS staff emphasized in discussions with the Evaluation Team that in spite of

rather difficult conditions for promoting investment flows into developing countries, the office's main purpose was to contribute to enhancing understanding and awareness of Austrian entrepreneurs of investment opportunities abroad which seems to be an appropriate medium-term or project objective which contributes to the long-term goal.

18. The project document does not specify any outputs, therefore, the project operates without determined targets. The relatively detailed listing of project activities has not led to a formulation of results to be expected from these. This is understandable for those activities, such as provision of information and advice, which may or may not lead to concrete results in terms of projects agreed but rather yield intangible effects in form of awareness creation, etc. Some of the specified activities, nonetheless, should and (as to be seen from chapter IV.) do result in concrete results, e.g. cooperation agreements and an inventory of Austrian companies, therefore could have been stipulated in the project document.

19. Eleven different activities are listed in the project document which can be grouped into the following major areas:

- (a) information dissemination;
- (b) advisory functions;
- (c) identification and match-making;
- (d) compilation of an inventory;
- (e) training possibilities.

While the performance of these activities is reviewed and assessed under Chapter III.B. of this report, some remarks in terms of project design are appropriate at this stage. A certain tendency of activities as planned in the project document towards more general information dissemination and advisory functions can be observed, whereas activities related to the actual identification of potential partners and their matching appears in a lesser magnitude (see Table 2 on page 11 for further details). The only activity which refers directly to the investment project cycle is the identification of potential Austrian partners, whereas other activities are formulated in rather wide manner and allow for interpretations as to their coverage of, for example, project screening.

20. Even in the absence of defined outputs, which constitutes a breach between activities and objective in terms of project design logic, it is apparent that a certain gap exists between the type of specified activities and the stated objective. While information-related activities primarily enhance the knowledge of those receiving information about investment conditions, opportunities, etc., this might not result immediately in increased investment flows into developing countries. The project objective, as already stated in paragraph 17, appears rather ambitious and the selected activities might be more appropriate considering the operating environment of the project. The latter would require the already mentioned adjustment of the project objective.

21. The institutional structure, described under 4. Institutional Structure of the Service of the project document, of the office is stated to remain the same as under previous agreements. In view of the fact that the office is staffed with two professional and two general service posts, no complex structural arrangements are required.

22. Regarding the office's institutional relation to UNIDO, the document states that "UNIDO will operate and supervise the Service." This clause, in its brevity, is not clear as to the type and extent of supervision which should be extended nor the degree to which management and direction of the office remains within the authority of the head of service. The Service's relation to other parts of the Secretariat are not mentioned at all in the document, hence leaving activities in this regard to the discretion of the IPS staff. Moreover, no details are provided in this part of the project document on the integration of the IPS Vienna into the overall IPS network which, one should assume, would be specified. In the form it is presented at the moment, the office appears as a "stand-alone" arrangement as the existence of a network and IPS Vienna's role and position in it, are not apparent from the document. As it was stated in the in-depth

evaluation of UNIDO's investment promotion activities (UNIDO, ODG.12(SPEC.), January 1991), UNIDO's advantage lies in having a network of offices which can be interlinked. This should be recognized in the project document, and relevant provisions should be made to specify cooperation activities.

### III. PROJECT IMPLEMENTATION

#### A. Project Inputs - Budget

23. Budget allocations and expenditures are presented in Table 2. Disbursements of funds took place according to plan as they were related to the personnel component in which occurring changes were handled smoothly. Variations over the original budget are mostly due to exchange rate fluctuations and to changes in staff appointments. When considering the implementation rate, it should be considered that expenditures up to 30 September 1992 are recorded. Disbursements which occurred during October and November will lead to an implementation rate of almost 100%.

**Table 2: Project Budget and Expenditures**

Budget Line	Project Document	Latest Revision*	Disbursements as at 30.09.92
11-99 International Personnel	456,800	529,803	487,824
13-99 Administrative Support Personnel	224,187	291,375	270,241
15-00 Project Travel	40,500	39,948	29,153
18-00 Prior Year Obligations		(1,429)	(1,430)
19-99 Total Personnel Component	721,487	859,697	785,788
49-99 Total Equipment Component	4,800	9,253	8,089
59-99 Total Miscellaneous Component	32,100	33,993	26,354
99-99 PROJECT TOTAL	758,387	902,943	820,231

\* Subject to approval by the Austrian authorities.

