

Joint assessment

UNIDO-UNDP Cooperation Agreement
pilot phase



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



United Nations Development Programme

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Additional annexes

The following additional annexes not attached to the joint assessment report are available from the UNIDO Evaluation Group and the UNDP Evaluation Office upon request:

- “Cooperation Agreement Between UNIDO and UNDP” and “Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development”
- Four field validation mission reports (Armenia, Lao PDR, Nicaragua and Sierra Leone)
- Four questionnaire analysis reports, i.e.,
 - UNIDO (2006). Joint assessment of the progress in the implementation of the UNIDO/UNDP Cooperation Agreement. REPORT. *Analysis of questionnaires of the self-assessment of UNIDO Desks, Questionnaires for Heads, UNIDO Operations*. August 2006
 - UNIDO (2006). REPORT. *Analysis of questionnaires of the self-assessment of UNIDO Desks, Questionnaires for UNIDO staff: Programme Coordination and Field Operations Division; UNIDO Field/Regional Offices; Programme Development and Technical Cooperation Division*. August 2006
 - UNIDO (2006). REPORT. *Assessment of questionnaires responded by UNDP, UNIDO staff and counterparts*. August 2006
 - UNIDO (2006). REPORT. *Analysis of questionnaires of the self-assessment of UNIDO Desks, Questionnaires for UNDP Field Offices*. August 2006
- List of people interviewed in UNIDO and UNDP Headquarters by the assessment team
- List of documents reviewed by the assessment team

Foreword

The Evaluation Office of United Nations Development Programme (UNDP) and the Evaluation Group of United Nations Industrial Development Organization (UNIDO) are pleased to present this report, documenting the main findings and recommendations of the joint assessment of the implementation of the Cooperation Agreement between UNIDO and UNDP, concluded in September 2004.

The assessment team consisted of two independent senior consultants, Mr. Robert Griffin and Mr. Michael Reynolds, the Director of UNIDO Evaluation Group, Ms. Donatella Magliani and the Deputy Director of the UNDP Evaluation Office, Mr. Nurul Alam. Mr. Robert Griffin acted as the Team Leader. Staff in both Evaluation Offices contributed in the assessment and participated in the country validation missions.

This was the first exercise of this nature carried out jointly by the two Evaluation Offices. These offices shared all roles and responsibilities in the development and implementation of this assessment and the two agencies co-funded the exercise.

The assessment proved a demanding exercise to be accomplished in the short period of less than four months, covering eighteen pilot countries with a UNIDO Desk and/or a joint private sector programme, two agencies, and it required carrying out a survey with more than 100 stakeholders and four country validation missions. The accomplishment of this demanding task stands as testimony to the strong cooperative spirit, mutual understanding and trust developed in the context of our joint work in the United Nations Evaluation Group (UNEG).

The Assessment Team is grateful to the colleagues in both organizations and particularly in the Country Offices of Armenia, Lao People's Democratic Republic, Nicaragua and Sierra Leone who spared no effort to provide information in a timely, frank and constructive manner and organized field visit programmes in an extremely short period of time.

All findings, conclusions and recommendations reflect a common understanding of the Agreement and the way forward.

The primary conclusion is that the collaboration is worth continuing, albeit with modifications in its future implementation. The assessment highlights the progress so far but also points to the critical issues that need to be addressed by the management of both organizations.

It is sincerely hoped that this report will be seen as a useful "feasibility study" for the future implementation of the Agreement and that it will contribute to the necessary improvements of a timely and forward looking collaborative initiative that holds the promise of success in the years to come.

Acronyms and abbreviations

ADB	Asian Development Bank
BRSP	Bureau for Resources and Strategic Planning (UNDP)
CCA	(UN) Common Country Assessment
CRP	Conference Room Paper (UNIDO)
Dec.	Decision
DSA	Daily subsistence allowance (UNIDO)
DFID	Department for International Development
EENet	Energy and Environment Practice Network
FAO	Food and Agriculture Organization of the United Nations
GBS	General Budget Support
GC	General Conference (UNIDO)
GTZ	German Technical Cooperation Agency
HQs	Headquarters
HR	Human Resource
HRM	Human Resource Management (UNIDO)
HUO	Head of UNIDO Operations (UNIDO Desk officer)
ICT	Information and Communication Technology
ICTD	Information and Communication Technology for Development
ICTDNet	ICT for Development Network
IDB	Inter-American Development Bank
IDB	Industrial Development Board (UNIDO)
IFC	International Finance Cooperation
ILO	International Labour Organization
IP	Integrated Programme (UNIDO)
JPSDP	Joint Private Sector Development Programme
MDGs	Millennium Development Goals
MDGNet	Millennium Development Goals Network
MYFF	Multi-year Funding Framework (UNDP)
NGOs	Non-governmental Organizations
ODA	Official Development Assistance
Para.	Paragraph
PCF	Programme Coordination and Field Operations Division (UNIDO)
PRNet	Poverty Reduction Practice Network
PROMIPYME	Support programme to the micro, small and medium enterprise
PROPSEEDS	Promotion of Opportunities for Private Sector Enterprise
PRSP	Poverty Reduction Strategy Papers
PSD	Private Sector Development (UNIDO)
PSM	Programme Support and General Management Division (UNIDO)
PTC	Programme Development and Technical Cooperation Division (UNIDO)
Res.	Resolution
RR	Resident Representative (UNDP)
SME	Small and medium enterprise
SEMFINet	Small Enterprise and Microfinance Network
SWAps	Sector-Wide Approaches
TC	Technical Cooperation (UNIDO)
UD	UNIDO Desk

UN	United Nations
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDGO	United Nations Development Group Office
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UR	UNIDO Representative (in a UNIDO Country Office)
\$	United States Dollar
WSIS	World Summit on the Information Society
WWW	World Wide Web

Executive summary

Introduction

1. This report documents the main findings and recommendations of the joint assessment of the progress in the implementation of the Cooperation Agreement between UNIDO and UNDP, dated 23 September 2004 (henceforth referred to as the Agreement) and the related “Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development” signed the same day (henceforth referred to as the Framework).
2. The joint assessment was commissioned as an independent exercise under the auspices of the heads of the evaluation offices of UNDP and UNIDO. The evaluation team consisted of two independent consultants and staff members from UNIDO and UNDP evaluation offices. One of the independent consultants acted as the Team Leader. It is important to note that the exercise was an assessment, not a full-fledged evaluation, given the limited implementation time of the Agreement since its signature in September 2004 and hence the limited evidence of results achieved on the ground.
3. The assessment was carried out in the period June to September 2006. The assessment methodology included: a desk review of background documents; a survey of some 100 questionnaires sent out to UNDP Country Offices, UNIDO staff in the field and HQs, and national counterparts in the government and the private sector; interviews at UNIDO and UNDP Headquarters (HQs); and validation missions to four countries (Armenia, Lao People’s Democratic Republic, Nicaragua and Sierra Leone). Two briefings took place respectively in Vienna and New York to inform the governing bodies of UNIDO and UNDP of the progress in the assessment and to obtain their feedback. The criteria for progress or achievements of results have been set more at process level rather than at a higher outcome level.
4. The terms of reference for the assessment highlight two key questions to be addressed:
 - (a) *What is the level of progress of the Agreement, including the factors affecting positively and/or negatively the implementation?*
 - (b) *What are the forward-looking recommendations for further developing and/or adjusting this type of field coordination and programmatic cooperation as a model?*

The Cooperation Agreement and its context

5. The Agreement was signed in September 2004 by the Director-General of UNIDO and the Administrator of UNDP. Designed to facilitate greater collaboration between the two Organizations, the Agreement recognized UNIDO’s core competencies and its high level of expertise, and UNDP’s strength at the country level and its capacity to deliver services to a wide range of partners. Aimed at strengthening cooperation in a number of areas, but focussed mainly on private sector development, the Cooperation Agreement would allow the government and private sector partners in countries where the two organizations are active to benefit from more effective delivery and

better quality of services and programmes in support of their national development goals.

6. The Agreement included two main components. It established the basis for UNDP and UNIDO to develop joint technical cooperation programmes, particularly in support of private sector development in accordance with the recommendations of the report of the United Nations Commission on the Private Sector and Development entitled “Unleashing Entrepreneurship” (henceforth referred to as the Commission) and UNIDO’s corporate strategy. The Cooperation Agreement also introduced a new model of field representation with UNIDO establishing UNIDO Desks within UNDP Country Offices in 15 pilot countries over a pilot period of two years. Over a five-year period the Agreement foresees that “UNIDO intends to increase, including through a rationalization of its field structure and the establishment of UNIDO Desks in UNDP Country Offices, its country coverage to up to 80 countries”. (Article V.5).
7. The Commission emphasized the role and contribution of the private sector and local entrepreneurship in developing countries in poverty alleviation and to the achievement of the Millennium Development Goals (MDGs). One of the key recommendations of the Commission was to apply the approach of specialization and partnership to private sector development, an area where both UNIDO and UNDP were involved. Within UNIDO the issue of an effective decentralization of activities and of a strengthened field representation had been a priority since the adoption of the Business Plan on the future role and functions of UNIDO in 1997 and had been a central and recurrent item for UNIDO governing bodies. Following an internal assessment in 2004, UNIDO governing bodies recommended that UNIDO expand its field presence in a carefully planned and phased approach. They also encouraged the Secretariat to dialogue with UNDP in this context.
8. The UNDP-UNIDO Cooperation Agreement was conceived in direct discussions between the two heads of agencies during the summer of 2004. The coincidence of interests enabled the two leaders to capture the potential of the agreement to embody the recommendations of the Commission applying the approach of specialization and partnership and also to develop a model for inter-agency cooperation using the UNDP Country Offices as a platform for the provision of technical services by UNIDO in programme countries.
9. The Agreement was the subject of extensive dialogue and consultations with UNIDO Member States and UNIDO governing bodies took a number of decisions in this respect.¹ The Agreement was also presented to the UNDP Executive Board but was never the subject of a specific decision.

