

**MID-TERM EVALUATION:
THE GOOD GOVERNANCE IN INVESTMENT PROMOTION PROGRAMME***

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Abstract

This project seeks to strengthen the enabling environment for FDI in selected countries through improvements in governance mechanisms. The outputs of the programme to date have been achieved to a satisfactory level, however, longer-term improvements in capacity, knowledge and skills have neither been defined, nor has the project progressed sufficiently to assess such an impact. This evaluation recommends that the programme become an integral part of the Investment Policy Review programme, that programme managers clearly distinguish between simply delivering outputs as compared to long-term outcome benefits, and that formal written commitments from both the national governments and investment promotion agencies are critical for implementation success.

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1 : Introduction: The Task

1. The Good Governance in Investment Promotion and Facilitation (GGIP) programme was established by UNCTAD's ASIT team in early 2002 as an innovative approach to capacity building in least developed countries (LDCs). The programme seeks to assist in strengthening the enabling environment for foreign direct investment (FDI) in selected countries with the strategic goal of increasing the flow of FDI via new and existing multinational enterprises (MNEs) and joint-ventures. Success in this will contribute to job creation; a diversification of industrial and commercial sectors; and a consequent strengthening of the economic base of the participating nations. The focus of the initial pilot GGIP programme is on providing advice and technical assistance to ensure good governance through building the capacity of the participating countries to create stable and predictable regulatory frameworks and decision-making processes.

2. The programme has drawn upon the experience gained by ASIT and its national partners during the 12 Investment Policy Reviews (IPR) undertaken since 1997 where MNE investor concerns about the absence of good governance is a common factor identified in the IPR reports. In addition, the post-2000 policy emphasis on significantly improving governance within MNEs in the G8 nations gave further impetus to the need to address economic and political governance concerns in LDCs, especially as this issue had been identified as a priority for UNCTAD by its key donor nations.

3. The GGIP programme was launched in early 2002 through an UNCTAD conference in Geneva. An initial portfolio of five LDCs with demonstrated commitments to improved governance in relation to FDI and investment policy were identified as programme partners: Ethiopia, Tanzania, Lesotho, Mali and The Maldives. The programme activities began in Ethiopia in June; by June 2003 the GGIP programme had been launched in Tanzania and Lesotho; and planning was underway to secure the final tranche of donor funding to support GGIP in Mali and The Maldives. As will be seen, GGIP has evolved and developed during its first year as the programme manager and advisers incorporated the experience of the early programme activities.

4. This mid-term evaluation is thus of an innovative and important UNCTAD capacity building programme which is effectively still in the process of development, and where the impacts and benefits will take time to emerge and be visible. The evaluation report begins with a brief report on the assessment methodology used and the evaluation challenges encountered. The GGIP programme and its activities are then described, and section 3 presents an initial assessment of programme performance against six programme assessment criteria. The final section sets out the evaluation conclusions and recommendations on how the GGIP initiative can be taken forward. Key programme and evaluation documents are provided in appendices to the report.

1.1 Method

5. This mid-term evaluation of GGIP has been principally undertaken through a desk, online and telephone/email research programme that both sought to understand and assess the core programme concepts and activities, and that investigated the programme outputs and outcomes at the end of its first year of operation. No fieldwork in the first three participant countries was undertaken, and this will be a priority for the final end of programme evaluation. A longer description of the evaluation methodology is provided in appendix 2 to the report together with the evaluation terms of reference. This has guided the evaluation research over the mid-July to early September 2003 period.

6. The draft evaluation report was submitted to UNCTAD in early October 2003, and a helpful response commenting on the draft report was provided by Mr. M. Igarashi of the Programme, Planning and Assessment Unit later in the month. The evaluation author was on contract elsewhere during November and early December, and this revised evaluation report

was thus prepared in December. This revision both incorporates responses to the comments made by UNCTAD and has also taken the opportunity to briefly update the report to take account of post-September 2003 GGIP activities including the launch of the GGIP programme for The Maldives.

7. The evaluation has been undertaken by John Firn, an economic development consultant with strong experience in assessing capacity building programmes, projects and initiatives in both LDC and advanced economies. He has not been involved in either designing or delivering the GGIP initiative. He was a member of the UNCTAD teams that undertook IPRs for Ethiopia in 1998/9 and Tanzania in 2001; and has also been involved in developing and delivering training and capacity building programmes in investment promotion for UNCTAD and other international and national investment promotion agencies (IPAs). This experience is both relevant and important in that it has enabled his independent evaluation of the GGIP initiative to be set in the context of the economic and political realities of two of the first three participant countries. In undertaking the mid-term evaluation, John Firn designed the research methodology to avoid any perceived conflicts of interest. He will not be involved in delivering GGIP activities in the future.

1.2 Evaluation Challenges and Responses

8. There are a number of challenges that have had to be addressed in this initial evaluation of the GGIP programme: some were anticipated in the UNCTAD's programme design; others have emerged during the first year of its delivery. The most important of these have been that:

- Whilst the GGIP programme *outputs* were defined in the initial project document and logical framework the ultimate expected programme **outcomes** in terms of sustainable GGIP benefits have not been defined; nor have medium-term performance measures been established (i.e. beyond mid-2004) against which initial GGIP progress could be assessed.
- The absence of a specified named formal in-country programme representative or contact has meant that there is no local capability to provide essential GGIP activity and impact reports, or to chase up participants in the evaluation survey.
- The GGIP programme content and activities has evolved and (rightly) changed over the course of the first year, and thus the programme content and goals for Ethiopia, Tanzania, Lesotho and the Maldives have been different in each of the four countries.
- The evaluation questionnaires and covering letters to the first three participating countries appear to have gone out at a time when many of the recipients have been on leave or out of the country; and the response rate to the survey questionnaire has consequently been very poor.

These issues need to be borne in mind in reviewing this mid-term evaluation report.

9. These programme evaluation challenges require to be addressed, not just in relation to GGIP; and there are important implications for UNCTAD in relation to both programme design and funding, and programme monitoring and evaluation. Recommendations and proposals on these issues are made in section 4.2 of this report.

2. The Good Governance In Investment Promotion-Concepts and Issues

10. This section of the evaluation report describes the main components and activities of GGIP over its first year and in outline over the period to December 2003; reviews the associated programme funding and staffing; and reports upon the identified outputs and inputs to date. Assessment of programme performance and benefits is then presented in section 3.

2.1 Programme Concepts and Issues

11. The GGIP programme is a direct outcome of experience gained by the ASIT team in UNCTAD in providing technical assistance and training to strengthen the capability of LDCs to attract and retain FDI as a means of strengthening and diversifying their economies. A common area of concern and thus policy priority identified in UNCTAD's Investment Policy Reviews is the relative absence of what has been termed 'good governance' and for many of the MNEs surveyed in IPRs the lack of such good governance is perceived as deterring both new FDI commitments and the expansion of existing MNEs. This weakness in economic and political governance is seen as a major deterrent to MNEs and individual investors, and it is obviously important to actively address such institutional and ethical weaknesses as an integral and essential element in donor programmes promoting FDI.

12. The GGIP programme is thus seeking to improve governance in appropriate LDCs which experience suggests can respond to such capacity building support. The programme has thus a core development objective of permanently strengthening governance in such countries through the:

- Creation of stable and predictable FDI regulatory frameworks
- Improvement in intra-government relationships to reduce investment "hassle costs"
- Increase in the transparency of government policies and support
- Introduction of acceptable ethical standards of bureaucratic behaviour
- Positive and prompt enforcement of regulations and judicial decisions
- Elimination of illicit payment practices and charges
- Increased efficiency and responsiveness of IPAs and government agencies
- Reduction in the decision-making time within policy and support frameworks

These are challenging but fundamentally important investment policy goals for LDCs.

13. These practical and operational goals for GGIP, in the experience of the international development institutions, represent a significant challenge for GGIP, especially as GGIP is initially time-limited to a two year pilot period and has, as yet, no funding commitments from donors to cover the essential follow-up activities necessary to firmly embed the initial good governance improvements or to extend GGIP into further LDCs. A major UNCTAD policy issue that has emerged during the evaluation is the future balance within the GGIP initiative between follow-up support for the initial five 'showcase' countries versus the extension of the base GGIP programme to further tranches of LDCs. This core issue is further addressed in section 4.

14. The ASIT team and their advisors have made significant progress over the 12 months from the launch of the Ethiopian activities in July 2002 in operationalising the core good governance concepts. The identification of the four central elements in good governance (accountability; participation; predictability; and transparency) has established a logical framework for developing, delivering and assessing GGIP activities; and it appears that these concepts are well-understood by in-country programme participants.

2.2 Programme Promotion and Commitments

15. Following the announcement of the GGIP initiative at LDC III in Brussels in late 2001, programme development was taken forward relatively rapidly with the basic programme promotion documents and brochures being ready for the launch of GGIP in January and February 2002. It appears that the circulated request to LDC's to express an interest in participation in GGIP was productive and targeted at those LDCs that appeared to meet the five programme eligibility criteria. These were defined by ASIT as being that the participant nations must have:

1. LDC status
2. A firm government commitment to increase transparency and efficiency in the public sector
3. A well-established national investment promotion and facilitation entity (IPA)

4. Existing government policies encouraging the introduction of ethical standards in the public sector when dealing with investors
5. A demonstrated will to improve good governance through existing government programmes in this area
6. A declared government commitment to implement the programme's recommendations

16. At the UNCTAD Commission on *Investment, Technology, and Related Financial Issues* (21-25 January 2002) UNCTAD member states were formally invited to participate in the GGIP programme. In addition, a letter went out to LDCs on 1 February 2002 with information on the programme and criteria for countries to participate. Countries that positively reacted to the invitation then received a follow-up letter to the national IPA. Countries that expressed interest in the programme were Angola, Bangladesh, Burundi, Ethiopia, Lesotho, The Maldives, Mali, Senegal, Tanzania, Uganda and Yemen. Bangladesh and Yemen were, after further inquiries, established as being more interested in the second phase of GGIP. Uganda wanted to participate through the exchange of best practices rather than formal GGIP involvement; and Cambodia also had discussed the GGIP initiative with ASTI but has not yet followed this up with a formal expression of interest.

17. The initial five LDCs selected by ASIT for programme participation appear to meet all these criteria, although there does not appear to be any detailed written description on file of these GGIP programme eligibility criteria nor a formal record of applicants being assessed against criteria. The subsequent operation of the programme has confirmed the capability of the selected countries to potentially benefit from GGIP. Programme promotion, both in terms of procedures and documentation, has been both appropriate and well managed.

18. There is, however, less evidence of bankable government commitments by the participating countries to actively follow-up on GGIP project recommendations in terms both of allocating resources to recommended actions and changes, and in identifying a specific operational person (either within or outwith the IPA) with a remit to take agreed follow-up actions forward into implementation. The main reason for this is budgetary: follow-up requires funding, and it is unlikely that there will be a budget capability within participant LDCs without additional donor support. Whilst an element of follow-up funding has been allowed for in the agreed GGIP budget, the requirement to complete disbursement of the agreed budget for the GGIP pilot by late 2004 is a severe constraint to follow-up and thus to embedding good governance.

