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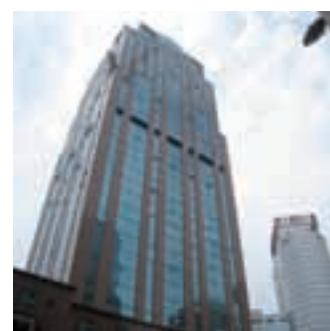
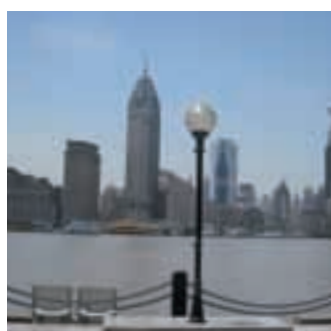
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Independent Evaluation **ITPO SHANGHAI**

Investment and Technology
Promotion Office Shanghai



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO EVALUATION GROUP

Independent Evaluation ITPO SHANGHAI

Investment and Technology

Promotion Office Shanghai

(Shanghai Investment Promotion Center)

**Assistance to Shanghai Foreign Economic Relations and Trade
Commission/ Shanghai Foreign Investment Commission in
inward and outward investment promotion**

UNIDO Project TF/TN/CPR/06/005



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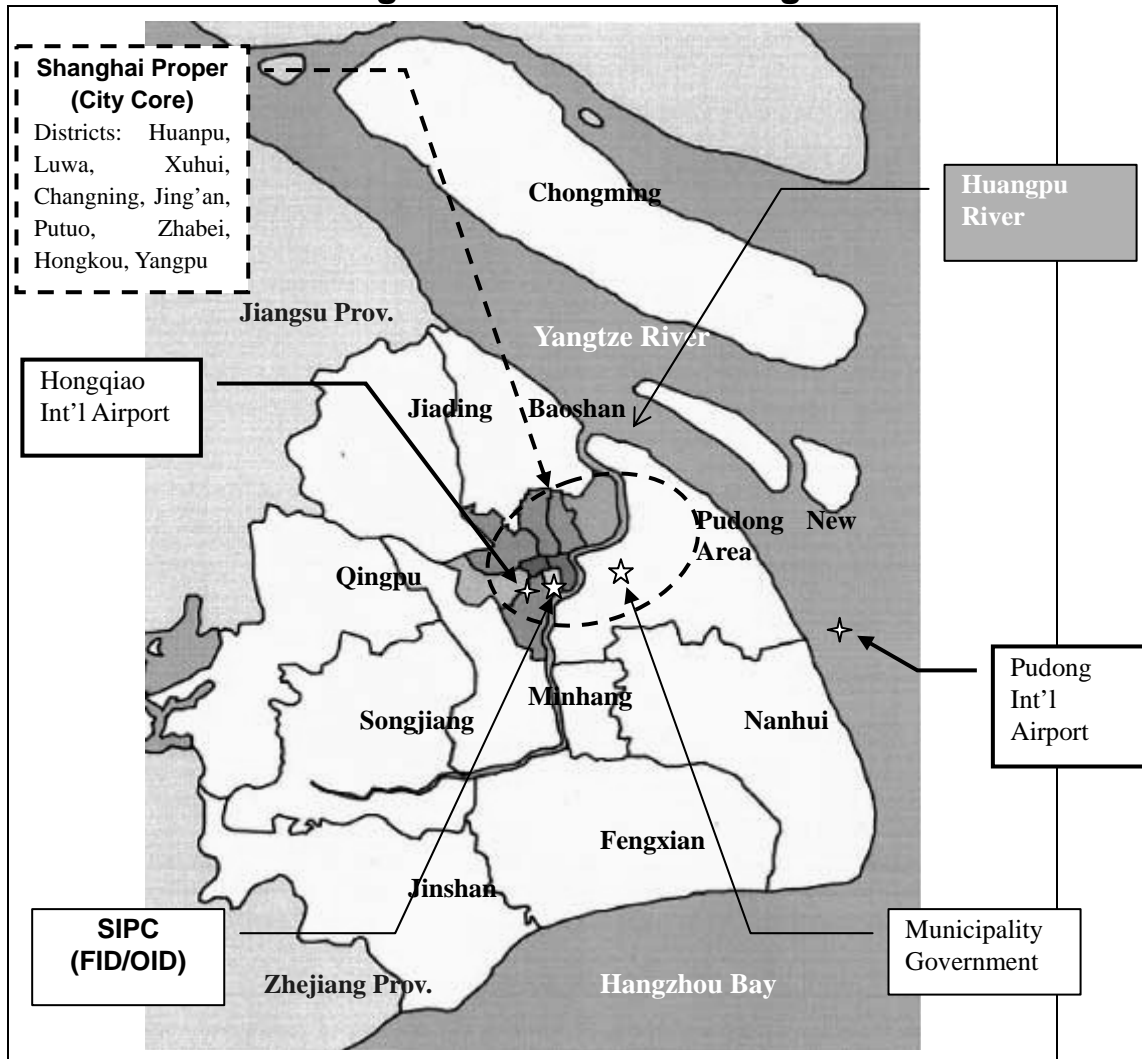
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MAP OF CHINA



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Shanghai Administrative Regions



Source: Created by map from Wikipedia (Shanghai_administrative_Puxi_Coloured.svg) with explanatory notes by MURC

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Annex A: Terms of reference

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Acronyms and abbreviations

AAITPC	Asia-Africa Investment and Technical Promotion Center
ADB	Asian Development Bank
BP	British Petroleum
BRICs	Brazil-Russia-India-China
CICETE	China International Centre for Economic and Technical Exchanges
COIC	Chamber of International Commerce, Shanghai
ECA	Export Credit Agency of China
FID	Shanghai Foreign Investment Development Board
GDP	Gross domestic product
GE	General Electric Corporation
HQ	Headquarters
ITPO	Investment and Technology Promotion Office
MURC	Mitsubishi UFJ Research & Consulting
OID	Shanghai Overseas Investment Development Board
OSL/PAC	Public Advocacy and Communications Unit, UNIDO
PRC	People's Republic of China
PTC/ITP/ICU	ITPO Coordination Unit, UNIDO
R & D	Research and development
RMB	Renminbi
SACU	Southern Africa Customs Union
SINOSURE	China Export & Credit Insurance Corporation
SIPC	Shanghai Investment Promotion Center
SITPC	Shanghai International IT Promotion Center
SME	Small and medium scale enterprise
SMERT	Shanghai Foreign Economic Relations and Trade Commission
SOE	State owned enterprise
SPSP	Shanghai Pudong Software Park
TEU	Twenty-Foot Equivalent Units (intermodal shipping container)
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade & Development
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WTO	World Trade Organization

Executive Summary

Introduction and Background

The UNIDO Investment and Technology Promotion Office, Shanghai (ITPO Shanghai) – known locally as the *Shanghai Investment Promotion Centre (SIPC)* - was established in September 2001 based on an agreement between UNIDO, the Shanghai Municipal Government and the PRC, and the current agreement, signed in March 2006 as the second phase of the SIPC project, came into force on April 1, 2006 for a period of three years. The main objective of the SIPC is to assist the Shanghai Foreign Economic Relations and Trade Commission/ Shanghai Foreign Investment Commission (currently merged as Shanghai Municipal Commission of Commerce) in expanding cooperation between Shanghai industries and foreign partners, through facilitating the inflow of foreign capital to China and the outflow of Chinese investments to other developing countries and to countries with economies in transition

An independent evaluation was conducted in May - June 2009 with the objective of evaluating the relevance, effectiveness, efficiency, impact and sustainability of the SIPC project. The Evaluation team comprised two international consultants, Mr. Hidekazu Tanaka, the Team Leader, and Mr. Andrew Ingram, and a national consultant, Ms. Sherry Ye.

Relevance

Relevance to Shanghai

Shanghai is a major investment destination - some 30,000 foreign enterprises have now invested in the city. The level of inward investment reflects, *inter alia*, China's large domestic market and the significant advantages offered by Shanghai in respect of location, infrastructure and the city's forward-looking investor-friendly policy. The Shanghai Municipal Government established two investment promotion organizations, the Shanghai Foreign Investment Development Board (FID) for inward investment, and the Shanghai Overseas Investment Development Board (OID) for outward investment, under the Shanghai Municipal Commission of Commerce. SIPC has been established as a sister organization of FID/OID to promote both inward and

outward investment with developing countries and transition economies as part of the UNIDO / ITPO network.

Under the current set-up with the dominant role played by FID/OID, the role of SIPC is more visible and evident, and also more relevant, for outward investment rather than for inward investment promotion, with a focus on Africa. SIPC is one of a limited number of official cooperation activities between the Shanghai Municipal Government and UN organizations, which is symbolically as well as substantively important for Shanghai in seeking to progress its role as an international metropolis. Through SIPC, the Shanghai Municipality can take advantage of UNIDO's platform to publicize and promote the city as a location with a highly favorable business climate, assisted by the facilitative role played by the city authorities, with their forward-looking approach to development assistance.

With an increasing number of Shanghai companies interested in expanding their operations overseas, SIPC is in an excellent position to provide vital support, by establishing bridges between the companies and the countries of potential investment, providing essential information in respect of investment policies and local conditions.

The economy of Shanghai is in rapid transition, with emphasis on higher value-added industries such as high technology, research and development, and on the headquarters functions of foreign enterprises. Faced with increasing production costs, many Shanghai enterprises are exploring options to relocate their operations, in whole or in part, to lower cost areas either domestically or outside of China, and SIPC is providing a window for such enterprises to open their vision to global opportunities.

Relevance to UNIDO

Among the SIPC-promoted outward investment projects during the period 2006 – 2008, there are relatively few cases of investment in Africa, but those cases have been both successful and relevant. The entrepreneurs interviewed by the Evaluation Team represent a new generation in the business community, enthusiastic to explore the challenges of the African market - the team noted the entrepreneurial attitude to risk-taking, and the readiness to invest without any financial support from the government, except for export credit insurance policy for non-commercial risks.

The visibility of UNIDO through SIPC is highly important but it is inappropriately

limited, especially when compared to the *Shanghai Foreign Investment Development Board (FID)* and the *Shanghai Overseas Investment Development Board (OID)*. In line with UNIDO's policy of promoting the capacity building skills of investment-related staff in developing countries, SIPC is very well-placed to provide an example of the successful inward investment promotion, by way of its Delegates Programme, to train participants from less developed countries and from economies in transition.

Effectiveness

Among 62 outgoing investment projects promoted by SIPC during 2006 to 2008, the large share, in terms of amount, is represented by projects in Hong Kong, USA/Canada, Oceania, Japan and Europe, and share of Africa is 3.2%, with two projects.

The UNIDO network, with its availability of country information, has proved to be an efficient tool for Chinese enterprises, largely through SIPC, to access information essential to the investment decision-making process.

Inward investment promotion by SIPC is limited, with 11 projects promoted, including 9 projects concluded in 2008 with total value of US\$21 million. Compared to the annual influx of 2,000 foreign investment ventures into Shanghai, the role of SIPC is almost minimal.

In respect of capacity building activities, SIPC organizes a series of 'Salon' activities, which have provided valuable opportunities for the exchange of experiences and information in respect of the overseas investment climate and environment for enterprises in Shanghai. Further, the Delegates Programme which took place in 2006 for representatives from African countries and from economies in transition provided effective opportunities for the delegates to establish direct contacts.

Efficiency

SIPC is still not widely recognized in the business community, and SIPC's identity tends to be obscured by the much better-known host organizations. Office logistics do not ensure UNIDO's or SIPC's presence is optimized. The long-outstanding vacant post of the ITPO Head of Service has been a handicap for SIPC.

Sustainability

The Shanghai Municipality has clearly indicated its firm commitment to SIPC. As long as Shanghai is accorded pioneering status from Beijing for commerce and investment, Shanghai should be able to utilize the opportunity to further expand its activities within the international community.

The sustainability of the investment projects promoted, for example in Africa, is encouraging, in that one project for constructing an industrial estate in Botswana, aims to promote the establishment of additional production units by Chinese investors at this location, an effective step to accelerate investment in a less developed and unfamiliar investment environment.

Impact

The evaluation concludes that the effect of inward investment promotion is limited while the impact of outward investment is more evident because some of the resulting investment projects are pioneering markets abroad, in particular African markets, and are generating industrial production, contributing to import substitution or export promotion and to employment generation. However, the impact is more visible for projects promoted in 2006 and 2007 than in 2008.

Recommendations to UNIDO

- The absence of a Head of Service for two years has limited the usefulness of ITPO Shanghai. It is strongly recommended that UNIDO address this as a priority matter, and take immediate steps to select and appoint a Head of Service.
- Although a Work Programme has been presented on an annual basis, disparity between the programme and its implementation was observed. The Report recommends that UNIDO provides appropriate guidance to SIPC regarding the formulation and implementation of its Work Programme.
- Visits of high-ranking UNIDO staff to Shanghai take the opportunity to acknowledge the presence of ITPO by way of a courtesy call or a meeting with

the Head of Service.

Recommendations to the Government

- The Report recommends that the Government and UNIDO take urgent action to recruit a Head of Service to restore the designated ITPO activities, in line with UNIDO's recruitment procedures which include the advertising of the post.
- While SIPC is mandated to undertake both inward and outward investment promotion, its success in respect of inward investment appears limited. It is thus recommended that the host government establish a clear focus for outgoing investment promotion as the core function of SIPC.
- The presence of SIPC and UNIDO tends to be obscured by the counterpart agencies. It is recommended that the host government take steps to increase the visibility and presence of UNIDO and of SIPC.

Recommendations to ITPO

- It is strongly recommended that SIPC take full advantage of UNIDO's services, as well as of UNIDO's extensive network, and that the staff is properly trained on UNIDO's priorities and approaches.
- It is recommended that SIPC develops a plan and strategy to implement more effective outward investment promotion especially towards Africa, capacity building activities and Delegate Programmes.

Lessons learned

The capacity building and guidance required for an ITPO in an emerging economy is more than that required in an ITPO in an industrialized, developed country. Properly qualified and trained staffs are essential to ensure efficient and effective operations, and special care is needed for the selection and recruitment of new staff, who should receive UNIDO training in matters of policy and procedures. The human resource development to support ITPO activities needs to be given special attention.

1

Introduction

The Shanghai Investment Promotion Centre¹ (SIPC) was established in September 2001 based on an agreement between UNIDO Shanghai Municipal Government and PRC, and the current project document was signed in March 2006 as the second phase of SIPC project, starting from April 1, 2006 for the period of three years. The main objective of the SIPC is to assist the Shanghai Foreign Economic Relations and Trade Commission/ Shanghai Foreign Investment Commission² in expanding cooperation between Shanghai industries and foreign partners. This objective was to be reached through facilitating the inflow of foreign capital to China as well as the outflow of Chinese investments to other developing countries and countries with economies in transition. The project also intends to assist Chinese investors in making decisions on the establishment of industrial partnerships by providing support in the development of partnership opportunities into business proposals as well as negotiations of these proposals.

The project has a total allotment of US\$858,672 of which 61% has been disbursed from May 2006 to April 2009.

Table 1: Financial Implementation of SIPC 2006-2008

Project No.	Total Allotment (US\$)	Total Expenditure (US\$)	Total Implementation (%)
TF/CPR/06/005 (US\$ part)	168,000.00	58,701.33	34.94
TN/CPR/06/005 (RMB part)	690,672.73	463,928.44	67.17
Total	858,672.73	522,629.77	60.86

Source: UNIDO

The purpose of this independent evaluation of SIPC was to enable the Chinese Government, the Shanghai Municipal Government, and UNIDO to have up-dated information with regard to the

¹ While SIPC is one of 13 ITPOs network of UNIDO and it is formally named as “Investment and Technology Promotion Office in Shanghai”, by UNIDO context, Shanghai Investment Promotion Center (SIPC) is being used in formal documents such as trust fund agreement and annual reports.

² These two commissions were re-organized and merged to Shanghai Municipal Commission of Commerce in the last quarter of 2008.

following:

- The relevance of ITPO and of the activities and programmes promoted
- The efficiency of implementation: quantity, quality, cost and utilization of resources.
- Timeliness of SIPC inputs and activities, and SIPC management and coordination, in China and from UNIDO Headquarters.
- The outputs produced and objectives achieved, as compared to those planned
- The impact and sustainability of results and benefits.

Since this is the first evaluation exercise taken for SIPC, the evaluation has focused on the basic issues concerning the organizational set-up, staff and administrative procedures, in addition to the results achieved by the SIPC. The evaluation also took consideration of the Shanghai environment, in terms of its rapidly developing economy, emerging players as outward investors, closely supported by the Municipality. The Terms of Reference of the evaluation are attached in Annex A.

The evaluation team was composed of Mr. Hidekazu Tanaka (Team Leader), Principal consultant of Mitsubishi UFJ Research & Consulting (MURC), Mr. Andrew Ingram, international consultant, and Ms. Sherry Ye, national consultant. The evaluation was carried out in May/June 2009, with field work in Shanghai taking place between 11 and 15 May, 2009. The members of the evaluation team were fully independent from policy, operations and management functions of UNIDO, from the ITPO Programme and the SIPC.

Due to the independent nature of the evaluation, the views and opinions expressed in this report do not necessarily reflect those of SIPC, of the Chinese authorities at all levels, or of UNIDO.

2

Methodology

The evaluation was conducted in compliance with UNIDO Evaluation Policy and the UNIDO Technical Cooperation Guidelines and attempted to evaluate, as systematically and objectively as possible, the relevance, effectiveness, efficiency, impact and sustainability of the project (SIPC). The evaluation assessed the achievements of the project against its objectives and outputs established in the Trust Fund Agreement, Project Document and the annual work programmes, including re-examination of the relevance of the objectives and of the design. The evaluation also attempted to identify factors that have facilitated or impeded the achievements of the objectives.

The evaluation was carried out through analyses of various sources of information, including reviews of the project documents, Annual Reports and Annual Work Programmes, and interviews with various stakeholders, including all SIPC staff and persons representing SIPC clients and organizations with which SIPC has professional connections. The list of interviewees and persons met during the field visits in Shanghai is attached as Annex B. As background information regarding UNIDO assistance to the Chinese government and the relationship between UNIDO and SIPC, the following documents were also reviewed during the course of the Evaluation:

- People's Republic of China: Country Programme 2008-2010, November 2007, UNIDO
- Programme Progress Report (as at end October 2008): Country Programme for China 2008-2010, UNIDO

For the activities conducted at SIPC for the period covered by the Evaluation, the following SIPC documents were reviewed prior to the interviews being undertaken in the field.

