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UNIDO EVALUATION GROUP

Independent Evaluation

ITALY

UNIDO Investment and Technology Promotions Office in Italy

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Notes

Abbreviations

CDM	Clean Development Mechanism
COMFAR	Computer Model for Feasibility Analysis and Reporting
CP	CleanerPproduction
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee of the OECD
DGCS	Direzione Generale e Cooperazione allo Sviluppo (Directorate General Development Cooperation)
DIPP	Database for Investment Promotion Programme
EDFI	European Development Finance Institutions
EU	European Union
FDI	Foreign Direct Investment
HQ	Headquarters
ICE	Instituto del Commercio Estero (Institute of Foreign Trade)
IDB	Industrial Development Board of UNIDO
IGR	Investment Generation Ration
IPS	Investment Promotion Service (former name of ITPOs)
IPU	Investment Promotion Unit
IITP	Industrial Investment and Technology Project
ITPO	Investment and Technology Promotion Office
IPI	Institute of Industrial Promotion
MAE	Ministero Affari Esteri (Ministry for Foreign Affairs)
MAP	Ministry of Productive Activities
MinAmb	Ministero Ambiente (Ministry for Environment)
WAIPA	World Association of Investment Promotion Agencies

Glossary of DAC terms

Term	*Definition*
Baseline:	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the development objectives of an intervention were or are expected to be achieved.
Efficiency	A measure of how economically inputs (through activities) are converted into outputs.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Intervention	An external action to assist a national effort to achieve specific development goals.
Lessons learned	Generalizations based on evaluation experiences that abstract from specific to broader circumstances.
Logframe (logical framework approach)	Management tool used to guide the planning, implementation and evaluation of an intervention. System based on MBO (management by objectives) also called RBM (results based management) principles.
Outcomes	The achieved or likely effects of an intervention's outputs.
Outputs	The products in terms of physical and human capacities that result from an intervention.
Relevance	The extent to which the objectives of an intervention are consistent with the requirements of the end-users, government and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.

Executive summary

General relevance and mandate should be revisited

The ITPO network comprises Offices in 13 countries.[1] According to the general ITPO mandate stipulated by the UNIDO General Conference, ITPOs should contribute to the industrial development and economic growth of developing countries through promoting industrial investment from the ITPO host countries. Evidence from the present evaluation suggests that this dual mission can be problematic. The ITPO mandate does not make a clear distinction between the specific role of UNIDO, as an international organisation, in promoting outbound investment from industrialized countries as compared to national organisations with a similar mandate. In order to clarify the general questions of ITPO relevance and mandate it is recommended that UNIDO should carry out a broader evaluation of the ITPO network as a whole. Annex D documents a complementary point of view provided by the former ITPO Director on the need for revisiting the general ITPO mandate.

ITPO Italy: relevant but biased towards national policies

The ITPO Italy is relevant to at least three national policy priorities: internationalization of SMEs, promotion of outbound investment and economic growth of developing countries. The latter dimension is the genuine mission of the ITPO but is not always perceived and dealt with as the top priority.

The early involvement of the ITPO in implementing 'tied aid' bi-lateral credit lines facilitating the purchasing of production equipment of Italian origin by companies in developing countries, enhanced the relevance of the Office for the donor but UNIDO's involvement in such bi-lateral schemes has been problematic. Beneficiaries and institutional counterparts tend to confuse the functions of the ITPO as a UNIDO office and its apparent role as a national player. Staffing the ITPO almost exclusively with host country nationals, most of them without previous UNIDO experience, may have contributed to such perceptions.

According to their mandate, ITPOs have a purely technical role and are not 'UNIDO representation offices'. However, the latter view played a role for the joint decision of UNIDO and the Italian Government to relocate the ITPO from Bologna/Milan to Rome and, subsequently, to give it a higher political profile in national policies (policy advice to

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[1] Bahrain; Brazil; the Walloon region of Belgium; China (Beijing and Shanghai); France (Paris and Marseille); Greece; Italy; Japan; Poland; Republic of Korea; Mexico; Russian Federation and the United Kingdom.

the Government at the highest political level; harnessing the Office for implementing the decentralization agenda; etc).

The most far-reaching amalgamation of the ITPO into national policies occurred under the so-called 'Special Programme for Africa' that aimed at a variety of national policy objectives, partly beyond the ITPO mandate, such as improving the access of Italian firms to EU funding and to Italian trust funds at various international financial institutions as well as training journalists from Iraq and Jordan. This involvement in national policies combined with the approach of assisting the Government through consultants and support staff working as temporarily integrated members of government services biased the relevance of the ITPO further towards national policy priorities.

Despite its somewhat blurred image and although stakeholders tend to be concerned about perceived recent turbulences (geographical dislocation; policy bias; changing priorities; loss of qualified staff) the ITPO Italy is still in esteem as a relevant and longstanding organization that is knowledgeable about investment conditions in developing countries and technically competent in investment promotion.

The Italian Government is currently developing and streamlining the scene of national and regional organizations that are involved to variable degrees in internationalization of SMEs and in investment promotion. Together with plans to reorganize the administrative structure of the Italian Development Cooperation this could affect the future relevance of the ITPO in its present form.

Communication with the donor should be improved

It will be paramount for UNIDO to discuss with the donor the future strategic positioning of the ITPO and the IPU network within the evolving institutional landscape in Italy and abroad in order to safeguard and enhance the ITPO relevance, while responding to changing funding rationales on the side of the donor and demonstrating the added value of UNIDO for the Italian Government and industry. UNIDO HQ should also intensify its communication with the donor at the working level. Donor representatives would appreciate more opportunities to discuss potential problems and synergies with HQ representatives. They ask for greater detail on the work programme and the annual report of the ITPO. Both documents should be submitted together with the financial request (and not only later for information). Responding to donor requests for greater accountability and transparency is also important because the ITPO is a multilateral initiative for which the MAE does not carry out any technical assessment on its own.

Developmental effectiveness of projects not demonstrated

In line with its mandate, the ITPO Italy dedicates the bulk of its resources and efforts to generating investment projects of Italian companies in developing countries. However, due to weak project assessment and monitoring methods, the actual contributions of this activity to the developmental objective of the ITPO are only poorly documented.

While the micro-economic assessment of the investment opportunities is relatively well covered, the standard method does not allow for adequate assessing and monitoring the assumed developmental spill-overs such as trade capacity; technology transfer; environmental effects; net job creation or poverty alleviation. Investment and job creation figures exist but are only approximate and not systematically collected ex-post. The Office used considerable consultancy support but none of these resources went into monitoring developmental effectiveness.

The established UNIDO terminology of project stages (under promotion; under negotiation; concluded; operational) could be misleading. While the term 'concluded' suggests a high degree of commitment, a simple memorandum of understanding is sufficient for a project to be considered as 'concluded'. Experience shows that many 'concluded' projects do not reach the 'operational' stage.

The number of projects under promotion increased between 2002 and 2006 from 193 to 316 but the ratio of operational vs promoted projects has come down from 14% in 2003 to 3% in 2006. This negative trend is caused by the decrease of operational projects (9 down from 27) and the increase of projects promoted. In an optimistic view the increase of promoted projects may lead to an increased number of negotiated and ultimately of operational projects in the coming years. Furthermore, the ITPO considers that a ratio of negotiated to promoted projects would be a fairer efforts/output measure. However, the generally low success rates of investment promotion and hence its developmental effectiveness should be borne in mind.

Methodological weaknesses should be overcome

The established UNIDO methodology treats investment projects largely as *financial* operations, which is inadequate for UNIDO as an *industrial development* organization.

The job creation effect is the only quantifiable indicator for ITPO operations that has, at least theoretically, the capacity to prove the developmental impact of the ITPO activities. However, this indicator shows methodological weaknesses. In the case of the ITPO Italy recorded intentions to create jobs seem to be about six times as high as the actual achievements. In addition, the huge fluctuations of this indicator over the years seem to indicate that the collected figures are subject to important uncertainties and should be used with care. The presumed positive impact on job creation of FDI in general and investment promotion in particular is a cornerstone to demonstrate relevance and effectiveness of the ITPO network as a whole and of every single ITPO. The methodological weakness of the job creation indicator is therefore dramatic.

UNIDO seems to have lost its methodological leadership in the field of assessing the developmental impact of investments and did not undertake sufficient efforts to modernise the ITPO toolbox. This weakness is the methodological cause why ITPOs treat the generation of investment projects as an objective *per se* (the more projects the better) and hence tend to focus on 'easy' projects with limited risk. Other investment promotion organizations such as EDFI, the Association of European Development Finance Institutions, have developed practical tools to assess and monitor both profitability *and* developmental effects of investments. UNIDO should investigate the transferability of such existing tools to the ITPOs in order to overcome its methodological weaknesses.

Italian companies better served

The evaluation indicates that the ITPO serves Italian companies better than clients from abroad. The ITPO website is almost exclusively in Italian and therefore not useful for companies from abroad. For the participation in fairs, the number of Italian companies assisted increased strongly in recent years, exceeding the one of companies from abroad. Most publication efforts went into country guides for Italian investors but the on-line survey among clients carried out under this evaluation showed that only about 10% of the companies was primarily interested in industrial investment.

The on-line survey shows also that Italian companies were primarily interested in sales of equipment while companies from developing countries were more interested in partnering and in entering into new markets. However, only 26% of the companies from abroad declared to have reached their objectives, either fully or largely, against 52% of the Italian companies. All Italian companies looking for a partner were successful, against only 56% of the companies from abroad.

Other ITPOs have a similar focus on their national clients although a comparison with the ITPO Paris shows that this Office seems to serve its foreign clients relatively better than Rome. A n exchange of good practices between the two offices could be useful.

Providing services for free can be problematic

In line with general ITPO practice the ITPO Italy delivers its investment promotion services and publications for free but the rationale of this decision is not supported by the identification of specific services (e.g. business plans for credit lines) or target clients (e.g. SMEs facing entry barriers to internationalization) where market failures could justify free services. As such, the free ITPO services might lead to a lower level of commitment of clients to the ITPO and could cause market distortions vis-à-vis service providers from the private sector and public bodies, such as Chambers of Commerce, which increasingly abandon their traditional for-free support philosophy. UNIDO may want to include this issue into a future evaluation of the entire ITPO network and its ways of working.

The IPU network should be strengthened

From 2000 onwards the ITPO Italy relied increasingly on the IPUs in Morocco, Egypt, Tunisia and Jordan, all of them funded by Italy, as a network with the ITPO as a hub and central know-how provider. The evaluation of the ITPO Italy confirmed the existence of these strong networking links and most of the other findings from earlier IPU evaluations.[2]

Initially created to assist with implementing the bi-lateral Italian credit lines, the IPUs have increasingly developed towards scouting investment opportunities. They provide direct assistance to local SMEs and contribute to a more needs driven approach of the ITPO Italy. They aim also to strengthen the capacity of the IPAs in their host countries.

The downside of the strong Italian support to the IPUs may have been that, although part of UNIDO, the IPUs tended to be perceived as 'Italian Investment Promotion Units' (and were also labeled as such). This ambiguous identity has been one of the reasons why, from 2006 onwards, IPU funding has been shifted from multi-bi to multilateral funding and the network management has been transferred from the ITPO Italy to UNIDO HQ.

It should be underlined that the IPU network has been useful not only for the ITPO Italy but also for other ITPOs. The ITPO Marseille in particular could not have adopted its focus on Mediterranean countries without support from the IPU network. Taking into account the focus and multiple activities of UNIDO, Italy, France and the European Union in the Mediterranean countries it is recommended that UNIDO should take the lead towards a multi-partite initiative ensuring that the IPU network in Southern Mediterranean countries is not only maintained but strengthened as a resource for the entire ITPO network.

Decline of the delegates programme

The delegates' programme allows IPAs from the South to be present in the ITPO host country. Such presence can serve several objectives: promoting investment opportunities; creating awareness and attracting interest for the country; training of the delegate; capacity building of the partner organization.

However, the ITPO Italy did not fully grasp these opportunities for capacity building. The number of delegates declined dramatically in recent years and the respective targets in the work programme have been constantly missed. Furthermore, the new ITPO management changed the hosting policy to very short stays of one to three months. This short-term policy does not make optimal use of the delegates programme for capacity building, as compared for example with the ITPO Paris.

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[2] In their comments on the draft version of the present evaluation report (see Annex D), the management of the ITPO Italy adopted the point of view that the present evaluation of the ITPO should have included an evaluation of the entire IPU network. In line with the agreed terms of reference, the evaluation did not adopt such an approach but built upon a series of earlier evaluations of the IPUs.

Capacity building in Serbia perceived as ineffective

Under separate funding by the Government and two Italian local Authorities the ITPO carried out a capacity building project with the Serbian SME Agency. A ‘Support Unit’ staffed with an Italian director was put in place for the duration of the project. Most of the training and internship activities intended to strengthen the capacity of the Agency staff were not implemented. Instead, emphasis was given to investment fora and other public events with high visibility.

The material side of the planned capacity building effort consisted of developing soft- and purchasing hardware for an electronic information system. This part of the operation has not yet been executed due to the inability of the parties to find an acceptable administrative solution for the purchasing of equipment and resources. Overall, the management of the Serbian SME Agency sees the capacity building efforts deployed under this project as ineffective.

Innovative instruments applied

The ITPO has developed a number of innovative instruments that go beyond investment promotion in a narrow sense.

The cooperation with the MinAmb aims at transferring ITPO know-how to the Ministry and harnessing this know-how for companies involved in investments with a strong environmental component. Although the project did not take full advantage of the experience and competencies available at UNIDO HQ the MinAmb expressed full satisfaction with the support received from the ITPO.

The ‘public private partnership’ cooperation between one of the largest Italian manufacturers of furniture and the IPU Egypt has been another innovative instrument demonstrating how the ITPO can liaise in many ways with industry of the host country. The perceived problems with a double identity of the experts might have been avoided by mobilizing the expertise available at UNIDO HQ with managing CSR projects and handling the delicate balance of public and private interests.

The ITPO hub at UNIDO HQ is weak

All three evaluated ITPOs perceive the coordination by UNIDO HQ as weak. ITPO staff feels isolated from the HQ. ITPO management suffers from unclear guidance with regard to administrative rules and regulations (e.g. ‘local integrated projects’ and tendering procedures). Donor representatives complain about weaknesses in project design, planning, reporting and accountability. And staff at the ITPO coordination unit at UNIDO HQ recognizes that this unit cannot play its role adequately due to understaffing.

The ITPO's large degree of autonomy that was initially intended to enhance efficiency by avoiding bureaucracy turned out to be counterproductive in terms of effectiveness and efficiency and resulted in isolated efforts and overstretching the ITPO mandate. The new ITPO strategy formulated in 2004 in order to enhance network synergies has virtually not been implemented, one major reason being the understaffing of the ITPO coordination unit at the UNIDO HQ. Repeated shifts of the ITPO's position within the organizational structure of UNIDO were also not helpful in this respect.

UNIDO Exchange Internet platforms

The Internet platforms 'UNIDO Exchange' and 'Mediterranean Exchange' are of good technical quality but the ITPO Italy and other ITPOs made only limited use of these platforms. The so-called 'information sharing' facility is limited to a downloading functionality (13 of the 14 publications currently available from this page have been uploaded as a batch in June 2005). The 'market place' under 'Mediterranean Exchange' is more populated. However, many of the 'investment and cooperation opportunities' on offer go back to 2003 and seem to be dormant. Most of the interviewees felt that the 'Exchange' tools were not particularly useful. No monitoring is available of how these tools may have contributed to the generation of projects.

ITPO publications

The ITPO increased the number of its publications significantly in recent years. However, many of these publications are rather internal studies and many of those aiming at a larger audience have not been effective. This is in particular the case of a series of country guides for investors. On one hand, these guides duplicate at least partly similar efforts of other organizations. On the other hand, no publication policy seems to be in place and none of these reports are adequately disseminated. The fact that such guides are neither produced as a joint effort of the ITPO network nor even distributed by it is another sign showing that the potential for synergy is not exploited.

Efficiency of implementation

The implementation efficiency of the operation has been affected by a number of factors such as the unclear administrative status of the ITPO as a hybrid between a (temporary) project and a permanent operation; the fluctuation of funding; the geographical relocations of the Office; the change in management; the gradual shift of focus from technical support to promotional activities; the loss of staff and hence of specialized expertise; the difficulties of managing a large number of consultants; the deficiencies of central guidance and support from the ITPO coordination unit at UNIDO HQ.

Quality of planning

The efficiency of the operation was affected by poor planning. The main project document is still not consistent and sometimes unclear. Priorities are poorly identified; relationships between overall development goals and intermediate objectives are not clarified and the number of outputs is inflated. The planning documents for the 'local IPs' were also weak, in particular the one for the 'Special Programme for Africa', which does not describe any objectives, outcomes, outputs, activities and indicators. All 'local integrated projects' were conceived, planned and managed by the ITPO in large autonomy from UNIDO HQ and without formal reporting to the donors.

ITPO staffing

Evaluation evidence suggests that UNIDO should revisit ITPO staffing practice in order to strike a proper balance between employing ITPO staff with in-depth country knowledge and the need to guarantee the liaison function of the Office and its UNIDO identity.

Although not explicitly stated it seems to be established practice that the Director and the staff of an ITPO should be host country nationals. In the present case, almost all staff members and consultants working for the ITPO were host country nationals. The same seems to be true for the IPUs, perhaps with a few exceptions. This practice has the potential to expose staff to problems of double loyalty vis-à-vis UNIDO and the Government and can be questioned with regard to safeguarding the perception of the ITPO as a UNIDO Office. UNIDO should explore possibilities for a more balanced staffing of the ITPOs.

None of the current ITPO staff has a UNIDO HQ background. In combination with the only sporadic working relationships between the ITPO and UNIDO HQ staff this results in limited knowledge about UNIDO and loose ties with HQ. The identification of the ITPO staff with UNIDO is also affected by a certain loss of morale due to poor contractual conditions and the top-down character of strategic decisions such as the one on geographical relocation.

The recent decision of UNIDO to relax the restrictions for ITPO staff to apply for UNIDO field posts has been a move into the right direction in order to overcome certain barriers that prevent ITPO staff from developing a UNIDO staff identity. UNIDO should experiment other innovative instruments such as a staff rotation policy between ITPOs and UNIDO HQ.

I

Introduction

UNIDO's ITPO network

UNIDO's network of Investment and Technology Promotion Offices (ITPO) comprises offices in 13 countries.[3]

The overall objective of the ITPO network is *"to contribute to industrial development and economic growth of developing countries and countries with economies in transition by mobilizing the technical, financial and managerial resources required for industrial investment and technology projects"*.[4]

ITPOs are financed by their host countries through voluntary contributions to UNIDO. A central coordination unit at UNIDO Headquarters in Vienna provides overall guidance to the network and coordinate ITPO activities with those in UNIDO Headquarters.

The ITPO Italy is complemented by four Investment Promotion Units (IPUs)[5] in the Mediterranean region financed by Italy. The IPUs identify investment and technology opportunities from the region for promotion by the ITPO Italy and the entire ITPO network.

Purpose and scope of the evaluation

In advance of the evaluation the terms of reference (see Annex A) were submitted to the parties involved and to a Technical Advisory Committee. They define the purpose and scope of this evaluation as follows:

The evaluation should enable UNIDO and the donor Governments to assess achievements against objectives and expected outputs and outcomes in order to improve the efficiency and effectiveness of the ITPO and to make recommendations on strengthening the networking capabilities of the ITPO network as a whole. The evaluation should take stock of recent evaluations of the IPUs and of the investment promotion components of the Integrated Programmes in Colombia and Ecuador.

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3 Bahrain; Brazil; the Walloon region of Belgium; China (Beijing and Shanghai); France (Paris and Marseille); Greece; Italy; Japan; Poland; Republic of Korea; Mexico; Russian Federation and the United Kingdom.
4 UNIDO General Conference Paper GC.10/INF.4/Dec. 18 (2003)
5 Egypt; Jordan; Morocco; Tunisia; since 2006 the IPUs are supposed to serve not only the ITPO Italy but the entire network.

The evaluation should also have a broader look at current trends of North/South investment flows and the evolving landscape of international investment promotion and technology transfer and market access schemes in order to assess the relevance of the ITPOs in this context.

Comparative evaluation approach

This evaluation has been innovative in two respects. For the first time UNIDO carried out the evaluation of three different ITPOs in parallel using a comparative approach. Furthermore, in line with the terms of reference, the evaluation scrutinized the continuous relevance of the current ITPO mandate by analyzing "the evolving landscape of international investment promotion, technology transfer and market access schemes."

This open comparative approach aimed to bolster the validity of the findings. However, it should be borne in mind that the network of ITPOs is more variable than the sample of the three ITPOs covered by this evaluation. The conclusions from the present evaluation should therefore not be generalized to the entire network.

The perception of the ITPO Italy by its clients and their degree of satisfaction has been explored through an extended on-line survey. 100 companies responded to this survey (response rate of 26%).

Evaluation team, dates and missions

The evaluation was carried out between November 2006 and February 2007 by a team composed of Mr. Peter Loewe (UNIDO Evaluation Group), Ms. Silvia Vignetti (nominated by Italy) and Mr. Marco Lorenzoni (independent evaluator and team leader). Team members carried out missions to the ITPOs in Rome, Paris and Marseille and to the Serbian Agency for the Development of SMEs and Entrepreneurship.

Internal audit

UNIDO carried out an internal audit in parallel to the evaluation. Although different in purpose the audit conclusions might influence the implementation of recommendations emerging from this evaluation. It should be borne in mind that, different from evaluation reports, internal audit reports are not publicly shared.

Factual verification, differing and complementary views

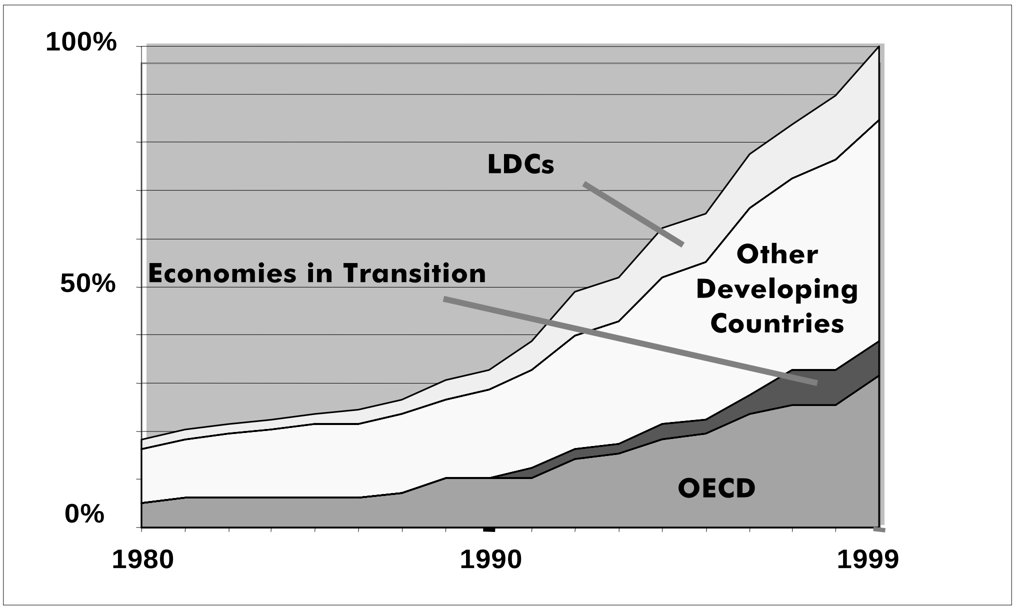
In line with UNIDO Evaluation Policy a draft version of the evaluation report has been submitted to the former and the current ITPO directors for factual verification and comments. Both of them submitted comments. The evaluation team examined the facts and figures provided and integrated them as appropriate into the present final version of the report. In addition, differing and complementary views are documented in Annex D in line with the UNIDO Evaluation Policy.

II

The evolving international landscape of investment promotion

Since the nineties global investment flows have multiplied as has the number of organizations and institutions involved in investment promotion. National governments give high priority, often at the highest political level, to attracting FDI. Investment promotion, also at the regional and even municipal level, becomes more and more important. Many regions and even larger cities dedicate considerable resources to attracting FDI.

Graph 1



Source: UNCTAD survey of investment promotion agencies, 2000

Graph 1 shows that the number of IPAs has multiplied by five between 1980 and 1999. More recent statistical figures are not available but it is widely recognised that this trend has been continuing since.

Broadly speaking, there are two types of Investment Promotion Agencies (IPA): those attracting FDI to ‘host countries’ (i.e. countries hosting FDI) and those promoting outbound investment from ‘home countries’ (i.e. countries from where the FDI originates). Although the role of both types of agencies is different, areas of common interest and potential synergies do exist.

Host country Governments seek FDI for the perceived benefits of backward and forward linkages, technology and skills, integration into international marketing, distribution and production networks as well as supplementing national savings.

According to UNCTAD host country IPAs prioritize services to potential investors as follows: business matchmaking (81%); domestic market information (78%); advice on financial services (52%); feasibility studies (24%). However, *attracting* FDI is not the only function of an IPA. Increasingly IPAs focus also on developing FDI that is already present in the country ('after care').

The potential danger of a 'push' approach to investment promotion is highlighted in a World Bank analysis that explored the effectiveness and efficiency of IPAs in 58 (developing and industrialized) countries:

> *"Investment promotion can be even counterproductive in a country that offers a poor investment climate. It seems more difficult to convince an investor to come back if he was disillusioned during his first visit to a country. The disappointed investor is also likely to be vocal about his disenchantment and, so, discourage other potential investors. … Empirical results reveal that policy advocacy is the most effective function for attracting a dollar of investment, followed by image building, and investor servicing. Investment generation appears to be the least efficient or cost-effective, partly because it is expensive and partly because it is often not adapted to the reality of countries that have poor investment climates."*[6]

The host country's broad policy objectives are to maximise the potential benefits derived from FDI and minimise the negative effects, e.g., balance of payments problems, crowding out of domestic industry, transfer pricing, abuse of market power, labour issues and environmental effects. Applying the right strategies to attract the 'right' investments is therefore paramount, in particular for developing countries that have only very limited resources available for investment promotion.

The importance of careful strategy building and priority setting for attracting new and enhancing existing FDI is also confirmed by UNIDO's latest Africa Foreign Investor Survey 2005, which provides empirical evidence that FDI differs significantly in terms of local spill-over, connectedness, wages and employment, use of local inputs, skill-intensity, R&D and also in terms of exports and global connectedness. This is why the more sophisticated IPAs shift focus from quantity to quality FDI.

The second type of IPAs promote outbound investment. Their basic rationale is to promote the competitiveness and internationalization of the industrialized countries' industry, the underlying assumption being that investors and in particular smaller companies need public support to benefit fully from the opportunities of globalisation.

Support measures to outbound investors (so-called "home country measures" HCM) can be manifold: financial support (preferential loans and equity); investment insurance; fiscal measures (double taxation treaties; TNC transfer pricing policies); information provision

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[6] Morisset, Jacques; Does a country need a promotion agency to attract foreign direct investment?; World Bank Policy Research Paper 3028 (2003)

(investment climate and opportunities); technical assistance for investors (matching services and feasibility studies); etc. Most industrialized countries maintain dedicated support structures for these purposes (investment promotion agencies; international chambers of commerce; specialized financial services; etc).

Table 1 provides an overview of 'home country measures' in OECD countries and shows that the genuine field of outbound investment promotion is fairly well covered by national organizations throughout OECD countries, with financial support, information and matchmaking being covered almost completely. Although a more recent overview is not available it is widely recognized that the number of support agencies and the range of services available to outbound investors in OECD countries has further increased since. According to WAIPA 70 national agencies in 32 countries promote outbound investment.