19. It is recommended that a clearer and more detailed programme and action commitment should be required from participant countries in future. This commitment should include appropriate budgetary, staffing and management allocations both for the initial GGIP mission and delivery and for a longer-term continuation of essential programme activities. It is accepted that this will not be easy to achieve.

2.3 The Initial Participant Countries

20. The implementation of the GGIP programme began with ASIT reviewing its current LDC contacts, and sending invitations to 49 LCDs. Twelve of these countries then made contact with ASIT to explore the potential benefits of involvement and the contributions expected of them as programme participants. It appears from discussions with the appropriate ASIT team members that the actual programme applicants were assessed very carefully against the GGIP programme eligibility through group discussions, and that the five pilot LDCs selected fully met all eligibility requirements.

21. The initial portfolio of GGIP participant countries selected in Spring 2002 were Bangladesh, Ethiopia, Lesotho, Mali and Tanzania. Ethiopia, Lesotho and Tanzania had already requested and completed IPRs, and Mali and Bangladesh had received training support in some aspects of investment promotion. It was thus decided that the policy, knowledge and relationship base was there for an effective GGIP programme. In late spring, the IPA in Bangladesh decided that it was not ready to participate in GGIP as it had neither

the resources nor the policy context to benefit from the programme. It thus asked to postpone its participation, and The Maldives were brought forward from the back-up list of applicants into the pilot programme.

22. It was agreed within ASIT that, following the launch conference in Geneva, the individual GGIP missions and programme implementation activities would be introduced sequentially beginning with Ethiopia, with the objective of completing all the initial GGIP missions and initial follow-up launches by June 2004 in order to meet the original donor funding agreement with Sweden (see above). By the time of the mid-term evaluation (mid July to mid September) the original participation schedule had been largely adhered to:

- The Ethiopian programme was well into the GGIP follow-up activities
- Tanzania had identified and agreed its follow-up action and needs
- The Lesotho Advisory Report had been completed with follow-ups suggested

Subsequent to the draft evaluation report being sent to UNCTAD, the GGIP programme for The Maldives began with an ASIT mission in late October 2003; and a follow-up mission to Tanzania took place at the end of November 2003 to take forward the client charter recommendations via a workshop attended by 26 employees of the TIC. The Mali programme in early 2004 will complete the launch of the GGIP pilot phase.

2.4 Programme Activities and Events

23. The GGIP Programme Manager, the internal and external advisers and experts, in partnership with the relevant IPAs in the first three participant countries, have been successful in translating the GGIP concepts into deliverable operational recommendations and activities. This has involved both a sensible degree of serendipity and a conscious desire to tailor follow-up activities to the specific FDI promotion capabilities and priorities of each country. Review of the GGIP programme documentation suggests that whilst the nature and detail of operational and follow-up implications and options had not been fully considered before the programme launch, a portfolio of possible options for action and delivery emerged during the Ethiopian mission and the subsequent October 2002 Addis Ababa workshop.

24. The three national programmes that have been through the GGIP mission and report stages to date have identified and developed six different GGIP operational activities and initiatives. These are:

- Appointing FDI Facilitation and/or Mediation Officers (E,T,L) to provide a means for improved coordination and a reduction of disputes or duplication between government departments and agencies to support investors.
- Providing clear and operational Client Charters for the national IPAs (E,T,L) that set out the ethos and procedures for the efficient management of FDI enquiries, negotiations, agreements and on-going corporate development support.
- Customer relations and customer service training for IPA and other appropriate government staff involved in FDI promotion and facilitation to ensure that they meet investor expectations on service quality, speed, transparency and predictability. (E, L)
- Annual surveys of existing and established MNEs to both improve IPA and government understanding of their operations and needs, and to identify existing and/or emerging concerns about the local economic, political and organisational environment affecting their operations. (T)
- The introduction of a more personalised FDI service for investors via the appointment of specific client executives for each MNE. (L)
- The consideration of developing public-private partnerships between government, IPAs, MNEs and private sector business organisations to address and resolve specific private sector investment constraints. (L)

25. These operational activities have been generally welcomed by the participant countries. The mission to The Maldives in October-November 2003 identified several areas

in which economic governance in investment promotion could be improved, including the preparation of improved strategies, programmes and training in relation to the nation's investment policies, investment process and investment promotion. The precise follow-on programme activities are currently being developed by ASIT for early discussion with The Maldives' Foreign Investment Services Bureau. The GGIP programme for Mali is understood to be starting in early 2004.

26. It is too early to reach a judgement on the effectiveness and impact of these initiatives as none have been fully operational for a year by Autumn 2003. Recommendations on monitoring progress and performance of these GGIP activities are made below in section 4, especially in relation to the need to allow more resources for developing and detailing both the existing and the additional GGIP operational activities.

27. The actual delivery schedule of the GGIP programme activities in the first four participant countries (as far as can be determined) is shown in table 2.1 below. The suggested GGIP follow-on options for Lesotho have not all been included as these recommendations and the Advisory Report were only submitted to LNDC at the end of September 2003.

Table 2.1 : UNCTAD Good Governance in Investment Promotion and Facilitation: Programme Activities and Schedule February 2002 to December 2003.

| GGIP Programme Activity | 2002 | | | | | | | | | | | | 2003 | | | | | | | | | | | |
|--------------------------------|------|---|---|---|---|---|---|---|---|---|---|---|------|---|---|---|---|---|---|---|---|---|---|--|
| | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | |
| Programme Development | | | | | | | | | | | | | | | | | | | | | | | | |
| Funding Confirmation | | | | | | | | | | | | | | | | | | | | | | | | |
| Programme Development | | | | | | | | | | | | | | | | | | | | | | | | |
| Invitation to Express Interest | | | | | | | | | | | | | | | | | | | | | | | | |
| Initial Participants Confirmed | | | | | | | | | | | | | | | | | | | | | | | | |
| Geneva Launch Workshop | | | | | | | | | | | | | | | | | | | | | | | | |
| Workshop Report | | | | | | | | | | | | | | | | | | | | | | | | |
| Ethiopian Programme | | | | | | | | | | | | | | | | | | | | | | | | |
| GGIP In-Country Mission | | | | | | | | | | | | | | | | | | | | | | | | |
| Investor Survey | | | | | | | | | | | | | | | | | | | | | | | | |
| Advisory Report | | | | | | | | | | | | | | | | | | | | | | | | |
| GGIP wkshp in Addis Ababa | | | | | | | | | | | | | | | | | | | | | | | | |
| Facilitation Officer | | | | | | | | | | | | | | | | | | | | | | | | |
| EIA Client Charter | | | | | | | | | | | | | | | | | | | | | | | | |
| Customer Service Training | | | | | | | | | | | | | | | | | | | | | | | | |
| Tanzanian Programme | | | | | | | | | | | | | | | | | | | | | | | | |
| GGIP In-Country Mission | | | | | | | | | | | | | | | | | | | | | | | | |
| Investor Survey | | | | | | | | | | | | | | | | | | | | | | | | |
| Advisory Report | | | | | | | | | | | | | | | | | | | | | | | | |
| TIC Client Charter | | | | | | | | | | | | | | | | | | | | | | | | |
| FDI Mediator | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual Investor Survey | | | | | | | | | | | | | | | | | | | | | | | | |
| Lesotho Programme | | | | | | | | | | | | | | | | | | | | | | | | |
| GGIP In-Country Mission | | | | | | | | | | | | | | | | | | | | | | | | |
| Investor Survey | | | | | | | | | | | | | | | | | | | | | | | | |
| Advisory Report | | | | | | | | | | | | | | | | | | | | | | | | |
| LNDC Client Charter | | | | | | | | | | | | | | | | | | | | | | | | |
| Customer Service Training | | | | | | | | | | | | | | | | | | | | | | | | |
| The Maldives Programme | | | | | | | | | | | | | | | | | | | | | | | | |
| GGIP In-Country Mission | | | | | | | | | | | | | | | | | | | | | | | | |
| Programme Mid Term Evaluation | | | | | | | | | | | | | | | | | | | | | | | | |

Source: UNCTAD GGIP Reports & Staff Discussions

2.5 Programme Funding and Staffing

28. **Programme Funding:** The GGIP programme has been funded for the initial five country pilot by Sweden to a maximum of \$700,473 over a two year period to June 2004, and funding for an extension of the programme to further LDCs has not yet been identified or negotiated. It appears that in offering to fund the launch of GGIP, Sweden had hoped to persuade other donor nations to contribute to bring the funding to beyond \$1 million, but this didn't materialize for a range of reasons.

29. The budget for GGIP agreed between UNCTAD and Sweden, and the expenditure since the 2002 programme launch to mid-July 2003 is shown in Table 2.2. In reviewing programme expenditure it is important to note that the remaining balance has to cover some Ethiopian, Tanzanian and Lesotho follow-on activities; proposed GGIP programmes in Maldives and Mali; the final GGIP conference; and end of programme evaluation.

30. The serendipitous evolution of GGIP since February 2002 explains some of the divergences from budget shown in table 2.2. All of the divergences from the original budget structure and schedule are explained and justified both by the GGIP team and within the relevant files and documentation held within ASIT. It will be important for DITE and UNCTAD, in their future discussions with donors on potential capacity building initiatives and programmes, to gain donor recognition and acceptance that budget planning and scheduling must be regarded as indicative, especially for pilot projects where the pace of delivery is largely determined by LDC participants. This issue is returned to in presenting the operational programme recommendations.

Table 2.2 : UNCTAD Good Governance in Investment Promotion and Facilitation: Programme Budget & Expenditure to 14/7/2003

| ➤ GGIP Budget Component | Original Total Project Budget | | Expenditure | |
|--|-------------------------------|--------------|----------------|--------------|
| | \$ | % | \$ | % |
| Personnel & Staff Costs | 504,000 | 51.4 | 309,609 | 64.7 |
| ➤ UNCTAD Programme Manager | 300,000 | 30.6 | 203,623 | 42.6 |
| ➤ Int. Experts & Consulting Services | 150,000 | 15.3 | 75,179 | 15.7 |
| ➤ (Good Govern., Invest. Promotion, Evaluator, etc.) | | | | |
| ➤ Project Administrative Support | 54,000 | 5.5 | 30,807 | 6.4 |
| Official Travel (UNCTAD/Experts) | 110,000 | 11.2 | 65,083 | 13.6 |
| In-Country Costs | 10,000 | 1.0 | 8,585 | 1.8 |
| ➤ National Project Staff | 10,000 | 1.0 | 8,585 | 1.8 |
| Programme Conferences, Events | 100,000 | 10.2 | 19,376 | 4.0 |
| ➤ Launching Workshop (6/02) | 50,000 | 5.1 | 19,376 | 4.0 |
| ➤ Final GGIP Conference | 50,000 | 5.1 | - | - |
| Training Courses/Seminars | 80,000 | 8.2 | 3,100 | 0.6 |
| Equipment | 15,000 | 1.5 | 13,539 | 2.8 |
| Reporting & Printing | 30,000 | 3.0 | 1,180- | 0.2 |
| ➤ Reporting Costs | 20,000 | 2.0 | - | - |
| ➤ Printing of Reports | 10,000 | 1.0 | 1,180- | 0.2 |
| Other Expenses | 18,256 | 1.9 | 3,306 | 0.7 |
| ➤ Miscellaneous | 18,256 | 1.9 | 3,306 | 0.7 |
| GGIP Budget | 867,256 | 88.5 | 423,778 | 88.6 |
| UNCTAD Overhead | 112,742 | 11.5 | 54,333 | 11.4 |
| UNCTAD Overhead as % GGIP Budget | - | 13 | - | 13 |
| Total Programme Expenditure | 979,998 | 100.0 | 478,111 | 100.0 |

