



External evaluation of “Attracting and benefiting from foreign direct investment: Ensuring the realization of benefits through institutional capacity building and deepening linkages between small and medium-sized enterprises and foreign affiliates” project*

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Project N (IPAs)

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29th June 2009

* This report was commissioned by UNCTAD. The opinions expressed in this report are those of the author and do not represent the views of the UNCTAD secretariat or of the organizations or institutions with which the author may be connected, or organizations or institutions that commissioned this evaluation.

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1 CHAPTER 1: THE EVALUATION STUDY AND ITS CONTEXT

1.1 Purpose and Scope of the Evaluation

The purpose of this evaluation is to examine the performance of UNCTAD's project on "Attracting and benefiting from foreign direct investment: Ensuring the realization of benefits through institutional capacity building and deepening linkages between small and medium-sized enterprises and foreign affiliates".

The evaluation takes into account the full project cycle, from design to end of implementation. Project was originally planned to last 2 years, from 2004 to 2006, but was later extended till 2007, with final activities funded by the project implemented as late as 2008

The project involved two main strands of activities centred on Investment Promotion agencies (IPAs), public or semi public institutions in charge of investment promotion, coupled with a component related to IT, as follows:

- 1) Building the capacity of developing country IPAs, and especially those of the Least Developed Countries (LDCs), so that they will be able to lead efforts to change the investment environment for the better
- 2) Enabling host country institutions, such as IPAs, to benefit systematically from the inputs of the private sector on policy discussions over investment issues that affect them in the host country
- 3) Information technology capacity building towards helping to achieve both of these objectives

The activities of the project included:

- Capacity building of the IPAs to strengthen their capacity to lead in the policy advocacy towards an enhanced investment environment
- capacity building so as to highlight the role of participative Investment Policy Review process as an advocacy tool
- specific fora set up to provide developing countries with the views of investors on investment policy issues
- IT solutions to facilitate exchange of views, best practices and generally networking among beneficiary institutions.

This evaluation will assess the performance of the project using the internationally recognised DAC evaluation criteria of relevance, efficiency, effectiveness, impact, and sustainability and other cross cutting issues such as poverty reduction, environment, and generally links with the MDGs. The evaluation was commissioned by UNCTAD's Evaluation and Planning Unit (EPU) through the procedures of the Development Account which funded the direct costs of the project.

The evaluation is to be conducted in parallel with the evaluation of another project of UNCTAD, also financed by the 4th tranche of the UN development fund. To maximise the very short time frame of those evaluations, some evaluative activities have been conducted jointly and some elements of the report are shared by the 2 evaluations¹.

1.2 Context of the Project within UNCTAD:

1.2.1 Programming and Financing

¹ Such as list of persons contacted; or elements related to the articulation of UN development fund grants in the workprogramme of UNCTAD...

In terms of programming, the project is part of UNCTAD's Technical Cooperation (TC) activities. TC is described as one of its three pillars (alongside research and analysis and consensus building) ² and started in the 1980s to support the inter-governmental forum or 'Conference' activities of UNCTAD, with the objective of helping developing countries and countries with economies in transition to better integrate into the globalising economy, take opportunities and overcome obstacles. UNCTAD's development work covers the linkages between trade, investment, finance, technology and sustainable development.

Most of TC funds, comprising Trust Funds, UNDP and UN programme budget, including the development Account, are dedicated to capacity building.

The Project was funded from the UN Development Account, under its 4th tranche (of 2004-05), the theme of which was '*Capacity Building for Millennium Development Goals through partnership, knowledge management and taking advantage of ICT*'. The specific project document has been elaborated to implement elements potentially eligible for funding from the 4th tranche of the Development Account, entitled "Capacity-building of developing country investment promotion agencies through public-private partnerships and the negotiation of international investment agreements", listed as item "N" in Annex II of document A/58/6, dated 1 April 2003. The project was to be implemented from 2004-2006, and budgeted at USD 650,000. Originally to be implemented over a two year period (2004-2006), project requested and was granted an extension for one year, and implementation was spread over two more years to end in 2008.