Table 1

Outward FDI promotion programmes in OECD countries

	Information and technical assistance					*Financial*		*Fiscal*	*Insurance*
Country	Information	Match making	Missions	Feasibility studies	Project & start-up	Equity	Loans	Tax sparing	Guarantees
Australia	x	x	x	x				x	
Austria	x					x	x		x
Belgium	x	x				x	x		x
Canada	x	x	x	x	x	x		x	
Denmark						x	x	x	x
Finland	x		x	x	x	x	x		x
France	x			x	x	x	x		
Germany	x	x	x	x	x	x	x	x	x
Italy	x	x	x	x	x	x	x		x
Japan	x	x	x	x	x	x	x	x	x
Netherlands	x	x	x	x		x	x	x	x
N. Zealand	x	x		x		x		x	
Norway	x	x	x	x	x	x	x		x
Portugal	x	x	x			x	x		
Spain	x	x	x			x	x	x	x
Sweden	x	x	-	x		x	x	x	
Switzerland	x	x	x	x	x	x	x		x
UK						x	x	x	x
USA	x	x	x	x	x	x	x		x

Source: UNCTAD/OECD, 1998.

At the international level, the institutional environment for investment promotion is becoming more and more professionalized and crowded. International associations and 'communities of practice' of investment promotion professionals support IPAs with identifying and disseminating good practices in investment promotion. WAIPA brings investment promotion agencies from both developed and developing countries under one roof. The Multilateral Investment Guarantee Agency of the World Bank (MIGA) offers training and tool-kits through its FDI Promotion Center. The IFC runs a Foreign Investment Advisory Service.

At the national level, Italy maintains a whole range of organizations promoting outbound investment. Chapter 3 of the present report presents the Italian situation in greater detail and explains the current efforts of the Italian Government to streamline the Italian landscape of investment promotion organizations. Hence the need for UNIDO to define the niche of its ITPOs very carefully in order not to duplicate existing national investment promotion services.

III

The institutional environment for investment promotion in Italy

During the Eighties, the initially weak export capacity of Italian companies was overcome by the competitive advantage of industrial districts. However, under the conditions of ever increasing global competition, many Italian companies show fledgling performances in terms of growth, export shares and direct investments abroad, as compared to their competitors.

This perceived crisis of the Italian growth model has put the competitiveness of the Italian economic system at the top of the agenda of Italy's industrial policies. A host of public institutions is engaged in supporting the internationalization of firms and in investment promotion. The recent move towards territorial decentralization further increased the number of actors in these fields. Moreover, many private companies offer services to SMEs in support of partnerships and matchmaking for investment abroad. As a result, the institutional environment for investment promotion is fragmented with a tendency to duplication of services.

An evolving institutional setting

Law 49/87 has been the first legislative instrument promoting direct investment abroad offering soft loans for joint ventures and export of equipment. However, coming under the development cooperation framework, its coverage is limited to specific areas and types of investments (see below for details).

Law 100/90 regulates support to foreign investment from a purely business and economic development point of view. The aim of the legislator was to help Italian SMEs to enter new markets, not only by exports, but also with more incisive forms of international expansion. To implement this policy a financial company with public equity, SIMEST, was set up.

With the recent law 59/97 on decentralization (the so-called 'Bassanini' law) the prerogative of promoting economic development is being decentralized from the central to the regional level, while the promotion of foreign trade and development cooperation remains at central level. Nevertheless, according to law 68/93, regions can provide up to 0.8% of their total income to development cooperation initiatives and are becoming indeed more and more involved in managing development cooperation initiatives.

Decree (112/98) implementing the Bassanini law moved internationalization support functions such as participations in fairs, promotion of industrial cooperation, financial and technical assistance for economic cooperation to the regions, which implement these measures through the Chambers of Commerce and the Institute for Foreign Trade (ICE). The central level maintains functions related to promotional activities of national relevance and some functions of internationalisation (grants and financial services for foreign trade and investments). Following the institutional process, regions started offering a variety of services towards international partnerships and investment promotion, trough ICE and the Chambers of Commerce system as well as regional development agencies.

A reorganisation and coordination of this fragmented context is envisaged under law 56/2005, which regulates the roles and functions of the entities involved in supporting internationalisation. So far, this law is not yet fully implemented. The envisaged reorganisation aims to avoid overlapping functions and proliferation of institutions. To this end the law sets up so-called *Sportelli unici all'estero* as unified offices for Italian enterprises abroad.

National public administration

Both the Ministry of Foreign Affairs and the Ministry of Economic Development, even if with different approaches, have been dealing with internationalization and investment promotion.

The Ministry of Foreign Affairs (MAE) promotes outbound investments under two different angles: economic and financial cooperation and development cooperation. Under the first function it supervises bodies instituted under Italian law promoting credit and investment abroad. The MAE also promotes and develops initiatives in cooperation with the Ministry of Productive Activities (MAP) to support the internationalisation of Italian firms and to encourage increased foreign investment and tourism in Italy.

The developmental function of the MAE is concentrated at the DGCS, which is also the institutional arm of the donor in charge of the ITPO. The instruments under Law 49/87 come under the responsibility of the DGCS (see below in greater detail). Currently, a major re-organisation of DGCS is envisaged by which this DG would become an independent public body responsible for implementing Italian aid programmes.

The MAP (now the Ministry of Economic Development) supervises and funds non-profit institutions (such as chambers of commerce) as well as technical assistance for in Central and Eastern Europe, as well as Mediterranean countries, finances consortia for exports.

MAP-Financial support to promotion activities (Euro)

	2001	2002	2003	2004	2005
Funds	28,405,129	24,766,027	25,523,057	28,593,019	26,748,269

Source: Ministry of International Trade

Table 2
Support instruments for internationalisation of Italian companies

A – Support to promotional activities for institutes, associations, bodies, consortia and Italian chambers of commerce abroad or foreign chambers in Italy. (L 1083/54 - L 83/89 - L 394/81 - L 518/70 - L 580/93)
B – Support instruments specifically addressed to internationalisation of enterprises. (DM 136/2000 – L 394/81 art. 2 - L 304/90 art. 3 - L 227/77 - D.M. 27 marzo 2006)
C – Incentives to constitutions of enterprises abroad. (L 100/90 - L 19/91- D.M. 397 del 3 giugno 2003 - L 49/87 art. 7)
D – National and EU instruments for international cooperation. (L 212/92 - PHARE - TACIS - L 84/2001)
E – 75% of public support for feasibility studies abroad a) productive/commercial investments abroad of clusters, consortia, group of companies b) joint projects with Universities, Technological Parks and companies, on products engineering, process innovation, patents, joint ventures and start up
F - Agreement on internationalisation of Italian fair system

Source: Ministry of International Trade

The internationalisation department of the Ministry of Productive Activities (MAP) became, in the new legislation, the Ministry of International Trade who is now the coordinating body for internationalisation instruments. Priority countries are the Mediterranean area, Africa, Middle East and the Balkans. It has the following functions:

- Promoting international competitiveness policies in line with the guidelines of foreign policy and national economic development;

- Coordination of external relations with the EU and international organisations in coordination with the Department of the Prime Minister;

- Supporting direct investment abroad and a Venture Capital Fund (additional to SIMEST support on law 100/90) where SIMEST and FINEST (for Balkans) are implementing bodies (see below).

Table 3
Promotional activities in 2005 (Euro)

	Number of applications	Public funds
L. 1083/54 Bodies, Institutions, Associations	69	10,885,124
D.lgs. 143/98 Operating agreements with business associations	14	2,318,308
L. 83/89 Multiregional export consortia	79	2,856,729
L. 394/81 art. 10 Agrofood and turist multiregional consortia	17	541,793
L.518/70 Italian Chamber of Commerce	66	10,146,315
Totale	245	26,748,269

Source: Ministry of International Trade

Institute of Industrial Promotion (IPI)

The IPI is a Government agency specialized in promoting growth and competitiveness of production and economic systems with particular regard to SMEs. Its mission, established by Law 104/95, is a public goal and characterizes the IPI as a service agency of the Public Administration, placed under the oversight of the Ministry of Economic Development.

It is managing programmes funded by the EU, national and regional funds addressed to promotion of internationalization of firms (territorial marketing and industrial cooperation).

Sviluppo Italia

Sviluppo Italia is the national agency for enterprise and inward investment development. In order to achieve its aims, Sviluppo Italia acts both as a manager and co-manager with public duties, and as a promoter operating on the market with its own assets.

Sviluppo Italia acts through three main lines of action:

- Promoting inward investment;
- business creation and development;
- support to the Public Administration.

It is managing, in partnership with ICE, a programme for inbound investments (*Invest in Italy*) with a network of investor scouting organisations coordinating also some of the offices of ICE abroad.

Financial support instruments

SIMEST

SIMEST is a merchant bank set up in 1990 (law 100/90). It is controlled by the Ministry of Productive Activities (76%) with a participation of the private sector (banks, enterprises, business associations). MAE and the Ministry of Finance are represented in the Board of Directors.

SIMEST is entrusted with promoting, developing and financing Italian companies abroad. Since 1998 it also manages instruments that came previously under the Mediocredito Centrale, the Italian public bank supporting development policies.

SIMEST supports Italian investment abroad by taking equity shares, providing export credits, financing feasibility studies, technical assistance programmes and participation to international calls for tenders. It operates with Venture Capital Funds under the MAP.

Table 4
Business support, financial instruments, 2003-2005 (Euro)

	N.			Million Euro		
Instruments	*2003*	*2004*	*2005*	*2003*	*2004*	*2005*
Participation to international calls for bidding	17	14	5	2.6	1.8	0.4
Commercial penetration	188	181	120	210.5	195.0	119.3
Credit to exports	112	104	84	2,698.8	1,839.7	3,784.8
Investments abroad	84	115	83	171.4	268.2	139.9
Pre-feasibility and feasibility studies	79	87	46	15.4	18.4	9.5
Technical assistance	20	14	13	5.9	5.3	4.6
TOTAL	**500**	**515**	**351**	**3,104.6**	**2,328.4**	**4,058.5**
	2003	*2004*	*2005*	*2003*	*2004*	*2005*
Participation to international calls for bidding	3.4	2.7	1.4	0.1	0.1	0.0
Commercial penetration	37.6	35.1	34.2	6.8	8.4	2.9
Credit to exports	22.4	20.2	23.9	86.9	79.0	93.3
Investments abraod	16.8	22.3	23.6	5.5	11.5	3.4
Pre-feasibility and feasibility studies	15.8	16.9	13.1	0.5	0.8	0.2
Technical assistance	4.0	2.7	3.7	0.2	0.2	0.1

Source: Ministry of International Trade processing SIMEST data

In terms of countries of destination, investments supported by SIMEST in the period 2003-2005 are mainly directed to Central and Eastern Europe, followed by North America and the Far East. Latin America is less relevant and Northern Africa is only of minor importance.

SACE

Previously a public insurance company, SACE became a stock company in 2004. It specializes in insurance and guarantees for political and others non-market risks related to exports and foreign investments, but after 2004 it became possible to cover also market risks.

In the last years the SACE strategy is characterized by an enlarging number of services offered, also comprising innovative products, in order to better address clients' needs, especially SMEs. In this sense, the legislative framework[7] changed the principle for insurance from the geographical localization (*made in Italy*) to national interest (*made by Italy*): now it also possible insure operations of Italian companies abroad.

[7] Delibera CIPE del 21 dicembre 2004.

FINEST

Finest is a finance company supporting entrepreneurs in the North East of Italy who want to invest in Eastern European and Balkan countries, in Russia and the other CIS states, as well as in North Asia and Caucasian and Baltic countries. Its shareholders include the Regional Governments of Friuli Venezia Giulia, the Veneto and Trentino Alto Adige, SIMEST and major Italian banks: its activities are supervised by the Italian Ministry of Trade and Industry.

FINEST acquires shares in companies which develop their own business and provides investment support to entrepreneurs whose aim is to expand their business abroad.

In addition to holding a share in the company, FINEST can draw up a complete investment package, integrating programmes provided by the market, by national and foreign financial institutions and by the Ministry of Trade and Industry.

Institute for Foreign Trade (ICE)

ICE is the public institute devoted to promotion of commercial and economic relations abroad, with a special focus on SMEs. It operates with a large network of 16 offices in Italy and 104 offices abroad. The Annual Promotional Programme follows guidelines of MAP, taking into account inputs from the Regions, Embassies, business associations and other private and public bodies.

Table 5
Promotional activities ICE-MAP by type of initiatives 2003-2005
(thousands of Euro and %)

	2003	*2004*	*2005*	*2003*	*2004*	*2005*
Autonomous show	5,325	7,291	6,097	6.3	8.4	6.3
Collective participation to fairs	29,762	32,792	36,989	35.0	37.6	38.0
Information office in fairs abroad	5,435	4,635	4,299	6.4	5.3	4.4
Promotional campaign	2,030	1,686	1,447	2.4	1.9	1.5
Newsletter, Catalogues, Special dossiers, Cd Rom	1,427	1,375	695	1.7	1.6	0.7
Communication activities	7,260	5,454	5,474	8.5	6.3	5.6
Fashion show and promotion	3,868	2,665	2,843	4.5	3.1	2.9
Gastronomic and tasting events	1,167	507	979	1.4	0.6	1.0
Seminars, Workshops	4,610	3,845	5,031	5.4	4.4	5.2
Training	3,469	3,689	7,207	4.1	4.2	7.4
Market research	2,548	1,932	1,942	3.0	2.2	2.0
Missions to Italy	3,746	3,307	3,540	4.4	3.8	3.6
Missions abroad	488	459	368	0.6	0.5	0.4
Activities towards distribution	1,846	3,139	4,040	2.2	3.6	4.2
Inbound investments	1,162	844	807	1.4	1.0	0.8
Industrial cooperation	1,658	1,239	1,489	1.9	1.4	1.5
Other	8,867	12,399	14,071	10.4	14.2	14.5
Total	**85,078**	**87,258**	**97,318**	**100**	**100**	**100**

Source: ICE

ICE supporting activities address four different functions:

- Organization of promotional events and industrial cooperation;

- Ad hoc consulting for enterprises;
- Monitoring and dissemination of background information on foreign markets;
- Training and capacity building for internationalization.

ICE has agreements with the regions and is entrusted to implement some initiatives of public institutions (Ministries or others).

Besides promotional activities ICE offers personalized services of providing background information, participation to fairs, assistance for match-making and country missions, and also assistance for inbound investments.

In terms of geographical destination of ICE promotional activities abroad, Central and Eastern Europe is the most relevant area, followed by Pacific and North America. Africa, the Middle East and Latin America are the less relevant areas.

Italian Chambers of Commerce abroad

The Italian Chambers of Commerce abroad is a network of 66 business associations abroad in the main areas of Italian interest. They are regulated by the national law 518/70, providing also financial support for promotional activities for internationalisation of SMEs. Most specifically they promote the relationships of Italian operators abroad, providing information and developing lobbying activities towards the local institutions.

ICC have more or less 50 offices abroad and carry out a very wide range of activities, often by means of institutional collaborations with MAE and MAP. The Chambers system (Unioncamere) comprises also the Italian-foreign chambers operating in Italy, supporting commercial partnerships and relationships.

In 2001 Unioncamere signed an agreement with MAE, with the following objectives:

- Supporting internationalisation processes also trough the use of IT;
- Support exchange of information and knowledge;
- Disseminating information about potentials of foreign markets;
- Supporting networking of Italian enterprises abroad.

In 2005, Unioncamere and ICE signed an agreement on filière promotion for the following sectors: agro food, wood, textile and leather, mechanical, tourism, constructions, components and sailing industries.

The regional system

In line with their strengthened constitutional status and regulations, the Italian Regions and the Autonomous Governments increasingly launch initiatives aiming to improve the international cooperation and internationalization of their regional production system. They participate in European programmes using their own resources as well as national ones.

The initiatives of 'decentralized' cooperation are implemented through partnerships primarily with similar institutions from third countries. Regions operate by means of dedicated bodies, like local development agencies, financial companies, public consortia. They promote local development and internationalization through organization of events, dissemination of information on supporting instruments, support to international cooperation, research and technology transfer.

Many Regions (Lombardy, Emilia Romagna, Piedmont, Tuscany, Lazio, Valle D'Aosta, Abruzzo, Campania, Molise) have set up representative offices abroad. In total there are 42 of such offices. The Emilia Romagna Region, for example, runs desks in Bulgaria, Serbia, Bosnia, Cairo, Buenos Aires and Shanghai.

IV

UNIDO's role in investment promotion and the ITPO Italy

History of UNIDO's role in investment promotion

Investment and technology promotion has been a UNIDO core function since the creation of the Organization. A 1996 report to UNIDO's Industrial Development Board on *Industrial Investment Promotion* points out that *"investment promotion is a flagship programme of UNIDO. It represents one of UNIDO's major contributions for an effective and constructive entry of the developing countries into globalization."*[8] The same report underlined that *"UNIDO's Investment Promotion Services (IPS) – particularly in developed countries – and other focal points in developing and developed countries, constitute a unique investment promotion network"*. At the time of the report the IPS offices were seen as a core element of UNIDO's competitive advantage in this area together with UNIDO's industrial sector knowledge and widely recognized tools such as the feasibility study software COMFAR.

During this period the UNIDO HQ was the hub of a centralized double-layered network bringing together IPAs in developing countries and ITPOs in industrialized countries. The UNIDO HQ collected information on investment opportunities in collaboration with the IPAs, distributed fiches of investment opportunities in developed countries throughout the ITPO network and attracted investors to investment fora that UNIDO organised in collaboration with the respective IPAs in the target countries.

Overall, the UNIDO approach combined capacity building for IPAs with considerable efforts to identify investment projects considered relevant for the industrial development of the target country and services to potential investors.

These investment promotion activities of UNIDO were cut down dramatically with UNIDO's reorganization and downsizing in the second half of the nineties. The creation of a new Investment and Technology Promotion Division (ITPD) brought about an integration of investment and technology promotion. Furthermore the Industrial Information Section became incorporated into the ITPD. This move towards a more integrated effort was reflected in the rebranding of the IPS offices into "Investment and Technology Promotion Offices" (ITPOs).

Although widely recognized, the rationale of UNIDO's involvement in investment promotion has been constantly revisited. An evaluation of UNIDO's industrial investment

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[8] IDB.16/11; Industrial Investment Promotion; Report by the Director-General; 24 September 1996

promotion activities carried out as early as 1991 stressed the need to carefully identify UNIDO's niche:

> *"UNIDO is only one of many international organizations dealing with industrial development, operating in an increasingly competitive market-place. This market-place does not automatically recognize that UNIDO has a mandate to promote industrial investment. UNIDO can only compete if it (makes) full use of the comparative advantages the Organization enjoys. An evaluation must address the questions: 'Are we directing our efforts to the right clients?'; 'Are we providing the right services?' and 'Do we have the right delivery system?" or at least "Are we moving in the right direction?"*[9]

Since these days a number of countries with emerging economies have asked UNIDO to open up ITPOs on their territory. Traditional ITPO host countries such as Germany and Switzerland, however, closed down their ITPOs because the role of these Offices in the national investment promotion landscape had become blurred over the years. The need for UNIDO to constantly revisit and adapt its role in investment promotion, in particular in the industrialized countries, remains acute.

The ITPO mandate

Historically, the UNIDO Member States have attached great importance to UNIDO's investment promotion activities in general and to the ITPO network in particular. The UNIDO General Conference, in its capacity as the highest policy making organ of the Organisation, has periodically discussed and reviewed the ITPO mandate.

The current ITPO mandate is spelled out in a resolution of the UNIDO General Conference in 2003[10] (see attachment C). Although not always consistently reflected in the agreements between UNIDO and the ITPO host countries and in the related ITPO project documents, this mandate states that:

- The objective of ITPOs is "*to contribute to the industrial development and economic growth of developing countries and countries with economies in transition by identifying and mobilizing the technical, financial, managerial and other resources required for the implementation of specific industrial investment and technology projects in these countries with local partners of such projects*."

- In order to reach this objective, ITPOs in industrialised countries "*shall devote themselves exclusively to promoting industrial investment and technology from their host countries to developing countries and countries with economies in transition*". Seven generic activities described in the General Conference Paper shall be carried by ITPOs in order to implement their mandate, such as to build contacts with businesses; to assess investment and technology projects; to assist partners during negotiations;

[9] Report on the evaluation of the industrial investment activities of UNIDO (1991); pages x and xi
[10] UNIDO General Conference Paper GC.10/INF.4/Dec. 18 (2003)

- Finally, ITPOs are allowed "*to undertake such other activities as are conducive to the achievement of the objectives of ITPOs*."

It should be underlined that the UNDO General Conference discussed the potential role of ITPOs as UNIDO representation offices but did not extend the ITPO mandate into this direction.

Investment promotion in contemporary UNIDO

In the aftermath of the profound organizational changes undergone by the Organization in the late nineties, UNIDO re-invented itself in many ways to further develop its role as the United Nations' specialized agency for industrial development under the changing conditions of globalization.

Three strategic axes of intervention were defined: poverty reduction through productive activities; trade capacity building; energy and environment. In all three areas UNIDO has become a widely recognized player. Many UNIDO activities leverage investment in general and FDI in particular under these three strategic angles. Entrepreneurship development; SME clusters; Corporate Social Responsibility; cleaner production and Montreal Protocol are some of the areas of intervention with strong investment aspects.

Investment promotion became an area of activity in many UNIDO Integrated Programmes. UNIDO is also hosting AfrIPANet, a network of IPAs from 15 sub-Saharan countries. Assisting developing countries with maximizing the developmental added value of FDI is a new area of UNIDO activity that is currently unfolding under this network.

Although the ITPOs were regrettably not involved in developing AfriPANet, UNIDO undertook significant efforts with strengthening the ITPO network. In April 2004 the network was transferred to a newly formed 'Field Coordination and Resource Mobilization Branch'. A new strategy was promulgated that envisaged aligning the operations of the ITPO network more closely with other UNIDO activities and strengthening the integration of the network in UNIDO's overall activities.

The strategy revisited and expanded the role of the ITPOs as follows:

> *"The ITPOs and the now established real network should be fully integrated in the work of UNIDO and all service modules. Individual ITPOs will be expected to identify specific interests of the industries in their area of operations (host country) and jointly develop specific initiatives and activities to create partnerships with partners in developing countries."*[11]

As it will be shown below these plans did not yet materialize fully.

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[11] ITPO Network Strategy: Improve efficiency through networking, cooperation and partnership; Vienna, April 2004

History of the ITPO Italy

In line with the current ITPO mandate, the core mission of the ITPO has been and remains to date promoting industrial investment and technology from Italy to developing countries and countries with economies in transition. However, the environment and the internal conditions under which the ITPO operates have undergone significant changes over the years.

In order to better understand the role of the ITPO, for both UNIDO and Italy, it is useful to recall here the main steps of the history of the ITPO Italy. Three development phases of the ITPO Italy can be identified:

The initial 'HQ satellite' phase: 1985 to 1996

The first ITPO office in Italy was established in 1985 in Milan, seeking proximity with business life in Italy's most industrialized region. The office was situated within the premises of the Milan Fair Trade, demonstrating the collaboration with industry and providing opportunities to disseminate and promote investment proposals to companies. BORITEC, an investment promotion fair organised in cooperation with Milan Trade Fairs and ICE, was a major event in this direction.

During this first phase of its development the ITPO Italy was, similar to the other ITPOs, an integrated part of the double-layered UNIDO network and developed its activity in close connection with the UNIDO HQ. The ITPO Director at the time was a UNIDO staff member who knew the Organization and its areas of activity. The ITPO focused on informing potential investors on investment conditions in target countries, identifying investment opportunities in the target countries in cooperation with the respective IPAs and promoting these opportunities on the occasion of investment fora in developing countries and in Italy.

The ITPO developed its direct contacts with organizations in developing countries, providing further investment proposals specifically aimed at potential Italian investors. Already during this phase, the ITPO hosted delegates from developing countries coming from government or other institutions who provided Italian companies with information to develop co-operation agreements.

Technical assistance for the preparation of project appraisals through the collection of investment data and risk evaluations resulted in an increasing number of bilateral investment projects. The possibilities to have direct channels for investment opportunities, in addition to those coming from Vienna, provided for more updated and complete data and more effective promotional activities. At the same time, while continuing its promotional activities, a new organizational structure was implemented including a small but competent financial analysis team providing professional advice to companies involved in investment projects.

Thanks to better communicating its role to the Italian business community and increasing experience in implementing its mandate, the ITPO slowly but constantly reached a more and more autonomous position. During this first period, the ITPO developed good working relationships with other investment promotion agencies (ICE, Chambers of Commerce) but did not embark on specific projects with the Italian Government.

The 'expansion and autonomy' phase: 1997 to 2003

During the mid nineties restructuring of UNIDO, the ITPO coordination unit was significantly downsized. At the same time, an evaluation of the ITPO Italy was undertaken, which recommended that, in order to improve the relevance of the ITPO for the Italian Government in general and for the DGCS in particular, financing should be made more dependent on taking into account Italian Development Cooperation priorities, such as the focus on the Mediterranean area and the implementation of two national financial instruments (art.6 and 7 of law 49/87).

The ITPO was entrusted with implementing bilateral Italian credit lines in a number of Mediterranean countries. Investment Promotion Units (IPU) were established in these countries to assist local SMEs with utilising the credit lines for purchasing equipment and technology from Italy (art 6 of Law 49/87). The number of equipment related projects increased drastically and the ITPO tried to avoid too commercial projects through its technical assistance. An increasing number of Italian SMEs approached the ITPO in search of markets and partners to take advantage of labour and raw materials from developing countries. This called for better mechanisms to identify local partners in developing countries and the involvement of the Office in all phases of project development. The ITPO therefore further developed the IPU network by transferring its experience with project promotion and assistance. Eventually the IPU network became valuable resource not only for the ITPO Italy but also for the ITPOs in Poland, Bahrain, UK and France. The ITPO Marseille in particular could not have adopted its focus on Mediterranean countries without support from the IPU network.

The creation of the IPUs and the bilateral credit lines contributed to changing the role of the ITPO. By interacting with the new Units, the ITPO was in fact becoming itself the Italian hub of an enlarging network of Offices to which it provided operational support and expertise. Much of the ITPO activities were redirected to this Mediterranean network culminating in a major event of the IPU network in Amman in July 2003, with the Heads of IPAs from several Mediterranean countries participating.

At the institutional level, the ITPO became a catalyst for bilateral investment promotion initiatives involving numerous national and regional institutions and chambers of commerce.During this period the bulk of the ITPO activities was transferred to Bologna, together with the creation of a technical assistance workgroup, while only part of the promotional activities were left in Milan.

The creation of a 'Decentralized Cooperation Desk in Rome' in 2002 marked a new trend that should gain considerable importance under the current phase: a move towards the political capital and the creation of ITPO units integrated into national and regional services.

The current phase

The period under evaluation (2002 to 2006) is characterised by a number of external and internal changes affecting the development of the ITPO:

- In July 2003 the Italian Government proposed to UNIDO the relocation of the ITPO from Bologna to Rome. Two arguments were brought forward: to “facilitate the examination and the financing decisions of projects” and to “concentrate the UNIDO representation offices in Rome similar to other UN Agencies”. UNIDO adopted these arguments and accepted the relocation of the Office (the second one since the initial creation of the Office in Milan), although the concept of considering the ITPO as a “UNIDO representation office” is not in line with the agreed ITPO mandate (see chapter 2 above).

- At about the same time, a new ITPO Director was appointed who, in line with the vision of the ITPO as a “UNIDO representation Office”, gave more weight to the promotional and capacity building activities of the Office. Together, the changes in geographical location and in management caused major disruptions. The majority of the core staff left the office, weakening the technical know how of the ITPO in particular with regard to financial analysis.

- The ITPO grasped opportunities provided by the increasing role of local and regional institutions under the so-called decentralised cooperation. As a result, the Office offers its expertise and networks to this group of new regional and local players and becomes increasingly involved in executing new programmes financed by regions and provinces.

- In some IPU host countries the financial instruments under Law 87/49 become less interesting for business due to changing market conditions and decreasing interest rate. Together with demanding and time-consuming administrative procedures the number of applications for these instruments decreased.

- At the beginning of 2006 a new financial arrangement was agreed between the Italian Government and UNIDO under which the IPU network is now being managed directly by the UNIDO HQ. Formally the IPUs are now instruments for the entire ITPO network. However, the limited central management capacities at the coordinating unit at UNIDO HQ constrained the actual capability of the UNIDO HQ to effectively execute its coordinating role.