- Annual Report 2006 - Shanghai Investment Promotion Centre, January 2007
- Annual Report 2007 - Shanghai Investment Promotion Centre, February 2008
- Annual Report 2008 - Shanghai Investment Promotion Centre
- Work Programme 2008 - Shanghai Investment Promotion Centre, February 2008
- Work Programme 2009 – 2010, Shanghai Investment Promotion Centre

The independent evaluation of ITPO Beijing was conducted simultaneously by a separate

evaluation team. While there are common issues applicable to both the Beijing and Shanghai ITPOs, the Evaluation Group of UNIDO decided to undertake two separate and independent evaluations, given perceived distinctions between the two ITPOs.

While maintaining independence, the evaluation was carried out based on a participatory approach, which sought the views and assessments of all parties. Preliminary findings were presented at UNIDO Headquarters on the 29th of June 2009. Major stakeholders were given the possibility to comment on the findings and conclusions of the draft evaluation report.

3

The ITPO Shanghai (SIPC) Context

3.1 Shanghai – a Brief Introduction

1) History³

Shanghai was originally a fishing and textile town, but it has grown to a major world-class city, open to foreign trade, largely due to its strategic location and port facilities, and has developed into a highly-important center of commerce between east and west, and already became a multinational hub of finance and business by early 20th century. In 2005, Shanghai became the world's largest cargo port⁴.

In the 17th century, during Qing Dynasty (1644-1911), Shanghai started to become an important seaport in the Yangtze Delta region, and by the end of the 18th century, Shanghai has become the major trading port for the entire lower Yangtze River region.



In mid-19th century, Western countries started to establish international settlements in Shanghai, and the city began to function as a major trading port and gateway to inland China for foreign traders. With the establishment of these foreign settlements, Shanghai began to quickly emerge as a cosmopolitan city, and under the Republic of China (1911-1949), Shanghai's administrative status was raised to that of a municipality in 1927, as one of China's three major cities, after Beijing and Tianjin.

Following economic liberalization in the southern provinces in mid-1980's, Shanghai finally

³ The contents are written with reference to Wikipedia (<http://en.wikipedia.org/wiki/Shanghai>)

⁴ Since 2005, Shanghai has been ranked as the World's busiest port by handling 560 million tons of cargo in 2007, larger than Singapore

started to initiate economic reforms, and massive development commenced in 1991, and the return of many foreign companies began to take place.

This background suggests that Shanghai is a historically amenable city for foreign trade; this long-established trend has accelerated in the last two decades, with the result that Shanghai is now established as a major centre of commerce and industry, to favorably compare with other major centres in the Asian region.

2) Location and population

Located in the center of China's Pacific coast at the mouth of the Yangtze River⁵, Shanghai is situated at the mid-point between Beijing in the North and Hong Kong in the South. The city also occupies a strategically central coastal position, and owing to its advantageous geographic location and easy accesses to a vast hinterland, Shanghai has now become a huge sea and river port of the highest standards and importance.

Shanghai is the largest city in China in terms of population, and one of the largest metropolitan areas in the world. In 2007, the resident population had reached more than 18 million.⁶ The city is administered as a municipality of the People's Republic of China with province-level status, and consists of 18 districts and one county. The city is an emerging tourist destination renowned for its historical landmarks such as the Bund and Xintiandi, its modern and ever-expanding Pudong skyline including the Oriental Pearl Tower, and its new reputation as a cosmopolitan center of culture and design. Today, Shanghai is the largest center of commerce and finance in mainland China, and has been described as the "showcase" of the world's fastest-growing economy.

Shanghai has one of the world's busiest seaports. Since 2005, Shanghai has ranked first of the world's busiest cargo ports, handling a total of 560 million tons of cargo in 2007. Shanghai container traffic has surpassed that of Hong Kong to become the second busiest port in the world, behind Singapore.⁷ A newly developed Yangshan deep-water port, a mammoth facility located at Hangzhou Bay, 45 km from Pudong International Airport, will have an annual handling capacity of 25 million TEUs⁸ of containers when completed in 2020⁹.

⁵ Yangtze River is the World's third longest river, with 6,380km in length.

⁶ Data from Shanghai Municipal Government official website

⁷ Hong Kong Trade Development Council

⁸ Twenty-foot equivalent units

⁹ Shanghai currently handles 18 million TEUs, while Singapore handles 21.2 million TEUs in 2005.

3) Economy

Shanghai is accelerating its economic restructuring and transformation as a model of economic development. Shanghai's economy has shifted during the last 20 years from labor intensive industries such as textiles to a comprehensive and diverse economy that focuses on electronics, ship building, steel, automobiles, chemicals, and aviation. Since 1992, Shanghai's economy has consistently maintained double-digit growth, and in 2007, Shanghai achieved a GDP of 175.7 billion USD¹⁰. The regional GDP per capita in Shanghai exceeded US\$ 8,500¹¹ in 2007, while that of the whole China is reported as US\$ 2,010 in 2006¹².

While Shanghai rivals Hong Kong as the economic center of the Greater China region, Shanghai has stronger links with the Chinese interior market and the central government, with a stronger base in manufacturing and technology, an increased role in finance, and as a major destination for the corporate headquarters of enterprises, the demand for a highly educated and modernized workforce is significantly boosted. In 2007, Shanghai was already host to almost 30,000 foreign enterprises.

Shanghai is undergoing a major construction boom, especially noticeable in elevated highways, subway extensions, the renovation of historic buildings and quite spectacular high rise buildings, in particular in the Pudong New District which is being developed as a financial center and city to address the needs of the 21st century. The forthcoming Expo 2010 in Shanghai is already bringing momentum to Shanghai, and the huge Expo 2010 site is arising as a vastly impressive international “city within a city” which is intended to symbolize modern China.

4) Industrial Development and Foreign Investment

According to “White Paper 2008: *Environment for Foreign Investment in Shanghai*”, the service sector shares 52% of the regional GDP, surpassing the industrial sector which is reported as 43%. Among the industrial sub-sectors, electronics (22%), machinery (20%), light industry (14%), petrochemical (11%) and automobiles (8%) have the major shares, and within service sub-sectors, financial services (19%), wholesale and retail (17%), real estate (13%) and shipping

(Asia Times)

¹⁰ The exchange rate in this article is set according to 1USD to 6.83RMB

¹¹ White Paper: Environment for Foreign Investment 2008, by Shanghai Municipal Commission of Commerce

¹² The World Bank

(12%) have comparatively large shares within the sectors, as of 2007. (See Charts)

Shanghai has developed industrial zones with technological advancement and R & D functions. There are Shanghai Zhangjiang Technological Park, Shanghai Hongqiao Economic and Technological Development Zone, Jinqiao Export Economic Processing Zone, Minhang Economic and Technological Development Zone and Shanghai Caohejing High and New Technological Development Zone.

Chart 1: Shanghai Industry

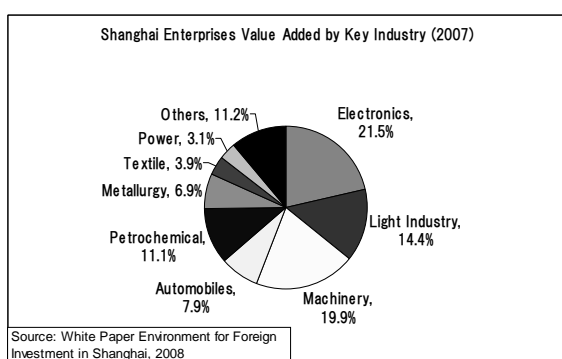


Chart 2: Shanghai Service Sector

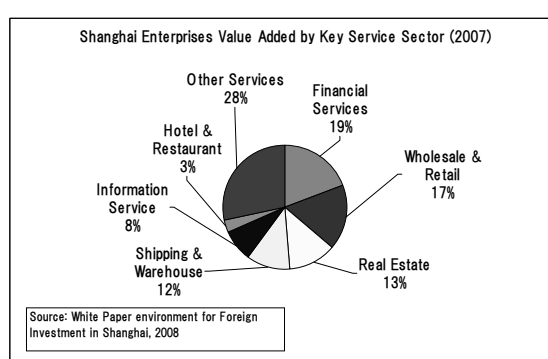
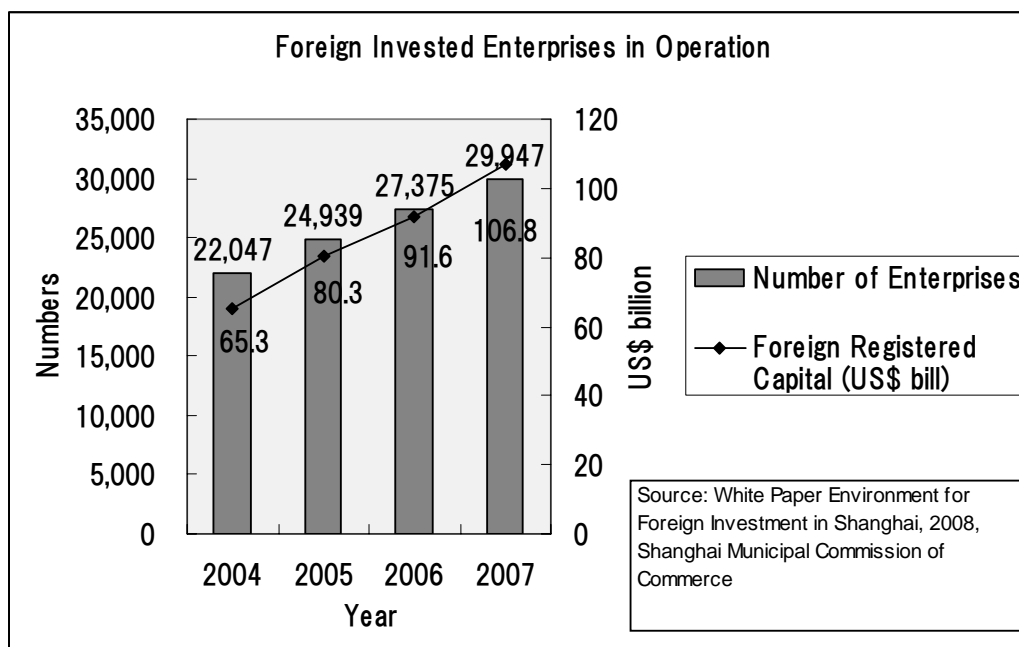


Chart 3: Foreign Investment in Shanghai



Shanghai's industrial and service sector development is largely supported by foreign investment. The number of operating foreign enterprises is counted as 29,947 in 2007 with registered capital

of US\$ 106 billion. The trend of recent years indicates about 10% annual increase from 2004 to 2007, as shown on the chart.

Foreign investment in the industrial sub-sector is made up of telecom, PC and electronics as the largest share with 26%, followed by the chemicals sector and the machine equipment sector with 11% each. The transportation equipment sector, including car manufacturing, has a share of 8% among foreign investment in the industrial sector. The largest share of the service sector is real estate (32%), followed by commercial rentals (28%). Financial service's share is rather modest at 2% of the service sector, in terms of number of established foreign firms.

Foreign investment as seen by geographical origin - Asia, Europe, USA, Free Ports such as the British Virgin Island, Cayman Island, Barbados, Bermuda and Samoa and others - reflects Asia's share at 61% (including Hong Kong, Macau and Taiwan), followed by the Free Ports at 13%. Around 75% of foreign enterprises in Shanghai are 100% foreign-owned, while 18% are joint ventures.

Chart 4: FDI in Manufacturing Sector

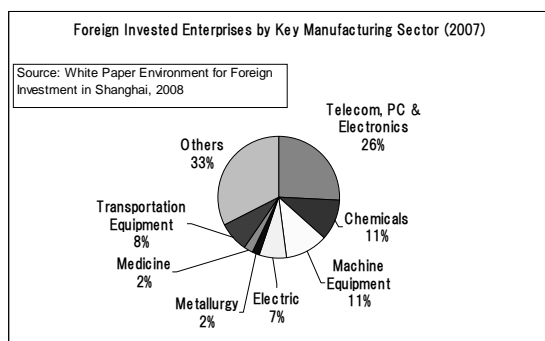


Chart 5: FDI in Service Sector

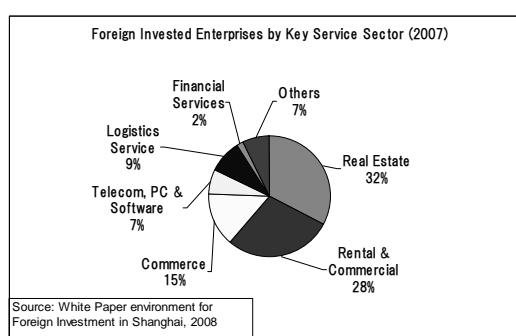


Chart 6: Origin of Investment

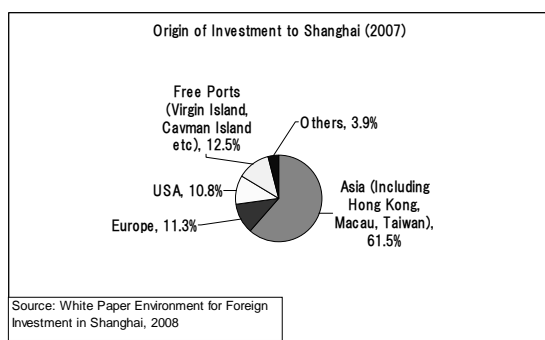
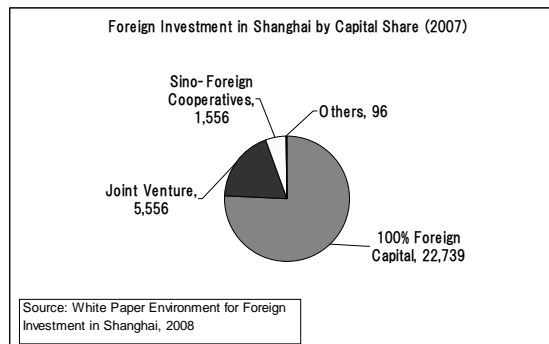


Chart 7: Capital Share of FDI



5) Headquarter Economy

In July, 2007, the Shanghai Municipal Government issued the *Tentative Provisions on Encouraging the Establishment of Regional HQ by Foreign Multinational Corporations*, leading the nation in launching initiatives to attract foreign multinationals to set up regional HQs in the city. So far, over 60 of the *Fortune 500* enterprises have established their regional HQs in Shanghai. Three multinationals are listed among the top 10, (Exxon Mobil, BP and General Motors).

The HQs of multinationals in Shanghai can be classified into 2 categories: investment firms and management firms. In September 2008, 52.6% of all the regional HQs of foreign enterprises were investment companies, with management firms having a share of 47.4%. Most of the regional HQs represented firms with origins in US, Europe and Japan, accounting for 75.6% of the total. The chemicals industry is a key area of investment, and most of foreign regional HQs were located in the Pudong area or the Shanghai downtown area.

The key factor behind so many multinationals setting up regional HQ in Shanghai is the abundant market potential of the Yangtze River Delta. Over the past years, the economy in the region has witnessed robust growth, making it the first choice of location for foreign investment in China. With an eye on the abundant market potential and the investment radiation effect, more foreign enterprises are choosing to set up regional HQs here. Some universally-recognized names of foreign companies with operations in Shanghai are: General Motors, Volkswagen, BP, GE, BASF, Henkel, Bayer, Rhodia, B&Q, Auchan, Staples, ABB and Robots.

6) Policy Support

The central government now is not only promoting imports and exports, but is also focusing on boosting domestic markets. Due to Shanghai's incentive policy to attract multinational corporations to relocate regional headquarters, the city has created a platform for the R&D industry and opportunities in the area of technology transfer.

In December 2008, the General Office of the Shanghai Municipal Government issued *Opinions on Several Issues Concerning the Provision of Encouraging Foreign Multinationals Establishing Regional HQs in Shanghai*, which was jointly commissioned by Shanghai

Municipal Commission of Commerce¹³ and related authorities.

The new Provision and Opinions bear the following features:

- (1) Lower thresholds for capital investment by foreign companies.

Acknowledging the rising number of multinationals, especially in the service sector, applying for the qualification and verification of regional HQs in recent years, the new Provision reduces the “accumulated registered overall capital amount” as required from the previous 30 million USD to 10 million, in a bid to meet the demands of these multinationals. Meanwhile, the new Provision simplifies the requirements in respect of auditing and approval procedures for multinationals applying to establish regional HQs.

- (2) Focus on orientation and improved functionality.

The new Provision encourages foreign investment ventures to include their operational functions (such as management, fund management, R&D, sales, logistics, and supporting services) in their regional HQs, and encourages multinational firms’ regional HQs to be up-graded to State-level multinational regional HQs. Compared with the previous “Tentative Provisions”, the new legislation provides these regional HQs with wider scope to manage the operations and functions of their respective businesses.

- (3) Enhancement of the investment landscape and the convenience of doing business.

The new Provisions incorporate new policies concerning foreign currency administration in Pudong, which provide more convenient procedures for multinational regional HQs by simplifying entry and exit procedures, human resource recruitment, fund management and logistics operations. These measures are designed to provide a more transparent, efficient and convenient environment for doing business.

- (4) Support during the start-up period, with lower costs and rental support.

With a view to lowering the start-up costs and to encourage the upgrading of these regional HQs, the new Provision provides clauses for “support and rewards”, which replaces previous taxation requirements with financial support and incentives for these newly-establishing HQs, thus granting them preferential considerations during the initial period of their operations in Shanghai.

7) Expo 2010 Shanghai

The World Exposition (Expo) 2010 Shanghai will present a timely opportunity to demonstrate Shanghai’s current economic development to a global audience. The focused theme of Expo

¹³ Shanghai Municipal Commission of Commerce was established by a merger of former Shanghai Municipal Commission of Foreign Economic Relations and Trade and part of Shanghai Municipal Economic Commission, and has become the authority of inward and outgoing investment.