Implementation status of the Agreement

10. The Agreement was the result of the vision of the two heads of agency and was negotiated and agreed through their strong leadership. On the basis of the impetus provided by the heads of agency, the organizations rapidly initiated the establishment

¹ A list of all relevant decisions and resolutions is available from the UNIDO Secretariat.

of the Desks and launched a process of dialogue at the country level that resulted in the formulation of new Joint Private Sector Development Programmes (JPSDPs).

11. Overall implementation of the two components of the Agreement (UNIDO Desks and JPSDPs) progressed satisfactorily despite initial start-up delays and numerous constraints.
12. Thirteen of the fifteen UNIDO Desks (UDs) envisaged under the Agreement have been established and staffed with well-qualified professionals designated as Heads of UNIDO Operations (HUO). The Desks have increased the visibility of UNIDO with the Government, private sector and the United Nations Country Teams (UNCTs). Heads of UNIDO Operations have actively participated in United Nations and national planning processes and in the course of their brief service to date, they have been actively positioning themselves to contribute to the preparation of UNDAFs. In the Desk countries which responded to the survey questionnaires, senior managers in UNDP Country Offices rate the selected HUOs highly and their job performance as meeting or exceeding expectations.
13. The respondents to questionnaires from all target groups indicated that the UNIDO desks have so far proved to be an adequate means to represent, promote and support UNDP's and UNIDO's combined strengths to serve countries' needs and expected further improvements of future performance. All UNDP respondents recommended replication of UNIDO Desks in other countries as a means for making UNIDO technical services accessible to the countries.
14. In line with the terms of the Agreement UNDP provided the UNIDO Desks with office space and other local operating support at no cost for the first two years of the Desk's operation, which required waiving by the Administrator of the policy on cost recovery from United Nations agencies at the programme country level established by UNDP in June 2003.
15. The terms of reference set out five criteria for assessment of the Agreement.² Briefly, these criteria include:
 - (a) New joint projects and programmes in private sector development (PSD) and other areas;
 - (b) New UNIDO projects and programmes;
 - (c) Improved visibility of UNIDO in United Nations programming;
 - (d) Funds mobilization for new projects and programmes;
 - (e) Potential cost recovery from new projects and programmes implementation.
16. On the first three of the five assessment criteria there has been observable progress.
17. On the joint projects and programmes in PSD and other areas, the Agreement resulted in a large volume of joint programme formulation activity. Thirty-three joint programmes are under development for a total amount of about \$80 million. Fourteen

² Extracted from "Criteria for selection and assessment of the effectiveness of UNIDO Desks", UNIDO, IDB.29/CRP.4

programmes fall under the PSD Framework. The total financial volume of the already developed programmes under the Framework amounts to \$52.6 million.

18. The Desks report 42 new UNIDO projects and programmes under development for an amount of about \$30 million. However, it should be noted that these data are estimates and actual amounts will depend on the success of resource mobilization.
19. In the context of the relatively short period of time since the agreement was signed and the Desks started operations (ranging between 9 to 18 months), the evaluators consider this formulation volume significant.
20. In regard to resource mobilization, activities are just getting underway in many Desk countries and to date the results are far below expectation. Both organizations have committed core funds of about \$1.6 million to the three most advanced JPSPDs (Lao People's Democratic Republic; Rwanda; United Republic of Tanzania). The latter programmes are now under implementation. HUOs report over \$4.1 million total resource mobilization in the Desk countries since the beginning of the Agreement. However, in these cases "funds mobilized" often refers to unofficial donor commitments recorded by HUOs and not to official approvals by donors.
21. Results in resource mobilization will affect the potential for cost recovery from project and programme implementation. It appears unlikely that revenue generated as support costs from implementation will offset the costs of the Desks as envisaged by the Agreement. The potential cost recovery from new projects and programmes implementation is an unrealistic indicator of success, particularly in the short and medium term.
22. An analysis of the JPSPD documents revealed that in general the documents are of good quality. The quality of documents refers to the logic and coherence of the document and its compliance to good practices in programme design. In particular, the evaluation team made the following observations:
 - (a) All programmes have made an effort to ensure that the JPSPDs are relevant to and aligned with national priorities and strategies;
 - (b) All JPSPDs made efforts to ensure coordination with other donor activities, usually within the context of the national programme but also through extensive analysis of the donor situation;
 - (c) All are results-oriented, focusing on clear outcomes and outputs;
 - (d) The implementation arrangements are generally not clear reflecting the lack of sufficient attention to these arrangements in the Framework.
23. UNIDO investment to date in formulating joint PSD programmes coming under the Framework amounts to approximately \$500,000. UNDP expertise for developing these programmes was covered on a country-by-country basis by the Country Offices. The good quality of the programme documents and the total financial volume of the already developed programmes under the Framework of \$52.6 million indicate cost efficiency. The real value of the formulations and their effectiveness will depend on how many of these programmes will be actually funded and implemented.

Key issues in the implementation of the Agreement

24. Several issues emerged during implementation of the Agreement that are related to the terms and design of the Agreement and how it has been implemented jointly and respectively by the two agencies. The main issues are highlighted below.
25. An initial top-down approach was necessary. The Agreement was driven by the heads of agencies and thus took on a political importance for both agencies. There was top-down pressure on senior managers in both organizations to conclude the Agreement rather than to carry out a critical analysis or feasibility study to identify potential problems and an implementation strategy to address them. The top-down approach was however necessary to provide impetus to the Agreement and overcome initial organizational resistance, bureaucratic obstacles and rigidities.
26. The approach to pilot activity was inappropriate. The Agreement was too rigid for what was meant to be a pilot exercise. It neglected to provide for a mechanism for adaptation during the pilot phase. This was a critical oversight as any pilot activity requires a robust framework for monitoring and feedback so that adaptations can be identified and implemented.
27. Joint management arrangements were insufficient. While the Agreement notes the importance of establishing the necessary management arrangements, no formal structures were established for joint management including joint monitoring, reporting, problem solving and decision-making. Equally, field-level participation (UNDP Country Offices and UNIDO Desks) in the management process has been inadequate. Such arrangements, specifically a joint feedback mechanism, are all the more critical for the pilot activities included in the agreements.
28. The complexity of management was further increased by the fact that Desk countries and JPSDP countries were selected and agreed upon by the two organizations on the basis of separate criteria and treated as separate pilots.
29. The need for a joint implementation strategy was underestimated. Top management in both agencies underestimated the order of magnitude of the changes that the Agreement was mandating for their respective organizations and failed to develop an effective joint strategy to operationalize the Agreement. A change strategy would have had to be devised, taking into account the following:
 - (a) How to address the asymmetries of the two organizations in terms of size, degree of decentralization and related decision-making processes;
 - (b) How to promote a better reciprocal understanding between the two organizations in terms of their programmatic approaches, comparative advantages or cultures;
 - (c) How to carry out a campaign to change attitudes of staff members to overcome resistance or indifference to the Agreement within both organizations, including obtaining support from the concerned UNDP Country Offices, which were being asked to share the costs of implementation;
 - (d) The need to put in place effective communications arrangements between headquarters and the country level;

- (e) The need for joint systems development and procedural guidance in many areas, particularly joint programming for PSD and knowledge-sharing;
- (f) The need to exploit synergies because of separate treatment of the two main components of the Agreement;
- (g) The need for a joint reporting system for joint data collection and analysis of activities carried out under the Agreement.

30. Different organizational response time for implementation created gaps in expectations: The Agreement did not accord adequate primacy to the fact that Country Offices would be the prime movers for its implementation at the country level. Being a country-based and country-focussed organization and its programme management decisions being country-driven, UNDP Country Offices required a gestation time to understand and absorb UNDP's obligations to UNIDO Desks. Due to the waiver of cost recovery, they were being required to fund the administrative support costs for UNIDO Desks from their own extrabudgetary resources. Hence the initial response of UNDP Country Offices to the demands for operational support to UNIDO Desks for the pilot two-year period seemed hesitant and slower than expected. UNIDO on the other hand has a more centralized decision-making approach and moved ahead promptly on the implementation. The different response time created gaps in expectation. Over time many of the operational support issues have been resolved but there are still a number of pending matters, particularly logistical support and financial resources for daily operations.
31. Joint PSD programming and other collaborative approaches were not sufficiently explored. The two organizations and the PSD Framework have different concepts and areas of interest related to PSD. Not much has been done yet to enhance conceptual clarity. Indeed, the emphasis given to joint programme development for PSD over other less ambitious forms of collaboration such as knowledge-sharing and networks, joint development of tools such as manuals and software packages and joint research programmes has not been explored. The assessment team considers that there have been missed opportunities in this respect and that there is great potential for collaboration in this area. Further, the relationship of various country-level programming instruments (UNDAF, UNIDO integrated programmes, joint programmes) has been identified as a source of confusion.
32. The potential for synergy in PSD was not fully grasped. Interviews with UNDP staff at both headquarters and some country offices suggested that many had limited interest in the work of UNIDO beyond the specific kind of PSD issues that they have been addressing, namely, advocacy and policy advice on the business environment and interventions to support small and medium scale enterprise development. These issues may be driven by country priorities. However, a better understanding of the areas of UNIDO's work could help to optimize their use and better support human development, poverty reduction, the achievement of the MDGs and other macro-level aims of the organization. Competition (real or perceived) for funding at country level was another factor that hindered in some cases collaboration in PSD.
33. HUO profiles are strong but personnel issues need to be resolved. UNIDO has chosen strong candidates for the HUO posts who are self-starters. However, a number of

personnel issues related to the HUU were identified during the assessment including lack of clarity in regard to their career path, reporting and supervision lines, their job profile, and how their performance is evaluated. Resolution of the issues is essential to long-term retention of the most qualified staff members.