Mode of operation of the ITPO Italy

The ITPO Italy is a multilateral[12] cooperation project based on an agreement signed in 1985 between the Italian Government, the donor, and UNIDO, the executing agency. The operation of the Office is regulated by UNIDO guidelines on the functioning of ITPO offices as approved by the UNIDO Third General Conference in 1989[13] that have been amended by the Sixth General Conference in 1995[14], by the IDB in 2002[15] and again by the General Conference in 2003[16].

The ITPO work is regulated in greater detail by the Operational Manual for Investment Promotion Services issued in September 1996. This manual appears to be outdated in several respects. An update is currently underway.

The ITPO is implemented through project documents that are periodically re-negotiated and signed by the two parties. As stated also in the project document the ITPO is *designed to be an ongoing operation, in principle without completion status*[17]. The period under evaluation comes under two different project documents prepared in 1997 and in 2005.

Even if the project document is agreed on a multi-annual basis (the last project document is valid for four years, until December 31, 2008), every year the Italian Government decides the amount of funding of ITPO, during the earmarking meeting[18]. The contributions are strictly voluntary and the Government could also decide not to finance the project for one year or more. In practice, delays in making the contribution available occur frequently.

The Directorate General in charge for negotiating and funding of the ITPO is the Multilateral Office (Desk II) of the DGCS of the MAE.

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[12] A **bilateral** initiative is a development cooperation between two governments. A **multilateral** initiative is an inititiatiive implemented by an International Organisation by means of financial support from one or several donor governments. A **multi-bilateral** initiative is an initiative implemented by an International Organisation acting as executing agency of a bilateral initiative.
[13] Resolution GC.3/Res.19 of 18 November 1989.
[14] Decision GC.6/Dec.12 of 8 December 1995.
[15] 25th Session of Industrial Development Board, 17 May 2002.
[16] Tenth General Conference, GC10/Dec.18 of 5 December 2003.
[17] Project document US/GLO/04/100, page 5.
[18] The so-called 'Riunione di Ventilazione', where the yearly voluntary contributions to International Organisations are decided, on the basis of national development strategies and proposed programmes of the Organisations.

Financing of the ITPO Italy

As for other ITPOs the ITPO Rome obtains its core funding from the host country on a yearly basis upon presentation of a work programme and budget proposal. Table 6 lists the core funding projects.

Table 6
ITPO core funding projects
(figures and information provided by ITPO Italy)

Project number	Name of project	Duration	Total allotment in EUR	Percentage spent
US/GLO/99/001	UNIDO Investment and Technology Promotion Office in Italy	18/12/1998-22/09/2004	7.463.685,00	100%
US/RAB/03/004	Regional Investment and Technology Initiative for the Arab Mediterranean	10/06/2003/-31/12/2003	281.899,00	100%
US/GLO/02/142	Decentralized Cooperation Desk in Rome	01/12/2002-07/03/2005	175.755,00	100%
UE/GLO/04/101	ITPO Rome	02/06/2004-20/03/2006	342.393,00	99,9%
UE/GLO/04/100	UNIDO Investment Promotion Service in Rome	18/11/2003-Ongoing	5.109.546,00	70,9%

Several of the above projects are only partially covered by the present evaluation that stretches over the period 2002 to 2006.

The IPU network

The ITPO Italy is complemented by IPUs in four South Mediterranean countries and in Uganda, which are also funded by Italy but do not come under this evaluation. However, the IPUs are crucial for the functioning of the ITPO and will be referred to in the analytical chapters below. The various projects providing for IPU finance are therefore presented in Table 7. Until 2005 the IPUs were financed from multi-bilateral funds but, since 2006, funding has shifted to multilateral sources. At the same time, IPU management has been transferred from Rome to UNIDO HQ. The project referring to the "Regional Initiative for the Arab Mediterranean Investment and Technology Promotion Network" is (1) to ensure management of the network from UNIDO Headquarters as well as operations of MEDEXCHANGE as the electronic networking platform; and (2) to provide technical support, upon requests from the individual IPUs in the region. The Technical Support Unit is based at the ITPO Italy, but administered and managed by UNIDO HQ.

Table 7
IPU funding and IPU related projects

Project Number	Title	Approval	Completed	Total allotment in US$	Total Expenditure in US$	% spent
UERAB05E04	Arab-Mediterranean Investment and Technology Promotion Network - Morocco	21-Dec-05		362,500	169,620	47%
UERAB05D04	Arab-Mediterranean Investment and Technology Promotion Network – Jordan	21-Dec-05		384,211	9,226	2%
UERAB05C04	Arab-Mediterranean Investment and Technology Promotion Network – Tunisia	21-Dec-05		671,418	468,167	70%
UERAB05B04	Arab-Mediterranean Investment and Technology Promotion Network – Egypt	21-Dec-05		780,866	414,480	53%
UERAB05A04	Arab-Mediterranean Investment and Technology Promotion Network – Technical Support	21-Dec-05		552,740	287,776	52%
UERAB05004	Arab-Mediterranean Investment and Technology Promotion Network – Management and Coordination	21-Dec-05	21-Dec-07	829,344	271,274	33%
TFJOR99001	UNIDO/Italian Investment and Promotions Unit in Jordan	14-Sep-00	03-Jun-05	1,029,098	1,029,098	100%
TFEGY96001	UNIDO/Italian Investment and Promotions Unit in Egypt	12-Feb-98	31-Dec-03	1,716,297	1,716,297	100%

Source: UNIDO Infobase as of 12 March 2007

The "Local IPs"

In addition to its core and IPU funding the ITPO raised extra-budgetary resources from the host-country and other donors for the so-called 'local IPs' shown in table 8. 'Local IPs' (not be confused with UNIDO Integrated Programmes) are 'co-financed activities' regulated by a special financial instruction of UNIDO issued in 1997, which describes these 'local IPs' as voluntary contributions for activities that fall within the mandate of the IPSs. The present evaluation analysed the three "local IPs" with the highest budget, i.e. the Special Programme for Africa, the Institutional Support of the Serbian SME Agency and the collaboration project with the Ministry of Environment and Territory (MinAmb).

Table 8
'Local IPs' of the ITPO Italy

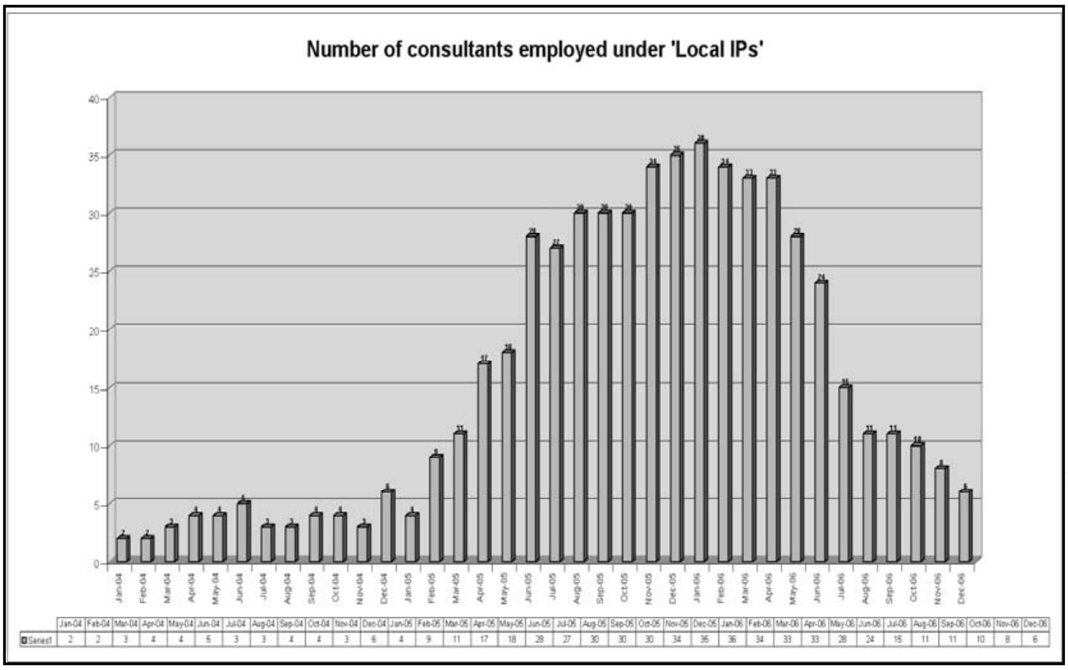
Project number	Name of project	Donor	Duration	Total allotment in EUR	Percentage spent
IE/GLO/04/ITA AFRICA	Special Programme for Africa	MAE	31/03/2005-Ongoing	1.099.589,70	74,8%
IE/GLO/04/ITA SERBIA	Institutional Support of the Serbian SME Agency	MAE; Lazio Region; Bologna Province	01/02/2005-31/01/2007	783.719,40 (in cash plus 326.250,00 in kind)	52,2%
IE/GLO/04/ITA MINAMB	Collaboration with MinAmb (environmental investment projects in Egypt and Morocco)	Ministry of Environment and Territory MinAmb	01/02/2006-31/01/2008	160.000,00	39,6%
IE/GLO/04/ITA Local	UNIDO Investment Promotion Service in Italy	Several co-financing contributions	01/01/2005-Ongoing	60.125,56	100%
IE/GLO/04/ITA UNEP	Feasibility and Market Study on Compact Units for Waste Water Treatment in Tunisia	UNEP	27/05/2005-Ongoing	28.686,02	59,2%
IE/GLO/04/ITA AIRP	Operative Agreement to Support the Internationalization Process of the Italian Tyre Retread Association	AIRP – Italian Tyre Retreated Association	19/01/2006-Ongoing	13.650,00	29,3%
IE/GLO/04/ITA AL-Invest	Organization of European Week in the Marble Sector-Marmomacc 2005	AL-Invest Programme (European Commission)	20/07/2005-20/01/2006	40.000,00	100%

The ITPO management

After the previous ITPO Director having been in place for an extended period of time UNIDO, upon the request of the Government, appointed a new Director in 2004. The new Director is a former Deputy of the Italian Parliament with some previous experience in investment promotion and was selected by UNIDO among three candidates nominated by the Italian Government.

In order to maintain the quality and level of services of the ITPO under the conditions of significant staff turnover, the new ITPO management decided to drastically increase the use of external consultants, most of them financed under the so called 'local IPs' in addition to the core budget of the ITPO (Graph 2).

Graph 2



Based on the evidence gathered under the evaluation the working environment at the ITPO Italy at the moment of the evaluation missions can be characterised as rather tense and turbulent.

V

Activities and achievements of the ITPO Italy

A wide range of activities

In accordance with its mandate the ITPO Italy carries out a wide range of activities. The main activities analysed under this evaluation are as follows:

- Support of the Italian Government to implement the promotion instruments foreseen under law 49/87 (bi-lateral credit lines and joint ventures);
- Coordinating the IPU network (task transferred to UNIDO HQ from January 2006 onwards)
- Promotion of industrial investment projects;
- General promotional activities (fairs, workshops, publications, etc);
- Hosting delegates from target country institutions;
- Capacity building in target countries through institutional support (e.g. Serbia);
- Cooperation with Italian Ministries, Regions and other organizations;
- Networking activities and interaction with the UNIDO HQ (e.g. UNIDO Exchange)

Support to implementing Law 49/87

Under the agreement concluded with the MAE, the ITPO assists the DGCS with implementing the articles 6 and 7 of Law 49/87.

Art. 6 is a soft loan instrument facilitating the purchasing of production equipment of Italian origin by companies in developing countries. The instrument is implemented through bilateral credit lines in a large number of countries. The credit lines offer soft loan conditions and are executed through local banks. They are periodically replenished from a rotating fund established at the Italian Development Bank.

Art 6 is a typical 'tied aid' instrument. The related bilateral Financial Conventions include a clause that, for example in the case of Egypt, reads as follows:

> *"The borrower shall ensure that the Financial Credit shall be used for acquiring goods and services of Italian origin. However, a maximum amount of 20% of each financed project may be used to cover costs of goods and services having an Egyptian origin."*

It must be mentioned here that, since a number of years, the DAC challenges the aid effectiveness of such 'tied aid' or 'dual purpose' instruments, which try to combine export promotion and development aid. In 2004 the DAC Peer Review of the Italian Development Assistance recognised that Italy had signed the 2001 DAC recommendation on untying aid to 49 least-developed countries. At the same time the DAC noted that the Government's intention expressed already in 2000 to consider extending the untying Recommendation beyond the Least Developed Countries encountered resistance in Italy, notably from the business sector. The DAC Peer review illustrated the issue by the case of Tunisia:

> *"In Tunisia, a lower middle-income country to which the recommendation does not apply, but where other donors have started untying most of their assistance, the share of Italian aid which remains tied is much higher."*

The DAC concluded its analysis by the recommendation that:

> *"Moves towards a revision of Italy's untying policy to bring it in line with best practice at international level would undoubtedly add to the donor community's joint efforts towards a greater effectiveness of aid. And by contributing to a more effective aid, untying could help revive the image of official development cooperation among Italian tax-payers."*

The involvement of UNIDO in implementing this instrument has been subject to debate. Originally the DGCS was in charge of implementation by combining the technical assistance capacity of its central office in Rome and its local offices in the target countries of the credit lines. However, due to insufficient resources at both levels, part of the responsibility for implementation was transferred to the ITPO and the IPUs, which are in charge of:

- Identifying the business opportunities,
- Supporting the selection of appropriate industrial technology,
- Contributing to the preparation of the business plan,
- Following up the relation with the Italian technical supplier,
- Introducing the Italian supplier to the procedure and regulations of the credit line (proforma invoice and settlement)

- Checking the technical consistency of the Italian supplier with respect to the equipment and know-how object of the transaction, following up the procedure with the relevant Italian Authorities.

Art. 7 of Law 49/87 is an instrument providing financial subsidies to Italian companies engaged in joint ventures with partners in countries with a per capita income below 3250 US$. For the implementation of Art. 7 the ITPO provides a two-fold support to the MAE and the applying companies by:

- Providing information on financial matters ex Art.7;

- Assisting in technical and financial evaluation of projects;

- Preparing technical and economic appraisal reports for investments projects (business plan, feasibility studies) which are essential to the financing request.

Following the agreement with the MAE, all technical assistance services of the ITPO related to Law 49/87, including the preparation of business plans, are free of charge. The provision of these services developed unevenly over the last years. Applications for the credit lines experienced a dramatic downturn with a negative effect on the overall number of concluded projects.

Table 9
Services of the ITPO related to Law 87/49

	2002	2003	2004	2005	2006
Credit lines	85	57	32	20	14
Business plans	5		2	13	11
Art. 7		1	4	3	4
Total	90	58	38	36	29

Source: IITP database and Activity Reports 2002-2005.

The Investment Promotion Units

Initially, the IPU network was set up to complement the ITPO with a number of decentralised offices, with a view to implementing on the ground the different bi-lateral credit lines under Art 6 of Law 49/87. The first IPU was set in Egypt in 1998, followed by those in Tunisia and Jordan in 2000 and the one in Morocco in 2001. Similar facilities were set up in India and in Uganda but these have been closed down since.

In line with the political priorities of the Italian Government, precedence was given to the Mediterranean area and a great deal of ITPO activities was directed to the Mediterranean network. The IPUs became bridgeheads of the ITPO in the respective countries and the ITPO became the Italian hub of this network, orientating the strategic development of the IPUs, providing them with technical assistance and serving them operationally.

The present evaluation covers only the ITPO and cannot do justice to the merits of the IPUs and their close interaction with the ITPO. However, it is widely recognised that the IPUs have been instrumental in implementing the credit lines. All of them spent considerable efforts to make this implementation as effective as possible and to overcome problems.

It is also widely recognized that a number of implementation problems existed, many of them resulting from the complex interplay between applicant companies, local Authorities, local banks and the local DGCS units on the side of the target country and the companies delivering the equipment, the ITPO, the DGCS, the development banks and various control instances on the Italian side.

The problems discussed at a meeting between local banks and local Authorities organised by the IPU Egypt in September 2002 illustrate these difficulties:

- Limited information about the facility among potential users and need for specific training of bank officers;

- Need for an information facility in Italy in order to clearly explain the procedures;

- Delays of investment decisions due to the long processing time for official paper handling;

- The fixed interest rates that are supposed to be ‘soft’ are actually higher than the equivalent market rates;

- Local banks are reluctant to accept the foreign exchange risk.

The meeting raised also the issue that a number of credits ended up in a stalemate because of controversial appraisals of the respective credit by the bank (looking after bankability) and the IPU (looking after developmental criteria). This practical situation on the ground reflects precisely the DAC recommendation mentioned above to avoid ‘dual purpose’ instruments.

The contributions of the IPU Egypt and of the ITPO were instrumental to convince both Governments to introduce a number of improvements into the revised Financial Convention signed at the end of 2005. However, it remains to be seen whether a turnaround will occur in the decline of applications for the credit line encountered as a result of the above-mentioned problems.

Over time and to variable degrees the IPUs expanded their initial role considerably into other areas such as strengthening the capacity of their local host organizations, sector and cluster studies and initiatives, assistance to local SMEs with developing and formulating investment projects and fostering joint ventures and other forms of industrial cooperation.

In this respect the ITPO and the IPU Egypt also initiated an interesting and innovative type of ‘public private partnership’. This project concerned the cooperation between the company Snaidero, one of the largest Italian manufacturers of furniture, and the IPU.

During 2005 and 2006 the IPU hosted six staff members of Snaidero's consulting branch who assisted 26 Egyptian companies with preparing individual restructuring and modernisation projects. The studies were carried out successfully although no records on results and client satisfaction are available. The project seems to have encountered certain problems with a perceived 'double identity' of the experts. It is in UNIDO's interest that its experts be perceived as entirely neutral and not biased by any company interest. Quite clearly, similar problems occur in many public private partnerships and should not prevent UNIDO from experimenting with this type of ventures. However, the ample expertise at UNIDO with handling this delicate balance of interests in the framework of its CSR projects has not been mobilised in the present case.

In another case interaction between the IPU, the ITPO and UNIDO HQ has been more successful. The three parties developed, in close cooperation with the Italian Government, a highly innovative project entitled "Traceability of Agro-industrial products for the European Market" that is funded under the Italy/Egypt debt swap facility. The project has been fully operational since July 2004 with the establishment of the "Egyptian Traceability Center for Agro-Industrial Products for the European Market (E-Trace)". Project counterparts are the Ministry of Industry and Trade and the Horticulture Exporters Association with a high degree of ownership.

Conceptually the E-Trace project is highly relevant since it helps overcome a Technical Barrier to Trade in an important sector of Egyptian Exports. The project has established the technical basis for adopting new norms and standards and provided institutional exposure to technical personnel in two target export markets (UK and Italy). E-Trace is a good example that it is indeed possible to mobilize synergies between the competences available at UNIDO HQ (in this case the Trade Capacity Building branch) and the ITPO/IPU network.

Promotion of Industrial Investment Projects

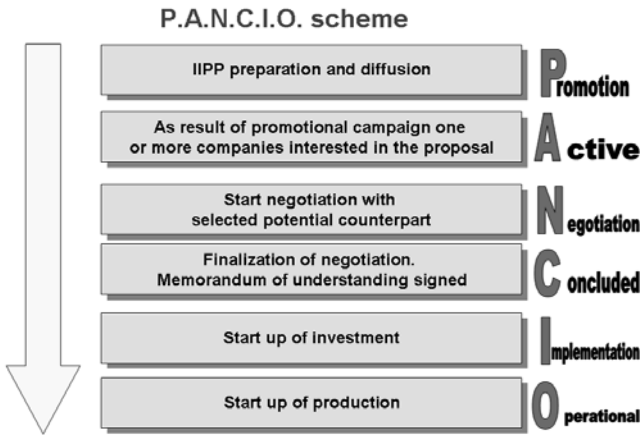
The project document defines as the first 'immediate objective' of the ITPO *to mobilize resources (finance, technology, know how, managerial support, etc.) from Italy to developing countries and countries with economy in transition.* The first expected output contributing to this objective is *an up-to-date database of enterprises willing to consider a business venture with partners in a developing country or in a country with economies in transition, or to provide inputs for such a venture*.

In the standard ITPO method such ventures take the form of so-called Industrial Investment and Technology Projects (IITPs). A substantial portion of the overall efforts of any ITPO is dedicated to generating and accompanying IITPs through their life cycle.

The IITP life cycle management and database

Once a project is recognised by the ITPO, by an IPU or by UNIDO HQ as a good investment opportunity, the ITPO attributes an IITP code and introduces it into its project database where it is monitored throughout the different stages defined under the so-called PANCIO process.

Figure 1.- The PANCIO scheme



When assessing investment opportunities ITPO experts must verify:

- the nature of investment (commercial vs developmental dimension);
- the technical and financial feasibility of the project;
- the potential interest from a counterpart.

To track the stages of a project throughout its life cycle the ITPO Italy uses the 'PANCIO' scheme, which is embedded into the Database for Investment Promotion Programme (DIPP) mentioned in the IPS manual of 1996. Similar to the tools and methodologies of other ITPOs the Italian PANCIO method is affected by a number of weaknesses:

- A standard method or criteria that would allow pre-assessing the quality of investment opportunities in terms of both success potential and developmental spill-overs, such as technology transfer, environmental effects or job creation does not exist.
- The project code identifies the target country of the project but does not allow tracing back its origin and hence its degree of demand orientation. A project supposed to take place for example in Egypt may well originate from an investment idea of an Italian company. In the Mediterranean countries with an IPU, however, it is almost always the IPU that identifies investment opportunities.
- Projects are defined to be concluded once the partners have signed a memorandum of understanding. However, experience shows that a large number, if not most, of the 'concluded' projects are not implemented and will never become operational. Therefore the reported investment and job creation figures, which rely on concluded projects, are heavily inflated. No mechanism exists by which the actual investment and even less its developmental effects are systematically assessed on an ex-post basis.

Evolution of the number of IITP projects

The following table and graph report the breakdown of projects under promotion per country during the evaluation period. Countries with an IPU are marked in grey.

Table 10

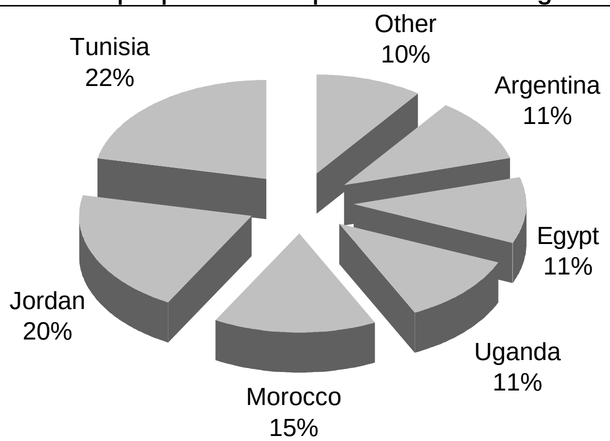
Breakdown of projects under promotion for target countries

Countries	2003	2004	2005	2006	Total
Argentina	26	35	19	19	99
China		18	14	23	55
Egypt		26	41	35	102
Equatorial Guinea				1	1
Jordan	30	33	69	57	189
Mexico				5	5
Mongolia				9	9
Morocco	14	54	47	29	144
Tunisia	88	30	31	53	202
Uganda	35	44	16	11	106
Serbia and Montenegro				51	51
Uruguay				22	22
Venezuela				1	1
Total	193	240	237	316	986

Source: IITP database and Activity Reports 2002-2005.

The number of projects under promotion considerably increased in the period under examination: from 193 in 2002 to 316 in the year 2006. The importance of the IPUs network is confirmed by the fact that most of the projects are coming from countries with an IPU (75% over the period).

Graph 3
Breakdown of projects under promotion for target countries



Source: IITP database and Activity Reports 2002-2005.

The picture changes when the focus is shifted from ‘projects promoted’ to ‘projects under negotiation’. The number of projects under this category shows a significant downturn in 2003 and 2004 and a steep increase in 2005 and 2006.

Table 11
Breakdown of projects by status per year

Project status	2002	2003	2004	2005	2006	Total
Promoted	559	193	240	237	352	1581
Negotiated	92	41	61	81	130	405
Concluded	79	34	24	20	36	193
Operational	22	27	26	9	9	93

Source: IITP database and Activity Reports 2002-2005.

A similar decrease can be observed for concluded, implemented and operational projects but without a significant increase in the most recent years: 36 projects concluded in 2006 against 79 in 2002 (-59%); 9 projects operational in 2006 against 22 in 2002 (-59%).

These figures allow calculating success rates, between concluded and promoted / negotiated projects. The trend of this success rate is negative: from 14% in 2002 to 10% in 2006 for the first indicator, and from 86% to 25% for the second one.

Table 12
Success rates of project promotion

Status	2002	2003	2004	2005	2006
Concluded/Promoted	14.1%	17.6%	10.0%	8.4%	10.2%
Concluded/Negotiated	85.9%	82.9%	39.3%	24.7%	27.6%
Operational/Negotiated	24.0%	65.8%	42.6%	11.1%	6.9%
Operational/Promoted	3.9%	14.0%	10.8%	3.8%	2.5%
Negotiated/Promoted	16.4%	21.2%	25.4%	34.2%	37.0%

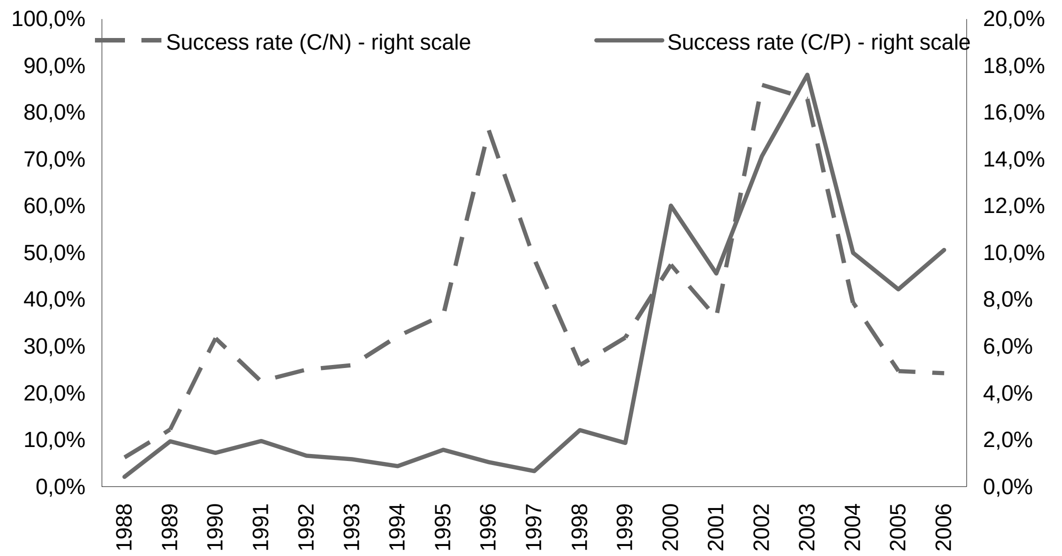
Source: IITP database and Activity Reports 2002-2005.

Moving from ‘concluded’ to ‘negotiated’ and ‘operational’ projects, it becomes clear that the real success rates of investment promotion are extremely low bearing in mind that under the PANCIO terminology a concluded project is not more than an intention. Only a minimal fraction of the promoted projects becomes actually operational. Calculated in these terms the success rate of the ITPO has come down from 14% in 2003 to 3.8% in 2006. This steep negative trend is caused by the declining attractiveness of the credit lines, the negative trend for operational projects (9 down from 27) and the positive trend for projects promoted (316 up from 193). In an optimistic view the latter positive trend may lead to an equally positive trend for negotiated and ultimately for operational projects in the coming year.

Longer term trends

An analysis of these success rates over a longer period of time puts the current performance of the office in a longer-term perspective.

