

Independent Evaluation  
**ITPO BEIJING**

Investment and Technology Promotion Office  
for the People's Republic of China in Beijing



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO EVALUATION GROUP

**Independent Evaluation  
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# Contents

|   |           |
|---|-----------|
| Abbreviations   | v         |
| Acronyms and abbreviations  | vii       |
| <b>Executive Summary</b>  | <b>ix</b> |
| <b>1. Introduction</b>  | <b>1</b>  |
| <b>2. Country context</b>   | <b>3</b>  |
| 2.1 Flow of investment and technology to and from China                                   | 3         |
| 2.2 Government policy and institutional framework for investment and technology promotion | 5         |
| 2.3 South-south cooperation   | 9         |
| 2.4 UNIDO programme in China  | 10        |
| <b>3. ITPO Beijing – basic profile</b>  | <b>12</b> |
| 3.1 Objectives, staffing and facilities   | 12        |
| 3.2 Funding and planning  | 13        |
| 3.3 Financial implementation  | 16        |
| 3.4 Cooperation arrangements to mobilize resources  | 17        |
| <b>4. Activities, partners and beneficiaries</b>  | <b>21</b> |
| 4.1 Activities  | 21        |
| 4.2 Partners and beneficiaries  | 21        |
| <b>5. Integration with UNIDO programmes</b>   | <b>24</b> |
| 5.1 Cooperation with UNIDO projects in China  | 25        |
| 5.2 Cooperation with UNIDO networks   | 25        |
| 5.3 Contacts with UNIDO Headquarters  | 26        |
| <b>6. Management</b>  | <b>27</b> |
| 6.1 Management by Headquarters  | 27        |
| 6.2 Internal management   | 28        |
| 6.3 Reporting to donor  | 29        |
| <b>7. Assessment</b>  | <b>30</b> |
| 7.1 Relevance   | 30        |
| 7.2 Effectiveness   | 32        |
| 7.3 Efficiency  | 37        |

|                    |  |           |
|--------------------|--|-----------|
| 7.4                | Impact and sustainability  | 38        |
| <b>8.</b>          | <b>Conclusions</b>   | <b>40</b> |
| 8.1                | Strengths  | 40        |
| 8.2                | Weaknesses   | 40        |
| <b>9.</b>          | <b>Recommendations</b>   | <b>41</b> |
| <b>10.</b>         | <b>Lessons learnt</b>  | <b>44</b> |
| <br><b>Annexes</b> |  |           |
| Annex 1:           | Terms of reference   | 45        |
| Annex 2:           | List of persons met  | 51        |
| Annex 3:           | Overview of activities 2005 –April 2008  | 54        |
| Annex 4:           | Overview of implementation of signed projects of<br>EU-China Shanxi Region Partnership project | 58        |

## Acronyms and abbreviations

|         |   |
|---------|---|
| ACFIC   | All China Federation of Industry and Commerce                   |
| ASEAN   | Association of Southeast Asian Nations                          |
| CCIP    | China Council of Investment Promotion                           |
| CCPIT   | China Council for the Promotion of International Trade          |
| CECIC   | China Energy Conservation Investment Corporation                |
| CICASME | China International Cooperation Association of SMEs             |
| CICETE  | China International Centre for Economic and Technical Exchanges |
| CIPA    | China Investment Promotion Agency                               |
| COMFAR  | Computer Model for Feasibility Analysis and Reporting           |
| CPP     | UNIDO Company Project Profile                                   |
| CSR     | Corporate Social Responsibility                                 |
| CVCRI   | China Venture Capital Research Institute                        |
| DIPP    | Database for Investment Project Profiles                        |
| DPRK    | Democratic People's Republic of Korea                           |
| EMPEA   | Emerging Market Private Equity Association                      |
| ESCAP   | Economic and Social Council for the Asia-Pacific                |
| EU      | European Union  |
| FDI     | Foreign Direct Investment                                       |
| FIPC    | Foreign Investment Promotion Centre                             |
| GDP     | Gross Domestic Product  |
| GEF     | Global Environment Fund   |
| ICT     | Information and Communication Technology                        |
| ICU     | ITPO Coordination Unit  |
| IDF     | Industrial Development Fund                                     |
| IFC     | International Finance Corporation                               |
| IIPP    | Industrial Investment Project Profile                           |
| IPA     | Investment Promotion Agency                                     |
| IPS     | Investment Promotion Service                                    |

|          |  |
|----------|--|
| IPU      | Investment Promotion Unit                                      |
| ITC      | International Technology Centre                                |
| ITP      | Investment and Technology Promotion                            |
| ITPO     | Investment and Technology Promotion Office                     |
| LDC      | Least Developed Country  |
| MOFCOM   | Ministry of Commerce   |
| MOST     | Ministry of Science and Technology                             |
| NCPC     | National Cleaner Production Centre                             |
| NDRC     | National Development and Reform Commission                     |
| MOFA     | Ministry of Foreign Affairs                                    |
| ODA      | Official Development Aid                                       |
| PAD      | Project Allotment Document                                     |
| PRC      | People's Republic of China                                     |
| PROPSPIN | Project Profile Screening and Pre-appraisal Information System |
| PSD      | Private Sector Development Branch                              |
| PTC      | Programme Development and Technical Cooperation Division       |
| RMB      | Renminbi (Chinese Currency)                                    |
| ROK      | Republic of Korea  |
| SETC     | State Economic and Trade Commission                            |
| SME      | Small and Medium Enterprise                                    |
| SOE      | State Owned Enterprise   |
| SPX      | Subcontracting Exchange  |
| SSC      | South-South Cooperation  |
| TC       | Technical Cooperation  |
| TF       | Trust Fund   |
| TNC      | Transnational corporation                                      |
| TOR      | Terms of Reference   |
| UNCTAD   | United Nations Conference on Trade and Development             |
| WTO      | World Trade Organization                                       |

## Glossary of evaluation related terms

|   |   |
|---|---|
| <i>Conclusions</i>                      | Conclusions point out the factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impacts, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments.  |
| <i>Effectiveness</i>                    | The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.   |
| <i>Efficiency</i>                       | A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.   |
| <i>Impacts</i>                          | Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.  |
| <i>Indicator</i>                        | Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.   |
| <i>Institutional development impact</i> | The extent to which an intervention improves or weakens the ability of a country or region to make more efficient, equitable, and sustainable use of its human, financial, and natural resources, for example through: (a) better definition, stability, transparency, enforceability and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Such impacts can include intended and unintended effects of an action. |
| <i>Lessons learned</i>                  | Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact.  |
| <i>Logframe</i>                         | Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Related term: results based management.   |
| <i>Outcome</i>                          | The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect.  |

|                        |   |
|------------------------|---|
| <i>Outputs</i>         | The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.  |
| <i>Recommendations</i> | Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions.  |
| <i>Relevance</i>       | <p>The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.</p> <p>Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.</p> |
| <i>Results</i>         | The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. Related terms: outcome, effect, impacts.  |
| <i>Sustainability</i>  | The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long term benefits. The resilience to risk of the net benefit flows over time.   |

# Executive summary

## Country Context

China is a major inward Foreign Direct Investment (FDI) country with outward FDI in relative terms being still rather low but at the take-off stage. The geographical distribution of the FDI inflow is rather uneven: the Western provinces representing 23% of the total population of China receive less than 10% of the total FDI inflow. Because of the current global financial crises the inflow of FDI slightly decreased.

Since late 1970s, China's policies towards inward FDI have evolved through roughly three stages: gradual and limited opening, active promotion through preferential treatment, and promoting FDI in accordance with domestic industrial objectives. China designated certain parts of the country as special economic zones with preferential treatment for foreign investment. After 2000, China enforced policies to encourage FDI into its Western and North-eastern regions. After joining WTO in 2001 some restrictions were removed so that the solely foreign owned enterprises replaced joint ventures as the most popular form of FDI. The authority to approve investment projects was delegated from the National Development and Reform Commission to Provincial Development and Reform Commissions and correspondingly the investment and technology promotion activities moved from central to provincial and municipal levels.

In recent years, more policies and activities took place at central level to promote the "go out" strategy, encouraging Chinese enterprises to invest abroad. However, local governments and officials still consider the inward FDI and technology availability as key indicators of their performance and do not pay a lot of attention to outward investment.

Technology promotion has also been a part of the South-South Co-operation (SSC) agenda. Recently great importance has been attached to selected geographical areas, including Africa, as demonstrated by the China-Africa Business Council, established with support of UNDP.

UNIDO's Country Programme 2008-2010 has five components, the Environment component being the largest one. ITPO Beijing is one of the projects under the component "Other cooperation activities". There are several projects in this component, supporting international cooperation in industry and all potential partners for cooperation with the ITPO Beijing.

## ITPO Beijing – the basic profile

The ITPO Beijing was established in 1996 and entrusted with both inward and outward investment and technology promotion. In financial terms the ITPO

Beijing belongs to the smallest ITPOs among the 13 ITPOs of the UNIDO ITPO Network. It is funded annually by Government contributions to the UNIDO Trust Fund (on average approximately USD180000) and the Government contribution in kind (RMB 640000 in 2008, approximately USD 100000). The personnel costs and project travel represent the only UNIDO cost items as ITPO Beijing has not carried out a Delegate Programme and expenditures for premises and other budget items have been taken care of by the Government contribution in kind.

The Government expects that the ITPO Beijing replenishes the contribution in kind by generating income from its services. For the counterpart this is one of the indicators of demand-orientation of the ITPO services. Because of very cumbersome and lengthy procedures for ITPOs to have their own new/additional projects approved by UNIDO, ITPO Beijing opted to arrange such projects as autonomous activities. ITPO Head mobilized a number of local experts to work on activities initiated and coordinated by ITPO either on a voluntary basis, on a cost-recovery basis or remuneration and other costs covered by the beneficiaries themselves. To facilitate the coordinating role, ITPO Beijing signed memoranda on strategic partnerships with some stakeholders. The memoranda do not contain financial commitments by ITPO and are not submitted for approval to UNIDO HQs. Under such arrangements the activities can be carried out in a flexible way to respond to changing requirements and expectations of clients. The disadvantage of this implementation modality avoiding standard procedures for project approval and implementation is the lack of transparency, in particular the blurred formal relation between the UNIDO ITPO and the local experts. Some local experts are recruited for a short time by the ITPO Beijing but they continue working on the project under the UNIDO-ITPO logo also after the contract is concluded or in some cases when there was no contract signed.

## **ITPO Activities**

The overview of the ITPO Beijing activities indicates that

- i) the scope of activities is very extensive, broad and diverse, advancing also into promotion of venture capital investment and acquisitions by private equity funds; the diversity of activities reflects the diversity of demand in the changing policy and institutional environment
- ii) upstream promotional activities (advisory services, training, seminars etc for government and ITP-related organizations) prevail over direct advice to companies
- iii) some activities go beyond standard ITPO services (establishment of industrial parks, city development and city information systems), and outside UNIDO's main line of business (tourism, healthcare)
- iv) inward promotion still prevails over outward promotion
- v) capacity building in China is considerable but capacity building in the developing countries is modest (no Delegate Programme)

- vi) operations in the Western and North-eastern regions are very modest.

The investment and technology promotion carried out by ITPO Beijing involves many stakeholders at all government levels in China and at institutional and company levels both in China and abroad. The working-level MOFCOM partners of ITPO are CICETE, ITPO's direct government administering body, the Department of Foreign Investment and Administration, and also the China Investment Promotion Agency (CIPA) and China Council for the Promotion of International Trade (CCPIT) as affiliates of MOFCOM. However, ITPO Beijing nowadays focuses its services primarily at local government and institutional levels. Given the large number of local governments (32 provinces, 600 municipalities, 2800 counties) ITPO can not provide services to all of them. Cooperation arrangements are made usually with those that show initiative and demonstrate interest and have capacity to absorb the ITPO services and sustain them. In all cases, both in China and abroad, ITPO Beijing avoids duplicating activities of other Chinese organizations; its activities are rather complementary and cooperative.

### **Integration with UNIDO programmes**

The unique feature and competitive advantage of ITPOs as investment and technology promotion entities is their position of being projects of UNIDO and, thus, having the possibility to benefit from the reputation of UNIDO as a neutral international development agency and to draw on information, professional experience and methodological tools of UNIDO and its networks. Besides, the ITPO Beijing can benefit from and contribute to the large UNIDO Country Programme in China. Actual cooperation of ITPO with other UNIDO projects in China is limited to ad hoc contacts, advice and participation at some events. ITPO Beijing has been in contact with several other ITPOs but no contacts were established or maintained with Investment Promotion Units (IPUs) or Investment Promotion Agencies (IPAs) in developing countries.

Contacts with other Branches of UNIDO are coordinated by the ITPO Coordination Unit (ICU). Based on the contacts with ICU and other units of the Investment and Technology Branch the ITPO is well informed about the ITP-related tools and lists all of them on its website. In its own activities the ITPO uses some of them. Direct contacts with other branches are usually established either on the occasion of some forums or meetings of ITPO Heads in Vienna. Such occasional contacts are useful but apparently not sufficient to mutually benefit from experiences of both sides and to avoid misunderstanding and lack of information. Thus, the potential synergies and other benefits of coordination between ITPO Beijing and the Headquarters have been tapped only to a small extent.

## **ITPO Management**

In UNIDO HQs, for several months, the position of the ICU Coordinator was vacant but approximately one year ago an experienced UNIDO staff was nominated as Chief of ICU, the unit was further strengthened and the situation considerably improved. New concepts and strategies are being developed and some issues deserve particular attention. The most pressing is the framework for mobilization of extra-budgetary resources and approval, implementation and monitoring of the so-called IP (Investment Promotion) projects funded by these resources.

Most of the management tasks of the Head relates to networking with partners, mobilization of financial and human resources for new and additional activities and designing cooperation arrangements. The by-product of these arrangements is the questionable use of UNIDO logo by staff not recruited by UNIDO or for activities not directly falling under a UNIDO project.

The current Head of the ITPO Beijing plays a key role for the operations and visibility of the Office not only because of the wide network of contacts at government and institutional levels but also because of the capability to venture into new areas and respond to new demands for ITPO services. Responsiveness and reliability in combination with the UNIDO identity contribute to trust building as a precondition for long-term cooperation with partners and raising demand for ITPO services. There is, however, a risk that acceptance of too many and too diverse requests for support may overstretch the available resources and dilute effectiveness of some of the services.

## **Relevance**

ITPO Beijing is relevant for the country due to its focus on upstream capacity building activities and for paving the way for new programmes related to investment and technology promotion, including support to provincial/municipal investment promotion agencies in the development of industrial clusters as a platform for promoting investment. To increase the relevance to the entire country it would be desirable to extend the outreach to the Western and North-eastern regions and to increase the attention to outward investment and technology transfer.

ITPO Beijing also contributes to other UNIDO objectives of environment protection and SME and private sector development. However, promotional activities supporting Chinese outward investment to developed countries (support to presentations by Invest in Italy and London Development Plan in 2005) are not in line with the objectives of UNIDO and some sectors in which ITPO was active are also outside of the UNIDO mandate.

## **Effectiveness**

There are two categories of outcomes: mobilized investment resources and capacity building for investment and technology promotion, both in China and in the developing countries.

The Annual reports covering the period under evaluation indicate 6 concluded outward investment projects (all in Africa) and 11 concluded inward investment projects. This is a modest but satisfactory result. The total number of 11 inward investment projects also includes projects concluded in the context of the EU Asia Invest programme in the Shanxi Region

Capacity building in China has been considerable as most ITPO activities have resulted in capacity building at local (provincial or municipal) or central levels. ITPO has been extensively advising several local governments and their agencies on investment and technology promotion, on economic and high-tech zones and carried out analysis of investment environment in cities serving the municipal governments in upgrading/adjusting local regulations and/or policies and investment plans. The advisory services and training upgraded the competences of staff and helped in introducing better working procedures and formats. The capacity building included dissemination and training in the use of UNIDO tools, such as the format of project profiles and COMFAR. At central level, ITPO for example liaised with the Centre for Science and Technology and influenced its strategy for outward technology promotion. ITPO also strengthened private agencies/companies engaged in investment promotion. For example, ITPO Beijing has supported three agencies providing online matchmaking in establishing and continuous upgrading of their websites.

Capacity building in the developing countries has been modest as ITPO Beijing did not carry out a Delegate Programme, the most extensive contribution of ITPO Beijing to capacity building in the developing countries was briefing and training of government officials from developing countries who participated at workshops organized by MOFCOM.

## **Efficiency**

Though the sum of the outputs cannot be expressed in monetary terms, the amount of outputs and outcomes is considerable and surprisingly extensive when related to the rather small budget of ITPO. This is to a great extent due to national recruitment of staff and mobilization of local experts to carry out some ITPO-initiated and coordinated activities without burdening the ITPO budget. The professional, responsive and pro-active management has resulted in speedy and client-oriented services and contributed to the efficiency of the ITPO Beijing. It

can be further increased by synergies through more intense cooperation within the UNIDO Country Programme in China and with UNIDO Headquarters and the ITPO network.

UNIDO Exchange required a lot of working time to compile the required information and place it on Internet and yet the system was never fully operational.