2010 is the vision of future urban life, a subject of global interest, concerning all nations, both developed and less developed. Being the first World Exposition in China, the government is making a sustained effort to attract visitors from all over the world, and to present Shanghai as a showcase of modern urban life in China. The theme of Expo 2010 is "*Better City, Better Life*", focusing on future urban life. Expo 2010 is expected to attract exhibits from around 200 nations and international organizations, and 70 million domestic and foreign visitors are expected. The Expo 2010 site is very favorably located in central Shanghai, along the Huangpu River between Nanpu Bridge and Lupu Bridge, and covers an area of 5.28 sq km.

Participation of nations and international organizations

As of June 2009, a total of 191 nations as well as 48 international organizations¹⁴ have confirmed their participation in Expo 2010, of which 134 countries and international organizations have named official representatives, 101 countries have signed participation contracts, 123 countries and international organizations have finalized the specific location of their respective exhibits/pavilions, and 78 countries have lodged applications for their National Pavilion Day, which is to be a special and highly-promoted feature of Expo 2010.

The national participation is also expected to be high-level, with pavilions representing Hong Kong, Macau, Beijing, Nanjing and other provinces in China, thus providing an outstanding opportunity to market China to the World. UN Organizations which will take part in the expo include UNIDO, UN Convention on Climate Change, UNESCO, UNICEF UN Population Fund, UN High Commissioner for Refugees, UN Habitat, UNCTAD, UNEP, UNCDF.

Corporation participation

A total of 16 corporate pavilions are planned for Expo 2010. Among those, a total of 8 corporate pavilions, including Shanghai-GM, Taiwan Aurora and China Aviation, have already signed participation contracts, and other foreign and Chinese companies are finalizing negotiations with the organizers. All of this activity is an indication that Expo 2010 can be expected to be the hugely successful global event that the organizers predict.

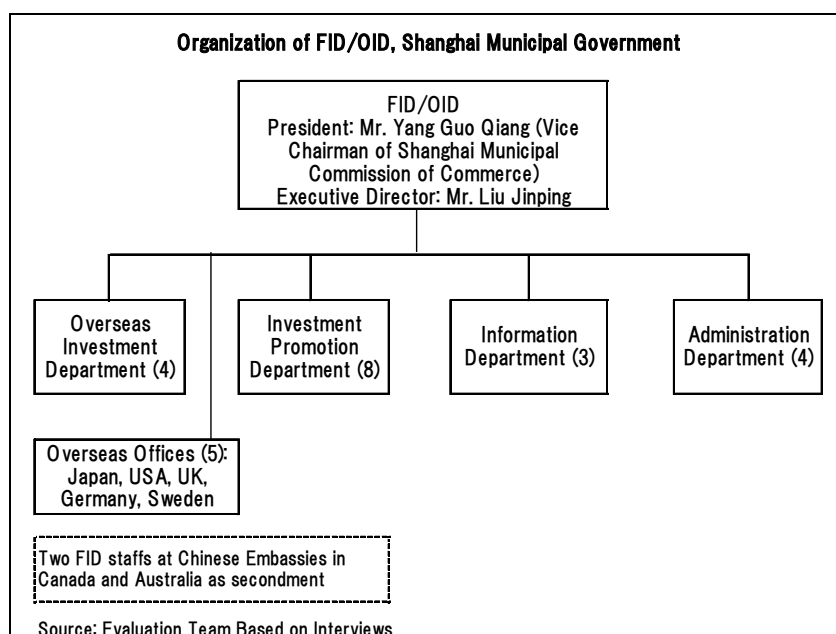
3.2 Investment Promotion Organizations of Shanghai Municipality: Shanghai Foreign Investment Development Board (FID) and Shanghai Overseas Investment Development Board (OID)

Shanghai Municipal Government, with its policy of investment promotion, established two

¹⁴ Expo 2010 Shanghai website: <http://en.expo2010.cn>

organizations for inward and outward investment promotion respectively, the Shanghai Foreign Investment Development Board (FID), for inward investment, and the Shanghai Overseas Investment Development Board (OID), for outward investment. Both organizations are under the Shanghai Municipal Commission of Commerce, and are chaired by the Vice Chairman of the Commission, who acts as the President of the two Boards. FID and OID are located in the same office and share a common secretariat, which consists of four departments, Overseas Investment Department, Investment Promotion Department, Information Department and Administration Department. Under the President and Executive Director, the organizations have a total of 19 staff in Shanghai. In addition, they have five overseas offices: Japan, USA, UK, Germany and Sweden. (See Organization Chart)

Chart 8: Organization Chart of FID/OID



The background and functions of these two Boards are described below.

Shanghai Foreign Investment Development Board (FID)

As the single municipal-level foreign investment promotion authority of Shanghai, Shanghai Foreign Investment Development Board (FID) was established in December 1999, under the auspices of the Shanghai Municipal Government. FID is dedicated to the promotion of in-coming foreign investment, and the provision of consulting services to investors free of charge.

As the important window and authority for attracting foreign investment to Shanghai, FID has following major functions:

- Publicizing and promoting the investment environment and industrial development policy of Shanghai;
- Collecting information and material for potential investors, publicizing foreign investment promotion projects;
- Organizing a range of investment promotion activities;
- Providing guidance to investment promotion institutions in the districts of Shanghai with respect to foreign investment promotion activities and human resource training;
- Establishing, operating and managing investment promotion agencies in overseas countries.

To date, FID has established 5 overseas representative offices in USA (Los Angeles), Japan (Osaka), UK (London), Germany (Frankfurt) and Sweden (Gothenburg).

Office of FID/OID at New Town Center



Shanghai Overseas Investment Development Board (OID)

Shanghai Overseas Investment Development Board (OID) was established in December 2000, with a mandate for outward investment. Its main functions are:

- Providing guidance and formulating appropriate policies in respect of Shanghai's overseas investment;
- Collecting and publicizing relevant information with regard to overseas investment;
- Establishing internal and external networks and exerting functions of information clustering for outward investment;
- Providing online services, and arranging specialized two-way investment promotion activities;

- Extending investment promotion activities to overseas , and expanding network with overseas investment promotion institutions

- Building up overseas investment networks for small and medium-sized enterprises

OID publishes a “*Guide for overseas Investment of Enterprises in Shanghai*” and an investment guide for three regions, Africa, Europe and America. These publications are in Chinese, and provide guidelines for Chinese enterprises for overseas outgoing investment. The brief contents of these publications are reflected in the following charts:

**Guide for Overseas Investment of Enterprises in Shanghai (Pamphlet in Chinese, B5 size, 19 pages)
By Shanghai Municipal Commission of Commerce
& Shanghai Foreign Investment Development Board**

Contents:

- Relevant Regulations of the Examination and Approval of Overseas Investment Projects
 1. The Approval Process and Application Materials for Overseas Investment of Shanghai Local Enterprises
 2. Regulations on Enterprise Establishment Approval of Overseas Investment
 3. Regulations on the Approval of Domestic Enterprises’ Investment to Establish Company In Hong Kong a Macau S.A.R.
- Relevant Regulations of Foreign Exchange Management: Management of Foreign Funds of Overseas Investment
- “Go Abroad” Supporting Policy by Ministry of Commerce
- Introduction of Shanghai Foreign/Overseas Investment Development Board (FID/OID): Establishment of SIPC, with UNIDO assistance, is also introduced.
- Partners of Shanghai Foreign/Overseas Investment Development Board (FID/OID)
- Contacts of Overseas Agencies of Shanghai Foreign Investment Development Board
- Overseas Investment Commission of Chamber of International Commerce Shanghai
- Staff and Contacts

**Investing in Africa (Country Directory in Chinese, A4 size, 220 Pages)
By Shanghai Overseas Investment Development Board (OID)**

Preface:

1. Mr. Zhou Bo, Deputy Secretary-General of Shanghai Municipal Government (2008.2.1)
2. Mr. Khalid Abdullahman, Arab Republic of Egypt Consul General Consulate in Shanghai (2008.2)
3. Mr. Khumalo, South African Consul General Consulate General in Shanghai (2008.2)

Contents:

- Interview with African Ambassadors and Investors: Tunisia, Gabon, Egypt, South Africa, Nigeria, and “Touchroad” (Chinese investor)
- Experts’ View: Shanghai Municipality
- Economic Overview of African Countries covering 1)Introduction, 2)Economy, 3)Investment Environment, 4)Institutions Responsible for Attracting and Managing Foreign Funds, 5)Preferential Policy for Investment, 6)Tax Policy, of 45 countries (Algeria, Angora, Benin, Botswana, Burundi, Cameroon, Cape Verde, Central Africa, Comoros, Congo (Kinshasa), Côte d’Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Seychelles, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Tunisia,

Uganda, Zambia and Zimbabwe).

- **Policy and Regulation:** Relevant Regulations of the Examination and Approval of Foreign Investment Projects, Management Process of Foreign Investment Exchange, “Go Abroad” Supporting Policy by Ministry of Commerce.
- **Introduction of Relevant Organizations**
 - Shanghai Foreign Investment Development Board
 - Shanghai Association of International Economic and Technological Cooperation
 - Shanghai Association of Foreign Economic and Trade Enterprises
 - Shanghai Overseas Economics and Technology Promotion Association
 - Jiangsu Chamber of Commerce for Import and Export Firms
 - Jiangyin Chamber of Commerce and Industry

Source: “Investing in Africa”

3.3 Other Investment Promotion Organizations in Shanghai

The outline of other investment promotion institutions and collaborative relationships with SIPC are described here, based on interviews during the field visit by the Evaluation Team.

1) Shanghai Small Enterprises Trade Development Service Center

Shanghai Small Enterprises Trade Development Service Center was established by the Municipal Government in 1999 for the purpose of supporting private sector enterprise development. The Center is a non-profit organization under the Shanghai Municipality, providing comprehensive services for Small-and-Medium-sized Enterprises¹⁵ (SMEs) in Shanghai. The Center’s activities include, for example, provision of credit guarantees for SMEs for bank loans, organizing seminars in cooperation with foreign counselors, conducting business management training courses with universities, and intellectual property protection, to enhance the competitiveness of SMEs, and promote the development and growth of SMEs.

There are some 340,000 SMEs in Shanghai, of which about 10% have active correspondence with the Center. The Center publishes a Directory of SMEs in Shanghai, listing 1,200 companies, while there are 10,000 SMEs are listed on the website¹⁶. According to Mr. Jonathan Goo, Director for International Cooperation Department, many SMEs in Shanghai are assessing the feasibility of relocating their respective production bases to lower cost areas to the North of China or to other countries in Asia, such as Vietnam, Cambodia and Indonesia. On the other hand, Shanghai is emerging as a headquarters location for foreign companies, and for domestic enterprises, Shanghai is a stepping stone into overseas markets. This trend requires access to

¹⁵ The definition of small enterprise is less than 300 employees (100 for service sector), and medium enterprise with less than 2,000 employees.

¹⁶ www.eecd.cn

more service sector functions in the areas of commerce, distribution, trade, communications and finance, as well as in higher value added industries such as high technology.

The government authorities provide the following fiscal support facilities to encourage SMEs overseas trade and investment:

(a) the overseas market development fund for SMEs, a fund of the Shanghai Municipality, which finances up to 50% of the costs of approved marketing activities, such as the conducting of exhibitions relevant to the particular SME.

(b) the overseas investment support for textile industries, a fund of the central government, about 5% of the budget allocated for Shanghai.

Shanghai Small Enterprises Trade Development Service Center, with a staff of 17, acts as a bridge between the government and the various enterprises in arranging the above-noted financial support facilities, as well as providing an available platform to facilitate economic and trade cooperation between SMEs. The Center collaborates with SIPC, and also with FID and OID, by conducting seminars and exchanging information regarding investment potential in foreign countries and in Shanghai and the Yangtze Delta region.

2) Chamber of International Commerce Shanghai (COIC)

The Chamber of International Commerce Shanghai (COIC) is a non-governmental, non-profit membership association, comprised of representatives from private-sector enterprises, the public sector, and economic associations, which are engaged in international business activities. COIC, with offices strategically located in the World Trade Center building in downtown Shanghai, has 2,000 major companies with direct membership, and other companies with indirect membership through the Shanghai Chamber Commerce and Industry.

.The objectives of COIC are, by making reference to international practices, to safeguard the legitimate rights of its members, boost fair trade, promote bi-directional investments, and, by providing services, to positively enhance the international competitiveness of its member enterprises, and to promote social and economic development of Shanghai

The missions of COIC are:

- To introduce to its member organizations the government's laws, regulations and policies,

boosting and promoting production operations and development of enterprises;

- To conduct surveys and researches, and to make the common requests of its member organizations known to the government departments in a timely manner.
- To participate in relevant hearings held by government, to propose advice on economic policies and legislation, and to carry out relevant coordination work.
- To safeguard the legitimate rights and interests of members and promote fair trade by providing members with services for developing international trade, service, and investment, and conducting advanced technological cooperation and various forms of economic and trade cooperation.
- To supervise the self-disciplinary conduct of enterprises in the competitive market place in order to safeguard the credibility image of COIC.
- To provide information on international business activities, and to communicate and strengthen information exchanges between members and between members and overseas enterprises.
- To strengthen communications, exchanges and cooperation with domestic and overseas chambers of commerce as well as with agencies of overseas chambers of commerce in Shanghai.
- To provide training for senior managerial personnel of enterprises, in line with the qualification requirements of modern enterprise managers.
- To publish and distribute relevant periodicals and books.

COIC maintains close cooperation with SIPC, and in co-sponsorship with SIPC, conducted the “Shanghai Seminar on Oversea Investment Policy” for COIC members in 2004. In 2008, COIC participated in a SIPC salon activity on the subject of investment in Japan and Viet Nam.

3) China Export & Credit Insurance Corporation (SINOSURE)

China Export & Credit Insurance Corporation (SINOSURE) is the only policy-oriented Chinese insurance company specializing in export credit insurance, and commenced operations in December 2001. SINOSURE is the export credit agency (ECA) of China, and is a member of the Berne Union, the international association for governmental export and investment insurance agencies, which works to ensure cooperation and stability in cross-border trade and provides a forum for professional exchange among its members. SINOSURE’s capital was provided by the central government’s Export Credit Insurance Risk Fund, and is headquartered in Beijing, with a service network of 14 branches and 8 offices in China and an overseas business office in London.

SINOSURE offers coverage against both political and commercial risks. The political risks include restrictions on transfer and remittance of foreign exchanges, expropriation, nationalization and war, conflict and civil unrest, etc. Commercial risks include credit risks on the part of buyers (default, bankruptcy and rejection of goods) and credit risks on the part of buyer's banks (e.g. the issuing bank or confirming bank in the case of Letters of Credit).

SINOSURE, through its Shanghai Branch, communicates closely with SIPC in forming a common platform in Shanghai to promote overseas investment by Chinese companies. SINOSURE uses SIPC's network to promote its services, establishing risk control mechanisms and providing information to interested enterprises regarding risk factors in countries of potential investment. SINOSURE's evaluation services cover 180 countries, and extend also to information regarding politics, economic conditions and culture.

Mr. Xia Liang of the Shanghai Branch of SINOSURE advised that the Shanghai enterprises to which SINOSURE provides services are characteristically in the manufacturing sector, reflecting its industrial structure. The companies which invest overseas are mainly of medium-size, some of which do not buy insurance but collect relevant country information, for which SINOSURE makes use of UNIDO's up-to-date, extensive country information data base.

4) Shanghai Zhangjiang High Tech Park

Shanghai Zhangjiang Hi-Tech Park was established in July 1992, located in Pudong New Area, with a planned area of 25km², comprising the Technical Innovation Zone, Hi-Tech Industry Zone, Scientific Research and Education Zone, and Residential Zone. In 2008, some 3,898 companies were already established in the Zhangjing Hi-Tech Park.

At present, Zhangjiang Hi-Tech Park is home to a number of governmental organizations including the State Biotech and Pharmaceutical Industrial Base (Shanghai), the National Information Security Achievement Industrialized Eastern Base, the National Software Industrial Base and the National Hi-tech Innovation Base, as well as the largest IC Industrial Base and the first Bankcard Industrial Base in China. Zhangjiang Hi-Tech Park also provides "one-stop" service for the organizations established in the Park, including approvals of land leases and housing rents, enterprise registration, applications for taxation declaration and for tax refunds Examination and approval of project, Project certification.

SIPC has been instrumental in introducing several projects and foreign companies to

Zhangjiang Hi-Tech Park, and has assisted several to establish operations in the Park - Wurth International Trading (Shanghai) Co., Ltd. is a major example. SIPC also promotes the advantages of the Pudong area and the Zhangjiang Hi-Tech Park to foreign companies which are exploring the feasibility of establishing a base in Shanghai – the Park receives many visitors from developing countries, e.g. Philippines and India, as a model of an investment site for high-tech investment.

5) Shanghai Pudong Software Park

Shanghai Pudong Software Park (SPSP) is a National Software Industry Base and National Software Outsourcing Base jointly established by the Ministry of Industry and Information and Shanghai Municipal Government; with the approval from the National Development and Reform Commission. Facing the trend of economic globalization and China's entry into WTO, the local government of Pudong New Area adopted a strategy of "Drive software industry of Pudong centering Shanghai Pudong Software Park Co., Ltd based on Shanghai Pudong Software Park" in order to improve the overall competitiveness of the city, and to realize the upgrade and development of industry during the rise of the information industry

From March 2000, SPSP has completed the construction of Phase I and Phase II, totally covering a land area of about 12 hectares with a building area of about 12.3 hectares. At present the construction of SPSP Phase III (National Software Outsourcing Base), which covers a planned area of about 58.8 hectares, is undergoing rapid development, and the whole project is scheduled for completion by the end of 2009.

The enterprises in the Park are engaged in all fields of the information technology industry such as software development, information service, systems integration, E-business, data communication, information security, chip design, software export, financial and securities, telecommunication service, etc. Notably, the chip design industry, information security industry, software export industry, system integrating industry have formed industry clusters in the Park. By the third quarter of 2008, approximately 200 software enterprises were established in the Park, with around 12,000 employees, among which are globally-renowned software developers like SAP, EDS, Bearing point, Capgemini, Citicorp Software, Sony, TATA, INFOSYS, ILOG, Is' Vision Network, Augmentum etc.

