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Evaluation of technical cooperation activities:

Progress report on UNCTAD's advisory services on investment

Progress report on the implementation of the recommendations and observations contained in the evaluation of UNCTAD's advisory services on investment

Note by the secretariat*

Executive summary

In response to the in-depth evaluation of UNCTAD's advisory services on investment (TD/B/WP/196), the secretariat has prepared this note to report on the implementation of the recommendations contained in the in-depth evaluation, as well as the agreed conclusions of the Working Party (TD/B/WP/198/Rev.1).

The secretariat has reviewed its advisory services on investment in the light of the recommendations contained in the evaluation and the observations of the Working Party thereon. As a result, it has restructured and streamlined various activities and projects related to advisory services on investment. All the recommendations contained in the evaluation have been implemented. Indeed, the advisory services on investment have been strengthened in terms of relevance, efficiency, effectiveness and impact as a result of the exercise.

* This document was submitted on the above-mentioned date as a result of processing delays.

Introduction

1. At its forty-ninth session, in September 2007, the Working Party on the Medium-term Plan and the Programme Budget considered the in-depth evaluation of UNCTAD's advisory services on investment, and requested the secretariat to report back at its fifty-first session on progress in implementing them. Accordingly, the secretariat has prepared this note on the implementation of the recommendations contained in the in-depth evaluation (TD/B/WP/196, paras. 89–90), as well as the agreed conclusions of the Working Party (TD/B/WP/198/Rev.1).

I. Recommendations and response

Recommendation (a): UNCTAD should engage in a comprehensive review of its investment advisory services aimed at realizing synergies through an integrated approach to the work programme elements reviewed (as well as other investment advisory elements such as the IAC) by restructuring the service that currently fulfils these functions, and by re-branding and re-designing its services with a view towards achieving a single, comprehensive, holistic, coherent and all-encompassing coverage of investment advisory services that emphasizes the identification and emulation of best practices. Assistance in the implementation of IPR recommendations should be the norm and not the exception.

2. Pursuant to this recommendation, the secretariat launched a comprehensive review of its advisory services starting with a day retreat of all staff members concerned. The review resulted in the restructuring of the Policy and Capacity-building Branch – effective as of 1 August 2007 – and the formulation of a new vision, mission statement and operational strategies. The Branch aims to establish itself as a recognized centre of excellence on foreign direct investment (FDI) for development. Its overarching objective is to enhance developing countries' capacity to benefit from FDI through advisory services, training and consensus-building. The reorganization was based on the principle that the various investment advisory services should “deliver as one”, with a common vision and strategy. Synergies will be achieved through joint planning, joint activities and missions, and the delivery of joint products, which will allow for joint assessments. Five key products and areas of work were identified and rebranded: investment policy reviews (IPR++, which now encompasses the blue books and investment guides); international investment arrangements (IIAs); international investment facilitation; best practices in investment policies; and intellectual property and development. In parallel, the Investment Advisory Council (IAC) continues to provide an informal and flexible framework for public-private discussions where emerging challenges in investment for development and related actionable initiatives are being identified and launched. Six integrated management mechanisms were also introduced, namely, consolidated work plans, centralized financial management, regular meetings of a strategic planning and coordination group, internal clearance and quality enhancement of key outputs, and an external peer review group for key outputs.

3. In responding to this recommendation, the secretariat has been improving the IPR process, sensitizing the donor community to the importance of earmarking funds at the start of the IPR process, and integrating follow-up in existing technical cooperation projects, including the programme on good governance in investment promotion. A case in point is the prompt follow-up assistance provided to the Dominican Republic and Rwanda in 2006. Other good examples of strengthened coordination between the IPR process and follow-up activities include the continuation of the follow-up assistance provided to: Benin (with the establishment of an investor tracking system, the provision of training to the one-stop-shop and

the preparation of an investment guide); Ghana (with the establishment of an i-portal, the revision of the bilateral investment treaty (BIT) model provisions and the preparation of an implementation report); Morocco (through assistance in setting up an investment promotion agency (IPA), the training of diplomats in investment promotion and a review of existing bilateral investment treaties (BITs), the preparation of a new investment code and an investment guide, and the launch of an e-regulation system); Rwanda (where the secretariat is assisting in the drafting of decrees on implementing the new mining code, developing an i-portal and implementing a new immigration policy which takes into account the skills attraction scheme developed by UNCTAD); Kenya (where assistance has been provided in strengthening and structuring policy advocacy work by the IPA); and Zambia (where a workshop on investor aftercare/client charters will be delivered in 2008).