### **Impact and sustainability**

During the period 2005-2008 the ITPO Beijing mobilized about USD 60 million for inward investment and USD 12 million for outward investment. The new investment projects should bring along over 1000 new jobs both in China and in Africa. Given the size of ITPO and its resources this in itself is a commendable result but in relation to the inflow of FDI to China and the needs of many African countries, it is of marginal importance. Therefore the major impact of ITPO Beijing needs to be seen in pioneering new concepts and ideas and in capacity building. The ITPO Beijing initiated a number of new ITP-related approaches and schemes, usually through conferences, fairs and other forums, or through pilot projects or training. The scale of capacity building activities in China has been considerable and the evaluation team could record that such services are appreciated by the organizations concerned. Keeping continuous and long-term contacts with cooperating or supported organizations selected on the basis of their competence and managerial willingness to absorb the support contributes to sustainability of the capacity building efforts.

### **Strengths**

- Professional, dynamic and dedicated leadership agile to respond to changing policy and institutional environment and to venture into new fields and apply new approaches
- An extensive and active network of partners and personal contacts in the institutional framework, both at the government level, in the private sector and NGOs
- Good relations with and backing by the Government counterparts (MOFCOM, CICETE)
- A team of professional and assertive external experts associated with the ITPO
- Marketing of the services through active and competent participation at various forums (conferences, symposia, seminars)
- Good reputation as a trustful partner created by responsiveness and quality of services and supported by the UNIDO identity
- Good results in strengthening investment and technology promotion-related capacities in China

- Attention paid to environmental issues
- Focus on Africa
- Concrete results, including the success story of the Baoli Electronic Industries.

### **Weaknesses**

- Low budget and the small number of regular staff with the following implications:
  - little capacity building in the developing countries (no Delegate Programme)
  - little outreach to the Western and North-eastern regions in China
  - dependence on extra-budgetary resources.
- The need to replenish the Government contribution in kind by income generated by ITPO and constraints to do it in a standard way due to lengthy and cumbersome approval processes of extra-budgetary “IP” projects with the effect of mobilization of extra-budgetary resources indirectly and outside of the UNIDO formal framework for project approval and management
- Inadequate contacts with some units at UNIDO HQs and the ITPO resulting in inadequate awareness by UNIDO HQs of some ITPO activities carried out under UNIDO logo and of the ITPO of HQ programmes.

### **Recommendations to UNIDO Headquarters and the Government**

- Extend the project for another 3 years.
- Update the Agreement between UNIDO and the Government of the People’s Republic of China on the Establishment of a UNIDO Investment Promotion Service Office for the People’s Republic of China in Beijing, signed in 1995 in order to reflect in the Terms of Reference attached to the Agreement new needs and priorities and the existence of new UNIDO policies and guidelines applicable to the UNIDO ITPO Programme and Network.

#### *Recommendations to the Government*

- Consider the possibility of increasing the ITPO budget in order to facilitate implementation of the Delegate Programme, more intensive activities in the Western and North-eastern regions of China and recruitment of experts responsible for the Cluster Development and Capital Operations programme.

- Alternatively, refrain from repayment of the Contribution in kind at least until a fast track for approval and implementation of projects funded by extra-budgetary resources is made operational by UNIDO.

*Recommendations to UNIDO Headquarters*

- Acknowledge the upstream orientation of the ITPO, with institutions and local governments being its main clients, and reflect this orientation fully in the objectives and outputs of the forthcoming project document, also with due consideration of the diversity of the ITPO services in the field of investment and technology promotion.
- Support the ITPO Beijing in mobilizing external resources for implementation of activities initiated and designed by ITPO Beijing but address the issue of local experts without contractual links to ITPO carrying out the activities under the UNIDO-ITPO logo. Acknowledging the relevance of the activities carried out by the local experts and importance of the UNIDO-ITPO logo for them, preference should be given to solutions allowing the use of the UNIDO-ITPO logo, such as
  - designing and introducing simplified formats and procedures for formulation, approval and monitoring of extra-budgetary (“IP”) projects, including the possibility of delegating approval of agreements with ITPO stakeholders to the Regional Office
  - negotiating with the counterpart an increase of the ITPO budget to enable the recruitment of local experts as national or short-term experts of the ITPO.
- Review the written cooperation agreements between the ITPO Beijing and other organizations in order to establish their compatibility with UNIDO rules and regulations and advice on corrective measures, if required.
- When elaborating the new Operational Manual for ITPOs specify also the reporting requirements towards a UNIDO field office, if there is any for the country.
- Review and update, if required, the procedures to be applied by ITPO staff when assisting the local organizations in accessing EU funding
- Involve ITPO Beijing in the preparation of the new Operational Manual for the ITPOs and in particular in the preparation of the guidelines for the “IP” projects.
- Pay special attention to the ITPO-initiated and coordinated activities in establishing contacts and mobilizing private equity and venture capital funds for investment in selected Chinese companies; evaluate this experience for sharing the lessons learned with the whole ITPO network
- Encourage the substantive Branches concerned to establish and maintain direct contacts with the ITPO Beijing and adjust the reporting requirements and information flow accordingly; in particular ensure that the Private Sector Development Branch gets acquainted with the

substantive reports and approaches of the Cluster Development and Capital Operations team and vice versa.

## Recommendations to ITPO Beijing

- Increase attention to outward investment and technology promotion, while maintaining the focus on Africa; for this purpose
  - establish contact and assess the usefulness of cooperation with the China-Africa Business Council
  - consider starting and implementing a Delegate Programme, both to support outward investment and technology promotion and to contribute to capacity building in the developing countries
- In inward investment and technology promotion shift the attention to the Western and North-eastern regions of China
- Under the current financial crises, continue advising the governments and organizations on upgrading the quality rather than increasing the quantity of inward flow of investment and technology, having in mind particularly the requirements for long-term sustainable development (low carbon economy, energy efficiency, clean tech, renewable energy, job creation)
- Focus on the manufacturing sector and avoid engagement in the sectors outside of the UNIDO mandate
- Make full use of the professional and information resources of UNIDO and its ITPO and other networks and align the activities with UNIDO programmes; in this context
  - establish contact with the Private Sector Development Branch, learn about their industrial cluster programme and tools and provide them with documentation on the activities and substantive reports prepared in the course of the Langfang project
  - activate contacts with other UNIDO Branches, ITPOs, IPU and IPAs (mainly in Africa) and ITCs and SPXs that may serve as sources of information or with whom some activities can be coordinated
  - in case that the Delegate Programme is started, coordinate the selection of delegates with other capacity building projects of UNIDO in order to achieve synergy
- Once completed, evaluate the experience of the Cluster Development and Capital Operations in the Langfang City, in particular the mobilization of venture capital and private equity funds, and share the experience with the entire ITPO network
- In outward investment promotion, if engaged in supporting mergers and acquisitions by Chinese companies abroad
  - stay away from operations in the developed countries
  - in the developing countries confine attention to SMEs in manufacturing and coordinate activities with partners in the UNIDO networks (mainly IPAs and IPU)

- Review and, wherever useful, activate cooperation with other projects of the UNIDO Country Programme; in particular review the possibility and usefulness of cooperation with the UNIDO South-south Centre
- Contact also the National Cleaner Production Centre in Beijing, a former UNIDO project, to inquire about usefulness of possible cooperation with the Green Industry Experts Committee in advisory services to the industrial parks and zones or in other ITPO activities and discuss possible areas of cooperation
- Participate in drafting the future project document, design the Outputs to meet the actual needs and expected outcomes and structure the Annual Work Plans accordingly; ensure that the Annual Reports follow the structure of the Annual Work Plans
- Ensure that a distinction is made and understood by the ITPO staff and cooperating partners between UNIDO and UNIDO ITPO (refers to the use of the logo, to references to „UNIDO projects“, etc.); avoid excessive use of the UNIDO logo.
- Ensure that essential documents prepared by the ITPO Beijing (including internal management circulars, cooperation agreements and reports annexed to the Annual Reports) are in English as the working language
- Improve the ITPO Beijing website by placing there information on forthcoming events and by establishing link with the UNIDO website; consider placing there also some information disseminated currently via e-mail as Daily Watch.

# 1

## Introduction

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The ITPO Beijing is one of 13 ITPOs forming – together with several Investment Promotion Units (IPUs) – the UNIDO ITPO Network. The development objective of these Offices is to support the industrialization efforts of developing countries and the establishment of a private sector-led economy in countries with economies in transition, by identifying and mobilizing the financial, technological and other resources required for the establishment of business partnerships.

The ITPO Beijing was established in 1996 on the basis of an Agreement between UNIDO and the Government of the People's Republic of China (PRC). It replaced and to some extent made use of the experience of the preceding UNIDO Beijing Centre. According to the Terms of Reference attached to the above Agreement the ITPO Beijing was mandated to "... promote the mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc.) from abroad to the People's Republic of China, as well as from the People's Republic of China to other developing countries". Thus the Office was entrusted with both inward and outward investment and technology promotion.

The first project document, for 3 years of ITPO operations, has subsequently been repeatedly renewed and the project extended for periods of 3 years. The two most recent projects cover the periods 2005-2007 (TN/TF/GLO/004/012) and 2008-2010 (TN/TF/GLO/007/032).

In financial terms the ITPO Beijing belongs to the smallest ITPOs in the UNIDO ITPO Network; annual expenditures including Government contribution in kind amount to less than USD 250000. While in the case of ITPOs with larger budgets the project extensions have been subject to affirmative results of independent evaluations, in this case the only independent evaluation was carried out in 1998. As UNIDO is currently engaged in a comprehensive evaluation of the whole ITPO Network, it was decided to incorporate the ITPO Beijing, covering the period 2005-2009.

The Terms of Reference for the evaluation are in Annex 1. The evaluation team for this joint independent evaluation was composed of

- Mr. Jaroslav Navratil, international consultant, nominated by UNIDO
- Mr. Daniel Wang Dexiang, national consultant, nominated by the Government.

The members of the evaluation team were fully independent from the policy, operations and management functions of the UNIDO ITPO Programme or the ITPO Beijing.

The evaluation team reviewed and studied planning documents, annual reports, substantive technical reports and other background documentation available at UNIDO Headquarters, at ITPO Beijing and on the Internet and interviewed stakeholders at the UNIDO Headquarters and Regional office and the ITPO Beijing partners and clients/beneficiaries in Beijing. In the course of the field mission (4-8 May 2009) the team also visited beneficiaries in the Langfang municipality of Hebei province. The list of persons and institutions met and visited is in Annex 2.

Preliminary findings were discussed with the Head of ITPO Beijing at the end of the field mission and presented to UNIDO stakeholders on 16 June 2009.

The evaluators would like to acknowledge with thanks the support and information provided by numerous people at UNIDO Headquarters and in China, particularly the support in arranging meetings and openness in providing information by the ITPO Head.

# 2

## Country context

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### 2.1 Flow of investment and technology to and from China

#### A general picture of Foreign Direct Investment (FDI) flows in China

The Chinese economic reform process has paid great attention to the promotion of FDI inflow. China is today confirming to be an extraordinary magnet for foreign investment. In recent years, FDI to China accounted for 1/4-1/3 of the total FDI to developing countries. China became the world's largest FDI recipient in 2003, reaching an annual FDI inward flow of US\$ 83.52 billion in 2007.

Foreign investment has become an important source for China's investment in fixed assets. Its share in total annual investment in fixed assets grew from 4% in 1981 to its peak level of 12% in 1996. After the Asian financial crisis in 1997, the role of FDI inflow fell and its contribution to fixed assets investment has decreased to about 6% in 2007. The high domestic savings also contribute to the fact that the share of inward FDI in the gross fixed capital formation has been relatively low.

China is now one of the largest outward investors among developing countries. Its outward FDI flows have grown from an annual average of US\$ 400 million in the 1980s to US\$ 22.47 billion in 2007.

Two indices are conventionally used by UNCTAD to assess a nation's FDI performance:

- The inward FDI Potential Index that captures a number of factors to affect an economy's attractiveness to foreign investors;
- The inward FDI Performance Index that ranks countries by the FDI they receive relative to their economic size (GDP).

According to UNCTAD World Investment Report 2008, China's inward FDI Potential Index has been improving from 0.176 (ranking 45 among 55 countries) in 1988-1990 to 0.304 (ranking 32 among 141 countries) in 2004-2006, still behind USA (ranking 1) and Russia (ranking 20) but before the economies in transition such as the Czech Republic (ranking 39) and Poland (ranking 43) as well as Brazil (ranking 70) and India (ranking 84). As to the inward FDI Performance Index, China improved it from 1.033 (ranking 44 among 140 countries) in 1988-1990 to 1.331 (ranking 30 among 140 countries) in 2000-2002. Around 2000, China's inward FDI Performance Index was stabilized but recently the growth of FDI fell behind the growth of GDP.

From 1988 on, China had been in the UNCTAD category of front-runners both with high inward FDI potential and high FDI inflow performance; in the last 4-5 years China maintained its high FDI potential but reduced its FDI inflow performance.

The outward FDI Performance Index<sup>1</sup> reached 0.240 in 2005-2007, with a ranking stabilised at 58-60 among 128 countries, slightly behind Brazil and India.

Overall, China can be categorised as a major inward FDI country with outward FDI also growing but in relative terms being still rather low. However, the outward FDI from China is at the take-off stage.

It is important to highlight the uneven geographical distribution of the FDI inflow. The 11 western provinces including Sichuan, Gansu, Guizhou, Yunnan, Qinghai and Shaanxi, Tibet, Xinjiang, the municipality of Chongqing, Inner Mongolia and the province of Ningxia have a GDP per capita only half of the average national level. Their population of 285 millions represents 23% of the total population of China, their area covers 57 % of the total land area of China but this Western region attracted in the last two decades less than 10% of the FDI inflow to China.

#### Impact of the financial crises

A different picture appeared in the fall of 2008 when the global financial crisis started. Since the fourth quarter of 2008, the inflow of foreign capital has decreased. In December 2008 the number of newly approved enterprises with foreign capital decreased by 26% compared to December 2007 and the amount of actually invested capital decreased by 6%.

On the other hand, the outflow of capital was high in the fourth quarter. China is facing a challenge in that some foreign investors may pull back their resources from China. However, the tremendous foreign exchange reserves and very high domestic saving in China could guarantee a supply of capital to the economy.

#### SMEs and venture capital

Since the opening-up of the economy in 1978, along with the reform, the business sector (both state owned and private) has played a fundamental role and contributed to employment, tax revenue increases, economic growth and the promotion of the market system in China. The number of business units and the types of businesses changed as shown in Table 1.

The private sector, mainly the Small and Medium Enterprises (SMEs)<sup>2</sup>, contributed 65% and the SOEs and state shareholding enterprises contributed 35% to the GDP in 2006. In

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<sup>1</sup> Calculated as a ratio of the share of a country's outward FDI in world FDI and its share in world GDP

<sup>2</sup> The definition of SMEs is based on the standard enacted by the State Economic and Trade Commission (SETC) in 1999. Enterprises with assets and turnover below 50 million RMB fall into small enterprise category while those with assets and turnover over 50 million but less than 500 million RMB are classified as medium size enterprises.

**Table 1: Number of business units in China in 1989 and 2007**

|                               | 1989       | 2007       |
|-------------------------------|------------|------------|
| Foreign (co)-funded companies | 16,000     | 286,200    |
| SOEs                          | 238,000    | 115,087    |
| Private enterprises           | 90,000     | 5,510,000  |
| Individual businesses         | 12,470,000 | 27,410,000 |

*Source:* National Bureau of Statistics

2007 the number of employees working in SOEs was 35.82 million and those working in individual and private enterprises reached approximately 120 million. China's SMEs generated 68% of the country's exports. Thus, Chinese SMEs have risen to become a significant national and international economic force.

Venture capital is a relevant instrument to support technology transfer to SMEs. It is a relatively new concept in China but has been actively promoted in the southeast provinces of China since early 1990s. The first venture capital firm opened its doors in 1992. The venture capital firms invested a record \$4.2 billion in 2008. That was up by 50 % from the year before. It is estimated that by the end of 2008, the total amount of venture capital invested by 191 financial institutions in China reached US\$36.67 billion. The firms were concentrated in the hi-tech sector.

Given the fact that SMEs in China still have limited access to banking loans and financial market, venture capital funds and credit guarantee funds will be still good mechanisms to be promoted in China to support SMEs and technology transfer.

## **2.2. Government policy and institutional framework for investment and technology promotion**

### Evolution of FDI policies

Since late 1970s, China's policies toward FDI have experienced roughly three stages: gradual and limited opening, active promotion through preferential treatment, and promoting FDI in accordance with domestic industrial objectives. China has adopted a relatively complete range of laws and regulations governing foreign investment. They include the Laws on Foreign Wholly Owned Enterprises, on Sino-Foreign Joint Ventures, on Sino-Foreign Cooperative Enterprises, and the Guiding Directory on Industries Open to Foreign Investment. The laws and regulations on FDI also include preferential policies and stipulations for special economic zones. China has designated certain parts of the country as special economic areas, each governed by different policies but in all of them, enterprises with foreign investment enjoy preferential treatment. There are three categories of zones/parks in China, one is the comprehensive economic development zone or industry development park; the second is the high-tech development park; the third one is the sector development park with special features of production or service. In 2003 the central government conducted a major streamlining programme. As a result, by the year

of 2006, there remained 1568 zones/parks (covering the area of 9949 km<sup>2</sup>), down from the previous 6866 zones/parks covering the area of 3860000 km<sup>2</sup>. Nowadays, each province keeps a few national level zones/parks and a dozen provincial level zones/parks. In principle, each county level city keeps only one park, in most cases an industry development park endorsed by the central authority. Currently there are 54 national level economic and technology development zones and 56 national high-tech development parks. The provincial zones include industry development parks, export procession zones, tax boundaries at provincial/municipal level, etc<sup>3</sup>.

