US/UT/GLO/97/120

UNIDO Investment Promotion Service in Warsaw, Poland

Report of the evaluation mission*

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This document has not been edited.

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Summary of Conclusions and Recommendations

The Office met its objective regarding inwards promotion and the transformation process but felt short of expectations regarding outwards promotion. This was due to the lack of outwards orientation of Polish firms, particularly to developing countries and of a delegates programme. Still, as amply explained in the report, the evaluators conclude that, given the present circumstances surrounding the Polish business community, the Office has been performing an effective and adequate mix of activities related to inwards and outwards promotion and to the transformation of the Polish economy. It is foreseen that this mix will continue into the nearby future without major alterations.

The Office is professionally well managed and well staffed. It occupies a well known and important position in the Polish political and business circles related to foreign business cooperation and the transformation process.

The evaluators analyzed as case studies twelve projects promoted by the Office, in six cases by visiting the involved enterprises and found out that the Office played an important role in locating Polish or foreign partners, finding adequate locations, and assisting in going through the maze of regulations governing the establishment of companies (see Annex 3).

The present relevance of the Office while having changed from the one at its inception is valid so the continuation of the Office is definitely recommended by the evaluation.

There is no need to change the present agreement even in the case that the Government decides to increase the share of work related to selected economies in transition. However, the TOR will have to be changed at some point of time along with the annual work programmes and reports to give to all these documents a common structure.

At the beginning of each year, a meeting, organized along the line of a "Board of Directors" of an enterprise should take place. The meeting, called by and headed by the Ministry of Economy, should have the participation of the UNIDO IPC/ITP Director and of the Office management. The main objective of this meeting is to discuss and approve the annual report of the preceding year and the work programme of the commencing year as well as any other point included in the Agenda of the meeting.

If there is an intention to increase the work of the Office in outwards promotion, a delegates programme should be re-established.
EXPLANATORY NOTES

The units of measure indicated in this report are those sanctioned by the International System of Units (SI). The terms "Dollar", "US$" or "USD" refers to the U.S. Dollar.

The words in this report:

Government refers to the Government of Poland
Ministry refers to the Ministry of Economy of Poland
Office or IPS, unless otherwise indicated, refer to the Investment Promotion Service in Warsaw

*   *   *   *   *

The value of one U.S. dollar in Polish Zloty (PLN) during the period covered by the evaluation, in accordance to the U.N. operational rate of exchange, is as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1994</td>
<td>22,000.- old currency</td>
</tr>
<tr>
<td>January 1995</td>
<td>2.34</td>
</tr>
<tr>
<td>July 1995</td>
<td>2.34</td>
</tr>
<tr>
<td>January 1996</td>
<td>2.39</td>
</tr>
<tr>
<td>July 1996</td>
<td>2.65</td>
</tr>
<tr>
<td>January 1997</td>
<td>2.78</td>
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<tr>
<td>July 1997</td>
<td>3.15</td>
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<tr>
<td>January 1998</td>
<td>3.42</td>
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<tr>
<td>July 1998</td>
<td>3.38</td>
</tr>
<tr>
<td>January 1999</td>
<td>3.38</td>
</tr>
<tr>
<td>March 1999</td>
<td>3.70</td>
</tr>
</tbody>
</table>
### List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC</td>
<td>Development Assistance Committee (of OECD)</td>
</tr>
<tr>
<td>DC</td>
<td>Developing country</td>
</tr>
<tr>
<td>DFI</td>
<td>Direct Foreign Investment</td>
</tr>
<tr>
<td>DIPP</td>
<td>Databank for Investment Promotion Programme</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FCPP</td>
<td>Foreign Cooperation Promotion Programme</td>
</tr>
<tr>
<td>GRULAC</td>
<td>Group of Latin American and Caribbean countries</td>
</tr>
<tr>
<td>HQs</td>
<td>UNIDO Headquarters, Vienna</td>
</tr>
<tr>
<td>INTIB</td>
<td>Industrial and Technological Information Bank</td>
</tr>
<tr>
<td>IPC/ITP</td>
<td>Investment and Technology Promotion Branch</td>
</tr>
<tr>
<td>JV</td>
<td>Joint venture</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>PAIZ</td>
<td>Polish Agency for Foreign Investment</td>
</tr>
<tr>
<td>PCDC</td>
<td>Programme for Cooperation with Developing Countries</td>
</tr>
<tr>
<td>PLN</td>
<td>Polish Zloty</td>
</tr>
<tr>
<td>PPF</td>
<td>Project Preparation Facility</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SOFI</td>
<td>Swiss Organization for Facilitating Investments</td>
</tr>
<tr>
<td>VVBS</td>
<td>Visitors and Visits Book System</td>
</tr>
</tbody>
</table>
Preface

This joint evaluation was undertaken during the period 8 to 20 March 1999 by:

Mr. Jerzy Gorski, nominated by the Ministry of Economy and
Mr. Oscar Gonzalez-Hernandez, nominated by UNIDO,

in accordance with the Terms of Reference included as Annex I.

The evaluation members, after briefing in UNIDO HQs and in the Ministry of Economy of Poland, interviewed the management and staff of the Office, visited a number of Government and private sector offices and institutions involved in its operations as well as enterprises who benefitted from its services. The full list of institutions, firms and persons visited is indicated in Annex 2.

This evaluation is foreseen in the agreement signed between the Government and UNIDO regarding the operations of the Office.

The evaluation team wishes to acknowledge here the excellent logistical and professional support extended by the management and staff of the IPS.
1. CONCEPT AND DESIGN

1.1 Socio-Economic and Institutional Context of the Office


1. According to the 1998 World Bank Report, Poland had in 1996 a GNP of 124.7 billion USD and ranked 29th among the countries listed by the World Bank. With a GNP per capita of 3,230 USD, Poland joined for the first time the group of upper middle income countries. (USD 3,115<GNP per capita <9,635).