Recommendation (b): UNCTAD's investment advisory services should be supported through multi-donor and multi-year trust funds with an increased donor base, including the QRW [Quick Response Window] construct (which should be supported by other donors and broadened to cover all investment advisory services reviewed). UNCTAD should also be able to draw on United Nations Development Programme (UNDP) resources, and efforts should be undertaken to bring the whole range of UNCTAD's investment services to the attention of the UNDP coordinating offices worldwide (especially in the one-United Nations pilot countries). Indeed, UNCTAD should further improve the dissemination and marketing methods for its investment advisory publications, projects and project-related operational activities. In the search for funding, beneficiary countries should be more active and UNCTAD should work in close cooperation with them.

4. In 2007, pursuant to Trade and Development Board decision 492 (LIV), adopted at its fifty-fourth session, UNCTAD established thematic trust funds within and among its divisions. In this context, a cluster on investment policies, treaties and facilitation was created, with the intention of providing the support structure for the delivery of a set of technical cooperation services in the investment area, ranging from undertaking investment policy reviews and implementing their recommendations, to advising and training on investment promotion and facilitation, including good governance, and to providing training and assistance in the area of international investment agreements.

5. In this context, and building on the Quick Response Window construct, the secretariat proposed to merge existing projects on investment policy reviews, investment guides, international investment agreements and investment facilitation into a multi-donor, multi-year, multi-dimensional programme. This will allow intervention on the basis of clear criteria such as the need for timely intervention, the catalytic nature of the activities and a limited duration of delivery. The secretariat also launched new projects on "Assistance in formulating investment policies and building human and institutional capacities for sustainable development" and "Best practices", as an umbrella project covering the whole range of its services.

6. When carrying out its investment advisory services, the secretariat continues to closely cooperate with the UNDP coordinating offices located in the beneficiary countries. Recent examples include follow-up activities to the IPR of Morocco, which was conducted with the financial support of UNDP. Close cooperation with and support from UNDP should also facilitate the delivery of follow-up activities to the IPR of Mauritania. UNCTAD also continues to deliver follow-up activities to the IPR of Rwanda in the context of the "One United Nations" programmes. The secretariat has also tried to link up IPRs with poverty reduction strategy papers and

the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries. For instance, follow-up activities to the Blue Book on Cambodia were carried out in the context of the Integrated Framework.

7. Furthermore, in the framework of the proposed participation of UNCTAD in the “Delivering as One” pilot initiative and on the basis of its long-standing experience in the relevant countries, the Division on Investment and Enterprise provided inputs to the One United Nations programmes for Albania, Cape Verde, Mozambique, Rwanda, the United Republic of Tanzania, Uruguay and Viet Nam.

8. The secretariat further improved the dissemination and marketing methods for its publications and projects. In the lead-up to UNCTAD XII and to the World Investment Forum, the secretariat prepared several brochures to better inform developing countries’ policy- and decision-makers about its activities. These included a brochure on UNCTAD’s investment policies and capacity-building, which describes UNCTAD’s knowledge-based services aimed at improving the investment environment and strengthening the human and institutional capacities of countries to attract and benefit from investment and providing specific examples of the impact of delivery of these services on over 150 developing countries. The IPR and IIAs brochures were also updated. These, together with UNCTAD’s most recent investment advisory publications, were largely disseminated at the main events organized by the division in 2008, including the World Investment Forum.

9. At the same time, and with a view to improving the dissemination of its research and capacity-building products, the secretariat continued to make full use of the opportunities offered by new technologies. The *World Investment Directory* is now published on CD-ROM, which allows for regular updates, and a compilation of all IPRs was disseminated. Furthermore, the secretariat continued to expand its electronic network of experts and databases in the area of investment.

Recommendation (c): UNCTAD should further develop and strengthen its cooperation and coordination with other agencies providing technical assistance services in the investment area, such as UNDP, the United Nations Industrial Development Organization (UNIDO), WTO, the World Bank, FIAS, the Organization of American States (OAS) and OECD. Where appropriate, this should extend to the private sector.