34. A number of factors influenced negatively the performance of the HUU:
- (a) Unclear understanding of representational roles and opportunities for HUU participation in UNCTs. The Agreement entrusts UNDP Resident Representatives to be the representative while job profiles state that HUU represent UNIDO in the country;
 - (b) Uneven and often slow technical support from UNIDO HQ. HUUs require technical and specialized expertise from UNIDO Headquarters to support their advisory service;
 - (c) The distortionary effect of an over-emphasis on resource mobilization implicit in the Agreement;
 - (d) Unclear scope of responsibilities of the HUUs (e.g. their role in JPSDP development is not included in the job profile);
 - (e) Lack of budget for HUUs beyond the operational support provided by UNDP.
35. There was a poor linkage with and/or understanding of UNDG policies. The Framework being a bilateral agreement outside the inter-agency framework of cost recovery does not refer to the United Nations Development Group (UNDG) work on joint programming. It states clearly that the format of the JPSDPs should “follow the formats defined in the UNDP Programming Manual” (Article 4.4). These procedures place UNIDO in the role of contractor to UNDP and have the potential to incorporate excessive support costs on funds provided by cost sharing donors. This is contrary to the spirit of partnership upon which the Agreement is based. The Framework should have been designed for joint United Nations agency programming taking full note of the UNDG policies and procedures of joint programming.³
36. Resource mobilization challenges were underestimated. At Headquarters UNIDO had high expectations with regard to increasing its resource mobilization and formulated the PSD programmes accordingly. It seems that some of the optimism resulted from perceived donor support for joint or harmonized approaches, at least in their headquarters rhetoric. Country validation missions reported a greater donor concern with real value-added from the joint efforts. In many cases government support, often a prerequisite for effective resource mobilization has not been forthcoming as initially expected. Given the fact that neither organization could fully fund joint programmes, the approach to joint resource mobilization has been ineffective so far. The new aid architecture and the harmonization and alignment agenda in particular point to the need for development of innovative approaches to the design of project and programme execution modalities.
37. The financing strategy was unrealistic and inappropriate. The funding of the 15 UNIDO Desks was secured for two years and left the longer- term strategy at a

³ The UNDG is the secretariat for the UNDG. It is responsible for facilitation of the implementation of policies and procedures on UN reform, including the harmonization of operational procedures.

tentative level. The Agreement states a prospective expectation that over time revenue generated, as support costs from the implementation of new programmes will offset the costs of the Desks.⁴ Many variables affect the extent to which the additional volume of technical cooperation can generate income to offset the additional cost of the Desk. These factors, all of which are beyond the control of the HUU, include:

- (a) The availability of resources for programme development (these were made available primarily for JPSDP in JPSDP pilot countries but less so for other countries or programmatic areas);
- (b) The selection of UNIDO as implementing agency for approved programmes that have been jointly formulated (UNIDO may be selected to implement only a part of a joint programme or implementation may occur under modalities other than UNIDO such as bilateral arrangements);
- (c) The timing of resource mobilization and programme approval;
- (d) The UNIDO support cost rates that are agreed with the donor;
- (e) The delivery rate for UNIDO implementation.

38. In view of these reasons the deadline for financial self-sufficiency on the basis of cost recovery — two years from the date of establishment of a Desk — is unlikely to be met. The Desks will be unable to continue beyond the pilot phase until a new strategy for financing the operational costs of the Desks is in place.

39. Overemphasis on resource mobilization diverts HUU attention from other activities. The Agreement implicitly requires the HUU to give priority attention to resource mobilization in order to ensure financial survival of his/her post. This requirement becomes the primary performance indicator for the HUU. This diverts the attention of the HUU away from other activities, which are of equal importance and relevance for the countries. These include advocacy for PSD, the provision of advice and information to governments and the private sector, as well as efforts to improve coordination within the UN system.

Main conclusions

40. The conclusions are only preliminary. The brief period of time since start of implementation of the Agreement is insufficient to fully evaluate the effectiveness of the Desks or the JPSDPs. Most of the conclusions relate to efficiency in the implementation of the Agreement so far.

41. Promise of success. The implementation results so far show promise of success in the joint promotion of private sector development and the expansion of UNIDO representation in most of the countries included in the pilot phase of the Agreement. These positive results are remarkable, in particular because they were achieved despite weaknesses in the Agreement itself, and problems in its implementation. Even after a short period of implementation, all stakeholders who participated in this assessment agree that the collaboration has potential. The assessment team therefore concludes

⁴ Article 5.3.k requires to "... close the UNIDO desks, if after two years of operations, it fails in any country to generate programmes and projects with sufficient income to cover the costs of the UNIDO Desks".

that the collaboration is worth continuing, albeit with many modifications in its implementation modality.

42. A relevant initiative. The Agreement with its emphasis on pro-poor PSD is very relevant since both UNDP and UNIDO are committed to the implementation of the Millennium Development Goals, a priority emphasis of which is poverty reduction. Moreover, there is a complementary fit between the two organizations with UNIDO providing experience and expertise on PSD and UNDP providing country level convening power and opening a wider perspective on the necessary local conditions for pro-poor growth. The Agreement represents an entry point for reciprocal learning and cross-fertilization in these matters.
43. The Desks are relevant in two additional ways. First, to the Member States who want expanded access to the technical expertise of UNIDO and, second, to supporting improved United Nations system coherence at the country level utilising the UNDP umbrella.
44. An effective approach for leveraging national expertise. The UD proved a good investment in national capacity and an effective approach for the use of national high-level expertise. The HUOs were identified through a professional and transparent recruitment process and have proved an excellent vehicle for expanded country presence and facilitating access by the public and private sectors alike to advice and expertise in the areas covered by the Agreement. A precondition for the effectiveness of the approach is the full understanding and acceptance by country-level authorities of the benefits of a national technical representation, an open and facilitating approach by UNDP to UNCT participation and effective technical and substantive support by UNIDO.
45. A cost-effective approach. The UNIDO Desk staffed with a national HUO appears to be a cost-effective option for UNIDO presence in a number of countries compared to a full UNIDO Representative. The HUO and the UNIDO Representative have similar technical job profiles (except formal representation). However, the estimated cost of a UNIDO Representative position is \$350,000 per annum (including support staff and office costs) in contrast to \$100,000 per annum for an HUO. While there are trade-offs for adopting either staffing approach, the UNIDO Desk would appear to be an attractive alternative for expanding UNIDO's field representation. Because of the demonstrated and potential value-added of the approach, the UD is definitely a good alternative to no representation at all.
46. The Agreement and the implementation strategy need to be revisited. The Agreement itself needs to be revisited in order to address the design shortcoming highlighted above and an effective implementation strategy needs to be put in place by both organizations in order to overcome the implementation shortcomings listed above and to ensure an efficient and effective continuation of activities.
47. A new approach to financial sustainability of the Desks is urgently needed. The assessment team considers the financing strategy for the Desks included in the Agreement not only unrealistic, as outlined in paragraph 37 above, but also

inappropriate as it does not envisage long-term solutions and options for funding of the UNIDO Desks beyond the two years pilot period.

Recommendations

48. This section captures in full the recommendations in the main report. Recommendations are intended for the consideration of management in the respective organizations and for eventual consideration by governing bodies when they touch upon financial and policy issues. The recommendations should be considered with the management responses produced by the two organizations either jointly or individually.

Recommendation 1. Continue implementation with adjustments and a phased approach

49. Continue implementation of the Agreement for the envisaged initial period of five years. Major improvements and adjustments should, however, be introduced in the implementation approach and a more effective joint management mechanism should be put in place. The financial and sustainability issues should be revisited.

50. Both organizations should look at the continuation of the Agreement beyond its bilateral nature and align it with the respective organizational responses to new and emerging country-level United Nations-wide reform initiatives.

51. In order to overcome the rigidities encountered in the implementation of the Agreement, the parties should consider either revision of the Agreement, or development of an operational appendix to the Agreement to guide future implementation and address the issues raised in this assessment. The assessment team recommends pursuing the second option, which is less legalistic, more operational and can be implemented faster and more easily. Whichever approach is adopted, the resulting document should be a living document that can be adapted to changing circumstances.⁵

52. The new document should clearly define the envisaged cooperation line on issues which were included in the Agreement but which were not sufficiently clear and/or not implemented, in particular:

- (a) Conceptual clarity and programmatic complementarities in private sector development;
- (b) Clear synergies between the two main components of the Agreement;
- (c) Joint programming modalities in all areas covered by the Agreement, including programme and project identification, formulation and channelling of funds;

⁵ Article 5.3.c. of the Agreement states that "... based on the outcome of the assessment UNIDO will in consultation with UNDP either expand the network of the UNIDO Desk to other countries, modify the approach or arrangements or expand the duration of the pilot phase".

- (d) Joint country-level cooperation in resource mobilization under the leadership of the respective Governments and high-level joint advocacy and resource mobilization to donor capitals;
 - (e) A clearly defined joint operational strategy (see detailed recommendation below);
 - (f) A full-fledged evaluation to be envisaged towards the end of the five-year period covered by the Agreement.
53. A phased approach should be followed and should consist of the following steps:
- (a) Continue operations of the Desks in the 13 pilot countries and establish the two remaining Desks included in the pilot period. In clarification of the terms of the Agreement, UNDP shall provide support costs for UNIDO Desks for a two-year period from the starting date of each Desk.
 - (b) Continue initiated action to gradually convert existing UNIDO National Focal Points⁶ to UNIDO Desks. This will need to be done in full consultation with the host countries, UNDP and along the lines of the assessment recommendations;
 - (c) In view of the already demonstrated value as shown in the assessment, gradually expand the network of UNIDO Desks provided that funding is ensured and that the recommended management mechanisms are in place. Any decision for expansion should be primarily based on recipient country interest and the agreement by the UNDP Country Office to host the Desk. The ambitious target of expanding UDs to up to 50 countries may need to be revisited.
54. In order to ensure smooth continuation of the operations of the Desks and realizing the benefits of the investments made so far, the criteria for any closure or extension of Desks should disregard the self-financing clause of the Agreement and be primarily based on the interests of the recipient country as well as the willingness of the UNDP Country Office to continue hosting the Desk.
55. Continue to focus on joint private sector development programmes but also promote other substantive areas of cooperation, such as energy and environment that have already been included in the Agreement but not pursued so far.