#### B. Activities

24. Activities encompass a wide range of fields and encompass services to be provided to several target groups, namely entrepreneurs from Austria and developing countries, and to lesser extent to UNIDO Headquarters. Table 3 gives a summarized overview of activities stated in the project document.

**Table 3: Activities of the IPS Vienna**

FUNCTION	TARGET GROUP
<b>(i) Information Dissemination</b>	
<ul style="list-style-type: none"> <li>◆ industrial projects in developing countries requiring technology and/or financing (SMI) (a)</li> <li>◆ available technologies and existing possibilities for technology transfer (f)</li> <li>◆ forms of industrial cooperation (g)</li> <li>◆ development needs and possibilities, investment climate, policies and procedures in developing countries (h)</li> <li>◆ existing investment incentives in Austria (i)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Austrian entrepreneurs</li> <li>◆ developing countries entrepreneurs</li> <li>◆ unidentified</li> <li>◆ Austrian entrepreneurs</li> <li>◆ UNIDO, potential partners</li> </ul>
<b>(ii) Advisory Functions</b>	
<ul style="list-style-type: none"> <li>◆ industrial projects in DCs (b) + (c)</li> <li>◆ financing possibilities from bilateral, multilateral and international sources (d)</li> <li>◆ forms of industrial cooperation (g)</li> </ul>	<ul style="list-style-type: none"> <li>◆ entrepreneurs from Austria and developing countries</li> <li>◆ unidentified</li> <li>◆ unidentified</li> </ul>

FUNCTION	TARGET GROUP
<b>(iii) Identification and match-making</b>	
<ul style="list-style-type: none"> <li>◆ identify potential partners in Austria (b)</li> <li>◆ organize contacts for potential Austrian partners with project sponsors and with sources of technology and finance in Austria (b)</li> <li>◆ organize contacts for potential partners with industrial enterprises and financial institutions in Austria (c)</li> </ul>	<ul style="list-style-type: none"> <li>◆ entrepreneurs from Austria and developing countries</li> <li>◆ Austrian entrepreneurs</li> <li>◆ entrepreneurs from developing countries</li> </ul>
<b>(iv) Compilation of an inventory</b>	
<ul style="list-style-type: none"> <li>◆ prepare an inventory of enterprises (j)</li> </ul>	<ul style="list-style-type: none"> <li>◆ developing countries entrepreneurs</li> </ul>
<b>(v) Identification of training possibilities</b>	
<ul style="list-style-type: none"> <li>◆ identify training possibilities in industrial development and investment promotion in Austria (k)</li> </ul>	<ul style="list-style-type: none"> <li>◆ participants from developing countries</li> </ul>

**(i) Information dissemination**

25. Information on UNIDO's investment promotion activities as well as on other UNIDO activities are disseminated by the IPS to various press agencies, some of them being strictly industry related, e.g. the Internationale Wirtschaft (IW), an organ of the AFEC and Die Industrie, others finding wider publication, such as main newspapers like Die Presse and Der Standard. By this means almost all Austrian enterprises interested in foreign business are reached as the IW is distributed to all companies who are registered by the AFEC as pursuing international interests. Information is also provided to various banks and published in their information bulletins. In addition, the IPS actively disseminates information directly to enterprises with whom regular contacts are maintained and of whose interests are known.

26. In addition to information related to investment promotion activities, the IPS disseminates information on technical assistance projects for which expertise or sub-contractors are sought. This activity is carried out upon request by UNIDO technical staff searching for specific expertise or by Austrian entrepreneurs not familiar with UNIDO procedures.

27. Industrialists which were interviewed by the Evaluation Team were appreciative of information received from the IPS. The main advantage, it was stated in a considerable number of cases, of the IPS was that it is able to provide access to information which otherwise cannot be obtained from other sources.

**(ii) Advisory functions**

28. The IPS renders advice on investment climate, conditions, practices and procedures to Austrian entrepreneurs. Advisory services on project financing is limited to available possibilities in Austria, whereas information on other financing sources and their lending conditions is not available to the IPS so that no advice is extended to entrepreneurs. An additional advisory function concentrates on consulting Austrian enterprises on UNIDO operations, i.e. on procedures and contact UNIDO staff who are handling specific projects. Interviewed entrepreneurs express their satisfaction with services provided by the IPS.