The Development Account, within the control of the UN itself, provides opportunities for projects that might not be supported by a donor. There are guidelines as to how the project proposal should be laid out and implemented, including inter alia '*objectives, expected accomplishments, indicators of achievement and main activities*', with clear guidance, and definition from the start, on what activities can be funded, such as consultants, expert groups, travel of staff, study tours, workshops. However, although these direct costs were funded through the Development Account, the salaries and related benefits pertaining to the implementation of the project are still funded through UNCTAD regular budget. It is not possible in the context of the reduced time frame of this evaluation to make a detailed estimate of the amount of these funds in comparison to the Development Account funding. After the project launches certain activities, the funding of the follow up is sometimes picked up by other donors, which makes it difficult to attribute correctly the outcome and impact of the project, and prevent any accurate cost benefit analysis.

As requested per the ToRs³, the indicators of achievement defined in the proposal documents will therefore serve as main elements for assessment of the project.

1.2.2 Reconstructing the logic of intervention:

Logical framework of the project:

The Overall Objective of the project is "To help developing countries to increase their ability to attract and maximize the benefits of foreign direct investment".

The Specific Objective of the project was to develop the leadership capacity of developing country Investment Promotion Agencies (IPAs as primary targets and beneficiaries of the project) to engage constructively in the policy-making processes of their countries. Particular emphasis was given to IPA policy advocacy and to harness private sector (both local and foreign) inputs to foster reform in the investment environment, in line with the countries' development objectives.

The project defines its three main **expected Results** as follows:

Expected Accomplishment 1

Leadership capacity of developing country Investment Promotion Agencies (IPAs) strengthened in policy advocacy, and through this, investor-friendly policies and strategies that meet the country's development objectives.

² UNCTAD Annual Report 2007: Thinking development, advancing solutions.

³ "The review should examine the performance of each project in accordance with its logical framework in the project document"

Expected Accomplishment 2

Online networks established on expertise in harnessing public-private sector dialogue for investment promotion to meet development objectives.

Expected Accomplishment 3

Public-private sector dialogues on best practices and experience at both the regional and national levels, harnessed to improve the investment environment.

Project documents include a developed logical framework matrix, with indicators of success.

1.2.3 Methodology of the Evaluation, Information Sources and Methodological Issues

The Terms of Reference propose the following generic methodology:

(i) Study of relevant materials available:

The documentation for the evaluation breaks down into several groups:

- the project design proposal and logical framework made for the Development Account,
- contact details of workshop participants, summaries of the workshop participants' reactions, and their reports
- internal monitoring documents such as mission reports from officers in charge of workshops, report 2005, 2006 and 2007 and project final report; internal notes etc..
- Research outputs of the project. However given the reduced timeframe of the evaluation, it was not possible to examine specific power point presentations that were developed to support training nor the manual on IPA policy advocacy developed in 2005, which served as textbook for the training activities. Main research output is the published advisory study, *Investment Promotion Agencies as Policy Advocates* (UNCTAD, 2008).

(ii) Collection and analysis of evidence.

Support from the evaluation unit was crucial to collect the necessary documents/gather the relevant information to conduct the documentary analysis. Further documents were obtained through the site, etc...

(iii) Interviews with relevant UNCTAD staff:

Relevant staff was hard to locate due to time elapsed, turnover, and internal restructuring. Moreover, at the specific time evaluators came to Geneva, some key respondents were in mission, or on leave. However, as a remedy, phone interviews were requested and conducted satisfactorily; evaluators express their thanks for the excellent cooperation with the piloting unit and the project counterparts.

(iv) Interviews with direct beneficiaries and other relevant stakeholders, as may be required.

Scope and tight schedule of the evaluation did not allow such interviews.

(v) Interviews with representatives of member States at Geneva, as may be required.

Scope and tight schedule of the evaluation did not allow such interviews either. It must be emphasised also that because member States missions staff have generally broad portfolios, it cannot be expected they will have detailed knowledge about any one project or specialised activities, especially when the project took place a few years back. This is particularly true for a project that was mostly implemented in 2005 and 6, given the high turnover of staff.

(vi) Questionnaires as may be required.

Specific questionnaires were not requested and would not have been manageable within the framework of this evaluation. However mails preliminary to phone interviews included focus points to be discussed so as to allow respondents to refresh their memory.