Recommendation 2. Devise a sustainable funding arrangement for UNIDO Desks

56. UNIDO should devise a sustainable funding arrangement going beyond the two-year pilot period to ensure the sustainability and expansion of the Desks. This financing strategy should be supported by commitment for programme funding by UNDP at the country level within the wider priorities of the country needs.
57. Financing of the operational costs upon completion of the pilot period include the following options, which can be used individually or in any combination.

⁶ UNIDO National Focal Points support and promote UNIDO's cooperation activities in the respective countries. UNIDO. Director-General's Bulletin, UNIDO/DGB/(O).86/Add.9 (15 February 2002)

(a) UNIDO:

- (i) Coverage of the operational costs from UNIDO regular budgets;
- (ii) Dedication of support costs from UNIDO programme implementation. To determine the costs and offsetting income will require UNIDO Headquarters to clearly identify those projects that resulted from UNIDO Desk activities and extract from the accounts part of the corresponding income as well as UNDP Country Offices to determine actual costs of Desk operations on a country-by-country basis;
- (iii) Reduce UNIDO Representative posts and reallocate resources to the Desks.

(b) Other partners:

- (i) Expanded voluntary contributions to UNDP and UNIDO, along the lines of the Belgian contribution to UNDP;
- (ii) United Nations reform initiatives for funding country-level coordination;
- (iii) Cost-sharing with host countries of the Desks;
- (iv) Country-level contributions by UNDP based on programme/project development.

Recommendation 3. Continue cooperation under the PSD Framework

58. Continue cooperation under the PSD Framework subject to improved joint programme modalities and confirmation of commitment to knowledge-sharing and UNIDO participation in PSD and other knowledge networks relevant to the Agreement.
59. Both organizations should devote sufficient resources to carry out comprehensive country analysis as a foundation for the effective preparation of programmes.
60. Before considering any expansion of the JPSD Programmes give highest priority to the joint global resource mobilization efforts prescribed in the Framework, but not implemented.⁷ In addition, the partner organizations should explore the possibility of establishing a joint trust fund. Resource mobilization at country level under the leadership of the Resident Coordinator should be the case in every programming country.

Recommendation 4. Define a joint implementation strategy

61. Establish a formal joint management mechanism/group to manage the continuing implementation of the Agreement and the Framework. This will include monitoring, identification, resolution of operational problems in relation to the Agreement and the Framework, and carrying out recommendations for change that have been mutually agreed. The first step will be to follow up on the recommendations set out in this assessment and agreed upon by management of the two organizations. Each

⁷ See article 6.1.1—At the global level: Joint presentation of the initiative to the headquarters of key potential donors; and joint mobilization of funds for specific activities, including country programme development and activities referred to in article 4.5.

organization should have one coordinator for the entire Agreement. The precise nature of this mechanism will need to be developed following intensive consultations between the partner organizations.

62. At the country level, working arrangements should be formalized in consultation with the UNDP Resident Representative to define specific mutual responsibilities (programmatic priorities, UNCT participation, resource mobilization, technical and operational support, etc.). While targeting specific country conditions and requirements, country-level arrangements should not be *ad-hoc* and should be devised within the overall coherent cooperation modality established by the Agreement.

Recommendation 5. Recommended actions for UNIDO

63. Continue the Agreement in the context of UNIDO overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives. This will require making medium- to long-term choices on the most suitable and financially feasible modalities and mix of options for country-level expanded presence (Regional Offices, Country Offices, UNIDO Desks). The issues of choice of representation, category of staff deployment at country level (international/national), level of authority, streamlined technical support services, managerial delegation and sequencing of programming with country-driven initiatives etc. need to be in the clear management focus as situations unfold.
64. Incorporate the HUU into the overall organizational structure of UNIDO. Fully include the HUU in the Human Resource Policy Framework and other related policy documents and administrative instructions. Strengthen the field coordination mechanism in order to ensure proper monitoring and follow-up of Desk work plans and improve technical support and information flows to the Desks by UNIDO Headquarters and Regional Offices.
65. Address the relationship issues:
 - (a) Clarify the reporting and supervision lines in the relationship between the UNIDO Desk and the UNDP Resident Representative;
 - (b) Clarify the administrative and technical relationships and reporting lines between the Desks and UNIDO Headquarters and, in the context of the new UNIDO field mobility policy, Regional Offices;
 - (c) Clarify the relationship between integrated programmes, stand-alone projects and joint programmes and the role of the HUOs in support to all these technical cooperation delivery modalities.
66. Explore a gradual increase in delegation of administrative and financial authority and accountability of HUOs within the context of a uniform policy (as opposed to current *ad-hoc* practice). Provide seed money for programming and advisory activities and clarify the leadership issue of programme development and implementation at country level (joint programmes, integrated programmes)

67. Include the financial implications for gradual expansion of UNIDO Desks in the programme and budgets 2008-2009.

Recommendation 6. Recommended actions for UNDP

68. Continue the Agreement based on a reconfirmed commitment to its implementation and in the context of UNDP overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives.

69. Enhance communications arrangements between Headquarters and the country-level. Issue clear directives to the UNDP Resident Representatives, clearly delineating their responsibilities and obligations under the Agreement, in particular joint programming, joint resource mobilization, HUC participation in UNCTs, monitoring and evaluations based on results. This will promote better understanding of the Agreement's objectives and advantages.

70. In line with the Agreement, initiate knowledge-sharing and networking with UNIDO counterparts to enable access to and participation in relevant UNDP knowledge networks and to disseminate information on both agencies' experience and expertise through shared communications channels and networks.

71. Explore the feasibility of creating joint UNIDO-UNDP PSD teams based at UNDP Regional Centres, in particular in the African region where some cooperation already exists. This possibility was mooted in the Cooperation Agreement but never explored.

Outlook beyond the Agreement

72. In the spirit of United Nations reform the Agreement is a new model of inter-agency cooperation and field representation with UNIDO Desks established in UNDP Country Offices. The pilot phase confirms the feasibility of the strategic partnership between a medium-sized specialized agency seeking to expand field representation in a cost-effective manner, such as UNIDO, and UNDP.

73. The pilot phase has also shown that an excellent use can be made of national high-level expertise to leverage and invest in national capacity.

74. It is too early to draw final conclusions on the replicability of this new model by other agencies. The Agreement may however have implications beyond UNIDO and UNDP as a possible model for hosting arrangements of United Nations agencies with no field representation. In this context there are some emerging organizational lessons that can be useful beyond UNIDO and UNDP.

75. The lessons are:

- (a) The driving factors for success have been a tradition of cooperation, shared priorities, as well as commitment and strategic vision at the highest level;

- (b) Sustained stakeholder interest and policy guidance from Member States is key to starting and keeping the momentum of the cooperation process. However, experience so far shows that financial support does not come automatically as a result of cooperation;
- (c) Innovation and change do not come for free but require resources. Inflexible financial policies reduce the prospects for success. The potential gains for the country and for the participating organizations go much beyond the monetary or financial value of the projects and programmes generated. Narrowing down the ambition to income generation for the agencies through programming and support cost entails the risk of reducing other benefits for the country (advice, access to knowledge, networking, etc.);
- (d) Despite organizational rigidities, working together at the country level can break the barriers of different organizational cultures and lack of understanding and has the potential to bring more effective country-level support by two organizations.

1

Introduction

1.1 The joint assessment

76. The “*Cooperation Agreement between UNIDO and UNDP*” (henceforth referred to as the Agreement) was signed after extensive consultations between the two organizations and their Members States. The Agreement envisaged an initial pilot phase of two years to be followed by a joint evaluation. The UNIDO General Conference in resolution GC. 11/Res.5 of December 2005 requested, *inter alia*, the Director-General to undertake an assessment of the pilot phase and to present results and recommendations to the Industrial Development Board at its thirty-second session in November 2006, with a view of taking appropriate decisions. Consequently, at a meeting in March 2006 between Senior Management of UNDP and UNIDO it was agreed that the Evaluation Offices of the two organizations would carry out the assessment as a joint independent exercise.
77. This report is the output of the joint assessment of the progress in the implementation of the Agreement and the related agreement, the “*Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development*” (henceforth referred to as the Framework) signed the same day.
78. The joint assessment was commissioned as an independent exercise under the auspices of the heads of the evaluation offices of UNDP and UNIDO. The evaluation team consisted of two independent consultants, including the Team Leader, and staff members from UNIDO and UNDP evaluation offices. It is important to note that the exercise was an assessment, not a full-fledged evaluation.
79. The main purpose of the joint assessment is to assess the overall progress and effectiveness of the Agreement for the benefit of the developing countries covered. With this overall objective in mind, the assessment is intended to be forward looking and cover both programmatic and process aspects of the Agreement, including:
 - (a) The progress made under the Framework in terms of joint private sector development programmes (JPSDP);
 - (b) The process of establishing UNIDO Desks, the experiences acquired and the preliminary results achieved during the pilot phase of the UNIDO Desks.
80. The assessment report will be presented to the UNIDO Industrial Development Board in November 2006, as requested by the UNIDO General Conference, and will provide input into relevant discussions of the UNDP Executive Board.