From mid 1990s, while maintaining favourable environment for foreign businesses, government policies began to focus more on linking FDI promotion to domestic industrial objectives by attracting FDI into the agriculture, communications, energy and raw materials sectors through favourable tax policies and selective financial support. After 2000, China enforced two policies called China's Western Development Initiative and Strategy of Revitalising Northeast Industrial Base to encourage FDI into its Western and North-eastern regions.

After China became a WTO member in 2001, the new Guiding Directory divided FDI into four categories: projects that were encouraged, allowed, restricted and prohibited, including 262 types of encouraged projects, 75 types of restricted projects and 34 types of prohibited projects. At the same time many restrictions on solely foreign owned enterprises were removed. These restrictions included for example a stipulation that solely foreign owned enterprises were not permitted unless they either adopted advanced technology and equipment or exported a majority of their products. As a result of the reform, the solely foreign owned enterprises replaced joint ventures as the most popular form of FDI in China.

Policy of technology transfer is closely associated with the FDI policies and the above categories of foreign investment. Foreign investors in high-tech industries belonging to "encouraged" industries enjoy preferential treatment, such as tax rebates, or low tariff rates as incentive to transfer technologies. As the first step, Chinese government launched a number of large scale science and technology projects with foreign investment, research and technology from USA, European Union (EU) and Japan. These state-sponsored projects provided domestic and foreign investors with attractive business opportunities, largely in IT, automobile, banking and agricultural sectors. The major beneficiaries of the state-sponsored science and technology programmes were first the State Owned Enterprises (SOEs) and later the SMEs. Today, 56 "national high-tech industrial development zones" accommodate a total of 30 000 high-tech firms among which 8 000 are wholly or partly foreign owned.

Most policies in China aim at "inward" FDI and technology transfer and export oriented industrial development. The policies on "outward" FDI and technology transfer are new and – apart from investment in natural resources - largely conceived under the South-South framework or carried out through coordination channels of Official Development

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<sup>3</sup> One of them is Langfang Economic and Technology Development Zone in Hebei province that the evaluation team visited during the evaluation mission. The team also paid visit to a municipal level high tech park named Langfang Science Park. Both of them have been the beneficiaries of ITPO China's technical supporting service in the past two years.

Assistance (ODA). Only in recent years, more policies and activities take place at central level to promote the “go out“ strategy, encouraging Chinese enterprises to invest abroad in order to enhance their competitiveness in global business. However, local governments and officials still consider the inward FDI and technology transfer as key indicators of their performance and do not pay the same attention to outward investment

#### Institutional framework to promote FDI and technology transfer

At the national institutional level, three ministries are playing leading roles in investment and technology promotion: the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the Ministry of Science and Technology (MOST).

The NDRC is a policy and planning agency for foreign investment in China. It is responsible for the Guiding Directory on Industries Open to Foreign Investment and had a key role in approving large-scale foreign investment projects over US\$ 30 million. After accession to WTO the authority to approve these projects was delegated from the NDRC to Provincial Development and Reform Commissions. NDRC maintains power of approval in only a few key economic sectors such as energy.

In addition to the planning role, NDRC has a SME Department to regulate and promote development of SMEs in China. NDRC has a mandate to guide the operations of the China International Cooperation Association of Small and Medium Enterprises (CICASME). CICASME is a nation-wide non-profit organization with a mandate to assist Chinese SMEs in their international operations by organizing commodity fairs, trade talks, technology exchange, marketing, financing etc.

MOFCOM is responsible for formulating development strategies, regulations, guidelines and policies for domestic and foreign trade, economic cooperation and foreign investment. The ministry plays its administering role of FDI and foreign enterprises in China through its Department of Foreign Investment and Administration. MOFCOM also guides the development of state economic and technological development zones that have been established as hubs to attract foreign investment since the opening of the country. These zones were converted from the 12 originally designated Open Port Cities administered directly by the State Council. Today, there are 54 such state economic and technological development zones under the administration of MOFCOM.

The service role of MOFCOM in investment promotion is implemented by its affiliate, the “China Investment Promotion Agency” (CIPA). CIPA is in charge of "Inviting in" (inward FDI) and "Going global" (outward FDI) investment promotion; it cooperates with international economic organizations, foreign investment promotion agencies, chambers of commerce and business associations. In addition, a government association, the China Council of Investment Promotion (CCIP), is also established under the MOFCOM to implement more detailed and specific investment promotion service. Both CIPA and CCIP have their extensive network in provinces and municipalities.

The Ministry of Science and Technology (MOST) is responsible for technology and R&D oriented investment in key sectors. It promotes investment through three key functions: 1) administering 56 technology zones in the country; 2) promoting High-tech programmes through China Torch High Technology Industry Development Centre, 3) developing

funds for technology innovation and venture capital for entrepreneurship, as well as venture capital firms and credit guarantee institutions to facilitate entrepreneurship.

The China Torch High Technology Industry Development Centre provides services in areas of incubation and SMEs development. The centre supports capacity transfer with focus on the Western region of China and the Industrial Base in North-East of China. It also supports incubation development in developing countries through training and study tours in China. The high-tech zones established since 1995 are a product of the MOST “Torch Program”. National Science and Technology Venture Capital Development Centre was jointly established by MOST and the Ministry of Finance to develop various funding and risk management mechanisms to support entrepreneurship.

In addition to these ministries, China Council for the Promotion of International Trade (CCPIT) and All China Federation of Industry and Commerce (ACFIC) are two agencies involved in promoting to their members both inward and outward trade and investment. The CCPIT is the largest and most important organization for the promotion of trade in China. Its members are significant entrepreneurs and organizations. The ACFIC is a national union of private industrial and commercial enterprises. It has a nationwide membership of 2.13 million in 2009, with branch agents at provincial and county levels. The two organizations have extensive experience in organizing domestic and overseas trade missions and exhibitions.

Organizations and agencies in investment promotion activities include Chinese Embassies (trade attachés) and embassies in China also play a bridging role. In addition to UNIDO, other multilateral agencies are involved in investment promotion such as UNCTAD. Particularly, the International Finance Corporation (IFC), the private sector lending arm of the World Bank, has been a resource in both funding to and capacity building of Chinese companies regarding international best practices as well as in bringing private sector lending experience to China.

At the local level, the provincial/municipal Development and Reform Commissions are responsible for project appraisal and approval. The provincial/municipal Department of Commerce is responsible for enterprise establishment and alterations approval. The Administration of Industry and Commerce is responsible for company registration. The Code Allocation Centre of the provincial/municipal Bureau of Quality and Technical Supervision is responsible for issuing the organizational code for a new company.

Besides, CIPA and CCIP have their extensive networks in provinces and municipalities, including provincial/municipal economic cooperation and promotion bureaus, foreign investment promotion centres, international investment promotion councils etc. Usually, the CIPA at provincial and municipal level would establish a “green channel” for investment project approval and registration service in the name of “one-stop” service centre jointly providing investment services with local bureaus such as industrial and commercial administration, tax bureaus, banks, labour and social security bureaus etc. The “one-stop” service centres today have much better hard and soft infrastructure compared to that before China’s entry to WTO.

## **2.3 South-South Cooperation**

China has long regarded South-South Cooperation (SSC) as a corner stone of its foreign policy and it still supports a variety of programmes that are concerned with South-South cooperation. One of the important roles that China wants to play in SSC is to share its successful experience in growth, economic development and poverty reduction with other developing countries.

### Institutional framework

South-South cooperation in China covers many fields, including economic cooperation and trade, industry, agriculture, health and education, etc. The Ministry of Foreign Affairs (MOFA) is responsible for policy formulation, the Ministry of Commerce (MOFCOM) for foreign trade and economic cooperation, and the Ministry of Science and Technology (MOST) for scientific and technological cooperation. MOFCOM is the ministry in charge of most of the South-South activities, under which its Foreign Aid Department is responsible for providing funds for the trainees from the other developing countries, the International Relationship Department for the formulation of policies, and CICETE for execution of UN-funded projects. During every project cycle, UNDP allocates a special fund as a Technical Cooperation among Developing Countries (TCDC) umbrella project to support China in launching cooperation with other developing countries. Since 1995, the Department of International Relationship delegated its power of policy coordination to CICETE, and therefore CICETE became the Focal Point for TCDC and South-South activities in China. In addition to the funds of UNDP, CICETE also gets capital support from other multilateral and bilateral sources. The Department of Foreign Aid remained responsible for providing funds for the trainees from the other developing countries. The funds provided by the Department of Foreign Aid are on the increase and exceed one million US dollars annually.

Other ministries also have some departments in charge of TCDC and South-South activities, but their major responsibilities are in managing provision of foreign expertise and dispatching Chinese experts abroad, and arrangements for the leaders to visit, meet and sign treaties with the other countries. There is little communication among ministries, and as a result, the information in relation to TCDC is not fully shared.

### South-South programmes executed by national and international agencies

Since 1979 until now UNDP has set aside for TCDC programmes about US\$15 million. During early years, the programmes focused on capacity building of Chinese institutions and bringing professionals from other developing countries to see which technologies China could offer that were relevant to their needs. Since mid 1990s, UNDP's portfolio has shifted its focus to assisting the Government in realizing its strategic plan of promoting economic cooperation with neighbouring countries (ECDC), for example the Commonwealth of Independent States (CIS) countries through the Silk road project and countries in the Mekong Delta through the Lancang-Mekong project. In addition, UNDP supported a network of TCDC institutions and an umbrella project to promote well-chosen TCDC/ECDC initiatives.

Recently, both the Chinese Government and the UN system in China, in particular

UNDP, have been attaching great importance to some geographic areas, i.e. the Greater Tyumen Initiative, China-ASEAN free trade area (especially between China and Viet Nam), the Silk Road Initiative for trade, investment and tourism in Central Asia region and the China-Africa Business Council as a platform to facilitate economic links between China and Africa.

Most importantly, since 2005, UNDP supports, among others, the International Poverty Reduction Centre in China to carry out policy research, training initiatives and exchanges and to grow into a major knowledge sharing centre on national and international good practices and lessons learned for poverty alleviation.

Going beyond the traditional South-South cooperation with UNDP, the government of China, represented by CICETE, and UNIDO jointly launched last July the UNIDO Centre for South-South Industrial Cooperation, in Beijing. The centre is expected to contribute to the effective participation of the developing countries in the global economy through the creation and strengthening of technical and business capacities.

## 2.4 UNIDO programme in China

The UNIDO Country Programme for China 2008-2010 consists of a large number of projects organized in five components.

**Table 2: Country programme planning figures and budget allocations by components, as of May 2008, in US dollars**

| Programme Component                          | Planning figures 2008-2010 | Allotments as of May 2008 |
|--|----------------------------|---------------------------|
| Energy and climate                           | 8,075,594                  | 240,787                   |
| Environment                                  | 53,266,334                 | 39,298,028                |
| Agro-industries and food safety              | 1,875,000                  |                           |
| Productivity, technology and competitiveness | 1,634,500                  | 469,535                   |
| Other cooperation activities                 | 3,271,870                  | 3,108,302                 |
| Total  | 68,123,298                 | 43,116,653                |

The table above reveals that the Environment component represents the overwhelming part of the Programme; it includes a number of Montreal Protocol projects and large projects on medical waste and Persistent Organic Pollutants (POPs).

ITPO Beijing (allotments as of May 2009 USD 425,656) is one of the projects under the component "Other cooperation activities"; an important new project in this component is the Establishment of a UNIDO Centre for South-South Industrial Cooperation in Beijing but there are numerous other projects in the component supporting international cooperation in industry: the Investment Promotion Centre in Shanghai; the Subcontracting and Partnership Exchanges in Beijing, Xi'an and Shanghai; International Technology Centres for Promotion and Transfer of Solar Energy Technology, and for Small Hydro Power. In the Programme Component "Productivity, Technology and

Competitiveness” there is also a project to advice MOFCOM on policy guidelines to enhance software outsourcing through a network of six ICT Chinese parks. The above projects are potential partners of ITPO Beijing.

# 3

## ITPO Beijing – basic profile

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### 3.1 Objectives, staffing and facilities

#### Mandate and objectives

The Agreement between UNIDO and the Government of the People's Republic of China "on the Establishment of a UNIDO Investment Promotion Service Office for the People's Republic of China in Beijing" was signed in 1995 and the Office was established in 1996. It replaced and to some extent made use of the experience of the preceding UNIDO Beijing Centre.

Article I of the Agreement stipulates that the purpose of the same „is to establish and operate a UNIDO Investment Promotion Service Office in Beijing, in accordance with the objectives, recommendations and guidelines established by the UNIDO's policy-making organs for such offices.“ The Office „shall promote industrial investment to other developing countries and countries with economies in transition, as well as industrial investment from abroad to the host country.“ The functions, activities, operational methodologies and administration arrangements are described in the Terms of Reference of the office attached to the Agreement as an Annex and forming an integral part of the Agreement.

The Terms of Reference further specify the objectives as follows: ...the Office "shall promote the mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc.) from abroad to the People's Republic of China, as well as from the People's Republic of China to other developing countries." The Terms of Reference also specify functions and activities as they were envisaged in UNIDO policy guidelines, valid at the time of signature of the Agreement. Significant attention was paid to the downstream advisory services and monitoring of the whole cycle of investment promotion (including implementation of investment projects). The Delegate Programme was envisaged only if provision for it was made in the budget.

However, as the UNIDO policy guidelines have been modified since 1995 and some instruments referred to in the Terms of Reference were either replaced or inactivated (such as the Database for Project Profiles - DIPP), and as the situation in China itself has changed as well, the Terms of Reference deserve updating.

### Location, staffing, facilities

Since 2005 the Office has been located in a building belonging to the Ministry of Foreign Affairs, at the floor occupied also by the UNIDO Regional Office. Though visibly distinct from the UNIDO Office, the physical proximity of both offices offers potential advantages for contacts between peers. The office space, its furnishing and equipment are of good quality. The available space is large enough so that some rooms of the ITPO office can be used by the interns of the UNIDO Regional Office.

The staffing of ITPO Beijing has always been modest, at times increased temporarily through short-term contracts; in 2009 there are three staff members on the UNIDO payroll (two National Professional Experts and one National Expert) and a secretary funded by a Government contribution in kind.

The ITPO Beijing has renovated the car park without deregistering old vehicles and currently there are three cars registered with diplomatic plates, all provided by the Government; one of the cars is said to be out of operation.

The Government contribution in kind is used also to cover the rent of an office for an associated team of local experts; the office, consisting of three rooms, is located in a building within a walking distance from the ITPO Office.

## **3.2 Funding and planning**

### Funding

The Agreement signed in 1995 between UNIDO and the Government of the People's Republic of China on the establishment of an UNIDO Investment Promotion Service Office (IPSO) in Beijing stipulates in Article II that the IPSO shall be funded from the Government's contributions to the UNIDO Trust Fund Accounts, one in Vienna (in USD or any other convertible currency) and one in Beijing (in RMB). The same Article rules that all accounts and statements shall be expressed in US dollars and the transactions shall be converted at the official UN accounting exchange rate applicable at the date of receipt of transaction. As in the course of the last 5 years the RMB has been appreciated, the USD-value of the RMB contributions has nominally increased.

The Agreement also stipulates that the Office shall be funded for renewable periods, each of three year's duration. While the project documents for extension of the Office have been approved for three year's duration, in practise the funding proceeds on annual basis. The most recent project document (TF/TN/GLO/07/032) confirms the deviation from the stipulation in the Agreement by the statement on the cover page: "Duration: 3 years (the budget is on annual basis)". This arrangement influences planning and impedes activities requiring longer-term planning.

The evaluation covers the period 2005-2009. In this period the project was extended twice. The Government contributions were paid on annual basis and on time. Savings generated at the end of the previous project were transferred for covering expenditures in the following year.

**Table 3: Funding of ITPO Beijing 2005-2009, in USD**

|  | 2005-2007 | 2008-2009 | 2005-2009 |
|--|-----------|-----------|-----------|
| (TF) in USD                            |           |           |           |
| Government contributions               | 65,406    | 70,645    | 136,051   |
| Interest                               | 7,008     | 730       | 7,738     |
| Transfer/savings from previous project | 16,053    | 8,454     | 17,024    |
| Transfer/savings to the next project   | -7,485    |           |           |
| Funds available in USD                 | 80,982    | 79,829    | 160,811   |
|  |           |           |           |
| (TN) in RMB, expressed in USD          |           |           |           |
| Government contributions               | 324,067   | 352,617   | 676,684   |
| Interest                               | 2,740     | 548       | 3,288     |
| Transfer/savings from previous project | 59,190    | 37,165    | 68,881    |
| Transfer/savings to the next project   | -27,474   |           |           |
| Funds available in RMB                 | 358,523   | 390,330   | 748,853   |
|  |           |           |           |
| Total funds available                  | 439,505   | 470,159   | 909,664   |

*Source:* UNIDO Resource Mobilization and Quality Assurance Branch

Contributions in USD (TF component) are envisaged to cover primarily international travel and the UNIDO 10% project support costs.