Source: UNCTAD Financial Reports & Staff Discussions

31. The principal divergences from the initial budget forecast for GGIP appear to be that:

- ❑ The independent good governance experts' budget has been underspent to date because of the welcome shift from using North American and European advisors to developing country-based experts and trainers: this shift is likely to continue in future through the remainder of the GGIP pilot and is to be welcomed as a South-South initiative.
- ❑ In-country mission costs have been effectively controlled through an enhanced GGIP liaison and follow-on programme management role by UNDP and national agency staff.
- ❑ Programme conference and workshop budgets have been reduced because of the decision not to hold in-country workshops on the Advisory reports in Tanzania and Lesotho. It is likely that the planned post-programme workshops will also be excluded from the Mali and Maldives GGIP programmes.
- ❑ Training in good governance was originally (February 2002) envisaged as being a general core follow-on GGIP activity. So far this has only been delivered in Ethiopia, Tanzania and Lesotho where budget costs were saved through the use of a Ugandan training company. The future delivery of this follow-on activity in The Maldives and Mali is currently unknown. It may be that enhancement of IPA skills is more relevant as an Investment Policy Review follow-on.
- ❑ Report production costs have to date largely not been drawn on, apart from the recent GGIP promotional brochures and the Ethiopian reports. It is probable that a proportion of this free budget will be used for the end programme conference and subsequent showcasing documentation, presentations and materials.
- ❑ Sub-contract expenditure is above budget because of the decision to use an international consultancy company to arrange the first two FDI surveys in Ethiopia and Tanzania.

These divergences from budget, which partly reflect a positive response to early programme experience, are all understandable and acceptable in the context of developing and piloting a new capacity-building initiative. It is probable that the final mid-2004 budget out-turn will result in the full amount of allocated donor funding being used, especially on follow-up actions.

32. The review of the GGIP budget and expenditure files in Geneva showed careful and organised financial management against the budget; and the files appeared to be complete. The only recommendation is that perhaps a revised presentation of budget categories (as in table 2.2) might make future performance measurement and monitoring of UNCTAD initiatives a little easier.

33. Funding for the follow-on activities in the first five LDC participants is currently being explored with a range of bilateral and multilateral donors. The present position in respect to such GGIP follow-on progress is :

- ❑ *Ethiopia* : Follow-on GGIP activities are currently being explored and negotiated with several donors; and project proposals are under preparation for both GGIP and IPR actions in response to an expressed interest from both the Netherlands Embassy in Addis Ababa and the UK's DFID. Netherlands is interested in assisting The Ethiopian Investment Authority to establish an investment facilitation office (a key GGIP Advisory Report recommendation); and the UK is considering a request to help transform Ethiopia's regional IPAs into multi-functional regional development agencies (RDAs) so that all FDI policy, support and promotion can be channelled through EIA as a means of strengthening its facilitation capability.
- ❑ *Tanzania* : The Government of Switzerland has recently approved funding support to implement recommended GGIP follow-on priorities, including the development of a TIC client charter and associated staff training. The follow-up ASIT mission to

Tanzania in November 2003 to host a workshop for TIC employees on the TIC Client Charter has also been partially funded out of the GGIP programme budget.

- *Lesotho* : The GGIP Advisory Report on Lesotho has only recently been submitted to the Government and LNDC, and thus essential follow-on actions are currently under consideration. Two recommendations will be implemented with funding support from an UNCTAD trust fund, namely the introduction of a client charter for LNDC, and customer relations training for appropriate staff in LNDC and line ministries with FDI responsibilities.

This demonstrates good progress in developing and delivering GGIP follow-on actions in the initial three participant nations. There is a need in future to consider how best to build in funding for follow-on projects into the initial GGIP budgets, and to identify this separately in the GGIP accounts. The emerging GGIP follow-on activities in The Maldives offer an early opportunity for the ASIT team to consider the required level and sources of funding to effectively deliver the follow-on activities agreed for the Maldives.

34. **Programme Staffing:** The GGIP programme has been efficiently managed by a full-term expert within ASIT, who allocates around 80 percent of his time to this initiative. His remit has encompassed programme development; involvement in and management of missions; preparation and negotiation of the Advisory Reports; and the negotiation and management of the follow-up activities. As four complex and differing national GGIP initiatives have been launched and operational since June 2002, with the remaining Mali programme in preparation, this has involved a significant management responsibility and workload which has largely met the original programme management tasks and schedule. Other ASIT staff have also participated in missions; and independent experts played an important role in the initial Ethiopian mission and in evolving the operational follow-ups. The progressive involvement of LDC advisors, experts and consultants in organising GGIP missions and delivering follow-up activities has been a positive output from the programme to date.

35. The objectives and performance measures for managing the GGIP pilot initial appear not to have been fully detailed during the design and launch of the programme; and are not separately specified in the framework document. The evaluator's experience is that it is important to set defined programme management goals and standards in advance in relation to the completion of programme tasks; the adherence to programme milestones and delivery schedule; the maximisation of client involvement; and the evolution of effective professional relationships with those participating in a programme. However, on the basis of our assessment of the overall progress of GGIP and the achievements to date in the first four participating LDCs, it appears that programme management has been both effective and efficient.

36. Should UNCTAD and its funding donor partners decide to continue with GGIP beyond the initial pilot, it is likely that an increased proportion of programme management time can be spent on both further developing the GGIP programme, especially in strengthening the operational follow-ups, and on identifying and detailing ways in which GGIP can be better linked into other relevant UNCTAD programmes. This is especially important given UNCTAD's move towards greater integration of its programmes within LDCs.

2.6 GGIP Outputs to Date

37. It is important when evaluating an economic development programme such as GGIP to distinguish between programme *outputs* (i.e. physical deliverables) and the more important programme *outcomes* (i.e. the longer-term improvement in national capacity, knowledge and skills). The original Project Document established in *The Project Logical Framework* seven outputs for GGIP for achievement by the end of the initial two years. These are:

1. Selection of LDC project countries

2. Standards established for advisory reports & training courses
3. Advisory reports for each of the project countries
4. Training module developed
5. Training delivered to 200 government officials
6. Establish local training capacity in each of the 5 project countries
7. An international conference on GGIP

It is necessary to briefly report progress on each of these output targets to July 2003

1: Selection of LDC Project Countries

38. This output has been achieved with the confirmation of the initial five GGIP participants in April 2002. Selection criteria were appropriate; programme promotion generated 12 generally positive responses; and five appropriate participant LDCs were selected for the initial GGIP programme.

2: Standards Established For Advisory Reports and Courses

39. The standard developed for the initial GGIP Advisory Report for Ethiopia is comprehensive, logically structured, and makes clear action-based recommendations for follow-up activities to progress the recommendations. This has formed the basis for the Advisory Reports for Tanzania and Lesotho, and should be adopted for Mali and The Maldives. The standard established for, and achieved by, the programme *reports* is good. It is, however, not clear whether standards have yet been established for the proposed GGIP *training courses* as no standard specification is on file, and the programme focus has moved away from training apart from the client relations training in Ethiopia and workshop training on the TIC's Client Charter in Tanzania. It appears that the independent consultant who will develop the client charter for Tanzania will also produce a short training manual on service excellence and good governance which will incorporate some of the material already delivered in Ethiopia. This specific project output had thus not been fully achieved by mid-2003, but progress has been made.

3: Advisory Reports for Each of the Project Countries

40. Advisory reports have been completed, circulated and agreed for Ethiopia and Tanzania, with the Lesotho report recently (September 2003) delivered to the Government of Lesotho. Nearly all of the seven GGIP activities required to generate this programme output appear to have been effectively planned and delivered. Specifically :

- Appropriate experts and advisors have been identified and involved in the GGIP research and report preparation, although it is clear that on the initial Ethiopian mission both UNCTAD staff and experts were still developing operational good governance criteria and requirements. (task 3.1)
- The project missions have become progressively more efficient over the course of the first three national LDC initiatives, including the sensible use of local consultants and advisors to both arrange and participate in the mission visits. (task 3.2)
- The surveys of foreign investors (ten in each of the four countries) have been well managed. However, the response of such investors to this mid-term evaluation has been poor : this is addressed in section 4 below. (task 3.3)
- The first three Advisory Reports have been well written and presented; and have set out the recommended GGIP follow-up priorities and options in a clear and relevant practical manner. (task3.4)
- National post-mission seminars are one aspect of GGIP where delivery to date has deviated from the original project document proposals. An end-mission workshop was held in Ethiopia, but similar workshops have not been scheduled for Tanzania or Lesotho principally because it is regarded as more efficient and cost-effective to move straight to the delivery of the recommended follow-on activities rather than bring

people together to discuss and confirm a simple, self-explanatory set of priorities. (task3.5)

- This means that the end seminar conclusions have not been included in the final (internally-printed) versions of the advisory reports. (tasks3.6, 3.8)

41. The one area of important divergence has been the *adoption* of the findings of the Advisory reports by the respective governments. (We assume that the wording as “*adaptation*” in the project document is a misprint and that *adoption* of the findings by the participant governments was intended). There is a current central weakness in GGIP in that the evaluation has not encountered any emails or letters in ASIT’s GGIP files from a participant government minister or official that formally commits their government to adopting the agreed GGIP findings and follow-on activities, although Ethiopia has adopted the GGIP Advisory Report recommendations through acceptance of the Workshop Report. We address this in section 3 below.

4: Training Module Developed

42. The original project document envisaged that a comprehensive training module would be developed on effective investment promotion and facilitation, and on ethical standards in the public sector. The first element of this output has been achieved and delivered in Ethiopia in terms of an effective and welcomed training programme in customer service for EIA and other appropriate government personnel and in Tanzania and Lesotho via a client charter workshop. Whilst some additional customer relations training is likely in the other two phase 1 countries, there needs to be a formal reconsideration of whether training is likely to be a regular delivery option for GGIP. The involvement to date of a Ugandan consultant in delivering the training, and the positive response to his inputs, is to be especially welcomed as a visible South-South contribution.

43. The importance of enhancing GGIP in LDCs via appropriate training within the context of the present programme is recognised by all of the ASIT team; and the precise nature of future training will be reviewed on the basis of the pilot programme experience. The evaluator accepts the reasons for the programme divergence on training, but believes that it will be important to evolve a structured portfolio of training programmes, workshops and events for wider and consistent delivery to future LDCs participants in GGIP.

44. It is assumed that the planned ethical standards outputs have been largely met by the preparation of client charters for participating IPAs. The preparation of a more focused ethical standards charter appears to be a GGIP output that remains to be delivered and that is central to the purpose of the overall GGIP concept. This issue is further addressed through the strategic recommendations made in section 4 of the evaluation report.