1.2 Assessment methodology

81. The exercise is an assessment, not a full-fledged evaluation, given the limited implementation time of the Agreement since its signature in September 2004 and, hence, the limited evidence of results achieved on the ground. Nevertheless, it is an independent exercise based on the UN Evaluation Group norms and standards for evaluation in the UN system⁸ and the evaluation policies of the two organizations apply to the assessment⁹.
82. The assessment will enable UNIDO and UNDP to evaluate the process followed so far and indications of what the pilot cooperation approach holds for the future. The report includes recommendations on measures for future improvements in the approach and its implementation.
83. A participatory approach has been applied involving relevant UNDP and UNIDO staff both in the field and at Headquarters and selected stakeholders in governments, the private sector and the donor community. A sample of four countries included in the pilot phase was visited to assess implementation experience on the ground (Armenia, Lao People's Democratic Republic, Nicaragua and Sierra Leone).
84. Two briefings took place respectively in Vienna and New York to inform the governing bodies of UNIDO and UNDP of the progress of the assessment and to obtain their feedback. This ensured continuity and consistency with the approach pursued in the development and the implementation of the pilot phase of the Agreement, which was based on active participation and dialogue with Member States.
85. A set of modular self-assessment questionnaires was prepared and sent out to the four target groups involved in the setting up and the operation of UNIDO Desks: UNIDO Headquarters staff, UNIDO Representatives and Heads, Regional Offices, Heads of UNIDO Operations, UNDP Resident Representatives, and counterparts. The responses were analysed through statistical assessment of numerical replies and the examination and grouping of qualitative replies.
86. The assessment report integrates the two main components of the Agreement, i.e., the UNIDO Desks and the private sector programmes. The assessment team has reached consensus on all findings, conclusions and recommendations.

1.3 The assessment approach

87. As an initial step, representatives of the two evaluation offices met in Vienna to finalize the assessment's terms of reference and to develop the methodology, especially the questionnaires. As a result, the following steps were undertaken in the assessment process:
 - (a) Desk reviews: As a first step the assessment team undertook the process of identifying and reviewing relevant documents to the joint cooperation process and background to the Agreement. Such documentation covered all background

⁸ UNEG (2005). *Norms for Evaluation in the UN System* (29 April 2005), and UNEG (2005). *Standards for Evaluation in the UN System* (29 April 2005)

⁹ "The Evaluation Policy of UNDP", UNDP (June 2006) and the "UNIDO Evaluation Policy", UNIDO (May 2006)

information available within both organizations, including decisions, resolutions and discussion records by the UNIDO Policy-making Organs, terms of reference of the UNIDO Desks, job profiles, vacancy announcements, etc., the development of private sector development programmes, including project concepts, project documents, monitoring reports, decisions, appraisal notes, etc.

- (b) UNIDO Desk reports: To obtain structured information on issues such as: advisory, programming and technical cooperation support function, relations with UNDP and with UNIDO Headquarters, thematic focus of activities, etc.
- (c) Stakeholder questionnaires: A set of stakeholders' questionnaires was developed by the two evaluation offices and distributed to the stakeholders listed in Table 1.1 below:

Table 1
Number of questionnaires sent out and replies received

No.	Description	No. of questionnaires sent	No. of replies received
1	UNIDO Desks	13	13
2	UNIDO Country Offices and Regional Offices	7	5
3	UNIDO staff (PCF, area Programmes)	6	5
4	UNIDO technical staff	28	7
5	UNIDO HR staff	2	2
6	UNDP Country Offices	13	7
7	Counterparts	35	6
8	Counterparts (PSD only)	12	3
Total		116	48

Source: "Assessment of Questionnaires responded by UNDP, UNIDO Staff and Counterparts".
UNIDO Evaluation Group (31 August 2006)

- (d) The UNIDO Evaluation Group summarized the extensive findings from the questionnaires in four reports related to the different groups of stakeholders. The reports can be made available upon request.
- (e) Interviews at UNDP and UNIDO Headquarters: Members of the assessment team spent two weeks in New York and Vienna interviewing relevant UNDP and UNIDO staff members. Most interviews were conducted on an individual basis using a semi-structured approach.
- (f) Invitation for suggestions to UNIDO staff: In late July 2006, an open message was sent to UNIDO staff inviting them to share possible suggestions on how the UNIDO/UNDP Cooperation Agreement could be improved. The exercise resulted in incisive and useful responses from both Headquarters and the field.
- (g) Validation missions: Missions were undertaken by members of the assessment team to four pilot phase countries, namely Armenia, Lao People's Democratic Republic, Nicaragua and Sierra Leone. The selection criteria included: pilot phase countries with a Desk and a joint PSD (all with the exception of Armenia), advanced stage of the JPSD programme, typology of the country (least developed countries, post-crisis, transition economy, country with substantial donor presence), geographical balance. Missions were for up to four days in each country, interviewing a variety of stakeholders including representatives from the Government, UN system, international donor community, private sector and civil

society organizations. The main purpose of the missions was to validate the data collected largely through the triangulation of data from different types of resources and from different interviewees. In most cases semi-structured interviews were undertaken to complement and/or validate the information from the questionnaires.

88. The joint assessment faced a number of problems in relation to the methodology and process. It was undertaken in a limited time – the whole assessment, including report writing was carried out from 15 June to 30 September 2006 (see also terms of reference for the joint assessment, Annex 1), which meant, for example, that documentation collection and review was being undertaken at the same time as the interviews and field validation missions. Examination of the responses from the questionnaires reveals some confusion concerning some programming concepts and terms (these are examined in more detail in later sections). In addition, there was poor response of some groups of stakeholders to the questionnaire, specifically those from national counterparts (government and private sector). Since several of the returned questionnaires were from the same country, the country coverage is quite small and clearly might not be representative of the views of the set of counterparts to the pilot interventions in this agreement.

1.4 Structure of the report

89. Chapter 1 introduces the report. Chapter 2 provides background information to the Cooperation Agreement and highlights its main points. Chapter 3 provides detailed information on the achievements to date, including progress milestones, an assessment of the performance of UNIDO Desks based on the assessment criteria established in the terms of reference. Information on achievements is provided for both the UNIDO Desk component and the Joint PSD Programmes component. Chapter 4 elaborates on a number of issues, which have emerged during the implementation of the Agreement. These issues have their roots in the preparation process of the Agreement and also in the ways that the parties have implemented their part of the Cooperation. Chapter 5 includes general conclusions and specific conclusions with regard to the assessment criteria relevance, effectiveness, efficiency and sustainability. Chapter 6 includes recommendations on the future of the Agreement, further financing options, future implementation strategies, opportunities for deepening the Cooperation and future outlook beyond the Agreement. Recommended actions for UNIDO and UNDP respectively are also included.

2

The Cooperation Agreement between UNIDO and UNDP

2.1 The Cooperation Agreement

90. In September 2004, the heads of UNIDO and UNDP signed an agreement designed to facilitate greater collaboration between the two organizations. The Agreement recognized UNIDO's core competencies and its high level of expertise and UNDP's strength at the country level and its capacity to deliver services to a wide range of partners. Aimed at strengthening cooperation in a number of areas, but focused mainly on private sector development, the Cooperation Agreement would allow the government and private sector partners in countries where the two organizations are active to benefit from more effective delivery and better quality of services and programmes in support of their national development goals.
91. The Agreement established the basis for UNDP and UNIDO to develop joint technical cooperation programmes, particularly in support of private sector development in accordance with the recommendations of the report of the United Nations Commission on the Private Sector and Development entitled "Unleashing Entrepreneurship: Making Business Work for the Poor"¹⁰ and UNIDO's corporate strategy. The Cooperation Agreement also introduced a new model of field representation with UNIDO establishing UNIDO Desks within UNDP Country Offices in 15 pilot countries over a pilot period of two years. Over a five-year period the Agreement foresees the expansion of this model in order for UNIDO to increase its country coverage to up to 80 countries.

2.2 Background to the Agreement

92. In summer 2003, the United Nations Secretary-General convened the United Nations Commission on the Private Sector and Development to explore ways and means of stimulating the private sector in developing countries so that expanded business activity could create new employment and wealth. Increased local entrepreneurship would thereby support poverty alleviation and contribute to the achievement of the Millennium Development Goals. One of the key recommendations of the Commission was to apply the approach of specialization and partnership to private sector development, an area where both UNIDO and UNDP were involved.

¹⁰ The report, published in March 2004, and in this report referred to as "Unleashing Entrepreneurship" and information on the work of the Commission can be found at <http://www.undp.org/cpsd>

Box 1: Recommendation from the United Nations Commission on the Private Sector and Development¹¹

Recommended actions by multilateral development institutions: The Monterrey Consensus explicitly acknowledged the role of private business in development. It touched on the need for improving the functioning and efficiency of global and bilateral development agencies. It recognized the limited absorptive capacity of many developing countries and the stretched administrative capability to deal with overlapping activities of development institutions. The Consensus Document thus encourages a fair degree of specialization and partnership in the development community to improve the overall impact of various forms of development assistance.

Apply the Monterrey recommendation of specialization and partnerships to private sector development activities. Many institutions are engaged in efforts to support the development of financial markets, provide business development services to small companies, advise on the enabling environment, improve corporate governance and enhance the focus on sustainability. While the choice of “supplier” is important to recipient countries, it is clear to us that these overlapping activities are counterproductive and need to be urgently addressed.