In addition to the above funds, the Government provides a contribution to ITPO Beijing in kind which is governed and managed by CICETE. ITPO Beijing is responsible for the bookkeeping in line with the Chinese accounting system classifying in this particular case the cost items as follows:

- the office space rent
- a part of the transportation expenditure (gasoline, office car maintenance, taxi bills, inland travel)
- communication expenditure (phone, internet)
- administrative and logistical expenditure (water, electricity, office cleaning, office decoration such as green plants, hospitality)
- short-term consultation fee at the programme/project formulation stage
- office non-durable consumption (paper, printing ink, copying, etc.)

The project document TF/TN/GLO/07/032 sets the amounts of the Government contribution in kind for all the three years of the planning period as follows:

| Year | 2008    | 2009    | 2010    |
|------|---------|---------|---------|
| RMB  | 640,000 | 690,000 | 780,000 |

At the current UN exchange rate (May 2009) of 1 USD=6,82 RBM the annual contributions in kind grow from USD 93,842 to USD 114,370. In 2008 the actual contribution corresponded to the planned amount and almost 60% was spent on paying the rent for the ITPO office as well as for the office of the cooperating team. In this

context it is important to mention, that the counterpart expected that the ITPO Beijing would generate income from its services (charged to a CICETE account) equal to or larger than the amount of the Government contribution in kind. For the counterpart this is one of the indicators of demand-orientation of the ITPO services. So far ITPO Beijing and its cooperating team have always managed to meet this requirement.

### Planning

As mentioned above, the modality of funding on annual basis influences the planning. Results Based Management (RBM) requires that planning documents include identifiable targets and that the hierarchy of framework planning documents and implementation planning documents is consistent in terms of structure and objectives to be pursued. In the case of ITPO Beijing there are two key categories of planning documents: the project documents and the annual work plans. Because of funding on annual basis the project document does not quantify targets beyond the first year. Given this as a fact to live with, it is still desirable that at least the structure of outputs in annual work plans is consistent with the structure of outputs in the project document.

The objectives, outputs, activities and inputs for the period under evaluation are outlined in two project documents: TN/TF/GLO/004/012 covering the period 2005-2007 and TN/TF/GLO/007/032 covering the period 2008-2010. The two documents differ both in terms of format and contents. The different format of the most recent project document is apparently due to the new Technical Cooperation Guidelines with a new standard format introduced by UNIDO Headquarters. It seems that practical application of the new structure is difficult, that the distinction between Objectives and Outcomes is not transparent and the inserted item „UNIDO approach“ in the structure of the logical framework may distort the logic of the means-end relationship underlying the logical framework.

As regards the contents, in brief, the objectives in the project document 04/012 aim at industrialization in developing countries through outward investment while not mentioning inward investment and technology (which is not fully compatible with the Agreement 1995). Objectives in the project document 07/032 aim at supporting „the Chinese public and private sectors in their efforts to stimulate inward and outward foreign investment as well as two track technology promotion...“.

The project document 04/012 has 8 Outputs, both project/company oriented and capacity building (including the Delegate Programme), all of them consistent with the outward orientation of the Immediate Objective. The project document 07/032 has 6 Outputs, mainly at project/company level, allowing for both inward and outward investment. Capacity building through the Delegate Programme is maintained as one of the Outputs. Two outputs were dropped: technology offers to be included in UNIDO Exchange, and the „detailed technical, marketing and financial analysis of investment and technology projects“. This is in line with the trend followed by ITPO Beijing to move its activities upstream.

The annual Work Plans should elaborate in more detail the activities for achieving the Outputs spelled out in the project documents. However, the sets of Outputs (and, thus, the set of activities) elaborated in the Work Plans differ significantly from those outlined in

the project documents. For example, while the project document 07/032 stipulates 6 outputs, the Work Plan for 2007 announces 15 outputs in a structure not applied in the project document:

- Outward Investment Promotion (3)
- Inward Investment Promotion (3)
- Technology Transfer and Trade Facilitation (4)
- Specific Programme Support (3)
- Capacity Building in Line with Networking (2)

Hence, the symmetry and consistency between the two planning documents is difficult to establish. The reason for the discrepancy seems to be partly the breadths of actual activities carried out by ITPO Beijing going sometimes beyond the standard investment and technology promotion activities as assumed in a project document for a standard ITPO (for example: involvement of the ITPO in the policy discussion on the Intellectual Property Rights). To overcome such discrepancies the forthcoming project document should envisage that the ITPO would carry out such investment or technology related activities.

### 3.3 Financial implementation

As unspent financial resources (savings) are transferred to the following year, UNIDO's financial system keeps adjusting allotments to actual expenditures. The history of expenditures in the period 2005-2009 is summarized in the Table 4.

**Table 4: Structure of expenditures by budget lines (BL)**

TF/TN/GLO/04/012 and TF/TN/GLO/07/032

| BL        |                      | 2005          | 2006    | 2007    | 2008          | 2009*   | Total   |
|-----------|----------------------|---------------|---------|---------|---------------|---------|---------|
| TF        |                      | TF/GLO/04/012 |         |         | TF/GLO/07/032 |         |         |
| 12        | Nat. Prof.. Officer  |               | 1,968   | 6,618   | 8,392         | 2,848   | 19,826  |
| 13        | Admin. Support       |               | 3,879   |         |               |         | 3,879   |
| 15        | Project Travel       |               | 13,367  | 5,592   | 6,641         |         | 25,600  |
| 16        | Other Personnel      |               | 1,340   |         |               |         | 1,340   |
| Sub-total |                      |               | 20,554  | 12,210  | 15,033        | 2,848   | 50,645  |
| TN        |                      | TN/GLO/04/012 |         |         | TN/GLO/07/032 |         |         |
| 12        | Nat. Prof.. Officers | 45,428        | 97,192  | 76,915  | 119,498       | 153,596 | 492,629 |
| 15        | Project Travel       | 16,079        | 4,680   | 7,476   | 3,031         | 0,0     | 31,266  |
| 17        | National Experts     | 56,504        | 25,401  | 33,950  | 34,365        | 35,120  | 185,340 |
| 77        | Recoveries           |               | -674    |         |               |         | -674    |
| Sub-total |                      | 118,011       | 126,599 | 118,341 | 156,894       | 188,716 | 708,561 |
| Total     |                      | 118,011       | 147,153 | 130,551 | 171,927       | 191,564 | 759,206 |
|           |                      | 395,715       |         |         | 363,491       |         | 759,206 |

Source: UNIDO Infobase April 2009

<sup>1</sup> Up to 21 April 2009

Out of the total USD 909,664 available for the period 2005-2009 (see Chapter on Funding) the total expenditures till April 2009 amounted to USD 759,206. The difference is due to 10% project support costs and the remaining balance for 2009. For 2009 the expenditures (including salary obligations) till April 2009 represent approximately 75 % of the allotments for 2009 which signals that the project manages the expenditures, with due consideration of its budget.

For most ITPOs, personnel costs (excluding travel) represent the largest cost segment of expenditures. In the case of ITPO Beijing the personnel costs and project travel represent the only cost items as ITPO Beijing has not carried out a Delegate Programme and expenditures for premises and other budget items have been taken care of by the Government contribution in kind. In 2008 the expenditures covered by the Government contribution in kind amounted to RMB 640,000 (USD 93,842), with approximately 60% spent on the office rent.

In terms of budget and expenditures the ITPO Beijing ranks, in the ITPO Network, among the small ones. (While the expenditures of ITPO Beijing including the expenditures covered by the Government contribution in kind amount approximately to USD 250 000 annually, in the case of ITPO Bahrain the equivalent expenditures amount to USD 600 000 and in the case of ITPO Tokyo they exceed USD 1 million.) There are two factors that allow ITPO Beijing to have staffing and carry out activities above the volume and standards normally expected from such low budget levels: First is the fact that none of the staff has been recruited as international expert (BL11); applying salary scales and benefits for national professional experts (BL12) or national expert (BL17) results in keeping the personnel costs low. The second factor is the fact that the ITPO Head managed to mobilize a number of local experts to work on activities initiated and coordinated by ITPO either on a voluntary basis, on a cost-recovery basis or remuneration and other costs covered by the beneficiaries themselves.

### **3.4 Cooperation arrangements to mobilize resources**

As mentioned above, the ITPO Head has managed to mobilize a number of local experts and also foreign partners to get involved in UNIDO ITPO-China's activities without financial obligations for the ITPO budget. Apart from several local experts, often long-lasting personal contacts, who are being invited and are willing to provide advice to the ITPO free of charge, there are various arrangements used to mobilize partners for the ITPO:

#### *The Green Industry Experts Committee*

The Green Industry Experts Committee (GIEC) is a loose association of primarily (80%) retired experts willing to provide advisory services to local governments and their organizations on establishment and operations of green industrial parks/zones, including investment and technology promotion. The experts adopted the platform of a "committee". It was established in 1998 and since that time it has been formally chaired by the Head of ITPO Beijing (Executive Director) providing for a linkage between GIEC and ITPO. There is no other formal link between GIEC and ITPO Beijing. In practice, the operations are managed by two Deputy Executive Directors (one of them is the previous Head of UNIDO Beijing Centre). Currently GIEC has 174 members, out of which 35 are

PhD tutors and 14 are members of the China Academy of Sciences. They provide their advisory services upon request of local governments/organizations or companies who are willing to recover their travel and accommodation costs and contribute small amounts to the operational costs incl. administrative staff salaries, communication costs and maintenance of a small (two room) office. They use some UNIDO tools where applicable (such as format for investment profiles and COMFAR).

#### *Cluster Development and Capital Operations*

A team of young and dynamic local experts and interns with a nucleus of two professionals in investment finance, one of them administers the Cluster Development and Capital Operations programme proper, the other one in charge of investment promotion for Clean Technology/CDM projects. The other members of the team support this nucleus by compiling and processing data, carrying out due diligence of companies participating in the programmes, etc. The composition of the team is flexible and changes in time. Currently the whole team consists of 8 professionals, most of them have Master Degrees from universities in the USA.

The Cluster Development and Capital Operations programme involves a local government, a specialized organization preparing the cluster development report (usually a US professional organization), companies selected on the basis of the cluster development report for management upgrading and investment promotion, and potential investors (usually venture capital or private equity funds). Similarly the CDM programme involves several stakeholders. For example, in the on-going project on biogas from pig manure in the Hunan province it is also the US Environmental Protection Agency (EPA) that made available USD 100000 for carrying out the feasibility study. The above team of associated experts is carrying out training, due diligence and coordination of the stakeholders; progress reports are prepared quarterly for the stakeholders and the ITPO Head. The ITPO Beijing would also provide professional backing to the activities (making available UNIDO investment promotion tools, such as company profiles, COMFAR) but operational management including financial arrangements for remuneration by beneficiaries or partner organizations or companies is in the hands of the Cluster Development and Capital Operations team (see also below).

#### *Memoranda on strategic partnerships*

To facilitate its coordinating role, ITPO Beijing signed a memorandum on strategic partnerships with some stakeholders. One Letter of Agreement signed in 1997 (with Fraunhofer Gesellschaft, Germany) taught ITPO the lesson that ITPO cannot accept payments without prior endorsement of such an agreement by Headquarters. Hence, the ITPO has since then refrained from signing Agreements with financial obligations. Later, in 2008, a draft memorandum with Sinocom group on promotion of amorphous crystalline silicon solar equipments and establishment of the solar power generation plants in China included obligations of both ITPO Beijing (in kind) and financial obligations of the Sinocom group. However, in view of an uncertain timeframe for processing and approval of a Trust Fund Agreement by the Headquarters the memorandum was not signed and the cooperation did not materialize.

Memoranda on partnership with municipalities and some Chinese organizations are usually in Chinese. These memoranda include the principle of cost-recovery (including remuneration of local experts) but no amounts are fixed in the memoranda. As there are usually several stakeholders involved in the programme, a steering committee is established and one of the local experts, mobilized by the ITPO Beijing, is entrusted with the task of chief technical adviser and prepares quarterly work plans with estimated financing requirements. The municipality opens an account and provides the required funding. Thus the municipality remains the key owner of the process, with local experts mobilized by ITPO Beijing delivering technical support and ITPO Beijing providing supervision, overall coordination and methodological support.

Memoranda on strategic partnership with foreign partners signed by ITPO in 2008 with the Stanford Research Institute (SRI), the International Economic Development Council (IEDC) New York and the Global Corporate Governance Forum (a unit of the International Finance Corporation) describe the status and mandate of both partners and their intention to share information, networks, resources, experience and best practices. When possible and relevant they agree on cooperating in conducting workshops, seminars and conferences. No financial obligations are spelled out in the memoranda but the ITPO Beijing declares willingness, for example, “to explore the possibility of adding IEDC as a sub-contractor for strategic planning advisory services on on-going development projects”. In real terms it implies the willingness to involve the partners in the activities coordinated by ITPO Beijing, in most cases at their own costs (such as in the case of IEDC and SRI arranging free of charge study tours, panels and training in USA for the Langfang municipality, or in the case of the Global Corporate Governance Forum co-organizing with ITPO Beijing and the Shenzhen Council for the Promotion of International Investment a high-level forum on Growing Capital, Corporate Governance and Industrial Clustering).

#### *Advantages and constraints*

An undeniable and considerable advantage of the above arrangements is the mobilization of extra budgetary human and financial resources for activities initiated and coordinated by the ITPO Beijing. The activities can be carried out swiftly and in a flexible way to respond to changing requirements and expectations of clients. An important by-product of this implementation modality is a continuously expanding network of cooperating partners with their reservoirs of information, knowledge and expertise to which ITPO Beijing can refer and, vice versa, increasing visibility of ITPO Beijing in the institutional framework for investment and technology promotion in China.

The disadvantage of this implementation modality avoiding standard procedures for project approval and implementation is the lack of transparency for UNIDO Headquarters, in particular the blurred formal relation between the UNIDO project and the local experts, and even more remote and sporadic supervision/control by the UNIDO Headquarters of such activities, which is limited to the instruments of (annual) Work Programmes and Annual Reports. Some local experts are recruited for a short time by the ITPO Beijing but they continue working on the project under the UNIDO-ITPO logo also after the contract is concluded or in some cases when there was no contract signed. This problem has two aspects: occasional absence of a formal link of the local experts to the ITPO, and a substantive one – the substantive branches of the UNIDO Headquarters are not always informed about and concur with the concept of activities referring to

UNIDO/UNIDO-ITPO. The latter concern can be addressed by a more adequate flow of information between the ITPO and the relevant substantive branches of UNIDO. As regards the formal aspect, one needs to acknowledge that for the local experts the UNIDO-ITPO logo is very important because it introduces an element of recognition and trust and, thus, facilitates their work. Therefore, as regards formalization of the link of local experts to the ITPO, any modification of the current system should honour this need to use ITPO logo. The most straightforward solution could be to increase the ITPO budget and recruit the local experts as short-term consultants or national experts for the whole duration of the project. Another solution could be a simplified and fast system of approval of the so called “IP” projects.

# 4

## Activities, partners and beneficiaries

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### 4.1 Activities

The ITPO activities are carried out by ITPO staff and by experts and teams mobilized by and associated with the ITPO. Some activities are carried out purely by ITPO staff (such as assisting municipal governments to access EU funding for investment promotion) but most of them are carried out by both ITPO staff and the associated experts. The overview of activities carried out by ITPO and the associated experts in the period 2005- 2008 is compiled and presented in Annex 3.

The overview of the ITPO Beijing activities indicates that

- i) the scope of activities is very extensive, broad and diverse, advancing also into promotion of venture capital investment and acquisitions by private equity funds; the diversity of activities reflects the diversity of demand due to the changing policy and institutional environment
- ii) upstream promotional activities (advisory services, training, seminars etc for governments and ITP-related organizations) prevail over direct advice to companies
- iii) some activities go beyond standard ITPO services (establishment of industrial parks, city development and city information systems), and outside UNIDO's main line of business (tourism, healthcare)
- iv) inward promotion still prevails over outward promotion
- v) capacity building in China is considerable but capacity building in the developing countries is modest (no Delegate Programme)
- vi) operations in the Western and North-eastern regions are very modest.

For the results in terms of producing and achieving outputs and outcomes of the above activities see chapter 7.2 on Effectiveness

### 4.2 Partners and beneficiaries

The investment and technology promotion carried out by ITPO Beijing involves many stakeholders at all government levels in China and at institutional and company levels both in China and abroad. At national level ITPO China has had an inherent link with Ministry of Commerce (MOFCOM). The working-level MOFCOM partners of ITPO are CICETE, ITPO's direct government administering body, the Department of Foreign Investment and Administration, and also the China Investment Promotion Agency (CIPA) and China Council for the Promotion of International Trade (CCPIT) as affiliates of

MOFCOM. ITPO Beijing is regularly approached for support and preparation of MOFCOM training and promotion activities, and as co-organiser and co-sponsor of trade/investment fairs and activities with some national agencies, such as Xiamen Hi-tech, Shenzhen Fair, Haerbin Fair with Russia, Japan and the Republic of Korea, and the Nanning fair with ASEAN countries organised by MOFCOM and other ministries.