6) KPMG

KPMG is a global network of professional firms providing audit, tax and high-level Advisory/Consulting services, with operations in 144 countries and with more than 13,700 professionals working in member firms around world. KPMG China has 12 offices - Beijing, Shenyang, Qingdao, Shanghai, Nanjing, Chengdu, Hangzhou, Guangzhou, Fuzhou, Shenzhen, Hong Kong and Macau – and has around 8,500 professional staff in China alone.

In 1992, KPMG became the first international accounting firm to be granted a joint venture license in China, and as Chinese businesses join the global economy and international companies seek to enter the Chinese market place, KPMG's blend of international experience and local knowledge makes them well-positioned to serve companies in this increasingly complex and exciting market. China attracts foreign investors as both a manufacturing base and as a market place in its own right. Yet despite China's rapid development and WTO membership, it remains a challenging place in which to do business. KPMG strives to provide foreign investors with reliable, independent professional advice on national and local issues as they establish and expand their business interests in China.

Mr. Delson Yu, Senior Manager of KPMG Shanghai, is a former deputy Head of SIPC, and separated in 2007 to join KPMG. According to Mr. Yu, SIPC is well-placed to expand its internal links within Eastern China where there is significant potential for outward investment, but where potential investors frequently lack adequate and relevant information regarding their targeted investment goals and the local options available to them.

SIPC could also, in KPMG's view, offer a clear advantage to potential outward investors by providing essential information in a timely manner, as individual companies/organizations frequently encounter considerable difficulties in communicating effectively with the governmental authorities of foreign countries, with the consequence that crucial investment decisions have to be delayed, with detrimental results for potential investors. SIPC and UNIDO are seen by KPMG to be in a unique position to address and bridge this communication gap.

3.4 UNIDO Strategic and Organizational Context

In the light of UNIDO ITPO's objectives and strategy, ITPO Shanghai is characterized by the following two points.

- ITPO Shanghai is mandated with both inward and outward investment promotion, with considerably more focus on outward investment promotion, since the thrust of inward investment promotion has been effectively conducted by the Municipality of Shanghai.

- Whereas ITPO Beijing concentrates to a greater extent on a national context, ITPO Shanghai's focus is on the Shanghai and Yangtze Delta region, and thus has a much closer regional concentration.

A review of these points could be a basis for further discussion on ways of improving the function of ITPO Shanghai.

Taking into account that the Shanghai region is an already successful inward investment destination, there appears to be limited opportunity for ITPO to assist its inward investment promotion activities, unless the investment destination is the less-developed Western region. As previously noted, 92% of inward investment assisted by ITPO in 2008, in value terms, is from Hong Kong, which is counted as "foreign investment" in the Shanghai municipality statistics¹⁷, but counted as Chinese domestic investment in an international context. On the other hand, outward investment by enterprises from the Shanghai region includes that which target Africa, and although the number of projects and the value of the investment are still at a modest level, this investment has a relatively stronger impact upon the destination countries' development. The investment projects tend to be of medium size and labour force, with products suitable for the African market, an often-difficult factor for investors from industrialized countries. In cases of successful investment in Africa by Shanghai-based companies, a 'flow on' benefit should result for the private industrial sector in that area of Africa.

The Shanghai regional GDP in 2007 is reported as exceeding \$8,500, the level of a medium income country. Shanghai represents the most developed part of China, now considered as an emerging economy, a cornerstone of the so-called 'BRICs'. In a UNIDO context, a strategic approach is possible for the role of an emerging economy to play in supporting the economic growth of less developed countries. For developing countries, the example of an emerging economy may provide an incentive and stimulus for their own economic growth. In this respect, a capacity building for less developed countries, e.g., the Delegate Program at the Shanghai ITPO, represents a tangible avenue for stimulating the motivation and enhancing the knowledge of participants, with particular reference to, and emphasis on, delegates from Africa and from economies in transition.

It should be noted that UNIDO's strategy for ITPO network is to function all ITPOs, including ITPO Shanghai, as a network in which cross-flow of information is encouraged to gain synergy

¹⁷ White Paper 2008: Environment for Foreign Investment in Shanghai

effect in promoting investment and technical cooperation.

4

The ITPO Shanghai (SIPC): Background and Activities

4.1 FID/OID and ITPO Shanghai (Shanghai Investment Promotion Centre, SIPC)

SIPC was established under the Shanghai Commission of Commerce as ITPO Shanghai, becoming part of the UNIDO ITPO network. The substantial part of SIPC's activities is also shared with FID or OID, for those projects for enterprises located within the Municipality of Shanghai and when the proposed investment projects are targeted for developing countries or for economies in transition. SIPC shares some office space with FID/OID, and as noted elsewhere in this Report, each of the 4 SIPC staff members also undertakes duties for FID/OID.

Chart 9: Relation between FID/OID and SIPC

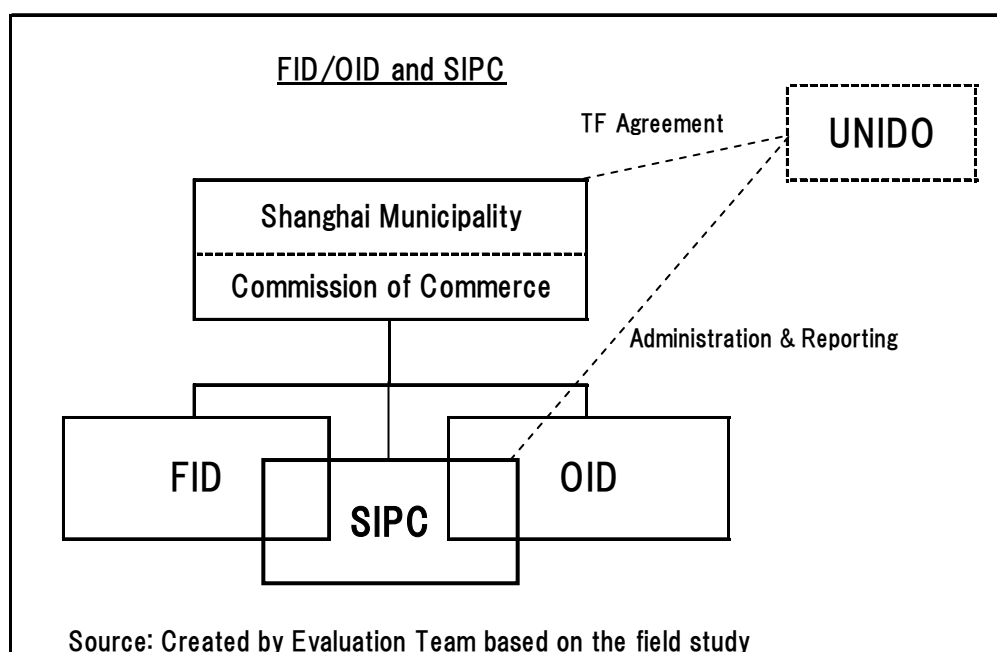


Table 2 below indicates the differentiation between the functions of SIPC on the one hand, and FID and OID on the other. While some functions may appear to be overlapping between the three organizations, there are functions undertaken by each of the organizations that are

exclusively focused on one or the other, justifying the establishment of three separate entities.

Table 2
Function Coverage of SIPC in Comparison with FID/OID

	Inward Investment Promotion to China/ Technology Transfer	Outward Investment Promotion from China
Shanghai Municipal Government (FID/OID)	<ul style="list-style-type: none"> - Established FID in 1999 as promotion body - Introduce investment environment of Shanghai - Assist enterprise registration and business license - Organize inward investment promotion activities - Direct foreign marketing through 5 overseas offices 	<ul style="list-style-type: none"> - Established OID in 2000 as promotion body - Introduce investment environment of countries abroad (Europe, Americas and Africa) - Assist procedures to obtain authorization from central government offices - Organize tours to visit abroad, both developed and developing countries
UNIDO ITPO (SIPC)	<ul style="list-style-type: none"> - Co-organize investment promotion activities with FID - Investment promotion not limited to Shanghai City - Consulting function to local enterprises particularly with small and medium enterprises - Provide network with other UNIDO ITPO in Europe and Japan 	<ul style="list-style-type: none"> - Utilize UNIDO network for investment environment information delivery - Investment promotion not limited to Shanghai City - Investment promotion focus to Africa and countries in transition economy - Co-organize investment tour to developing countries - Capacity building for African countries officials

Source: Based on interviews by Evaluation Team and material of FID/OID

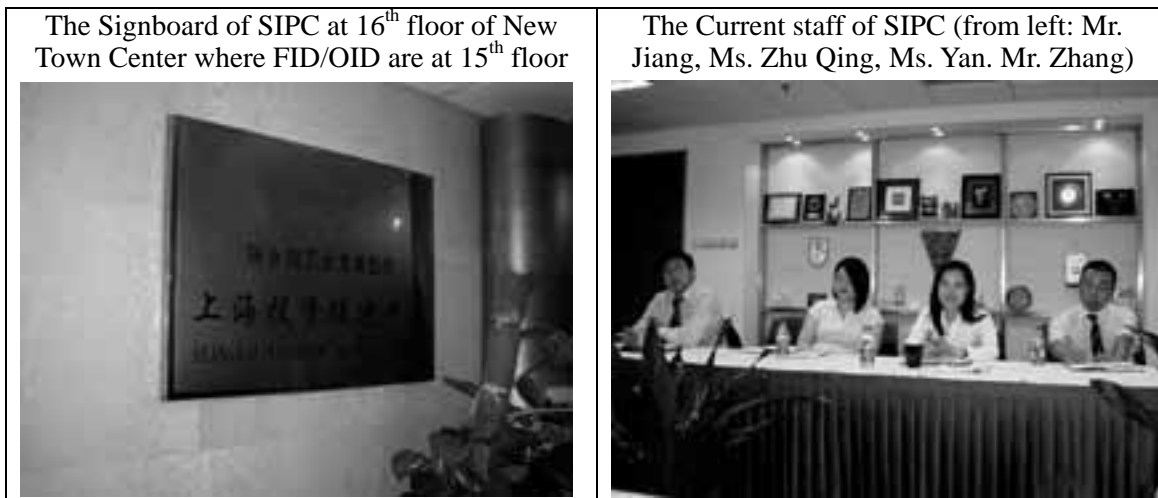
4.2 Establishment of ITPO Shanghai (SIPC), Location and staffing

Since its establishment in September 2001, SIPC has closely collaborated with FID and OID. As already noted, FID and OID operate under a common management, and share both staff and office accommodation – in effect, while FID and OID are each a separate organizational entity, the lines between them can appear to be blurred. SIPC's offices are located on the 16th floor of a modern, prestigious high-rise building, and those of FID/OID are on the 15th floor of the same building. As each of the SIPC staff members also undertakes functions for FID and OID, each also has office accommodation on the 15th floor, where is also located the only large meeting room for SIPC's non-exclusive use. The building is well-located, close to the Shanghai International Trade Center, a suitable location for investment and technology promotion with foreign enterprises.

The office accommodation arrangement between SIPC and FID/OID is beneficial for SIPC in terms of efficiency and costs, and as a consequence, many of SIPC's activities may be co-organized with either FID or OID, depending on the nature of investment promotion. As reflected in the table, the activities unique to SIPC, not covered by FID/OID, are in the following areas:

- Investment promotion (inward and outward) for enterprises located outside of the Municipality of Shanghai;
- Access to UNIDO's network for overseas investment data and country-specific information;
- Investment promotion with special focus on Africa and economies in transition; and

- Operation of the Delegate program, by which investment promotion officers from developing countries and economies in transition receive training at SIPC Shanghai.



Other activities, such as arranging incoming missions (mission visit) to Shanghai, arranging for potential investors to meet with potential partners in Shanghai, organizing missions to developing countries and to economy in transition, are all conducted jointly or in cooperation with FID/OID.

Chart 10: Organization of SIPC

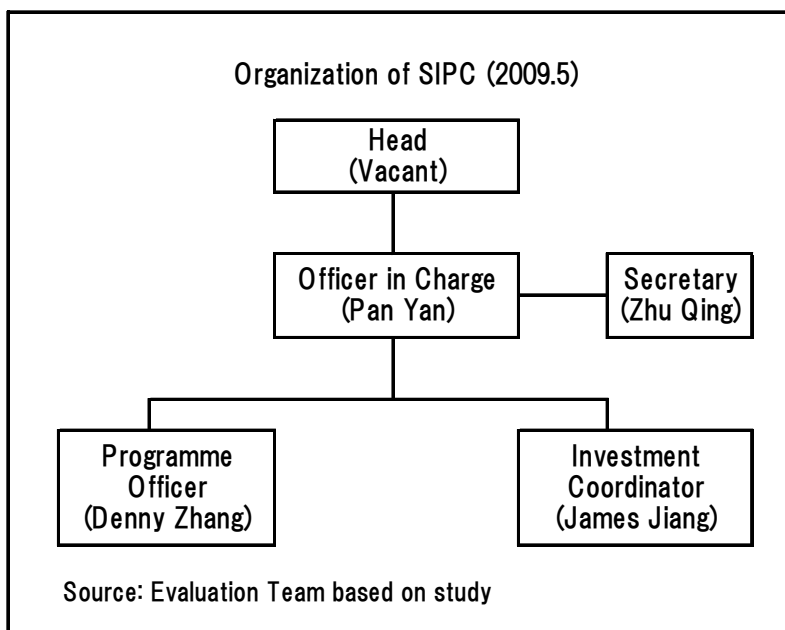


Chart 11

Staffing at ITPO Shanghai 2006-2008

Year	2006				2007				2008			
Functional title	1	4	7	10	1	4	8	10	1	4	7	10
Head	Dong Tao											
Deputy Head					Delson Yu							
Officer in Charge									Pan Yan			
Programme Officer	Pan Yan											
Programme Officer									(Denny) Zhang Wengqing			
Investment Coordinator	Ying Yongping								(James) Jiang Xiaofei			
Secretary					Zhu Qing							
Total	4	4	4	4	5	5	4	4	4	4	4	4

Source: Data from Annual Report 2006, 2007, 2008

Staff of SIPC: There are 5 established posts in the current project budget:

National professional officer (Head of Service - post vacant)

National professional officer (I P officer – Ms. Pan Yan)

National professional officer (I P officer – Mr. Denny Zhang)

Administration Assistant (Mr. James Jiang)

Secretary (Ms. Zhu Qing)

The post of Head of Service (or Deputy Head) post has been vacant since August 2007. Chapter 5 of this Report highlights this issue and other staffing matters in detail, and draws conclusions and submits recommendations in respect thereof.



Profiles of SIPC Staff

Ms. Pan Yan, Officer in Charge:

Ms. Pan Yan joined FID in 2000 and SIPC in 2003. Prior to that she worked in the pharmaceutical industry for almost 10 years. She was assigned as the Officer-in-Charge of SIPC in August 2007, following the separation of the former Deputy Head. The work between FID/OID and SIPC is often indivisible, and thus difficult for Ms Pan Yan to estimate the percentage of her time between FID/OID and SIPC.

Mr. Denny Zhang, Programme Officer:

Mr. Zhang worked in Shanghai Small-sized Enterprises Service Center (Association) following his

university graduation in Chemistry and English, and joined FID in 2006. He estimated that the percentage of his work for SIPC is 40% and 60% for FID. Mr. Zhang expressed his interest in being given more opportunity for professional training.

Mr. James Jiang, Administration Assistant

Mr. Jiang joined SIPC 4 years ago. He graduated from Shanghai University, majoring in business administration. He estimated the percentage of his work is 65% for OID and 35% for SIPC. Mr Jiang's work is mainly related to marketing duties for the clients of Shanghai companies, providing information largely from the database connected with the ITPO.

Ms. Zhu Qing, Secretary:

Ms. Qing joined FID in 1999. Her SIPC duties relate to the accounting functions, and the preparation and submission of the monthly accounting statements for UNIDO. Ms Zhu estimated that the percentage of her work for SPIC is only 10%, the other 90% being for OID. She visited UNIDO HQ in 2005, to establish communication channel with UNIDO staff in administration and accounting matters.

4.3 Funding, Allocations and Expenditure

The funding for SIPC is by two projects, TF/CPR/06/005 with total allocation of \$168,000 funded in USD and TN/CPR/06/005 with total allocation of \$690,672, funded in RMB. The total amount of TF(USD) and TN(RMB) is \$858,672 for three years, May 2006 to April 2009.

Table 3 Allocations and Expenditure (May 2006-April 2009)

Project number TF/CPR/06/005 - Funded in USD

Budget Line	Description	Total Allocations 2006 - 2009 USD	Total Expenditure		Allocations Unutilized	
			USD	%	USD	%
1200's	National Professional Officer	42,000	19,448	46%	22,552	54%
1300's	Administrative Support Personnel	13,500	4,680	35%	8,820	65%
1500's	Travel cost	40,000	24,135	60%	15,865	40%
1600's	Other personnel and Mission	19,500	10,439	54%	9,061	46%
3100's	Individual fellowships	24,500	0	0%	24,500	100%
3300's	In-service training	28,500	0	0%	28,500	100%
	TOTAL	168,000	58,702	35%	109,298	65%

Project number TN/CPR/06/005 Funded in RMB expressed in USD

Bdget Line	Description	Total Allocations 2006 - 2009 USD	Total Expenditure		Allocations Unutilized	
			USD	%	USD	%
1200's	National Professional Officer	373,000	261,964	70%	111,036	30%
1300's	Administrative Support Personnel	110,577	74,891	68%	35,686	32%
1500's	Travel cost	12,905	2,547	20%	10,358	80%
4300's	Premises	127,405	95,263	75%	32,142	25%
4500's	Equipment	9,641	552	6%	9,089	94%
5100's	Sundries	46,694	22,280	48%	24,414	52%
5500's	Hospitality	10,450	6,431	62%	4,019	38%
	Total	690,672	463,928	67%	226,744	33%
	Total of TF(USD) and TN(RMB)	858,672	522,630	61%	336,042	39%

Source: UNIDO

As will be noted, there has been a relatively high level of under-expenditure, when compared with the budget, on all budget lines during the period May 2006 - April 2009. This mainly reflects the vacant post of the Head of Service for the last two years and the associated budgetted travel expenditure, and the non-implementation of budgetted fellowship and training programmes. Under-expenditure also occurred under the Equipment budget line - savings were made by utilizing the equipment procured by FID/OID.

