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Independent project evaluation of the

United Nations Development Account Project 1213N Building National Capacity for Promoting Foreign Direct Investment in Green and Other Growth Sectors*

Dr. Thierry Noyelle

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EMU can be contacted at:

United Nations Conference on Trade and Development
Palais des Nations, 8-14,
Av. de la Paix, 1211 Geneva 10
Switzerland

Telephone: +41 22 917 1234
Fax: +41 22 917 0057
Email: evaluation@unctad.org
Website: www.unctad.org

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The Project

This report summarizes the findings and recommendations from the final independent evaluation of UNCTAD's three-year $461,000 project on *Building National Capacities for Promoting Foreign Direct Investment in Green and Other Growth Sectors* implemented by the Division on Investment and Enterprise (DIAE). The project was financed by the United Nations Development Account and was implemented during the period June 2013-May 2016.

The evaluation was conducted during the period June-September 2016. The analysis presented here is based on findings from a number of tools including desk review of project documents, responses by 31 country officials, external experts and external resource persons to a structured and semi-structured survey as well as extensive interviews with six UNCTAD staff members responsible for implementation or contributing inputs to the project.[1] Nearly all replies to the questionnaires sent via email were followed either by phone/skype calls for further interview or by emails asking for additional information or clarifications to the responses to some of the semi-structured questions.

Main Expected Achievements of the Project

A major aim of the project was to:

(1) encourage national policy-makers and Investment Promotion Agency (IPA) officials in developing countries to formulate a strategy to target Green FDI (Foreign Direct Investment), adopt supportive promotion and incentive measures, and develop an investment environment friendly to Green investment; and,
(2) provide policy-makers and IPA officials with information and tools to do so be it in the context of regional training workshops, national advisory missions, national workshops or a new www.GreenFDI.org website providing extensive access to information on policy issues and possible tools/practices

Main Findings and Conclusions

Respondents to the Evaluation survey found the main objectives of the project to be highly **relevant.** This confirmed findings from a 2011survey conducted by UNCTAD among IPAs showing a high concern for the need to attract Green FDI, yet limited capacity in doing so.

The project has been remarkably **effective**. Fifteen out of 18 countries participating in the regional training workshops through their officials or benefitting from one of the three technical advisory missions and for which detailed information could be collected indicated that they had followed up on what they had learned

[1] The project associated a total of 181 country representatives and experts to its main activities. The evaluation survey targeted 65 of those individuals. Thirty one individuals responded to the survey.

through the project by developing a plan for Green FDI and/or by taking promotional and incentive measures to encourage Green FDI.

The project delivered what it had promised in an **efficient** manner and on-time. Cost savings and direct cost contributions from some countries participating to the regional training workshops made it possible to add national dissemination workshops not previously programmed for two of the three country advisory missions implemented as part the project. In addition, as part of UNCTAD's World Investment Forum 2014, the project organized an Investment Promotion Conference in Geneva on October 15, 2014. The conference had 250 participants from 65 countries and included sessions on attracting FDI in infrastructure and Green growth. In addition, the project supported the UNCTAD Investment Promotion Awards 2014 for promoting investment in sustainable development and the UNCTAD Investment Promotion Awards 2015 for excellence in web-based promotion of green FDI.

Replies to the Evaluation survey suggest that the IPAs should be able to **sustain** what they have learned. In addition, UNCTAD has a strategy to sustain the www.GreenFDI.org website and has already proceeded with a full round of revision to respond to requests and feedbacks received from beneficiaries.

The relationship between Green FDI and **Gender Equality** was not an issue targeted under the project approved by the Development Account in 2012. It was touched on lightly in the context of some of the workshops. However, as part of its revision of the www.GreenFDI.org website, UNCTAD has included a new section on Gender Equality and Green FDI and plan to incorporate that development dimension in its future work in this area.

As a caveat to the aforementioned main findings, the Evaluation also points to a few limitations of the project (more details in section V of the report.)

1. The regional training seminars could benefit from a more structured approach to help IPAs draw up a Green FDI plan or strategy – including how to select sub-sectors, formulate a plan, identify support measures relevant to Green FDI for those sectors, advocate broader policy reforms by concerned policy-makers etc.;
2. UNCTAD identifies three main subsectors of a Green Economy: clean and renewable energy; energy conservation, green buildings, and low Green House Gas (GHG) production; and, manufacturing and services of equipment and machinery to support low GHG production. In retrospect, trying to focus on all three sub-sectors within two-day regional training workshops or one day national workshops may have been too ambitious in covering the full complexity and needs of each subsectors. Organizing workshops around narrower sector focuses might be more useful;
3. Host countries were associated with preparing the agenda of the regional training and the three countries benefiting from advisory missions defined the focus of the missions in consultation with UNCTAD. The strong interest of many beneficiary countries on large scale renewable energy projects – often driven by public tenders seem to have overshadowed somewhat a focus on Greenfield investment and location decisions by investors within Green sector value chains. Stronger participation of private sector investors within Green value chains could help illustrate more strongly key Greenfield investment issues in Green sectors;
4. The ability of IPA officials to implement what they learned through the project appears to be a direct function of existing institutional capacity and the existence of a larger national framework for a Green Economy/Green Investment. Hence, while many middle and higher income countries

were able to implement some follow-up actions, many of the Least Developed Countries (LDC) and Small Island Developing States (SIDS) participants seemed to be struggling doing so, based on interview feedback, due to the lack of both institutional capacity and a broader national framework. The latter group needs more hands-on support.