5: Training Delivered to 200 Government Officials

45. This project output was defined in terms of 40 government officials in each of the five participant countries being trained in effective investment promotion and facilitation, and in ethical standards in the public sector. As of the mid-term evaluation, this particular target has neither been addressed nor achieved, but it appears that 84 government and parastatal people have been exposed to GGIP training activities to date. The envisaged expert teams have not been selected; training target groups in the first three participant LDCs have been only broadly identified (principally in relation to IPA staff); and the proposed national training workshops in good governance in investment promotion and facilitation have not yet been delivered : the customer service training has, however, perhaps been an effective and necessary alternative.

46. Whilst it is probable that the pilot GGIP programme will not meet this mid-2004 specific target of 200 trained government officials, the initial programme experience (and the resulting learning-by-doing adjustments) has the potential to improve the professional competence of perhaps 100 influential IPA and government officials within the five

countries. There is obviously a need to reconsider whether such training continues to provide a core delivery option for GGIP. If so, it will be important to more formally develop and detail the relevant professional core competences for those involved. This is another issue that is addressed in the recommendations in section 4 below.

6: Establish Local Training Capacity in Each of the 5 Project Countries

47. The original project documents did not fully explain or detail the concept of “*establishing a local training capacity*” in the individual participating GGIP nations; and it became clear during the Ethiopian and Tanzanian missions that it was unlikely that a sufficient continuing training requirement in GGIP components would exist beyond the pilot programme. This, together with GGIP and national government budget constraints, has led to the decision to instead focus on developing a region-wide training capability in GGIP within private sector consultants, initially delivered from Uganda. This is a more efficient use of the limited programme budget, and capable of ready extension to the other participant nations. Whilst this intended programme output has not been delivered, the ASIT team have evolved a better and more effective approach to GGIP training.

7: An International Conference on GGIP

48. The planned international conference on GGIP remains a programme intention and commitment for Autumn 2004, with a focus on showcasing the programme’s initial LDC participants. It is envisaged that this event (the location of which is not yet decided) will provide a framework for the essential follow-up actions for the initial five LDCs; encourage other LDCs to apply for admission to GGIP; generate informed discussion on GGIP actions; and explore the potential for enhanced integration with other UNCTAD, UNDP and donor programmes addressing good governance.

3. Assessment of Performance

49. This section of the mid-term evaluation report presents the evaluator’s conclusions on the GGIP programme in relation to its relevance, effectiveness, efficiency, impact, sustainability and comparative advantage. It must be stressed again that the conclusions below relate only to the first 15 months of GGIP through its planning, launch and initial delivery phase.

3.1 Relevance

50. During the 1990s, FDI became an important source of external finance for developing nations; but only a select group of LDCs have benefited from the increasing flows of FDI within the global economy, with some receiving little or no new MNE investment at all. This is partly due to the fact that LDCs have generally unfavorable investment climates reflecting cumbersome and non-transparent public sector policies, procedures and systems which combine to make it a hassle for companies expressing an investment interest. A wide range of research studies¹ briefly reviewed by the evaluator have demonstrated the nature and extent of these constraints to promoting and securing FDI in LDCs; and the evaluator has directly identified and assessed such barriers during his involvement with IPRs for Ethiopia and Tanzania².

51. The in-country discussions with existing MNE and individual investors, both earlier by the evaluator and by a series of ASIT mission teams, have clearly identified the need for LDC governments to actively address these policy, institutional, legal and other weaknesses that combine to effectively deter FDI inflows. When these weaknesses are studied, it

¹ See for example Beata K Smarzynska and Shang-Jin Wei, 2000, Corruption and Composition of FDI: Firm-Level Evidence, World Bank Policy Research Working Paper 2360, for a useful summary of research on good governance concerns.

² UNCTAD, 2002, Investment and Innovation Policy Review: Ethiopia (especially section 2.D); and UNCTAD, 2002, Investment Policy Review: Tanzania (especially section 2.C).

becomes clear that they collectively represent “poor governance”; and that unless the weaknesses are removed foreign investors will not show interest. Pursuing good governance is thus an essential pre-condition for effective FDI promotion policies and programmes. The GGIP initiative is thus an important UNCTAD initiative to address and resolve perhaps the major barrier to LDC’s gaining FDI.

52. The evaluator, on the basis of his experience in FDI into LDCs and that of other researchers, has sought therefore to assess whether GGIP is relevant to these FDI promotion constraints. The review and assessment of the initial GGIP activities undertaken during the mid-term evaluation confirms the relevance of the GGIP to the national economic development needs, opportunities and priorities of LDCs in pursuit of their goal of attracting, retaining and strengthening MNE and other private sector investment. Programme participants, the associated ASIT programme management team, and national governments and IPAs all consider the programme as directly relevant and an essential precursor to evolving stronger FDI policies. It is also clear within UNCTAD and the other UN agencies that Good Governance must lie at the heart of all of its policies, programmes and projects. A recommendation on this is made below in section 4.

3.2 Effectiveness

53. The effectiveness of the initial GGIP programme in meeting the expectations set out in the original programme document, and as presented at the 2002 Geneva launch workshop, appears to have been good to date. It has, on the evidence available, been effectively targeted, promoted, negotiated, delivered, managed and administered throughout its initial 15 months; and addressed important economic development needs and priorities in the first four participant countries. The national programme approaches and actions have been sensibly adjusted since the programme launch to reflect both the in-country conclusions and priorities, and the programme experience of the ASIT team and its advisors. The interim conclusion of the evaluator is that GGIP has to date been an effective UNCTAD contribution to capacity building.

54. The evaluator recognises that it is as yet too soon to reach firm documented conclusions on the overall effectiveness of GGIP, both because of the poor response to the evaluation questionnaire by programme participants and more importantly because effectiveness in any capacity building initiative is unlikely (even in developed nations) to be secured in a sustainable manner within 15-18 months of programme launch. Effective change cannot be secured without a sustained and ASIT-driven development effort. On the evidence that is available to date, the evaluator considers that pilot GGIP has performed relatively well over its initial delivery period and can thus be regarded as effective. However, the real effectiveness of GGIP can only be determined through the carefully designed in-country research required by the full end-of-programme evaluation.

3.3 Efficiency

55. Programme resources have been efficiently managed and delivered, with the ASIT programme manager, the national counterpart agencies, and the independent in-country consultants and advisors seeking ways to ensure best-value in programme development and implementation. The move towards using LDC-based advisors and trainers from the Tanzanian programme onwards is perhaps the best early example of maximizing the efficiency of donor funding; and the related decision not to host post-mission workshops to discuss and agree the clearly presented Advisory Report conclusions and recommendations is a second pragmatic decision to improve resource-use efficiency. The conclusion is that the initial GGIP activities and expenditure have represented an efficient use of donor funding.

3.4 Impact

56. It is far too early to identify the ultimate economic development outcomes and impacts of GGIP in terms of an increased flow to and retention of FDI within the participant

LDCs resulting from improved good governance in IPAs and associated line ministries. The evaluation thus sought to establish the broad initial impact of GGIP in the three countries where delivery has progressed to the stage of recommendations being accepted and action commitments made. A simple self-answer evaluation questionnaire was sent to a list of GGIP participants in Ethiopia, Tanzania and Lesotho but (as noted above) the response has been very poor despite attempts to encourage responses: this is one programme component that needs to be better addressed through the GGIP delivery and follow-up periods.

57. The two fully completed evaluation questionnaires received from Ethiopia are both very positive about the early benefits of participating in GGIP. Both strongly agree with the suggestion that the GGIP programme should be continued in Ethiopia; and both strongly support the GGIP objectives for Ethiopia. Both believe that it is too early to reach a judgement on the success and benefits of the follow-up actions currently being implemented; and both feel that GGIP has begun to improve good governance in the country. Specific early benefits identified by the two participants are knowing “*that (IPA) service delivery even in some African countries is better*”; “*to know that something has to be done about facilitating private investment activities*”; and that “*the project has enabled EIA to identify the problem why the investment entered into the country is not fully operational*”. Both give priority to the early implementation of the GGIP mission recommendations.

58. It can therefore be concluded, on the basis of the very limited evidence available, that there have been initial benefits to participating organisations and staff in Ethiopia. It will, however, be important to strengthen programme feedback from key participants in future; and recommendations on this are made below.

3.5 Sustainability

59. On the evidence of the programme’s activities and outcomes to date it would appear that GGIP has the potential to make a sustainable contribution to capacity-building in LDCs. The initial responses appear to be favorable to GGIP in that other LDCs are seeking to participate; the post-mission follow-up actions are beginning in Ethiopia, Tanzania and Lesotho; and that a distinctive corpus of knowledge, skills, activities and procedures are evolving within UNCTAD and the LDCs involved. The key issue for consideration by UNCTAD and its donors is whether a sufficiently committed donor funding flow combined with resource and policy commitments in recipient LDCs can be achieved to ensure the financial and operational sustainability of GGIP. The prospects for UNCTAD to achieve this appear to be good given the increasing interest in and commitments to pursuing good governance in LDCs, donor nations and MNEs.

60. The prime area for possible concern (and it is too early to assess this) is the action commitment required from the participating LDCs and IPAs to actively pursue over the long-term the agreed GGIP actions set out in the Advisory Reports. The evaluator suggests that this should require a formal written commitment from the LDC governments involved; their identifying a senior minister to drive delivery; an active involvement in programme evaluation for UNCTAD; and dedicated funding resources. These will be essential requirements for the long-term in-country sustainability of the good governance benefits generated through GGIP.

3.6 Comparative Advantage

61. The initial indications are that GGIP has a comparative advantage over most other UNCTAD capacity-building development initiatives in that good governance is an essential prerequisite for the successful sustained delivery of the majority of donor-funded programmes and projects. Within UNCTAD Geneva there appears to be (on the basis of the evaluation interviews) a growing awareness of GGIP and of its potential benefits for UNCTAD’s move to inter-programme integration that is currently underway. It is therefore suggested that early consideration be given by DITE and ASIT to making GGIP an integral part of the IPR process; and that good governance aspects be incorporated in all the UN’s

capacity-building activities. This is the subject of one of the evaluation recommendations made in section 4.

4. Conclusion and Recommendations

In this final section of the mid-term evaluation report the principal conclusion on and recommendations for GGIP are presented as a basis for consideration by the ASIT team in UNCTAD. It will be important to revisit and reconsider these during the full GGIP programme evaluation towards the end of Autumn 2004.