Overall, only 61% of the combined budgets were utilized.

Table 4 lists the current inventory of equipments owned by SIPC, purchased by the SIPC projects in previous years.

Table 4 List of Inventory at SIPC

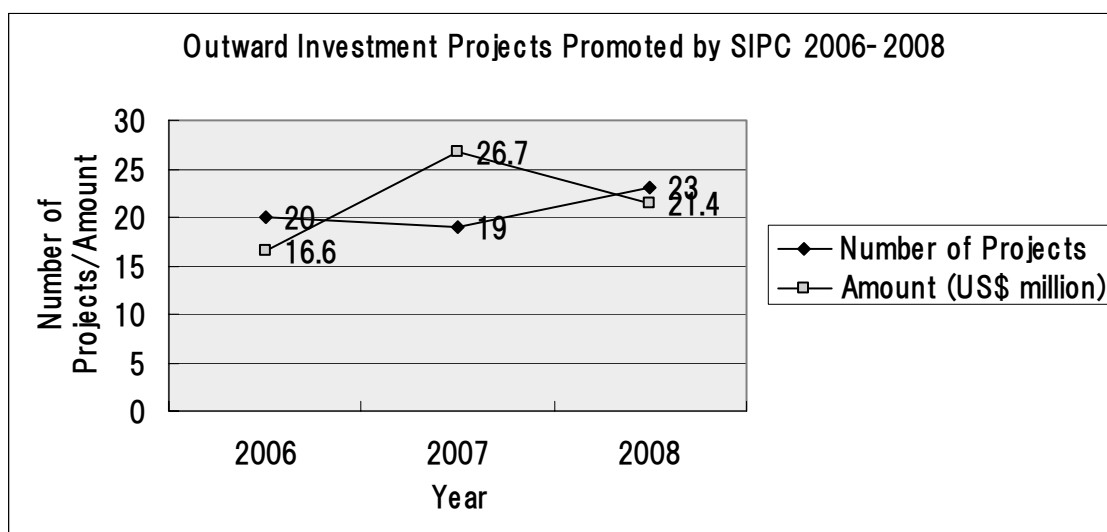
Kinds of Facility	Qty	Description	Amt (US\$)
PC	1	Legend Yangtian 6000(PC)	1,355.00
PC	1	IBM T23	2,903.00
Vehicle	1	Volkswagen Jetta (Reg. Shanghai B97)	19,500.00
Total			23,758.00

Source: UNIDO Inventory Control Record

4.4 Main Activities for 2006 to 2008

Based on the Annual Reports 2006, 2007 and 2008, the activities of SIPC are summarized in Table 5. For the three-year period, the total number of investment projects concluded for outward investment was 62, with a value of US\$ 64.7 million, and for inward investment, 11 projects were concluded with a value of US\$ 74.6 million. Given the overall volume of inward investment to Shanghai, the activities of SIPC may be seen to be modest, with no inward investment projects at all reported in 2007. This appears to reflect the policy adopted by SIPC to place more emphasis on outward investment of Chinese enterprises, and not limited to the Shanghai Municipality. The inward investment promotion to Shanghai is largely handled by the Shanghai Foreign Investment Development Board (FID). The trend of outward investment promotion is shown on the Chart 12, which indicates a slight increase from 2006 to 2008 in both the number of project and the amount in US Dollars.

Chart 12: Outward Investment



During the period 2006 to 2008, the number of presentations and addresses by SIPC on the subjects of investment and technology transfer is reported as 66, and the number of meetings with foreign government investment promotion delegations is reported as 102. In respect of outward investment, overseas investment promotion tours, co-organized by SIPC together with the Shanghai Overseas Investment Development Board (OID), numbered 7 (seven) during the period, and comprised 2 tours to Africa - Namibia and Mozambique (2006) and Tanzania, Uganda and Kenya (2007), 4 tours to Europe, and 1 tour to Vietnam in 2008. The number of inward investment tours arranged was reported as 18 during the same 3-year period. All of these activities are conducted in coordination with FID or OID, the investment promotion arms of the Shanghai Municipality.

The details of the outward Country Presentation Tours for the 3-year period 2006 - 2008 is indicated in Table 6. The Namibia/Mozambique tour comprised 7 participants, representing five Shanghai enterprises. This tour resulted in the establishment of an investment project in the textile sector, and one delegate from each of the countries was invited to visit Shanghai. The Tanzania/Uganda/Kenya tour in 2007 was organized by AAITPC¹⁸, and 5 officials from the Shanghai Municipal government participated. The most recent tour, to Vietnam in May 2008 and headed by the Shanghai External Economy and Commerce Commission, attracted 25 participants, including 21 from Shanghai enterprises covering the metal, textile, toys, hotel and trade sectors.

¹⁸ Asia-Africa Investment and Technical Promotion Center, a UNIDO Project sponsored by Japanese government to enhance cooperation between, Asian and African countries in the area of investment and technology.

Table 5**Brief Activities of ITPO Shanghai in 2006 - 2008**

		2006	2007	2008	Total	Remarks
Number of investment projects concluded	Outward	20	19	23	62	Figures for inward projects were not reported in 2006 and 2007
	Inward	2		9	11	
Total contractual amount of investment promoted by the Office	Outward	16.6	26.7	21.4	64.7	in US\$ milion
	Inward	53.6		21.0	74.6	
Number of presentations/speeches on investment/technology transfer by the Office		24	20	22	66	
Number of meetings with overseas government investment promotion delegations		32		70	102	The figure for 2007 is not reported
Number of advising/consulting services to foreign companies/organizations requesting assistance		31	55	45	131	times
Number of investment promotion tours organized or arranged	Outward	3	3	1	7	Including 2 tours to Africa
	Inward	8	3	7	18	
Number of investment projects under negotiation		56	5	3	64	
Delegate Programme	Outward	3	0	0	3	Namibia, Mozambique and Mongolia
	Inward	1	0	0	1	ITPO UK

Source: Data from Annual Report 2006, 2007, 2008

Table 6**Country Presentation Tours Conducted 2006-2008**

No.	FY	Countries	Year/Month	Remark
1	2006	Namibia/Mozambique	2006.06	participants: Shanghai Municipality(1), SIPC(1) and 5 Shanghai enterprises
2		UK/Sweden	2006.09	
3		Austria/Germany	2006.11	
4	2007	Russia/Sweden	2007.07	SIPC(1) and 1 from government organization and 3 Shanghai enterprises
5		UK/Germany	2007.09	participants: Shanghai Municipality(1), SIPC(1) and 4 Shanghai enterprises
6		Tanzania/Uganda/Kenya	2007.11	UNIDO AITTP Program: 5 participants from Shanghai government
7	2008	Vietnam	2008.05	Participants: Shanghai Municipality(4), SIPC(1) and 21 Shanghai enterprises

Source: SIPC Annual Reports 2006-2008

The SIPC activities included the visiting delegates program, under which delegates are stationed at the Shanghai ITPO for a duration of 3 weeks. In 2006, 2 delegates from Africa (Mozambique and Namibia) and 1 delegate from Mongolia participated in the program. Further, a Chinese delegate undertook training at the ITPO-UK for a period of three months in 2006. As the delegate program has been successfully implemented in other ITPOs, (e.g. ITPO-Tokyo) as an effective instrument for investment promotion, the discontinuation of the program at SIPC for the years 2007 and 2008 could be seen to have reduced the impact of SIPC in its investment promotion activities, as well as limiting the opportunities for SIPC staff to enhance their professional capacity and potential.

Table 7

Delegate Program Conducted 2006-2008

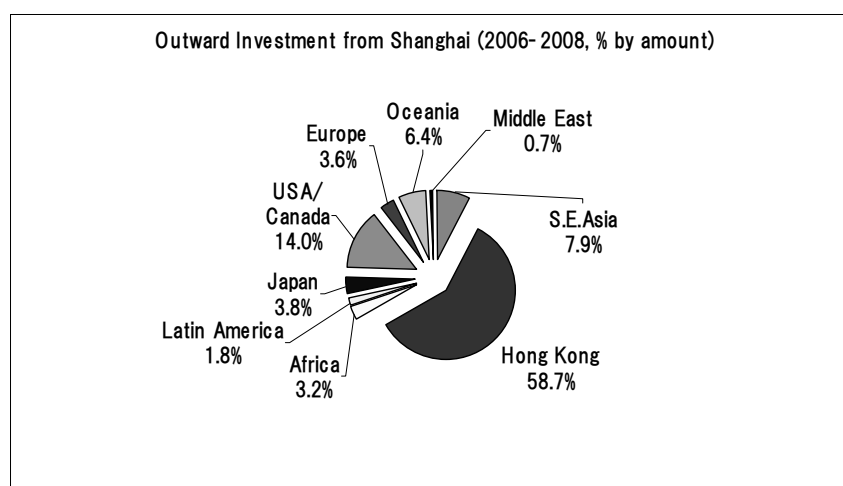
FY	Program	Country	Period
2006	Delegate to other ITPO	ITPO UK	6 months
	Delegate at ITPO Shanghai	Namibia	3 weeks
	Delegate at ITPO Shanghai	Mozambique	3 weeks
	Delegate at ITPO Shanghai	Mongolia	3 weeks

Note: No delegate program conducted for 2007 and 2008

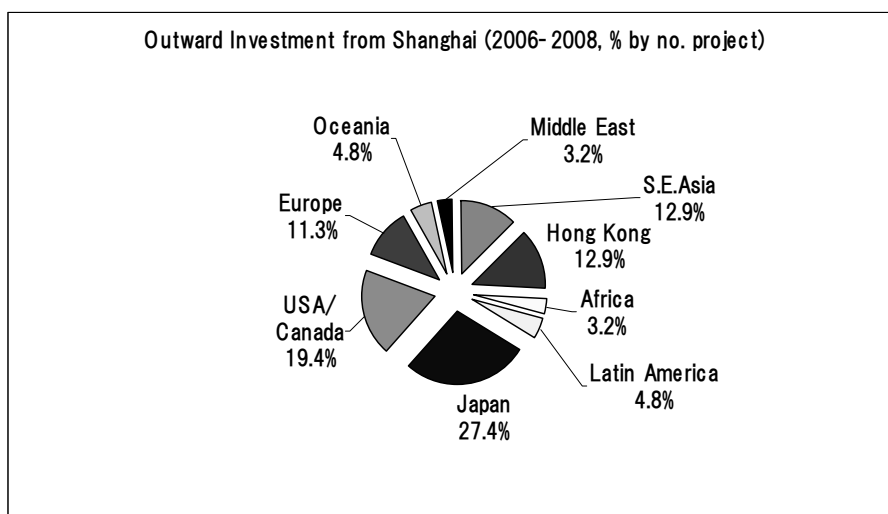
Source: Annual Report SIPC 2006

The **outward investment promotion** activities concluded during 2006 to 2008 are reported as 62 projects with a total value of US\$ 64.7 million, and the geographical distribution is noteworthy. As reflected in the chart, Hong Kong has the largest share, (58.7%), followed by USA/Canada (14%) and Southeast Asia (7.9%). Although Hong Kong is administratively a part of China, it is regarded as a separate economy for purposes of inward and outward investment. Hong Kong's share is also substantial for inward investment. Despite concerted efforts, Africa's share remains modest by any standards at 3.2% in value terms, with only 2 projects.

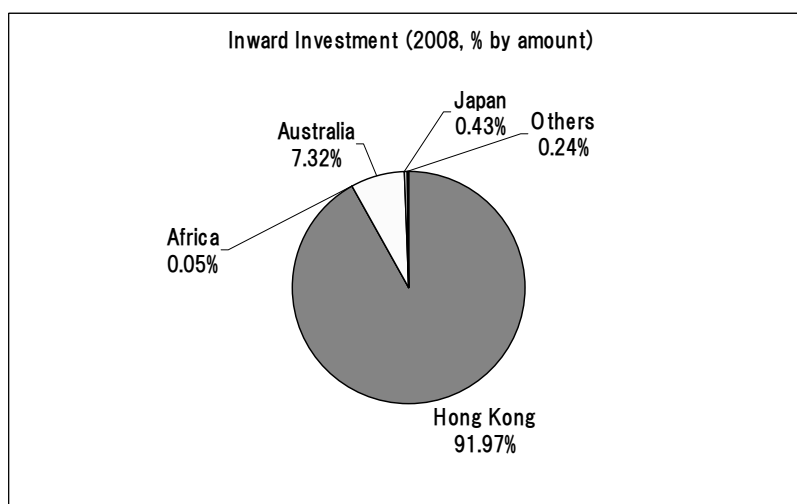
Chart 13: Outward Investment by Region (amount)



Of the 62 projects concluded for outward investment, 17 went to Japan, 12 to USA/Canada, and 8 projects to Hong Kong. In monetary terms, the investment value of projects to Japan is relatively small, as the projects relate largely to the establishment of offices for Chinese enterprises, with the resulting investment reflecting the costs of rental of premises, office set-up, and operating and utility expenses, rather than for the establishment of permanent production units.

Chart 14: Outward Investment by Region (number of projects)

In respect of **inward investment promotion**, SIPC assisted in concluding 11 projects during the 3-year period 2006-2008, of which 9 projects were concluded in 2008 alone. Among the 9 projects, with a value of \$21 million, 4 projects were from Hong Kong (\$19 million), representing 92% of the value. Other inward investment projects were from enterprises in Australia, South Africa, Virgin Island and Japan.

Chart 15: Inward Investment by Region

As a capacity building activity, SIPC conducts “Salon” meetings for the Shanghai business community, to assist young Chinese entrepreneurs in increasing their knowledge of factors to be considered in the decision-making process for potential **outward investment** projects,

including appropriate risk protection, the analysis of local economic factors and political climates, as well as the consideration of national macroeconomic trends. In 2008, 4 “Salon” meetings were conducted, with themes as shown in the Table below. The specialist speakers were invited from local as well as foreign sources, and each “Salon” event attracted around 40 attendees from the Shanghai business community.

Regarding the public relation, SIPC’s own activity is quite limited in terms of its public presence, through PR tools such as pamphlet, distribution material and web-site. All of these are relying on FID/OID tools and facility.

Table 8
Salon Activities Held in 2008

	Date	Theme	Name of speaker	number of participants
1	April.22, 2008	Africa, an attractive place full of hardships	Mr.Duan Junheng, Mr. Chen Mu from local companies	around 40
2	June 30,2008	Invest Viet Nam——Production Transfer and Risk Protection	Mr.Xu Mingqi, Shanghai Academy of Social Science, Mr. Zhong Guangpei, KPMG Viet Nam office	around 40
3	Oct.14, 2008	Developing Japanese Market In Win-Win Situation	Mr. Muraoka Kenji, Japan-China Economic Relations and Trade Center, Mr. Takahiro Okita, CEL Group	around 40
4	Dec. 12, 2008	How Global Financial Crisis Impact on Chinese Economy	Mr. Shen Dayong, Shanghai Foreign Trade College	around 40

Source: SIPC

4.5 Cases of Investment Promotion

The Evaluation Team undertook visits to five clients of SIPC, as a result of which the Team was able to gather information relevant to SIPC’s contributory role in examples of investment promotion of each of the five enterprises.

1) Shanghai Senlian Timber Industrial Development Co., Ltd.

Shanghai Senlian Timber Industrial Development Co., Ltd was established 50 years ago as a state owned enterprise (SOE) in timber and lumber processing industry in Shanghai. The company used to employ 10,000 workers but the number is now reduced to 1,500 as a private company, and yet it is the largest company in the wood processing sector in Shanghai. The company’s main product is plywood and wooden flooring, and exports 80% of its production to USA, Europe and Japan, while around 80% of the raw material is imported from Africa and

New Zealand. The annual sales revenue is about RMB1billion (\$150mill¹⁹) and the production value is more than RMB500million (\$73million). Senlian Timber belongs to Shanghai Bailian Group, and the Group President is the chairman of Shanghai Wood Industrial Association.

With the assistance of SIPC in providing information regarding foreign investment policies and the respective business environments of countries targeted for outward investment, Senlian has established joint venture companies in the form of representative offices in both Brazil and Mozambique. Senlian has invested \$2 million to establish a factory in Brazil, and production is already in progress. Senlian staff visited Mozambique in 2006 to review the feasibility of establishing an operation; SIPC provided a vital introduction to Mozambique's central government's investment promotion center, as a result of which 80 acres of forest area near Pemba were identified as a potential investment by Senlian. The company is presently evaluating a planned investment of \$2.6 million for the acquisition of the forested land and for the construction of a factory. Senlian's General Manager, Mr. Tan Cun Yang, conveyed the company's initial concerns regarding such an investment due to early communications difficulties with local government authorities together with an uncertain business climate. SIPC has considerably facilitated the channels of communication; however, major concerns remain regarding what they see as an uneven business environment. In spite of these factors, Senlian has already invested around \$1 million in the Mozambique project for feasibility and evaluation studies. The company is also considering investing in other regions in Africa.

Mr. Yang advised that Senlian still requires SIPC's support in respect of up-to-date information on government policies and on the business environment, and conveyed his company's wish for a continued proactive approach by SIPC.

2) Shanghai Pharmaceutical Co. Ltd

Shanghai Pharmaceutical Co., Ltd. is a publicly listed company on the Shanghai Stock Exchange, and produces a wide range of pharmaceutical products including antibiotics, anti-malaria drugs, anti-cough medication, vitamins, and medical disposable goods. The company belongs to the Shanghai Pharmaceutical Group, with 60% of its stock owned by banks. The Company currently has net assets of RMB 2 billion (\$300million) and 3,000 employees.

Shanghai Pharmaceutical established a joint venture in Sudan in 2001, focusing on the

¹⁹ Exchange rate: RMB6.8/US\$ (2009.5.27)

production and wholesaling of pharmaceutical products. As this project was the first pharmaceutical factory in Sudan, the government provided the incentive by way of a low tariff for the import of raw material, thus contributing to profitability. The project is expected to make a contribution to local standards of health care. Following the start-up of a repacking plant in 2001, a full production line came on stream in 2004. The investment to date is \$3 million and further investment is expected to increase this amount to \$6million; the operation employs 60 local workers, with 8 Chinese staff assigned from Shanghai. The company considers the Sudan project as a model that could be applied to other developing countries.