Graph 4: Evolution of success rates (1988-2006)

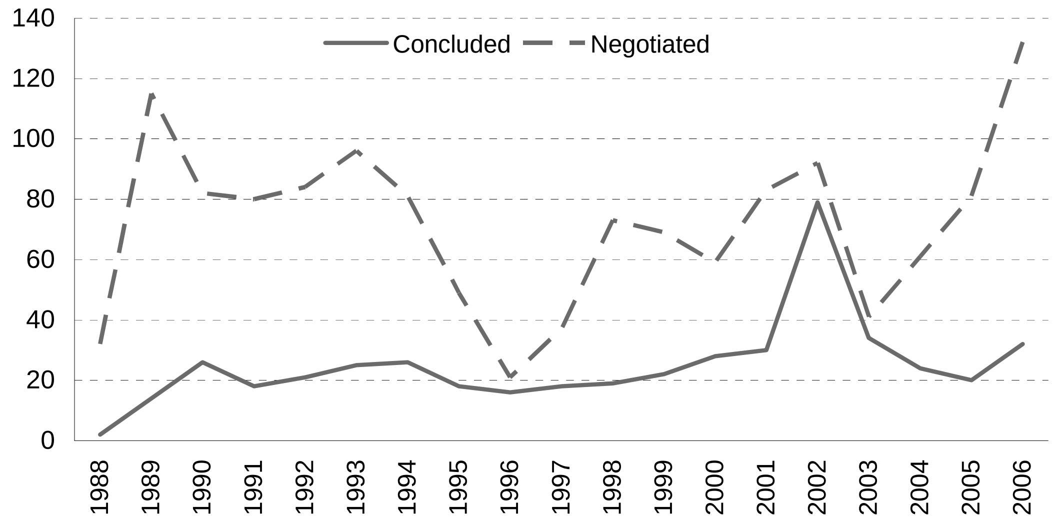


Source: IITP database and Activity Reports 2002-2005.

The above graph shows the success rates for the period 1988 to 2006, measured in terms of the two ratios concluded/negotiated projects (left scale, dashed line) and concluded projects/projects in promotion (right scale, continuous line). It demonstrates a significant negative trend for both success rates since 2003, with a certain recovering in 2006. The ITPO considers that a ratio of negotiated to promoted projects would be a fairer efforts/output measure. The last row in table 12 shows that this ratio increases significantly over the years under consideration.

The following graph provides an insight into the underlying absolute figures of concluded and negotiated projects. While the number of negotiated projects increases since 2003 the number of concluded projects remains almost stable. Reading these figures the caveat mentioned above should be borne in mind that a large proportion of ‘concluded’ projects does not become operational.

Graph 5: Number of projects concluded and negotiated (1988-2006)



Source: IITP database and Activity Reports 2002-2005.

The decrease of the success rates may be due to a number of factors:

- Weakened know how of the ITPO in terms of investment promotion and financial analysis due to the high turnover of staff following the geographical move of the ITPO and the change of management.

- The two facilities of the MAE managed by the ITPO (credit lines and joint venture facilities) are less appealing to companies.

- Reduced usefulness of the IPUs and weakened relationships with them; the latter trend may further increase with the transfer of the coordination of the IPU network from the ITPO to the UNIDO HQ.

The developmental impact of IITPs

For an ITPO the bottom line for ultimate success is not the number of projects promoted but developmental impact achieved. However, this impact is difficult to assess. The two indicators used under the ITPO methodology to measure effectiveness are the amount of investments generated and the number of jobs created. These two indicators are collected by all ITPOs, but they are to be read with the following caveats in mind:

- Figures collected at the conclusion stage are based on self-declarations of the partners and hence represent mere indications of intentions;

- Figures for a given project may vary over its life time and the initial self-declaration of partners could change once the project has become operational;

- Not all projects that become operational are known to the ITPO because a certain number of companies chooses not to disclose the actual figures.

In terms of investments generated, the intentions at the conclusion stage fluctuate between 27 and 206 million USD depending on the year while the operational investments vary between 12 and 70 million USD. For both figures trends over the last three years are positive. On average about 50% of the intended investment volume seems actually to materialize.

Table 13
'Investment generated' in *USD Millions*

	2002	2003	2004	2005	2006	Total
Concluded	206.32	27.22	48.73	57.18	65.85	405.30
Operational	57.31	69.71	12.57	25.92	45.75	211.26

Source: IITP database and fact-sheet and self-assessment 2002-2006.

In terms of jobs created the situation is less clear as shown in table 14.

Table 14
Number of 'jobs created'

	2003	2004	2005	2006	Total
Concluded	962	865	929	1,650	4,406
Operational	313	428	23		764

Source: Fact-sheet and self-assessment 2002-2006.

Intentions to create jobs seem to be about six times as high as the actual achievements. Compared with the figures for investments generated it is clear that the projected estimations for numbers of jobs tend to be much more optimistic than those for investments. In addition, the huge fluctuations encountered seem to indicate that these figures are subject to important uncertainties and should be used with care.

The presumed positive impact on job creation of FDI in general and investment promotion in particular is a cornerstone to demonstrate relevance and effectiveness of the ITPO network as a whole and of every single ITPO. The methodological weakness of the job creation indicator is therefore dramatic.

General promotional activities

Fairs, business missions, workshops

The ITPO is very active in participating in and organising such promotional events. Most respective targets of the work programmes are reached.

The Table 15 below[19] shows the geographic origin of the companies assisted by the ITPO for their participation in fairs and similar events.

The figures indicate a strong increase in the number of countries targeted by the ITPO (from 7 in 2003 to 15 over the last two years, mainly due to the participation in the ALINVEST programme) as well as three remarkable features:

- The constant attention of the ITPO to some "historical clients" of the office: Argentina, Egypt, Jordan, Morocco, Tunisia.

- An increased attention for certain countries depending on other ITPO activities with the same country in the same year: China and Mexico in 2004 (presence of a delegate); Uganda 2003 (same as above); Uruguay (somehow a similar case, with the Delegate arriving only in 2006); Serbia (effects of the "Serbia project").

- The sporadic attention given to certain countries in only one year (Armenia, BiH, Lebanon etc).

Table 15
Participation to fairs - companies assisted

	2003	2004	2005	2006
Argentina	X	X	X	X
Armenia			X	
BiH		X		
Brasil				X
Chile				X
China		X	X	
Colombia				X
Ecuador				X
Egypt	X	X	X	X
India				X
Italy	X	X	X	X
Jordan	X	X	X	X
Lebanon			X	
Mexico				X
Morocco	X	X	X	X
Peru			X	X
Serbia			X	X
Senegal			X	
Tunisia	X	X	X	X
Turkey			X	
Uganda	X		X	
Uruguay			X	X
	7	8	15	15
Foreign Companies assisted	NA	NA	225	184
Italian Companies assisted	NA	NA	58	241

[19] Source: our elaboration of data provided by the ITPO

Despite divergent modalities of reporting that affect negatively the quality of time series, it should be noted that the number of foreign companies assisted in 2006 decreased considerably (-18%) in relation to those assisted in 2005, while the number of Italian companies assisted in 2006 was more than four times higher than in 2005. The focus of this promotional activity has been shifted dramatically to Italian companies.

Another promotional activity is the organisation of study tours to Italy by foreign delegations. The relatively small number of tours organised does not allow the identification of significant trends. It is noticed favourably that the same synergetic effects commented above is registered also in this case, with particular regard to the two activities "Delegations to Italy" and "Participation to fairs" (details provided in Table 16).

Table 16

"Foreign" delegations to Italy

	2002	2003	2004	2005	2006
Argentina				X	
BiH			X		
China	X			X	X
Egypt			X	X	X
El Salvador					X
Honduras					X
Jordan				X	
Morocco	X			X	
Palestine	X				
Peru				X	
Tunisia		X		X	
Uruguay				X	
Total Number of Delegations	3	3	2	10	4

The number of participations of the ITPO in seminars and country presentations fluctuated heavily as shown in Table 17. From 46 events in 2002 this figure came down to 15 in 2003 and 21 in 2004. Since 2005 a steep increase occurred: 58 in 2005 and 63 in 2006. The number of countries and geographic areas covered by presentations is now higher (17 in 2006) than the initial number of the year 2002 (12). However, there seems to be an attempt of the ITPO to avoid a possible dispersion of efforts as demonstrated by the ratios number of presentations / number of target areas, which remains stable.

Table 17
Seminars and country presentations

	2002	2003	2004	2005	2006
Argentina	X	X	X	X	X
Armenia				X	
BiH			X		
China	X	X	X	X	X
Croatia			X		
Ecuador					X
Egypt	X	X	X	X	X
Equat. Guinea					X
India				X	
Jordan	X			X	X
Kenya	X				
Lybia	X				
Mexico					X
Mongolia					X
Morocco	X		X	X	X
SCG				X	X
Sri Lanka					X
Tunisia	X	X	X	X	X
Turkey				X	
Uganda	X			X	X
Uruguay					X
Vietnam	X				
Africa				X	X
Eastern Europe				X	
Latin America				X	
Mediterranean region	X		X	X	X
With general focus	X	X	X	X	X
Number of presentations	46	15	21	58	63
Number of target areas	12	5	9	16	17
Presentations/target areas	3.83	3.00	2.33	3.63	3.71

Publications

Although not explicitly mentioned in the work plans as one of the objectives of the ITPO, the office produces an increasing number of papers related to a variety of subjects. The respective figure literally exploded from two to four studies between 2002 and 2004 to 33 and 22 papers in 2005 and 2006 respectively.

The nature of the papers varies: case-studies; instruments for the support of specific projects such as different studies on the tyre sector in a number of countries; or thematic studies such as studies on debt swap and on modalities of access to financial instruments.

The bulk of the publications is devoted to investment and country guides (69% of the studies produced in 2005 and 2006). A large number of the guides written in 2005 were produced under the 'Special Programme for Africa' (26 papers, 79% of those prepared in 2005). The quality of these guides is generally very good but most of them seem to be a duplication of efforts of other organisations. A large number of similar guides already exists, most of them available for free from the Internet. In order to facilitate access to this existing wealth of information from trustable and verified sources, UNIDO and MIGA launched a few years ago the IPANET project (http://www.ipanet.net/), which provides free and structured access to investment and country guides for a large number of economies in development or in transition. All countries for which the ITPO produced an investment or a country guide are already included in the IPANET system[20]. The number of guides and thematic papers available for the countries for which the ITPO prepared a guide spans from about 30 (Mauritania) to about 130 (Tanzania).

Most ITPO studies were not printed, published, promoted and circulated systematically but rather used as promotional support material distributed to the public on the occasion of public events. No systematic dissemination strategy seems to exist and none of the papers is published through the website of the ITPO. In this sense, only a small fraction of these papers can be considered as "publications". This may also explain the steep increase of publication numbers, as the previous ITPO management may have adopted a different definition of "publications". An important number of papers produced by the ITPO are project reports, the inclusion of which among the publications of the office does not seem adequate. On the other hand, several publications, such as an investment guide for Serbia have been printed in high numbers, high (expensive) printing quality but only in Italian language.

In general, the publications of the ITPO Italy are presented as UNIDO publications. However, no procedure seems to be in place by which the UNIDO HQ checks the quality and policy relevant content of these publications. As a result UNIDO as an organisation is exposed to considerable risk.

Website

In addition to its presence on the general UNIDO website the ITPO Italy owns and maintains its own dedicated website (www.unido.it) providing general information on the activities of the ITPO and on some of its specific projects. The website is not officially approved by the HQ and the ITPO feels that guidance provided is insufficient and contradictory. The website is widely publicized by the ITPO and its address is included in most of the printed material.

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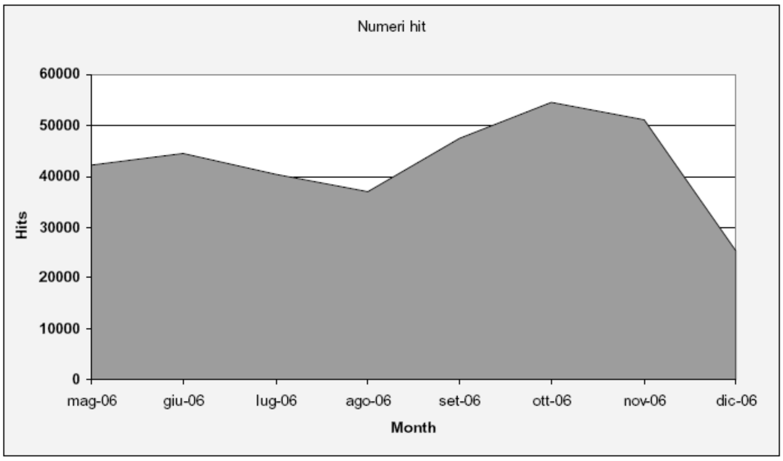
[20] The system, passing under the full control of the WB Group, is now moving to its new location www.fdi.net, and a specific address is available, still for free, for the same scope of the previous Ipanet project (http://www.fdipromotion.com/)

Access statistics are available since May 2006 but unfortunately they measure mainly hits and not unique visitors. Te number of hits is shown in graph 6.

Graph 6 - Statistics access www.unido.it



Source: ITPO Italy

Based on these statistics it is difficult to guess the number of unique visitors but a conservative estimation comparing the total number of hits and the hits per page indicates an average number of unique visitors per month between 6,000 and 10,000. This figure would be remarkable, taking into account that the site is almost exclusively in Italian. Only two out of the 34 pages of the first three levels are in English.

The restriction to Italian language makes it virtually impossible for potential users outside Italy to consult the website. Furthermore, this language policy is in contradiction with UN rules and affects the image of UNIDO, which might appear to visitors (despite the correct presentation of the UNIDO mandate on the website) as an organization supporting outbound investments exclusively from Italy to developing countries.

As stated by the ITPO, the website is mainly addressed to Italian companies willing to invest abroad. As it emerges from the on-line survey carried out under the present evaluation, the ITPO website is one of the less appreciated services provided by the ITPO (see chapter 6).

The delegates programme

During the evaluation period the ITPO hosted eight delegates (2 delegates per year on average). Despite the impressive track record of the Office with hosting of Delegates in previous years this operation slowed down since 2003 and then came to a complete halt (one incoming delegate in 2003, none in 2004 and 2005). The programme re-started in 2006 with three delegates, all of them for a very short period of time.

Graph 7 shows the presence of these delegates at the ITPO.

Graph 7 - Hosting of Delegates

Three different types of stays emerge from the analysis:

- Delegates of a medium-to-long duration of stay. They are the first three delegates hosted by the ITPO, heritage of the previous management. Their stay spans from 12 to 22 months.

- Delegates of a very long duration of stay. Also these delegates are a heritage of the previous management but the current management has extended their stays. The duration of these stays spans from 33 to 40 months.

- Delegates of a very short duration of stay. They are the three most recent Delegates, hosted under the present management, for durations between one and four months.

Regarding the geographic origin of Delegates, the constant presence of an Argentinean delegate over several years (two Delegates one after the other) is remarkable. This continuous presence reflects the attention paid by the ITPO to the promotion of projects with Argentinean businesses. The hiring of one of the delegates contradicts however the capacity building rationale behind the programme, intending the return of delegates to their home organisation after the end of a medium-term stay at the ITPO.

Compared with the delegates programme of the ITPO Paris (three delegates per year), the programme of the Italian ITPO is less developed and variable over the period, with a recent trend that seems to favour very short stays. This policy is similar to the ITPO Tokyo but different from the successful practice of the ITPO Paris that gives preference to stays between 6 and 12 months, with repeated short-term missions.

The relationship between the Italian ITPO and its ex-delegates after their return home seems to be much weaker than in the case of Paris. The response rate for delegates hosted by the ITPO Italy was 43%, which is considerably less than the 90% registered for the delegates of the ITPO in Paris.

All targets for the hosting of delegates set in the work programmes 2002/2003 to 2006 were missed:

- Biennium 2002-03; target 6 Delegates. 4 new Delegates hosted.
- 2004; target 3 Delegates. No new Delegates hosted.
- 2005; target 5 Delegates. No new Delegates hosted.
- 2006; target 5 Delegates. Three new Delegates hosted.

The comparison of these figures with the 58 Delegates hosted during the period 1987 to 2000 (4.14 Delegates per year) shows a dramatic decrease of the use of this instrument. The inversion of the trend registered in 2006 leaves space for a cautious optimism about a greater commitment of the ITPO to use this important instrument.

The "Serbia project"

Under the short name "Serbia project" the project IE/GLO/04/ITA – IP Serbia is carried out by the Italian ITPO (as executing Agency). The project was financed by the Ministry for Foreign Affairs (under the Italian Law 84/2001), the Regione Lazio and the Province of Bologna. Partner Organisation is the Serbian Agency for the development of SMEs and Entrepreneurship (thereafter: SME Agency). The overall budget is 1,096,084 Euro, of which 769,834 were contributions in cash and the residual 326,250 were provided in kind.

Project activities started in February 2005, the deployment of the experts to Serbia in April, a Memorandum of Understanding was signed in June, but the project document was only signed in August 2005 by the Head of the ITPO and the Director of the SME Agency. None of the documents was counter-signed by UNIDO HQ, however UNIDO HQ had been informed of the existence of the project since the negotiation phase. Project activities are due to be finished by the end of January 2007.

The overall scope of the project is to provide support to the SME Agency; however, a clear identification of all project components is not possible due to inconsistencies of the project document. Page 14 of the document mentions the following components[21]:

1. SME Development support
2. Internationalisation of local enterprises
3. Training, Research and Innovation

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[21] The Project Document defines them as "Project Activities".

4. Regional planning

To these project components shall be added an “Integrated Information System for SMEs” (IIS SMEs), which is described as one of the key objectives in the project document even if it is not explicitly mentioned as a component.

Other components are mentioned in different parts of the project document, such as a pre-feasibility study for fostering the access to finance of Serbia SMEs and pilot projects.

The budget is allocated to six different project components, which are partly different from the components in the Project Document:

Table 18

Component	In cash contributions	In kind contributions
ICT upgrade	85,000	-
Training activities	163,085	188,000
Conferences / workshops	29,500	41,250
Stages	23,400	85,000
Overall coordination	62,890	-
Project management and logistics	369,300	12,000

The architecture of the project includes a Support Unit (SU) in Belgrade, located at the SME Agency, backed by a Backstopping Unit (BSU) at the ITPO in Rome. According to the plans, the Support Unit, staffed by project personnel and staff of the SME Agency, had the task to work in the areas of “capacity building, project administration, investment promotion, reporting, local coordination and financial support”. The BSU had the task to “coordinate the activities among the parties and collaborate with the SU in the project implementation.” Both Units were established.

An ITPO expert was assigned on a part-time basis to the post of a “backstopping officer” in Rome but these efforts did not add up to the planned in kind contribution of the ITPO of 24 months. Similarly, there is no evidence that the planned inputs of 24 months to be provided in kind by Regione Lazio to the BSU were actually provided. Additional supporting resources, provided by the ITPO on case-by-case basis, were funded under the project budget.

Although the project document foresaw for the SU the task of “financial support”, the SU was not entrusted with budget management but this task was carried out by the ITPO. The SME Agency did not have insight or control of the financial management of the project.

In November 2006 the ITPO changed the Director of the SU without justification or formal communication to the SME Agency and the Backstopping Officer (replaced in January 2007). The SME Agency regrets its non-involvement in the selection of the first Director of the SU, while acknowledging its participation in the selection of the present SU Director.

In August 2006, upon the request of the SU Director, a short evaluation of the project was carried out 'for free' by the Norwegian firm "Entranse" that provides assistance to the SME Agency on behalf of the Norwegian cooperation.

Over the implementation period, the project largely redefined its focus, dropped planned activities and included others that were not foreseen. There is no evidence suggesting that these changes were agreed with the UNIDO HQ.

The following table reports the main evaluation findings:

Table 19

Areas of activity	Findings
Training events	This component groups activities originally planned under the components "Training activities" and "Conferences / workshops". The Project Document foresaw the delivery of training to staff of the SME Agency and to Serbian entrepreneurs. A series of events were organised, primarily targeting the staff of the Agency, its regional network and national administrations, with some SMEs participating also to the events. Lengthy negotiations were carried out with the Italian firm "Intesa Formazione" for a series of training modules targeting SME entrepreneurs, but no agreement was found. This initiative was then dropped, but no alternative solutions were planned so far. A training session on COMFAR for staff of the SME Agency was planned by February 2006 but not yet delivered at the end of January 2007.
Internship trainings	A specific budget was set aside for internship trainings in Italy for staff of the SME Agency and of the regional agencies, but no respective activities were executed or planned. The SME Agency reports that they requested several times the organisation of such internship trainings, but the ITPO had answered that the internships could not be carried out because the budget was already allocated to other project activities.
Investment fora	This component was not foreseen in the project document but included in mid 2006. Its main results (apart from several country presentations in Tuscany) were two widely publicised investment fora in Bologna and Rome in October 2006. These events coincided with an official visit in Italy of the Serbian Prime Minister, contributing to a

	favourable media coverage in Serbia. 32 Serbian SMEs selected by the SME Agency, the SU and the BSU participated in the events in Bologna and Rome, together with a total of 252 Italian companies (138 in Bologna, 114 in Rome). Participants were satisfied with the events (in particular the one in Bologna). In the meantime nine investment projects are under negotiation and three have been already concluded.
Architecture conference	A three-day conference was organised in Belgrade in April 2006 on "Business, architecture, Design", with the collaboration of several Italian institutions and the sponsorship of five medium to large Italian businesses. The event was chaired and promoted by a private bureau of architects based in Rome. The conception and organisation of the event (which was mentioned in the project document) did not involve the SME Agency, which regrets this fact and objects to using the project budget for activities that it considers not to be directly related to the scope of the project.
Information system	The purpose of the system is to improve communication and sharing of information between the central office of the SME Agency and its regional offices. The component is of key interest for the Agency. Planning foresees the development of a specific software application and procurement of dedicated hardware, both of them to be put on tender. The estimated budget seems to underestimate the cost for system analysis, design and development, while the cost for hardware procurement and installation seems to be over-estimated. The estimated realisation time of nine months for this component appears to be optimistic given the complexity of the application to be developed, the variety of data sources, the 24/7 requirement, and the envisaged use of the application by multi-located users. The component was planned to be launched right at the beginning of the project but this intention did not materialize due to the late disbursement of the budget by Regione Lazio (made finally available in March 2006) and difficulties in identifying a tendering procedure that was consistent with both UNIDO and Serbian tendering rules. Assuming that an appropriate procedure can be found it is noticed that the conclusion of the tendering procedure and hence the installation of the system would occur after the end of the project. This will imply, inter alia, that no staff of the SU will be in place to coordinate and monitor the installation and roll-out of the system. It is difficult to accept that the identification of a suitable tendering procedure could take two years (about 10 months from the budget availability) as a contractual and budgetary solution acceptable to all

	parties has still not been found.
Pre-feasibility study to foster credit funds for SMEs	There is no evidence that this planned activity has been executed.
Pilot projects	There is no evidence that this planned activity has been executed.
Project car (not a project component)	The purchasing of a vehicle for the project was planned, and 19,000 euro set aside for this purpose. It was planned that the Administrative assistant of the SU would also act as project driver. Even if there is no mention of this in the project document, the SME Agency expected that after the end of the project the vehicle would have remained with them. However, no car has been bought.

There is evidence suggesting that the project was affected by recurrent problems in communication between the SU and the SME Agency and between the latter and the ITPO: the SME Agency expresses regrets that they were not involved in the strategic orientation of the project and perceived the style of work as not participatory. The Agency regrets furthermore the lack of communication with the previous Director of the SU and perceives his reported sporadic presence at the office as one of the causes why dialogue has been difficult at times.

There is evidence suggesting that no sufficient efforts were made to coordinate with other Technical Assistance activities being carried out in Serbia by different organisations, and particularly with those financed by "Cooperazione Italiana"[22].

The project was affected by an unclear and inconsistent project document. It was conceived and managed by the ITPO in large autonomy from the UNIDO HQ and without formal reporting to some of the donors.

The partial redefinition of the objectives of the assistance during its operation allowed including an investment promotion component, which was overlooked in the project planning. This component matched well with the competencies of UNIDO and the scope of the ITPO and was particularly successful.

The further project components were affected by partial delivery of outputs (training) or were not carried out at all. The late launching of the tenders for the IIS SMEs via UNDP, if successful, will create problems in coordination and monitoring.

The residual budget would allow carrying out some of the activities that are not yet completed (to be agreed upon with the SME Agency and according to the budget

[22] In 2005, several projects worth about 90 millions of Euro financed by the Italian Cooperation schemes were running in Serbia; of these, a credit line of 33 millions for the SME sector promotion.

availability), under the coordination of the present SU Director; this requires a series of contractual extensions, to be organised as a matter of urgency.

The beneficiary institution, while acknowledging the success of the investment promotion component, regrets the delays, the missing deliveries of important components of the project, and the style of management adopted by the ITPO. Overall, it considers the project as an experience not worth to be repeated and does not envisage collaborating with the ITPO Italy in future.

The "Special Programme for Africa"

The so-called "Special Programme for Africa" (IE/GLO/04/ITA – IP Africa) was initiated, developed and planned upon request of the Italian Government. It encompasses an ambitious and wide ranging cooperation between the ITPO and the MAE (DGCS) based on an 'Agreement between Italian Cooperation and UNIDO ITP Italy'. The Agreement was signed in March 2005 by the then Director-General of the DGCS and the current Director of the ITPO, without previous submission to the ITPO coordination unit at UNIDO HQ and to the legal service of UNIDO.

The Agreement explains in its preamble that the *"Italian Cooperation may experience shortages of human resources in areas of competence of the ITPO"* and defines the scope of the collaboration as follows:

> *"Background research, drafting of papers and positions relating to the G8 Africa Summit, and the positioning of Italian entities (firms, banks, other commercial or non-profit organisations, Italian Regions, Municipalities, etc) in relation to development finance from Italy, the European Union, and International Financial Institutions in which Italy participates, and UN Bodies and Specialized Agencies which Italy supports."*

The Agreement argues that there is no need to define activities *"since the scope of the Agreement can be widened or restricted by joint decisions"* nor to fix the budget *"as only the actual needs of the Parties and the actual costs of the tasks contemplated and eventually agreed will define the content of the Agreement and its costs or budget."*

Under the heading "Employment of consultants" the Agreement stipulates that consultants *"will be hired and supervised by the ITPO"* although the *"actual functional supervision may often be shared in the sense that while the consultants may report to or interact in some ways with senior staff of Italian Cooperation, they will formally report to ITPO and remain under its administrative purview."*

Under the heading "Disputes" the Agreement underlines that *"it is unlikely that any disputes can arise"* and that *"there is no possibility of disagreement."*

A "Draft Special Programme for Africa" and a "Draft Project Concept on Economic and Business Reporting" are mentioned as "Examples of the work to be performed under the Agreement". With regard to the former a draft outline comprising two and a half pages is attached, which defines three main areas of work:

- Policy dialogue (support to be provided to the Italian G8 Personal Representative for Africa of the then Prime Minister in connection to several high level missions abroad, including participation in Congo Basin Heads of State Summit of Brazzaville, holding of Cooperation Seminar in Tunisia, official visits to World Bank Headquarters);

- Project development in the framework of the 'Treasure the Congo' initiative of the COMIFAC and an "innovative Investment Climate Enhancement for the Community of East Africa";

- Investment promotion, inter alia through the organisation of a high profile investment seminar in cooperation with the World Bank.

The draft outline estimated the cost of the initiative to be around 600.000 to 700.000 euros.

In April 2005 the same outline paper became the project document of the "Special programme for Africa", however with an expanded budget and a renaming of the 'investment promotion' component into 'General services'.

A project document describing objectives, outcomes, outputs and activities in line with UNIDO rules does not exist. The budget break down attached to the outline reads as follows:

Table 20

Component	Job titles of consultants	Budget
1. Policy dialogue	International relations; assistants and secretaries	150,000
2. Project development	Financial analysts; EuropeAid programmes experts	282,750
3. General services	Ad-hoc consultant fund; journalist training; secretary; travels and workshops	607,101
4. Insurances	-	3,000
5. Overhead (5%)	-	52,148
Total	-	1.094.999,00

The second line of action under the Agreement advanced from the initial idea of a "Draft Project Concept on Economic and Business Reporting" into a project "Master of Arts in Economic and Business Journalism – Training Iraqi and Jordanian journalists to support local FDI attraction dynamics and technology transfer". As compared to the Africa project the document for this action is relatively detailed. It describes the mission of the two envisaged counterparts (Iraqi Ministry of Foreign Affairs and Yarmouk University in Jordan) and defines the project objective as follows:

> *"The objective of the project is to train and create a selected group of Iraqi/Jordanian journalists and experts in economic, business and financial issues therefore enabling the participants to lead processes of FDI attraction dynamics and transfer of technology in their respective countries."*

This objective is vague and unrealistic. It remains unclear how the project would enable journalists "to lead FDI attraction mechanisms". The project document is more detailed on activities and lists in detail a number of training tasks however without mentioning outputs or outcomes.