4.1 Evaluation Conclusions

62. The evaluator's principal conclusions on the initial pilot GGIP programme from its launch to the position in Autumn 2003 are that :

- ❑ GGIP appears to be an important and essential capacity building instrument for both UNCTAD and its economic development partners; and thus worthy of continued refinement, promotion and delivery to appropriate LDCs. There are areas within GGIP, however, that require further consideration and development: these should be pursued through the remainder of the initial five country pilot programme.
- ❑ The programme concept has been carefully and actively developed by the ASIT team and its programme manager; and its launch, promotion and initial delivery in Ethiopia, Tanzania, Lesotho and the Maldives appear to have been both efficient and effective.
- ❑ The programme outputs identified in the original UNCTAD GGIP project document have either been largely achieved or sensibly replaced with revised outputs and targets that reflect actual programme experience to date. There is, however, a future need to distinguish between simple GGIP programme *output* measures and the more important longer-term *outcome* benefits in terms of sustainable improvements in good governance in participating LDCs.
- ❑ It has been difficult to secure a response from actual GGIP in-country programme participants on the impact, benefits and gains from the programme, probably because these impacts will only emerge towards the end of the initial two-year pilot programme. This is a major area for future programme development and management, not just in relation to GGIP but also other UNCTAD capacity building initiatives.
- ❑ The evaluator considers that the programme should be continued through to delivery to the initial five participant LDCs of the assessment and follow-on activities; and thus UNCTAD should actively seek to secure the remaining required donor funding. This donor funding should be pursued with a degree of urgency in order to maintain essential programme momentum.
- ❑ The present consideration within UNCTAD on building and encouraging stronger inter-programme linkages to secure both increased efficiency and Value-For-Money in donor expenditure and to benefit from inter-programme synergy, appears to be especially important in relation to good governance. The evaluator's conclusion is that this is an especially important strategic issue for UNCTAD's capacity-building goals that need to be further addressed with a degree of urgency.

63. The overall evaluation conclusions are that GGIP at mid-term in its pilot programme has been a valuable capacity-building initiative; that it should be continued; but that there are both strategic and operational issues and areas where further programme refinement and development is necessary. These should be re-visited in the final mid-term evaluation report.

4.2 Recommendations and Proposals

64. The mid-term evaluation and investigation of the GGIP programme has suggested a number of strategic and operational issues where UNCTAD through DITE and ASIT can

strengthen the potential sustainable benefits and impact of good governance policies, programmes and procedures in LDCs. These strategic and operational issues and their implied changes for GGIP are, however, all conditional upon achieving and maintaining an active LDC commitment to the programme and its follow-up activities in relation to both the spirit and letter of GGIP membership and participation.

Strategic Programme Recommendations

65. There are four strategic programme recommendations that emerge from the mid-term evaluation : these are GGIP's potential as a key precursor for other UNCTAD and donor nation capacity-building programmes; the need to invest more in defining and developing GGIP follow-up activities; and the importance of building in impact monitoring and evaluation as an integral part of programme delivery and of the participating country's programme commitment.

- ❑ It is clear, in reviewing GGIP to date and in discussions with senior UNCTAD managers, that '*good governance*' as defined by GGIP is an essential core capacity building requirement in LDCs without which most other multilateral and bilateral technical assistance and technology transfer projects will under-perform. It may thus be worth UNCTAD considering integrating the core GG assessment investigations into the Investment Policy Reviews, and to then refocus GGIP on developing and delivering the operational capacity building activities in good governance that are currently seen as the follow-on activities. This would have benefits for both the core IPR programme and GGIP.
- ❑ It will be critical in terms of the future impact and sustainability of GGIP in participating LDCs for UNCTAD to ensure that both the national governments and IPA agencies involved make formal written commitments to UNCTAD in relation to required programme inputs. This should encompass both initial acceptance of UNCTAD's invitation to participate, and more importantly, to the national government's active delivery of the agreed follow-on initiatives. The evaluator regards such government commitments (both in terms of the spirit and letter of the agreements) as essential for the future delivery of GGIP - and indeed other UN and donor-funded programmes that are essentially dependent on national governments for delivery. Without such commitment, especially to the follow-up activities, UNCTAD should not be bound to continue programme support.
- ❑ The initial portfolio of follow-up activities and innovations for GGIP that have emerged from the first three participant countries appear to address the policy weaknesses in and administrative constraints to good governance in LDCs; but there is a need for UNCTAD and its development partners to invest additional human and financial resources in both developing and strengthening the initial follow-on activities, and in investigating other potential programme and project mechanisms and changes that can enhance good governance as an essential capacity building initiative. The difficulties of securing such programme development finance within UNCTAD and/or from donors is recognised, but the evaluator recommends that this requirement be addressed as the pilot GGIP programme comes to a close.
- ❑ The difficulty in obtaining an early response from selective GGIP programme participants to the request to provide an initial assessment of in-country programme benefits and impacts (a not infrequent evaluation challenge) suggests that both programme performance measurement (outputs) and evaluation (outcomes) must in future be built into the individual country GGIP activities and requirements as an integral up-front element of good governance. This should include such as an identified in-country contact with a remit to secure evaluation inputs, and a small element of programme funding to cover the costs involved. Without such a response it is difficult to showcase GGIP benefits to other potential LDC participants.

66. In the opinion of the evaluator these three strategic recommendations should be considered and responded to by ASIT by December 2003 in order that the suggested changes to the GGIP programme can be detailed and put in place both in advance of the planned post-pilot conference, and in the planning of the next phase of programme delivery post-2004. On the basis of the initial evaluation the effort required by ASIT to make the suggested changes is likely to be relatively easy to achieve by ASIT and the GGIP Programme Manager.

Operational Programme Recommendations

67. Four operational recommendations have emerged from the mid-term evaluation of GGIP. These relate to formal government commitments to GGIP participation and implementation; the appropriate programme end-date; the potential for revising the programme accounting framework; and the need to bring together and revise the existing programme and follow-up documentation and procedures.

- ❑ In the Project Logical Framework for any expansion of GGIP beyond the initial five LDCs, it will be both helpful and important to distinguish between the specific programme *outputs* to be delivered and achieved during the course of each LDC programme and the longer-term programme *outcomes* in terms of FDI inflows, changes in government and agency procedures, and (potentially) perceived rankings by such as Transparency International.
- ❑ The GGIP programme agreement with Sweden requires that the delivery of the investigative and follow-up activities be completed by mid-2004 including the proposed end-pilot programme conference to showcase GGIP. It is suggested that this may be a slightly ambitious delivery schedule especially if it has to encompass the completion of the follow-on activities in the first three participants; the start and completion of the programme in The Maldives and Mali; the end programme evaluation; and the end programme conference or workshop. It is thus recommended that the effective programme end date be extended to the end of October 2004 to enable the remaining GGIP tasks to be completed.
- ❑ It is the personal view of the evaluator, based on programme development and delivery experience across a wide range of economic development areas, that effective programme planning and management requires a project accounting framework that directly relates planned and actual expenditure to the strategic and operational outputs and outcomes sought from a project. Whilst recognising that the present UNCTAD project accounting framework has been largely designed outside ASIT (see section 2), a redesign of budget categories and procedures to more directly relate programme expenditure to GGIP outputs and outcomes would both help internal project management and external programme evaluation.
- ❑ There will be merit during the remaining period of the GGIP pilot programme for the programme manager bringing together, collating and refining the main programme documents, procedures and systems into a single GGIP programme manual designed to be provided to future LDC programme participants, UN advisors, donors and the ASIT staff involved in promoting and delivering GGIP. This is necessary given that each of the first three programme participants have experienced different programme approaches, components and follow-on activities; and that essential elements of GGIP are currently dispersed between different national and UNCTAD operational files. The new GGIP brochure produced by ASIT in September 2003 is an excellent promotional document that fully explains the background to GGIP.

The evaluator believes that these operational recommendations and proposals should be capable of being readily considered and where appropriate addressed by the ASIT Team and the GGIP Programme Manager.

68. In making these recommendations on the GGIP initiative, the evaluator recognises that they reflect an assessment of a capacity-building initiative that has only been operational for little over a year, and where the real economic, institutional and investment generation benefits and gains will take time to emerge. However, it is also probable (on the basis of earlier experience of UNCTAD programmes) that the scale, sustainability and embeddedness of such benefits will be largely dependent upon a continued long-term driving of the programme activities and innovations *within* participant nations. This overarching strategic issue has implications for the future balance within GGIP between investment and support to drive and deliver the follow-on activities in the five initial LDC participants (say over a further 3-5 year period) against the extension of GGIP to a new portfolio of LDCs.

4.3 Concluding Comments

69. Whilst this mid-term evaluation of GGIP has identified and commented upon the initial programme *outputs* in terms of the number of activities planned and delivered, it must be recognised that in all of the four LDCs participating in the pilot GGIP it is far too early to assess either the quantitative or qualitative *outcomes* generated by the improved understanding and skills of LDC institutions and staff involved. As noted earlier, it is through such outcomes that the real sustainability, impact and value of GGIP can be properly assessed; and especially through the improved flow of FDI into the participating nations. This lag in programme benefits is recognised by both UNCTAD's ASIT team and the five initial GGIP participants. These more important longer-term programme benefits may not even be fully achieved by the time of the final end of programme evaluation.

70. The overall conclusion reached as the result of this mid-term evaluation of UNCTAD's Good Governance in Investment Promotion Programme is that the initial GGIP concept remains valid as an innovative contribution to capacity building. It has already shown that it can be readily adapted to diverse economic and political environments. It is likely to be in demand in many LDCs when actively promoted as a means of enhancing the attractiveness of participating countries to potential MNE investors and bilateral assistance programmes. It has been effectively managed and administered to date; and the initial programme delivery appears to have begun to have an impact.

71. There are aspects of the programmes content, promotion, delivery and sustainability that can be strengthened on the basis of the results of this evaluation: proposals to achieve this have been presented in section 4.2 above. The overall evaluation conclusion is that the GGIP programme should be maintained as a core component of UNCTAD's technical assistance capacity building programme for promoting international investment. There should thus be a renewed commitment for securing funding for remainder of the initial five country programmes and to identify appropriate donors for the longer-term delivery of GGIP and essential follow-up activities. Consideration should also be given to the broader benefits both to participating countries and UNCTAD from making participation in existing and future investment programmes by UNCTAD, and perhaps to making it an integral part of the basic Investment Policy Review programme and process.

APPENDIX I THE EVALUATION TERMS OF REFERENCE

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TERMS OF REFERENCE

Evaluation Consultancy

Background

In 2002, UNCTAD started a programme to assist countries in promoting good governance in investment promotion and facilitation. The two-year pilot phase covers five least developed countries (LDCs). Elements of good governance that the programme looks at are accountability, predictability and transparency of government practices and procedures with respect to foreign investment and participation of the private sector in the development of government policies that affect the investor community.

The multi-donor trust fund for the two-year project is budgeted at \$ 1,000,000. So far, two contributions from the Government of Sweden have been received, totalling \$ 700,000.

The pilot project requires an independent mid-term and end-of project evaluation. Due to the fact that the actual implementation of project activities started in June 2002, the mid-term evaluation has been scheduled for July 2003.

Assignment

The consultant should evaluate progress made so far in the implementation of project INTOT1CH. This work should be based on project objectives, outputs and activities as outlined in the project document and the project logical framework (PLF). Considering the fact that the pilot project received only part of the required funding, the consultant should include a section on adjustments made to the project in light of the budget shortfalls. The consultant should also report on early results of the programme.

The consultancy will include a **one-week mission to UNCTAD's Headquarters** in Geneva in order to collect information.

Methodology that should be used for data collection:

- (i.) Interviews with UNCTAD staff members involved in the execution and management of the programme;
- (ii.) Desk research of project files and mission/workshop/advisory reports;
- (iii.) Telephone interviews or e-mail exchanges with officials from counterpart organizations as well as other relevant institutions.