According to Mr. Chen Mu, General Manager of the International Division, the role of SIPC is highly important in bridging gaps in information which the company itself has great difficulty in accessing, such as details of the African business environment, an area in which UNIDO's support, through SIPC, is also very important. The company participated in one SIPC "Salon" event to obtain relevant information for outward investment. The company would like to see more interest from International Organizations active in the area of health-related issues, such as WHO and UNICEF, in order to raise the level of the transfer of technology.

3) Talent Creation Co., Ltd.

Shanghai Talent Creations Import and Export Co., Ltd., formerly known as Jiangyin Clothing Import and Export Co., Ltd. of Jiangsu, was founded in 1998, and relocated to Shanghai in 2000. The company began with a handful of staff and today employs more than 100, and has opened branches in the New York and Stuttgart (Germany) to establish marketing and logistics services. Talent Creations is engaged in the clothing industry, catering to the US and European markets. The company has 3 categories of products: uniforms (airlines, oil companies, security companies and the automotive industry), high-level sports apparel, and suits. The company targets the market for well-designed, high quality and high value-added products.

Talent Creation does not have its own production line; rather, it concentrates on design and marketing, and with an extensive network of qualified designers of repute in USA, it has established an excellent reputation for quality, cost and for meeting delivery targets. The company outsources its production to manufacturers in the Yangtze Delta Region, and will shortly establish a branch office in Hong Kong to meet growing business demands.

The company first contacted SIPC in 2008, and joined a trade mission to Vietnam organized by SIPC/OID in May 2008, as one of 20 participants. Due to rising labor costs in China, Mr.

Kelvin Chao, chief executive of Talent Creation, advised that the company is seeking countries where production costs are lower than in China, possibly Vietnam and Cambodia.

4) Wurth International Trading (Shanghai) Co.

Wurth International Trading (Shanghai) Co., Ltd was established in 1996, as the China subsidiary of a major German company, the Wurth Group. The China operation relocated to Zhangjiang High-tech Park in Shanghai in 2006. The core business of the Wurth Group is an extensive global trade in fastening and assembly technology, which is implemented through an international network of Group companies and with a range of over 100,000 products for industry and the trades, including screws, screw accessories, dowels, chemical products, furniture and construction fittings, tools, machines, installation material, automotive hardware as well as storage and retrieval systems.

With the presence in Shanghai of the major automobile assemblers Volkswagen and General Motors, Wurth Group brought its group company, ReCA, in 2005 and established warehouse facilities in the Western part of Shanghai, with the assistance of FID. Due to the rapid growth in demand for machine parts and other hardware components, Wurth Group decided to establish a purchasing center and training facilities, and relocated to Zhangjiang High-tech Park in Pudong, where space was available to accommodate this expansion. The company was renamed Wurth International Trading, and currently employs 60 staff.

5) Touchroad International Holdings Group

Touchroad International is a large organization with a wide range of interests – international trading, finance, media, logistics and manufacturing, and business pursuits. The Group has two investment projects in Botswana; firstly, a textile factory producing blankets, sheets, pillows and other linen products, with a \$2.6 million investment in 2002. The factory imports its raw material from China and the finished products are exported to Southern Africa, taking advantage of the tariff exemptions available under the Southern Africa Custom Union (SACU).

The second project in Botswana is the establishment of an industrial estate of 500 ha, with an investment of \$51 million and strategically located close to the airport of Gaborone, the nation's capital. 10 Chinese companies have already commenced operations in Touchroad's industrial park, and 46 more have announced plans to establish operations there. The companies established in this industrial estate will also benefit from the tariff exemptions provided by

SACU, which, due to Botswana's limited population and consequently a relatively small local market, will ensure that robust competitive conditions created by a combined southern African market will prevail in the neighboring countries which belong to SACU.

Mr. He Liehui, Chairman of Touchroad International, advised that the information available to his organization in respect of African countries is limited, especially regarding political systems, foreign exchange regulations, availability and costs of labor, trade restrictions, tariffs, immigration policies and regulations, and the operation of international treaties, and that the service and information provided by SIPC in respect of these vital issues has been of significant benefit to Touchroad, and has considerably facilitated their decision-making. The Chairman noted that Touchroad's decision to invest in Botswana took careful account of the country's comparatively stable business environment. Mr He Liehui himself participated in an investment guide seminar for Africa in March 2008, organized jointly by OID/SIPC and the Chamber of International Commerce, and advised that he found the seminar informative and helpful.

6) Shanghai Alpha Electronics and Machinery Technology

Shanghai Alpha Machinery & Electronics Technology Co., Ltd (Alpha) was set up in 1993, specializing in the production of electronics products such as antenna components and remote control devices. Alpha is a member of Shanghai Chamber of International Commerce (COIC), and with an introduction by COIC, senior executives of the company attended a promotional event organized by COIC and SIPC, including a seminar on global economic conditions, and participated in a business promotion tour to Japan, Europe and Vietnam.

In 2007 Alpha established a marketing office in Ho Chi Ming City, Vietnam, as its first overseas investment, which was expanded to a joint-venture company after one year. Alpha Vietnam is now supplying lighting and mechanical equipment to hotels (for kitchen and laundry facilities), and for cold storage operations and paper mills in Vietnam. The initial investment was \$100,000 and an additional \$5,000 is remitted annually to strengthen their local production facilities. The company's General Manager, Mr Davis Xie, advised that a Vietnamese language website is now available, enhancing his company's presence in the country.

5

Design and Management

5.1 The Agreement, Work Programme and Reporting

1) Agreement

ITPO Shanghai (SIPC) is based on a Trust Fund Agreement and Project Document, both signed by three parties, the Chinese Government, the Shanghai Municipality and UNIDO, on March 28 2006. The following organizations represent each of the parties, respectively:

Government Counterpart: China International Centre for Economic and Technical Exchanges (CICETE), Ministry of Commerce;

Host Country Counterpart: Shanghai Foreign Economic Relations and Trade Commission (SMERT)/Shanghai Foreign Investment Commission (SFIC)²⁰ ; and

Executing Agency: UNIDO

In the Project Document, the six items of project outputs and corresponding output indicators are defined, as summarized on the table. Among the six outputs, outputs 1 and 2 focus on inward investment, and output 4 on outward investment. The other outputs (3, 5 and 6) are related to capacity building: while output 3 and output 5 relate to capacity building of Shanghai entrepreneurs, whereas output 6 refers to capacity building for other developing countries.

The project document also indicates the five national staff positions as “UNIDO Inputs”, while there are no international staff. The following Tables reflect *Outputs and Output Indicators* (Table 8), and *Staff Input by Project Document and Current Titles* (Table 9), in which titles differ slightly in cases from current ITPO staff designations.

²⁰ These two commissions were re-organized and merged to Shanghai Municipal Commission of Commerce in the last quarter of 2008.

Table 9 Outputs and Output Indicators²¹

OUTPUT		INDICATORS
1	Industrial investment opportunities in Shanghai identified and brought to the attention of potential foreign investors.	Number of projects promoted Number of projects identified Number of project profiles distributed Number of Shanghai companies registered in the databank Number of seminars Number of foreign companies visiting Shanghai to discuss specific projects Number of mission of Shanghai companies abroad to discuss specific projects
2	Potential partners assisted in negotiations of investment projects. (at any stage between initial contact and conclusion of a contract)	Number of negotiations followed Type of advisory services offered Number of projects concluded Value of investment generated Number of jobs generated Number of business plans conducted
3	Upgraded skills and managerial capabilities of entrepreneurs, managers, administrators and government staff involved in implementing and supporting investment projects in Shanghai.	Number of companies/institutions assisted Type of advisory services offered Number of delegates Number of training courses organized
4	Investment project proposals originating from developing countries and countries with economies in transition promoted in Shanghai, aiming at outward transfer of resources (investment, technology, etc.) from Shanghai by establishing business partnerships overseas.	Number of projects concluded Value of investment generated Number of jobs created
5	UNIDO's investment and technology promotion tools, methodologies and software, including COMFAR, intensively disseminated and promoted in Shanghai	Number of copies distributed Number of software package promoted
6	Delegates from developing countries and countries with economies in transition trained on the job, combining this with promotion of portfolios of investment projects from their respective home countries in Shanghai (subject to the availability of resources)	Number of delegates received Number of projects promoted through the Delegate Programme

Source: Project document TF/TN/CPR/06/005

Table 10 Staff Input by Project Document and Current Titles

B/L	Project Document	Current
12-01	Head	Head (vacant)
12-02	National Investment and Technology Promotion Officer	Officer-in-Charge
12-03	National Investment and Technology Promotion Officer	Investment Project Officer
17-50	Short-term Consultant	Investment Coordinator
13-00	Administrative support personnel-secretaries and clerks	Secretary

Source: Project document TF/TN/CPR/06/005

2) Work Programme

With respect to the Work Programme, the following documents have been submitted to UNIDO:

²¹ Among the output indicators in the table, "Value of investment generated" and "Number of jobs created" are, in principle, to be considered as Outcome rather than Output indicators. However, this table is a summary of the Project Document, and these items appear as Output indicators.

- Work Programme 2008: 2.5-page document covering staffing, strategic orientation, activities, time schedule and indicators.
- Annual Work Program for 2009-2010: 5.5-page document with 3 pages of annex tables, the total of 8.5 pages.

While some variation between a Work Plan and its implementation may be reasonably expected, a comparison of the “Work Program 2008” and “Annual Report 2008” reveals some activities planned are either not implemented or not referred to in the Report, e.g., participation in conferences and the updating of the database. The “Annual Work Program 2009-2010”, covering one year from June 2009 to May 2010, presents more detail than did the Work Program 2008, indicating a more thoughtful input in the 2009 – 2010 Plan.

Table 11 Comparison of Table of Contents: Work Programme and Annual Report 2008

Work Programme 2008	Annual Report 2008
I Background	1. Summary
II Strategic Orientation	2. Strategic Priorities
III Activities, Time Schedule and Impact Indicators	3. Investment Promotion Programme
i) Outward investment promotion	3.1 Promotion of outward investment
ii) Updating investment project portfolio for inward investment promotion	3.2 Inward investment promotion
iii) Organization of investment promotion for fairs and/or conferences, symposia, seminars jointly with the HQs and /or with other host countries institutions	3.3 Facilitating meetings with potential investors (both local and international)
iv) Participation in the international/national conferences. Fairs, etc.	
v) Updating database of investment offers	
IV Relevant UNIDO On-going and/or Pipeline Programmes	4. Capacity Building

Source: SIPC Work Program 2008, SIPC Annual Report 2008

The Evaluation team perceived a lack of detailed knowledge of ITPO’s current Work Programme by some staff. The Officer-in-Charge should ensure that each member of the very small staff – 4 persons – is fully aware of the Programme, as with only 4 staff members, it would not seem reasonable that any of the three were fully excluded from aspects of the Programme.

3) Reporting

During 2006 to 2008, the following three annual reports were submitted to UNIDO and approved. The reports are from 8 pages to 12 pages, briefly reporting the activities of SIPC, attached with list of concluded projects for outgoing investment projects only, due to limited number of inward investment promotion by SIPC. The reporting formats have been improved,

as an evidence of guidance from UNIDO HQRs.

- Annual Report 2006
- Annual Report 2007
- Annual Report 2008

5.2 Administrative Matters of ITPO Shanghai

As part of the Evaluation of the ITPO Shanghai, an assessment of the administration of the Office was undertaken; the following issues are considered to be relevant to the operations of the ITPO:

1) Absence of a UNIDO visible presence

Primarily, the presence of UNIDO is, in the view of the Evaluation team, neither clearly nor optimally visible. The ITPO is located in a prestigious business area and in a modern, high-quality, fully-occupied high-rise building. The respective presences of FID and OID are clearly visible in the extensive, well-appointed, high-pedestrian-traffic lobby, whereas no reference to, or announcement of, UNIDO ITPO is made in the list of the building's tenants, nor does it appear among the logos of other tenants of the building.

The ITPO staff occupy a relatively small area of each of two large-area floors of the building, the 15th and 16th floors – the 16th floor contains a separate suite of offices, an area of around 80 square meters, dedicated to the ITPO, while the 15th floor is largely a series of open-plan cubicle-style offices for staff of OID and FID, where the Officer-in-Charge, Ms Pan Yan, has her office. Only on the 16th floor is the UNIDO presence announced by way of a small plaque with the UNIDO logo displayed, without any reference to the “*United Nations Industrial Development Organization*”. Visitors would thus not necessarily associate the logo with the Organization, nor be aware of what the acronym UNIDO represents.

The importance of the relationship and synergy between ITPO, FID and OID cannot be too strongly emphasized; that notwithstanding, the presence of UNIDO ITPO should, in the view of the Evaluation team, be more prominently displayed

2) The physical location of staff

The ITPO staff numbered four persons at the time of the Evaluation – namely the Officer-in-Charge (Ms Pan Yan), an Investment Promotion Officer (Mr Denny Zhang) and an Administrative secretary, (Mr James Jiang), and Ms Zhu, an accounting assistant who undertakes the preparation of the ITPO monthly accounts, although Ms Zhu estimated that only 10% of her overall duties are ITPO-related, the other 90% being duties for OID. The Officer-in-Charge, Ms Pan, who is already acting in this capacity for almost two years, has not relocated from the 15th floor to the principal office of the ITPO on the 16th floor – the fully-furnished, well-appointed office reserved for the Head of the ITPO has thus been unoccupied for almost two years. This 16th floor office is eminently suitable for receiving visitors in an environment more suitable for conducting business than the office accommodation on the 15th floor, but has not been used for this purpose.

The justification should be reviewed of maintaining a staff member on the Project's budget whose working time for ITPO is estimated at only 10% of her duties.

The largest office in the ITPO high-grade suite of rooms is occupied by Mr Zhang, the Administrative secretary, whose duties include investment promotion responsibilities. The physical separation / isolation of the ITPO staff over two floors of the building, and the logistics of the offices, is not an ideal arrangement, and significantly detracts from an impression of a UNIDO / ITPO presence.

Further, the ITPO has been charged with the rental costs of offices which have been largely unoccupied for almost two years. One of the offices in the suite of ITPO rooms contains an uncontrolled open-line telephone, which may invite unauthorized use by non-staff members – one non-ITPO person was observed using this telephone. Some areas of the ITPO suite on the 16th floor were not maintained in a business-like state of tidiness.

3) Staff Training

The issue of training of ITPO requires addressing. Investment Promotion Officer, Mr Denny Zhang, the most senior by grade of the 4 present ITPO staff members, has not had the benefit of visiting UNIDO Headquarters nor had any formal training, although he was appointed in December 2006. On the other hand, Ms Zhu, the accounting assistant who dedicates only 10% of her time to ITPO duties, has visited UNIDO HQ and received training from PTC/ITP/ICU. Mr. Zhang has not been given the opportunity to represent ITPO outside China

This has resulted in UNIDO being unable to assess the potential of Mr. Zhang, and given the absence of any system of Performance Evaluation at ITPOs, it is a disadvantageous situation for both staff members and UNIDO. The Chief, ITPO Coordination Unit was not able to visit ITPO Shanghai until September 2009, and thus it was to Mr. Zhang's further disadvantage that no direct UNIDO HQ has eventuated in the 2 ½ years since his entry on duty. This issue could be addressed at the next Heads of Service Meeting or at the UNIDO General Conference in December 2009.

According to Chief, ITPO Coordination Unit, UNIDO, a request to Human Resource Management, UNIDO, for certain ITPO staff to be allocated places in UNIDO training courses had been declined on the grounds that ITPO staff was not eligible.

No plan for ITPO staff training at UNIDO Headquarters is drawn up on a regular basis; as with UNIDO new HQ staff, regular training courses could be scheduled annually for selected staff from all ITPOs.

4) Job Descriptions

Staffs at ITPO Shanghai lack up-to-date Job Descriptions. This matter should be addressed as a priority.

5) Performance Evaluation

There exists no system of Performance Evaluation at ITPO Shanghai, or at any other ITPO or IPO office. This is not only contrary to good management practice but also exposes UNIDO to the uncertainties and risks that can arise when the performance of staff members has not been assessed or evaluated in writing.

Two present ITPO Shanghai staff are now, it is understood, potential candidates for the vacant Head of Service post. The absence of a completed performance evaluation for these staff raises the risk that due process is not given to the recruitment and selection of the right candidate. UNIDO Management is aware of this serious shortcoming, and has undertaken to address the matter.

Chief, ITPO Coordination Unit advised that in consultation with PSM/HRM, performance evaluation for ITPO staff will be introduced in 2010, with ITPO Heads of Service being

evaluated by UNIDO HQ, and other ITPO staff by the respective Heads of Service

6) OID / FID / ITPO

OID and FID play an essential supportive role in ITPO Shanghai's work – ITPO could not function as it now does without the professional and logistical support that these two 'sister' organizations provide – and ITPO staff readily acknowledge the accuracy of this statement. For the 3 present ITPO staff, it should be noted that the lines are often blurred between the activities that they carry out for ITPO on the one hand and for OID / FID on the other.

ITPO benefits significantly from the synergy between the 3 organizations - ITPO Shanghai's budget meets the salary and related staff costs for the ITPO staff, each of whom contributes significantly to the substantive work of OID / FID. On the other hand, OID / FID's presence and extensive network of contacts is available to ITPO and the Evaluation team's clear impression is that the present complimentary arrangements are an acceptable model for cooperation and sound practice.

However, it should be noted that regional share of SIPC's outward and inward investment is occupied by Hong Kong and industrialized countries, rather than less developed economies such as those in Africa, which seems to be a consistent result of the function of FID/OID, rather than UNIDO's interest of promoting investment to developing countries.

5.3 UNIDO Information, Management and ITPO Network

1) Absence of UNIDO information

There is an absence of visible UNIDO Public Information material available for visitors or for FID/OID colleagues. UNIDO's Public Advocacy and Communications Unit, (OSL/PAC) has produced, *inter alia*, a highly informative booklet entitled ***Introducing UNIDO***, which is moreover also published in Chinese, and which is an ideal "front office" publication in any UNIDO location. ITPO Shanghai would benefit from making such relevant material widely available, more especially as a Chinese version is published of the ***Introducing UNIDO*** booklet.