The project budget is fixed at 267.250 euro with 200.000 euro as a financial contribution from the Italian Ministry of Foreign Affairs and the rest as in-kind contributions from the various partners.

While the Agreement stipulated that "ITPO will report on activities and the use of funds at the end of each calendar year according to UNIDO practice", the only available report is an "Activity Report" spanning the period from April 2005 to December 2006. Unfortunately, this report is not very detailed. The following overview has been constructed on the basis of this report taking also into account information received through interviews and analysis of consultant reports as far as these have become available.

Table 21

Areas of activity	Findings
Support to the personal Africa G8 representative of the Prime Minister of Italy	Consultants working at the office of the G8 Africa personal representative of the Prime Minister; preparing reports and official visits; conducting missions; press relations; administrative support; report on Italy's contribution to NEPAD under the "G8 Africa Action Plan" (The report describes cooperation of Italy with a range of international organisations but does not mention UNIDO; outcome of this activity not documented)
Improved access of Italian firms to EU and other international development funding	Consultants working at Office VIII of DGCS; analysis of participation of Italian firms in EU programmes; training of representatives from certain 'local technical units' of the Italian Cooperation on UE financing instruments and EU developing policies in Africa; outcome of this activity in terms of improved access not documented.

Facilitating the utilization by Italian firms of Italian Trust Funds at various International Financial Institutions	Consultants working at Office VIII of DGCS; analysis of the rules and utilization of trust funds with the WB, IFAD; IADB and ADB; analysis of competitiveness of Italian firms in accessing these funds; recommendations on expanding the opportunities for Italian firms; outcome of the activity in terms of increased Italian investments not documented.
Investor guides for African countries	26 investor guides produced but not yet printed and published; the guides are comprehensive and in general of good quality; however, given the huge amount of information available to investors from the internet and other sources the relevance of these guides is questionable; no needs analysis is available; if at all useful, this activity should have been a joint effort of the entire ITPO network.
Promotion of joint ventures and investments of Italian firms in Africa and the Mediterranean	Promotion of a number of joint ventures and investments in sub-Saharan Africa; assist Italian firms with accessing the Italian credit lines in Mediterranean countries; this area of activity is a duplication of the core mission of the ITPO; unclear why it has been financed under the 'Special Programme for Africa'.
Sector study on the agro-food sector; proposal for investment policy design in Africa	No information available on the use of these studies
Strengthening UNIDO role in donor coordination for FDI promotion in Africa	Attempt to involve UNIDO in the Africa Partnership Forum (APF); in 2007 APF suggested that UNIDO join in; conference planned for the first semester of 2007.
Training journalists from Iraq and Jordan	The focus on Iraq and Jordan is not in line with the focus of the 'Special Programme for Africa'. Reference manual on FDI promotion with a theoretical part and two country descriptions has been produced; further action suspended due to the situation in Iraq.

A proper evaluation of the 'Special Programme for Africa' is not possible because of deficient planning. A project document fixing objectives, outcomes and indicators is not available. In the absence of such a planning document it might be assumed that the main implicit objective of the project has been capacity building of different Government services . Adopting such a hypothesis, this objective has been at least partially met.

Many of the 27 local consultants employed under the 'Special Programme for Africa' have been working as integrated experts within various Government services. In this respect, the project helped overcome the personnel shortages of the Italian Cooperation mentioned in the Agreement. However, due to the well-known limitations and risks of this kind of arrangements, the Italian Government decided to discontinue the contracts of all intra-muros consultants at the Italian Cooperation as of end of 2006. It is therefore not certain whether the (undocumented) results of the project with regard to capacity building will be sustainable.

The project document does not comply with UNIDO rules and the project has been implemented without a substantial role of the coordination unit at UNIDO HQ. The administrative and juridical implications of the above-mentioned Agreement and its implementation are not subject of the present evaluation and have been brought to the attention of the appropriate services at UNIDO HQ.

The planning basis for the component dealing with training journalists from Jordan and Iraq is more operational but its objective remains unrealistic and vague. Moreover, the component is clearly out of the ITPO mandate. Training of journalists is not mentioned in any ITPO document and the ITPO does not have the competence to carry out this activity as demonstrated by the fact that the Office had to outsource the writing of a manual that was supposed to become the basis of the training course.[23]

The "MinAmb project"

In February 2006 the Director of the ITPO Rome and the Director General of the Italian Ministry for Environment, Territory and Sea (MinAmb) signed the project document (IE/GLO/04/IT – MINAMB). Local counterparts of the project are the General Authority for Foreign Investment (GAFI) of Egypt and the National SME Agency (ANPME) of Morocco.

The project aims at using the IPUs to identify and develop investment projects in the environmental sector in Egypt and Morocco to be promoted by Italian investors. For the '*most interesting proposals*' technical assistance by the ITPO is envisaged.

Beneficiaries of the project are local enterprises, local counterparts (GAFI and ANPME), the IPUs and the Italian MinAmb. In particular the MinAmb is expected to have *an operational unit able to evaluate and support the design and implementation of private investment projects according to the best international methodologies for project appraisal, ensuring the sustainable development focus and guaranteeing an effective implementation*.

The project has a strong capacity building component, which foresees training sessions and methodological support to the IPUs and MinAmb on the selection and project appraisal in the environmental sector. A series of visits to the IPUs by MinAmb officials was also expected as part of the capacity building activities.

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[23] The ITPO sees this activity as complementary to the work of the JIB and the IPU Jordan. It considers two-way communications between Italy and its Mediterranean/Middle East neighbors as vital to the Italian State and thus felt that it was not in a position to refuse the Government request for this activity.

The project builds on the interest of the MinAmb in clean technologies, energy efficiency and sustainable development, in the framework of its activity of Multilateral agreements on environmentally relevant issues (i.e Kyoto and Montreal protocols). The interest of the MinAmb was especially to have direct contacts with enterprises, since its activity is currently addressed especially to institutions. In this sense the ITPO offered the best instrument for the implementation of this pilot project, in the light of a future development in raising awareness in the private sector.

The ITPO develops the Energy and Environment dimension by a series of initiatives and events, where the MinAmb project is seen as a sort of pilot that should build up a critical mass of projects on environment. Companies from all Mediterrenean countries with IPUs participated in promotional events. In this sense the project is included in a wider scope of interest regarding environment as strategic development priority.

The budget of the project is described in the Table 22 below.

Table 22

Description	Workload	ITPO	MinAmb
Project coordinator	6 month/year	In kind	
Financial expert	6 month/year	In kind	
Administrative staff	8 month/year	In kind	
Investment promotion expert in Italy	6 month/year		€ 20,000.00
Investment promotion expert in Italy	12 month/year		€ 42,500.00
Investment promotion expert in Italy	12 month/year		€ 42,500.00
Travels and tranfers			€ 20,000.00
Seminars and meetings			€ 20,000.00
Sundries	5% of total budget		€ 7,500.00
Overheads	5% of total budget		€ 7,500.00
	Total		€ 160,000.00

The project duration is two years. After a start-up period of three months (recruitment, country priority setting) the project started operating in April 2006.

Table 23

Areas of activity	Findings
Promotion of environmentally friendly investment projects	A number of events have been organised: SEP Pollution 2006: Trade fair in Italy (Padua – March 2006); Program presentation in Morocco (Casablanca – 22 June 2006); mini investment forum (Casablanca – 14/15 September 2006); program presentation in Egypt (Cairo – 18 September 2006); ECOMONDO 2006: Trade fair in Italy (Rimini – 8/11 November 2006). The project mobilized a total of 308 companies in Italy, Egypt and Morocco through events, country presentations and participations in sector specific fairs. 21 project ideas have been identified, 18 projects are promoted, seven negotiated and three are concluded.
Capacity building	UNIDO's methodology for Investment Promotion and Industrial Projects is the key competence expected to be transferred under the capacity building component. Two training sessions on the assessment and promotion of industrial investment projects were held at the ITPO premises for MinAmb officials and the Italian Institute of Industrial Promotion (24-26 May and 7-9 June 2006). A MinAmb official should be hosted in an IPU for a short-term mission, in order to be further trained on investment promotion methodologies. So far this mission has not yet been initiated. Following a request of the public electricity company of Morocco the IPU Morocco organised a training seminar on Legal Aspects and Financial Evaluation of the Projects for Clean Development Mechanisms (CDM) Developers in Morocco. ITPO provided the expertise on financial appraisal of projects and the University of Siena (Pro. Montini) provided training on the legal and contractual aspects.
Concept Papers and Other Information Material	Posters, brochures and folders were prepared for information and promotion. A concept document on the CDM in Mediterranean Countries was prepared at the request of MinAmb.

Assistance to Negotiation – Financial Evaluation of Project Ideas	Three projects were concluded, one of them to be funded under the MAE credit line (art. 6). For this project a business plan is under preparation in the IPU. No business plans are envisaged for the other two concluded projects. The IPU in Egypt develops two business plans for companies willing to use local financial support. The project recruited an Arab speaking financial analyst who provides methodological support for project appraisal. In Morocco Italian companies have been assisted in the preparation of B2B meetings and business presentations. Other activities are expected for the second year of the project, when investment projects will materialise as a result of the promotion in the first year.

After a slow start the project is now fully operational and shows good records of events and activities carried out. In the first year the activities concentrated on identifying investment opportunities in Morocco and Egypt with a significant contribution from the IPUs. In the second year a larger involvement of the ITPO and of Italian companies is expected.

After signs of under-expenditure in the first report implementation performance is now more than satisfactory. The in-kind contribution of the ITPO is mentioned in the interim report but the estimation of the use of financial expertise looks overestimated.

It should be said that, while the focus of the project is completely in line with the mandate of UNIDO in terms of promoting the developmental dimension of investment promotion, there is no clear evidence that the actual selection of projects reflects the objective of enhancing the environmental effects of investment promotion.

Despite the large emphasis in the project document on technical assistance to companies this aspect has not yet been substantially developed. This may be due to the fact that technical assistance can only be delivered when an investment project is already in a rather mature stage. However, a larger involvement of the financial analyst from ITPO Italy would have been useful even at an earlier stage.

More importantly, the project failed in mobilizing the huge experience and competencies of the various branches of UNIDO HQ that are involved in cleaner production technologies; renewable energy; Montreal Protocol and the application of the Cleaner Production Mechanism. This is one of several cases of poor communication and management coordination between the ITPO and the UNIDO HQ.

Nevertheless, MinAmb is satisfied with the preliminary project results (in terms of companies awareness raised) and the competence of the technical expert of the ITPO assigned to the project. The capacity of the ITPO to mobilise companies, its know-how in investment promotion and project appraisal and its international reputation and institutional independence are recognised as qualifying for a good partnership.

Cooperation with regional and provincial administrations

During the period under evaluation, the ITPO has increasingly embarked on cooperating with regional and provincial administrations. With a view to grasping the new opportunities of political decentralization the current ITPO management gives high priority to this new type of cooperation that has been initiated under the previous ITPO management. To date the following activities were carried out:

- Under the project UE/GLO/02/142 the FAE financed the so-called 'Decentralized Cooperation Desk in Rome', which was partly located at the DGCS and partly within the premises of Regione Lazio. The Desk project was carried out between 2002 and 2005. The project targeted companies in the Lazio Region and intended strengthening the capacities of the two public institutions involved. However, the project document and the final report of this project have not been made available, thus making proper results evaluation impossible. Evaluation evidence suggests that the capacity building efforts with Regione Lazio were not successful due to changes at the political level that occurred during the project life.

- The Serbia project is co-financed by MAE, Regione Lazio (in cash and in kind) Provincia di Bologna (in kind, only). The results of the evaluation of this project are presented in another section of this report.

- The so-called Go-Network aims to carry out a comparative survey of SME financing mechanisms in a range of Mediterranean countries and to design a unified credit guarantee system adapted to Northern and Southern Mediterranean countries. The project consortium is led by Regione Calabria and the project is financed under the EC Interreg programme. Regione Calabria contracted the ITPO for technical assistance but the ITPO withdrew from the project, reportedly due to the fact that the experts in charge of the project left the ITPO. This disruption caused about eight months of delay. In the meantime, the ITPO Marseille took over the role of the ITPO Italy in the project. Two former staff members of the ITPO Italy, now employed by other organisations, are also involved in the project.

Cooperation with other Italian entities

The following three activities are included here:

- The Network of Investment and Technology Promotion Partners in Italy. The work programmes for 2005 and 2006 mention the establishment of such a network as priority (same text for both years). The objective of the network (one counterpart per region) is the nation-wide dissemination of business opportunities proposed by the ITPO.

  This objective is to be reached by the updating of a database of industrial associations (work is on-going) and the production and distribution of a newsletter to partners to ensure a regular flow of information (no evidence of such a regular publication is provided).

There has been some progress under this project, but the yearly objectives for both years were not reached and little evidence is provided about the actual results. Twelve agreements have been signed, covering seven Regions (out of twenty) and two nation-wide organisations.

- Collaborations with local Industrial Associations. Several schemes of collaboration with local Industrial Associations have been initiated. At the operational level partners seem to be satisfied with the services of ITPO staff. However, three Associations (API Cuneo[24], Unindustria Venezia[25]; Distretto Produttivo Pesca Trapani[26]) expressed regrets about the support of the operational activities by the ITPO management, which is not up to their expectations.

  On a different note, the national Union of Chambers of Commerce (UnionCamere) clearly appreciates the recently established collaboration with the ITPO, which is mainly directed to developing business opportunities in Argentina. They underline the responsiveness of the ITPO to collaborate and look forward to further developing this promising cooperation.

Since 2003 the ITPO signed 16 collaboration agreements with Italian Universities and Research Institutes (12 of them by the new ITPO management), all of them with the "*scope of presenting UNIDO ITPO activities and experiences to the scientific communities and to integrate empiric activities with theoretical research*." While the work programme of the ITPO presents these agreements as objectives *per se* the conclusion of such agreements should be instrumental to the core business of the Office. This has been the case of the MinAmb project with the University of Siena (see above), where the collaboration with the University provided with technical assistance and scientific know-how, instrumental to the core business of the Office. However, there is no evidence that other agreements yield similar results. Some of them at least served for research projects or internships of students dealing with industrial investment promotion issues, however with no systematic approach and visible results in the core activities of the Office. The limited scope of these activities does not necessarily demonstrate the need for such a highly visible approach to cooperation.

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[24] The ITPO was involved in the organization of an API mission to Egypt. API brought several companies to the Serbia investment forum in Rome but regrets that the ITPO management was not available to explore further opportunities.

[25] It is lamented the late, verbal and negative answer to the proposal to collaborate within the frame of a Unindustria initiative in BiH, Brçko District.

[26] It is regretted the last-minute canceling of the announced participation of the ITPO management to the presentation of a project aiming to regulate through public-private partnership the very delicate issue of fishing in extra-territorial waters among Italy and Egypt. This project has been supported at the operational level by ITPO during its conception phase.

VI

Client and delegates surveys carried out under the evaluation

Information reported in the present section was gathered through two on-line surveys, one of them among client companies of the ITPO and the other among former delegates hosted by the ITPO during the period covered by the evaluation[27].

The survey among client companies

The majority of respondents were Italian businesses (68%), with non-Italian businesses (thereinafter "foreign" companies) almost evenly located in the Middle East (11%), North Africa (10%) and South America (9%). In absolute terms, an overall number of 100 client Companies participated (68 Italian and 32 "foreign" companies). More than three quarters of the respondent client companies are micro to medium enterprises (between 0 and 50 employees) and 16% were medium-large industries (51-250 employees).

The response rate was high (26%), with the non-Italian (thereinafter "foreign") companies being significantly more responsive than Italian companies (37% against 23%).

How get companies into contact with the ITPO?

The first contact of client companies with the ITPO is established in majority as a direct initiative of one of the parties (45% of respondents). The majority of these direct contacts is established as an initiative of the ITPO (30%), while the cases of companies contacting directly the ITPO count for a 15%.

"Intermediaries" between the ITPO and Companies are however important catalysers, as 37% of the clients entered in contact with the ITPO indirectly, through a Chamber of Commerce (11%), a public institution (8%), business associations, an IPA, an IPU.

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[27] The texts of the Questionnaires were prepared in consultation with the ITPOs of Rome, Paris and Marseille, which were subject to evaluation by the same evaluation team. Contacts of target respondents were provided to evaluators by the ITPOs. ITPOs were requested to disclose only the contacts of those Companies that used their services during the period covered by the evaluation, which was 2003 to date for the ITPO in Rome. Companies based in Italy and abroad were addressed the same questions, but using a mechanism that allowed to cluster the answers obtained by national and "foreign" companies. The survey was administered in December, 2006. Invitations to answer to the on-line survey were sent by email. The survey for companies was administered in English, French, Italian, and Spanish; while the survey for Delegates was administered in English, only. Detailed results of the survey are available from the UNIDO website.

Very few of the clients (about 13%) use the services of other agencies or private companies providing similar services. This percentage is almost stable among Italian and foreign companies.

Which objectives did the companies pursue?

Companies pursued three main objectives when contacting the ITPO: selling equipment, searching a suitable foreign partner and entering into a new market. The pattern of priorities given to these objectives by foreign and Italian partners is instructive.

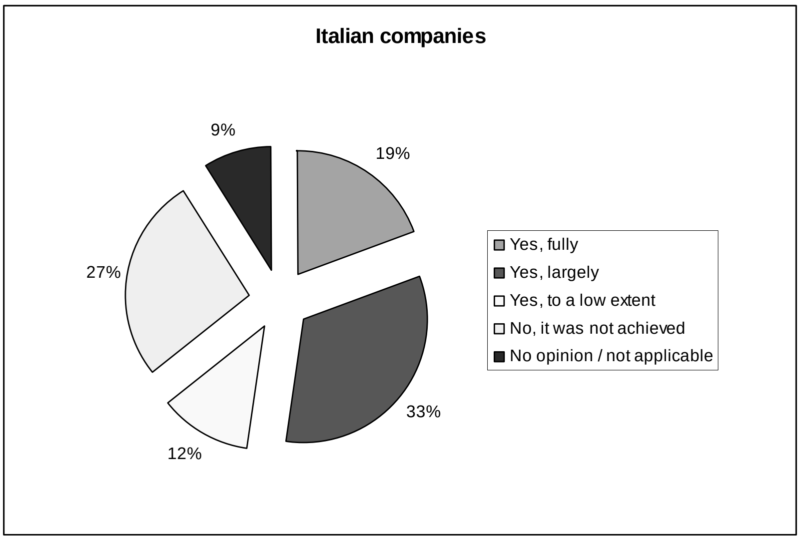
Foreign companies were much more interested in partnering than their Italian colleagues (29% against 15%). Similarly, the intention of entering into a new market motivated 26% of foreign companies against 12% of Italian companies. By contrast, the prime objective of Italian companies was sales of equipment, thus relatively commercial (27%).

Selling raw material and supplies of goods came out as lower priority objectives. Most interestingly, only a very small minority of companies was primarily interested in industrial investment: 9% of respondents (12% of the Italian respondents).

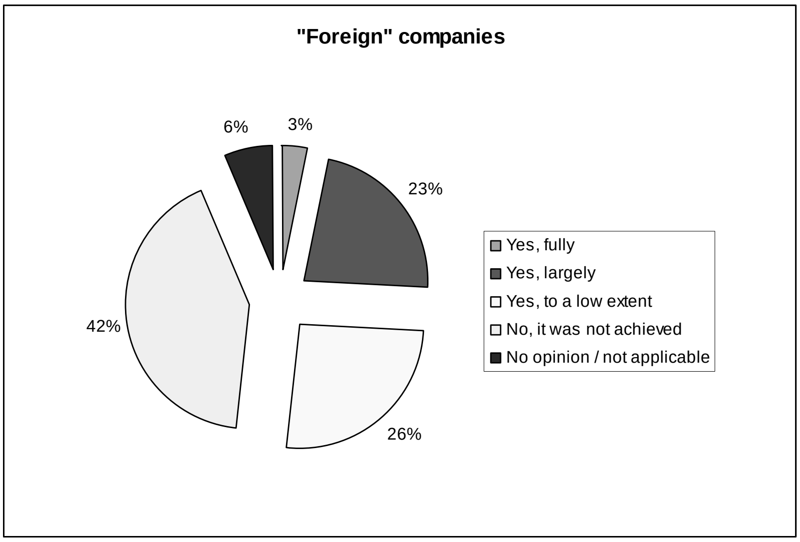
Did companies reach their objectives?

The responses show substantial differences between Italian and foreign companies in reaching their objectives. While 52% of the Italian companies reached their objectives either fully or largely, the same is true for only 26% of the foreign companies.

The majority of Italian companies having as objective the sales of equipment were well served by the ITPO. The search for suitable partners was definitely more successful for Italian rather than for foreign companies.



Graph 8 – Attainment objective / Italian companies



Graph 9 – Attainment objective / Foreign companies

Foreign client companies of the Italian ITPO experienced difficulties in their search for suitable partners. 56% of them were not successful, while all Italian companies looking for a partner eventually found one.

As mentioned above, sales of equipment was a prime objective of Italian companies. The majority of Italian companies achieved this objective (56%).

About half of the companies having as their primary objective the entering into a new market reached this objective, although none of them fully. No significant discrepancies between Italian and foreign companies appear on this parameter.

Clients of the ITPO Italy had significantly greater difficulties in reaching their objective as compared to clients of the ITPO Paris. 32% of the clients of the ITPO Italy did not reach their objectives against 10 % for Paris.

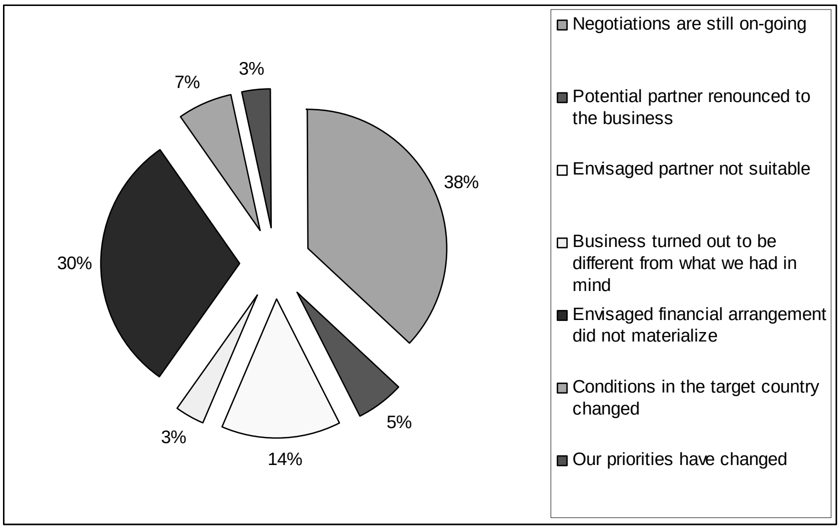
Similarly to Rome foreign clients of the ITPO Paris experience higher difficulties in reaching their objectives as compared to national companies. However, Paris seems to serve its foreign clients much better than Rome. 26% of the national clients of Paris declared to have reached their objective only to a low extent or not at all against 36% of their foreign clients (delta = 10.2). For Rome, these results are respectively 39% against 68% (delta = 28.9).

Some positive side-effects of the assistance emerge: the discovery of new markets, new potential partners, different regulations, and the opening of direct side negotiations; these effects are particularly underlined by foreign companies. The business plans prepared by the ITPO are appreciated by clients.

A few Italian companies criticize the lack of follow-up of the initial contact by the ITPO.

Why did companies not reach their objectives?

Graph 10 represents the different reasons why the objectives of client companies did not materialize.



Graph 10 – Causes why objectives of clients did nor materialize

The main cause for the non-materialisation of objectives lies with the fact that negotiations are still on-going (37%). This affects both national and foreign companies, but the latter are most affected by the problem (52%).

The second problematic area preventing the materialisation of objectives is the non attainment of the financial arrangement (36% of the Italian companies against 17% of foreign companies).

The third problematic aspect is the non-suitability of the envisaged partner, an aspect observed by 14% of respondents.

How do companies assess the effects of the assistance?

The survey asked companies to identify the effects of the assistance received from the ITPO on their business (multiple selections were possible). The assistance impacted in different ways on Italian and foreign companies.

About one third of Italian companies sees the access to new markets as a beneficial effect, and about one fifth of them quotes the establishment of a stable business partnership. Foreign companies report the increased quality of products, the establishment of stable business partnerships, a better access to raw materials and semi-manufactured goods; and the attainment of an improved position on their domestic markets.

The majority of Italian companies (31%) underlined the positive impact of the assistance on the access to new markets; followed by the establishment of a stable business partnership with foreign companies (20%); the introduction on the market of new products (12%); and the adoption of more performing production technologies (10%).

The advantages for foreign companies are more evenly distributed among the proposed options. They report most benefits in an increased quality of products and in the establishment of stable business partnerships (14% each). These benefits are directly followed by a better access to raw materials and semi-manufactured goods; and by the reaching of an improved position on their domestic markets (11% each). 9% of respondents selected as a positive effect on business the decreasing of production costs; the adoption of a more environmental friendly production cycle; the adoption of safer production processes; and the introduction on the market of new products.

Despite variable successes, the majority of Clients (65%) are very satisfied with the quality of services they received by the ITPO. In general, the qualification of staff and the timeliness of the service are the most appreciated elements of the ITPO services. The responses suggest the allocation of substantial efforts to increase the quality of the ITPO's website.

The survey among delegates

The second on-line survey carried out under this evaluation targeted the delegates from partner institutions in developing countries who had been hosted by the three ITPOs. In the case of the ITPO Rome this survey is not very instructive because of the very limited number of responses. This is due to the sharp decrease of the number of delegates at the ITPO Italy during the period under evaluation and to the fact that only three out of seven of these delegates responded to the survey. The response rate of delegates was much lower for Rome than for Paris (43% against 90%)

Two of the respondents who had been hosted by the ITPO Italy came from South America and one from North Africa. One delegate stayed for one month only, one for three months and one for 32 months. Two delegates returned to their home organisations. The delegate with the longest stay is now a staff member of the ITPO Italy.

The Delegate who stayed over the longest period promoted 23 projects during his stay, the two others promoted 15 projects each. However, the success rate is very low. Only two of the 53 projects promoted were concluded and eight are still under negotiation. 81% of the projects were discontinued.

Overall, delegates are satisfied with the support received from the ITPO during their stay, with some relative weaknesses relating to the areas "Assistance to promoting investments in Delegates' country", "Organisation of promotion events for Delegates' country", "Networking with other ITPOs, and UNIDO services" and "Logistics".

Delegates report that their stay at the ITPO was beneficial in terms of developing their professional skills. This relates in particular to better skills with regard to presenting investment opportunities, selecting and monitoring projects, supporting the negotiations of partners, preparing visits of investors and networking abroad.

However, two areas emerge for which the delegates feel that they did not benefit from their stay at the ITPO Italy: their ability to identify and promote environmental investment and technology projects and their capabilities in terms of institution building and policy making.

Two delegates applied the newly acquired skills in their home environment while one respondent experienced difficulties in this respect (problems with equipment; resistances from within his organisation; non availability of the needed extra financial resources; different priorities of his home organisation; and also because the support received from the ITPO Italy after the stay was felt to be insufficient).

VII
Conclusions

Relevance of the operation

The relevance of the operation is determined by three dimensions: relevance to UNIDO; relevance to the donor; and relevance to the ITPO beneficiaries. However, evaluating relevance turns out to be complicated because of multiple stakeholder priorities. Evidence from this evaluation suggests that relevance problems may have emerged from the fact that the ITPO mandate does not fully reflect the complex multi-client character of the operation.

The ITPO mandate

The ITPO mandate defines the overall ITPO objective as follows: *"to contribute to the industrial development and economic growth of developing countries and countries with economies in transition"*. This objective should be pursued through *"specific industrial investment and technology projects in these countries"* and the ITPOs *"shall devote themselves exclusively to promoting industrial investment and technology from their host countries to developing countries and countries with economies in transition"*.