**(iii) Identification and match-making**

29. Activities related to the project cycle concentrate on promotion (with 70% of project-related time spent on this activity), and only rather limited project preparation, screening and negotiations are undertaken. The IPS does not consider it necessary to screen projects, particularly those originating from UNIDO, as it assumes that this has been done by IID. Moreover, a technical appraisal of projects is left entirely to the Austrian entrepreneur in view of the fact that his/her technical experience, understanding and interest allows an assessment of the project's technical viability. In addition to this portfolio of promotional activities, the IPS is increasingly

trying to identify financial resources which can be utilized for the preparation of feasibility studies for investment projects which have been identified.

30. The IPS considers it important to concentrate on the promotion of projects originating from UNIDO since it is a part of the Organization and its investment promotion programme. Subsequently, IPS staff devotes 80% of its project related time to these projects and only 10% each to projects originating from its own and other sources. It is interesting to note that the majority of projects are reported to originate from UNIDO's Investment Promotion Division (IID) (a total of 2,827 proposals as compared to 21 from IPS Vienna and 663 from other sources), whereas the majority of projects reported to be under negotiation are said to originate from the IPS (see Table 4, page 16, and Annex 1 for further details). One explanation which was given to the Evaluation Team was that the quality of profiles submitted by IID did not always meet highest standards, therefore, would not receive much attention of Austrian entrepreneurs. In addition, the cited figures comprise proposals which were generated only recently so that a certain time lag is required before project negotiations can be expected to start.

31. The large quantity of projects originating from UNIDO and their occurrence which is mostly related to investment promotion meetings was found to be not the most effective means of investment promotion. The IPS expressed that it would rather appreciate a steady flow of a lesser number of projects of a higher quality. Alternative mechanism, such as business missions for smaller groups of selected entrepreneurs, should be explored and utilized to a greater extent by UNIDO. This suggestion is in line with recommendations made in the in-depth evaluation of UNIDO's investment promotion activities.

32. In response to the interests of Austrian companies, the IPS's activities tend to concentrate on Asian countries, as a result of the interest of Austrian industries (see also Table 4, page 16). The Service was particularly active in UNIDO's investment promotion programmes in the People's Republic of China and in Vietnam. In future, some more attention will be extended to the Latin American market as prospects seem increasingly promising and interests of Austrian entrepreneurs are expanding in this region. Information on investment promotion activities are, nonetheless, disseminated to relevant media irrespective of geographical regions.

33. In addition to activities related to the promotion of specific projects, the IPS facilitates programmes for incoming visitors to enable them to establish contacts with Austrian industries and institutions. Some of these visits are related to investment promotion meetings or other UNIDO meetings. The IPS's main involvement in this activity is the arrangement of an appropriate schedules.

**(iv) Compilation of an inventory**

34. In compiling an inventory of Austrian companies interested in investment projects in developing countries, the IPS based its work on an existing computerized inventory which was established and is maintained by the AFEC. This database is classified and accessible to the IPS only thanks to its close relation to the AFEC. In addition, questionnaires were developed and sent to 1000 selected enterprises, of which 200 replied, in order to ascertain and further specify their interests. The same questionnaire was added as a supplement to the IW (weekly circulation 13,000 issues). The results of these inquiries have been and are being entered into the Databank for Investment Promotion Programme (DIPP) which is a system developed and used by the UNIDO IPS Network. Staff of the IPS Vienna expressed satisfaction with the system as it is tailored to the information and data needs of an IPS.

**(v) Identification of training possibilities**

35. According to the project document, training possibilities which are to be identified by the IPS encompass industrial training in general and training in the field of investment promotion. Industrial training opportunities are identified *ad hoc* and at the individual request of

backstopping officers or the Human Resources Development Branch. This entails, e.g. the placement of trainees in Austria as well as the identification of contractors who organize training of trainers workshops in developing countries.

36. The UNIDO Delegates Programme which is carried out as and understood to be, at least in part, an investment promotion training has also been implemented by the IPS Vienna. During the project duration, four delegates were accommodated with a total duration of over 32 w/m. All participants came from Asia, with one of them being a woman, although the geographical focus of the programme will be expanded by accommodating an Argentinean delegate in 1993. This choice of countries of origin of delegates is in accordance with the Service's strategy, as mentioned above, to focus on those countries which are likely to meet the largest interest of Austrian entrepreneurs.