10. Since the forty-ninth session of the Working Party, UNCTAD has continued to expand its network of partnerships to the benefit of developing countries, jointly implementing investment-related activities with a number of organizations, including the International Chamber of Commerce (ICC), the Commonwealth Business Council, the China-Africa Business Council, the Japan Bank for International Cooperation, UNIDO, the World Tourism Organization, the International Centre for Trade and Sustainable Development, the World Association of Investment Promotion Agencies (WAIPA), the Organization for Economic Cooperation and Development, the World Bank, the Islamic Development Bank, the Inter-American Development Bank, OAS, Colombia University, the Asia-Pacific Economic Cooperation forum, the Association of South-East Asian Nations and the Latin American Integration Association (ALADI).

11. In parallel with the twelfth session of the Conference in Accra, Ghana, the secretariat organized the first World Investment Forum (18–21 April 2008). The forum was the first attempt to strengthen the impact of UNCTAD’s work in the area of investment through a multi-stakeholder approach. The concept of a tripartite forum involving investors, investment policymakers and investment promotion agencies proved highly successful: the forum was attended by more than 650 participants, including 224 WAIPA members, 260 business people (138 of whom

were Africans), senior government officials, representatives of non-governmental organizations and parliamentarians.

12. The secretariat stands ready to further strengthen its cooperation and coordination with other agencies providing technical assistance in the investment area, as well as with the private sector.

Recommendation (d): UNCTAD's investment advisory services should, although driven by beneficiary needs and demands (of both countries and regional integration organizations), strive to achieve geographical balance in its work. Special attention should be given to LDCs.

13. The secretariat continues to strive to achieve geographical balance in its work. To that end and when feasible, regional rather than individual activities were conducted in all five regions in the world. In 2007, investment advisory services were provided to 43 African countries, 23 Latin American countries, 36 countries from developing Asia, and 19 countries from Eastern Europe and the Commonwealth of Independent States.

14. In the same year, 34 least developed countries (LDCs), 10 landlocked developing countries and 6 small island developing States benefited from technical assistance in the area of investment. As of 1 July 2008, one third of the countries having benefited from investment advisory services were LDCs. In particular, the secretariat was working on four IPRs for Burkina Faso, Burundi, Mauritania and Sierra Leone, which would bring the total of IPRs prepared for LDCs to 12 (half of the IPRs produced).

Recommendation (e): Centralized and stringent management oversight and project implementation structures should be ensured, as should quality control throughout all of the programme deliverables. Centralizing project coordination functions at the branch level should also help to achieve efficiency gains and reduce transaction costs. UNCTAD should keep beneficiaries and donors regularly informed on implementation and budgetary matters.

15. The realignment of the Policy and Capacity-building Branch referred to above has been accompanied by the adoption of a new integrated management mechanism. In 2008, the Division on Investment and Enterprise also developed a performance appraisal system to assess the relevance, quality, efficiency, effectiveness and direct impact of all programme deliverables in the area of investment. This internal tool was officially presented at the fiftieth session of the Working Party. It is also expected that the project portal developed by UNCTAD this year will facilitate reporting to beneficiaries and donors.

Recommendation (f): Consideration should be given to developing an electronic gateway that provides and independently certified (if possible by a business association such as the ICC), Internet-based public domain for presenting a country's investment climate and its investment opportunities and that is based on, and makes use of, the relevant UNCTAD materials (such as IPRs, guides, Blue Books, IPA client charters, etc.).

16. The secretariat has developed "i-Portals", an online facility that provides investors with pertinent information and data on a country's investment climate and investment opportunities. i-Portal is conceived as an integrated platform, comprised of two components accessible through common interfaces:

- (a) *i-Track*, a system that manages investors' online applications for investment licences and enables investment promotion agencies (IPAs) to track investors through their investment cycle; and

- (b) *i-Guide*, which provides accurate and up-to-date information on key emerging investment opportunities in participating countries, with an analysis of the profiles, policies and prospects.

17. Both components are based, and make use of UNCTAD's relevant material. *i-Track* stems from UNCTAD's close understanding and research of IPAs' needs, while *i-Guide* evolved from UNCTAD's previous Investment Guide series developed in close cooperation with the International Chamber of Commerce.