It was stated by ITPO staff that UNIDO's presence "*provides confidence for potential investors that FID/OID cannot provide*"; this credible statement fully endorses the need for a clearer

UNIDO visibility, together with the ready availability of relevant printed ‘public information’ material.

Chief, ITPO Coordination Unit advised that a standard package of appropriate promotional material is being prepared for distribution to ITPOs in order to address this valid issue.

2) Coordination with other UNIDO Projects in China

There seems to be a very limited coordination with other UNIDO projects, including ITPO Beijing, in the SIPC’s daily routine activities. This arises from the fact that there is limited direct information flow with UNIDO Headquarters’ technical branches, and an absence of knowledge by SIPC staff regarding UNIDO information systems

All ITPOs have access to UNIDO’s Intranet, where relevant information is available. SIPC does not seem to use this service to its maximum advantage.

2) Non-appointment of a Head of Service

The post of Head of Service has been vacant since August 2007. It could be reasonably claimed that the non-appointment of a Head of Service has been detrimental to the effective operations of ITPO, especially given that the Head is one of only 4 posts approved in the budget, and thus represents the most senior 25% of the staff. It is unclear to the Evaluation team as to why no action has been initiated to progress the appointment of a new Head.

The absence of a Head of ITPO for almost two years has resulted in a major under-utilization of budgeted funds – around 40% of available funds are neither disbursed, obligated nor committed. Such a relatively high proportion of unutilized funds does not result in an optimal application of the Project’s funds; the absence is noted of concrete proposals to reallocate unutilized balances to areas where expenditure may have enhanced activities (such as, for example, staff training.)

ITPO has continued to meet the rental cost of the high-quality office suite allocated to the Head of Service, notwithstanding that the office has remained unoccupied for almost 2 years.

3) Heads of Service Meetings

The ITPO Shanghai Officer-in-Charge, Ms. Pan Yan, stressed her view that regular annual meetings of ITPO Heads of Service were of great benefit to all attendees, with shared information and the unique opportunity to raise issues of a substantive and administrative nature. The Evaluation team fully endorses this view, especially given the limited staff resources of the ITPO Coordination Unit and the fact that the Unit Chief and/or his staff cannot reasonably visit each ITPO on a frequent basis, and there is a clear benefit in having a wider forum than is possible from a visit from a single Headquarters staff member.

Chief, ITPO Coordination Unit noted that attendance at Heads of Service Meetings “are in many cases limited by financial constraints”.

It is further recommended that attendance at Meetings of ITPO Heads of Service not necessarily be confined to the Head of Service – in the case of Shanghai, for example, there is ample justification for two representatives to benefit from attending a Heads of Service meeting.

4) “UNIDO Brand”

ITPO staff expressed concern that often they are not well-informed on UNIDO matters, and that they sometimes do not receive communications relating to the “*UNIDO Brand*”. Chief, ITPO Coordination Unit, advises that not all “*UNIDO Brand*” communications are relevant to ITPOs, but that those which are relevant are sent to ITPOs, and that ITPOs should share such communications with all staff.

As an example of lack of information coordination at Headquarters, e-mails from HQ to ITPO Shanghai are still being addressed to Mr. Dong Tao, a former Head of Service who separated from ITPO in November 2006.

ITPO staff stated that they have the sense of not receiving “guidance” from Headquarters, without quantifying their concerns, their perceptions require to be addressed. In short, interaction with UNIDO Headquarters is too limited.

5) UNIDO missions to Shanghai

ITPO staff noted that missions to Shanghai by Senior Staff of UNIDO, on non-ITPO matters, take place without ITPO being officially advised of the presence in Shanghai of these high-level

staff – they of course learn of these visits informally. While the UNIDO mission may not directly relate to ITPO, the ITPO represents UNIDO's presence in the city (together with the smaller operations of SITPC), ITPO staff consider it rather discourteous that ITPO's presence is seemingly ignored – even a short courtesy call would be appropriate and would have, it is considered, advantages for both sides. Specific UNIDO missions were noted; this is a sensitive issue with the ITPO staff members, and should be managed with understanding of the Chinese position.

Furthermore, a brief courtesy call at ITPO by a high-level UNIDO Officer can enhance ITPO's presence and its staff morale, and avoid the impression, however incorrect it may be, that ITPO, as UNIDO's important and long-term presence in Shanghai, is overlooked at senior UNIDO level.

6) EXPO 2010

This event, from 1 May – 31 October 2010, represents a unique opportunity for UNIDO to show itself to a global audience. EXPO 2010 is Shanghai's "show" and the city authorities are determined to make it the "biggest and best show on the planet", and to even exceed the superb organization and result that was clear in the 2008 Olympic Games in Beijing. All indications are that EXPO 2010 will be the success it is planned to be, and UNIDO should share in that success.

UNIDO is already effectively represented at the impressive and much-visited EXPO 2010 Visitors' Center in central Shanghai, by means of a giant UNIDO flag on prominent display. While almost all organizations in the UN Common System will be represented at EXPO 2010, only 2 other UN organizations are displaying such large flags. UNIDO should seize the opportunity provided by ITPO's presence, and ensure that UNIDO's participation is both high-key and successful. For that to occur, planning must be creative and timely, with carefully-selected, experienced staff charged with specific responsibilities for UNIDO's EXPO 2010 participation.

Chief, ITPO Coordination Unit advised that ITPO Shanghai is expected to play an important role in organizing UNIDO week at Expo 2010.

6

Assessment

6.1 Relevance

Relevance to Shanghai

The number of foreign enterprises which have invested in Shanghai was around 22,000 in 2004, and the number increased to nearly 30,000 in 2007, an annual increase of more than 2,600 enterprises, as reflected by the Shanghai Municipality statistics. Shanghai is already attracting a wide range of foreign investments, thanks to China's large domestic market and the advantages which Shanghai can offer in respect of location, infrastructure and city policy. In this respect, the role of SIPC is limited for inward investment promotion, except in cases where the investment destination is outside of the Shanghai Municipality, and for consulting opportunities which SIPC can provide to small and medium enterprises in Shanghai, in collaboration with the Shanghai Small Enterprises Trade Development Service Center.

On the other hand, SIPC's role is more visible and evident for outward investment promotion, with a focus on Africa and economies in transition. SIPC is one of a limited number of official cooperation projects between the Shanghai Municipal Government and UN organizations, which is symbolically as well as substantively important for Shanghai in seeking to further its role as an international metropolis. Shanghai can take advantage of UNIDO's platform, through SIPC, to publicize and promote Shanghai as a location with a highly favorable climate in which to do business, assisted by the facilitative role played by the city authorities, with their forward-looking approach to, in particular, development assistance.

With an increasing number of Shanghai companies interested in expanding their operations overseas, SIPC is in an ideal position to provide support by establishing bridges between the companies and the countries of potential investment, in particular in African countries where UNIDO's strong support is envisaged, by providing essential information in respect of investment policies and local conditions. By conducting the series of "Salon" events, SIPC has provided an important platform by which Chinese enterprises may establish communications and cooperate and learn from each other.

The economy of Shanghai is in transition, with emphasis on higher value-added industries in the fields of high technology, research and development, and with support for the headquarters functions of foreign enterprises. Under the increasing cost of production, Shanghai enterprises are exploring options to relocate their operations, in whole or in part, to lower cost areas either domestically or outside of China, and SIPC is providing a window for such enterprises to open their vision to global opportunities.

Relevance to UNIDO

Among 62 outgoing investment projects promoted by SIPC during 2006 to 2008, the large share, in terms of amount, is occupied by projects in Hong Kong, USA/Canada, Oceania, Japan and Europe, and share of Africa is 3.2%, with two projects. This seems to be a reflection of SIPC as an integrated office with FID/OID which has less emphasis on investment promotion to developing countries, in particular, to Africa. Nevertheless, one of the African projects, a \$51 million development by Touchroad International of a 500 hectare industrial park in Botswana, strategically located close to Gabarone airport, is working to promote the relocation potential to some 56 Chinese outward investment projects which are seeking entry to markets in southern Africa. This venture is Touchroad's second investment in Botswana, following the establishment of a textile manufacturing facility in 2002 – this investment has been highly successful. Shanghai Pharmaceutical's investment project in Sudan, initiated in 2001 for local production has been fully and successfully operational since 2004, and is the first pharmaceutical plant in Sudan. Shanghai Senlian Timber is, as noted in Chapter 4, currently conducting feasibility studies for a timber processing project in Mozambique, and has taken an option for the purchase of timbered land which would provide raw materials for the potential investment in Mozambique and for Senlian's operations in Shanghai, with a view to export markets in Europe, USA and Japan.

As these examples indicate, the investment projects promoted by SIPC for Shanghai-based enterprises are commercially viable projects, pioneering a range of foreign investments for recipient countries as well as promoting further investors from China. The entrepreneurs interviewed by the Evaluation team belong to a new generation, enthusiastic to explore the challenges of the African market, with their accumulated international trade experience. The Evaluation Team was particularly impressed by their entrepreneurial attitude to risk-taking, prepared to invest without financial support from the government except from SINOSURE's insurance facility.

These investment cases are not large scale, but of medium scale suitable for African market. This is another strength of investors from emerging economies, as investors from industrialized countries generally tend to seek to establish (for) large scale operations. In this context, encouraging and providing support for Chinese investors from the Shanghai area is consistent with the UNIDO priority of focusing on industrial development in Africa.

While Shanghai is the largest city in China, as well as being the major centre of commerce and industry, the current UNIDO presence in Shanghai is the following two projects and the potential to participate in one upcoming event:

- (1) ITPO Shanghai (SIPC)
- (2) Shanghai International IT Promotion Centre (SITPC)
- (3) Expo Shanghai 2010

This suggests that the visibility of UNIDO through SIPC is highly important, and indicates that UNIDO could increase its presence to be more recognized as a facilitator for investment and technology promotion. As noted in detail in Chapter 5, UNIDO's visibility in SIPC Shanghai is inappropriately limited, especially when compared to the 2 'sister' organizations, FID and OID, whose presences are effectively well-displayed in the lobby and reception areas of the prestige building in which all 3 organizations have their offices.

The UNIDO visibility issue can be addressed by the SIPC dedicating some effort to the matter – each of the 4 staff members allocates working time to both SPIC and FID/OID (one staff member's time is 90% for OID), and is thus in a position to take measures for the display of the UNIDO flag, the UNIDO logo, and to ensure that UNIDO printed material; is provided to all visitors to the office. The use of the UNIDO flag for the main lobby or reception area, the more prominent display of the UNIDO logo, and the availability of printed Public Information material about UNIDO and/or SIPC, including the Annual Report of UNIDO, would be an important step in addressing the present lack of information for visitors, and even for SIPC staff members themselves.

In line with UNIDO's policy of promoting the capacity building skills of investment-related staff in developing countries, SIPC is very well-placed to provide an example of the successful development of Shanghai's economy, with particular emphasis on the contributions made by foreign (inward) investors and by Chinese investors in their successful outward ventures. Since China is one of the so-called BRICs, and itself represents an emerging economy, SIPC offers an ideal opportunity, by way of its Delegates Programme, to train participants from less developed

economies and from economies in transition, and to demonstrate the approaches by which it has achieved its own successes in investment promotion.

6.2 Effectiveness

As noted in 4.1 (Main Activities of SIPC), one of the achievements of SIPC during the period 2006 to 2008 are the outward investment projects which it has promoted. During this three-year period, there were 62 projects promoted by SIPC, with a total value of US\$ 64.7 million, consists of Hong Kong, USA/Canada, Southeast Asia, and share of Africa is only 3.2% with two projects. While the investment projects to Africa is note worthy and remarkable as explained under the “Relevance”, the composition of outward investment is a reflection of Shanghai enterprises’ over-all investment destination.

The UNIDO network, with its availability of country information, has proved to be an effective tool for Chinese enterprises, largely through SIPC, to access information essential to the investment decision-making process.

When compared with outward investment, inward investment promotion by SIPC appears limited, with only 11 projects promoted, including 9 projects concluded in 2008 with total value of US\$21 million consists of Hong Kong by 92% with four projects, followed by Australia and Japan. Compared to the annual influx of 2,000 foreign investment ventures into Shanghai, the effectiveness of SIPC has to be said to be almost minimal.

As for the capacity building activities, the “Salon” activities organized SIPC have provided valuable opportunities for the exchange of experiences and information in respect of the overseas investment climate and environment for enterprises in Shanghai, and the Delegate Programme which took place in 2006 for delegates from African countries and from economies in transition provided effective opportunities for the delegates themselves as well as for enterprises in Shanghai to establish direct communication channels.

All these activities - outward investment, inward investment and capacity building - were effectively conducted with the support of FID and OID in respect of co-organization, office facilities and staff and further support by the Municipality.

6.3 Efficiency

SIPC's co-existence and office sharing with FID and OID results in significant savings in respect of office facilities, utilities and supplies/equipment/fixtures, and important conference and training facilities. Since SIPC is still not widely recognized in the business community, SIPC's identity tends to be obscured by the much better-known FID and OID, with which SIPC is often identified. For example, the 15th floor conference facilities of FID/OID present a convenient, spacious and prestigious environment, at SIPC's disposal, in which SIPC staff may receive even high-level visitors following their arrival in the well-appointed, common reception area; there is however no evidence or visibility in these facilities of either UNIDO or SIPC – merely a small UNIDO logo one floor above, at the 16th floor office, which most visitors do not see.

On the other hand, it has to be noted that SIPC Office at 16th floor is not fully utilized, with empty Head of Service and Delegate offices, and secretariat room is occupied by only one staff with the rent being paid in full by SIPC project budget.

Cooperation with UNIDO and the wider ITPO network is being sought by SIPC staff, by active participation in ITPO Heads of Service meetings, establishing connections with other ITPO offices and with UNIDO, especially in the areas of investment information, and where appropriate, making direct contact with the relevant authorities of a country with perceived investment potential. Although the ITPO Heads of Service Meetings present an ideal opportunity to establish personal professional contacts for further cooperation, the long-outstanding vacant post of the ITPO Head of Service is a handicap for SIPC to fully benefit from the UNIDO / ITPO / network.

6.4 Sustainability

With the strong sustained growth of the Shanghai economy and the continuing requirement and available opportunities for both inward and outward investment, the Shanghai Municipality has clearly indicated its firm commitment to SIPC's activities in particular, as a symbolic project in cooperation with an international organization of high repute within the UN Common System. As long as Shanghai is accorded pioneering status from Beijing for commerce and investment, Shanghai should be able to utilize the opportunity to further expand its activities within the international community.

The sustainability of the investment projects promoted, for example in Africa, are encouraging to know that one project is for constructing industrial estate in Botswana intends to promote

more Chinese investors to be located their industrial production units, which seems to be effective step to accelerate investment in less developed and unfamiliar investment environment.

6.5 Impact

The impact, in terms of measuring the identified outcomes of the project, has been noted under “Effectiveness” However, the impact in terms of economic development through investment and technology transfer through the activities of SIPC during the period 2006 to 2008, is difficult to quantify either in Shanghai or in the countries in which SIPC-supported investment has been made. The following qualitative observations reflect the impact as seen by the Evaluation team.

The impact of inward investment promotion is limited, due to the fact that the number of project during 2006 to 2008 is limited to only 11, while there are approximately 2,000 foreign enterprises establishing operations in Shanghai every year. In addition, most of the inward investment promoted by SIPC was from Hong Kong.

The impact of outward investment is more evident due to the fact that some of the resulting investment projects are pioneering the markets abroad, in particular African markets, and realizing industrial production, contributing to import substitution or export promotion and to employment generation. However, the impact is more visible for projects promoted in 2006 and 2007 than in 2008.

The capacity building activities for Shanghai enterprises are also resulting in some impact to business organizations. e.g. Chamber of International Commerce of Shanghai, by offering direct communication opportunities through SIPC’s “Salon” activities, held four times in 2008, during which qualified, specialist speakers provide important relevant information and share their own experiences with the participants, thus, it is considered, facilitating decisions in respect of potential investment.

The capacity building potential for investment promotion, in particular in Africa and in economies in transition, by way of SIPC’s Delegate Programme, presents a unique opportunity to introduce fast developing Shanghai to the participants and to introduce their respective countries as potential investment destinations through establishing direct information and communications channels. However, the last Delegate Programme was conducted only in

2006, and the absence of activity in this area over the last three years has certainly resulted in a reduced impact by SIPC.

7

Conclusions

7.1 Strengths and Weaknesses

The following conclusions have been reached regarding Strengths of ITPO Shanghai (SIPC):

- Strong and full substantive support by Shanghai Municipality through FID/OID, as well as the provision of complete office infrastructure, conference facilities and staffing.
- Attractive prestige location at Honqiao New Development Area, and close to International Trade Center, banks, hotels and other central city infrastructure favorable to a business environment.
- Excellent network of partner organizations such as the Chamber of International Commerce, the Shanghai Small Enterprise Trade Development Service Center, the China Export & Credit Insurance Corporation (SINOSURE) and the Shanghai Zhangjiang High Tech Park.
- The SIPC staff attitude in respect of client orientation results in a sound professional reputation. However, UNIDO's visibility needs to be significantly enhanced.
- Sufficient English language skills and capability of SIPC staff in a Chinese cultural and business environment; interpretation and linguistic skills are essential in establishing and maintaining international contacts.

The following conclusions have been reached regarding Weaknesses of ITPO Shanghai (SIPC)

- Due to strong and highly visible presence of FID/OID, the visibility of SIPC is minimal, tending to be clouded behind these other two organization
- The small staffs of four, and absence of a Head of Service diminishes the potential impact and voice in both a domestic and an international context.
- Interaction with UNIDO HQ is too limited with the result that SIPC staff members have too limited knowledge of UNIDO's programmes, operations and procedures, as well as of the awareness as to how to effectively enhance UNIDO's visibility in Shanghai.
- Limited capacity building skills of local staff, in particular of those staff members who entered on duty after 2007 – no exchange or training programmes planned at other ITPO offices for Shanghai staff to gain further knowledge and experience in investment and technology promotion.