This double mission of promoting investment from ITPO host countries and, at the same time, promoting the economic development of developing countries is not without problems. As early as 1991 an evaluation spelled out this dilemma as follows:

> *"The performance of an IPS is measured by the number of successfully promoted and concluded investment and industrial cooperation agreements in developing countries. As projects must be commercially viable in order to succeed, IPS concentrate on projects that promise maximum economic return and minimum investment risk. Projects in 'problem' countries, which will not be of great interest to their clients (potential investors), may, therefore, be promoted less actively."*

The ITPO mandate does not reflect this inherent tension between the developmental mission of UNIDO (and hence its ITPOs) and the natural interest of potential and actual investors to go for 'maximum return and minimum risk'. Instead, the mandate pictures ITPOs as similar to 'ordinary' national outward investment promotion agencies for which the above dilemma does not exist. The ITPO mandate does not clearly describe why UNIDO, as an international organisation, should promote investments from industrialized countries in addition to national organisations promoting outbound investment. The weaknesses of the mandate could be a cause of a perceived identity problem not only of the ITPO Italy but also of the ITPOs in general.

Relevance of the ITPO Italy

The ITPO Italy is relevant to the internationalization of SMEs and the promotion of outbound investment, both declared policy priorities of the donor. However, UNIDO and the donor tend to perceive these two policy agendas as very close if not identical and hence overestimate the opportunity of pursuing both agendas jointly through the ITPO as a kind of multi-purpose institutional instrument.

The decision of the donor to enhance the policy relevance of the ITPO by partly delegating to it the implementation of Law 49/87 illustrates the intrinsic problem of mixing the two policy agendas. Art 6 of Law 49/87 is a 'tied aid' instrument facilitating the purchasing of production equipment of Italian origin by companies in developing countries. Since a number of years the DAC challenges the aid effectiveness of such 'tied aid' or 'dual purpose' instruments, which try to combine export promotion and development aid. In 2005 the DAC Peer Review of the Italian Development Cooperation recommended that Italy should *'bring its untying policy in line with best practice at international level in order to contribute to the donor community's joint efforts towards a greater effectiveness of aid'*. The involvement of UNIDO in implementing this instrument appears to be problematic because beneficiaries and institutional counterparts tend to confuse the role of the ITPO as a UNIDO office and its apparent role as a national player.

The decision taken by the Italian Government and UNIDO in 2003 to relocate the ITPO from Bologna/Milan to Rome has further contributed to the distorted perception of the Office by the outside world. UNIDO seems to have adopted the views of the Government that UNIDO should concentrate its representation offices in the capital although the role of the ITPO as a "UNIDO representation office" is not in line with the ITPO mandate. The more and more political role of the ITPO has been further confirmed by the high political profile of certain 'integrated IPs', in particular the 'Special Programme for Africa'. The trend towards overloading the ITPO mission becomes also visible in the attempt to harness the Office as an instrument for political decentralization and promoting the regionalization of development cooperation.

Despite its somewhat blurred image and although stakeholders tend to be worried about the recent turbulences encountered by the ITPO (geographical dislocation; change of management; loss of qualified staff) the ITPO Italy is perceived as a relevant and longstanding organisation that is knowledgeable about investment conditions in developing countries and technically competent in investment promotion. Often perceived as 'UNIDO Italy', the ITPO has been contributing to the good reputation of UNIDO in the country.

However, the relevance of the ITPO as a 'neutral yet national' player may gradually come under threat. The Italian Government is currently streamlining the scene of national organisations that are involved to variable degrees in internationalization of SMEs and in investment promotion. Furthermore, the plans to reorganise the DGCS quite radically and to strengthen its decentralized offices in developing countries are taking shape. In a not too distant future, the relevance of the ITPO in its present form might therefore be weakened.

Communication with the donor

Under these circumstances it will be paramount for UNIDO to improve its communication with the donor in order to safeguard and enhance the relevance of the ITPO. Donor representatives suggest that UNIDO should support future financing requests by greater details on the work programme and the annual report of the ITPO. The work programme and the report should be submitted together with the financial request (and not only later for information as its is current practice). Furthermore, the donor would appreciate more opportunities to discuss potential problems and synergies. This is particularly important with a view to the fact that MAE does not carry out any technical assessment of multilateral initiatives. Hence the donor request for greater accountability.

Should the ITPO mandate be revisited?

The present evaluation is too limited in scope to justify claims that the ITPO mandate should be revisited. However, UNIDO might want to look into the more general questions of relevance and mandate under a broader evaluation of the ITPO network as a whole. Such an evaluation could look into the following aspects.

The relevance of the ITPOs depends entirely on their capacity to play a distinct role as *international and neutral intermediaries* between, on the one hand, existing *national* organizations promoting outbound investment from OECD countries and, on the other hand, *national* investment promotion agencies trying to attract *quality* FDI to developing countries. Regarding the latter the role of ITPOs as antennae, advocates and 'bridge-heads' in the industrialized world are worth to be strengthened. With regard to the former ITPOs could contribute to optimizing the developmental added value of outbound investment (both already existing and new) and hence improving the trade-offs between the industrial and development policies of the ITPO host countries.

A review of the ITPO mandate might also scrutinize the implicit focus on SME investments, which reflects the underlying hypothesis that the North/South cooperation between SMEs has a higher potential to produce developmental effects than investments of larger companies or multinationals. However, the validity of this hypothesis has not been demonstrated.

A reviewed mandate of the ITPOs might be both broader (moving away from the focus on *generating* new investment as the only channel by which investment can contribute to industrial development) and deeper (focus on developmental added value). Such a broader mandate might also entail a change of name of the ITPOs, e.g. "UNIDO Industry Liaison Offices".

Effectiveness of the ITPO Italy

The effectiveness of the ITPO Italy in pursuing its objective "*to contribute to the industrial development and economic growth of developing countries and countries with economies in transition*" has been analyzed under the following angles: the promotion of investment projects and the analytical and monitoring tools applied; the focus on Italian companies and the effectiveness of free services; the delegates programme and the effectiveness of capacity building efforts; and the effectiveness of UNIDO HQ as a hub of the ITPO network.

Developmental effectiveness of investment projects

In accordance with the ITPO mandate the ITPO Italy promotes investment projects as its core business. Similar to other ITPOs a longstanding methodology is in place to generate such projects. However, only very limited evidence is available to what extent this core business actually contributes to the developmental objective of the ITPO.

The so–called PANCIO methodology and database used by the ITPO Italy are adaptations of the original generic ITPO approach and the so-called DIPP database of the nineties. ITPOs have further developed these original instruments on an individual basis, leading to a certain methodological divergence. Similar to the tools and methodologies of other ITPOs the Italian method is affected by a number of weaknesses:

- While the micro-economic feasibility of the investment opportunities is well covered by a gradual sequence of tools (CPP and COMFAR), this method does not allow pre-assessing the quality of the projects in terms of developmental spill-overs such as technology transfer, environmental effects or net job creation.

- It is difficult to trace back the origin of the project and hence its degree of demand orientation.

- The project stages defined under PANCIO are misleading. While the term 'concluded' suggests a high degree of commitment, a simple memorandum of understanding is sufficient for a project to be considered as 'concluded'. Experience shows that many of these MoU's are superficial and not binding. As a result many 'concluded' projects never reach the 'operational' stage.

- Figures on investment and job creation are based on estimates of the project promoters, many of them referring to 'concluded' projects, and hence only approximate.

- In many cases the success rate of matchmaking operations remains speculative. The weak degree of commitment that characterises the relationship between the project partners themselves is also true for the relationship between the partners and the ITPO. In many cases the ITPO looses projects out of sight as partners do not feel committed to report back.

- No mechanism exists by which the actual investment and its developmental effects are systematically assessed on an ex-post basis.

None of these weaknesses are new. Many of them have been reported under previous evaluations. The ITPO Italy had set up a working group during the late nineties that was supposed to develop ‘development indicators’ that would allow proper portfolio management by assessing and monitoring the developmental effects of the projects promoted. Unfortunately, these efforts did not lead to results.

Need for better analytical and monitoring tools

The ITPO methodology focuses on generating new investments through matchmaking. It treats investment projects largely as *financial* operations, which is inadequate for UNIDO as an *industrial development* organization. The ITPO methodology tends to neglect the developmental dimensions of investments and their potential effects on industrialization (trade capacity; jobs and poverty; technology transfer; innovation; etc).

The sole indicator that has, at least theoretically, the capacity to underpin the developmental impact of the ITPO is the job creation effect of the investments made. However, this indicator shows methodological weaknesses. Intentions to create jobs seem to be about six times as high as the actual achievements. In addition, the huge fluctuations encountered seem to indicate that these figures are subject to important uncertainties and should be used with care. The presumed positive impact on job creation of FDI in general and investment promotion in particular is a cornerstone to demonstrate relevance and effectiveness of the ITPO network as a whole and of every single ITPO. The methodological weakness of the job creation indicator is therefore dramatic.

UNIDO seems to have lost sight of the developmental dimension of its investment promotion activities. This evolution is in contrast to the seventies when the Organization employed world-leading economists as methodological advisors and authors of the then widespread UNIDO project evaluation manuals[28]. Having discarded these analytical models and tools, henceforth out of date in certain respects, the Organization has lost much of its leadership in this important field.

UNIDO did not modernise the ITPO toolbox by an operational set of tools tackling the contemporary challenges of shaping global investment flows. ITPOs do not have at their disposal a common tool that would allow for adequate ex-ante project assessment, life-cycle management and portfolio monitoring. As a result the objective shifted to generating investment projects as an objective *per se* (the more projects the better) with a preference for “easy” investments, thus weakening the developmental mission of the ITPOs.

Other investment promotion organizations have developed practical tools to assess both profitability *and* developmental effects of investments. DEG, Proparco, Swedfund, Finnfund and other members of EDFI, the Association of European

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28 E.g. Partha Dasgupta and Amartya Sen; UNIDO Guidelines for Project Evaluation; 1970

Development Finance Institutions, use a tool that allows rating the entire range of developmental effects such as employment (including also the potential elimination of jobs); effects on training; environmental effects; technology transfer; product quality; sectoral and regional diversification; etc. The tool is Internet based and can be used by decentralised networks of users. The tool is in the public domain and an adaptation for the ITPO network could be an interesting option.

Due to the absence of such a tool, attempts to evaluate the effectiveness of the ITPO Italy and other ITPOs in achieving their prime objective are constrained.

The ITPO Italy focuses on Italian companies

The on-line survey among client companies from Italy and among non-Italian client companies produced the following results:

- Only a small minority of companies that approached the ITPO was primarily interested in industrial investment. Italian companies were primarily interested in sales of equipment. Companies from abroad were much more interested than Italian companies in partnering and in entering into a new market.

- 52% of Italian companies declared to have reached their objectives, either fully or largely, against 26% of companies from abroad.

- All Italian companies looking for a partner actually found one, against only 56% of the companies from abroad.

With regard to the more general promotional services of the ITPO and to the question whether these are primarily directed to companies in- or outside Italy the evaluation found that:

- The website is almost exclusively in Italian language and therefore not very useful for companies from abroad.

- For the participation in fairs, the number of Italian companies assisted increased strongly in recent years, exceeding the one of companies from abroad.

- As regards publications a great deal of efforts went into country guides for Italian investors.

- The two recent investment fora for Serbia are a case in point: 32 Serbian companies participated against 252 from Italy; a country guide in Italian is available but no general information for Serbian companies.

These analytical results confirm to a large extent the impression that the ITPO considers Italian companies as its primary clients. Similar to other ITPOs this situation is in line with the ITPO mandate and reflects the priority of the donor but it does not point at a high degree of effectiveness in terms of demand orientation and reaching companies from outside Italy.

A comparison with the ITPO Paris shows that this Office seems to serve its foreign clients better than Rome. 26% of the national clients of Paris did not reach their objective or only to a low extent against 36% of foreign companies. For Rome, these results are respectively 39% and 68%.

Free services for private companies are problematic

The ITPO delivers its investment promotion services and publications for free but the rationale of this decision is not supported by the identification of specific services (e.g. business plans for credit lines) or target clients (e.g. SMEs facing entry barriers to internationalisation) where market failures could justify free services. As such, the free ITPO services contribute to the low level of commitment of clients to the ITPO and could cause market distortions vis-à-vis service providers from the private sector and public bodies, such as Chambers of Commerce, which increasingly try to abandon their traditional for-free philosophy of support services.

The IPU network

The IPUs in Morocco, Egypt, Tunisia and Jordan are considered as one of the strongest assets of the ITPO Italy. This network has not been subject to the present evaluation. However, certain conclusions can be drawn from previous IPU evaluations and ancillary information collected under this evaluation.

The IPUs allowed the ITPO to adopt a much more needs driven approach in the respective countries. Although initially created to assist with implementing the bi-lateral Italian credit lines, the IPUs aimed increasingly to strengthen the capacity of the national investment promotion agencies in the target countries.

Between 2000 and 2005 the IPUs formed a solid network with the ITPO Italy as a hub and central know-how provider. However, the identity of the IPUs has been ambiguous. Although officially part of UNIDO, some IPUs were labelled IIPU ("Italian Investment Promotion Unit") and all of them are run by Italian staff only. The decision to transfer the management of the IPU network from the ITPO Italy to UNIDO HQ is therefore justified under the condition that the coordination unit has the necessary management capacity.

Decline of the delegates programme

The delegates programme is a unique feature of the ITPO network. Complementary to the IPUs this instrument provides a platform for partner organizations in developing countries to ensure presence in the ITPO host country. Such presence can serve several objectives: promoting investment opportunities; creating awareness and attracting interest for the country; training of the delegate; capacity building of the partner organization. By nature, the delegates programme is very near to the role advocated above for ITPOs to act as 'antennae, advocates and bridge-heads' of the IPAs from the South.

Unfortunately, the hosting of delegates by the ITPO Italy has declined dramatically in recent years and the respective targets in the work programme have been constantly missed. While the long term average from 1987 to 2000 has been more than four delegates per year this figure dropped to less than two during the evaluation period.

Furthermore, the new ITPO management shifted the hosting policy to very short stays of one to three months that do not allow unfolding the training and capacity building potential of the instrument.

Regarding the geographic origin of Delegates it is remarkable that only one delegate out of seven came from an IPU country, indicating that the programme is not understood as a strategic instrument to build and consolidate long-term relationships or to complement other capacity building efforts. The practice of hiring delegates as national consultants after the end of their stay is also in conflict with the capacity building rationale of the programme.

Compared with the delegates programme of the ITPO Paris (three delegates per year), the programme of the Italian ITPO is less developed. The recently adopted short-term policy is not in line with the explicit use of the delegates instrument for capacity building that prevails at the ITPO Paris. This Office has adopted a practice of stays between 6 and 12 months, followed by repeated short-term missions.

Capacity building in Serbia perceived as ineffective

The difficulties of the ITPO with strengthening the capacity of partner organizations is demonstrated by the collaboration with the SME Agency in Serbia. The capacity building strategy adopted in this case has been to some extent a blue print of the IPU approach relying on a 'Support Unit' staffed by an Italian director. Similar to some of the IPUs communication problems between the 'Support Unit' and the host organization occurred.

The project was affected by an unclear and inconsistent project document and most of the training and internship activities intended to strengthen the capacity of the Agency staff were not implemented. Instead, emphasis was given to two investment fora with high political visibility and other public events.

The material side of the planned capacity building effort consisted of purchasing soft- and hardware for an electronic information system. This part of the operation has not yet been executed due to the inability of the parties to find an acceptable administrative solution for the purchasing of the equipment.

The management of the agency concluded that the capacity building efforts deployed under the 'Serbia Integrated Project' were ineffective.

Innovative activities without HQ involvement

Innovative activities such as the capacity building at the SME Agency in Serbia have been planned and executed by the ITPO Italy without involving UNIDO HQ and hence without tapping into UNIDO's extensive experience.

The same weakness has become visible in the 'Integrated IP' carried out in cooperation with the MinAmb. Although this partner expressed full satisfaction with the support received from the ITPO, it seems that the project did not take full advantage of the experience and competencies available at UNIDO HQ in related areas such as cleaner production technologies, renewable energy, Montreal Protocol and the application of the Cleaner Production Mechanism.

The 'public private partnership' cooperation between one of the largest Italian manufacturers of furniture and the IPU Egypt is a third case where better coordination with UNIDO HQ would have been beneficial. This activity has been innovative and is in principle very interesting because it demonstrates that ITPOs can effectively act as "UNIDO-Industry Liaison Offices". However the project seems to have encountered certain problems with a perceived 'double identity' of the experts seconded by the private partner. This might have been avoided by mobilising the expertise available at UNIDO HQ with handling the delicate balance of public and private interests in the framework of CSR projects.

The ITPO hub at UNIDO HQ is weak

Implementation effectiveness suffered from the fact that the ITPO tended to act as an autonomous body. As a result synergies with other UNIDO activities remained often hypothetical. The ITPO's large degree of autonomy in executing 'Integrated IPs' that was initially intended to enhance implementation efficiency by avoiding bureaucracy and 'unnecessary' communication with HQ turned out to be counterproductive in terms of efficiency and effectiveness. A stronger management structure at HQ would have allowed mobilizing considerable ITPO-HQ synergy. Instead, the autonomy of the ITPO resulted in isolated efforts and overstretching the ITPO mandate.

The problems with achieving synergy are not unknown to UNIDO. The new ITPO strategy formulated in 2004 was an attempt to overcome these problems. It defined objectives and activities aiming to better integrate ITPOs into UNIDO and to leverage networking benefits. However, this strategy has virtually not been implemented, one major reason being the heavy understaffing of the ITPO coordination unit at the UNIDO HQ. Repeated shifts of the ITPO's position within the organizational structure of UNIDO were also not helpful in this respect.

Establishing the Internet platforms 'UNIDO Exchange' and 'Mediterranean Exchange' have been part of this new ITPO strategy but the participation of the ITPO Italy and the other ITPOs in these platforms remained limited. The so-called 'information sharing' facility of the 'Mediterranean Exchange' platform is not more than a page from where publications can be downloaded. 13 of the 14 publications available from this page have been uploaded as a batch in June 2005. The 'market place' under 'Mediterranean Exchange' is more populated. However, many of the 'investment and cooperation opportunities' on offer go back to 2003 and seem to be dormant. In the case of the ITPO Italy most of the available opportunities have been uploaded in one batch in October 2006. Most of the interviewees felt that the 'Exchange' tools were not particularly useful, a monitoring of how many projects these tools have actually generated is not available.

Similar to the two other ITPOs the evaluation has not been able to identify any straightforward benefits of the ITPO Italy from its membership in the ITPO Network. Most contacts with other ITPOs seem to be "one-to-one". Significant "one-to-many" relations did not emerge from the evaluation. However, the network dimension does not emerge with sufficient clarity from the evaluative sources and should be explored by a specific evaluation.

ITPO publications

The ITPO increased the number of its publications significantly in recent years but not all of these publications have been effective. This is in particular the case of a series of country guides for investors. These guides duplicate at least partly similar efforts of other organizations and no explicit publication policy is in place. As a result none of these reports are adequately disseminated. The fact that such guides are neither produced as a joint effort of the ITPO network nor even distributed by it is another sign showing that the potential of increased effectiveness through synergy is not exploited. None of the ITPO publications have been cleared by the ITPO coordination unit, a practice that puts UNIDO as a UN organization at considerable risk.

Efficiency of implementation

The implementation efficiency of the operation has been affected by a number of factors such as the unclear administrative status of the ITPO as a hybrid between a (temporary) project and a permanent operation; the fluctuation of funding; the geographical relocation of the Office; the change in management focus; the gradual shift from technical support to promotional activities; the loss of staff and hence of specialized expertise; the poor planning documents for the 'local integrated projects' in particular for the 'Special programme for Africa'; the difficulties of managing the large number of consultants; deficiencies of central guidance and support from the ITPO coordination unit at UNIDO HQ.

The present evaluation looked into all of these issues although it focused, in line with the terms of reference, on the larger relevance and effectiveness aspects.

Efficiency of project promotion

Independently from the limited *effectiveness* of investment projects as a means to promote economic development, the *efficiency* of the process by which the ITPO generates investment projects and accompanies them through the different stages from the project idea to the operational project shows certain weaknesses. This conclusion is supported by the fact that the two ratios of concluded/negotiated projects and concluded/promoted projects decreased significantly since 2002/2003.

The situation is even more pre-occupying when looking not only at concluded projects but at those that actually become operational. Both ratios of operational/negotiated and operational/promoted projects are decreasing since 2003 and the percentage of operational vs promoted projects has come to a long-term low of 2.8% in 2006.

A simple one-to-one attribution of this multi-dimensional decrease in efficiency to one or two reasons would be oversimplifying. External factors such as the decreased attractiveness of the bi-lateral credit lines and the shifts in IPU management have probably played a role. However, the fact that, over the period under evaluation, the ITPO experienced an increase in projects under promotion and a decrease in concluded projects reflects also internal factors such as the greater emphasis on promotional activities, the decrease in downstream support (business planning, feasibility studies…) and in particular the loss of human capital (only one experienced financial analyst is currently at the office, with a new one under training).

Quality of planning

The efficiency of the operation was affected by poor planning. Despite the recommendations of the previous evaluation the main project document is still not quite consistent and sometimes unclear. Priorities are poorly identified; relationships between overall development goals and intermediate objectives are not clarified and the number of outputs is inflated (14 as compared to three in the previous document). This opens the door for treating the work programme as a menu rather than a legally binding document.

The planning documents for the 'local IPs' were also weak, in particular the one for the 'special programme for Africa', which does not describe any objectives, outcomes, outputs, activities and indicators. All 'local integrated projects' were conceived, planned and managed by the ITPO in large autonomy from UNIDO HQ and without formal reporting to the donors. Basic rules and regulations presiding at UNIDO HQ were not taken into account.

ITPO staffing

None of the current ITPO staff comes from UNIDO HQ. In combination with the only sporadic working relationships between the ITPO and UNIDO HQ staff this results in limited knowledge about UNIDO and loose ties with HQ. The identification of the ITPO staff with UNIDO is also affected by a certain loss of morale due to poor contractual conditions and the top-down character of strategic decisions such as the one on geographical relocation.

From an efficiency perspective the current practice of staffing the ITPO exclusively with host country nationals is not without problems. Although not explicitly stated it seems to be established practice that the Director and the staff of an ITPO should be host country nationals. Not only all staff members but also all consultants working for the three ITPOs under evaluation were host country nationals and the same seems to be true for the IPUs, perhaps with a few exceptions. This practice has the potential to expose staff to problems of double loyalty and pressures from the national administration. Such problems may even tend to become dominant in cases where UNIDO and the host country would be tempted to over-prioritize the political aspects of ITPO staffing.

The recent decision of UNIDO to admit applications of ITPO staff members for UNIDO field posts has been welcomed. Further steps to overcome barriers hampering ITPO staff from developing an identity as UNIDO staff should follow.

Better coordination from UNIDO HQ

All parties perceive the coordination of the ITPO by UNIDO HQ as weak. ITPO staff feels isolated from the HQ. ITPO management suffers from unclear guidance with regard to administrative rules and regulations (e.g. tendering procedures). Donor representatives complain about weaknesses in project design, planning, reporting and accountability. And UNIDO staff at the ITPO coordination unit recognizes that this unit does not play its role adequately.

The unsatisfactory staffing situation of the ITPO coordination unit at UNIDO HQ is at the core of these problems. This weakness witnesses still the damages of the radical downsizing of UNIDO's investment promotion activities in the nineties (today three professional staff members down from about 40).

Shortages at the coordination level undermine both the effectiveness and the efficiency of the ITPOs. The coordination unit has difficulties to ensure synergies between the ITPOs and other relevant UNIDO activities such as SME promotion, sustainable production and Montreal Protocol and to ensure cooperation among the ITPOs. The current ITPO organizational setup at UNIDO HQ does not facilitate the interaction between the different components of UNIDOs investment promotion programme, let alone strategy consolidation and resources integration. At the same time, ITPOs tend to loose contact with the reality at UNIDO and to suffer from information shortages and administrative delays.

VIII

Recommendations

Strategic recommendations to UNIDO

#	Recommendation	Means of verification
01	**Overhaul the ITPO mandate.** Carry out an evaluation of the entire ITPO network in order to provide the evidence basis for a systematic overhaul of the ITPO mandate bearing in mind that ITPOs are not UNIDO representation offices. Evidence from the evaluation of the ITPO Italy suggests that in order to enhance the relevance of ITPOs their role should be clearly distinguished from national investment promotion offices on one side and UNIDO Representation Offices on the other. ITPOs should not only focus on generating new investments but also on enhancing the developmental impact of existing investments or those being generated elsewhere.	Evaluation of ITPO network; new mandate drafted, submitted to Member States and adopted
02	**Introduce a new ITPO project assessment and monitoring tool** Identify and analyse existing project assessment and monitoring tools that are in use by other development organisations. Introduce such a tool by a joint effort of the entire ITPO network in order to provide the basis for assessing evaluating and benchmarking the effectiveness of the ITPO operation.	Terms of reference, funding and execution of study; development, testing and implementation of tool; training reports
03	**Strengthen coordination of the ITPO network** Assign additional staff to the ITPO coordination unit at the UNIDO HQ.	New staffing plan of the coordination unit developed and adopted
04	**Staff rotation between ITPO and HQ staff** UNIDO should experiment with a staff rotation policy for ITPO and HQ staff.	ITPO staff rotation policy
05	**Review ITPO staffing policy** Negotiate the current staffing policy with ITPO host countries with a view to balance the need for staff acquainted with host country conditions.	Approach ITPO host countries with a suggestion
06	**Strengthen the control framework for 'local IPs'** The control framework for local IPs should be strengthened and UNIDO project management standards fully applied.	Adopt new control framework and reinforce UNIDO project management standards

Operational recommendations to UNIDO

#	Recommendation	Means of verification
07	**Suspend the pending Iraq and Jordan activity under the so-called 'Special Programme for Africa'**	Instruction of ITPO management
08	**Execute remaining part of 'IP Serbia'** UNIDO HQ should be strongly involved in planning and executing the finalization of the Serbia project	HQ mission to Serbian SME Agency; prepare and execute planning document
09	**Improve communication with donor** Annual funding requests should always be supported by an annual report and a workprogramme for the year ahead.	Records of communication with donor
10	**ITPO publication policy** The UNIDO publication policy and publication committee should cover ITPO publications in order to ensure that ITPO publications respond to UNIDO rules and standards	ITPO Italy submits publications for clearance to UNIDO publications committee

Recommendations to the Government and UNIDO

#	Recommendation	Means of verification
11	**Revise project document** UNIDO and the Government should revise the current project document of the ITPO Italy taking into account the findings and recommendations of the present evaluation.	Revised project document
12	**Future positioning of ITPO Italy** UNIDO and the Government should discuss whether the ongoing streamlining of the national investment promotion and internationalization instruments requires an adjustment of the future role of the ITPO Italy. In this context the Government might also want to consider an evaluation of the developmental effectiveness of the instruments under Law 49/87.	New ITPO mission statement
13	**IPU network in Mediterranean countries** UNIDO and the Government should strengthen the IPU network and involve France and the European Union in discussions about the future role of this network (see also recommendation of the evaluation of the ITPO France).	Strategy document

Recommendations to the ITPO Italy

#	Recommendation	Means of verification
14	**Strengthen demand driven approach** The ITPO Italy should strengthen its project screening mechanism and give priority to promoting demand driven projects originating from target countries.	Increasing share of projects originating from target countries
15	**Ex-post monitoring of developmental results** The ITPO Italy should carry out a systematic survey of the developmental results achieved by the projects that became operational over the evaluation period and adopt a systematic approach to continuous results monitoring in the future.	Survey of developmental results achieved; design and adoption of method for results monitoring
16	**Strengthen links with UNIDO HQ** The ITPO should strengthen links with substantial branches at UNIDO HQ and involve them in its activities wherever feasible and appropriate (e.g. environmental; Montreal Protocol; Cleaner Production Mechanism; Private Sector Development; CSR; etc)	Records of initiatives taken by the ITPO
17	**Conduct team building** To strengthen the team spirit of its staff the ITPO should plan and conduct a staff training and team building programme over the next 12 months	Planning of programme; reports of activities conducted
18	**Intensify capacity building in target countries** In the area of capacity building the ITPO Italy should shift priority from Italian partner organizations to partner organizations in target countries and fix verifiable objectives.	Planning and reports of capacity building projects
19	**Intensify delegates programme** The ITPO Italy should intensify its delegates programme; meet its targets in this area; engage into a direct exchange with the ITPO Paris and other ITPOs on good practices in this area (e.g. extended and repeated stays instead of one-shots). Exchange of delegates should include an element of reciprocity and be embedded in a larger partnering and capacity building effort.	Meeting with ITPO Paris; planning and reports of delegates programme
20	**Website** The ITPO Italy should investigate the information needs of its customers and how these could be better satisfied through the ITPO website. The exclusive focus of the website on Italian customers should be changed.	Analysis of customer needs; website strategy; significant parts of the website in languages other than Italian

Annex A

Terms of reference of the evaluation

Background

UNIDO promotes international investment and technology flows through a worldwide network of 15 Investment and Technology Promotion Offices (ITPOs).[29] The overall objective of the ITPO network is to contribute to industrial development and economic growth of developing countries and countries with economies in transition by mobilizing the technical, financial and managerial resources required for industrial investment and technology projects.