As regards other relevant central ministries and organizations, ITPO has had a long-term partnership with China International Cooperation Association of Small and Medium Enterprises (CICASME) under the NDRC and the Venture Capital Centre and the Academy of Science and Technology under MOST. In order to support policy formulation, MOFCOM, MOST and NDRC have their own research bodies. The ITPO Head is one of the senior advisors for two research academies of MOST (Academy of Science and Technology for Development) and MOFCOM (Academy of Foreign Economic Relations and Trade). In the past ITPO worked also with the National Development and Research Centre of the State Council as well as with the Investment Research Institute of NDRC on some of their research projects. Besides, the ITPO Head – sometimes in a personal capacity - keeps close contacts with the Social Research Bureau and the Economic Research Bureau of the Policy Research Office (the “think-tank” of the National People’s Congress) and participates at the work of various bodies (steering committee of CCPIT for Revitalizing the Northeast China, attending their panels on policy for the last 5 years; senior lecturer for the training program of the State Council’s Office for Grand Western Development Drive since 2001).

At a local level, ITPO Beijing had in the past established a network of over a dozen focal points for investment promotion services. These extended hands of ITPO Beijing were formed within the institutional setting of provincial and municipal Departments of Trade and Economic Cooperation (before the Ministry of Trade and Economic Cooperation was transformed to MOFCOM after China’s entry to WTO in 2001). The focal points have helped ITPO to establish good working relations with local government economic cooperation and promotion bureaus, foreign investment promotion centres, international investment promotion councils etc. In particular, many current contacts with the national/local economic and trade zones and hi-tech industry development zones were initiated by these focal points. In the past years most of these focal points were reorganised by local governments into various investment promotion agencies.

ITPO Beijing nowadays focuses its services primarily at local government and institutional levels. Provincial and municipal governments (in particular their departments in charge of investment promotion) are the most frequent clients of the ITPO and it is through these organizations that individual companies can become beneficiaries of ITPO or ITPO-initiated services. Direct interventions or assistance to individual companies are also provided (particularly in promotion of outward investment) but this is either in response to an ad hoc request or as a part of cooperation with local governments.

Given the large number of provinces and municipalities in China (32 provinces, 600 municipalities, 2800 counties) ITPO cannot provide services to all of them. Cooperation arrangements are made usually with those that show initiative and demonstrate interest and capacity to absorb the ITPO services and sustain them.

Partners abroad – outside the UNIDO ITPO network - are represented primarily by development agencies such as the International Economic Development Council (IEDC, USA), investment funds and their associations such as EMPEA, research organizations

such as the Stanford Research Institute, other international organizations such as EU, IFC, and individual investors or companies. In all cases, both in China and abroad, ITPO Beijing avoids duplicating activities of other Chinese organizations; its activities are rather complementary and cooperative than competitive. Trust building with both the partners and beneficiaries is an aspired salient feature of the ITPO activities.

# 5

## Integration with UNIDO programmes

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According to the Mission statements published in the Annual Work Plans, the ITPO Beijing “tries to be a dynamic, physical investment /trade/technology facilitator to mobilize and provide relevant knowledge, technical/management skills, and human and financial resources to address issues of investment and technology promotion in accordance with UNIDO mechanism based on the well-established operational system both within China and within the global setting of UNIDO. The purpose is to assist China to achieving greater efficiency, better yield and higher quality of inward and outward investment in an integrated manner. To be specific, ITPO Beijing concentrates on 5 out of eight UNIDO service models:

1. Investment and Technology Promotion
2. Industrial Governance
3. Environmental Management
4. Quality & Productivity
5. SME Assistance”

The above mission statement and in particular the coverage of the UNIDO service modules is quite ambitious and - given the limited budgetary resources - hardly possible to be fully implemented. For the ITPO the most relevant service module of UNIDO is Investment and Technology Promotion. That is also the “core business” of ITPO.

Originally, in the 1980s and early 1990s, the ITPOs were entrusted with the task to identify and mobilize investors in the developed countries for project opportunities formulated for and presented at investment forums organized in the developing countries and (later) in countries with transition economies. As a rule, the interested investors mobilized by the ITPOs participated in these forums for matchmaking with local project sponsors. It is, therefore, logical that the first ITPOs were mandated with a very clear and practical outward investment function and, in principle, were established only in the developed countries.

This concept is no more valid and new ITPOs have been established also in the developing countries and countries with transition economies. However, some features of ITPOs remained valid or even became more important. The unique feature and competitive advantage of ITPOs as investment and technology promotion entities is their position of being projects of UNIDO and, thus, having the possibility to benefit from the reputation of UNIDO as a neutral international development agency and to draw on information, professional experience and methodological tools of UNIDO as well as of its networks of ITPOs, Subcontracting Exchanges (SPXs), International Technology Centres (ITCs) and National Cleaner Production Centres (NCPCs). Besides, the ITPO Beijing can benefit from and contribute to the synergy of the large UNIDO Country Programme in China. How are these potential synergies used by the ITPO Beijing and UNIDO?

## **5.1 Cooperation with UNIDO projects in China**

The UNIDO Country Programme in China is managed by the UNIDO Regional Office located in the same building and at the same floor and the physical proximity facilitates informal flow of information between the Country Programme and the ITPO management. However, actual cooperation of the ITPO with other UNIDO projects in China is limited to ad hoc contacts with and advice to the Investment Promotion Centre in Shanghai, participation in some events of the SPX Xi'an and SPX Chongqing, and occasional exchange of information with the International Centres for Small Hydro-power and for Building Materials (ICM). Moreover, ITPO Beijing as well as UNIDO SPX Centres in China participated actively at the International Motor Industry Sub-contracting Forum in Wuhan, organized by the local CCPIT in 2005.

While cooperation with all other projects needs not be established just for the sake of formally complying with management requirements, there may indeed be some synergies achieved if the cooperation results in shared expertise and information and the avoidance of overlapping. From this point of view there seems to be a potential for mutual benefits from increased cooperation with the new UNIDO Centre for South-South Industrial Cooperation in Beijing established by CICETE/MOFCOM and UNIDO. The Centre has a similar mandate to promote South-South cooperation in the industrial sector through the creation and strengthening of technical and business capacity. Therefore, there is a risk of overlapping in the promotion outward investment and technology transfer services and, hence, cooperation between the ITPO and the Centre would be beneficial.

Given the extensive engagement of the ITPO Beijing in environment-related projects it is also worth to review possibilities for cooperation with the National Cleaner Production Centre, even though the UNIDO project establishing the Centre is completed.

## **5.2 Cooperation with UNIDO networks**

Outside China, ITPO Beijing has been in contact with several other ITPOs (Soul, Bahrain, Tokyo, Rome). In the case of Bahrain, the ITPO promoted a Chinese technology ("solid water") but the owner of the technology sold it in the meantime to Australia. A presentation of CDM projects in Tokyo was an inspiration for ITPO Beijing to get involved in such a programme in China.

No contacts were established or maintained with Investment Promotion Units (IPUs), Investment Promotion Agencies (IPAs) in developing countries or other UNIDO networks.

### **5.3 Contacts with UNIDO Headquarters**

ITPO Beijing is managed by the ITPO Coordination Unit (ICU) and contacts with other Branches of UNIDO are supposed to be coordinated by ICU. Based on the contacts with this and other units of the Investment and Technology Branch the ITPO is well informed about the ITP-related tools and lists all of them on its website. In its own activities the ITPO uses some of them, such as COMFAR, the modified investment project profile and the Manual for the Preparation of Feasibility Studies. These tools were disseminated through training to other organizations in the past but this happened before 2005 and no additional COMFAR licence has been sold since that time.

Direct contacts with other branches are usually established either on the occasion of international forums (such as the contact with Water Management Unit established at the Water Symposium in Bahrain) or meetings of ITPO Heads in Vienna. The Annual Report 2008 records meetings of the ITPO Beijing Head with, among others, the Senior GEF Coordinator, the Water Management Unit, the Cleaner and Sustainable Production Unit and the Renewable and Rural energy Unit. In some cases written materials were handed over. Such occasional contacts are useful but apparently not sufficient to mutually benefit from experiences of both sides and to avoid misunderstanding and lack of information about the other side's activities, as illustrated by the fact that the Cleaner and Sustainable Production Unit – in spite of informative e-mails sent by ITPO Beijing to the Headquarters - was not aware of the ITPO Beijing supporting a Chinese organization to access the Switch Asia EU Programme. Neither was ITPO Beijing informed about a similar (Switch Asia- related) activity carried out by the Headquarters in China. Similarly, the ITPO Beijing Cluster Development and Capital Operations Programme was launched without awareness of the Clusters Programme at UNIDO Headquarters, managed by the Private Sector Development (PSD) Branch and, vice versa, PSD was not aware of the Cluster Development Programme carried out by the ITPO Beijing. Thus, the potential synergies and other benefits of coordination between ITPO Beijing and the Headquarters have been tapped only to a very small extent. Improvement will require amendment of the flow of information with larger role to be played also by the UNIDO Regional Office and willingness on both sides to invest time in cultivating the working contacts, at best by designing and implementing joint activities.

# 6

## Management

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### 6.1 Management by Headquarters

The most recent policy document on ITPOs is the “Guidelines for the Functioning of the Investment and Technology Promotion Offices”, approved by Decision 18 of the 2003 General Conference. The 2003 Guidelines were followed up by the elaboration of an ITPO Network Strategy (April 2004). This Strategy consisted of three key elements:

- a UNIDO-wide single searchable database (UNIDO Exchange), promoting investment, technology and other partnership opportunities and embracing ITPOs, Subcontracting Exchanges (SPXs), National Cleaner Production Centres (NCPCs), International Technology Centres and UNIDO Field Offices
- the ITPOs were to develop special targeted initiatives, attractive to the industry in the host countries. Such targeted initiatives would involve close cooperation with specific branches or programmes of UNIDO and
- the expansion of the Network by including independent organizations with similar objectives.

The Strategy has been implemented only partially. As an example, UNIDO Exchange failed to become an operational and attractive single database of business opportunities.

ITPOs are UNIDO projects with some special features. One of them is the fact that they operate as an office within the institutional framework of the country without the objective of becoming a stable part of it: the projects are not institution building projects, yet they function as offices as long as both parties – UNIDO and the Government – keep agreeing on their extension. During that time the ITPOs enjoy some of the benefits and privileges granted by the UN system and have to follow UNIDO rules and regulations. At the same time they have to respect the legal framework of the host country. The government counterpart, funding the office through trust fund agreements with UNIDO, does not have management responsibility for the office (except for endorsement of the Head) but it is also in the interest of UNIDO that the counterpart is timely updated on the operations of ITPO. Thus management of an ITPO is a complex task. Furthermore, the ITPOs tend to behave as branch offices of UNIDO and assume representative and public relations functions. In China this is not necessary because UNIDO has a Regional Office but the co-existence of a UNIDO Field Office and ITPO in one country, which is the case in China and Mexico, provides for a rather exceptional situation and makes the management and monitoring by UNIDO HQs even more complex.

At the Headquarters, the management of the ITPO programme is entrusted to the ITPO Coordination Unit (ICU) within the Investment and Technology Promotion Branch. The ICU is in charge of both operational and substantive management of the ITPO programme. For several months during the period under evaluation the position of the

ICU Coordinator was vacant; the two remaining administrative staffs managed to keep routine administrative affairs under control but substantive management was absent. Approximately one year ago an experienced UNIDO staff member was nominated as Chief of ICU, the Unit was further strengthened and the situation considerably improved. New concepts and strategies for the ITPO network are under elaboration.

In China, the ITPO is one of many UNIDO projects constituting the UNIDO Country Programme. The UNIDO Representative and Head of the UNIDO Regional Office acts also as Team Leader of the Country Programme but procedures for reporting and flow of information between ITPO and the Regional Office are not consistently reflected in all guiding documents (including the ITPO project document).

The operational management is guided by the IPS Manual, issued in 1996 and partly revised. Currently a new operational manual is under elaboration. The experience of ITPO Beijing as confirmed by this evaluation highlights that some issues deserve particular attention. The most pressing is the framework for mobilization of extra-budgetary resources and approval, implementation and monitoring of the so-called IP (Investment Promotion) projects funded by these resources. As shown in the Chapter 3.4 Cooperation arrangements, to mobilize resources, for ITPO Beijing, a simplified fast track for project approval combined with extensive delegation of authority to the field is of key importance. Another issue is the system of reporting and flow of information among ITPOs, the ICU, substantive UNIDO Branches, UNIDO Field Offices and the ITPO network.

The periodic meetings of the ITPO Heads are viewed as a very useful platform for sharing experience and establishing/strengthening contacts; they are particularly useful when organized in Vienna.

## **6.2 Internal management**

The small office is managed in a team spirit by the Head fully respected by the others for his leadership qualities, professional competence and network of contacts. With one staff assigned to assisting local governments in accessing EU funds, the other one being responsible for accounting and COMFAR training and the Head himself providing numerous advisory services, the division of labour is very transparent and simple. Thus most of the management tasks of the Head relates to networking with partners, mobilization of financial and human resources for new and additional activities and coordinating them (see also the chapter 3.4 Cooperation arrangements to mobilize resources).

The current Head of the ITPO Beijing plays a key role for the operations and visibility of the office not only because of the wide network of contacts at government and institutional levels he has managed to create but also because of the capability to venture into new areas and respond to new demands for ITPO services. Responsiveness and reliability in combination with the UNIDO logo contribute to trust building as a precondition for long-term cooperation with partners and raising demand for ITPO services. There is, however, a risk that acceptance of too many and too diverse requests for support may overstretch the available resources and dilute the effectiveness of some of the services.

The ITPO maintains and updates its database of relevant agencies, institutions, enterprises and of participants at various training events, including the officials from developing countries participating at MOFCOM workshops. There are internal circulars on the Office operations, use of cars, use of the UNIDO logo, on safety issues; some of them are in Chinese only. The evaluation team was provided with all requested documentation; the activities including field missions are properly recorded in a structured way, as evidenced also from the annexes to the Annual Reports. The progress of some activities of the associated teams is monitored through quarterly reports. However, some of the monitoring reports or agreements with clients are only in Chinese. Annual Reports are submitted to UNIDO on time and with extensive information in Annexes, some of them also in Chinese only.

As the ITPO operates mainly at the upstream level, the Results Based Management (RBM) planning and reporting has not been introduced. Furthermore, the structure of Annual Reports is not always consistent with the structure of the Annual Work Plans.

ITPO Beijing has a website that markets the three major current sub-programmes (Cluster development and capital operations, Clean production and capital operations and the EU programme) and offers companies interested in participation in one of the two capital operations programmes a form to fill in. The form seems to be too complex for establishing initial contact with the ITPO. The website also presents the ITPO team and the experts working on projects coordinated by ITPO, and informs the reader about the set of available UNIDO tools. The overview is complete (COMFAR, Guidelines for Build-Operate-Transfer projects, Negotiations training package, etc.) but needs to be updated (for example, reference to the UNIDO Exchange should be dropped). There are there a few more pages with information about UNIDO resources but a link to UNIDO website is not established. The page News and Events reports about some past events and activities; it would be more appropriate to announce forthcoming events, particularly those targeted at the public. It is also worth considering to place there some information currently disseminated as News Watch via e-mail (see also Annex 3 – Activities).

### **6.3 Reporting to donor**

Ministry of Commerce (MOFCOM) as the government counterpart has two departments related to ITPO: CICETE, responsible for UNIDO technical cooperation projects, and the Department of Foreign Investment and Administration, responsible for policy issues related to foreign investment. Currently the government counterpart is CICETE. UNIDO submits Annual Reports to CICETE as required.

While ITPO as a UNIDO project reports to and is monitored by the UNIDO Headquarters, the ITPO Head also keeps direct contact with CICETE. The contact is important and desirable not only for keeping CICETE informally updated about the operations of the ITPO but also for discussing issues related to the Government contribution in kind and the Government expectation to pay back the contribution in kind through income generated by ITPO. CICETE considers the contacts with the ITPO Head, arranged whenever there is a need, as adequate.

# 7

## Assessment

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### 7.1 Relevance

#### Relevance for the country

Given the size of the Chinese economy, its external economic relations and inward flow of capital one can not expect that ITPO Beijing can play a critical or indispensable role in investment promotion of the country. It, however, can add value to the process by building or strengthening ITP capacities using UNIDO networks and tools and by venturing into new areas and pioneering new approaches in investment and technology promotion.

#### *Focus on upstream capacity building activities*

Since 2006 all multilateral and bilateral donors in China have gradually modified their focus to upstream activities instead of grassroots project interventions. National investment agencies in China have been shifting their focus away from authorization and approval, downstream specific project matchmaking to facilitation and promotion, including one-stop services, after-care and the development of industrial clusters. The UNIDO ITPO Beijing follows the trend towards upstream capacity building, in partnership with relevant government agencies and organizations, particularly in joint forums, workshops, study tours, investment environment assessment and providing advice and practical tools to local governments for investment promotion services. Thus, the ITPO approach is relevant to capacity building of national/local investment promotion agencies, public and private consulting institutions active in investment promotion and avoids focus on individual private business matchmaking since there are already a number of domestic and international matchmakers providing such service on a commercial basis. To increase the relevance of the capacity building it would be desirable to extend the outreach to the Western and Northeastern regions. It should be also noted that the use of UNIDO methodologies and tools has remained confined to the methodologies of investment project formulation and appraisal (including COMFAR) and the UNIDO Exchange, the operation of which, however, was discontinued.