37. Delegates are financed from sources such as UNDP (IPF) or through other arrangements but not from the budget of US/GLO/90/003. IPS staff confirmed the usefulness of the programme, provided that delegates are prepared and have collected project data prior to their arrival. The so-called "*shuttle programme*", as practiced by the IPS Tokyo, is considered valuable as the delegate is enabled to maintain closer links between entrepreneurs in Austria and in his/her home country. In view of the fact, however, that delegates to the IPS Vienna are financed from external sources it feels that it cannot influence choice of candidates, duration and implementation modalities. For example, the programme carried out in cooperation with Thailand was split and different candidates participated which limited the continuity of the programme and shortened the duration of each participant's stay considerably.

38. Five percent of IPS staff time is spent on supporting delegates, which indicates the degree of independent work performed by the delegates. 80% of this time is spent on substantive matters and only 20% on administrative support. IPS staff assists delegates in reviewing and discussing project proposals, as far as profiles are prepared by delegates prior to their arrival, and advising them on promotional aspects. In addition to this project related support, the IPS announces by letter the presence of delegates to Austrian industries which is a first opening for delegates. Although terminal reports by delegates differ largely, in all of them appreciation of the support provided by IPS staff was expressed.

### C. Management and Backstopping

39. The office is well managed and operates efficiently. In areas where the project agreement has not specified the scope of activities, initiatives were taken to appropriately interpret the tasks of the IPS in relation to its operating environment.

40. The IPS is well integrated in the network of trade delegations of the AFEC with whom contacts are maintained whenever needed, e.g. in cases when additional project information is required from local sponsors in the target developing country. The office maintains equally close cooperation with the AFEC head office in Vienna in order to make full use of information facilities available.

41. IPS staff maintains good contacts to a number of staff in UNIDO, not only limited to IID but also with other parts of the Secretariat, such as Regional and Country Studies Branch for country specific information, with technical branches regarding technical assistance projects, and with the Industrial and Technological Information System. Cooperation with IID was rated to be rather positive, in particular in the event of investment promotion meeting in China in which IPS staff participated actively and particularly good cooperation was reported with the Feasibility Studies Branch.

#### D. End users

42. Activities, as summarized in Table 3 on page 11, are directed at two major target groups, namely entrepreneurs in Austria and in developing countries. Under Chapter III.B. it was already indicated that good relations exist with Austrian companies which are based on earlier contacts developed during the IPS staff's tenure as trade delegates. Responses were outstandingly positive about information provided and services rendered.

43. Contacts with entrepreneurs in developing countries are rather limited and mostly confined to meetings at investment promotion meetings. Otherwise, the IPS tends to operate through boards of investment or other coordinating bodies.

### IV. PROJECT RESULTS AND OBJECTIVES

#### A. Outputs

44. In paragraph 18 it was explained that no outputs have been defined in the project document. This is understandable for those activities which have rather intangible results, such as *"increased awareness as a result of information received"*. Discussions with staff of UNIDO, the IPS, and Austrian authorities revealed strong reluctance to define outputs in concrete terms in view of existing uncertainties which do not allow precise forecasts for the number or value of promoted and concluded projects. These factors dictate that indicators which in principle are acceptable, such as the number and value of investment or cooperation projects promoted, are not used in isolation of the project's environment, such as size, structure and capitalization of national industries, but lead to determining realistic outputs.

45. Some of the activities listed in Table 3 are of a nature that they may lead to concrete results, namely:

Activities	Outputs
◆ Identification and match-making	◆ number/value of projects under negotiation or concluded
◆ Compilation of an inventory	◆ an inventory containing information according to DIPP
◆ Identification of training possibilities	◆ number of trainees placed

46. Since these outputs were neither defined nor quantified in the project document, the evaluation can establish only which attainments have been made, however, not assess them in comparison to plans. Moreover, in view of the fact that the Evaluation Team was not able to visit and interview entrepreneurs in developing countries, the following information is based on reports by the IPS. No verification or assessment of development impact in developing countries could be undertaken by the Evaluation Team.

◆ A total of 134 projects were reported by the IPS to be under negotiation, of which 7 were completed, 21 under detailed or advanced negotiations, and 38 listed in more than one annual report.

◆ An inventory was established and is being continuously updated.

◆ Approximately ten industrial training opportunities were identified, and four delegates were trained/accommodated at the IPS.