1.2.4 Evaluation criteria

The evaluation will follow the criteria defined by the DAC with further specifications as provided by the ToRs:

- (a) Relevance
 - Whether the decisions to deliver the outputs produced under each project were based on appropriate criteria, taking into account the needs of beneficiaries, possible impact and effectiveness of such assistance;
 - Whether UNCTAD had played the most relevant role in helping the beneficiary countries in view of its expertise, and assistance received by the countries from other development partners;
- (b) Impact
 - To what extent the project has facilitated the development of enhanced capacity in the areas of focus of each of the projects.
- (c) Effectiveness
 - Whether the project has achieved planned objectives and produced mutually beneficial results;
 - Whether the scope of the project has been adequate in view of the existing resources and expertise.
- (d) Efficiency
 - Whether the project has used the most efficient means in delivering the activities;Whether project schedules were met or activities implemented within reasonable, established time parameters.

2 CHAPTER 2: REVIEW OF PROJECT N

2.1 *Documentary base for the Analysis*

Project was developed within guidelines provided by the Department of Economic and Social Affairs for the elaboration of Development Account project documents. These guidelines request the following documentary base :

- an initial project document comprising (i) a presentation of the proposal for funding, (ii) a logical framework presented through a matrix complemented by indicators of success.
- a reporting schedule structured around 3 yearly reports that refer to the indicators of success and
- a final report.

2.2 *Performance at Result level as per logical framework of the Project Document*

The final report offers both quantitative and qualitative review of the achievements of the project against initial project indicators.

2.2.1 *Result I:*

Leadership capacity of developing country Investment Promotion Agencies (IPAs) strengthened in policy advocacy, and through this, investor-friendly policies and strategies that meet the country's development objectives.

This result was pursued through 5 activities:

1. Research, policy papers, training material

The main outputs of the project included:

Manual on IPA policy advocacy in 2005,

Investment guides (Kenya, Tanzania and the East African Community).

case-studies (Argentina, Rwanda) on the elimination of trade-related investment measures under the WTO Agreement on Trade-Related Investment Measures (TRIMs) in 2006,

Expert panel presentations on Investment, Technology and related Financial Issues in 2006

All these inputs were consolidated into *Investment Promotion Agencies as Policy Advocates* (UNCTAD, 2008).

2. Training programme

The material developed (see above) was used through 6 capacity building events (Nairobi, Busan, la Baule, Annual Meeting of WAIPA in Geneva in 2005, Cuzco + Ad Hoc Expert Meeting on Advocacy for Investment Policies in 2006) that reached

3. Advice and consultancy

This service was provided to 3 LDCs: **Ethiopia, Tanzania and Zambia**. Investment Policy Reviews had been completed in all three countries. Tanzania and Zambia offered important prospects for the pharmaceutical industry.

4. Networking and awareness raising

This activity involves sponsoring the presence of LDCs (and non LDCs) beneficiaries and stakeholders to events organised and financed in various proportion by the project.

5. Support to enhancement of public private partnerships

This activity enlarged the scope of the project to include Promotion of TNC-SME Linkages and generally Business Linkages Promotion and opened the project to other UNCTAD programmes such as EMPRETEC. A significant portion of this activity was conducted in 2007, in direction of the Uganda and Argentina.

Final report establishes that all activities foreseen have been conducted at a quantitative level equal or superior to what was foreseen in the original proposal and at a satisfactory quality level. As established by mission reports, satisfaction questionnaires at the end of workshops and direct interviews, the response of the beneficiary is generally good or excellent.

2.2.2 Result II:

Online networks established on expertise in harnessing public-private sector dialogue for investment promotion to meet development objectives.

In the initial logical framework, this result is pursued through a single activity: Setting up of project web page and electronic bulletin board. It appears that the development of the website was delegated to ICC within the framework of the investment guide programme.

The project documents establish that the project increased the use of the website as verified by the number of hits that was monitored in 2005-6.

However the investment guides programme went dormant in 2006 through till 2007. The UNCTAD system meanwhile is not in grade to host and support adequately such a website. In 2007, a remedial strategy was designed around an I-Portal including an open tracking system and investment guide minidisks. It is for this purpose that an extension for the project was sought and obtained at the end of 2007.

The bulk of the I portal work was conducted in relation to Benin, as a follow-up to the Investment Policy Review of that country. But IPA staff turnover there has derailed the activity.

The draft of the I-Guide and the groundwork for the I-Track was completed in 2008, utilizing, in part project funds.

Project documents, and specifically the final report, do not offer quantitative assessment of the actual dissemination process of the minidisks.