#### *Outward investment and technology transfer*

The traditional ties between Africa and China translate into increasing levels of trade and investment as well as a sizeable overseas Chinese presence in some African countries. Africa looks to China's success story and is ready to study ideas and absorb technical assistance, while offering China investment opportunities. ITPO Beijing has initiated a number of activities to facilitate this process such as supporting business activities targeting Africa through China African Invest Net operated by a private company.

### *Supporting industrial clusters*

Before China became a WTO member, most foreign businesses were established as Joint Ventures. Therefore, project matchmaking was a key part of investment promotion. Since 2002 the solely foreign-owned enterprises replaced joint ventures as the most popular form of FDI in China. ITPO Beijing thus adopts a relevant approach of supporting provincial/municipal investment promotion agencies in the development of industrial clusters as a platform for promoting investment irrespective of its form but tailor-made to the development needs of the province.

The services of ITPO Beijing were well acknowledged and accepted by local government planners, also thanks to references to functional industrial clusters in selected economic and hi-tech industrial development zones.

### *Other new approaches and sectors*

In the past, the ITPO Beijing initiated many new programmes related to investment and technology promotion in China such as the first Equity Exchange at the first China International Investment & Trade Fair (Xiamen) in 1996; the first match-making forum for Foreign Financial Institutions and Chinese industry projects at the first Beijing International Hi-tech Expo in 1997, the first on-line Investment Promotion Fair for Weifang in 1999; the first International SME Conference in Changzhou city in 2000, the first China International Ski Industry Forum and Expo in 2002, the first China International Mergers and Acquisitions (M&A) Conference in 2003, the first on line Intellectual Property Exchange Hub in Shanghai in 2004.

More recently, ITPO Beijing has been working with its Chinese government counterparts or their affiliates to support venture capital instruments and mechanism, CDM and intellectual property rights. The ITPO Beijing also carried out some pilot projects, such as the pilot Township Development Scheme for Feicheng city in 2006 and a pilot project for the Strategy for Industrial Improvement and Business Innovation at the Wendeng Economic Development Zone in 2007. The ITPO also assisted in introducing Risk Management into China (training program in 2007). In addition, the Chinese Government has adopted a series of policies to assist enterprises in adapting to the development trend of the international economy and to promote the introduction and application of information technology, such as e-commerce in industry. ITPO Beijing supports this process through the development of the China Technology-export Net, in cooperation with the Chinese Academy of Science and Technology for Development and the Ministry of Science and Technology. This is relevant to Chinese government e-commerce policy and it also can contribute to outward technology transfer.

Such innovative activities, initiated or supported by the ITPO Beijing, are appreciated by the counterpart and ITPO partners and contribute to the relevance of the Office for the country.

### Relevance for UNIDO

The project is relevant for UNIDO if its objectives and activities are consistent with the needs of the end-users (in the target countries) and with the policy of the Organization. It

is assumed that consistency with UNIDO objectives and policies (and thus the relevance for UNIDO) increases with the integration of ITPO activities in the UNIDO programmes and ITPO networks.

The development objectives of ITPO as stated in the project documents comply with the UNIDO mandate as stipulated in the Decision 18 of the General Conference 2003. The ITPO complies also with broader UNIDO objectives of environment protection (“green” industrial parks, CDM projects) and SME and private sector development (cooperation with the China SME Association). Focus in outward investment on Africa is also in line with UNIDO priorities. However, promotional activities supporting Chinese outward investment to developed countries (support to presentations by Invest in Italy and London Development Plan in 2005) are not in line with the objectives of UNIDO and some sectors in which ITPO was active are also outside of the UNIDO mandate (such as tourism, city information systems).

The relevance for UNIDO can be further enhanced by more extensive outreach to the Western and Northeastern regions of China and further capacity building in other developing countries.

For UNIDO it is important that the ITPO is well integrated in the UNIDO programmes and the UNIDO ITPO Network. As stated elsewhere, there is a room for improvement. The biggest potential benefit for UNIDO of having the ITPO Beijing in the ITPO Network is the experience the ITPO Beijing has been accumulating from various non-standard activities in investment promotion, including mobilization of private equity and venture capital funds, and the networks of local partners and experts that can be used for other UNIDO programmes in China and by the ITPO network as well.

## **7.2 Effectiveness**

Effectiveness is understood as the extent to which the objectives of an intervention were or are expected to be achieved. The objective of the ITPO as specified in the Terms of Reference attached to the Agreement is to “... promote the mobilization of investment resources (finance, technology, know-how, market access, managerial support, etc.) from abroad to the People’s Republic of China, as well as from the People’s Republic of China to other developing countries.” As explained elsewhere, the ITPO Beijing nowadays operates primarily at government and institutional levels. Provincial and municipal governments (in particular their departments in charge of investment promotion) are the most frequent clients of the ITPO and it is through these organizations that individual companies can become beneficiaries of ITPO or ITPO-initiated services. This reflects the objective as formulated in the most recent project document (supporting „the Chinese public and private sectors in their efforts to stimulate inward and outward foreign investment as well as two track technology promotion...” ) Thus the outputs and outcomes should be not only those of mobilized investment resources, but also capacity building for ITP, both in China and in the developing countries. The assessment of effectiveness follows the structure of the Overview of Activities in Annex 3 with the understanding that some interventions may result both in mobilization of resources and capacity building outcomes.

### Outward investment and technology promotion

The Annual reports summarize the outcome of ITPO interventions in outward ITP as follows:

**Table 5: Concluded projects, outward, 2005-2008**

|                        | 2005 | 2006 | 2007 | 2008 | Total |
|------------------------|------|------|------|------|-------|
| Number                 | 3    | 2    | 1    | -    | 6     |
| Investment in USD mil. | 7,5  | 2,4  | 2,4  | -    | 12,3  |
| New jobs               | 780  | 120  | 60   | -    | 1083  |

The above outcome results from numerous promotional activities directed both at outward ITP-oriented organizations/agencies, foreign delegations, officials from developing countries attending MOFCOM seminars (altogether 80-100 officials/members of delegations annually) as well as individual companies (direct advice to companies on existing policies, incentive schemes, contact channels, due diligence of partners, etc.) The most successful activities were those carried out through the ITP-oriented organizations (in particular Africa-Invest.Net and Ocean Tomo), hence the concluded projects were located primarily in Africa (Uganda, Kenya, Zambia, Zimbabwe). Awareness raising and briefing of government officials at MOFCOM workshops initiated negotiations and implementation of an industrial park in Tunisia.

The evaluation mission could not, due to time and financial constraints, verify the data from the Annual Reports by visiting the companies themselves but an interview particularly with the Ocean Tomo seemed to confirm success in mobilizing Chinese SMEs for establishing manufacturing and trade businesses in Africa.

### Inward investment and technology promotion

The Annual reports summarize the outcome of ITPO interventions in inward ITP as follows:

**Table 6: Concluded projects, inward, 2005-2008**

|                        | 2005 | 2006 | 2007 | 2008 | Total |
|------------------------|------|------|------|------|-------|
| Number                 | 4    | 2    | 2    | 3    | 11    |
| Investment in USD mil. | 14,6 | 6,2  | 26   | 15   | 61,8  |
| New jobs               | ...  | 121  | 700  | 240  | 1061  |

The above outcome results from support to the EU funded investment promotion programmes (Yellow River Delta Enterprise programme in 2006-2007, EU-China Shanxi Region Partnership project 2007-2008) and from promotional activities directed at individual companies (direct advice on investment opportunities, business plans and matchmaking; organization of business missions to developed countries). The largest

single project (in terms of investment and employment) was the Hunchun Baoli Electronic Industries Park (USD 25 mil., almost 700 jobs) started as Phase 1 in the Tyumen region in 2007. While in some cases the projects are attributed to several agents involved, in this particular case the ITPO was instrumental in bringing the foreign investor to the site and helping him in negotiations and implementation of the project.

The above table with inward investment includes projects concluded in the context of the EU Asia Invest programme in the Shanxi Region. In 2006 ITPO Beijing supported the Taiyuan Municipal Government in writing and winning a proposal for an EU grant for 300 000 € for a business matchmaking between SMEs from the Shanxi region and several EU countries. The grant was awarded in July 2007 and the programme implemented in the course of one year. ITPO Beijing supported its implementation by technical assistance, development of an online matchmaking platform, seminars for the participating Chinese and European companies and support to local programme management in reporting to stakeholders. Altogether 128 Chinese and 56 European companies attended the meeting; over 30 contracts or letters of intent were signed with a value of RMB 650 mil. (over USD 100 mil). As often in such cases, in the detailed negotiations that followed only some cooperation projects survived. A follow-up in April 2009 found that 5 projects continued negotiations or were being implemented (total investment USD 4 mil.) For more information about the projects and companies involved see Annex 4.

The above table does not include outcome of online matchmaking carried out by the Shenzhen Heromet Investment Co. Ltd., supported by ITPO Beijing in designing the online matchmaking platform on [www.investguide.cn](http://www.investguide.cn).

Considerable inward investment may result in the near future from the activities of the “Cluster Development and Capital Operations” programme. The first one is ongoing in the Langfang city. The municipal government and local industrial community were advised on the development potential of the region in the context of which a bulky cluster analysis report was prepared by a US consulting company. The report served as guidance for motivating and selecting companies for investment promotion. ITPO organized training on capital operations for the participating companies and government staff and mobilized Private Equity/Venture Capital funds for negotiations with the companies. The first round of negotiations between 5 selected big companies and about 8 investment funds did not bring any tangible results and 2 companies stepped out of the process completely. In the second round (2009) - in addition to working with the remaining 3 companies - it is intended to address and screen additional 20 high tech SMEs and support them to create conditions for matching with PE/VC funds. The purpose of such complex operations is not only to bring in capital but also to do it in conformity with the development requirements of the region. In case of success (and if fact also failure) the approach and experience should be evaluated and shared with HQs.

Similarly, considerable investment may be mobilized in the course of assisting the Golden State Renewable Energy Company (GSREC) in soliciting investors and carbon buyers for CDM projects (three windmills, biogas projects). The most advanced project is the biogas from pig manure in the Henan province, for the feasibility study of which ITPO managed to mobilize a grant of USD 100 000 from the US EPA. If proved feasible, the plant (3 MW) would require approximately RMB 100 million (approx . USD 15 million) investment.

Some inward investment promotion in 2005 was carried out outside the manufacturing sector. In some cases the activities did not progress beyond the initial contacts (media industries, healthcare), but some activities in the tourism sector were more extensive and progressed to negotiations between foreign investors and relevant Chinese organizations (hotel management school in the Sichuan province, Austria-China project to introduce luxury train operation in China). In the case of the hotel management school an agreement was reached between a Dutch University and a training college in Sichuan.

ITPO Beijing also successfully intervened in the process of choice of technology for some government projects (assessment and selection of a refuse incineration technology).

### Capacity building in China

#### *Central and local government bodies*

Most ITPO activities result in capacity building at local (provincial or municipal) or central levels. In general, the advisory services and training upgraded the competences of staff and helped in introducing better working procedures and formats. ITPO has been extensively advising several local governments on economic and high-tech zones. An analysis on sustainable development of economic zones was conducted jointly with the China Economic Zone Association. The most extensive support to local governments in the field of economic zones and parks has been provided by the members of the Green Industries Expert Committee: its members have advised local government on the establishment and operation of environment-friendly industrial parks and zones. Usually, upon invitation of local governments a team of experts carries out a field study, prepares a proposal and, if accepted, a plan for 5 years. The plan includes investment project proposals. Training of the local investment promotion agency on UNIDO tools (project format) is a part of the capacity building service. Since 1998, when the Committee was established, its members have assisted in establishing 39 “green” parks and zones; 21 are still operating.

Similarly, another team of experts mobilized by ITPO has carried out analysis of the investment environment in several cities. The analysis served the municipal governments in upgrading/adjusting local regulations and/or policies and investment plans. In the period 2005-2008 five such analyses were carried out but a follow-up by the municipal governments could not be verified. The ITPO also supported the establishment of an Investment Promotion Centre in Shandong.

The ITPO also participates in activities at central level, for example by chairing an inter-ministerial task force on Intellectual Protection Rights, elaborating studies and participating in discussions on desirable scope of FDI inflow („FDI scale management studies“), advising MOFCOM experts on modalities of China overseas investment, etc. The ITPO continues to support and upgrade the capabilities of CECIC, once one of the extended centres of ITPO in charge of investment project appraisal. More recently, ITPO liaised with the Centre for Science and Technology Innovation (under the Academy of Science and Technology) advising them on strategy for outward technology promotion (avoiding high-tech and focusing on mature technologies in critical fields for the developing countries, such as water treatment, environment, farming techniques, food processing, energy.) The Centre expects ITPO to use the ITPO network in helping to

implemet the strategy. The ITPO is also in working contact with the National Science and Technology Venture Capital Development Centre and has advised it on the assessment of business plans.

#### *Private agencies*

Assistance to private agencies/companies reported under the inward and outward promotional activities (Africa-Invest.Net, Ocean Tomo, online matchmaking agencies) has also had capacity building dimension. As regards online matchmaking, ITPO Beijing has supported three organizations in establishing and continuous upgrading of their websites. The most significant one is the Shenzen Heromet Investment Co. Ltd., (mentioned already above). The company (approximately 200 staff) captures on its website over 20000 continuously updated project opportunities in all sectors (not only manufacturing). It is targeted at overseas Chinese (who represent the bulk of inward FDI to China) and has only a Chinese version. To get access to more detailed project data, potential investors have to pay a fee. ITPO Beijing has assisted the company in designing the website, including the format for project entry, using the short UNIDO project profile format, and in continuously upgrading the site. Thus, it contributed to its profitability and sustainability.

#### *NGOs*

The ITPO held a seminar for secretary-generals of 26 sector committees of the All China Federation of Industry and Commerce and conducted several training workshops for SME associations on how to do international business. The representative of the association of SMEs in the jewellery sector expressed appreciation to the evaluation team for the services provided by ITPO.

#### *Upgrading knowledge of ITPO staff*

ITPO organizes informal (“Brown bag”) lunch sessions with presentation and discussion of professional issues related to investment and technology promotion. Sometimes external experts are invited to introduce and lead the discussion. The ITPO also disseminates, via e-mails, to the network of working partners’ generic ITP-relevant information (News Watch) compiled in the course of project elaboration. These activities not only upgrade knowledge of ITPO staff and associated experts and partners but also contribute to team building.

#### Capacity building in developing countries

The most extensive and significant contribution of ITPO Beijing to capacity building in the developing countries was briefing and training of government officials from developing countries who participated in workshops organized by MOFCOM. MOFCOM organizes every year several such training sessions, each lasting two to three weeks. The total number of participants ranges between 80 and 100 every year. ITPO Beijing assisted MOFCOM in providing lecturers, updating briefing papers on Chinese investment and technology policies and other segments of the economic reform as well as by organizing meetings with Chinese investors. While such a meeting initiated for example the

establishment of an industrial park in Tunisia and, thus, supported outward investment, the major outcome of this activity is increased awareness of potential partners in the developing countries about the economic system in China. Besides, ITPO Beijing keeps the contact data of all participants in a database so that these contacts can be referred to when advising Chinese companies going abroad.

ITPO Beijing did not carry out a Delegate Programme.

### Global forum activities

ITPO Beijing has been very active in co-organizing or supporting numerous conferences, symposia and other forums. Some of them had global outreach, others national or regional coverage. As regards global forums, ITPO Beijing co-organized or supported a number of meetings organized by MOFCOM or MOFCOM affiliates. Some global forums were co-organized with other organizations, for example the conference on Growing Capital and Corporate Governance and Industrial Clustering, which was co-organized with IFC Global Corporate Governance and the Shenzhen Council.

The ITPO actively participated also at global forums in Hongkong and in other countries. Active participation at such forums increased the visibility of the ITPO Beijing, extended their network of contacts and raised interest in their services, as was the case of US EPA showing interest in and granting funds for a feasibility study for a CDM project in Henan province (biogas from pig manure) presented by ITPO at the Shenzhen 2008 conference.

ITPO Beijing co-organized or actively participated at a number of national or provincial forums. Some of them were held in association with provincial investment and trade fairs and promoted trade, investment and transfer of technology. Such forums also contribute to capacity building in China. Active participation of ITPO staff at such forums very often resulted in establishing contacts with local governments or other participants and generated interest in ITPO services.

## **7.3 Efficiency**

Efficiency is understood as a measure of how economically inputs (through activities) are converted into outputs. There may be different approaches to comparing inputs and outputs. In some cases it is possible to single out an output or a group of outputs and identify activities and costs needed for their production. The investment promotion programme in the Shanxi province can be a good example: the EU grant of 300 000 € to finance mobilization and matchmaking of European and Chinese SMEs plus numerous administrative activities of the provincial organizations (as contributions in kind) resulted in business (investment or technology transfer) contracts in the range of USD 4 million. This programme was not an ITPO programme (ITPO Beijing only supported the municipal government to access the EU funds and to implement the programme) but it demonstrates that investment promotion programmes or projects targeting SMEs usually require considerable time and financial resources and their efficiency is modest.