47. As Table 4 illustrates, the number of projects reported to be under negotiation fluctuates largely between the years, and actually deteriorated considerably in nominal terms from around 69 in 1991 to only 14 in 1992. However, it needs to be taken into account that (i) 20 of the



reported projects in 1991 were in a dormant stage, and (ii) in the 1991 annual report 34 projects were "carried over" from the previous year so that actually only 15 new projects came under negotiation as compared to 10 projects in 1992 (as of October).

48. It is also interesting to note that the ratio of projects reported to be under negotiation originating from IID versus those originating from the IPS improved dramatically from 1990 (6%) to 1991 (45%) and 1992 (64%), which might be due to a change in policies of the IPS management. Considering that 80% of project-related staff time is invested in the promotion of projects originating from UNIDO, a high ratio these projects under negotiation seems appropriate and desirable. However, comparing staff time invested in the promotion of projects identified by the IPS (10% of project-related time) and the number of projects under negotiation indicates that these projects are apparently more easily promoted and that the IPS's activities in this respect are more effective.

**Table 4: Projects under Negotiation**

	as of December 1990	as of December 1991	as of October 1992
<b>STATUS</b>	<b>#</b>	<b>#</b>	<b>#</b>
completed (c)	4	3	0
advanced negotiations (1)	2	4	0
detailed negotiations (2)	6	8	1
first negotiations (3)	13	9	4
proposal submitted (4)	21	25	9
not active/not canceled (5)	1	12	0
mixed status indicator	4	8	0
<b>REGIONAL DISTRIBUTION</b>			
Africa	6	9	0
Asia	39	45	10
Europe	1	6	1
Latin America	5	9	3
<b>PROJECT ORIGIN</b>			
Industrial Investment Division	3	31	9
Investment Promotion Service	48	38	5
Projects listed in previous report		34	4
<b>TOTAL</b>	<b>51</b>	<b>69</b>	<b>14</b>

Source: Annual Reports of the Investment Promotion Service Vienna

### B. Objective

49. It was stated in paragraph 17 of this report that the present formulation of the project objective is somewhat ambitious. For the purpose of this evaluation, the Evaluation Team assumes it to be a long-term aim (development objective). Even in doing so, it has to be noted that the increase of investment flows into developing countries is not influenced by the performance of the IPS alone, but depends on a number of factors outside the scope of the project. Therefore, the IPS's contribution to attaining the development objective is difficult to quantify, although some contributions have been made as explained under Chapter IV.A.

### C. Relevance and Sustainability

50. The AFEC maintains in addition to its head office in Vienna an extensive network of ninety trade delegations which fulfill not only export promotion but also, though to lesser extent, investment promotion functions. One might argue whether this system with its wide geographical and functional coverage is not sufficient, *inter alia*, for the promotion of Austrian investments abroad. The IPS Vienna, however, is considered by Austrian authorities and entrepreneurs to be a valuable window to international business opportunities, which otherwise are not always accessible. It, furthermore, fulfills the function of a liaison office between Austrian enterprises and UNIDO. For UNIDO and its clientele in developing countries, the office is a window to Austrian companies and supplements the network of IPSs. An additional advantage is created through the presence of trade delegates in developing countries on whom UNIDO, through IPS Vienna can call when needed.

51. The sustainability of the office depends on the support of the AFEC as its operations are fully financed by the Chamber. Contributions of Austrian companies are rendered indirectly by means of dues raised on international business. Being used to this indirect financing scheme for services of the AFEC and the IPS, Austrian entrepreneurs are not likely to favor paying for these services directly. Financing arrangements should, therefore, be maintained.

### V. CONCLUSIONS

52. The IPS is considered by Austrian authorities and entrepreneurs to be a valuable window to international business opportunities in developing countries, which otherwise are not always accessible. It, furthermore, fulfills the function of a liaison office between Austrian companies and UNIDO. For UNIDO and its clients in developing countries, the office is a window to Austrian industries and supplements the network of IPSs. An additional advantage is created through the presence of Austrian trade delegations in developing countries on whom UNIDO, through IPS Vienna can call when needed.

53. The project document does not fulfill UNIDO standards for project documents. It does not contain any outputs, neither quantified nor qualified, which is opposed to result-oriented project management and impedes result-oriented performance evaluations.