The **evaluation report** (15 to 20 pages) should include three sections:

- (i.) A general description of the project and its implementation status;
- (ii.) Assessments according to the criteria set out in the PLF: every assessment must be substantiated with facts, analysis and/or evidence of change resulted from the project intervention
- (iii.) Conclusions and recommendations for adjustments, if any (recommendations should be enumerated to facilitate the follow-up).

As indicated in the project document, the evaluation will be carried out in cooperation with the Programme Planning and Assessment Unit (PPAU) - an independent oversight unit of UNCTAD. Methodological guidance, if required, should be sought from PPAU. The assignment is considered complete when the report is cleared by PPAU, which will review the report from the methodological point of view and check factual correctness. PPAU will not comment however on the substance of the assessments, conclusions and

recommendations, which will be entirely at the discretion of the consultant.

Timing and Travel

The duration of the contract (part time) will be from 7 July to 8 September 2003. The consultancy will include a one-week mission to Geneva in mid July 2003. The draft report should be submitted to UNCTAD within three weeks after the mission.

Languages

The expert should have excellent drafting skills in English.

Qualifications

Relevant university degree, knowledge of evaluation and monitoring, and practical experience with economic development and/or investment promotion programmes in developing countries.

APPENDIX II THE EVALUATION METHODOLOGY

1. The mid-term evaluation of the Good Governance for Investment Promotion (GGIP) programme began in early July 2003 with the agreement of the terms of reference for the evaluation (reproduced in Appendix I) and of the evaluation methodology that was to be used. It was stressed by UNCTAD that GGIP was a relatively new technical assistance concept; that it had only been effectively launched in June 2002; and that its potential benefits would take time to emerge, especially in terms of identifiable new inflows of foreign direct investment (FDI) to the participating countries. Because of these factors, the mid-term evaluation should also make recommendations on the methodology to be used for the full end of programme evaluation.

2. The evaluation methodology that was used to assess the initial performance and benefits of GGIP was based upon a carefully planned set of research tasks that encompassed:

- A desk review of the core programme documents.
- A comprehensive briefing on GGIP from the Programme Manager in Geneva.
- A desk review of all GGIP files, documents and accounts held in ASIT.
- Structured interviews with DITE staff associated with the Programme.
- Structured email, faxed and postal questionnaires to GGIP participants.
- Follow-up phone calls and emails to programme participants.
- The evaluation of initial performance and impacts.
- Preparation of draft and final evaluation reports.

In addition, a helpful briefing meeting was held in Geneva with Dr Igarashi of UNCTAD's Programme Planning and Assessment unit in the Programme Management Office.

3. The desk and on-line review of GGIP policy, practice, management and administration undertaken in Geneva provided a comprehensive appreciation of GGIP performance and progress to date; and also enabled the initial effectiveness and efficiency of the programme to be determined and some of the initial outputs to be measured. These are reported upon in this report.

4. The assessment of the initial impact and benefits of the GGIP programme, which can only be done through the judgement of the programme participants in the first three participating countries (Ethiopia, Tanzania and Lesotho), has proved more difficult. This was principally because the questionnaire response was so poor and the subsequent effort required to contact participants to explore their perceptions of the programme benefits to date. There are two other points to note in relation to this:

- It may well be that the non-government GGIP programme participants in the relatively short period since the main in-country activities have either not been involved in relevant GGIP activities in such a way as to enable them to provide the assessment responses required.
- The con-incidence of the GGIP evaluation with the holiday period in some of the relevant ministries and companies (especially in Ethiopia and Tanzania) may have affected the response.

Recommendations on how to address these evaluation issues, both in relation to the proposed full end-programme evaluation of GGIP and for other UNCTAD programmes, are made in the final section of the report.

5. The evaluation methodology used for the assessment of the mid-term performance and achievements of GGIP has been generally effective; but a full understanding of GGIP's benefits, impacts and sustainability will require an in-country research programme. Some proposals and suggestions for the end-programme evaluation are made in the report. The evaluator is confident that this initial assessment has established sufficient evidence to justify

completing the delivery and follow-up of the GGIP programme in the five participating countries.

6. The evaluator wishes to thank all the UNCTAD staff and the national GGIP programme participants in Ethiopia, Tanzania and Lesotho who have contributed to this initial assessment of UNCTAD's GGIP pilot programme. Their positive response and contributions have combined to make this an enjoyable, informative and (hopefully) productive assignment.

APPENDIX III THE EVALUATION QUESTIONNAIRES

III a The GGIP Ethiopia Questionnaire

-Confidential-

**UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT
GOOD GOVERNANCE IN INVESTMENT PROMOTION & FACILITATION PROJECT
MID-TERM PROJECT EVALUATION**

I would be grateful if you could spare a little of your valuable time to complete and return this short project evaluation questionnaire on your judgements on the effectiveness of the early activities and benefits of the Good Governance in Investment Promotion and Facilitation (GGIP) project in Ethiopia. All individual responses will remain confidential to the evaluation report. Please return by 24 August 2003 to the email or fax addresses at the end of the questionnaire. Thank you.

A. Please provide your views on the following statements in relation to GGIP in Ethiopia

Please ✓ one only

| | Strongly Agree | Agree | Disagree | Strongly Disagree | Don't Know |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 : The Addis GGIP project workshop was successful | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 : The Workshop stimulated interest in good governance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 : The Workshop helped public-private partnerships | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 : The Workshop Report was helpful | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 : The Report recommendations are appropriate | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 : The GGIP recommendations are being implemented | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 : The Investment Facilitation Office is being effective | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 : The Formulation of Client Charters is being effective | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 : The Customer Service Training has been effective | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 : It is important to pursue these recommendations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 : The recommendations have not improved the effectiveness of investment promotion in Ethiopia | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 : Accountability in investment promotion has improved | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13 : Participation in investment promotion has improved | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14 : Predictability in investment promotion has improved | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15 : Transparency in investment promotion has improved | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16 : Intergovernment co-ordination in investment promotion is better than before the project | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17 : I have remained actively involved in the GGIP project | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18 : GGIP has achieved its initial objectives in Ethiopia | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- 19 : GGIP has begun to improve good governance in Ethiopia
- 20 : The GGIP project should be continued in Ethiopia
- 21 : There is widespread knowledge of GGIP in this country
- 22 : The project activities and benefits have been actively promoted
- 23 : The GGIP project is losing momentum and/or focus
- 24 : I will continue active support for the GGIP objectives

B : Your General Comments on the GGIP Project in Ethiopia

25 : The main problems in GGIP project implementation in Ethiopia have been : _____

26 : The main initial benefits to Ethiopia from the GGIP project have been : _____

27 : The priorities for the GGIP project in Ethiopia over the next five years are to : _____

III b The GGIP Tanzania Questionnaire

-Confidential-

UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT
GOOD GOVERNANCE IN INVESTMENT PROMOTION & FACILITATION PROJECT
MID-TERM PROJECT EVALUATION

I would be grateful if you could spare a little of your valuable time to complete and return this short project evaluation questionnaire on your perceptions of the effectiveness of the early activities and benefits of the Good Governance in Investment Promotion and Facilitation (GGIP) project in Tanzania. All individual responses will remain confidential to the evaluation report. Please return by 24 August 2003 to the email or fax address at the end of the questionnaire. Thank you.

A. Please provide your views on the following statements in relation to GGIP in Tanzania

Please ✓ one only

| | Strongly Agree | Agree | Disagree | Strongly Disagree | Don't Know |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 : The initial GGIP Tanzania Mission was | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 : The Mission stimulated interest in good | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 : The Tanzanian GGIP Mission Report was helpful | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 : The Mission Report recommendations were appropriate | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 : The GGIP recommendations are being | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 : The TIC Client Charter is being effective | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 : The FDI Mediator/Ombudsman Concept is | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 : The TIC Customer Service Training is being | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 : It is important to pursue these | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 : The recommendations have not improved Promotion in Tanzania | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 : Accountability in investment promotion has | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 : Participation in investment promotion has | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13 : Predictability in investment promotion has | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14 : Transparency in investment promotion has | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15 : Intergovernment co-ordination in investment is better than before the GGIP project | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16 : I have remained actively involved in the GGIP | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- 17 : GGIP is achieving its initial objectives in
- 18 : GGIP is improving good governance in
- 19 : The GGIP project should be continued in
- 20 : There is widespread knowledge of GGIP in this
- 21 : The project activities and benefits have been promoted
- 22 : The GGIP project is losing momentum and/or
- 23 : I will continue active support for the GGIP

B : General comments on the GGIP Project in

25 : The main problems in GGIP project implementation in Tanzania have been :

26 : The main initial benefits to Tanzania from the GGIP project have been :

27 : The priorities for the GGIP project in Tanzania over the next five years are to :



III c The GGIP Lesotho Questionnaire

-Confidential-

UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT
GOOD GOVERNANCE IN INVESTMENT PROMOTION & FACILITATION PROJECT
MID-TERM PROJECT EVALUATION

I would be grateful if you could spare a little of your valuable time to complete and return this short project evaluation questionnaire on your perceptions of the effectiveness of the early activities and benefits of the Good Governance in Investment Promotion and Facilitation (GGIP) project in Lesotho. All individual responses will remain confidential to the evaluation report. Please return by 24 August 2003 to the email or fax address at the end of the questionnaire. Thank you.

A. Please provide your views on the following statements in relation to GGIP in Lesotho

Please ✓one only

| | Strongly Agree | Agree | Disagree | Strongly Disagree | Don't Know |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1 : The Lesotho GGIP Mission was successful | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 : The Mission stimulated interest in good | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 : The Workshop Report will be helpful | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 : The GGIP recommendations will be implemented | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 : Customer relations training for LNDC is | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 : A new LNDC client charter is essential | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 : A more personalised service to investors is | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 : An Investment Mediator will help investment | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 : It will be important to pursue GGIP | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10 : Accountability in investment promotion must improved | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11 : Participation in investment promotion must be | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12 : Predictability in investment promotion must be | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13 : Transparency in investment promotion must be | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14 : Intergovernment co-ordination in investment promotion is good | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15 : I remain actively involved in the GGIP project | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16 : GGIP can achieve its initial objectives in Lesotho | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 17 : GGIP has begun to improve good governance in | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18 : The GGIP project should be continued in | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19 : There is a good knowledge of GGIP in this | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20 : The project objectives and benefits are actively promoted | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21 : The GGIP project is losing momentum and/or | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22 : I will continue active support for the GGIP | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

B : General comments on the GGIP Project in Lesotho to date

23 : The main problems in initial GGIP project implementation in Lesotho have been :

24 : The main initial benefits to Lesotho of the GGIP project are likely to be :

25 : The priorities for the GGIP project in Lesotho over the next five years are to :



APPENDIX IV THE GGIP PROJECT DOCUMENT (NEXT PAGE)

**UNITED
NATIONS**



United Nations
Conference
on Trade and
Development

**Capacity Building Project on Good Governance in Investment
Promotion and Facilitation**

Project Document

*Geneva
2002*

Summary Sheet

Project Document

| | |
|-----------------------------|---|
| Title: | Capacity Building Project on Good Governance in Investment Promotion and Facilitation (GGIP) |
| Project Number: | INT0T1CH |
| Starting date: | January 2002 |
| Duration: | 2 years |
| Sector: | Good Governance |
| Beneficiaries: | Least Developed Countries (LDCs) |
| Implementing Agency: | United Nations Conference on Trade and Development (UNCTAD) |
| Brief description: | <p>The project will be implemented through a combination of advisory services and training focussing on good governance in investment promotion and facilitation. Technical co-operation activities will be carried out in five LDCs, preferably based on already ongoing activities in the area of good governance by national governments in cooperation with international institutions, such as the World Bank. The project will make use of the expertise of UNCTAD staff, international consultants, investment practitioners from developing and developed countries and private sector representatives, while encouraging the exchange of experiences gained by other developing countries in tackling similar issues.</p> <p>The focus of the project will be on countries that have demonstrated a pronounced will to put in place a client-oriented and transparent administrative system that will encourage the location of foreign investors and ensure that governments' developmental priorities are met. Training courses will sensitise government officials on the positive effects of a welcoming attitude, efficiency and good governance, and the negative effects of red tape and delays.</p> <p>The project will start with a workshop in which standards are set for the advisory work and training that will take place during the project. At an international conference on good governance in investment promotion & facilitation, experience gained and "best practices" will be shared with non-project countries.</p> |
| Financed by: | Multi-donor funding |
| Budget: | US\$ 980,000 (including support costs) |

A. Background and Justification

Foreign direct investment (FDI) has become a major force in the process of globalization and has played an important role in the integration of national markets into the world economy. During the nineties, FDI has also become the most important source of external finance for developing countries.