Higher efficiency can be expected from the on-going programme in the Langfang city if matchmaking between the selected companies and venture capital and private equity

funds is concluded with acquisition contracts. First, the value of the acquisitions can be expected to be higher (compared to values of joint ventures among SME partners in the EU programme). Second, the quality of the investment (in terms of due regard to development priorities) should be high due to the development-oriented selection of the Chinese companies (cluster analysis) and upgrading management of those companies prior to negotiations with the investment funds.

As an example of low efficiency one can refer to the UNIDO Exchange. It required a lot of working time to compile the required information and place it on Internet and yet the system was never fully operational and became dormant. This, however, is to be attributed to the management of the UNIDO Exchange at the Headquarters.

In addition to project-related efficiency considerations one can view the efficiency as a relation between the ITPO budget and the sum of all outputs (mobilized resources, capacity building). Though the sum of the outputs cannot be expressed in monetary terms, the overview of outputs and outcomes as described in preceding chapters is considerable and surprisingly extensive when related to the rather small budget of ITPO. As explained in the chapters on Financial implementation and Coordination arrangements, this is to a great extent due to low staffing, national recruitment of staff and mobilization of local experts to carry out some ITPO-initiated and coordinated activities without charging the ITPO budget. Also in the case of the ITPO staff the Back-to-office mission reports very often record that the travel and/or accommodation costs of the ITPO staff were borne by the client. The professional, responsive and pro-active management resulting in speedy and client-oriented services also supports efficiency of the ITPO Beijing. It can be further increased by synergies through more intense cooperation within the UNIDO Country Programme in China and with UNIDO Headquarters and the ITPO network.

#### **7.4 Impact and sustainability**

Investment and technology promotion resulting in the mobilization of financial, technology, managerial and other resources should contribute to economic growth and positive social and environmental effects. As specified in the chapter 7.2 Effectiveness, during the period 2005-2008 the ITPO Beijing mobilized about USD 60 million for inward investment and USD 12 million for outward investment. The new investment projects should bring over 1000 new jobs both in China and in Africa. Given the size of the ITPO and its resources this in itself is a commendable result but in relation to the inflow of FDI to China and the needs of many African countries, it is of marginal importance. Furthermore, for several reasons any assessment of contribution to the economic, social and environmental changes resulting from resources mobilized by the ITPO Beijing can be only partial. First, ITPO Beijing was not the only player contributing to the above results. Second, the actual implementation of the projects could be verified only partially and their actual impact (production, profits, technological spill over, wages, environment, etc.) could not be monitored or assessed at all.

However, having moved from direct project-level mobilization of resources upstream to advisory and capacity building services at government and institutional levels the major impact of ITPO Beijing needs to be seen in pioneering new concepts and ideas and in capacity building. As described in other chapters, ITPO Beijing initiated a number of new ITP-related approaches and schemes, usually through conferences, fairs and other forums,

or through pilot projects or training. It is also documented in other chapters that the ITPO Beijing has cooperated with numerous organizations, very often with the purpose of upgrading their capabilities. Frequently the capacity building included dissemination and training in the use of UNIDO tools, such as the format of project profiles and COMFAR. The scale of capacity building activities has been considerable and the evaluation team could record that such services are appreciated by the organizations concerned.

The question arises to what degree such a capacity building is sustainable. Fast development of the country accompanied by changes in its institutional framework may render some capacity building outdated. On the other hand, keeping continuous and long term contacts with the cooperating or supported organizations contributes to sustainability of the capacity building efforts. This approach bears fruit even when the organizational framework changes, as the case of the ITPO focal points established in the 1990's in several provincial governments can illustrate: though formally these focal points do not exist any longer, the transformed institutional structures still benefit from the previous experiences and capacities and some of them continue cooperating with the ITPO. The other approach to support sustainability of capacity building is to be demand oriented and to focus on those partners and beneficiaries who have not only the professional competence but also the managerial will to absorb and sustain the ITPO assistance.

The above applies to capacity building in China. As explained in the Effectiveness chapter, capacity building in the developing countries is less pronounced and – without the Delegate Programme – is confined primarily to awareness raising of government officials participating at MOFCOM workshops. The large number of participants seems to be more important for creating awareness in the targeted developing countries about China and its economic system than sustainability of each and every upgraded knowledge and information.

ITPO Beijing is not a national institution building project, ITPO will not sustain once the project is completed. In spite of that, the ITPO introduced activities upgrading knowledge and capabilities of their staff and associated experts. Though not sustainable in terms of institution building, such activities contribute to broadly conceived capacity building and it can be expected that the upgraded knowledge will continue to be used in the country even if and when the ITPO project is concluded.

# 8

## Conclusions

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### 8.1 Strengths

- Professional, dynamic and dedicated leadership agile to respond to changing policy and institutional environment and to venture into new fields and apply new approaches
- An extensive and active network of partners and personal contacts in the institutional framework, both at the government level, in the private sector and NGOs
- Good relations with and backing by the Government counterparts (MOFCOM, CICETE)
- A team of professional and assertive external experts associated with the ITPO
- Marketing of the services through active and competent participation at various forums (conferences, symposia, seminars)
- Good reputation as a trustful partner created by responsiveness and quality of services and supported by the UNIDO identity
- Good results in strengthening investment and technology promotion-related capacities in China
- Attention paid to environmental issues
- Focus on Africa
- Concrete results, including the success story of the Baoli Electronic Industries.

### 8.2 Weaknesses

- Low budget and the small number of regular staff with the following implications:
  - little capacity building in the developing countries (no Delegate Programme)
  - little outreach to the Western and North-eastern regions in China
  - dependence on extra-budgetary resources
- The need to replenish the Government contribution in kind by income generated by ITPO and constraints to do it in a standard way due to lengthy and cumbersome approval processes of extra-budgetary “IP” projects with the effect of mobilization of extra-budgetary resources indirectly and outside of the UNIDO formal framework for project approval and management
- Inadequate contacts with some units at UNIDO HQs and the ITPO resulting in inadequate awareness by UNIDO HQs of some ITPO activities carried out under UNIDO logo and of the ITPO of HQ programmes.

# 9

## Recommendations

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### To UNIDO HQs and the Government

- Extend the project for another 3 years.
- Update the Agreement between UNIDO and the Government of the People's Republic of China on the Establishment of a UNIDO Investment Promotion Service Office for the People's Republic of China in Beijing signed in 1995 in order to reflect in the Terms of Reference attached to the Agreement new needs and priorities and the existence of new UNIDO policies and guidelines applicable to the UNIDO ITPO Programme and Network.

### To the Government

- Consider the possibility of increasing the ITPO budget in order to facilitate implementation of the Delegate Programme, more intensive activities in the Western and North-eastern regions of China and recruitment of experts responsible for the Cluster Development and Capital Operations programme.
- Alternatively, refrain from repayment of the Contribution in kind at least until a fast track for approval and implementation of projects funded by extra-budgetary resources is made operational by UNIDO.

### To UNIDO HQs

- Acknowledge the upstream orientation of the ITPO, with institutions and local governments being its main clients, and reflect this orientation fully in the objectives and outputs of the forthcoming project document, also with due consideration of the diversity of the ITPO services in the field of investment and technology promotion.
- Support the ITPO Beijing in mobilizing external resources for implementation of activities initiated and designed by ITPO Beijing but address the issue of local experts without contractual links to ITPO carrying out the activities under the UNIDO-ITPO logo. Acknowledging the relevance of the activities carried out by the local experts and importance of the UNIDO-ITPO logo for them, preference should be given to solutions allowing the use of the UNIDO-ITPO logo, such as
  - designing and introducing simplified formats and procedures for formulation, approval and monitoring of extra-budgetary ("IP") projects,

- including the possibility of delegating approval of agreements with ITPO stakeholders to the Regional Office
  - negotiating with the counterpart an increase of the ITPO budget to enable the recruitment of local experts as national or short-term experts of the ITPO.
- Review the written cooperation agreements between the ITPO Beijing and other organizations in order to establish their compatibility with UNIDO rules and regulations and advice on corrective measures, if required.
- When elaborating the new Operational Manual for ITPOs specify also the reporting requirements towards a UNIDO field office, if there is any for the country.
- Review and update, if required, the procedures to be applied by ITPO staff when assisting the local organizations in accessing EU funding
- Involve ITPO Beijing in the preparation of the new Operational Manual for the ITPOs and in particular in the preparation of the guidelines for the “IP” projects.
- Pay special attention to the ITPO-initiated and coordinated activities in establishing contacts and mobilizing private equity and venture capital funds for investment in selected Chinese companies; evaluate this experience for sharing the lessons learned with the whole ITPO network
- Encourage the substantive Branches concerned to establish and maintain direct contacts with the ITPO Beijing and adjust the reporting requirements and information flow accordingly; in particular ensure that the Private Sector Development Branch gets acquainted with the substantive reports and approaches of the Cluster Development and Capital Operations team and vice versa.

## **To ITPO Beijing**

- Increase attention to outward investment and technology promotion, while maintaining the focus on Africa; for this purpose
  - establish contact and assess the usefulness of cooperation with the China-Africa Business Council
  - consider starting and implementing a Delegate Programme, both to support outward investment and technology promotion and to contribute to capacity building in the developing countries
- In inward investment and technology promotion shift the attention to the Western and North-eastern regions of China
- Under the current financial crises, continue advising the governments and organizations on upgrading the quality rather than increasing the quantity of inward flow of investment and technology, having in mind particularly the requirements for long-term sustainable development (low carbon economy, energy efficiency, clean tech, renewable energy, job creation)
- Focus on the manufacturing sector and avoid engagement in the sectors outside of the UNIDO mandate
- Make full use of the professional and information resources of UNIDO and its ITPO and other networks and align the activities with UNIDO programmes; in this context
  - establish contact with the Private Sector Development Branch, learn about their industrial cluster programme and tools and provide them with

- documentation on the activities and substantive reports prepared in the course of the Langfang project
  - activate contacts with other UNIDO Branches, ITPOs, IPU and IPAs (mainly in Africa) and ITCs and SPXs that may serve as sources of information or with whom some activities can be coordinated
  - in case that the Delegate Programme is started, coordinate the selection of delegates with other capacity building projects of UNIDO in order to achieve synergy
- Once completed, evaluate the experience of the Cluster Development and Capitol Operations in the Langfang City, in particular the mobilization of venture capital and private equity funds, and share the experience with the entire ITPO network
- In outward investment promotion, if engaged in supporting mergers and acquisitions by Chinese companies abroad
  - stay away from operations in the developed countries
  - in the developing countries confine attention to SMEs in manufacturing and coordinate activities with partners in the UNIDO networks (mainly IPAs and IPU)
- Review and, wherever useful, activate cooperation with other projects of the UNIDO Country Programme; in particular review the possibility and usefulness of cooperation with the UNIDO South-south Centre
- Contact also the National Cleaner Production Centre in Beijing, a former UNIDO project, to inquire about usefulness of possible cooperation with the Green Industry Experts Committee in advisory services to the industrial parks and zones or in other ITPO activities and discuss possible areas of cooperation
- Participate in drafting the future project document, design the Outputs to meet the actual needs and expected outcomes and structure the Annual Work Plans accordingly; ensure that the Annual Reports follow the structure of the Annual Work Plans
- Ensure that a distinction is made and understood by the ITPO staff and cooperating partners between UNIDO and UNIDO ITPO (refers to the use of the logo, to references to „UNIDO projects“, etc.); avoid excessive use of the UNIDO logo.
- Ensure that essential documents prepared by the ITPO Beijing (including internal management circulars, cooperation agreements and reports annexed to the Annual Reports) are in English as the working language
- Improve the ITPO Beijing website by placing there information on forthcoming events and by establishing link with the UNIDO website; consider placing there also some information disseminated currently via e-mail as Daily Watch.

# 10

## Lessons learnt

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- Even in a country with a huge FDI inflow the ITPO can find a role for itself and become relevant by advocating and experimenting new approaches to investment and technology promotion; UNIDO identity helps in playing this role, in marketing the services and creating a network of partners and beneficiaries
- One of the more recent new approaches is mobilization of private equity and venture capital funds for acquisitions in Chinese companies with due consideration of structural and regional development objectives; within a year this experience will be evaluated and the analysis of success or failure of this initiative will contribute to lessons learned
- In the course of many years of ITPO operations their orientation change in response to changing policy and institutional environment while the Terms of Reference attached to the Agreement between UNIDO and the Government constituting the ITPO are not adjusted and become outdated in some aspects. Similarly the project documents tend to follow structures of the logframe designed in the past, not reflecting enough the new orientation.
- Recruitment of ITPO professional staff as national professional officers (BL 12) and national experts (BL 17) and avoiding recruitment under BL 11 as international experts can contribute to reduction of personnel costs without jeopardizing professional competence and dedication of the team. What is critical is a professionally competent Head with leadership qualities and capacity to establish and maintain contacts with partners.
- Small size of the office is a constraint in unfolding activities on a scale broad enough to achieve visibility; therefore it prompts the need to engage external expertise and resources. It is important that the rules and regulations allow for flexible and smooth approval and implementation of the use of such extra budgetary resources.
- Synergy among projects in a country programme could be increased if provisions for joint activities are made already in the relevant project documents.

# **Annexes**

## **Annex 1: Terms of Reference**

### **Independent Evaluation of the UNIDO Projects:**

**TF/TN/GLO/04/012**

**“UNIDO Services in Beijing for the Promotion of Industrial Investment/technology transfer in Developing Countries (Investment and Technology Promotion Office)”**

**TF/TN/GLO/07/032**

**“Investment and Technology Promotion Office for China in Beijing”**

### **I. BACKGROUND**

The ITPO in Beijing is one of 14 offices of the UNIDO ITPO Network. Its predecessor was the UNIDO Beijing International Industries Centre founded in 1989. The name was changed to UNIDO Investment Promotion Service for China in Beijing, based on an Agreement between UNIDO and the People’s Republic of China, on 23 December 1995. It is funded by the Government of the People’s Republic of China through a yearly contribution to UNIDO through the China International Centre for Economic and Technical Exchanges (CICETE), Ministry of Commerce. The Agreement, in the form of an Exchange of Letters, has been repeatedly renewed and extended.

The main objective of the ITPO Beijing is to expand cooperation between the Chinese 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. It also aims to promote two-track technology and trade promotion –hi-tech from other countries to China and the transfer of Chinese applied technology to other countries. It was also to focus 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 projects TF/TN/GLO/04/012 cover the period 1 January 2005 until 31 December 2007. The current Agreement as well as the Project Document (TF/TN/GLO/07/032) cover the period 1 January 2008 to 31 December 2010.

## II. BUDGET INFORMATION

| Project No.   | Total Allotment US\$ | Total Expenditure US\$ | % Total Implemented |
|---------------|----------------------|------------------------|---------------------|
| TF/GLO/07/032 | 24,474.10            | 16,776.78              | 68.55%              |
| TN/GLO/07/032 | 198,554.96           | 191,511.83             | 96.45%              |
| TN/GLO/04/012 | 355,782.75           | 355,782.75             | 100%                |
| TF/GLO/04/012 | 32,375.45            | 32,375.45              | 100%                |

Source and date of information: Agresso as of 9 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 Beijing 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, IPU, 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 Beijing 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 8 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 Beijing 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 Beijing 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**

| <b>Report quality criteria</b>  | <b>UNIDO Evaluation Group Assessment notes</b> | <b>Rating</b> |
|---|--|---------------|
| 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?   |  |               |

**Rating system for quality of evaluation reports**

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 2: List of persons met***

### UNIDO Vienna

|                     |  |
|---------------------|--|
| Mr. S. Ajmal        | UNIDO Representative and Head, Regional Office, Beijing                        |
| Mr. Y. Akhlevdiani  | Unit Chief, ITPO Coordination Unit, PTC/ITP                                    |
| Mr. R. van Berkel   | Unit Chief, Cleaner and Sustainable Production Unit, PTC/EMB                   |
| Ms G. Ceglie        | Unit Chief, Clusters and Business Linkages Unit, PTC/PSD                       |
| Ms M. de Goys       | Director, Evaluation Group, OSL  |
| Ms F. Haidara       | Director, Special Programmes Group, PCF  |
| Mr. V. Kozharnovich | Senior Industrial Development Officer, TPU, PTC/ITP                            |
| Mr. M. Kulur        | Unit Chief and Dep. to Dir., Investment Promotion Unit, PTC/ITP                |
| Mr. P. M. Kormawa   | Adviser to the DG, International Financial Institutions Partnership Unit       |
| Ms. D. Liang        | Director, Investment and Technology Promotion Branch, PTC                      |
| Ms. M. Lukumbuzya   | Programme Associate, ITPO Coordination Unit, PTC/ITP                           |
| Ms M. Ploutakhina   | Industrial Development Officer, Energy Policy and Partnership Unit PTC/ECC     |
| Mr. A. Scherney     | Investment Promotion Unit, Analyst/Programmer, ITPO Coordination Unit, PTC/ITP |
| Ms. G. Spina        | Assistant, Resource Mobilization and Quality Assurance Branch, PCF             |
| Mr. M. Tsukiji      | Unit Chief, Technology Promotion Unit, PTC/ITP                                 |
| Mr. I. Volodin      | Unit Chief, Water Management Unit, PTC/EMB                                     |
| Mr. R. Williams     | Unit Chief and OiC, Energy Efficiency Unit, PTC/ECC                            |