2. In the same year Poland ranked 41th in terms of GNP per capita and was preceded by the following Central- and South-European countries: Slovak Republic (40, 3,410 USD), Hungary (33, 4,340 USD), Czech Republic (30, 4,740 USD) and Slovenia (26, 9,240 USD).

3. It has to be kept in mind that among EU member states, the lowest GNP per capita, (estimated by the World Bank as high income) was at that time in Portugal (10,160 USD) and Greece (11,460 USD). In other words the GNP per capita index of those countries was from 3 to 3.5 times higher than that of Poland.

4. Since the last evaluation of the project in 1994, Poland's economy has been developing at an accelerating pace. The 1990-1995 GNP per capita growth averaged 3.5 %. The 1996 - 1997 rates were respectively 6.1% and 6.8%.

5. In 1997 a rapid increase in consumer spending supported by an uncontrolled growth of borrowing caused concerns about possible overheating of the economy, with possible adverse repercussions on further growth. The recession that hit the Czech Republic was a serious warning.

6. Measures taken by the Government (tight budget) and the Central Bank (increase of interest rates) prevented this development to get out of control. However, the subsequent crises (Asia, Russia, Brazil) and downward revision of EU growth forecasts contributed additionally to a reduction of the growth rate and a relative deterioration of the of the macro-economic indicators. In 1998 GDP grew by only 4.8%, industrial production declined for the first time since 1992.

7. Despite the unfavourable environment the Polish economy rests on a solid foundation. A positive indicator was a further reduction of the inflation rate for 1998 to a level of 8.6% (instead of the planned 9.9%). It is anticipated that growth in 1999 - though lower than originally planned - will be definitely positive and industrial output is presently registering no further decline.

8. Poland's comparative advantages, in particular lower cost of quality labour, strategic geographic location, the size of Poland's market, as well as continued efforts of successive governments to maintain economic growth and political stability, result in steadily increasing inflow of direct foreign investment. From 1990 through 1993 DFI amounted to 4.4 billion USD, from 1994 to 1997 DFI rose by further 16.2 billion USD and 1998 alone added other 10 billion USD. Thus by the end of 1998 total DFI for the period from 1990 exceeded 30 billion USD.
9. As impressive as the figures may appear, DFI per capita in Poland is still considerably (several times) lower than in countries like the Czech Republic or Hungary. Polish authorities and the evaluators represent the view that for the foreseeable future Poland can absorb annually DFI from 10 to 15 billion USD.

10. Considering Poland's limited capital resources as well as the relatively small consumption capacity of the local market, Polish companies in their foreign relations are primarily interested in expanding their trade. To this end they continue in the foreseeable future to require extra capital, up-to-date technology, access to markets with high purchasing power (high income economies) and marketing know-how. Under these circumstances, quite understandably, Polish companies are much less interested in undertaking partnerships, much less carrying out direct investment in developing countries.

b. Institutional framework

1. According to the 1997 Agreement (US/UT/GLO/97/120) (which comprises the TOR of the operation of the Office as well as the modality of its funding), the Ministry of Economy has been designated as the Government implementing agency. The Ministry of Economy replaced in this capacity the former Ministry of Foreign Economic Relations. The latter, due to a government reorganization ceased to exist, and its responsibilities were taken over by the Department of Foreign Economic Relations in the new Ministry of Economy.

2. The Department of Foreign Economic Relations is for the Office the official channel of communications. This applies in particular to annual planning of and annual reporting on the activities of the Office. The Department is also responsible for the processing of the Government approval of the annual budgets of the Office as well as joint preparation of tri-annual budget proposals. The current budget covers the periods from 1998 through the year 2000.

3. In discharging its duties, the Office co-operates closely with the following ministries, institutions and authorities, in addition to individual national and foreign investors:

- Ministry of Foreign Affairs
- Ministry of Finance
- Polish Agency for Foreign Investment (PAIZ)
- Special Economic Zones
- Polish Academy of Science (Information Processing Centre)
- Agency of Technology
- Municipal Development Agency
- Regional Industrial Development Agencies
- Chambers of Commerce (National and bilateral)
- Business Associations (National and regional)
- Association of Foreign Investors in Poland
- Banks and Business Development Foundations
- Private entrepreneurs (Polish and foreign)
- International Organizations (United Nations Development Programme, World Bank among others)
4. Obviously enough these organizations that constitute the institutional environment of the Office pursue their own individual goals. The evaluators reviewed and visited some of the projects executed jointly or at the request of those organizations. The projects were selected from the Office's annual plans and reports. The details of individual reviews are described in part 2.2 - Activities and in Annex 3.

5. At first glance there appears to be a certain overlap between the activities of the Office and those of various Chambers and of PAIZ. The evaluation mission analyzed this aspect in particular by discussing it with the relevant institutions and obtaining the opinion of the firms visited. The management of these institutions stated that they do not feel that there were overlaps because of the magnitude of work to be undertaken and because no institution has a monopoly in this area. Furthermore no institution seems to be so well equipped as the IPS to provide the type of customized and continuing assistance to entrepreneurs both from abroad and in Poland.

c. The changing nature of problems to be addressed by the Office

The Office started its operations in July 1983 under the name of Industrial Cooperation and Investment Promotion Service with an outwards orientation, namely promoting cooperation between enterprises in Poland and in developing countries, including the development of joint ventures in the latter countries. The political and economic changes started in 1986 led to a new economic environment where Polish companies lost interest in developing countries except for trade. The Office quickly and proactively adapted to this new environment and started to be involved in promoting partnerships and investments into Poland - not foreseen at the outset of the Service - and undertaking a variety of activities which facilitated the transition to the market economy. Outwards promotion, while not abandoned, took a back seat.

At the time of the previous evaluation, that is January 1994, the policy intentions of the Ministry of Foreign Economic Relations was that the Office should revert to its original mandate namely with an outward orientation which was to encompass particularly the neighbouring countries to the East. This reorientation would be facilitated by the completion of the transformation process in Poland.