2.2.3 Result III:

Public-private sector dialogues on best practices and experience at both the regional and national levels, harnessed to improve the investment environment.

The activity was mostly conducted through WAIPA World Investment Conference (2005 and 6) coupled with the preparation of investment guides. It was also implemented through an Expert Meeting on "**Enhancing the Participation of Small and Medium sized Enterprises into Global Value Chains**" organized in Geneva on 18-19 October 2007. The direct appraisal of the WAIPA activities and the expert meeting are very positive. Wording includes "excellent" and "very promising".

The general conclusion from the review of the project achievement through the three expected results highlights

- that indicators of performance are limited to output level
- that initial quantitative expectations were expressed in a reduced fashion (no less than 3 events, with 20 attendants in average) and were therefore easily reached or surpassed
- that the reporting system is weak in analytical data
- that the two achievements related to IPAs have been reached but cannot be measured adequately at the higher logical level of impact
- that the IT component of the project was delayed, derailed and did not function as originally planned.

2.3 *Assessment through the DAC criteria*

2.3.1 Relevance and quality of design

Especially at design time (2003-4), when policy advocacy was a new topic, in particular for LDCs' fledgling IPAs, the project had a high relevance. It correctly meshed the UNCTAD mandate towards LDCs, trade focus in line with WTO process, integration of LDCs in the multilateral trade framework and the raised importance of the regional context, and MDGs commitments. Project also made positive use of synergies with other programmes of UNCTAD to widen its scope and outreach.

However it was straightforwardly admitted to evaluators that the IT component of the project was included to comply with the priorities written in the 4th tranche of Development Fund in order to secure the grant. The IT component does not respond to intrinsic necessity; in fact it seems to have been designed without a clearly identified need and purpose in relation to the other components. The

cooperation with the ICC was not pursued proactively, as the absence of assigned staff does not appear to have been addressed for over a year.

Through the project, UNCTAD played fully its role by raising awareness as to policy advocacy, and then led LDCs IPAs through capacity building towards effective policy advocacy, supported enhanced linkages with the private sector and has developed a font of knowledge (internal capacity/material and resources) to continue/enlarge support in this direction.

The mix of research, capacity building activities and accompanied field-level practical application of the theory of policy advocacy for IPAs seems balanced.

The amount of support provided to non LDC countries (i.e to Latin American countries to attend the conference in Cuzco) seems commensurate with the project overall objective, despite the absence of monetary value assessment.

Project displayed appropriate flexibility, in particular as, with time, it buttresses its policy advocacy original main focus with complementary activities related to business linkages and involvement of private sector into policy making and reform process. It also shows capacity to reflect changes and trends in international trade, when correctly supporting Tanzania and Zambia in paving the way for attracting Indian investments in the pharmaceutical sector.

2.3.2 Efficiency

The modalities of implementation of the project are deliberately gradual, with activities of the first year offering a structuring framework for the follow up activities: the research and policy papers serve as base for capacity building. Advisory services come and give further application to the principles and theories previously developed. Each activity provides validation so to speak for the previous one. This "gradual" model enhances the efficiency of a project reduced in size compared to its potentially very widespread target audience. The practical steps of consultancy and advisory services are likely to have an incentive effect on other IPAs and partner governments to follow on the path opened by the project in promoting Investment Reviews, and therefore strengthen its efficiency and contribute to increasing its outreach.

It is a serious deficiency that the IT component is explicitly designated in the initial project document as the support for monitoring of the project, as this component never was fully implemented.

The IT component was not implemented according to schedule. The Guide Programme was not properly staffed nor managed for over a year. The association with the ICC does not seem to have been fruitful. The I-portal does not appear to be fully operational to date. The evaluators do not think that the mini-disc format to disseminate the investment guides is a very efficient support. At the very least its efficiency cannot be fully assessed.

The Annual Reports are overly formal, concentrate on listing activities, and are short in analysis. They do not provide enough details and lessons, and quite obviously are not used and capitalized upon. For instance: admittedly, attendance to some activities is not optimal. But while the problem is openly stated as early as in the 2005 report, remedy is proposed perfunctorily, as the same wording is repeated verbatim from annual report 2005 to 2006⁴, thus indicating that nothing was done and that reporting does not support enhanced management.