In order to benefit from the increased flows of FDI, most developing countries and economies in transition have improved their policies, laws and regulations for foreign investment. Many governments have also begun to put in place special support programmes and institutional mechanisms aimed at promoting and facilitating foreign investment.

However, the increase of FDI since the mid-eighties has only benefited a selected group of developing countries. A considerable number of low-income countries, especially LDCs, have not yet received any significant FDI. This is partly due to the fact that these countries still have unfavourable investment climates and maintain often cumbersome and non-transparent public systems, which deter transnational corporations (TNCs) to invest.

Without the requisite knowledge or capacity to promote investment, to enhance administrative transparency and reduce the “hassle costs” for companies that may be interested in investing, many LDCs will remain unable to attract foreign investors. In addition, some LDCs that have received moderate amounts of FDI often did not manage to gain full benefit and spin-offs from these investments.

Studies suggest that foreign investors’ choice of entry mode be affected by the extent of transparency and bribery in a host country. Empirical evidence supports this view and shows that non-transparency and bribery increase the value for TNCs to have local joint venture partners. But, on the other hand, foreign investors with sophisticated technology may worry about leakage of technology know-how by joint venture partners and may be less inclined to invest (Smarzynska and Wei, 2000³). TNCs from the United States of America may even avoid any joint ventures in certain countries, because of the Foreign Corrupt Practices Act of 1977, which stipulates penalties for executives of American companies whose employers or local partners engage in paying bribes (Hines, 1995⁴).

Recent surveys carried out by UNCTAD support the argument that TNCs are very concerned about fraudulent practices. Results show that, for instance in Africa, bribery is perceived by TNCs as the biggest detriment to FDI (WIR 2000, p. 48⁵). This single issue scored higher than other important FDI determinants, such as, the political and economic outlook, global market access and the state of the physical infrastructure. A survey among African investment promotion agencies (IPAs) on negative determinants for FDI in Africa showed similar results.

³ Smarzynska, Beata K. and Shang-Jin Wei, 2000, *Corruption and Composition of Foreign Direct Investment: Firm-Level Evidence*. World Bank Policy Research Working Paper 2360

⁴ Hines, James R. Jr., 1995, *Forbidden Payment: Foreign Bribery and American Business After 1977*. NBER Working Paper 5266

⁵ UNCTAD, 2000, *World Investment Report 2000: Cross-border Mergers and Acquisitions and Development*, Geneva

During the 1990s, a number of international organisations adopted policies, which started to address the problem of corruption as a development issue. The World Bank took a leading role among the development institutions with the adoption in 1997 of an anti-corruption strategy, which covered fraud and corruption in World Bank financed projects, but also actions that could assist client countries in curbing corruption. Other international organisations that incorporated the issue of corruption in their work and development programmes include, the Organisation for Economic Cooperation and Development (OECD), the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), Regional Development Banks and a significant number of bilateral donor agencies. All these organisations will be invited to participate in this particular project (see section G for more details).

The work of the World Bank is of particular interest. The World Bank Institute provides extensive support for programmes that improve governance and curb corruption in dozens of countries, mostly in Sub-Saharan Africa, Latin America, Eastern and Central Europe and, more recently, in Asia. This work often starts with in-depth empirical surveys to help diagnose the extent and nature of the problems and raise public awareness. This work is then followed by workshops in which the results of the surveys are discussed with representatives of the public and private sector and civil society. The workshops are also used as a starting point for the development of anticorruption strategies and national integrity plans. If a National Integrity Plan enjoys support and commitment from the political establishment, they form a good basis for interventions by bilateral and multilateral development organisations.

In this particular project, the focus will be on investment promotion and facilitation. By trying to increase transparency of administrative procedures and reduce “hassle costs”, foreign investors, which are interested but were in the past discouraged by difficulties with local bureaucracies, may now make a positive investment decision.

Good governance is a broad concept, embracing a large number of issues, both at national and international levels, including the promotion of democracy, the rule of law, human rights, fundamental freedoms, etc. These wider issues are outside the scope of this project, which will look at government administrative procedures and ethical conduct, what affects the business community, especially foreign investors.

B. UNCTAD’s Advisory Services on Investment and Training

The Advisory Services on Investment and Training (ASIT)⁶ is a technical assistance programme within DITE/UNCTAD. Objectives of the programme are to assist developing countries and economies in transition in:

- Improving the overall investment climate;
- Establishing effective and internationally competitive institutions for the promotion and facilitation of FDI;
- Building capacity in investment promotion and facilitation;

⁶ For more information on ASIT, see web site: www.unctad.org/asit/

- Increasing levels of FDI;
- Enhancing the positive impact of FDI on national economies.

ASIT consists of three distinct programme elements:

- Advisory services through field missions and advisory reports;
- Publications, containing topical information on investment-related issues and best practices in investment promotion and facilitation;
- Training programmes for investment promotion officials, diplomats, customs officers and other government officials that deal with investment promotion and facilitation.

Advice is given to governments on how to reform the legal and regulatory framework on investment in order to increase efficiency and transparency and to make the investment climate more internationally competitive. Advice is also extended to IPAs and other government institutions on how to promote investment and streamline procedures in order to reduce "hassle costs" for potential investors.

The training programme includes a wide range of training activities on investment related issues. Special training courses for investment promotion officials cover investor targeting and corporate development support.

ASIT has been operating since the mid-1970s and has executed projects in more than 120 countries. It has carried out over 1,000 advisory missions and trained more than 20,000 national experts (see table 1 for ASIT activities between 1997 and 2000). The programme is demand driven implying that technical assistance activities are carried out at the request of developing countries and economies in transition.

Table 1. Countries and regions that benefited from ASIT advisory and training activities, 1997-2000.

| Programme | Countries | Regional groupings/institutions |
|--|---|---|
| <ul style="list-style-type: none"> ➤ Advice on regulatory and institutional frameworks for investment ➤ Advice on investment projects ➤ Institutional support to IPAs, including streamlining of operational procedures | Albania, Algeria, Bangladesh, Belarus, Bolivia, Brazil, Cameroon, Congo, Egypt, Eritrea, Djibouti, Gambia, Haiti, India, Jordan, Kazakhstan, Kenya, Lebanon, Mauritania, Morocco, Oman, Pakistan, Sao Tome and Principe, Saudi Arabia, Sri Lanka, Sudan, Uganda, Vanuatu, West Bank and Gaza Strip, Yemen | Arab region, ASEAN, CARICOM, OHADA, UEMOA |
| <ul style="list-style-type: none"> ➤ Training on investment promotion and facilitation ➤ Training on investor targeting | Albania, Bangladesh, Benin, Bolivia, Djibouti, Egypt, Gambia, India, Jordan, Kenya, Pakistan, South Africa, Sudan, Uganda, West Bank & Gaza Strip, Zambia | Sub-Saharan Africa, Andean Community of Nations, global and regional conferences and workshops co-organized with the World Association of Investment Promotion Agencies (WAIPA) |

This technical assistance work is embedded in UNCTAD's policy-oriented research in the area of FDI and therefore benefits from the continued analytical work undertaken by UNCTAD, in particular the *World Investment Report* series and the *Investment Policy Reviews* programme. Furthermore, UNCTAD's role as a premier knowledge-based international institution encompassing research, technical

assistance on FDI-related matters, including investment promotion, has been fully recognised and mandated by the General Assembly (A/RES/54/198, par. 23), the Bangkok Plan of Action of UNCTAD X (TD/386, par. 166) and the Programme of Action for Least Developed Countries for the Decade 2001-2010 (A/CONF.191/L.18, par. 25-29).

On the issue of good governance, the Bangkok Plan of Action states that UNCTAD could “contribute to sound domestic macroeconomic and financial policies, administrative reforms and continuing efforts to promote a stable and transparent national legal and regulatory framework favourable to development” (TD/386, par. 107).

The Programme of Action for Least Developed Countries calls for actions by development partners in “providing adequate and appropriate response, including financial and technical assistance, to request of LDCs for human and institutional capacity building for governance functions” (A/CONF.191/L.18, par. 29).

C. Activities of UNCTAD Dealing with the Problem of Corruption in International Business Transactions

In recent years, UNCTAD has undertaken a number of activities in relation to the problem of corruption in international business transactions, mainly in response to requests from the General Assembly of the United Nations. In 2000, UNCTAD prepared a report on measures taken by member States and relevant international and regional organizations, non-governmental organizations and the private sector, to give effect to various resolutions of the General Assembly⁷. These resolutions called for a number of actions against corruption and bribery in international commercial transactions (resolution 53/176), and for the prevention of corrupt practices and illegal transfer of funds (resolution 54/205).

In 2001, UNCTAD has also been requested to contribute to an analytical report containing information on the progress made on the implementation of General Assembly resolution 55/188 regarding the prevention and combating of corrupt practices and the illegal transfer of funds and repatriation of such funds to the countries of origin.

There are several reasons for UNCTAD’s Division on Investment, Technology and Enterprise Development (DITE) playing a leading role in this area. One is that the former United Nations Centre on Transnational Corporations (UNCTC), which by decision of the General Assembly was transferred to UNCTAD and became DITE, was the substantive secretariat for the negotiation of a Convention on Illicit Payments in International Business Transactions. After two years (1979-1981) of negotiations in ECOSOC, a draft text of the convention, with few outstanding issues, was sent to the General Assembly, which took no further action. This was mainly due to the fact that developing countries at the time wished to link the

⁷ UNCTAD, 2000. *Report of the Secretary-General on the prevention of corrupt practices and illegal transfer of funds*. UN General Assembly document A/55/405, 21 September 2000.

adoption of the convention to the adoption of a Code of Conduct on Transnational Corporations. Nevertheless, these negotiations gave UNCTC -- as the guardian of the institutional memory of the negotiations -- considerable knowledge and expertise on this matter, which became particularly useful when the General Assembly decided to resume efforts to combat corruption in international business transactions. The second reason for UNCTAD's involvement in this issue is that corruption and illicit payments in international commercial transactions has become a core systemic issue affecting the flow of international trade and investment, with significant effects on the competitiveness of firms, the performance of countries, and, ultimately, on growth and development. UNCTAD's technical assistance programme on investment is addressing part of this problem by promoting efficiency and transparency in regulatory regimes on investment and by assisting developing countries in improving the effectiveness and competitiveness of their FDI promotion and facilitation services.