The operational cost of the ITPOs is covered by their host countries through voluntary contributions to UNIDO. A central coordination unit at UNIDO headquarters in Vienna administers and provides overall guidance to the network as well as coordinates ITPO activities with those in UNIDO Headquarters.

The ITPO network is complemented by five Investment Promotion Units (IPUs)[30]. All IPUs are technical cooperation projects financed by Italy and play a major role as the source of investment and technology projects to be promoted through the ITPO Network, in particular in enhancing Italian credit schemes and transfer of industrial technology from Italy to the respective countries.

Aim and justification of the evaluation

The present evaluation will cover primarily the activities of the three Investment and Technology Promotion Offices in Paris, Marseille and Rome. It will also take into account previous evaluations and related subjects as specified further down in this document.

The present evaluation is included in the UNIDO evaluation work programme for 2006 as approved by UNIDO Executive Board on 3 March 2006.

The work programme instructs to focus the evaluation on the two ITPOs due for evaluation according to UNIDO guidelines and having the highest budget (Italy and France) and to combine the evaluation with a comparative review of findings from previous evaluations in this area.
The ITPOs in Paris, Marseille and Rome

The ITPO Paris was established in 1980 as "UNIDO service in France for strengthening the cooperation between France and the developing countries". The office specializes on partnerships between France and Latin America / Africa.

The ITPO in Marseille has been created in 2004 under a separate Trust Fund Agreement. This office focuses on promoting partnerships between companies and

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[29] Bahrain; Brazil; China (Beijing and Shanghai); France (Paris and Marseillle); Greece; Italy; Japan; Poland; United Kingdom; Republic of Korea; Russian Federation, Mexico and the Walloon region of Belgium
[30] Egypt; Jordan; Morocco; Tunesia; Uganda

organizations in the South of France (region PACA - Provence Alpes Côte d'Azur) and in Mediterranean countries.

The ITPO in Italy was established in Milan in 1985 for the purpose of mobilizing financial resources and technology from Italy for the benefit of developing countries. At a later stage the office moved from Milan to Bologna and later to Rome.

Funding for the ITPOs in Paris and Rome has been received on a yearly basis upon presentation of a work programme and budget proposal to the respective donor. In addition, the ITPOs in Paris and Rome have received extra-budgetary resources from various donors for special services defined between these donors and the relevant ITPO. Table 1 lists the projects to be covered by this evaluation.[31] The listed projects will be evaluated for the period after the last independent evaluations, i.e. from June 2002 for the ITPO Italy and May 2000 for the ITPO Paris.

Project number	Title	Approval	Completion	Total Allotment in USD	Expenditure in USD
ITPO ROME					
USGLO99001	UNIDO Investment and Technology Promotion in Italy	18-Dec-1998	22-Sep-2004	6,602,848	6,602,848
USGLO02142	Decentralized Cooperation Desk in Rome	01-Dec-2002	07-Mar-2005	171,345	171,345
USRAB03044	Regional investment and technology initiative[32]	10-Jun-2003	17-Feb-2004	329,594	329,594
UEGLO04101	ITPO Rome	02-Jun-2004	20-Mar-2006	342,393	341,966
IEGLO04ITA	UNIDO Investment Promotion Service in Italy	28-Sept-2004	31-Dec-2005	151,490	1,081,797
UEGLO04100	UNIDO Investment Promotion Service in Rome	18-Nov-2003	ongoing	6,202,579	4,396,648
UE/RAB/04/044	Regional and technology initiative[4]	01-Jan-2004	27-Mar-2006	57,658	57,658
ITPO PARIS					
USGLO98012	Service de l'ONUDI a Paris	05-Jun-1998	17-Feb-2004	3,511,174	3,511,174
UEGLO04004	Service de L'ONUDI a Paris	31-Mar-2004	ongoing	1,569,101	1,638,301
IEGLO04FF1	UNIDO Investment Promotion Service in Paris (France)	28-Sept-2004	31-Dec-2005	460,301	752,052
ITPO MARSEILLE					
TEGLO03014	Bureau de Marseille du Service de l'ONUDI en France	3-Feb-2004	ongoing	442,584	317,310

[31] All information based on UNIDO Infobase data.

[32] The projects related to the Arab-Mediterranean Investment and Technology Promotion Network are sub-projects of the IPU network. Their main purpose is (1) to ensure management of the network from UNIDO Headquarters as well as operations of MEDEXCHANGE as the electronic networking platform; and (2) to provide technical support, upon requests from the individual IPUs in the region. The Technical Support Unit is based within the ITPO Italy, but administered and managed by Headquarters.

Purpose and scope of the evaluation

The evaluation should enable UNIDO and the donor Governments to assess achievements against objectives and expected outputs and outcomes. It should identify factors that have facilitated achievements and those that have impeded the fulfilment of objectives.

The evaluation should enable UNIDO and donor Governments to improve the efficiency and effectiveness of the ITPOs and to make recommendations on strengthening the networking capabilities of the ITPO network as a whole, in the context of the present international environment for investment promotion and technology transfer.

The offices in Paris and Rome will be evaluated in depth while the evaluation of the more recently created Marseille office will concentrate on the current pipeline of projects and the prospects for results.

The evaluation will take stock of a number of recent evaluations of UNIDO investment promotion activities and in particular of the Investment Promotion Units in Jordan, Tunisia and Egypt and of the investment promotion components of the Integrated Programmes in Colombia and Ecuador.

The evaluation should also have a broader look at current trends of North/South investment flows and the evolving landscape of international investment promotion and technology transfer and market access schemes in order to assess the relevance of the ITPOs in this context.

Evaluation principles

Similar to all other UNIDO operations ITPOs and IPUs are subject to independent evaluations on a regular basis.

Evaluations are carried out with impartiality, methodological rigor and in a participatory manner. Consultation with the major stakeholders have to be ensured at all stages of the evaluation process. The views of these stakeholders are taken into account for the formulation of findings, conclusions and recommendations.

All principles and rules laid down in the UNIDO evaluation policy will apply.[33])

Main issues to be covered by the evaluation:

1. Effectiveness and impact:

    a. Assess the achievements of the three ITPOs (objectives, outcomes and outputs) as compared to those planned in the respective project

[33] The UNIDO evaluation policy is available from http://www.unido.org/doc/51275

documents, work plans and other planning documents. **The achievements will be assessed individually for each ITPO.**

b. For the ITPO Rome the evaluation will also assess the effectiveness and impact of the material and management inputs into the IPU network.

c. Assess the broader networking effects and value added of the participation of the three individual ITPOs in the global ITPO network and the specific networking effects among the three ITPOs.

2. Efficiency of implementation:
quantity, quality, and timeliness of inputs and activities; costs and utilization of resources; ITPO management and coordination from HQ

3. Relevance:

a. Within the policy priorities and the institutional framework of the Italian and French cooperation respectively

b. As viewed by the Italian and French private industry and investment related agencies respectively

c. As viewed by investment related institutions and agencies and private sector partners in cooperating countries

d. Within the context of UNIDO corporate strategy with particular focus on the integration of the ITPO activities into the mainstream of UNIDO activities.

4. International context for investment and technology promotion: to assess the role of the ITPO in general and the three ITPOs specifically in the context of the present international environment and support requirements for investment and technology promotion.

Methodology

The evaluation will be implemented in five steps.

Step 1 will consist of desk studies (project documents, progress and monitoring reports, work programmes, reports of previous evaluations, annual reports, project files, ITPO database etc.). The desk review will also cover the evolution of UNIDO's corporate and programmatic approach to Investment Promotion and analyze the recent evaluations of the IPUs in Jordan, Tunisia, Egypt and of the investment components of the Integrated Programmes in Colombia and Ecuador.

The deliverable of the desk study will be an inception report outlining the issues to be assessed in depth, a series of draft questionnaires and a detailed workplan (list of persons to be interviewed such as government and other institutional partners, Investment Promotion Agencies; companies to be covered by a mail survey and/or by telephone or face-to-face interviews; etc)

Step 2 will consist of a meeting of the technical advisory group who will review the desk study and advise on the issues to be assessed in depth during the evaluation. The technical advisory group will consist of four persons: a high level international expert in investment and technology promotion; the chief of the investment promotion unit and the chief of the technology promotion unit in the investment and technology promotion branch of UNIDO and the Head of an ITPO not covered by this evaluation. The technical advisory group will be coordinated and chaired by the Director of the UNIDO Evaluation Group.

Steps 3 will consist of the evaluation of the ITPOs in Paris and Marseille by a sub-team responsible for France and of the ITPO in Rome by a sub-team responsible for Italy. Each evaluation will include interviews with UNIDO staff, a survey of companies covered by the respective ITPOs and field missions. The missions to the two countries will be prepared in close consultation with and the logistical support by the respective ITPO Heads. During the field mission's interviews with ITPO staff, government officials, representatives of investment promotion and export promotion agencies, representatives of regions, companies and relevant private sector associations will be carried out. Step 3 will produce three deliverables: a preliminary draft report for France prepared by the sub-team for France; a preliminary draft report for Italy prepared by the sub-team for Italy and a preliminary report on cross-cutting issues prepared by the international consultant.

Step 4 will consist of a series of validation meetings. The technical advisory group will review the preliminary findings and recommendations from both country evaluations, provide quality assurance to the process and offer technical advice on the preliminary findings and recommendations. After this technical review the preliminary findings and recommendations will be presented in two different country meetings to the relevant ITPO directors, UNIDO staff and donor representatives.

Step 5 will consist of the preparation of the final evaluation reports, i.e. two country reports and one report on crosscutting issues. The report on the ITPOs in France will be in French with an executive summary in English; the other reports will be in English with an executive summary in French.

Composition, competencies and responsibilities of the evaluation team

The evaluation team will consist of one senior international expert, two members of the UNIDO Evaluation Group and two experts from the donor countries France and Italy. The latter experts will be selected by UNIDO from a pool of at least three nominees submitted by the donor countries.

Fees and travel costs for the international expert will be financed by UNIDO. The respective donors will finance fees and travel cost for the national experts.

The team will cover the entire range of competencies that are necessary to carry out an independent evaluation in the area of investment and technology promotion. More particularly the following competencies will be required:

- Extensive experience in evaluating development policies and programmes in accordance with DAC principles and agreed professional evaluation standards;

- In-depth knowledge of current trends in investment and technology promotion and familiarity with international investment and technology promotion programmes in developing countries;

- Managerial and organizational experience;

- Good knowledge of UN related institutional issues;

- Proficiency in English and French; spoken Italian would be an asset.

The senior international expert will be the team leader and cover the entire evaluation, including all field missions. One member of the evaluation group will participate in the mission to France and the other in the mission to Italy. The experts nominated by the donor countries will participate in the evaluation of the respective ITPO. The UNIDO evaluation group will be responsible for the overall coordination and management of the evaluation.

The team responsible for France will produce the report for the ITPOs in Paris and Marseille and the team for Italy the report on the ITPO Rome. The cross-sectoral thematic report will be drafted by the senior international expert with contributions from the other team members.

None of the members of the evaluation team will have been responsible for the policy setting, design or overall management of the ITPOs and the UNIDO investment and technology promotion programme nor should they be expected to be involved in it in the near future.

Annex B
List of persons interviewed

The list below reports the names and functions of all individuals interviewed face-to-face, through telephone, and met within the remit of the present evaluation.

It is in ascending alphabetical order, per organisation / family name.

Family name, First name	Organisation	Position
Gardini, Camillo	Agri 2000 Soc. Coop.r.l.	President
Almirantearena, Eduardo	Embassy of Argentina (Rome)	Secretary, Economic and Commercial Office
Vukovic-Ljubojevich, Dragana	Embassy of the Republic of Serbia (Rome)	First Secretary
Rivas Lopez, Jose Luis	Embassy of Uruguay (Rome)	Second Secretary
Calcagni, Riccardo	IPI, Institute for Industrial Promotion (Rome), EU Programs Directorate	Head of Energy and Environment Department
Botzios, Thomas	Italian Embassy in Serbia	First Secretary
Ambrogi, Enrico	ITPO Italy	Officer
Battaggia, Diana	ITPO Italy	Head ITPO
Clainscig, Igor	ITPO Italy	Officer
Fortunato, Dino Gabriel	ITPO Italy	Officer
Ghirighini, David	ITPO Italy	Officer
Nardini, Marco	ITPO Italy	Officer
Potecchi, Marco	ITPO Italy	Officer
Rizzardo, Gianfilippi Luca	ITPO Italy	Officer
Rossi, Daniel	ITPO Italy	Officer
Sasdelli, Enrico	ITPO Italy	Officer
Siepi, Enrico	ITPO Italy	Officer
Mandelli, Francesco	ITPO Italy (former)	Former Deputy Head ITPO Italy
Giovannelli, Stefano	ITPO Italy (former), now at UNIDO HQ	Former Head ITPO Italy

Michelini, Alberto	Italian Parliament, former MP	Personal Representative for Africa of the Major of Rome
Conti, Sergio	Lazio Region (Rome); SME, Commerce, Handicraft and Cooperation Department	Director, Cooperation
Pansini, Annalidia	Ministry for Environment (Rome), Department for Global Environment, International and Regional Conventions	Advisor
Magliano, Giandomenico	Ministry for Foreign Affairs (Rome)	General Director, Multilateral Economic and Financial Cooperation
Amerini, Claudia	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Office II – Relations with International Organisations
Anania, Francesco	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Office VII – Financial cooperation
Centola, Rosario	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Technical Central Unit, Industrial Advisor
Massoni, Mauro	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Head Office II – Relations with International Organisations
Morabito, Giuseppe	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Deputy Director General Cooperation to Development
Roscio, Vittorio	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Head Office III – Europe, Mediterranean Bassin and Middle East
Scammacca del Murgo, Filippo	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Head Office VII – Financial cooperation
Schineanu, Dagmar	Ministry for Foreign Affairs (Rome), Italian Development Cooperation	Technical Central Unit
Branzanti, Massimo	Officine Maccaferri SpA (Bologna)	Commercial Manager
Penza, Mauro	Province of Bologna (Bologna)	Deputy Head of the cabinet
Jovanovic, Mirjana	Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship	Director

Zegarac, Ana	Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship	Executive Director Development and International Cooperation Department
Bertoni, Gian Carlo	Simest, Societá Italiana per le imprese all'estero (Rome)	Head, Department Promotion and Marketing
Pietrangeli, Mauro	Simest, Societá Italiana per le imprese all'estero (Rome)	Department Promotion and Marketing
Tilli, Francesco	Simest, Societá Italiana per le imprese all'estero (Rome)	Head, Advisory and Business Development Department
Mihajlovic, Ian	Supporting Unit of the ITPO at the SME Development Agency – Beograd (Serbia)	Director
Pinzani, Daniele	Supporting Unit of the ITPO at the SME Development Agency – Beograd (Serbia)	Former Director
Spagnoli, Carlo	Unioncamere (Rome)	Responsible for internationalisation

Annex C
Guidelines for the functioning of the ITPOs

Objective

The objective of the UNIDO ITPOs is to contribute to the industrial development and economic growth of developing countries and countries with economies in transition by identifying and mobilizing the technical, financial, managerial and other resources required for the implementation of specific industrial investment and technology projects in these countries with local partners of such projects.

Mandate

<u>(a) In industrialized countries</u>: These offices shall devote themselves exclusively to promoting industrial investment and technology from their host countries to developing countries and countries with economies in transition;

<u>(b) In developing countries and countries with economies in transition</u>: While having as their main objective the promotion of industrial investment and technology from their host countries to other developing countries and countries with economies in transition, these offices may also promote industrial investment and technology from abroad to their host countries.

ITPO activities

1) To build contacts with enterprises in the host countries willing to consider a business venture with a partner in a developing country or country with economy in transition or to provide inputs for such a venture;

2) To assess investment and technology projects, the details of which have been supplied by UNIDO Headquarters or other sources, with a view to determining whether an enterprise can be found in the host countries that will be able and willing to supply the foreign resources sought for such projects;

3) To utilize their contacts with host country enterprises for the promotion of the foreign resources sought by local partners; to provide information on individual local partners and on the climate for investment and technology transfer in the developing countries or countries with economies in transition concerned;

4) To bring the local partner and the prospective foreign partner into direct contact through UNIDO investment and technology project promotion programmes, meetings, forums and through any other appropriate means with a view to their commencing negotiations on cooperating in the implementation of the project;

5) To support and assist both parties in their negotiations and in completing the pre-investment activities, up to the stage at which the parties can conclude a written agreement to implement the project;

6) To assist developing countries and countries with economies in transition in arousing the interest of potential foreign partners in industrial business opportunities and in the incentives offered by those countries, by receiving delegations representing both the public and private sector and arranging direct contacts between the members of those delegations and the industrial and financial communities of the host countries;

7) To assist the developing countries and countries with economies in transition in building and strengthening national capabilities for attracting foreign investment and technology by hosting delegations from developing countries and countries with economies in transition and providing them with on-the-job orientation through the promotion vis-à-vis potential foreign partners of specific business opportunities in their home countries;

8) To gather, present and disseminate information on specific manufacturing facilities that enterprises in their host countries seek to establish in developing countries and in countries with economies in transition through a business partnership with a local entrepreneur; to assist in identifying local partners and help both parties to conclude an agreement;

9) To undertake such other activities as are conducive to the achievement of the objectives of ITPOs.

Source: UNIDO General Conference Paper GC.10/INF.4/Dec. 18 (2003)

Annex D
Differing and complementary views

In line with UNIDO evaluation policy and practice a draft version of the present report has been submitted to the previous and current ITPO management for factual verification and comments. The evaluation team examined facts and observations received and integrated them into the main body of the report as appropriate. In addition, the following Annex documents differing and complementary views.[34]

Comments made by the ITPO Director and reactions of the evaluation team

The following text quotes the text submitted by the Director of the ITPO. The reactions of the evaluation team are in italics and in boxes with cross-references to the page numbers of the main body of the present report.

General comments.

For ease of understanding, we will comment on issues in the order they appear in the executive summary at first. A second section will comment on the recommendations, and a final one will deal with some specific facts/observations on the main text.[35]

In the main, we find the report reasonably balanced and fair, in spite of its major flaw which we will further discuss below. The evaluators have gone to considerable lengths to review and comment on the actual work and material prepared by ITPO Italy over the past several years. In a year which saw the conduct of an evaluation as well as several audits, ITPO Italy finds itself with an embarrassment of riches: several substantive reports with much material to ponder and try to incorporate in its work and methodology. The draft evaluation report provides many useful suggestions and insights in spite of the limitations imposed by the TORs of the evaluation mission which introduces what we consider a fundamental flaw that biases almost all findings. So much so, that the draft report's own conclusions tacitly imply that the evaluation's mandate caused a serious problem which needs mitigation. This serious and fundamental flaw is the failure to evaluate the ITPO-IPU system as a network. The draft evaluation report tries to deal with this matter by proposing an evaluation of the whole ITPO-IPU network in order to update the relevance of the functions of the ITPOs and IPUs. This serious and fundamental flaw affects many of the qualitative and quantitative results of the evaluation and we will point this out when we come across such cases.

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[34] The documentation of differing views in this annex is in line with paragraph 65 of the UNIDO evaluation policy: "Evaluation reports are based on consultations among all parties involved. The evaluation team is responsible for the reliability and quality of the information contained in the report and reflects any factual corrections brought to its attention prior to finalizing the report. The evaluation reports are the outputs of the evaluation team. In the event of differing views being expressed, these are reflected in the analysis and in the report."

[35] According to UNIDO procedures comments on recommendations are made on the basis of the final report (so called management response sheet).

(1) The terms of reference were communicated to the ITPO in August 2006 and discussed at the meeting of the technical advisory group in November 2006. The terms define the scope of the evaluation as follows (see Annex A of the present report):

- *The offices in Paris and Rome will be evaluated in depth while the evaluation of the more recently created Marseille office will concentrate on the current pipeline of projects and the prospects for results.*

- *The evaluation will take stock of a number of recent evaluations of UNIDO investment promotion activities and in particular of the Investment Promotion Units in Jordan, Tunisia and Egypt and of the investment promotion components of the Integrated Programmes in Colombia and Ecuador.*

Neither the ITPO nor the advisory group requested modifications of these terms and the evaluation was implemented in line with these provisions. The evaluations of the IPUs in Jordan (2005), Tunisia (2005) and Egypt (2006) have been used as background information (all reports are available from the UNIDO website). The role of the IPUs has been analysed and discussed extensively throughout the report and will also be dealt with further down in these comments (see (6), (12) and (20)).

The recommendation of the evaluation team to carry out a more comprehensive evaluation aims at the network of ITPOs as a whole in order to capture network benefits (p. 74 of the report) and the different ways by which ITPOs implement the general ITPO mandate. An inclusion of the IPUs into this evaluation has not been explicitly recommended but could be helpful. This recommendation cannot be interpreted as a tacit recognition that the scope of the present evaluation was affected by flaws.

Furthermore, the secretive and opaque way in which the evaluation was carried-out (as opposed to the much more open, transparent, and participatory methods now coming into general use by professional evaluators within and around the UN System) may also have biased answers to questions during interviews.

(2) The allegation of a 'secretive and opaque way' of evaluation is unfounded. All relevant stakeholders and ITPO staff have been given the opportunity to provide information and views in line with the UNIDO evaluation policy.[36]

General relevance and mandate

The general relevance and mandate of both UNIDO and ITPO Italy which the draft report takes to be "industrial development and economic growth and promotion of

[36] Paragraph 44: "Evaluators must respect the right of institutions and individuals to provide information in confidence and ensure that sensitive data cannot be traced to their source. Evaluators must ensure that those involved in evaluations are given an opportunity to examine the statements attributed to them."

outbound investment by host-country enterprises" are called into question. We disagree on the very definition of the so-called dual mission: in fact the mission of ITPO Italy could better be described as "assisting in industrial and enterprise development of LDCs through the agency of (by mobilizing) Italian enterprises".

Seen in this light, we believe the draft report exaggerates the conflict between assisting in the industrial development of poor countries and doing it through the agency of Italian firms. This problem is then addressed by proposing a systemic evaluation of the ITPO-IPU network (to which we do concur) and a rethinking of the mandates, roles, and methodologies of both UNIDO and ITPO Italy. While a review, revision, updating of the concepts and mandates of ITPOs may be necessary and might improve our methodology (especially in palliating its weak points) it might, nonetheless, not yield anything radically different from the present methodology. Discussion of UNIDO's overall mandate is beyond our responsibilities and we will issue no opinion on that subject at this stage.

(3) While the report does not call into question the UNIDO mandate, it discusses whether the ITPO mandate as defined by the General Conference in 2003 should be reviewed and adapted to the changing global environment of investment promotion (p. 67). The mandate granted by the General Conference is the legal basis for all ITPOs and in this sense there is no 'mission of the ITPO Italy' different from the general ITPO mandate.

ITPO Italy relevant but biased towards national policies.

To some extent, ITPO Italy must be relevant to the policies of its donor; that goes without saying. Similarly, providing assistance in areas of interest to the donor (e.g. Africa, the Balkans, Near East,..) must also be considered logical. Further, in the real world, he who pays the piper calls the tune.

(4) The language of the comments is inadequate to comment on the finding of the evaluation that a "far-reaching amalgamation of the ITPO into national policies occurred under the so-called 'Special Programme for Africa' that aimed at a variety of national policy objectives, partly beyond the ITPO mandate, such as improving the access of Italian firms to EU funding and to Italian trust funds at various international financial institutions as well as training journalists from Iraq and Jordan. This involvement in national policies combined with the approach of assisting the Government through consultants and support staff working as temporarily integrated members of government services biased the relevance of the ITPO further towards national policy priorities." (p. vii). The comments ignore the underlying analysis of the 'Special Programme for Africa' (p. 49 to p. 53).

However, the conclusion that the main part of the mandate namely, the industrial development of poorer countries, is ignored by ITPO does not follow. This is mostly due, as mentioned above, to the fact that the evaluation does not examine the impact of the work of ITPO in developing countries. So, in this draft, saying that ITPO ignores its developmental mandate is essentially a gratuitous statement.

(5) The report does not conclude that the ITPO 'ignores' its developmental mandate. It rather analyses, as the comments put it, a potential 'conflict between assisting in the industrial development of poor countries and doing it through the agency of Italian firms'. While the ITPO recognizes in its comments the existence of such a conflict it holds the view that the evaluation team 'exaggerates' its importance. These differences in appreciating the gravity of the conflict are legitimate. The evaluation team maintains its appreciation, which is explained in detail in the report.

Since about 90% of ITPO's projects under promotion originate with its developing country clients, ITPO staff often feel that, whatever they might be doing, their fundamental interest is the developmental impact, i.e. the impact on their developing country clients.

(6) Figures substantiating that about 90% of the projects under promotion originate from developing countries have not been made available to the evaluation mission. However, table 10 provides a breakdown of projects by target countries. Notwithstanding the fact that a project targeting a certain country does not necessarily originate from this country, the text accompanying table 10 emphasizes the role of the IPUs: "The importance of the IPUs network is confirmed by the fact that most of the projects are coming from countries with an IPU (75% over the period)." (p. 33).

While they might be looking for an Italian firm, this task would originate from the request of a developing country firm to reach a firm or a market in Italy. Even if Italian firms consider that they are only exporting, the true importance, or meaning of that transaction is an initial request (to ITPO, to an IPU, or to some other partner, such as an Inv. Promotion Agency) by a firm in a developing country for some form of technology, or product, which the Italian firm might see simply as an export. In a nutshell, Italian firms are a means to an end, which itself is assistance to the industrial development of LDCs through helping their SMEs grow and progress. Furthermore, when LDC firms are brought to international fairs and exhibitions, they also contact (with our facilitation), firms from other countries. Similarly, IPUs send projects for promotion to all ITPOs.

(7) There seems to be confusion throughout the comments between developing countries and LDCs. On the matchmaking activities of the ITPO see (12) below.

In spite of all this, the draft states ITPO Italy retains an image of competence and remains a centre of excellence in relation to knowledge of economic and investment conditions in developing countries. That is certainly correct, but ITPO also maintains a large reservoir of knowledge about Italian industries that can be mobilised immediately when needed to find a partner for a developing country firm. Furthermore, because ITPO enjoys such a good reputation, it is often consulted about policy by various national institutions (including the donor), but its contribution, the support it might give, is always a technical one and ITPO does not enter into any political matters.

The move to Rome came at the request of donor and was not meant to increase the ITPO's role as a representation office but to make its services more accessible to firms in all parts of the country rather than only in the advanced, wealthy North, and to facilitate interactions with other (including UN) agencies.

(8) The letter of the DGCS dated 11 July 2003 that initiated the transfer of the ITPO from Bologna to Rome sets out the reasons for this request as follows: "Sono tuttavia convinto, senza volere minimanente sminuire l'impegno e l'attivismo degli Uffici di Bologna et Milano, che la collaborazione, o per meglio dire il partenariato, tra la Cooperazione italiana e l'UNIDO avrebbe ulteriore slancio se fosse accentrato a Roma l'Ufficio di Rappresentanza dell'Organizzazione, come avviene per le altre grande Agenzie delle Nazione Unite. Certamente, la concertazione, l'esame e le decisioni di finanziamento dei progetti ne sarebbero grandemente avvantaggiati."