During the present evaluation it was quickly found out that this reorientation did not take place because of structural and practical reasons:

First of all, the mission could not find a consensus within the Government circles as to this reorientation. While some officials talk about the need for Poland to become a net donor others point out that, even though Poland became a member of OECD, it will not join DAC in the foreseeable future and still has considerable needs for assistance. The latter viewpoint seems closer to the reality.

There are no financial means or structure to channel eventual ODA, although there are political declarations that around 5 million USD would be available for that purpose.

The Polish enterprises are busy with their internal problems and are not too interested to cooperate or invest abroad particularly in developing countries. Any increased efforts of the Office in this direction would not be accompanied by significantly increased results.

The process of transformation of the Polish economy is far from complete and the Office continues to play an important role in various activities including training, in this connection.

And finally the delegate programme, the most efficient tool for outwards promotion, has been deleted from the Office's budget.
It is therefore difficult to foresee that the Office in the near future departs significantly from the work mix it undertakes presently. Only a slight change of emphasis can take place. If however the Government authorities determine that the Office should significantly reorient itself towards outwards promotion it has to allocate the necessary resources to finance, as a minimum a delegate programme and should not expect in the short/medium term a significantly increased impact in outwards promotion.

d. Integration of the Office in the UNIDO network.

The Office is well integrated in the UNIDO investment promotion network. It dutifully promotes projects and venues communicated to the Office by HQs. If participation of Polish companies is scanty it is not due to lack of promotion efforts by the Office but due to the reduced interest of Polish enterprises to go abroad. The evaluation found out numerous examples of horizontal cooperation with other IPSs such as Seoul, Paris, Milan, Vienna, former Washington, former Zurich and with its successor SOFI.

The Office, possibly because of the previous association of its Director with UNIDO HQs, is also a strong focal point for any UNIDO activity undertaken in Poland. We can single out its important contribution to the successful implementation of the UK/Know How Fund Project in Poland and its involvement in project US/RER/95/145 - Regional Programme for the Establishment of High Technology Business Incubators/Science Parks.

It is the intention of UNIDO HQs to involve all IPSs in the portfolio of integrated UNIDO Services. The Office reacted promptly to these intentions on 20.7.98 providing concrete suggestions for such involvement. While there is not yet experience on this matter, the evaluators believe that the IPS Warsaw will be in the front line for such an involvement.

1.2 The Agreement

The agreement between the Government of Poland and UNIDO concerning the extension of the IPS in Warsaw covering the period under evaluation, 1 July 94 - 31 December 1998, is dealt by two separate sets of documents:

One exchange of letters in December 1994 endorsing an extension of the Office until the end of 1997 described in a project document and integrating an interim extension previously approved for the second half of 1994.

One indefinite agreement to start on 1 January 1998 and a three-year budget showing the required financial contributions by the Government. Because of local budgetary regulations, actual appropriations are made on an annual basis.

The project document referred to above follows the traditional technical cooperation concept using the logical framework approach with a development objective, two immediate objectives each with a number of outputs and activities. Quantified achievement indicators were provided at the level of immediate objectives and outputs. This project document represents a good framework for the operations of an IPS and to justify the financial resources allocated by the Government to the Office. However, at the activity level the document went into too much detail (for instance stating and quantifying the number and type of visitors and verbal inquiries received by the Office) which complicated this document and made its use cumbersome.
The second set of documents took a more simplistic approach.

The indefinite agreement mentions in general terms the purpose of the Office and its funding and personnel arrangements as well as evaluation and financial arrangements. Concerning the actual operations of the Office, the agreement directs the reader to an annex entitled "Terms of reference for the IPS Warsaw". These terms of reference include, in addition to the general objectives expected from the Office, a number of "functions and activities" derived from resolution GC.3/Res.19. These functions can be considered really as outputs, they are not quantified and should serve (but in reality cannot) as milestones for the purpose of monitoring and evaluation. Future terms of reference should use the logical framework approach, that is establish aims at the level of objectives and outputs and include quantified achievement indicators. Activities can be left to the annual work plans and changed as needed.

2. IMPLEMENTATION

2.1 Delivery

a. Budgets and Expenditures

Under the terms of the present agreement (of 9 July 1997) the Office is funded for renewable periods, each of three years (the current covering the period 1998 through 2000) from the Governments special-purpose contribution to the UNIDO IDF (Industrial Development Fund), both in USD and PLN. A similar funding arrangement applied to the period 1994 - 1997 (agreed on 15 December 1994).

The management of the budget and financial reporting is carried out by the Office in accordance with UNIDO's financial regulations and rules.

Annual regular USD and local currency budgets and disbursements are given in Annex 6.

Expenditures were found to be within the planned budgets. An exception was a considerable Dollar under expenditure in 1998 on PROJECT TRAVEL (18.6% of the planned budget). It was explained that the shortfall (saving) was due to the very limited interest of Polish companies in UNIDO HQs’ fora and promotional meetings in DCs (Asia and South America) which made Office staff travel and participation irrelevant.

In addition to the above regular budget (contributed by the Government) the Office had in the years 1994 - 1998 an extra budget of PLN 1.5 million (411,000 USD at the current UN exchange rate). These were contributions from various sources (public and private) for professional and specialized services provided by the Office. The details are provided in table No.5 - Various Industrial Promotion International Events Organized by UNIDO IPS at the Request of Polish Governmental Bodies included as Annex 5.
b. Personnel

The personnel of the Office at the time of the evaluation is indicated in Annex 7. It consists of six occupied professional posts and of six occupied administrative and support staff. There is a considerable reduction of staff in relation to the time when the previous evaluation was carried out - beginning of 1994- when there were twelve professional and nine support staff.

The senior staff has remained constant thus ensuring continuity. An inevitable renewal has occurred. Some staff has left for better paid positions but experienced staff from outside has taken its place.