UNCTAD is constrained by the need to open activities widely to cater to the full of its constituency. This makes efficient capacity building activities difficult, as the attendants are usually heterogeneous in capacity, absorption rate and may not offer adequate institutional set ups. This also probably limits the capacity of UNCTAD to go, except in a much reduced fashion, beyond awareness raising.

Foreseen activities were implemented, to the exception of those related to IT, but the timeframe of implementation was greatly extended.

Project is coordinated by a specifically dedicated person, but as project involves more than one unit, the coordinator, who also has to carry out the rest of his work, is quite burdened with the logistics of the project, as he/she only has limited support.

Coordination with the targets (IPAs, private sector stakeholders, CChambers) of the project is quite difficult, with IT communications often weak, and the need to take into account circumstances

⁴ "The project officer screens all applications for sponsorships by requiring each applicant to submit a one paragraph summary on the policy advocacy functions he or she discharges in the IPA s/he works for. The procedure *may need to be tightened*, with all registrants submitting a one paragraph summary of their policy advocacy responsibilities and the project officer conducting a telephone interview of potential sponsorship recipients". annual report 2005 and 2006

(national festivities, official travel, electoral constraints) many of which cannot be foreseen (emergency, summits, natural disasters, change of leadership etc...⁵).

The project required coordination among activities that fall substantively under the responsibility of various Sections of the Division, spread out over its three branches. The project management model and the need to coordinate transversally to tap the wide range of competencies of UNCTAD do not mesh well with an overly compartmentalized organizational model, where technical expertise is honed separately.

Those three explanations play a part in the need to delay implementation of conferences etc..., and in the need to extend activities of the project by two years.

This extension however is not necessarily negative in terms of efficiency, since the project acts like an incubator and gradually hands over strands of activities to other programmes or funding sources.

2.3.3 Effectiveness

Project has achieved its planned objective in the measure that policy advocacy is now a feature of the offer of UNCTAD and more and more IPAs can and have been exposed to training or best practices in part developed through the project.

The Advisory Services provided have also strengthened the capacity of the countries involved, despite the loss of effectiveness in certain cases, such as Benin⁶. The regional approach that was adopted in developing the investment guide for the **East African Community** (four of the five member countries are LDCs) represents an interesting option. However the documentation does not offer any insight as to the outcome of this activity, in terms of coordinated regional advocacy, networking, and constructive policy reform to better attract and benefit from foreign direct investment.

The initial logical framework matrix offers indicators of success that have generally been exceeded by the project. However, these indicators are mostly indicators of output (ex: at least 3 workshops will be organised; 3 countries will receive advisory services...) and the quantitative list of achievements presented in the final report offers little in terms of evidence of reform of the trade environment directly linked to the advocacy training and support provided by the project.

It is clear that 650 000 dollars is a quite reduced budget in comparison of the need and importance, for LDCs, of FDI. However it can be said that project money is seed money and has contributed to significantly raising

-the value of advocacy for policy reform

-the potential role of IPAs in advocacy for policy reform.

-the importance of harnessing the private sector input in advocacy for reform.

Project has promoted investment policy reviews as a condition for benefiting from UNCTAD Advisory Services and has disseminated best practices as regards involving the private sector into policy making towards enhanced trade and investment. While the project, especially as conceived for a 2 year duration, could not be expected to measurably increase the amount of FDI attracted by the countries it worked with, it has provided a needed impetus to promote the policy reform process along internationally recognised best practices. No mention is made, however, to specific gender concerns in relation to the promotion of FDI.

2.3.4 Impact

By linking its activities with WAIPA, UNCTAD has allowed activities financed through the project to benefit from a significant multiplier effect.

The available documentation only offers 2 specific instances of directly attributable impacts:

While it is not possible to establish a direct and unequivocal attribution to advocacy efforts by IPAs and specific legislative changes, many of the points advocated by the project are reported to have been taken on board notably in Tanzania and Zambia. Their patent laws now include dispositions reflecting work done in the field of international intellectual property rule (i.e., the TRIPS Agreement).

⁵ For instance, in Uganda, the organization of the Commonwealth Summit required postponing the final event of the business linkages project

⁶ IPA staff turnover brought activities to a stop.