D. Objective, Outputs and Activities

Development objective

The objective of the project is to assist in the improvement of the enabling environment for FDI in LDCs with a view to increase the inflow of FDI and thereby contribute to the creation of jobs, diversification and strengthening of the economic base and, overall, sustainable development. This will be achieved by focussing on good governance, building the capacity of these countries to create stable and predictable regulatory frameworks for investment and to reduce "hassle costs", increase transparency, introduce ethical standards, enforce regulations, eliminate illicit payment practices, as well as streamline and improve operations of IPAs and other facilitating institutions.

Output 1

Selection of five LDCs in which the programme will undertake country based projects. These countries will be selected on the basis of: (i) received requests for assistance; (ii) earlier surveys carried out with the support and involvement of national governments on the extent and nature of the problems of corruption and the development of an "integrity plan" or national strategy to combat corruption and to promote good governance; (iii) demonstrated will to increase efficiency and transparency in investment related administrative procedures; (iv) a desire to formally introduce ethical standards for the public service when dealing with foreign investment; and (v) a government commitment to follow up on project recommendations."

Activity

1.1 Selection of five project countries based on the above mentioned criteria.

Output 2

Standards established for the project advisory reports and training courses.

Activities

2.1 Identification of a core team of experts that will work on the various components of the project.

2.2 Selection of a LDC, which will host the launching workshop. This country should have a good record on good governance and agree to cover part of the local costs for the workshop.

2.3 Organization of the launching workshop in which the methodology of the project is being decided on.

Output 3

Advisory reports on how to improve efficiency and transparency in investment related administrative procedures for each of the project countries.

Activities

3.1 Selection of teams of experts for the preparation of the advisory reports.

3.2 Fielding of missions to project countries.

3.3 Surveys among foreign investors in the project countries.

3.4 Preparation of advisory reports on the improvement of efficiency and transparency in investment related administrative procedures in each of the project countries.

3.5 Presentation and discussion of the reports' recommendations at national seminars in the capitals of the project countries. Invitees to the seminars will include high-level government officials, private sector representatives, TNC Executives and local NGOs.

3.6 Inclusion of seminar conclusions in the final version of the reports.

3.7 Adaptation of the findings of the reports by the respective governments.

3.8 Printing of the advisory reports.

Output 4

Training module developed on effective investment promotion and facilitation, and on ethical standards in the public sector.

Activities

- 4.1 Design of the training module.
- 4.2 Testing and validation of the training module.
- 4.3 Printing of the training manuals.

Output 5

Two hundred (200) government officials (about 40 in each project country) trained in effective investment promotion and facilitation and in ethical standards in the public sector.

Activities

- 5.1 Selection of an expert team to conduct the workshops.
- 5.2 Identification of target groups in government ministries and agencies.
- 5.3 Five national training workshops on good governance in investment promotion and facilitation.

Output 6

A local training capacity in each of the five project countries with respect to effective investment promotion and facilitation and ethical conduct for officials of line ministries and agencies that deal with foreign investors, including investment and trade officers, custom officials and staff of export processing zones.

Activities

- 6.1 Development of an instructor's manual.
- 6.2 Selection of trainers in each of the five countries.
- 6.3 A training-of-trainers workshop on best practices in effective investment promotion and facilitation and on ethical conduct.

Output 7

An international conference on good governance in investment promotion and facilitation. At this conference, findings of the project and “best practices” in effective investment promotion and facilitation will be shared with high-level officials and private sector representatives from project and non-project countries.

Activities

- 7.1 Selection of a LDC that will host the conference and will bear part of the local costs for the event.
- 7.2 Organisation of the conference.
- 7.3 Publication of the main project findings with respect to good governance and “best practices” in effective investment promotion and facilitation.
- 7.4 Publication of the conference recommendations and conclusions.

E. Expected Results

1. For each of the five countries, the project will:
 - (i) Put in place policy measures and institutional mechanisms that will improve efficiency and transparency in investment related procedures.
 - (ii) Create a government capacity to provide civil servants training in the area of good governance and ethical conduct in their dealings with foreign investors.
 - (iii) Generate favourable investors’ response to concrete Government actions taken in the context of the project.
2. Through showcasing the favourable experiences of the five project countries will increase international awareness on the importance of good governance in investment promotion and facilitation.
3. A manual on “best practices” in effective investment promotion and facilitation, including project findings on how to improve transparency in investment related regulations and procedures and how to introduce ethical standards in dealing with foreign investors.

F. Duration

The duration of the project is 2 years, from January 2002 to December 2003. For reasons beyond the control of the executing agency some delays may occur in project implementation. The maximum extension of the project 2-year time span is set at six months.

G. Co-operation with Other International Organisations

Activities planned under this project will be implemented in close co-operation and consultation with:

- (i) other international organisations, such as the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the United Nations Industrial Development Organisation (UNIDO);
- (ii) research centres and academic institutions; and,
- (iii) NGOs, such as the World Association of Investment Promotion Agencies (WAIPA)⁸ and Transparency International⁹.

Cooperation will be sought in the following areas:

- In the project country selection process, international organisations such as the World Bank Institute and UNDP will be consulted on their past and present experiences in the countries under consideration.
- For the selection and identification of key experts on the project, organisations such as Transparency International will be contacted for recommendations on experts on their roster.
- In the testing of the training module, the World Bank Institute, OECD, UNDP, UNIDO and Transparency International would be invited to comment on the training material.
- For the dissemination of findings and training materials from the project, organisations such as WAIPA will be used to reach out to investment promotion professionals worldwide.

H. UNCTAD and Government Inputs

UNCTAD is responsible for the planning, implementation and monitoring of all programme activities.

Inputs under this programme will include costs related to project execution, reporting and evaluation.

In addition, several activities planned under this project will be implemented with the co-operation of beneficiary countries hosting conferences, seminars and workshops. In those cases a co-financing element involves host countries covering part of the local costs.

I. Schedules of Reports and Evaluations

Reports

UNCTAD will prepare a status report after the first project year and a final report at the end of the project. In addition, project implementation will be discussed in informal meetings with representatives of donor and beneficiary countries. These meetings will be organised by UNCTAD after the issuance of the reports and, if need arises, on an ad-hoc basis. The meetings will be open to other interested member countries.

⁸ For more information on WAIPA, see web site: www.waipa.org

⁹ For more information on Transparency International, see web site: www.transparency.org

UNCTAD will report on the project to the Commission on Investment, Technology and Related Financial Issues through the annual Activities Report of the Division on Investment, Technology and Enterprise Development.

Evaluations

The project will be subject to a mid-term (after one year) and end-of-project evaluation. The evaluations will be independent and implemented in co-operation with UNCTAD's Programme Planning and Assessment Unit (PPAU). Qualitative and quantitative benchmarks are defined at the outset of the project through the Project Logical Framework.

A satisfactory evaluation of progress after one year will trigger the second phase of the project.

| Project Logical Framework | Capacity Building Project on Good Governance in Investment Promotion and Facilitation | | |
|---|---|---|---|
| Overall goal | Verifiable indicators | Means of Verification | Critical Assumptions |
| Strengthen the capacity of five LDCs by: putting in place regulatory frameworks for investments based on best practices in operating transparent administrative systems; upholding ethical standards among officials dealing with investors; streamlining IPA operations. | New policies/institutional mechanisms in place that promote transparency, incl. simplification of the regulatory framework on investment. A more welcoming attitude towards foreign investors. | Govt. follow up on advisory reports, number of officials trained, country capacity to continue local training, independent end-of-project investors survey. | Sustained implementation of the Integrity Plans or national strategies to fight corruption and promote good governance. |
| Purpose | Verifiable indicators | Means of Verification | Critical Assumptions |
| Increase levels of FDI to LDCs. | Increased volume of approved FDI projects in project countries. Increased FDI flows to project countries. | FDI project country data. Data on approved FDI projects/rates of implementation. Information on subcontracts/local employment by TNCs. | Recent FDI trends can be linked to project results. |
| Outputs | Verifiable indicators | Means of Verification | Critical Assumptions |
| 1) Project countries selected (LDCs). | Project countries identified. | Verify if countries meet selection criteria. | No major political/econ. changes. |
| 2) Standards established for advisory reports and training courses. | Launching workshop held. | Workshop report. | Country offer to host workshop. |
| 3) Advisory reports for each of the project countries. | Advisory reports completed | Investors' surveys done, national seminars held, inclusion of govt. comments, reports printed. | Political commitment to the project remains the same. |
| 4) Training module developed. | Quality of training material produced and quality of implementation. Quantitative indicators are the number of officials trained, including future local trainers, and the level of the participants. | End-of-workshop questionnaires and follow up survey of selected trainees. End-of-project survey among trained trainers on the instructor's manual & first training experiences. | Selection of the right target group for the training. Availability of qualified local trainers |
| 5) Two hundred (200) government officials trained. | | | |
| 6) A local training capacity in each of the five project countries. | | | |
| 7) An international conference on good governance in investment promotion and facilitation. | Quality of implementation. Number and level of participants | Conference agenda and report. Participants list. | Country offer to host workshop. |

| <i>Project Logical Framework</i> | <i>Capacity Building Project on Good Governance in Investment Promotion and Facilitation</i> | | |
|--|---|---|---|
| <i>Activities</i> | <i>Inputs/Resources</i> | <i>Means of Verification</i> | <i>Pre-Conditions</i> |
| 1) Selection of five project countries. | Govt. requests, World Bank and TI reports. | Project reports, mission reports, meeting records and reports, project financial statements, general correspondence with project counterparts | Sufficient country requests/qualified countries. |
| 2) Selection of a LCD to host the launching workshop | Offer by an LDC, local support, resource persons and experts. | | Offers to host project events. |
| 3) Surveys among foreign investors in project countries. Preparation of advisory reports. Presentation and discussion of the reports at national seminars. Inclusion of seminar conclusions in the final reports. Adaptation of report findings by the respective governments. Printing of advisory reports | Experts, local support (logistics, meeting facilities, personnel), funds for printing, high-level government participation in the seminars. | | Local counterparts commitments to the project and capacity to provide sufficient local support. |
| 4) Design of the training module. Testing and validation of the training module. Printing of training manuals | Experts, funds for printing | | |
| 5) Identification of target groups. Five national training workshops. | Local support (target groups identified, logistics, training venue, personnel), experts. | | |
| 6) Development of an instructor's manual. Selection of trainers. A training-of-trainers workshop | Experts, local support in selection of trainers, funds for workshop. | | |
| 7) Selection of a conference host. Organisation of the conference. Publication of main project findings. Publication of conference recommendations | Offer to host the conference, local support, resource persons and experts, funds for printing. | | |