54. The IPS is well managed and carries its activities out in the best interpretation of the project document. It plays an active role in disseminating information about UNIDO activities in general and investment promotion related initiatives in particular. It provides advice to Austrian entrepreneurs on investment possibilities and conditions in developing countries, as well as identifies interested entrepreneurs in Austria to match them with potential partners. Its main clientele are Austrian companies with whom personal contacts are maintained. Contacts to entrepreneurs in developing countries are limited and communication takes place mostly through intermediary offices, such as board of investment unless direct contacts are made during investment promotion meetings. When participating in the latter, IPS staff represents Austrian companies and carries out preliminary discussions with local sponsor of the country hosting the investment forum. Once contacts are established between entrepreneurs, these partners negotiate directly while keeping the IPS informed.

55. The IPS fulfills not only investment promotion functions but has also a general liaison role by which it facilitates contacts of Austrian entrepreneurs and institutions to UNIDO and aims at increasing Austrian involvement in technical assistance projects and programmes executed by UNIDO.

56. In spite of the lack of outputs defined in the project document, the IPS has produced results such as:

- ◆ A total of 134 projects were reported by the IPS to be under negotiation, of which 7 were completed, 21 under detailed or advanced negotiations, and 38 listed in more than one annual report.
- ◆ An inventory was established and is being continuously updated.
- ◆ Approximately ten industrial training opportunities were identified, and four delegates were trained/accommodated at the IPS.

57. The submission of project profiles from IID is too much related to the event of an investment promotion forum. A more frequent supply of fewer project profiles of better quality would facilitate promotional work of the IPS.

58. While the delegates program is considered to be a useful and effective mechanism for investment promotion, the choice of candidates and their preparations prior to arriving in Vienna are pre-requisites for success.

59. The project objective as presently defined, namely to contribute to the promotion of investment flows from Austria to developing countries, is rather ambitious considering traditional Austrian business behavior which concentrates on trade rather than on investment, as well as the international economic situation which is not favorable to international investment activities. In view of the fact that a number of factors external to the project influence these investment flows, the IPS's contribution to attaining this objective cannot be clearly quantified. The Evaluation Team, nonetheless, established that the IPS made valuable contributions to increasing the awareness and knowledge of Austrian entrepreneurs of industrial cooperation opportunities in developing countries.

60. The Service relates well to the head office of the AFEC and to its Austrian trade delegations which results from the fact that staff is seconded from the Chamber to the office. Good contacts are also maintained with various parts of IID, including the Feasibility Studies Branch, and other parts of the UNIDO Secretariat. Cooperation is based on good personal contacts. Collaboration with other IPS offices is limited.

61. In view of the fact that the Evaluation Team was not able to visit developing countries, the project's development impact in its target areas could not be ascertained.

## VI. RECOMMENDATIONS

62. In view of the fact that the project plays a valuable role in increasing the awareness of Austrian companies of cooperation opportunities in developing countries as well as performed to the satisfaction of all parties concerned, it is recommended to extend the project for another term.

63. A differentiation should be made between the long-term development objective of the project, namely to contribute to increased investment activities of Austrian companies in developing countries, and the medium-term project objective which seems more adequately to focus on increasing the awareness of Austrian entrepreneurs about cooperation opportunities with partners from developing countries.

64. While the Evaluation Team appreciates that the number and value of projects promoted cannot be determined with certainty due to factors outside the project, some benchmarks should be established for the guidance of the project and included in the project document. The analysis of figures reported on the number of projects under negotiation leads to conclude that a target of

10 - 15 new projects per year coming under negotiation, i.e. entering any stage between initial negotiation up to project conclusion, is realistic. Since no figures on the magnitude of projects are reported by the IPS, a target in terms of value of investments promoted could not be derived by the Evaluation Team.

65. The inventory of Austrian companies should be considered as an output of the IPS. A target for its regular expansion should be set to encourage continuous efforts to contact new companies. Considering that a large number of enterprises which are interested in industrial cooperation projects in developing countries have probably been captured in the first phase of inquiries, it seems realistic to set a relatively low target of some 20 new companies to be registered per year.

66. Delegate programmes should equally be considered as an output of the IPS. The fact that these programmes are financed by sources external to the project calls for caution when quantifying the number/duration of delegates to be accommodated. However, aiming at 10 - 12 w/m of delegates at the IPS per year might create an incentive for IID and the IPS to identify sources of financing. Improved coordination of investment promotion programmes backstopped by IID and delegates working at the IPS might help in bridging the resource gap.

67. IID should attempt to secure a more steady flow of high quality project profiles and consider other investment promotion means in addition to investment promotion meetings.