93. At about the same time (early 2004), the UNIDO Secretariat carried out an assessment of field representation and submitted to Member States options for the rationalization of its field presence. Within UNIDO the issue of an effective decentralization of activities and of a strengthened field representation has been a priority since the adoption of the Business Plan on the future role and functions of UNIDO in 1997. The issue of decentralization and field representation has been a central and recurrent item during sessions of UNIDO governing bodies since then. Following the assessment, UNIDO Member States met in an informal advisory group on decentralization and reviewed the issue during sessions of governing bodies. During these sessions, Member States recommended that UNIDO expand its field presence in a carefully planned and phased approach. They also encouraged the Secretariat to dialogue with UNDP in this context.
94. The UNIDO-UNDP Cooperation Agreement was conceived in direct discussions between the Administrator of UNDP and the Director-General of UNIDO during the summer of 2004. In service of the Secretary-General’s agenda for United Nations reform, the UNDP Administrator was particularly keen to develop a model for inter-agency cooperation using the UNDP Country Office as a platform for the provision of technical services by United Nations agencies. The UNIDO Director-General, in accordance with UNIDO’s own internal planning and Member States’ mandates was exploring options for expansion of UNIDO’s field representation. The agency heads also saw opportunities for other synergies to evolve as a result of inter-agency cooperation.
95. The establishment of a Cooperation Agreement was the subject of extensive dialogue and consultations with UNIDO Member States and UNIDO governing bodies took a number of decisions in this respect¹². The main issues raised by UNIDO governing bodies are highlighted in Box 2. The Agreement was also presented to UNDP Executive Board but was never a subject of a specific decision.

¹¹ See “Unleashing Entrepreneurship”, page 40

¹² A list of all relevant decisions and resolutions is available from the UNIDO Secretariat

Box 2 – Main issues raised by UNIDO governing bodies

The following main issues of interest and concern to UNIDO governing bodies (as reflected in records of discussions on this subject and in relevant decisions and resolutions) may be summarized as follows:

- (a) The field presence should be expanded in a carefully planned manner and based on a phased approach
- (b) The expansion of UNIDO's field representation should be cost effective and remain within the limits of existing budgetary resources
- (c) New decentralization modalities should not negatively impact on existing projects and field structures
- (d) Synergies should be developed while ensuring that UNIDO core competencies are respected and promoted and that its own identity, visibility and ability to carry out its mandate are maintained
- (e) UNIDO technical cooperation delivery should be increased and its efficiency improved

96. The coincidence of interests on the part of the two heads of agency led to extensive discussion and negotiation between the senior staff of the two organizations. As these discussions matured, the leaders of the two organizations recognized the potential for using the recommendations of the UN Commission on the Private Sector and Development to provide a substantive basis for an agreement.

2.3 Main points of the Agreement

97. Scope of Cooperation. The scope of UNDP and UNIDO cooperation has been mainly seen in terms of its two most visible features, the introduction of UNIDO Desks in UNDP Country Offices and the development of Joint Private Sector Development Programmes (JPSDP). Indeed, the promotion of PSD was codified in a separate agreement entitled "Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development". However, the Agreement also included other important collaboration and integrative activities.

98. Phasing and duration of the Agreement. The Agreement was to begin with a pilot phase of two years, which was to be followed by a joint evaluation of its impact in terms of enhancing and expanding technical cooperation services and providing a cost-effective modality for joint field representation. The Agreement is for an initial period of five years, with options for an extension based on consultation between the Parties.

2.4 UNIDO Desks

99. In regard to the UNIDO Desks, UNIDO intended to increase its field representation through a rationalization of its field structure and the establishment of Desks in UNDP Country Offices. This would increase synergy between UNIDO activities and UNDP programmes at the country level and make UNIDO technical services more directly accessible by a larger number of countries. The ultimate objective of having a presence in 80 countries was to be achieved by opening UNIDO Desks at locations where UNIDO does not have an office, by converting UNIDO Country Offices into UNIDO Desks, and/or by establishing UNIDO Regional Technical Centres. Modalities for strengthening cooperation at the country level are highlighted in Box 3.

Box 3 – The Cooperation Agreement

The following main issues on how to implement the establishment of UNIDO Desks may be quoted from the Agreement as follows:

“UNIDO will:

- (a) Initially establish, jointly with UNDP, a UNIDO Desk within the UNDP premises in fifteen countries to be selected from among its Member States, where a significant amount of programme and project activities are under implementation or planned to be developed;*
- (b) Staff the Desk with one UNIDO professional staff member who will perform the functions of an Industrial Development Officer. The cost of this staff member will be covered by UNIDO;*
- (c) Entrust the UNDP Resident Representatives to exercise supervisory responsibility for the UNIDO Desk*
- (d) Close the UNIDO Desk, if after two years of operation, it fails in any country to generate programmes and projects with sufficient income to cover the costs of the UNIDO Desk.”*

“UNDP will:

- (a) Represent UNIDO at the country level where the UNIDO Desk is established;*
- (b) Bearing in mind UNIDO’s commitment to work within an integrated framework at the country level, undertake to meet the operating costs of the fifteen UNIDO Desks, including utilities, equipment, office supplies, file management, payroll services, General Service support, local transportation, local communication and security, except for international travel and international communications, for a period of two years following the signature of this Agreement;*
- (c) Provide adequate office space to the UNIDO Desk within UNDP premises, at no cost for UNIDO, where such space is available at no cost to UNDP.*
- (d) Provide operational services required for the operations of the UNIDO Desk in accordance with the Universal Price List after the expiration of the initial two-year period.”*

Source: Cooperation Agreement between UNIDO and UNDP, Article V-Strengthening cooperation at the country level

2.5 Framework for joint UNIDO/UNDP technical cooperation on private sector development

100. This Framework constitutes a companion document to the Agreement. It describes the objectives, substantive areas and cooperation modalities of the envisaged joint programmes aimed at strengthening private sector development (PSD) in developing countries. The Framework responds to the analysis, conclusions and recommendations of the United Nations Commission on the Private Sector and Development and gives substance to the fundamental recommendation of the Commission that the operational strategies of development agencies be redirected towards a better coordination of collective actions, based on specialization and partnerships. The objective and substantive areas of coverage of the Framework are included in Box 4.

Box 4 – Joint technical cooperation programmes on private sector development: Objective and substantive areas of coverage

“The ultimate objective of joint programmes is to expand, and enhance the impact of, both organizations' PSD support programmes [...]. Special emphasis will be placed on the joint design and development of programmes, which can effectively tackle existing constraints to unleashing dynamic entrepreneurship. Joint programmes will be conceptualised, in an open architecture, allowing for complementary contributions from other development agencies in substantive fields not covered by UNDP and UNIDO.

Joint Programmes will be geared towards implementing the Commission's recommendations, in particular the needs to:

- (a) Identify clear roles in PSD, for government, civil society, the business community and development agencies;*
- (b) Fully mobilize domestic entrepreneurial capacities in developing countries by improving the enabling environment, enhancing access to finance and strengthening the knowledge and skill base;*
- (c) Reduce economic informality by stimulating the move of entrepreneurs into the formal economy;*
- (d) Develop sustainable markets and new business models for poor population segments (the so-called "bottom-of-the-pyramid" markets);*
- (e) Effectively link domestic small and medium-sized enterprises with foreign investors and large domestic companies by integrating them into broader value chains; and*
- (f) Promote public-private partnerships and responsible business practices.*

Joint UNIDO/UNDP programmes will build on the specific mandates and strengths of both organizations and focus on the four components:

Component 1: Create an enabling environment

Component 2: Assist skill and knowledge development

Component 3: Develop broader financing and investment options for entrepreneurs

Component 4: Mobilize private sector capabilities and resources”

Source: UNIDO-UNDP (2004). Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development. As provided for in the Cooperation Agreement between UNIDO and UNDP dated 23 September 2004

2.6 Other collaboration under the Agreement

101. The Agreement also included collaboration and integrative efforts to promote UNIDO services through UNDP and for knowledge and experience sharing. These included the activities listed in Box 5.

Box 5 – Promotion of UNIDO services through UNDP

UNIDO shall:

Make available the services related to its expertise in the areas listed below as part of the programmes and projects at the country level, namely:

- (a) Trade capacity building*
- (b) Investment promotion*
- (c) Agro-industries*
- (d) Energy*
- (e) Cleaner and sustainable industrial development*
- (f) Entrepreneurship and small and medium-sized enterprise (SME) development*

UNDP shall:

- (a) Disseminate through its Country Office network information available from UNIDO regarding the advisory and project services that UNIDO can provide and ensure that government counterparts are provided with all appropriate information;*
- (b) Incorporate within its global knowledge network access to the full range of UNIDO services and to mainstream UNIDO core competencies, knowledge and experience into mutually agreed UNDP programme activities;*
- (c) Explore with national counterparts a role for UNIDO commensurate with its particular expertise;*
- (d) Explore with UNIDO further opportunities for cooperation, including the possibility of joint resource mobilization activities to secure additional funding for joint programmes and projects*

Source: Cooperation Agreement between UNIDO and UNDP, Article II – Scope of Cooperation

102. UNDP and UNIDO further agreed to make available to each other tools/instruments, methodologies and information applicable and relevant to the performance of development cooperation activities under this Agreement. Within the framework of national ownership, UNDP agreed to make every effort to utilize the services of UNIDO for the design and/or implementation of programmes and projects related to industrial activities funded by UNDP.

3

Status of implementation

103. The Agreement was the result of the vision of the two heads of agency and was negotiated and agreed through their strong leadership. They identified common interests and saw opportunities for exploiting synergies in the context of the implementation of the recommendations contained in “Unleashing Entrepreneurship”. On the basis of the impetus provided by the heads of agency, the organizations rapidly initiated the establishment of the Desks and launched a process of dialogue at the country level that resulted in the formulation of new JPSPDs.