A two year duration for capacity building is not likely to allow directly attributable impact at the micro economic level. In the specific area (FDI) targeted by the project, impact was further hindered by the lull in the doha round of negotiations and project demonstrated flexibility in using time to prepare the ground for further developments and in particular paying attention to the pharmaceutical sector, that can have positive secondary effects on the health sector, and in facilitating south-south developments. It can be argued that, while direct impacts from the project are modest, the project laid the ground for important impacts that will be derived from enhanced capacity of IPAs to seize opportunities in the developments of the WTO negotiations to come. It must however be pointed out that the current economic global crisis will have significant impact on the modalities/levels and nature of the FDI in LDCs. It is not clear that IPAs as such will remain the most important vehicle for dealing with investments. However capacity building as was extended through the project will remain a positive element to strengthen the capacity of developing country to put in place policies that affect positively the investment climate, in the unforeseen global environment.

2.3.5 Sustainability

Sustainability relates to the ability of the beneficiaries to continue the activities without further input from UNCTAD. A longer term perspective, way beyond the scope of a 2 year project, even if extended to 4, is needed to demonstrate successful institutional Capacity Building. UNCTAD encourages sustainability through networking, partnership with beneficiaries, shared experiences and e-learning. However IT supported activities could not be fulfilled directly through Project N.

Activities tend to be focussed on awareness raising only and therefore are often understood as pilot activities. It would be necessary to proceed to the ex-post evaluation of UNCTAD activities possibly 2 or 3 years after closure of the project, in the field, to assess accurately the impact and sustainability, not so much of the project alone but of the combined approaches of UNCTAD and of other donors.

The consultancy provided as follow up of the training/workshops tends to become individual rather than institution building, and given the high staff turnover in beneficiary countries, sustainability can be impaired.

The training of IPAs and of a wide body of officials is likely to achieve some sustainability, even if not necessarily reflected through IPAs as such, as the recipients of the project capacity building efforts might move within the institutions of the relevant LDC country. In that sense the technical level is appropriate to protect the sustainability of the capacity building efforts from the political changes.

It can also be foreseen that the numerous opportunities for dialogue with, and feedback from, the private sector that were fostered by the project will acquire a certain level of sustainability and will contribute to institutionalize the dialogue between institutions and the investor (local and foreign) community.

At the very least, Developing Countries and LDC IPAs will continue to benefit from hearing the voice of the investor community at their regional meetings and at the WAIPA World Investment Conferences. It is an important feature of the project that continued funding for this activity has now been made sustainable on the basis of a project funded by the Government of Sweden.

2.4 *Main findings*

To the exception of its IT component, which was artificially introduced in the design and imperfectly implemented, Project N achieved its main targets and has provided, with limited means, important support to LDCs in the field of investments with a high potential for the future.

It has also enabled UNCTAD to enhance its resources to cater to the (on going) needs of LDCs and countries in transition in terms of multilateral trade negotiations, and in policy reforms towards improving the trade environment, in particular in promoting the dialogue with the private sector.

The emphasis in project design, and in reporting, however, remains placed on the delivery of activities rather than it is results oriented, and generally it is not possible to cost efficiently the input/output ratio. Main issues of efficiency identified are:

- 1) Sometime weak or difficult management from UNCTAD: both project L and N coordinators acknowledged that divisions, and within divisions, branches of UNCTAD are very compartmentalised. For project N each substantive strand (TRIPs, TRIMs, advocacy techniques...) was developed and implemented fairly independently, sequentially or in parallel from one another and did not necessarily achieve an integrated momentum.
- 2) The available documentation does not allow breaking down the cost of specific activities. There appears to have high internal transaction costs at UNCTAD, as evidenced by the fact that activities rely on staff to perform direct training. The danger here is to be supply driven rather than demand driven in the development of activities. It also prevents the possibility to assess clearly the balance of expenditures coming from the development account from the expenses covered by the general budget.

2.5 *Recommendations:*

- Project design should not be artificially accommodating requests from the funding source to the expense of the internal logic of intervention.
- Annual reports should provide a more analytical view of the project and its achievements. In particular, achievements (or beginning thereof) of the higher level objectives should be evidenced whenever possible. For instance, it would be crucial to provide evidence and demonstrate that Tanzania and Zambia have benefited from increased FDI, and have developed their potential in pharmaceutical products, thanks to the work performed by the project.
- In order to demonstrate sustainability, clearer documentation should evidence the funding that has been identified and set in place to continue after project involvement ends, in each of the areas of work of the project.