Furthermore, the draft report states that the present management in its new "representational" mood, directed the workload away from technical assistance and more towards promotion and capacity-building. Well, these are hardly "representational" activities, and the shift away from technical assistance may be more apparent than real, as ITPO is rethinking the format of exactly that activity, with the intent of applying it earlier in the process of promotion. While the change in location is mentioned in the same breath as staff loss, it would seem only natural that some staff might not be able to relocate, or only begrudgingly, and that might affect their performance. Again, people working in development, and for the UN, are expected to be able to transcend the well-known Italian phenomenon of "campanilismo" and the oft quoted phrase of Adam Smith's that among all parcels, man is the most difficult to move.

(9) The report states the loss of core staff and the related efficiency losses as facts. It does not criticize the reluctance of staff members to move from Bologna to Rome.

A discussion of Italy's development assistance policy in terms of tying of aid lies far beyond the purview of this evaluation: suffice it to say that this discussion could only take place when considering all of Italy's development assistance, including its high and sustained contributions to IDA and other multilateral facilities. Therefore, the tying of this small part of Italian development assistance should be of no concern and we will not discuss it any further.

(10) With regard to 'tied aid' the report quotes from the 2004 DAC Peer Review of the Italian Development Assistance (p. 28). While the report does not criticise Italian aid policy as such, it states that 'the involvement of UNIDO in implementing this instrument has been subject to debate'. Implication of UNIDO in tied aid is more problematic than implication of a national agency in tied aid.

Improved communication with donor

The intent of this section is unclear: is it UNIDO HQ that must better inform Italy, MinForAffairs, about ITPO, a project implemented in Italy, or should perhaps HQ supervise ITPO better because Italy, MinForAffairs, does not supervise it…? This paragraph to some extent contradicts the previous one where the ITPO is said to have moved to Rome to become more of a "representation office". Certainly the move to Rome, if anything, should have helped improve communications. In any case, communication channels between the MinForAffairs and ITPO are always wide open, but as long as ITPO basically follows the main policy guidelines of MinForAffairs, the Ministry has no great interest in micromanaging the ITPO. Any additional information that the Ministry requires would be immediately provided by ITPO. For example, some of the suggestions of the report are already practiced, with ITPO's Annual Report having been issued concurrently with the Ministry's deliberations about funding for UNIDO.

(11) The section refers to interviews with donor representatives who explicitly requested more opportunities for working level discussions with UNIDO HQ.

Development effectiveness of projects not demonstrated

This paragraph shows how wrong one can go if proper methodological precautions are not taken. The first statement, "that ITPO Italy dedicates the bulk of its resources and efforts to generating investment projects of Italian companies [sic] in developing countries" is plainly and factually wrong. In fact, quite the reverse: most projects (90%-95%) promoted by ITPO Italy are those of developing country firms. This error comes from the fact that the evaluation mission did not look at the work being carried out in developing countries, by failing to evaluate the ITPO-IPU network as a system.

(12) By definition, the matchmaking activities of an ITPO aim at bringing together two partners: the investor company and the target company. The evaluation found that the ITPO supports primarily the investor side and that it therefore indeed dedicates the bulk of its efforts to Italian companies (companies in developing countries may be secondary beneficiaries of such efforts). It may well be that the IPUs dedicate most of their efforts to target companies in developing countries but this would then be activities of the IPUs and not those of the ITPO. Consequently, benefits for companies in developing countries would have to be attributed to IPU activities. The comments seem to suggest that in the ITPO-IPU network results occur from a collective non-attributable effort. For the sake of methodological soundness the evaluation team did deliberately not adopt this view. The evidence that Italian companies are better served by the ITPO is also dealt with below under (17).

This section, though, harks back to general relevance and mandate, which also questions the UNIDO methodology. ITPO Italy believes that the joint benefits of sharing technology, managerial know-how, and capital between firms of an advanced country and those in some of its neighbours that may be less fortunate, may be underestimated by the evaluation mission. It is in the process of helping to establish close contact between enterprises in Italy and potential partners in developing countries that the ITPO provides an input of great value. The assistance given to firms in developing countries, even when it does not result in an immediate project, is part of the learning process that small enterprises need to experience in order to mature and eventually become able to join an international partnership.

The draft report suggests that the criterion of success is merely that of finance and that ITPO does not have a system to monitor and evaluate developmental impact. It is true that this type of project must pass a financial test to be viable, and cooperation through enterprises must be sustainable, unlike humanitarian assistance. The UNIDO methodology has strengths but it also has its weaknesses: there is no embedded Monitoring and Evaluation (M+ E) mechanism. The first answer to this might be that ITPO is given neither the mandate nor the resources to conduct such M+E. A second answer, suggested by the draft report, is to adopt the methodologies of other agencies that might have tackled this problem better. This would require an institutional decision on the part of UNIDO. ITPO believes that its projects do have developmental impact though until now, we have chosen to spend our resources doing the projects, rather than monitoring their impacts.

(13) It is a key finding of the evaluation that, due to the shortcomings of the UNIDO methodology, the ITPOs fail demonstrating the developmental effectiveness of the projects pursued. The ITPO comments confirm this finding explicitly. Moreover, the comments suggest that a broad concept of developmental benefits should be adopted beyond mere investment and employment. To overcome these recognized weaknesses of the UNIDO monitoring approach and instruments the comments point to the need for an institutional decision of UNIDO. All this is in line with the findings and recommendations of the evaluation.

A failed project can yield benefits: if, for example, as a result of ITPO's intervention, a project which might have gone ahead is stopped because it fails to pass any test (financial, technical, economic, environmental…), then this must surely also be reckoned as a benefit, and not a negligible one. Finally, by concentrating only on static employment creation, the draft report does not sin through excessive imagination in seeking potential benefits.

(14) It is worth quoting the evaluation report here: "While the micro-economic assessment of the investment opportunities is relatively well covered, the standard method does not allow for adequate assessing and monitoring the assumed developmental spill-overs such as trade capacity; technology transfer; environmental effects; net job creation or poverty alleviation." (p. viii)

Until the donor and UNIDO decide that we should try another methodology, (and we are willing to participate in a process to select and try-out such a new methodology), perhaps we could be given the resources for a study to evaluate in detail the impact of some projects ITPO carried out in the past on a sample basis (even some unsuccessful projects do have developmental impacts: in terms of experience, learning for the LDC firm that may have for the first time entered a negotiation with a firm from an advanced country and been exposed to financial analysis, to the requirements of credit agencies --banks, or other-- and to the experience of other small/medium enterprises, etc.).

Furthermore, since ITPO claims benefits beyond just generating investment and employment, it would seem logical that the more numerous the interactions between firms, as in project promotion, the greater the likelihood of positive fallout for LDC firms in learning mode. The debate about what benefits are more important could end-up being about measurability: should we ignore benefits because they are difficult to measure? The answer is no, but it is always tempting to stick to the tangible (the fallacy of concreteness…) when in fact, even a modest dynamic process will overwhelm easily any static employment gain due to physical investment. Still, ITPO Italy considers that the draft report does well to question these quasi-assumptions, and would be willing, given the resources and mandate, to consider having a staff member assigned to things like continuous monitoring, and to document other, less easily discerned impacts of the processes of promotion and technical assistance themselves, rather than only the (employment) impact of concluded, implemented, or operational projects.

(15) These constructive reflections on how the monitoring approach could be improved are in line with the respective recommendations of the evaluation team.

Finally, on the basis of some ratios (esp. operational to promoted projects), the draft report concludes that the success rate of promotion is low and, consequently, so is its development effectiveness. Again, our discussion above seeks to widen the concept of "benefit" beyond the narrow one used by the evaluators by insisting that the process itself generates benefits. In that optic, we consider that the true proxy for effectiveness of investment promotion (HQ consistently states this also) is the ratio of projects under negotiation to those under promotion (the learning is most intense while the enterprises are negotiating), and that is why we would posit that the more projects are promoted and reach negotiations, the greater the benefits.

(16) 'Learning by negotiation' by firms in developing countries may be a side benefit of the ITPO activities. However, the evaluation team would not consider such benefits as first line but assumes that many projects probably do produce developmental spill-overs that go beyond 'learning by negotiation'. The core problem is that these benefits are not properly monitored and documented.

Italian companies better served

This conclusion again flows from the failure to evaluate the ITPO IPU network as a system, because work in developing countries is essentially ignored. In some ways too, the numbers reported in the draft report are explainable intuitively: Italy is one country (even if fairly large) and it may not have all the activities that LDC firms might be interested in. So, not all LDC firms might find a suitable partner. Italian firms might also have superior skills and information as to what activities are possible in other countries, and there are several potential countries that can provide partners. Being more advanced, larger, better managed, Italian firms might be expected to be better at finding suitable partners or at designing projects that are more complete, and more likely to be successful. On the other hand (again due to the failure to evaluate the ITPO-IPU system as a network), a firm from, say, Tunisia, that fails to find a partner in Italy may well find one in Greece or France, as IPU's forward projects for promotion to all countries that host ITPOs. Under current arrangements, it is doubtful whether these cases can be identified easily, yet they undoubtedly exist.

(17) These comments are rather general and speculative. They ignore the extensive survey among client companies in Italy and abroad carried out by the evaluation team. These findings are documented in the report, e.g. only 26% of the companies from abroad declared to have reached their objectives, either fully or largely, against 52% of the Italian companies. All Italian companies looking for a partner were successful, against only 56% of the companies from abroad.

Providing services for free can be problematic

This draft evaluation will not be able to give the definitive answer to this question as the arguments are well-known and equally balanced. The services of ITPO are free, especially to firms in developing countries, and that is a small subsidy that both ITPO and Italy are pleased to extend to small/medium LDC firms. As to Italian firms, services extended collectively to a group, an association, or other collective (coops, clusters,..) are always free. Again they are of little benefit to any individual firm and, again, unlikely to result in any important market distortion. In fact, these services being free is a response to the market failure of 'sticky' information (classical economics considers information to flow easily and without cost; the reality is less perfect, hence 'sticky… meaning that it takes resources to make information flow).

(18) The fact that information is sticky cannot serve as a rationale why public money should be used to make it flow. Many private businesses offer services that aim to make information flow.

In exceptional cases, however, as when a firm (at times sizeable) requires a specific service, e.g. one of ITPO's staff must travel specifically to assist one firm with a delicate negotiation or a strategic analysis, then, if the venture has serious development impact, ITPO will consider assisting this firm, but in such clearly exceptional cases, all out of pocket direct costs (such as air tickets, subsistence) will be borne by the firm in question (except for staff time/salary, of course). In the case of firms that travel to events, or that are assisted to attend events, they all pay their own expenses.

(19) This detailed information confirms that the ITPO uses public money (salaries) to help Italian firms with their investment projects. The evaluation report does not claim that this is necessarily wrong but that it can be problematic. The rationale for free ITPO services is not the stickyness of information nor the size or the need of the firms served but only and exclusively the (assumed or real) developmental benefit. This harks back to the monitoring problem dealt with above. As long as this problem is not solved the rationale for free ITPO services is not secured.

The IPU network is an asset

Not only is it an asset, it is an integral part of the system of support to LDC firms in their first attempts to seek technology, know-how, and/or capital abroad or from financial facilities or agencies. It seems also that the evaluation team has difficulty forgiving the IPUs' original sin of having been born to help LDC firms use the Italian credit lines: well, those times are well and truly gone and IPUs now are valued parts of their host institutions and an essential building block of those countries' support system for small and medium firms that seek survival and prosperity in this rapidly globalizing world. This misunderstanding of the current nature of the IPUs is again due to the evaluation mission's failure to treat the ITPO-IPU network as a single system.

(20) It should be repeated here that, in line with the terms of reference, this evaluation deliberately focused on the ITPO while taking into account findings from previous evaluations of the IPUs in Jordan, Tunisia and Egypt. These findings are not fully in line with the claims made in the ITPO comments. Neither are the times of the credit lines 'well and truly gone' (e.g. the involvement of the IPU Egypt in improving the terms of the credit line documented on p. 30 of the report), nor are the IPUs fully integrated into the national support systems. The three evaluation reports quoted above provide ample detail of a less rosy picture. However, the evaluation team stands by its assessment and recommendations that the IPU network is an asset that UNIDO and Italy should further develop.

While the IPUs are now managed from HQ, ITPO Italy continues to play an important role in their support. They continue to provide ITPO Italy with the immense majority of projects to be promoted, hence our earlier contention that ignoring the IPU part of the network makes the evaluation mission reach biased conclusions. The countries where IPUs are located are always among the most active. At a recent meeting of the ITPO with staff from HQ and from the IPUs, ITPO confirmed its support for the continued funding of the IPU network, hoping that other donors (inclusive of host countries or their donors) appreciate the key role IPUs play in helping LDC firms, and would be willing to add to the foundation built through Italian funding of the IPUs over the past several years.

(21) The proposition that 'ITPO confirmed its support for the continued funding of the IPU network' is unclear. Should 'ITPO' perhaps read 'MAE' here? In any case the above comments are in line with the findings and recommendations of the evaluation report (p. 43 and 44).

Decline of the delegates programme

Well, the programme has suffered a bit in the recent past, but ITPO is convinced of its value and is going to resume it fully and with the intention of maximizing its development impact. Several delegates are currently either about to arrive or close to finalizing their arrangements. As to the trend towards shorter assignments for delegates, ITPO is now experimenting with the duration of assignments, taking due note of the long "Paris" option, but also considering the "Tokyo" option where delegates spend only one month in Japan. Further, even a three-month assignment implies 2 or 3 months of preparatory work to build a portfolio of projects to be promoted, so that many staff members of institutions of origin may be unable to participate for much longer periods.

(22) Whether the delegates programme suffered a 'bit' or a lot is a matter of appreciation. Readers are invited to refer to the detailed figures and analysis in the report.

Capacity-building in Serbia perceived as ineffective

Though it is true that the Serbia project has had some difficulties, it has, in fact, suffered mainly from a problem of delayed funding given that it is co-financed by Italian Regional and provincial authorities under the new, relatively untested, so-called "decentralised cooperation" procedure . The draft report describes results after only about a year of activity, rather than two, as there should indeed have been. Suffice it to say that communication problems with the Serbian Agency for SMEs and Entrepreneurship have been fully resolved, that a full and participative dialogue has been re-established, and that ITPO and the Serbian Agency are confident the project will yield the full benefits initially expected. In fact, this year's work programme with Serbia has already started in February and is currently regaining its full speed. After this learning experience, and its successful conclusion at the end of this year, ITPO Italy hopes to carry-out other similar projects especially in sub-Saharan Africa where capacity- and institution-building have even greater priority.

(23) As explained in the detailed analysis of the Serbia project in the report (p. 44 to p. 49) the project start was indeed late but turbulent: project activities started in February 2005, the deployment of the experts to Serbia in April, a Memorandum of Understanding was signed in June, but the project document was only signed in August 2005. The ITPO expert was in Beograd for 20 months (from 04/05 to 11/06). The evaluator visited Beograd in January 2007, which means that the evaluation covered almost 24 months of activities. The evaluation found that the SME Agency assesses the performance of the project as weak and, at least at the moment of the evaluation, did not envisage collaborating with the ITPO in future. The comments of the ITPO suggest that this negative attitude of the counterpart may have changed in the meantime, which might indicate that the evaluation has already triggered some positive results.

Innovative instruments applied

The "Environment" project is justly called innovative but is criticized on two scores: it fails to enhance the environmental effect of investment promotion and it doesn't use the resources available at UNIDO HQ.

(24) The report describes the project as a very positive experience (p. 53 to p. 57), whereas the comments suggest that the assessment was mainly critical.

For the first item, environment work in developing countries is often merely reactive, or uses a "fire-fighting" approach as institutions are immature and resources, short (see UNCTAD, Trade and Environment Review 2006, page iii). However, the projects selected for promotion are often part of the "environmental industry" (as defined by OECD, though most developing countries are net importers of such goods and services) or concern "Environmentally Preferable Products" or EPPs, with somewhat less stringent standards, BUT where there are greater opportunities for developing countries. The perfect, or good, should not be the enemy of the better, as is so often the case in environment policy, and we are determined to act pragmatically in this sector.

As to resources available at HQ, they are often a mirage, as staff are fully and even over-committed. A general point though, in relation to collaboration (of various sorts) with HQ: this collaboration should be a two way street. We often mention things to HQ colleagues but often without any reply. At times, we at ITPO wonder whether even the issue of turf (god forbid!!!) might come to play a role in this apparent lack of interest. On the other hand, there are a few excellent examples of joint work with HQ. Sometimes this could be because the initiative comes from them, and we agree (sometimes it also seems we are the ones supplying the expertise, as when HQ asks our participation to programming/project preparation missions to Latin America, taking advantage of our comparative advantage in Latin American staff). It would seem that collaboration with HQ is difficult to systematize, though it should perhaps be more frequent and more predictable, but ITPO is not sure how that could be included in HQ planning (an element of slack to make room for demand-driven work as requests arrive from ITPOs?).

(25) The report picks up a number of cases of imperfect collaboration between the ITPO and HQ but without putting the blame on only one side. The evaluation report stresses that a stronger management structure at HQ would have allowed mobilizing considerable ITPO-HQ synergy (p. 73). The comments of the ITPO point into the same direction. On the interaction between ITPO and HQ see also (27).

The Egypt furniture technical assistance and capacity-building project is certainly innovative. We are disappointed that the evaluation mission could not go visit it and give us a valuable point of view. It simply makes the theoretical point that the staff being Italian confuses the Egyptians... Sorry: this is a bit lame.

(26) The comments miss the point made in the report: "During 2005 and 2006 the IPU hosted six staff members of Snaidero's consulting branch who assisted 26 Egyptian companies with preparing individual restructuring and modernisation projects. The studies were carried out successfully although no records on results and client satisfaction are available. The project seems to have encountered certain problems with a perceived 'double identity' of the experts. It is in UNIDO's interest that its experts be perceived as entirely neutral and not biased by any company interest. Quite clearly, similar problems occur in many public private partnerships and should not prevent UNIDO from experimenting with this type of ventures." (p. 31)

The ITPO hub at UNIDO HQ is weak.

Well, tell us something we don't know…. Although the Coordination Unit and its staff have always been helpful to us whenever we have needed them, it is obvious that the Unit is, indeed, badly understaffed. The alternative, the so-called IPF Manual is also badly underdeveloped and incomplete. But this does not mean that the ITPOs are running amok because there is no one to police them in Vienna. This is a bit exaggerated: the autonomy of ITPO is necessary for it to be responsive to the demand-driven requests from clients and to respond to the needs of the main donor, among other things. That better, more timely, and more operational guidance should be available from Vienna is self-evident and we couldn't agree more. We have made the point earlier that the staff shortage that cripples the Coordinating Unit also extends to HQ technical units with which the draft report enjoins us to collaborate more.

(27) The report does neither suggest that HQ should police the ITPO nor that the latter should loose its appropriate degree of autonomy. It states on p. 76 that ITPO management suffers from unclear guidance with regard to administrative rules and regulations (e.g. problems with tendering procedures as in the case of the Serbia project). The report recommends that UNIDO should staff the central ITPO coordination unit at HQ properly in order to assist technical units and ITPOs with increasing synergy. The report comments seem to be in line with this analysis and recommendations.

UNIDO Exchange Internet Platform, ITPO Publications

The entire UNIDO e-structure is currently undergoing review. ITPO Italy is currently testing an alternative system of work monitoring, and information storage and retrieval that works online and could possibly become a major communications tool within the ITPO-IPU network. The Med Exchange, in spite of its shortcomings, is a part of the system that works relatively well.

(28) On Med Exchange the report offers the following information: "The so-called 'information sharing' facility of the 'Mediterranean Exchange' platform is not more than a page from where publications can be downloaded. 13 of the 14 publications available from this page have been uploaded as a batch in June 2005. The 'market place' under 'Mediterranean Exchange' is more populated. However, many of the 'investment and cooperation opportunities' on offer go back to 2003 and seem to be dormant." (p. 73) Whether the Med Exchange performs 'relatively well' or not is a matter of appreciation. The evaluation team stands by its critical point of view on this.

About publications, Italy is a country where there can never be too much information and, as stated earlier, it takes resources to get information to flow. Books, reports, a dedicated website, presentations, all these are required to reach our client enterprises with the basic information they need to consider investing abroad to become valuable partners to LDC firms.

(29) These comments are not clear. While ignoring the critical points made in the report on duplicative production of publications and the lack of a systematic dissemination strategy (p. 40 and p. 41), the comments seem to suggest that, in Italy, producing duplicative information is less of a problem than elsewhere. The evaluators do not share this point of view.

Efficiency of Implementation

Change is certainly disruptive but the changes that the ITPO has undergone are now safely past and the impact they may have had is expected to be temporary. The decline in certain types of output is due to the cyclicality of available financial instruments: the decline in the attractiveness of the terms of the Italian credit lines has caused a decline in the demand for conventional financial analysis but the situation is evolving and ITPO is rethinking the role of financial/technical analysis, with a view to making it a more upstream activity, thus freeing it from its link to the credit lines.

(30) Rethinking the role of the financial/technical analysis delivered by the ITPO with a view to freeing it from its link to the credit lines would be a positive step towards a situation where the times of the credit lines would indeed be 'well and truly gone' (see (20)).

As to the drastic quantitative drop in output claimed by the draft report, the numbers do not support it. In fact, by looking at a somewhat longer period, the declining trend disappears. Furthermore, a more reliable and correct way to measure our output would be to compare projects under promotion with those under negotiation: the picture that emerges is much more solid and positive. A small note on numbers will be found below under specifics (some arithmetic oversight, failing to use the latest data sent), although the changes caused are minor and would not sway the argument much one way or the other.

(31) The evaluation team examined the new figures provided together with the comments and revised the related parts of the report accordingly. However, the evaluators agree that these factual corrections are only minor and do not change the overall picture.

Quality of planning

It is true that project documents could be made better, and a joint effort between UNIDO, ITPO, and donors is required to make progress on this front. The truth is that the 'prodoc' is often written in a hurry, and when it is not, then there is uncertainty as to the amounts that will be available and the time at which they will become available. Also, ITPO project documents are multi-year whereas the funding is basically annual and sometimes suffers significant delays, so that investing in a sophisticated prodoc with all these uncertainties appears unappealing. Other project documents (for smaller projects) are sometimes very simple as they are meant to enable the implementation of relatively simple things, such as studies, or specific activities. While this is really no excuse, writing even a simple but good prodoc requires resources and staff that the ITPO can scarcely afford to assign to such duties.

(31) The comments ignore the most severe problem with project documents mentioned in the report (p. 49 and p. 50), which has to do with the 1 million euro 'Special Programme for Africa'. In this case the 'project document' consists of two and a half pages outline paper that allocates 600.000 euro to 'General Services' without specifying objectives, outcomes, outputs or activities.

ITPO staffing

Well, there is little the ITPO *qua* ITPO can say over this matter. It might be good to have a true multilateral, multicultural, and diverse staff to convey clearly the idea that ITPO is a UN project, office, or entity. However, ITPO being a project, it would be difficult to legally have a really international staff since the Office does not fully enjoy the privileges and immunities of the UN. Also, since the work of the ITPO requires intensive interaction with mainly nationals of the host country, it might be difficult to find nationals of other countries able to speak, say, Italian, which is not a UN language, yet is a must when working in Italy (yes, even for the UN…). Donors also have not embraced the idea of hiring foreign nationals to any great extent when using their discretionary funds ('contributi volontari'). In any case, ITPO Italy does have non-nationals among its staff (two Latin Americans and one Canadian). Whatever UNIDO can do to bolster the "esprit de corps" of ITPO staff through transfers, rotation, etc. is probably useful but begs the question of resources, which so often afflicts ITPOs as they are mere projects and are given resources only for the express purpose that they need to serve. In fact, perhaps some resources should be centralized in Vienna for use in doing things for the ITPO-IPU network that it cannot do by itself, such as search for synergies, or greater interaction and sharing of experiences with UNIDO HQ, other ITPOs, IPUs, or even other partners such as Investment Promotion Agencies in the countries where we are most active. Resources for even mundane staff training are often not available to ITPOs.

(32) The issue of ITPO staffing comes indeed mostly under the remits of UNIDO HQ and the donor to whom the related analysis and recommendations are directed (p. 75 and 76). The above reflections could be a useful contribution for them should they decide to take up the related recommendations in the evaluation report.

That the morale of ITPO staff was low at the time of the evaluation can be explained rather easily: there were three audits going on, an evaluation which after having been expected in October was delayed and fell right before the Christmas Holidays (some staff lost money because they had to cancel their trips home…), requiring evenings and weekends of work, and all this taking place in an atmosphere of uncertainty as to whether contracts would be renewed or not. Not much reason to be cheerful.

(33) The evaluation team recognizes the efforts of the ITPO Director and staff to cope with this very substantial burden. All information requested has been made available without undue delay. The statement about the tense and turbulent working environment at the ITPO at the moment of the evaluation (p. 25) is not a criticism of the behavior of ITPO staff who has been very helpful but it underpins the analysis made elsewhere (p. 75) that the identification of the ITPO staff with UNIDO is affected by a certain loss of morale due to poor contractual conditions and the top-down character of strategic decisions such as the one on geographical relocation.

Comments made and complementary views provided by the previous ITPO Director

The comments submitted by the previous ITPO Director were largely in line with the evaluation findings. Factual corrections were examined and taken on board as appropriate. The following paragraph extracted from these comments is documented below because it complements the findings and recommendations of the evaluation with regard to the need for a strategic review and repositioning of the ITPO network.

The following text quotes the text submitted by the previous Director of the ITPO:

The report substantiates very clearly the need for a profound rethinking of the investment promotion activities of the Organization, its rationale, and particularly its reference ITPO model, as reported on pages 65, 66 and 67.

Traditionally, UNIDO Investment Promotion Programme focused on the micro level: the enterprise level. Conceptually, it addressed a specific market/government failure with respect to the consolidation and dissemination of investment intelligence, which was very important at the time.

The ITPOs were central to this model as they represented the promotional outlet of the UNIDO Programme and were the essential channel to contact potential investors in selected countries.

UNIDO Investment Promotion Programme was a courageous effort to reconcile private sector motivations with public benefits. It certainly contributed to sustaining the overall debate on the importance of foreign investment but its impact has been limited to selected projects and interventions. Results in terms of real projects established have been limited and controversial, as per the findings of several evaluation exercises.

The model collapsed during the nineties. It was made irrelevant by the political changes of the beginning of the nineties, with the ensuing progressive globalisation and liberalisation of the economy, and the advances of communication technology. Information circulated freely, private sector investment dynamics expanded and most of the recipient countries equipped themselves to properly address the investment issue. Chapters II and III of the report describe well this new landscape.

However, investment (foreign, but also domestic) is one of the key elements of globalising economies and it is still crucial to development, to the point that no development programme can be considered complete without an investment component. Investment is in fact integral to productivity enhancements, or trade development, or the promotion of environmentally friendly processes or renewable energies.

As the report suggests, UNIDO's approach needs to evolve beyond the operational model launched in the eighties and that is somehow still upheld, at least within the ITPO network.

As market forces are more and more driving development and growth, it is essential to identify and redress those government and market failures that prevent individual economies from benefiting from and connecting with the global market, proposing a new model of intervention, less invasive and discretionary, and with a broader and more systemic development impact.

This would imply moving away from the concept of investment promotion per se to encompass the issue of investment quality, focussing instead on leveraging investment, that is enhancing the impact of investment on local economy, in terms of employment or technology transfer, or connection of local systems with global markets.

For instance, the experience of AfrIPANet indicates that a serious effort at assessing investment governance would permit to identify country level shortcomings and weaknesses and accordingly draw up the more appropriate technical assistance interventions to allow beneficiaries to harness the power of investment.

Under the circumstances, one certainly wonders whether the substantial resources made available to the ITPO over the last three years could have yielded better results for UNIDO and its constituency and have a clearer development impact.

In conclusion, I personally think that the report is a much-needed departing point for a debate on what UNIDO investment promotion model should be today. I find this the most valuable contribution of the report and I would like to express again my thanks to the experts for their work.

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