The Office has a good work and team atmosphere and is professionally well equipped both in substantive terms and experience abroad. English, French, Spanish and Russian, other than Polish, are fluently used by the staff. The persons interviewed were unanimous to underscore the readiness of the staff at all levels to assist and the timely delivery of quality and customized services, in comparison to other promotion offices in Poland.

c. Management

The Office is managed from its inception by a competent economist/financial analyst who previously worked as a technical officer in UNIDO HQs being responsible for a variety of technical cooperation projects in developing countries dealing with promotional and pre-investment work. He has very good relations at the highest levels of Government and business circles in Poland and possesses the necessary experience in developing countries and economies in transition.

Equally competent is the Deputy Director, an economist, former Polish Trade Consul in Canada and Commercial Attache Venezuela. Under the supervision of the Director, he takes care diligently of the day to day operations of the Office.

Overseeing of the Office on the Polish Government side is carried by the Ministry of Economy, Department of Foreign Economic Relations. On the UNIDO side, it is the IPC/ITP. During the lifetime of the Office a considerable number of personnel changes took place in these overseeing bodies while the management of the Office has remained constant. There is no formal mechanism of overseeing. Annual Reports and Work programmes of the Office sent to these bodies are not or only superficially commented upon. There is a need to increase the overseeing nature of these bodies to keep them informed, provide direction and establish eventual corrective measures. In this spirit, a recommendation to establish a "Board of Directors" for the IPS which would meet once a year is made.
2.2 Activities

a. Activities directed to developing countries and economies in transition

At the beginning of the period under evaluation, the Office suffered an important budget reduction (please see details under 2.1.a) which deprived it from having delegates from developing countries and economies in transition. Thus the Office could not make use of the most useful outwards tool for promotion, as demonstrated by experience and evaluations. Any effort of the Polish Government to increase the activities of the Office in this line has to include necessarily provisions to house such delegates.

Furthermore the rate of success for outwards promotion is expected to be much lower than for inwards promotion. Further to the general lack of interest of Polish companies to invest or cooperate in developing countries and economies in transition, a shortage of Polish investment capital and lack of legal framework to protect investments abroad makes the achievement of cooperation with such countries extremely difficult. This is reflected in the low figure of 23.3 million USD for Polish industrial investments abroad in 1998 and even these were concentrated in developed countries.

Still the Office was able to conduct a certain amount of outward promotion activities, albeit with a limited impact because of the above reasons. The list in Annex 3, not exhaustive, indicates a few of such projects which the evaluation team was able to analyze.

1) Promotion of Fora organized by HQs in 1998

Eight such fora were organized in all regions. IPS selected five for promotion among Polish businesses. Despite mailings sent to companies on the venues and on selected project proposals, the interest shown by Polish companies was small and at the end no Polish company participated in these fora, despite in one case of the offer to cover the travel costs to the Forum.

2) Arab Countries

Business missions were organized to Morocco and Lebanon. In the first case nobody from the Office participated, so it has been difficult to determine partnership results. The mission to Lebanon took place in 1999 so it is too early to have results but there are ongoing negotiations between two Polish companies with prospective partners in that country.

b. Activities directed to Poland

1. In accordance with its objectives (1 and 3) the Office worked on the attraction of foreign investment to Poland and on the transformation to market economy. In its work it used successfully three main types of activities:

- organization and/or participation in the organization of a variety of business/investment promotion meetings,
- organization and/or participation in the organization of training {on preparation of business plans / feasibility studies; product marketing; preparation of modern quotations; formal, legal, financial and practical methods of co-operation with foreign partners; analysis and evaluation of investment projects (with the application of COMFAR)}. 

- direct "ground level" assistance to individual investors in the establishment of their factories.

2. Activities were carried out in Warsaw (at a central, national level) as well as in the provincial cities (at a regional and local level).

3. Details of the meetings and conferences on business / investment promotion are given in tabulated form in Annex 5.

4. Special mention merits the Third National Conference on Foreign and National Investment Credits, Commercial Banks and Insurance Institutions, organized by the Office in Warsaw on 27 June 1995. It was a response to the success of the first two Fora both held in 1993, covered by the previous evaluation. The Conference facilitated presentation of credits and other financial products to the business community. It was attended by 1500 persons from 855 firms and institutions of which 70% represented manufacturing, construction, trade and services. Private sector participation was 45%.

5. In 1994 Regional Investment Credit Fora were held in 1994 in:

- Walbrzych, 7-8 April
- Biała Podlaska, 21-22 June
- Zielona Góra, 4-5 October,

as well as Conferences on small business financing as well as utilization of local and foreign credit lines by small industries were held in 1994 in:

- Częstochowa, 16 March
- Włocławek, 27 May

All the above areas have higher than average unemployment rate.

6. Similar business conferences, seminars and local fairs were co-organized and/or attended by the Office in 1995 in Inowroclaw, Suwałki, Kraków, Augustów, in addition to four such events in Warsaw. In 1997 two Polish - German fora were held in Konin (14 April and 9 October). Further meetings were held in Vienna to promote Austrian investment in Poland (26 February, organized by the Austrian Chamber of Economy; 6 October organized by IPS Vienna)

7. In 1998 the Office joined the promotion of investment in the Special Economic Zones (basically the responsibility of the Industrial Development Agency ). The first International Economic Co-operation Forum to promote EURO-PARK, Mielec, Wisłosan, Tarnobrzeg in Przecław on 30 November 1998 was a joint effort of the Office, the IDA and the management of the two SEZ. Valuable support was provided by the Polish- German Economic Promotion Corporation and Weichhardt & Partner AG, managers of the Berlin Siemensstadt Economic Zone. The Forum was well attended but it is too early to report on results in terms of investment carried out.
8. In support of the continuous process of transforming Poland into a market economy the Office in the years 1994 - 1998 put again emphasis on training in the preparation of business plans / feasibility studies; product marketing; preparation of modern quotations; formal, legal, financial and practical methods of co-operation with foreign partners; analysis and evaluation of investment projects (with the application of COMFAR).