5. For the most part, the advocacy capacity of IPAs in influencing broader policy reforms intended to attract investment in Green areas seems limited, though, as observed explicitly in the three advisory country reports, it is a key to successful Green FDI. This is less of a problem in middle income developing countries where there often is already a broader Green economy framework in place and/or being developed. This is a far larger problem in LDCs or even SIDSs where such broader framework is often lacking.
6. Beneficiaries are asking for additional focus on tools and best practices in the www.GreenFDI.org website as well as the introduction of a shared platform for IPAs to post investment opportunities so as to make it more directly useful. UNCTAD has already partly incorporated this concern in the first revision of the website carried out in the spring of 2016.
7. By improving analytics of the Green FDI website, UNCTAD should be able to develop a sharper understanding of information in high demand by users and respond accordingly.[2] UNCTAD is working on this.
8. The team that drafted the project developed a robust log frame with good, simple, and measurable indicators. In future project work in this area, the UNCTAD team should strengthen its monitoring of the indicators used in the log frame by tracking progress against those during project implementation to help fine-tune activities and outputs early on as needed.

Recommendations

Recommendation #1: In the event UNCTAD plans future training events similar to those organized under this project, it should introduced a more structured approach in the seminars themselves to respond to beneficiaries' needs for stronger guidance in developing Green FDI plans and identifying related incentives.

Recommendation #2: In the future, UNCTAD might consider training seminars focusing more narrowly on Green FDI in specific low-carbon sub-sectors. At a minimum, some workshops could focus primarily on renewable energy and the manufacturing and servicing of equipment specific to that sector; another set of workshops could focus on energy conservation, low GHG production, and the manufacturing and servicing of equipment specific to those. In both cases, it would be useful to involve more private sector investors in the workshops to deepen the understanding of beneficiaries about the drivers of investment decision and location in the various steps of the respective value chains.

Recommendation #3: The capacity of LDCs and SIDSs to attract Green FDI is constrained by the lack of a broader Green economy framework in most of those economies. UNCTAD should consider developing technical assistance to support the formulation of Green Investment frameworks in those countries. This might be done through its Investment Policy Reviews or through joint programs with other development partners within or outside the UN system.

[2] Analytics refers to the data and tools used to measure and analyze the usage of websites (e.g. who uses it, when is it being used, what information is in greatest demand, etc.)

Recommendations #4: UNCTAD might consider developing a portfolio of short case stories to add to the Tools/Practices section of the www.GreenFDI.org website to respond to the request of beneficiaries for more information about successful practices and tools used by countries to attract Green FDI.

Recommendation #5: UNCTAD would benefit from a more robust monitoring of the Expected Achievements of a project such as this one during its implementation. Good monitoring can provide early feedback and adjust activities and outputs if and as needed. The current project identified a number of solid, simple, and measurable indicators quite pertinent to its objective that can be tracked relatively easily. Similar indicators could be used in future similar work in this area.

I. INTRODUCTION

Project overview

Governments, worldwide, have become increasingly concerned with the need to mitigate the risks associated with Climate Change, including through the promotion of *low-carbon* economies. Witness, for instance, the Agreement on Climate Change adopted by 195 countries in Paris in December 2015 at the conclusion of the COP 21 meeting.

Since 2005, Foreign Direct Investment (FDI) has overtaken Official Development Assistance (ODA) as a source of external investment in the economies of developing countries, including LDCs. Promoting low-carbon investment and low-carbon development solutions for poverty reduction is a key objective of the newly adopted Sustainable Development Goals (SDGs.) Low-carbon FDI has to be a key component of the development of a low-carbon economy in developing countries.

In 2012, UNCTAD prepared a three-year project on *Building National Capacities for Promoting Foreign Direct Investment in Green and Other Growth Sectors* in the amount of $461,000 for submission to the United Nations Development Account. The project became effective in June 2013 and was completed by May 2016. The overall objective of the Project was to strengthen the capacity of developing countries to attract and benefit from FDI in "Green" sectors – including renewable and clean energy, energy conservation, energy-efficient production, production of equipment supportive Green energy and production, and sustainable agriculture.

UNCTAD's Division on Investment and Enterprise (DIAE) implemented the project with the cooperation of the UN regional commissions in Asia and the Pacific, UNEP, UNDP, the World Bank and selected regional investment promotion associations and national Investment Promotion Agencies (IPAs).

Evaluation context and methodology