3.1 Process milestones

104. Efforts to implement the Agreement were rapidly undertaken after its signing. In October 2004 the UNIDO Secretariat developed and presented to the Industrial Development Board (IDB.29/CRP.4) an implementation plan for the Agreement as well as a set of draft criteria to be applied to identify the locations of UNIDO Desks (UD). These were to be staffed by national professional officers entitled Heads of UNIDO Operations (HUO).
105. The UNIDO Secretariat carried out intensive consultations with Member States to ensure that the implications of the Agreement were clarified and awarded particular attention to communicating issues regarding the selection of locations of the UNIDO Desks. UNIDO developed a set of criteria and indicators for the selection of UNIDO Desks for the pilot phase of the Agreement and identified such locations in order of priority. The results of this extensive selection exercise were presented to UNIDO governing bodies and were communicated to UNDP in December 2004.
106. Based on the selected country list provided by UNIDO, UNDP Headquarters initiated a process of consultation with its Regional Bureaux and the Country Offices regarding the setting-up of the Desks and PSDs. The Administrator waived the mandatory cost recovery by Country Offices on local costs to be incurred by Country Offices for the operation of UD for two years in the 15 pilot countries.
107. In January 2005 implementation of the Agreement accelerated with action taken to recruit the HUOs starting with advertising of the posts internationally, carrying out field level interviews, consulting with UNDP Country Offices on issues pertaining to operational support and carrying out induction courses. Work programmes for the respective HUOs were established and draft operational guidelines developed.
108. A joint UNIDO/UNDP Task Force was established to deal with all issues relating to the Joint Programmes for Private Sector Development. The Task Force met three times and high-level members of both sides carried out a number of joint project identification field missions. The Task Force initially agreed on targeting ten to fifteen countries and established selection criteria.

109. The JPSPD countries were selected by the joint Task Force on the basis of the following criteria as contained in the Framework: strong stakeholder commitment (Government and the private sector), priority given to PSD in relevant policy documents (CCA, UNDAF and PRSP) and funding potential. The task force also discussed the methodology for joint programme and project formulation. UNIDO allocated approximately \$500,000 for programme development and formulation.

110. Communication between UNIDO and UNDP HQs intensified with regard to the implementation of the Agreement in the first months of 2006 and a number of high-level meetings took place in New York and in Vienna to discuss the progress of the Agreement and future steps. A system of regular reporting on the substantive progress of work was introduced and regular information exchange through meetings and teleconferences was introduced. The relationship between the focal points for the UNIDO Desks in UNDP and UNIDO was enhanced.

3.2 Establishment of UNIDO Desks

111. As of the date of the assessment, 13 of the 15 UNIDO Desks planned under the Agreement have been established. For the final two countries discussions with the respective governments are underway. Five conversions of UNIDO National Focal Points into Desks are pending subject to this assessment. The countries, date of approval of the candidate for HUO and estimated time in service are presented in Table 2:

Table 2
UNIDO Desks established and under consideration

No.	Country	Date of approval of candidate	Estimated time in service up to 01/09/06	Remaining period of UNDP funding	Dates of formulation missions for JPSPDs
UNIDO Desk at new locations					
1	Afghanistan	27/03/05 16/10/05	3 months (1 st candidate) 11 months (2 nd candidate)	13	05/06
2	Armenia	01/05/05	16	8	No JPSPD
3	Bolivia	01/06/05	15	9	No JPSPD
4	Burkina Faso	09/05/05	16	8	No JPSPD
5	Ecuador	21/03/05	18	6	Planned for 10/06
6	Eritrea	01/08/05	13	11	No JPSPD
7	Jordan	01/08/05	13	11	12/05 identification
8	Lao People's Democratic Republic	15/03/05	18	6	11/04
9	Mali	15/03/05	18	6	No JPSPD
10	Nicaragua	15/03/05	18	6	04/05
11	Rwanda	01/10/05	11	13	09/05
12	Sierra Leone	16/05/05	16	8	04/06
13	Zimbabwe	01/01/06	9	15	No JPSPD
UNIDO Desks under establishment					
14	Burundi	-	Recruitment on hold pending assessment	24 months as of appointment	11/05
15	Philippines*	-	Advertisement pending	24 months as of appointment	No JPSPD

Source: UNIDO, IDB.31/8 (18 April 2006) and IDB.31/8/Corr.1 (10 May 2006)

* Still under discussion with the Government and final decision not yet taken

112. The Desk countries were selected on the basis of a set of objective criteria including the UNIDO pipeline and recent TC delivery in the country; donor interest (ODA received in 2002); conduciveness for industrial development and country income level (priority given to LDC). These selection criteria were established on the basis of extensive consultations with UNIDO Member States and applied under a number of guiding principles that were equally agreed upon with Member States.
113. The HUU candidates were selected in accordance with UNIDO recruitment procedures and criteria established by Headquarters. The recruitment process was carefully done including advertisements in the international press and field visits by HRM staff from the UNIDO HQ to interview candidates. Interviews were carried out together with the UNDP Resident Representative or other staff from the UNDP Country Office. All selected HUOs have attended a one-week induction and training course at UNIDO Headquarters, although some of them only quite some time after taking office.
114. The costs of establishing UNIDO Desks during the pilot phase include the costs of advertisements for the posts, missions by Headquarters staff to interview candidates, travel costs for some candidates for interviews, and the travel and daily subsistence allowance costs of HUOs, for induction training in Vienna. UNIDO calculates these costs at nearly \$178,000 for the thirteen Desks or \$13,700 per Desk. In addition, there were associated in-kind costs of staff time particularly of HRM and Programme staff.
115. The operational support provided by UNDP includes direct costs such as rent, utilities, equipment, local communication and security and indirect costs in the area of finance, human resources, procurement and logistics. UNDP calculates the costs of 15 Desks to about \$ 300,000 based on proformat estimate. UNDP also provided contributions in kind for the management of UNIDO Desks from Headquarters and in Country Offices. UNDP staff mission costs for the establishment of the Desks amount to \$ 20,000.

3.3 Performance of the UNIDO Desks

116. In responses to questionnaires received from countries with UNIDO Desks, UNDP Country Offices rated the selected HUOs highly and their job performance as meeting or exceeding expectations. UNIDO and UNDP staff responses to the assessment questionnaires suggest that the HUOs have largely fulfilled the tasks they were set. UNDP respondents (seven out of thirteen countries) see their UNIDO Desk as adding value in a variety of areas, including PSD, trade and industry, and SME development.
117. All seven UNDP Country Offices who responded to the questionnaire recommend to replicate the UNIDO Desk. In addition, representatives of government in all countries where country validation missions took place appreciated UNIDO's presence and the resulting increased access to information as much as programming potential. Positive examples are the HUU in Sierra Leone who has been embraced by the Government as a trusted advisor. In Armenia the HUU has changed the relationships of the Government and UNIDO from *ad-hoc* to a more systematic approach with tangible results. Some HUOs (e.g. in Zimbabwe) have given priority to developing close relations with companies and private sector organisations and assessing their needs.

3.4 Achievements with Joint PSD Programmes

118. The Framework established the parameters for the development of JPSPDs and is a sound first step in the operationalization of the Agreement and in developing the PSD activities of both agencies. Significant opportunities for synergy arise.
119. Overview of the Pilot Joint PSD Programmes: Initially a set of ten countries was selected to pilot the UNIDO/UNDP Joint Private Sector Development Programmes. Selection was made on the basis of the following criteria:
- Commitment of the government, the private sector and other stakeholders;
 - The extent to which the common country assessment (CCA), the United Nations Development Assistance Framework (UNDAF) and the poverty reduction strategy papers (PRSP) envisage PSD as a priority; and,
 - The interest of the donor community.
120. A final list of 11 countries was composed jointly by UNDP and UNIDO HQs following consultations with UNDP Country Offices. The countries are listed in Table 3 (Desk countries in bold). An additional “reserve list of countries” was established in January 2006 for periodic review and possible relaunching of activities. Prospective JPSPD development has started in Somalia, Haiti and Ecuador.

Table 3
Pilot JPSPDs by country and status

Country	UNDP/UNIDO Joint PSD Programme	Budget (in \$ million)
Programme document approved		
Lao People's Democratic Republic	Promoting Private Sector Development Through Strengthening of Lao Chambers of Commerce and Industry and Business Associations	2.3
Nicaragua	Private Sector Support Programme	14.4
Nigeria	Private Sector Support Programme	18.2
United Republic of Tanzania	Private Sector Support Programme (PSSP)	6.0
Preparation of programme document close to finalization, or at an advanced stage		
Rwanda	Promotion of Opportunities for Private Sector Enterprise Expansion, Development and Shared-Growth (PROPSEEDS)	1.3
Afghanistan	Private-sector-led Growth for Sustainable Livelihood in the Balkh Province	2.4
Burundi	<i>Still being formulated</i>	
Ethiopia	Private Sector Development and trade Capacity Building Programme	4.2
Ghana	UNIDO Contribution to Private Sector Development in Ghana within the framework of UNDP-UNIDO Joint Programme Formulation	1.1
Programme formulation ongoing, or initiated		
Sierra Leone	UNDP/UNIDO Joint Programming in PSD	1.7
Jordan	<i>Still being formulated</i>	-

Source: List of countries from “Implementation of the Cooperation Agreement with the United Nations Development Programme. Progress report by the Director-General”, UNIDO, IDB.31/8 (18 April 2006); names and amounts from approved or draft joint programme documents.

121. The identification and formulation process: The nature and scope of most Desks was defined by a scoping and stakeholder consultation mission. A subsequent project formulation mission of UNIDO and UNDP staff and/or consultants developed the concept in detail. The formulation of the 11 joint programmes came primarily under

the responsibility of UNIDO who exclusively financed the consultants, except for Lao People’s Democratic Republic, Nigeria and United Republic of Tanzania where UNDP financed its own experts in the joint formulation mission.