9. On the whole 41 training courses and lectures in the above mentioned fields were conducted: (1994 - 5; 1995 - 24; 1996 - 3; 1997 - 5; 1998 - 4). The courses were held both in Warsaw and in regional business centres. The preparations were frequently made in co-operation with local business (tailor made) and institutional partners (Regional Development Agencies and companies) and on the basis of self-financing schemes.

10. Last and not least, management of a foreign firm expressed to the evaluators its highest appreciation of the quality, scope and volume of "ground work" of the staff of the Office that had enabled the company to build the factory and start operations. To the best of the knowledge of the evaluators this type of service is not provided to foreign investors by other agencies.

c. Publications, Database and Softwares

In 1994 - 1998 the Office continued to produce and disseminate information, educational and training publications addressing the needs of foreign businesses and Polish organizations and institutions. It also continued to use in its promotional activities databanks and software developed both by UNIDO HQs as well as by the Office itself.

The evaluators reviewed in detail Office records which specify the 1994 - 1998 publications. They also reviewed some of the major texts. In 1994 they were:

i) Information on the activities and services of the Office in Polish and English (10,000 copies);
ii) Country profiles for 4 CIS and 7 Central and South European countries;
iii) Seven case studies, and
iv) Three Investors' Guidebooks (credit sources, business in Bielorus, update of the Investors' Guide to Poland), altogether 19,300 copies.

Publications of similar nature, including training materials on business plans and feasibility studies; marketing and preparation of offers; legal, financial and practical aspects of co-operation with foreign partners; analysis and evaluation of investment projects (application of COMFAR); conducting business negotiations; preparation of restructuring programmes were prepared and issued also in the following years (1995 - 16,370 copies; 1996 - 7,710 copies; 1997 - 7240 copies and 1998 - 6,630 copies).

The major publications of the Office during the period under evaluation included:

- Investors' Guide to Poland
- Guide on Financing of Investment Projects
- Guide on Financing of Communal Projects
"The Investors' Guide to Poland", first published in 1990 in co-operation with Ernst & Young and the Polish Foreign Investment Agency, was annually updated from 1994 through 1998 (five new editions).

The Office also continued the maintenance of its own databank- FCPP (Foreign Co-operation Promotion Programme - developed by the Office and put into operation in 1990) as well as contributed regularly to the UNIDO HQ's designed DIPP (Databank for Investment Promotion Programme).

The FCPP contains information about Polish enterprises and entrepreneurs seeking co-operation with foreign partners. Within the last five years (1994 - 1998) the total number of entries exceeded 1700. At present the FCCP contains 400 valid offers. It is updated as and when necessary as well as a routine - every year.

Considering the wide range of specific parameters according to which potential partners can be selected, the FCPP is one of the essential tools for promotional activities conducted by regional government agencies, chambers of commerce and industry, advertisements in specialized magazines etc.

The Databank for Investment Promotion Programme (DIPP) was developed by UNIDO HQs in 1989 - 1994 on the basis of the standard DBASE software. At present it does not meet the management and reporting requirements of the IPS MANUAL. It is only used in the IPS Warsaw by the Head of the Office for supervision and monitoring of the promotional activities.

d. Other activities

Under this heading we single out a number of activities which promote cooperation in two directions, inwards and outwards.

Latin American Programme

This programme started with the organization in November 1997 in Warsaw of the Economic Forum Poland Latin America. The ambassadors of the GRULAC countries accredited to Poland took an active part in the organization of the forum. Two ambassadors acknowledged to the evaluators the enhancement that this Programme is giving to their work in Poland and the avenues it opened for Polish-Latin American business cooperation up to then little explored. 100 project proposals in eight industrial subsectors were prepared. 88 Polish and 78 Latin American companies participated.

The second event was the Poland-Peru Economic Forum which took place in November 1998. 50 Polish and 24 Peruvian companies participated with around 70 project proposals.

The third one, to take place at the end of March 1999 is a similar forum for Chile, also in Warsaw.

From the negotiations undertaken during these venues, the evaluators want to single out the following business proposals which seem to be in an advanced stage of negotiation.

Leasing and purchasing of Polish planes in two, eventually three Latin American countries with the possibility of local JV for assembly and servicing and a JV for a fishery programme in a Latin American country. More on these proposals is included in Annex 3.

1st Economic Forum Poland-South East Asia

C Organized on 2-3 September 1996 in Warsaw
200 Polish trade and cooperation/investment proposals were identified and formulated.

Seven East Asian Country profiles were prepared.

High level Government officials and representatives from 60 companies, and 168 companies respectively from Poland and East Asian Countries participated.

Over 260 business meetings took place. The preliminary results at the date of the evaluation had developed into an export of steel/rubber ropes in the value of 5 million USD, a continuation of negotiations for a joint venture in Malaysia to assemble railway cars and the delivery of 180 tractors to Malaysia. All the other cases either were abandoned or the IPS has no information on their eventual continuation.

East West Preparatory Session (March 1994) and Conference of Ministers of Economy of G-7 countries (May 1994).

The Office was responsible for all organizational aspects of the above event, functioning of the Conference Secretariat and assistance to the Ministry of Foreign Economic Relations in the preparation, in cooperation with OECD, of the documentation concerned particularly 10 profiles of countries in transition. The involvement of the IPS in this non-UN event demonstrates its unique capability in Poland to organize such important and large international government and business events.

3. RESULTS

As mentioned before there are no structured and quantified indicators covering the period from 1998. Therefore the evaluators simply extrapolated those missing targets from those related to preceding years. It further established the table in Annex 4 and aggregated from the annual reports and information provided by the Office the actual implementation.