68. The evaluation was unable to adequately consider the project's development impact in developing countries as financial limitations restrained the Evaluation Team from visiting a selected number of target countries. It is, therefore, recommended that provisions are made for an in-depth evaluation (including travel to target countries) in the budget of the next phase.

## VII. LESSONS LEARNED

69. The Evaluation Team observed that a number of problems already raised in the in-depth evaluation of UNIDO's investment promotion activities still prevail. These relate mostly to the occurrence of large quantities of project profiles in the event of investment promotion meetings. Very few, if any, alternative investment promotion mechanism, such as business missions organized for a selected number of entrepreneurs, are utilized in UNIDO's investment promotion programme.

**Projects received and promoted January 1990 - August 1992**

REGION	Proposals received from	Number of Proposals Received	Projects under Promotion	Projects under Negotiation
AFRICA	IID	782	413	21
	IPS Vienna			
	others	6		
LATIN AMERICA AND CARIBBEAN	IID	212	134	27
	IPS Vienna	3		
	others	4		
ASIA AND PACIFIC	IID	999	1063	83
	IPS Vienna	11		
	others	106		
ARAB COUNTRIES, EUROPE AND MEDITERRANEAN	IID	834	790	13
	IPS Vienna	3		
	others	286		
TOTAL	IID	2827	2400	144
	IPS Vienna	21		
	others	663		

Source: Compiled on the basis of Four-monthly Activity Reports prepared by IPS Vienna<sup>1</sup>

<sup>1</sup> Note: the activity report 1 January 1990 - 30 April 1990 does not indicate other sources, therefore figures were listed under "others" only, regardless of whether projects may have originated from the IPS Vienna.

**List of People met****Ministry of Foreign Affairs**

Mr. Herbert Traxl, Minister Plenipotentiary  
Mr. Wotawa, Ambassador of Austria to the UN

**Austrian Federal Economic Chamber**

Mr. Heinz Rampitsch, Department for Foreign Economic Relations

**IPS Vienna**

Mr. Alfred Mayer, Head of Service  
Mr. Gerhard Fyferlik, Investment Promotion Expert

**UNIDO**

Mr. Jean-Marc Derooy, Director, IPCT/IID  
Mr. Robert Norris, IPS Network  
Mr. Joseph Hebga, IID/AF  
Mr. Hans Klein, IID/AP  
Ms. Meriyati Subroto, IID/AP  
Mr. Antonio Pinto-Rodrigues, IID/LAC  
Mr. Ulrich Loeser, IID/FEAS  
Mr. Vladimir Podschibyakin, IPCT/TDP/INF  
Ms. Baerbel Chamalu, PPD/SMA/WOMEN  
Mr. Christian Beinhoff, IO/T/MET

**Austrian Banks**

Mr. Ivo Stanek, Director, Bank Austria

**Austrian University**

Mr. Werner Clement, Professor for Economics, University of Economics

**Austrian companies**

Mr. Hermann Zoidl, Project Director, Consulting Division, AUSTROPLAN  
Mr. Robert Roller, Sales Manager and Cooperation Projects, Plasser & Theurer  
Mr. Peter Schidt, Managing Director, Advanced Polyurethane Technologies  
Ms. Elisabeth Christ, Financial Manager, Advanced Polyurethane Technologies  
Mr. Friedrich Thorbauer, Managing Director, Thorbauer Engineering GmbH  
Mr. Gottfried Sodeck, President, Vogelbusch GmbH  
Mr. Elmar Berchthold, Managing Director, LASKA  
Mr. Anton Kreitmayer, Export Sales Manager, LASKA  
Mr. Martin Platzer, General Manager Corporate Marketing, Steyr-Daimler-Puch AG  
Mr. Herbert Wolschner, Marketing Director, Steyr-Daimler-Puch AG  
Ms. Schlamm, Export Manager, Zuckermann Industrieanlagen GmbH  
Mr. Michael Krammer, Zuckermann Industrieanlagen GmbH  
Mr. Anton Kuebler, Senior Sales Manager, Austrian Energy and Environment GmbH

**Telephone interviews with Austrian companies**

Total number of companies:	43
Total number of replies:	39
Companies with contacts to the IPS for 5 years and more:	17
Companies with contacts to the IPS for 2 - 3 years:	12
Companies with contacts to the IPS for less than 1 year:	8
No information or no recent contacts:	2