### Permanent Mission of CPR

Mr. Guo Li                      First Secretary

### China International Centre for Economic & Technical Exchanges, MOFCOM

Mr. Deng Zhihui              Division Chief of Programming  
Ms. Luo Lin                      Programme Officer

### UNIDO Regional Office China

Mr. A. Amadio                  Industrial Development Officer (Office-in-Charge)  
Mr. Ma Jian                      National Programme Coordinator

### UNIDO ITPO-Beijing

Mr. Hu Yuandong, Head of the Office  
Ms. Feng Xiaohong National Programme Officer  
Mr. Dimitri de Boer Team leader of EU programs  
Miss. Li Xiao Administrative Assistant

### Local experts cooperating with ITPO Beijing

Mr. Huang Jing Consultant & Team Leader of Investment Environment Analysis  
Mr. Wu Wenhui Consultant & IPR Task Force/China Software Alliance  
Mr. Roy Luo Xiang Program Director of Industrial Clusters and Capital Operation  
Ms. Sun Jue Team Leader of Clean Tech & Renewable Energy Programme

### UNIDO ITPO-Beijing Green Industry Expert Committee

Mr. Geng Jinhu Executive Deputy Director (Office-in-Charge)  
Mr. Liu Lianke Executive Deputy Director & Senior Economist  
Mr. Ding Yuhua Deputy Director  
Ms. Li Ping Secretary General

### UNIDO Center for South-South Industrial Cooperation in China

Mr. Tan Weiwen Director

### UNIDO ITPO-Beijing Partners & Clients

Mr. Guo Zhonghua Chief Representative, Canadian Imperial Bank of Commerce China  
Mr. Yang Lei Principal, Vantage Point (Beijing) Investment Management Co., Ltd.  
Ms. Zhang Rongrong CECIC New Material Investment Co., Ltd.  
Ms. Lin Wenying Vice President/Deputy Chief Editor, China SME Magazine  
Ms. Lu Wenjing Vice SG of Chamber of Commerce for Jewellery & Precious Metals Industry of All-China Federation of Industry & Commerce  
Mr. Y. Xiong Assistant Director, National Science and Technology Venture Capital Development Centre, Ministry of Science and Technology  
Mr. Zhao Gang Director, Chinese Academy of Science and Technology for Development, Ministry of Science and Technology  
Mr. Liu Youfa Minister Counselor, Ministry of Foreign Affairs  
Mr. Zhou Jianbin CEO of Antai Globe Risk Management Tech Co., Ltd.  
Mr. Wang Wenming President of Africa Invest Net (China)

|                  |  |
|------------------|--|
| Ms. Tan Lei      | Project Manager, Intl. Dept. Africa Invest Net   |
| Mr. Min Sen      | Researcher of Intl. Academy of Econ & Trade Cooperation,<br>MOFCOM                             |
| Mr. Dong Wencai  | Office Director, Government of Langfang City, Hebei<br>Province                                |
| Mr. Zhang Ping   | Director of Investment & Cooperation Bureau, Langfang<br>Economic & Technical Development Zone |
| Mr. Tian Jun     | Director of Investment Service Centre, Langfang<br>Development and Reform Commission           |
| Mr. Li Huaizhang | Chairman of Langfang Bohai Eco Tech Valley   |
| Mr. Chen Guirao  | Executive Vice President, Langfang Bohai Eco Tech Valley                                       |
| Mr. Hao Yushan   | Director of International Investment & Cooperation,<br>Langfang Bohai Eco Tech Valley          |
| Ms. Haley Wang   | Manager of Strategic Development, Golden Valley<br>Optoelectronics Co., LTD.                   |
| Mr. Charles Hou  | Senior Vice President, Golden State Holding Group<br>Corporation                               |
| Ms. Sophie Song  | Division Chief of Business Development, Golden State<br>Renewable Energy Corporation.          |

### ***Annex 3: Overview of activities, 2005 – April 2008***

The overview of types of activities in this report is based primarily on the Annual Reports for the years 2005-2008. The structure of the Annual reports only partly follows the structure of the annual Work Plans because the actual activities sometimes differed from the planned ones and their structure (Outputs) also changed from year to year. Therefore the following summary structure of the types of activities outlined by the evaluation team only partly follows the structure applied in the Annual reports.

#### ***Outward investment and technology promotion***

-Advisory support to private companies promoting outward investment (Africa-Invest.Net, Ocean Tomo)

-Briefings on investment and technology promotion and policy reforms for government officials from developing countries invited to workshops annually by MOFCOM, and mobilization of potential Chinese investors for meetings with the workshop participants

-Organizing/supporting business missions abroad (Brazil 2005, Africa 4 missions in 2006, 3 missions in 2007)

-Providing assistance to country presentations (2005: Nigeria trade delegation, Russian Federal Agency for Free Economic Zones, Confederation of Indian Industry; Invest in Italy, London Development Agency; 2006: seminar on Zimbabwe Trade and Investment; presentation by the Nigerian trade delegation ; roundtable „London – Navigator of Chinese Enterprises“ with the delegation of the Mayor of London)

-Roundtables, seminars, training workshops on outward investment (2006: workshop on SMEs Overseas Investment, organized with China Business Association; forum on Africa Mining and Energy Industries; 2007: workshop on Investment Promotion and Technology Transfer through South-South Cooperation, Xiamen; seminar on Enterprise Investment Risk Management , co-organized with Asia Association of Risk and Crises Management, Beijing; 2008: seminar on Investment Opportunities in Africa, Beijing, co-organized with the Training Centre of MOFCOM; seminar on Risk Control of Outward Investment, Wuxi City, co-organized with the Asia Association of Risk and Crises Management,)

-Advisory support to the Chinese Government agencies, such as cooperation between China-Africa Development Fund (USD 1 billion to encourage Chinese enterprises to invest in Africa) and the UK Development Partners International

-Direct advisory services to individual enterprises (40 enterprises in 2008 alone)

-Identification of Chinese technologies for promotion abroad (solid water, the Composite Microbe Fertilizer, thermal insulation construction material, electrolysis drinking water dispenser, etc.)

### ***Inward investment and technology promotion***

-Assisting local governments to access EU funding for investment and technology promotion and to implement the approved EU programmes (Asia Invest – 3 applications, one granted; Switch Asia – 4 applications, one granted)

-Assisting local governments and industry in formulating development programmes/projects and mobilizing investment funds for their implementation

-Cluster Development and Capital Operations (Private equity-PE/venture capital-VC), including training of government and industry staff in investment and corporate management

-Cleantech/CDM programme activities: Supporting Golden State Renewable Energy Company (GSREC) in soliciting investors and carbon buyers for CDM projects (biogas from pig manure in Henan province)

-Advising agencies and companies operating on-line (internet) systems of matchmaking

-Organizing panel meetings for entrepreneurs and investors from developed countries (assistance to over 20 investment promotion tours /presentations in 2007 alone; hosting a reception with Emerging Market Private Equity Association for their PE partners, New York, 2007)

-Organizing business missions of Chinese companies to the developed countries (business missions to USA 2006, 2007)

-Advising individual companies on their investment and technology projects in China (Baoli Electronic Industries Park, Hotel Management School, refuse incineration, etc.)

### ***Capacity building in China***

-Advisory analytical and planning services to local governments, organizations and industry

-carrying out City investment environment analysis

-advisory services by members of the Green Industries Experts Committee

-specific analysis and proposals (China Township Comprehensive Development - Feicheng Model, 2006; Evaluation of the Zhuhai City Information System, 2006,

-assistance in establishing the Investment Promotion Centre in Shandong;

-assistance in implementing the Langfang Science and Technology Valley

-assistance in implementing the Wendeng Economic Development Park

-Assisting central government bodies and organizations (MOFCOM, MOST, CICASME, CECIC) in designing ITP-conducive policies and institutional frameworks and training (FDI scale management studies, Intellectual Property Rights, etc.)

-Seminars, workshops, training workshops (a number of training workshops on project identification, formulation, screening and promotion; workshop on International Project Financing, Taiyuan; seminar on Baigou Sustainable Development, Gaobeidian City;

seminar on Investment Risk Management, Guanzhou City; training workshop for GSREC on Carbon Trading and Direct Investment)

-On-line seminar on Industry Clusters and SME Development with four cities in the Western Region

-Supporting ITP-related Chinese NGOs or participating in their activities (briefing secretaries of the All China Federation of Industry and Commerce, training of SME associations on investment promotion)

-Upgrading capacity of the ITPO Beijing team and associates (Brown Bag Lunch Workshops; News Watch daily)

### ***Capacity building in developing countries***

-Briefing of experts and government people from developing countries participating at MOFCOM workshops on Chinese reforms and investment and trade policies, providing updated collection of papers on various segments of the Chinese development reform

### ***Participation at Global and National forums***

#### *Global forums:*

-International Forum on Going Globe organized by the International Trade and Economic Cooperation Institute, Beijing (2005, 2006)

-China Beijing International High-tech Expo 2005,

-World Heavy Oil Conference and Exposition, Beijing 2006,

-IPMA World Congress, Beijing, 2006

-Global congress of jewellery associations, Hongkong, 2005

-Water Middle East Conference, Bahrain, 2007

-Conference on the role of organizations of the private sector and civil society in promotion, transfer, adaptation and diffusion of new technology and innovation, Moscow 2005

-International Conference on Biofuels, Kuala Lumpur, 2007

-China Carbon Congress, Beijing, 2008

-Conference on Growing Capital and Corporate Governance and Industrial Clustering co-organized with IFC Global Corporate Governance and Shenzhen Council, Shenzhen 2008

#### *National/provincial forums*

-Transnational Corporations Forum in the Yangtze River Delta, 2005

-Forum on Legal Affairs in Chinese Enterprises, 2005

-Symposium on Development of Small and Medium Sized Cities, Taiyun, 2006

-Forum on Development of Green Industry Parks, Beijing, 2006

-Technology Innovation and Sustainable Development in Yun Nan province, co-organized with the China Environmental Science Association, 2006

-Symposium on China Environmental Industries co-organized with China Environment Service Industry Association)

-Ecology Tourism Industry Expo and round table, Nanchang City, 2007

-Financial Cooperation Symposium, Shandong, 2007

- Consulting Forum on Poyang Lake Cities Group Development, Nanchang City, 2007
- Organic Agro-products Development Forum, Feicheng City, 2007
- Conference of CCPIT Working Group on Revitalizing Northeast China.
- Dialog on China Environmental Industries: Policies and Capital Operation, Beijing 2008, co-organized with China Environment Service Industry Association and the Beijing Municipal Development and Reform Committee.

## **Annex 4: Overview of implementation of signed projects of EU-China Shanxi Region Partnership project**

The EU-China Shanxi Region Partnership Project recruited 126 Chinese companies and 77 European companies. 128 Chinese companies and 56 European companies attended the Matchmaking Meeting. During the Meeting days, about 300 face-to-face meets between Chinese and European companies have taken place. The situation of signed projects is as follows:

**1. 10 Government Projects:** 6 projects between Taiyuan Municipal Economic Commission with National Chamber of Commerce of Spain, Italy, Belgium, Germany and Poland respectively, with signed agreements of long-term cooperation of companies of both two sides; two agreements between Taiyuan International Trade Promotion Commission and China Window International Information Technology Joint in Germany: assist Chinese companies to participate European industrial products exhibition and to cooperate completely with German companies; two cooperation agreements between Taiyuan Stainless Steel Eco-Industrial Park, Taiyuan New-Developed Industrial Park and China Window International Information Technology Joint in Germany, with purposes of building together Coal Mine Machinery Manufacturing Industrial Park and introducing German companies to Industrial Park.

**2. 23 Companies Cooperation Projects:** 5 projects with signed contracts, and other 18 projects with letters of intention, the sum came to 650,000,000 Yuans RMB.

Categories of signed projects: 2 of technical import, 5 of joint capital, 8 of OEM, 3 of equipment import, 1 of products export, 1 of technical permit and 1 of technical export.

**3. Overview of signed projects:** After the Matchmaking Meeting, Project Team did follow-up investigations of signed projects. The followings are those who have been executed and progressed:

### **1) Shanxi.Fenxi Heavy Industry CO LTD (CM036) :**

Cooperation party: CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems (EM015)

Cooperation content: Technical cooperation of mining electrical devices, explosion prevention electric motors, etc.

CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems is engaged mainly in excavation automation, control system, mining equipment power supply system, gas-detecting machine, gas surveymeter, design of program management system, and complete construction. It can help us to improve efficiency of production plan and organization of users, reduce costs etc.

Progressing situation: During January 2<sup>nd</sup>-11<sup>th</sup>, 2009, the study group made up of 7 people from Shanxi Fenxi Heavy Industry CO. LTD and Yichang Research Institute of Measuring and Testing Technique made an on-the-spot investigation to CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems, on technical cooperation of mining electrical devices:

1. Products of mining safety detecting and electrical devices of CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems are very advanced technologically. Demands of two kinds of products: transducers and assembled starters, will be increased in the future years in China. They wanted to cooperate with

CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems on these products.

2. Manufacture of explosion prevention electric motors of Damel SA. has the features of wide model variety, scientific organization of research, experiment and manufacture, etc. Considering some products of this company will perhaps obtain Chinese import permit this year, both two sides wish to cooperate and open up Chinese market by taking advantage of the superior position of Shanxi Fenxi Heavy Industry in Chinese mining machine market.

Through the visit, investigation and the communication of both two sides, they signed Memorandum of Talks which established a good foundation of further cooperation.

Currently, Shanxi Fenxi Heavy Industry CO. LTD and CARBOAUTOMATYKA S.A. Enterprise of Completing and Automatics Systems demand a tripartite cooperation according to Memorandum of Talks. They keep in touch by e-mails. And Shanxi Fenxi Heavy Industry CO. LTD has invited Polish technicians to China for technical exchanges at the right moment, at the same time, to make an effective cooperation progress.

## **2) Shanxi Coal Mine Machinery Manufacturing CO. LTD**

Cooperation party: BECKER-PRUENTE Chain Industries, a internationally well-known company which manufactures mining drag conveyer, with proprietary technology. (CM081)

Cooperation content: build a manufacturing company of products of flat chain with big diameter with joint capital. The gross investment reaches 50,000,000 Yuans RMB and the first investment is 10,000,000 Yuans RMB. The Chinese company offers factory and the German company offers equipments and technology.

Progressing situation: After a period of efforts, the commercial instrument is handled. The company is registered in Taiyuan Economic and Technical Development Area. A board meeting of directors will be held in April, 2009 to discuss the construction of new factory etc. On the occasion, the exact time of implementation of the project will be decided.

## **3) Shanxi Orient Intelligent Material Handling CO LTD. (CM016)**

Cooperation party: Fives Cinetic in France

Cooperation content: build a manufacturing company of logistic equipments with joint capital to open up Asian market together.

Progressing situation: Recently, the Chinese company has received the order contract of Asian countries, signed by the French company. The contract value is 7,000,000 Yuans RMB.

## **4) Shanxi Sizhuang Electronics Engineering systems CO LTD. (CM054)**

Cooperation parties: B+L Marktdaten GmbH (EM011)

D'Appolonia (EN014)

Cooperation content:

1. B+L Marktdaten GmbH has ordered small-size magneto wind-powered generators made by Chinese company. The equipments are still in making.

2. The Chinese and Italian companies cooperate to found a factory, applying technology of electric vehicle on-line charge invented by the Chinese party (a new concept of electric energy storage and supplementary technology of new energy power vehicles), to develop new products and popularize them to the world. At the present time, samples of products are under detection and experiment in China Electric Power Research Institute. They planned to use the products into subways in Beijing in the first place.

## **5) Shijiazhuang Zhongmei Coal Mine Equipment CO LTD (CM087)**

Cooperation party: KOEXPRO.OSTRAVA, a.s. (EM006)

Cooperation content: Introduce samples of mining light air-powered and hydraulic drilling machine of the Czechic company. The Chinese company will choose users to try

them out and carry out a market survey. If they get good effects, both two sides will plan to build a manufacturing company with joint capital in China.

Currently, Czechic samples have arrived in China and are in exhibition in Chinese specialized fair to do market propaganda.

#### **6) Taiyuan Heavy Machinery Group CO. LTD**

Cooperation party: E-Crane Worldwide (EM040)

Cooperation content: During the matchmaking meeting, the European company investigated Taiyuan Heavy Machinery Group, the Chinese company and wanted to entrust the Chinese company to process crane mechanical parts.

After the matchmaking meeting, both two parties communicated by e-mails. The Chinese company gave its offer of the mechanical parts, and the other party didn't respond, so the project ended.

#### **7) Taiyuan Lunjia bioengineering CO LTD (CN011)**

Cooperation party: Wilfried Scholz Consulting (EN010)

Cooperation content: After discussion, both two sides agreed to act as agents for each other's products. But the Chinese party could not contact with the European company when it was back to Europe, so the project could not continue either.

#### **8) Taiyuan ALEX new technology CO LTD (CM045)**

Cooperation party: Kirchhoff.Ludwig Werksvertretungen (EM038)

Cooperation content: The German company chose the methane equipments made by the Chinese company and wanted to import them to sell together with German equipments.

Progressing situation: Importation of Chinese products to Europe should be gone through by detection of European relevant departments. It will take a long time and the detection cost is very high, so the contract ended.

April 2009



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