3.1 Outputs

As can be seen in the table in Annex 4 there are seven outputs related to Objective 1, seven to Objective 2, and one to Objective 3.

The evaluation team estimates that these outputs have by and large been produced, some times exceeded, with the exception of those related to outwards investment (developing countries and economies in transition) and training related to WINS. In the latter case the relevant materials were not received from HQs. In Annex 3 there are summaries of analyses carried out by the evaluators in respect of projects established in Poland and of outwards promotion still under negotiation.
3.2 Objectives

Objective 1: "Increase industrial co-operation between Poland companies and foreign partners with special emphasis on Developing Countries partners and selected CIS partners" was achieved except the portion dealing with developing countries and selected CIS partners.

Objective 2: "Facilitate the transformation process in the Polish Industry" was exceeded.

Objective 3: "Promote Investment Promotion activities in selected CIS countries" which in facts duplicates or overlaps with part of Objective 1. was not achieved.

4. CONCLUSIONS

The period covered by the evaluation is dwelt by two agreements, one with too desegregated and detailed terms of reference, the other with much vaguer terms which in fact was the standard agreement proposed by HQs at that time. Furthermore, the structure of these agreements, of the annual work programme and reports is not the same and this makes a comparison of targets and results for reporting, monitoring and evaluation purposes much more difficult.

In view of the above the evaluators extrapolated the targets of the first agreement beyond the end of 1997. With this extrapolation in mind we have two sets of objectives. One (Objectives 1 and 3) relates to inwards and outwards investment (developing countries and economies in transition), the other (Objective 2) relates to the facilitation of the transformation process in the Polish Industry. The Office met its "objective" regarding inwards promotion and the transformation process but felt short of expectations regarding outwards promotion. This was due to the lack of outwards orientation of Polish firms, particularly to developing countries and of a delegate programme. Still, as amply explained in the report, the evaluators conclude that, given the present circumstances surrounding the Polish business community, the Office has been performing a effective and adequate mix of activities related to inwards and outwards promotion and to the transformation of the Polish economy. It is foreseen that this mix will continue into the nearby future without major alterations.

The Office is professionally well managed and well staffed. The working environment is good. It occupies a well known and important position in the Polish political and business circles related to foreign business cooperation and in the transformation process.

The evaluators analyzed twelve projects promoted by the Office, in six cases by visiting the involved enterprises and found out that the Office played an important role in locating Polish partners, finding adequate locations, and assisting in going through the maze of regulations governing the establishment of companies (see Annex 3). In terms of outwards promotion, despite the activities undertaken, no concrete results can be presented in the period under evaluation. There are however a number of projects under negotiation which still could materialize in a not too distant future.

The budget of the Office is sufficient to cover the present mix of activities but not enough if the activities in support of outwards promotion are to be increased. The latter will bear a higher cost-benefit ratio than inwards promotion activities.

While the Ministry of Economy and the UNIDO IPC/ITP are reasonably well involved in the operations of the Office, there is a need to better structure this involvement particularly through a more formal and
regular overseeing mechanism. For this purpose the structure of the terms of reference and annual work programmes and reports have to be the same (based on the logical framework approach, that is with objectives - at one or two levels, outputs and activities). Furthermore a recommendation in the next point is made for an annual formal overseeing meeting.

5. RECOMMENDATIONS (and principal addressees)

The present relevance of the Office while having changed from the one at its inception is valid so the continuation of the Office is definitely recommended by the evaluation. (Ministry)

The present agreement is of an indefinite duration with a three year budget, the present one finishing at the end of 2000. There is no need to change this agreement even in the case that the Government decides to increase the share of work related to selected economies in transition. This different emphasis could be accommodated within the present agreement. However, this agreement annexes terms of reference which are too vague and therefore not too useful as an overall guide to the work on the Office. These TOR will have to be re-structured at some point of time along with the annual work programmes and reports. For this purpose, the logical framework approach should be used that is with the indication of quantified objectives, outputs and activities. This would allow for:

- First, for a full justification of allocation of public resources in relation to competing demands.
- It would also allow to determine exactly which of the resources allocated to the Office can qualify as ODA.
- Second, for an easy comparison of targets and results in the monitoring and evaluation of the Office. (Office and HQs)

At the beginning of each year, a meeting, organized along the line of a "Board of Directors" of an enterprise should take place. The meeting, called by and headed by the Ministry of Economy, should have the participation of the UNIDO IPC/ITP director and of the Office management. Other Polish Institutions involved in industrial promotion work and the UN Resident Coordinator should be invited by the Ministry as observers. The main objective of this meeting is to discuss and approve the annual report of the preceding year and the work programme of the commencing year as well as any other point included in the Agenda of the meeting. The IPS should function as Secretariat of this meeting. The duration of the meeting should be half a day, maximum one working day. (Ministry)

If there is an intention to increase the work of the Office in outwards promotion, a delegate programme should be re-established and adequate financial provisions made - around 2,000 USD to 2,500 USD per work month for around 18 work months per year. (The total depends on the number of delegates per year. The work months indicated refer to a maximum three delegates per year that the Office could accommodate). These provisions should be made either directly to the budget of the Office or by accessing ODA funds. (Ministry)

It is recommended that the Office undertakes a more thorough follow-up of the projects it promotes beyond the stage of match making. While it is recognized that this follow-up takes time and often the involved companies do not provide the required information, we find that this follow-up is indispensable to establish impact - and thus demonstrate the continuing relevance of the Office - and learn lessons from good practices. The Office can thus start to collect good practices for outwards and inwards promotion which can be disseminated through the UNIDO network. (Office)
6. LESSONS LEARNED

Promotion of partnership agreements between small and medium size companies in developed and developing countries and economies in transition remain a long term proposition and have a high casualty rate. Obviously this rate increases for less attractive countries from the investment viewpoint. In conclusion the promotion of inwards cooperation into an economy in transition from developed countries yields faster and better results than the promotion of outwards promotion from an economy in transition to another economy in transition or a developing country.