7.2. Conclusion

ITPO Shanghai (SIPC) should continue operations for a further minimum three year period, taking account of the considerations and recommendations of of the three parties involved - UNIDO, Government and ITPO (SIPC).

8

Recommendations

8.1 Recommendations – UNIDO

- As has been noted several times in this Report, the absence of a Head of Service of ITPO has been hampering the functions of ITPO Shanghai for the last two years. It is strongly recommended that UNIDO address this as a priority matter, and in consultation with the Government, take immediate steps to select and appoint a Head of Service in order that ITPO may function more effectively in carrying out its mandate. Recruitment procedures should include the advertising of the post, in line with UNIDO's standard procedures and in the interests of transparency.
- Although a Work Programme has been presented on an annual basis, disparity between the programme and its implementation was observed. It is recommended that UNIDO provides appropriate guidance to SIPC regarding the implementation of its Work Programme, establishing time frames and tools to monitor progress, and ensuring that the annual budget provisions are in line with the requirements of the Programme, and, if required, arranging for budget revisions to ensure that funds are always available to meet the changing demands of a dynamic Programme,
- ITPO Staff members who have entered on duty within the last two years, and who have had no exposure to UNIDO HQ or to other areas of the ITPO network, to be given the opportunity to undertake training at both UNIDO and at least one other ITPO – the advantages of such training and exposure to the UNIDO 'family' cannot be over-emphasized. Further, UNIDO should ensure the eligibility of ITPO staff for UNIDO Headquarters training courses.
- UNIDO should ensure that a system of performance evaluation is introduced into all ITPOs in 2010.
- UNIDO should ensure that relevant promotional materials are distributed to ITPOs, and that a UNIDO flag is provided to ITPO Shanghai, as specifically requested by the

Officer-in-Charge

- In order to enhance UNIDO's presence in Shanghai, it is recommended that missions of high-ranking UNIDO officers to Shanghai take the opportunity to acknowledge the presence of ITPO by way of a courtesy call or a meeting with the Head of Service. Internal arrangements should be made at UNIDO Headquarters to ensure that ITPO Coordination Unit is informed of all UNIDO staff missions to Shanghai. UNIDO's presence at EXPO 2010 is expected to result in more frequent missions to Shanghai, representing the opportunity to address this recommendation. Such action results in enhanced knowledge for both UNIDO and for ITPO.
- The case of ITPO Shanghai seems to be different from those ITPO in industrialized countries in several respects. Its economy is fast-growing described as an emerging economy, one of the four BRICs, and growing enterprises are looking for overseas opportunities in high-risk environment, such as Africa. On the other hand, Shanghai still contain an under-developed elements in its human resources. There seems to be ITPO in such emerging economies require differentiated approach to have the ITPOs function properly.
- UNIDO to request ITPO Shanghai to provide a proposal to enhance the visibility and presence of ITPO and UNIDO in the existing office setting, including a plan for the 16th floor ITPO suite of offices to be appropriately occupied, notwithstanding the absence of a Head of Service. The proposal should include concrete steps, even of a seemingly minor nature, such as the installation of UNIDO plaques/signs, of a size and location to ensure that visitors are clearly aware of the organization with whom they are doing business, which is not FID / OID, in this instance

8.2 Recommendations - Government

- The long absence of the Head of Service is hampering ITPO's activity, reflected in the trend of activities from 2006 to 2008. The Delegates Programme was not conducted since 2006, and around 40% of the budget remained unutilized. It is recommended that the Government and UNIDO take urgent action to recruit a dynamic Head of Service, in line with UNIDO's procedures for selection and appointment of staff, which include the advertising of the post.

- While SIPC is mandated to undertake both inward and outward investment promotion, its success in respect of inward investment appears limited when compared to the large number of foreign investors' inflow to Shanghai. It is thus recommended that the host government establish a clear focus for outgoing investment promotion as the core function of SIPC.
- Due to the strong presence of FID and OID, the presence of SIPC and UNIDO tend to be invisible behind those two high-profile organizations of the Shanghai Municipality. It is recommended to the host government that a plan / strategy be developed to increase the visibility and presence of UNIDO and of SIPC.
- In order to increase the professional capacity and skills of SIPC staff in the areas of investment and technology promotion, it is recommended that the host government provides the opportunity for SIPC staff to participate in Delegate Programmes of other ITPO offices, such as ITPO Tokyo or Bahrain.
- As Shanghai will have an excellent opportunity for global exposure during the 6 months duration of EXPO 2010, it is recommended to the host government to fully utilize this unique opportunity of Shanghai Expo 2010 to promote investment and technology transfer, with the active involvement of ITPO Shanghai.

8.3 Recommendations - ITPO Shanghai (SIPC)

- In line with the recommendation in 8.1, it is recommended that SIPC take immediate steps to improve the visible presence of UNIDO / ITPO Shanghai, beginning with their existing offices which are not considered to be optimally occupied or utilized. The UNIDO acronym is not known in Shanghai, and the Organization's full name and logo should be prominently visible both in the ITPO building's busy lobby and on the 16th floor where the ITPO suite is located. Offices should be maintained in a professional, business-like manner and non-ITPO persons discouraged from using the facilities.
- As an important and effective tool to highlight its formal UNIDO / ITPO status to the general public and to enhance its public relations efforts and its image, it is recommended that SIPC take immediate steps to acquire promotional/ introductory material & information, and to develop/ enhance website contents, in cooperation with and advice from UNIDO's Public Advocacy and Communications Unit.

- It is recommended that ITPO Shanghai initiate training for its staff who have entered on duty within the last 2 – 3 years, and who have had no exposure to UNIDO or to the ITPO network, in the interests of capacity building and so that these staff members may more effectively and informatively represent UNIDO.
- It is recommended that SIPC develops a plan and strategy to implement more effective outward investment promotion, especially towards Africa, with a clear focus on promoting outward investment as the core function of ITPO Shanghai.

9

Lessons Learned

Shanghai ITPO is located in a rapidly-growing, dynamic area of an emerging economy, a unique situation when compared with other ITPOs established in industrialized countries, and thus requires special attention in respect of its economic environment, which has aspects of both developed and developing economies. Shanghai is already home to no less than 30,000 foreign enterprises, and the flow of inward investment is already a continuous process, with a shift to higher technology activities and enterprise headquarters functions in line with the policy of the Shanghai Municipality. Outward investment is also expanding, but with limited cases in Africa and in economies in transition, in which area UNIDO could play a more active role with ITPO Shanghai. It should be also noted that, even though the number of cases is limited, the investment projects in Africa are corresponding to the needs of the investment destination countries, and are suitably tailored in size, taking into account the limited size of the market in African countries. In this respect, investments from Shanghai appear to be more competitive than capital intensive and large-scale investments from industrialized economies. This is a clear lesson learned, and may be considered as one of the decided advantages of investment projects which originate in emerging economies.

On the other hand, the proper human resources required to support the activities of an international organization such as ITPO Shanghai are still in short supply, and ITPO Shanghai has to rely on its associate organizations, FID/OID, for its staff. The capacity building and guidance required in an ITPO in an emerging economy is more than that required in an ITPO in an industrialized, developed country. Thus special care is needed, in particular, for start-up operations and for the selection and recruitment of new staff, who should initially receive UNIDO training in matters of policy and procedures, in order that they may carry out their ITPO functions in a well-informed manner, and at the same time be more effective representatives of UNIDO.

Annexes

Annex A: Terms of reference
Annex B: List of persons met



 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Terms of Reference

Independent Evaluation of the UNIDO Projects

TF/TN/CPR/06/005

“Assistance to Shanghai Foreign Economic Relations and Trade Commission/Shanghai Foreign Investment Commission in inward and outward investment promotion (Investment Promotion Centre)”

I. BACKGROUND

The main objective of the ITPO Shanghai is to assist the Shanghai Foreign Economic Relations and Trade Commission/Shanghai Foreign Investment Commission in expanding cooperation between Shanghai industries and foreign partners. This objective was to be reached through facilitating the inflow of foreign capital to China as well as the outflow of Chinese investments to other developing countries and countries with economies in transition. The project also intends to assist Chinese investors in making decisions on the establishment of industrial partnerships by providing support in the development of partnership opportunities into business proposals as well as negotiations of these proposals.

II. BUDGET INFORMATION

Project No.	Total Allotment US\$	Total Expenditure US\$	% Total Implemented
TF/CPR/06/005	168,000.00	57,940.01	34.49%
TN/CPR/06/005	690,672.73	454,917.10	65.87%

Source and date of information: Agresso as of 16 March 2009

III. PURPOSE

The purpose of the independent evaluation is to enable the Government of China and UNIDO to have up-to-date information with regards to the following:

- (a) the relevance of the ITPO and of the activities and programmes promoted
- (b) the efficiency of implementation: quantity, quality, cost and utilization of resources, timeliness of UNIDO/ITPO inputs and activities, and ITPO management and coordination, in Shanghai and from HQ
- (c) the outputs produced and objectiveness achieved, as compared to those planned

- (d) the impact and sustainability of results and benefits

It is envisaged that the evaluation will focus on the activities carried out and the results achieved by the ITPO. The evaluation will also seek to draw lessons of wider application for the replication of the experience gained by this ITPO for UNIDO's ITPO network and programme.

IV. METHODOLOGY

The evaluation is to be conducted in compliance with UNIDO evaluation policy and the Technical Cooperation Guidelines and attempt to determine, as systematically and objectively as possible, the relevance, efficiency, effectiveness impact and sustainability of the project. The evaluation will assess the achievements of the project against its objectives and outputs established in the project document, including re-examination of the relevance of the objectives and of the design. It will also try to identify factors that have facilitated or impeded the achievement of the objectives.

The evaluation will be carried out through analyses of various sources of information including desk analysis, survey data, interviews with various stakeholders such as Government counterparts and ITPO and UNIDO staff members and participating companies and through the cross-validation of data.

The thorough analysis of relevant information includes a review of UNIDO policies and strategies, activities carried out, management mechanisms applied (in particular planning, monitoring and self assessment) and project specific framework conditions (in particular policy environment, counterpart capacities, related initiatives of the Government and the private sector) as well as minutes from meetings of Heads of ITPOs.

While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties. It will address the following specific issues:

Ownership and relevance

The extent to which:

- (i) The project is in line with the priorities and policies of the Chinese Government and the institutional context
- (ii) The private sector is using the ITPO and finds its services to be in line with its needs.
- (iii) The objectives of the project and the ITPO concept are still valid
- (iv) There is a UNIDO identity of the ITPO and there are linkages to UNIDO HQ and to UNIDO thematic priorities
- (v) The ITPO mandate is relevant

Efficiency of implementation

The extent to which:

- (i) UNIDO and Government/counterpart inputs have been provided as planned and were adequate to meet requirements.
- (ii) The quality of UNIDO inputs and services was as planned and timely
- (iii) The ITPO can be regarded as an instrument for development cooperation

- (iv) The least costly resources and processes were used in order to achieve the objectives
- (v) There was coordination with other projects and possible synergy effects

Effectiveness

The extent to which:

- (i) The outputs and objectives were achieved or are likely to be achieved
- (ii) Investment projects have been generated or linkages developed between Chinese investors and technology suppliers and partners in other countries
- (iii) The ITPO complements efforts of other national institutions/organizations, public as well as private, involved in the establishment of industrial partnerships.

Impact and sustainability

- (i) Identification of the long term developmental changes or benefits (economic, environmental, social and developmental) that have occurred or are likely to occur as a result of the project
- (ii) Benefits of the promoted investment projects in terms of achieving development goals or contributing to industrial development in partner countries
- (iii) Assessment of the demand from the industry representatives for ITPO services

Project coordination and management

The extent to which:

- (i) The national management and overall field coordination mechanisms of the project have been efficient and effective.
- (ii) The administrative status of the ITPO is conducive to its role and function
- (iii) The UNIDO HQ based management, coordination, quality control and technical inputs have been efficient and effective.
- (iv) Monitoring and self-evaluation were carried out effectively, based on indicators for outputs and objectives and there was monitoring of promoted investment projects
- (v) Coordination envisaged with UNIDO networking tools such as UNIDO "Exchange" has been realized and benefits achieved.
- (vi) Synergy benefits can be found in relation to other UNIDO ITPOs, IPUs, UNIDO tools and platforms as well as with interventions of UNIDO's technical branches.

The future

- (i) Views on the future role of the ITPO and possible change of mandate
- (ii) Identification of benchmarks and good practices, to guide the development of the ITPO programme

V. EVALUATION TEAM

The evaluation team will be composed of the following:

- Two independent international evaluation consultants
- One national evaluation consultant, to be nominated by the Government.

The UNIDO Evaluation Group will be responsible for the quality control of the evaluation process and of the report. It will provide inputs regarding findings, lessons learned and recommendations from other UNIDO evaluations and especially evaluations of ITPOs. The consultants will be contracted by UNIDO. The tasks of the team members are specified in the job descriptions attached to these Terms of References.

The members of the evaluation team should not have been directly involved in the design and/or implementation of the project. The ITPO Office in Shanghai as well as the ITPO Coordination Unit at UNIDO Headquarters will provide support to the evaluation team.

VI. TIMING

The evaluation is scheduled to take place in the period April to June 2009. The field mission for the evaluation is planned for 4 to 13 May 2009.

The final report will be prepared within six weeks of completion of the field mission and will be submitted to the Government of China, UNIDO Regional Office in China, ITPO Shanghai and UNIDO HQ.

VII. REPORTING

The evaluation team will present its preliminary findings to the China Government, to the ITPO staff and at UNIDO Headquarters. A draft evaluation report will be circulated for comments. The reporting language will be English.

Review of the Draft Report: The draft report will be shared with the Government, the Project Manager and other UNIDO staff members and the ITPO Shanghai staff for comments and in order to enable feedback on any factual errors. This consultation also seeks agreement on the findings and recommendations. The evaluators will take comments into consideration when preparing the final version of the report.

Quality Assessment of the Evaluation Report: All UNIDO evaluations are subject to quality assessments by UNIDO Evaluation Group. These apply evaluation quality assessment criteria and are used as a tool for providing structured feedback. The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality (Annex 1).

Checklist on evaluation report quality

Rating system for quality of evaluation reports

Report quality criteria	UNIDO Evaluation Assessment notes	Group	Rating
A. Did the report present an assessment of relevant outcomes and achievement of project objectives?			
B. Were the report consistent and the evidence complete and convincing?			
C. Did the report present a sound assessment of sustainability of outcomes or did it explain why this is not (yet) possible?			
D. Did the evidence presented support the lessons and recommendations?			
E. Did the report include the actual project costs (total and per activity)?			
F. Quality of the lessons: Were lessons readily applicable in other contexts? Did they suggest prescriptive action?			
G. Quality of the recommendations: Did recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?'). Can they be implemented?			
H. Was the report well written? (Clear language and correct grammar)			
I. Were all evaluation aspects specified in the TOR adequately addressed?			
J. Was the report delivered in a timely manner?			

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1, and unable to assess = 0.

Annex B: List of persons met

Shanghai Municipality

Mr. Yang Guoqiang, vice chairman, Shanghai Municipal Commission of Commerce
Ms. Zong Yuyan, assistant president, Shanghai Foreign Investment Development Board
Mr. Lou Hr Qing, Director, Investment Promotion Department, Shanghai Foreign Investment Development Board
Mr. Shang Xiaohui, Deputy Director of Foreign Economic Cooperation Division, Shanghai Municipal Commission of Commerce

UNIDO ITPO Shanghai (SIPC)

Ms. Pan Yan, Officer-in-Charge, Shanghai Investment Promotion Center
Mr. Denny Zhang, Program Officer, Shanghai Investment Promotion Center
Mr. James Jiang, Program Officer, Shanghai Investment Promotion Center
Ms. Zhu Qing, Secretary, Shanghai Investment Promotion Center

UNIDO ITPO Shanghai (SIPC) Partners and Clients

Mr. Tan Cun yang, General Manager, Shanghai Senlian Timber Industrial Development Co.,Ltd
Mr. Mu Chen, General Manager of International Division, Shanghai Pharmaceutical Co. Ltd
Mr. Selina Huo, Marketing Supervisor of International Division, Shanghai Pharmaceutical Co. Ltd
Mr. Kelvin Chao, General Manager, Talent Creation Co., Ltd.
Mr. Jonathan Guo, Director of International Cooperation Department, Shanghai Small Enterprises Trade Development Service Center
Ms. Margaret Yang, Deputy Manager of Business Development Dept.1, Zhangjiang Hi-Tech Park (Group) Co., Ltd
Mr. Wang Zixi, Business Promotion Center, Zhangjiang Hi-Tech Park (Group) Co., Ltd
Mr. Xin Lu, International Sales manager, Würth International Trading (Shanghai) Co., Ltd
Mr. Delson Yu, Senior Manager of Business Development, KPMG
Mr. He Liehui, Chairman, Touch road International Holding Group
Mr. Li jiahong, Deputy Secretary General of Overseas Investment Committee, Chamber of International Commerce Shanghai
Mr. Davis Xie, General Manager, Shanghai Alpha Machinery & Electronics Technology Co., Ltd
Mr. Xia Liang, China Export & Credit Insurance Corporation (SINOSURE)
Mr. Guo bin, Manager, Shanghai Pudong Software Park Co.,Ltd

UNIDO Headquarters

Ms. Margareta de Goys, Director, Evaluation Group, Bureau for Organizational Strategy and Learning
Mr. Yuri Akhvediani, Chief, ITPO Coordination Unit, Investment and Technology Promotion Branch, Programme Development and Technical Cooperation Division

- Mr. Vitaly Pleskach, Associate Finance Officer, Financial Services Branch, Programme Support and General Management Division
- Ms. Maria Lukumbuzya-Pomaroli, Programme Associate, ITPO Coordination Unit, Investment and Technology Promotion Branch, Programme Development and Technical Cooperation Division
- Ms Gillian Spina, Funds Mobilization Assistant, Resource Mobilization and Quality Assurance Branch, Programme Coordination and Field Programme Coordination and Field Operations Division
- Ms. Michaela Berndl, Evaluation Assistant, Evaluation Group, Bureau for Organizational Strategy and Learning



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