18. So far three *i-Portals* are being developed, for Benin, Ghana and Rwanda, as part of the follow-up to their IPRs.

II. Secretariat's response to specific operational observations

- (a) **The Geneva permanent missions should be the primary contact channels through which interactions with member countries are pursued. Geneva missions should be constantly and comprehensively kept informed about UNCTAD's interactions with capitals.**
- (b) **UNCTAD should share with countries the results of its own evaluation of projects.**
- (c) **UNCTAD should support country-level efforts to diversify the direct beneficiary base for its advisory services.**
- (d) **UNCTAD should make an effort to keep in touch with direct country beneficiaries after project completion, so as to ensure long-term sustainability of its advice.**
- (e) **UNCTAD's advisory services should also emphasize their "training-of-trainers" dimension, so as to further strengthen this component with a view towards ensuring that officials will be better able to share with others what they have learned and pass the acquired knowledge forward.**
- (f) **UNCTAD's investment advisory services should make even more use of national consultants in its projects, when possible.**

19. The secretariat routinely informs the missions in Geneva about every important stage of a project, and sends them a copy of every communication. Missions are also regularly updated on the progress of UNCTAD's activity, either formally, at intergovernmental meetings, or informally, whenever the secretariat receives a request for specific information. It is expected that the newly developed project portal will facilitate the exchange of information between the secretariat and missions. In 2008, UNCTAD launched its dedicated website on evaluation, which serves as a dissemination medium for its evaluation reports, in addition to providing information and guidance on the function.

20. UNCTAD continues to diversify the direct beneficiary base for its advisory services. The development of *i-Portal* is an example of the tools used to achieve this objective. Funding permitting, the secretariat is committed to ensuring the long-term sustainability of its advice. Following the recent presentation of the report on the implementation of the IPRs of Egypt and Uganda, the secretariat is preparing the report on the implementation of the IPR of Ghana.

21. UNCTAD is emphasizing the training-of-trainers dimension of its capacity-building activities in the area of investment. The recent workshops on FDI statistics organized in Kenya (June 2008) and Zambia (March 2008) and the workshop on "Client service excellence and client charter development" delivered to several trainers from the Rwanda Investment and Export Promotion Agency are recent examples of such practice. Also, the regional workshops on developing local

productive and supply capacities in the pharmaceutical sector organized in Ethiopia and the United Republic of Tanzania (in March and November 2007) included a training-of-trainers component.

22. UNCTAD continued in 2008 to make use of national consultants in its investment advisory projects: Between 1 January 2008 and 1 July 2008, some 13 national consultants had been recruited to support the work in the area of IPRs and best practices in investment policies, for a total of 38 months. Of these consultants, more than one third were from LDCs.

III. Response to the agreed conclusions of the Working Party

The Working Party takes note with concern of the findings of the evaluation team on the Investment Gateway programme, while recognizing the programme had successful results in one country in its four components and requests the secretariat to take appropriate management actions to redress the problems and to inform the Working Party thereon. (TD/B/WP/198/Rev.1, sect. B1, para. 4)

23. UNCTAD reviewed the Investment Gateway programme and decided that no future implementation activities would be undertaken. Implementation activities are currently under way in one country only, the Russian Federation, where the project began in 2006 at the express request of the Moscow City government and with national financing. The Division on Investment and Enterprise will focus exclusively on one of the components of the Investment Gateway system, the legal framework module, which was developed as a stand-alone product under the “e-regulations” project and which will be used as a tool for business facilitation, small and medium-sized enterprise (SME) development and administrative transparency. The e-regulations project has given satisfactory results so far in Colombia, El Salvador, Ethiopia, Guatemala, Mali, Nicaragua and Viet Nam. It is much in demand and has been requested by 12 other countries.

IV. Conclusion

24. The secretariat has reviewed its advisory services on investment in the light of the recommendations contained in the evaluation and the observations of the Working Party thereon. As a result, it has restructured and streamlined various activities and projects related to advisory services on investment. All the recommendations contained in the evaluation have been implemented. Indeed, the advisory services on investment have been strengthened in terms of relevance, efficiency, effectiveness and impact as a result of the exercise.