Promotion of investments into economies in transition and developing countries do not normally occur naturally due to market forces. Market failures can be partially corrected by promotion efforts which need subsidization from public funds. Even countries with a good investment climate like Austria devote considerable public subsidies to the promotion of inwards investments.

Normally partnerships between companies start with trade arrangements but provided the understanding between the companies is good and the business environment favourable they may lead to more advanced forms of cooperation including DFI.

To start negotiations between partners not much information is required on the initial proposal(s). However a minimum of information is required on the promoters on both sides to establish their seriousness.

Terms of reference, work programmes and reports have to be structured along the same lines to facilitate planning, monitoring and evaluation. The logical framework approach should be used for this purpose.

Once partners are put in contact - which takes often considerable time- they usually do not need any more help from the IPSs or UNIDO. However followup should be undertaken by the IPS to the extend possible to establish impact and thus proving the ultimate results of the matchmaking carried out and the continuing relevance of the Office.
Terms of Reference

1. BACKGROUND

The Project

The Investment Promotion Service in Warsaw, Poland has been in operation since 1983 when it started under the more generic title of UNIDO Industrial Cooperation and Investment Promotion Service. The Service operates under an agreement between UNIDO and the government of Poland signed on 9 July 1997 annexing terms of reference for the Service operations and a three year budget (1998-2000).

Investment Promotion in Poland

The legal basis for foreign investment in Poland is the Law on Companies with Foreign Capital Participation of 14 June 1991, amended in May 1996 by a new regulation abolishing special administrative requirements for setting up and operating a company with foreign capital, so that the conditions offered to foreign investors are equal to those enjoyed by local businesses.

While the Service is responsible for cooperation between industrial enterprises for projects in Poland and as well as in developing countries and economies in transition, the bulk of its activities has concentrated on projects in Poland. This orientation corresponds to the distribution of inward and outward investments in recent years:

Inward investments:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1975 million</td>
</tr>
<tr>
<td>1995</td>
<td>2300 million</td>
</tr>
<tr>
<td>1996</td>
<td>5325 million</td>
</tr>
<tr>
<td>1997</td>
<td>6600 million</td>
</tr>
</tbody>
</table>

Since the beginning of the market transformation in 1989, it is estimated that foreign businesses have invested in Poland a total of over USD 20 billion. The largest group of foreign investors originate in the US (22%), followed by Germany (12%), Offshore (10%), Italy (10%), France (9%), Netherlands (7%) and Republic of Korea (7%).

The biggest investments are in the food processing industry (over 18% of the total), closely followed by financial services (18%), transport equipment industries (14%) and wholesale and retail trade and repair services (8%).

Outward investments are much smaller:
1994        461 million USD  
1995        539 million USD  
1996        735 million USD  
1997        678 million USD  

A slightly increasing trend can be observed. The fall in 1997 is due to a higher exchange rate of the US dollar in relation to main European currencies (increase by 8%).

Out of the total of 678 million USD in 1997, the share of public investments (by banks and companies) amounts to 257 million USD, and private investor to 402 million USD. The latter were directed to Germany (23.4 % ), Great Britain (18.3 %), USA (12.1 %), France (11.1%) and remaining countries (35.1%) Little investment is in fact channelled from Poland into developing countries and economies in transition. It concerned primarily the financial sector (52.8%) followed by trade and other services (8.4%), and manufacturing (5.8%)  

The joint in-depth evaluation is stipulated in the agreement above mentioned which sets out the justification of the project, its objectives, outputs and activities, as well as inputs and related budgets.

New orientations for Investment promotion in UNIDO

The new plan for the IPSs aims to ensure that their operations are not isolated but integrated into HQs. Furthermore, it is felt that UNIDO needs a uniform approach both for investment and technology promotion as well as for any other activities required from the IPSs. This uniformity still will allow for concentration in different areas of work for individual offices according to different priorities of the respective host government.

The future of the IPS Network is to be guided by the policy orientations emanating from :  
- The Business Plan  
- The New service modules

The aim of the network is twofold:  
- Promotion of international partnerships involving technology and investment  
- Marketing of the New service modules

The Investment and Technology Programme network will consist of the following instruments:  
- International Technology centers (ICS, ICGEB, etc)  
- ITPO offices (the new name for the IPSs)  
- UNIDO Field Representation Offices  
- IPAs in developing countries  
- National or regional institutions dealing with Technology and Investment Promotion  
- Focal points in private industrial Associations (UNITECHs)

The two points above are to be developed

New guidelines will be prepared for the above new/changed instruments to operate the network. However, rather than preparing a new IPS Manual, the existing manual will be disintegrated into separate guidelines updated in line with the new orientations.

The process of transformation of IPSs into ITPOs (investment and technology promotion offices) will comprise:  
- Widening their mandate  
- Changing the legal arrangements  
- Adjusting the administrative procedures
The documentation for ITPOs should be standardized and will comprise of:
- Model Agreement (where periodic evaluations will be mentioned)
- TOR for the office (both documents constant)
- Annual or biennial Budget

These documents should be complemented by a periodic work programme (and related reporting and monitoring mechanisms yet to be established).

II. SCOPE, PURPOSE AND METHODS OF THE EVALUATION

The primary purposes of the in-depth evaluation are as follows:

(a) To assess the achievements of the Service against its objectives and expected outputs, including a re-examination of the design (agreement) and an eventual proposal for a new design;

(b) to identify and assess the factors that have facilitated the achievements of the Service's objectives, as well as those factors that have impeded the fulfilment of those objectives;

(c) implementation of the recommendations made by the previous joint in-depth evaluation.

As part of the above-mentioned tasks, the mission will also review whether the approach utilised in the project has led to optimum results, or whether another one would have improved results.

Specifically the mission is to review and assess the involvement of the project in the following activities:

(a) Promotion of industrial investment projects for establishment in developing countries as well as in Poland;

(b) Delegates programmes undertaken within the scope of the Service;

(c) Developing countries presentation meetings prior to investment promotion fora;

(d) Information services:
   (i) to Poland related to UNIDO activities, and
   (ii) to developing countries related to Polish services and products;
   (iii) to developed countries related to doing business in Poland and to the overall investment environment and climate in Poland.

(e) III Conference on Polish and Foreign Credits, Commercial Banks and Insurance Companies in Poland, Warsaw, 27 June 1995

(f) First Economic Forum Poland - South-East Asia, Warsaw, 2-3 September 1996

(g) First Economic Forum Poland - Latin America, Warsaw, 17-18 November 1997

(h) Economic Forum Poland - Peru, Warsaw, 11 September 1998
As well as those activities which were conceived in reaction to the pending needs of the host country, such as:

(i) Assistance to the Polish industry through activities pertaining to industrial restructuring;

(j) Educating and developing the human resources in various practical aspects of market economy, ie. conferences on investment credits, training.

The mission should also review to what extent the planned relations with:

Government institutions:
- Ministry of Foreign Affairs
- Ministry of Finance
- Ministry of Economy
- Polish Chamber of Commerce
- Polish Agency for Foreign Investment (PAIZ)
- Association of Foreign Investors in Poland
- Industrial Development Agency

Non-governmental organizations:
- Regional industrial development agencies
- Municipal Development Agency
- American Chamber of Commerce in Poland
- Polish Academy of Science
- Special economic zones (EUROPARK Mielec)
- Trading houses (PEZETEL)
- Private companies (KGHM, POLCOMTEL, POLSKIE ODLEwnie S.A.)

have been realised, how these can be improved and how these relations have assisted the Service in the discharge of its activities.

While a through review of the part is itself very important, the in depth evaluation is expected to lead also to detailed suggestions for the future.

III. COMPOSITION OF THE MISSION

The mission will be composed of the following:

One representative of the Government of Poland nominated by the Ministry of Economy;
One representative of UNIDO.

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

The costs associated to this evaluation will be charged to the project US/UT/GLO/97/120 where appropriate funds have been reserved to cover DSA and travel of the evaluation team.
IV. CONSULTATIONS

The mission will maintain close liaison with the Industrial technology and Investment Division, any other appropriate organizational units in UNIDO, the project staff and the concerned government organization in Poland - the Ministry of Foreign Economic Relations.

In the discharge of its duties the mission is also expected to visit some of the institutions and organizations listed under II.

Although the mission should feel free to discuss with the authorities concerned all matters relevant to its assignment, it is not authorised to make any commitment on behalf of the Government of Poland or UNIDO.

V. TIMETABLE

The mission should assemble in Vienna on or around the 3 March 1999, and will be briefed by the Acting Director of the Investment and Technology Promotion Branch (IPC/ITP) and the Evaluation Group. Records review and interviews in Vienna should take approximately three working days. The mission will proceed to Poland where it will start work on 8 March 1999. Upon completion of its work, the mission will be debriefed by the Ministry of Foreign Economic Relations and/or the Ministry of Foreign Affairs in Poland.

Substantive and administrative support should be provided by UNIDO in Vienna and the IPS in Warsaw.

The mission will complete its findings and recommendations in draft in Warsaw. The final report should be prepared within two weeks of completion of the field work. The report should follow the guidelines below. The mission will submit the report to the Ministry of Foreign Economic Relations and IPC/ITP in UNIDO, Vienna.

Guidelines for the report

Annex II of the Director-General's Bulletin on 'Guidelines for the Management of UNIDO Services: Programme and Project Evaluation' (UNIDO/DGB(P).72) should be followed as far as possible, taking into consideration the changes required by the special characteristics of the Service under evaluation.
Annex 2

List of institutions, firms and persons met (not attached)
Annex 3

Selected cases analyzed by the evaluators

Inward Promotion

Treatment of solid wastes from hospitals* Operating.
Investment around 2 million USD. Employment 26.
After a survey, IPS found the location and assisted in the negotiations with the authorities and obtention of the necessary permits.

Real Estate development* Executed.
Investment 20 USD million.
IPS assisted in obtaining the necessary permits.

Piglet breeding for small scale pig breeders* Under negotiation.
Planned investment 250 million USD. 60,000 jobs.
IPS assisting in negotiations with authorities and partners and obtention of related permits.

Manufacture of bituminous roofing tiles* Plant under construction.
Planned investment 8 million USD, 80 jobs.
Assisted in locating and securing location.

Manufacture of plastic sheets for building industry* Operating.
Investment 4.5 million USD, 60 jobs.
IPS assisted in locating Polish partner (50%) and plant location.

Production of polyethylene foam and sheets* Operating
Investment 2 million USD, 80 jobs.
Assisted in locating foreign partner (18%) with technology and in location.

Manufacture of automotive electric harnesses. Operating
Investment 21 million USD. 680 jobs.
Provision of information on sector and legal framework on request of IPS Washington. Assistance in plant location.

* Projects visited by the evaluators

Outwards Promotion

Development and coproduction of light planes in a Latin American Country.
Investment and job creation not yet determined.
Project in early stages of negotiation.
Project discussed in fora organized by IPS.

Alcohol distillery in an Asian Country
Investment planned over 3 million USD as JV.
IPS identified Polish Partner and assisted in negotiations.

Ore and Nickel mining and refining in a Caribbean country.
Investment not yet determined.
Modernization and joint exploitation.
Project prepared by IPS for Polish partner identified in Latin American Forum.

Ocean and Coastal fishing in South America.
Investment not yet determined.
Project prepared by IPS for forum and foreign partner identified. Assistance in negotiations between partners and in obtaining the necessary permits.

Fire Management and Forest Protection in selected Latin American Countries.
Technical assistance proposal estimated at 2.5 million USD.
Project identified and prepared by IPS. Looking for financing.