122. Formulated projects would be processed in stages by UNIDO HQ and UNDP Resident Representatives in accordance with the recommendations of the Local Project Appraisal Committee. Governments would approve the documents in accordance with local practices. Once the financing source and volume is confirmed all parties sign the programme document to complete the formal approval process and move into the implementation phase.
123. The original time frame for JPSDP development was unrealistic. Article 4.2 of the Framework stated that “joint programme formulation missions will be fielded within the first six months”. In reality the process took longer, as indicated in Table 4 below. Considering the normal duration of programming these delays are short.

Table 4
Planned vs. actual JPSDP formulation process

Activity	Planned Process	Actual Process
Identification of potential locations for rapid joint programming/formulation missions on PSD, in consultation with UNDP	September 2004- October 2004	November 2004 (Lao People’s Democratic Republic) - December 2005 (Jordan)
Undertaking of some ten joint programming missions	November 2004 - March 2005	March 2005 (Lao People’s Democratic Republic) – May 2006 (Afghanistan)
Finalizing joint PSD programmes/projects for submission to donors	March 2005 - May 2005	Lao People’s Democratic Republic signed in July 2006
Implementation of formulated PSD programmes/projects	start May 2005	

Source: The planned process was set out in “Decentralisation: Strategic alliance with UNDP – Implementation Plan”. UNIDO, IDB.29/CRP.4 (27 October 2004)

124. Initial benefits of joint programming: A programming exercise of the dimension as was carried out with the PSD programme has a leverage effect, even if its totality is not funded for implementation by the two agencies. UNIDO and UNDP working together brought to the countries a range of combined expertise and technical know how, experience from other countries and helped the countries to benefit from a broader perspective for their PSD strategy.
125. Quality of the JPSDP documents: The JPSDP documents are well structured, coherent and in compliance with good practices in programme design. An analysis by the team reveals the following:
- (a) All programmes have made an effort to ensure that the JPSDPs are aligned with national priorities and strategies.
 - (b) All JPSDPs made efforts to ensure coordination with other donor activities, usually within the context of the national programme but also through extensive analysis of the donor situation.
 - (c) All are results-oriented, focusing on clear outcomes and outputs.

- (d) However, implementation arrangements are generally not clear reflecting the lack of sufficient attention to these arrangements in the Framework.
126. The three field visits in JPSPDP countries (Sierra Leone, Nicaragua, Lao People's Democratic Republic) found that the JPSPDPs are relevant to the country needs. The assessment did not analyse this issue for the other countries. At the same time the quality issues above do not include an assessment of the likelihood of obtaining the required funds for implementation (the issue of resource mobilization is discussed in more detail in Chapter 4).
127. Scope and content of the Joint Programmes. The scope of the programmes varies significantly, ranging from comprehensive approaches (e.g. Ethiopia with ten intended outcomes covering private-public partnerships, corporate social responsibility, informal-formal linkages, business development services, etc.) to more focused approaches aimed at addressing one or two specific issues in supporting PSD (e.g. Lao People's Democratic Republic with a dual focus of research and support to business member organizations).
128. In broad terms all the JPSPDPs should support the achievement of their ultimate objective; "... to expand, and enhance the impact of, both organizations' PSD support programmes with a view to strengthening the contribution of the private sector to the achievement of the Millennium Development Goals (MDGs) in developing countries" (Framework, Article 2.3). The majority of the JPSPDPs include a strategy that makes an explicit linkage between private sector development, poverty reduction and achievement of the MDGs, and include poverty reduction as part of the overall goal of the intervention.
129. Also in support of the recommendation for specialization and partnership to private sector development by the UN Commission on the Private Sector and Development are the additional partnerships of other specialised organisations in the JPSPDPs, for example the partnerships with FAO and UNIFEM in Sierra Leone and with ILO in United Republic of Tanzania.
130. Environment in which Joint Programmes are being established: The Agreement has been introduced into a complex programming environment which includes United Nations system processes and national development planning arrangements. Where these processes are in the implementation phase it may be difficult to introduce new initiatives. Three sets of factors can be taken into consideration here. First, the set of UNIDO and UN system planning tools, specifically the UNIDO Integrated Programme (IP) and the UNDAF. Secondly, the degree to which UNDP is already undertaking PSD activities. Third, the priorities of the national development plan and the existence of a national PSD strategy.

Box 7 – Nicaragua: Aligning joint PSD efforts with national priorities

UNDP and UNIDO recognised the potential for working together in Nicaragua even before the Agreement was made and therefore enthusiastically embraced it once signed. Nicaragua is also a country where the harmonisation and alignment agenda has been a priority of both donors and government. In this respect it seemed a useful coincidence that the formulation of the JPSDP was to start in early 2005 at around the same time as the formulation of the state strategy on PSD/SME development (PROMIPYME). While it may have been an opportunity to align the UN system's PSD interventions with national strategies and priorities, the process has become quite complicated. Most importantly, the process of preparing the JPSDP proceeded at a far quicker pace than that for the PROMIPYME, which has yet to be completed. In this context, the timeframe for the finalisation of the JPSDP will inevitably be outside the control of UNDP and UNIDO and their collaboration efforts.

131. Nature of the JPSDPs: The staff involved in identifying and formulating the JPSDPs at UNIDO HQ and in UNDP Country Offices interpreted the Agreement in different ways and/or adapted it to suit the specific context in which they were working. As a result, the nature of the joint programmes varies from country to country. Three main types can be identified:
- (a) *A joint programme in the UNDG sense, e.g., Lao People's Democratic Republic.* In this case, there is one programme that has been jointly formulated and will be jointly implemented even though the different components are managed separately.
 - (b) *A joint programme that acts as an umbrella, e.g., Nicaragua.* This approach brings together all the UNDP and UNIDO private sector development activities in the country under one umbrella. It therefore ensures coordination of activities and a unified UN system position on the issue. This joint programme is essentially a collection but not an integration of UNDP or UNIDO projects. This approach is intended to be temporary, to be replaced when the new UNDAF is prepared at which point opportunities for UNDG-type joint programmes could be identified and programmes formulated. The umbrella could also be enlarged to include other United Nations agencies involved in the productive development (for example, UNCTAD, ILO or FAO) and the private sector.
 - (c) *A UNIDO project jointly formulated with UNDP, e.g. Ghana.* In this situation, the implementation of a jointly developed project is managed by UNIDO.

Box 8 - Lao People's Democratic Republic: Effective collaboration but resource constraint

The prospects of the UNDP/UNIDO collaboration in Lao People's Democratic Republic are promising. The enabling environment for effective UNIDO-UNDP collaboration is especially good since: (a) the UNDAF was being prepared providing a platform for UNIDO engagement and value-added (b) government interest in PSD is growing (c) the JPSDP builds on previous work under the UNIDO IP (d) UNIDO enjoys good reputation with the government, and (e) UNDP has limited involvement in PSD work but wants to expand into this area. The collaboration developed smoothly in a positive and pragmatic spirit with the UNIDO Desk well integrated into UNDP and the UNCT. The Joint PSD Programme will start implementation soon with limited funding from UNDP and UNIDO (representing less than a quarter of the original budget). There is great potential for continued effective collaboration if resource mobilization issues in the context of an environment crowded by international players are overcome.

132. Funds mobilization. Recognizing the importance of adequate funding for successful implementation of the joint activities, the Framework also provides guidance on resource mobilization. It stipulates that donors will be approached at two levels:

“6.1.1 At the global level:

- (a) *Joint presentation of the initiative to the headquarters of key potential donors*
- (b) *Joint mobilization of funds for specific activities, including country programme development and activities referred to in article 4.5.*

6.1.2 At the country level:

- (a) *Presentations of national PSD programmes to the local donor community, with the private sector involved both as partner and potential contributor*
- (b) *Different options may be used for funding the programmes. Contributions may be made to a programme as a whole or be targeted to specific components and be managed by the organization responsible for that component.”*

133. To date there has been no joint presentation of the initiative to the headquarters of key potential donors and no joint mobilization of funds for specific activities, including country programme development.

134. At the local level, although in the Framework the emphasis is less on “joint” activities, there is evidence of joint resource mobilization efforts by UNIDO and UNDP although this is not always the case and varies from country to country. There have been presentations of draft JSPDPs by United Nations Resident Coordinators and UNIDO as well.

135. Cost efficiency of the JSPDPs: The cost incurred for JSPDP development amounted to approximately euro 392,000 (see Table 5 below) equivalent to about \$ 500,000. The good quality of the programme documents and the total financial volume of developed programmes of \$ 52.6 million indicate that the development of the joint programmes was cost-efficient. However, the final assessment of efficiency will depend on how many of these programmes will be actually funded and implemented.

136. Table 5 presents estimated UNIDO cost¹³ incurred in connection with the development of PSD programme/project activities between 2004 and July 2006. The Table represents UNIDO costs and not those of UNDP, which were covered on a county by country basis by the UNDP Country Offices.

Table 5
Estimated UNIDO cost for JSPDP development

Description	Amount (in euro)
UNIDO, PSD staff time, including missions (8.6 w/m, estimated)	90,968
UNIDO staff missions (15 countries)	93,395
UNIDO international consultancies ¹⁴	207,835
TOTAL (estimated)	392,198

Source: UNIDO

¹³ The estimated total cost (see above) does not include staff time for UNIDO, PCF and HRM and funds used for PSD preparatory activities

¹⁴ The total amount includes consultancy fees and costs of travel

3.5 Assessment criteria and analysis

137. For the present assessment the five assessment criteria included in the terms of reference for the assessment were applied¹⁵:

- (a) Number and volume of joint projects and programmes developed and approved in PSD and other areas of UNIDO mandate;
- (b) Number and volume of new UNIDO projects and programmes developed in the country with the support of UNDP;
- (c) Funds mobilized for new programmes and projects from UNDP core funds; UNDP-managed trust funds; and other sources, jointly mobilized;
- (d) Extent to which UNIDO's mandate is better than before represented in such programming documents as CCA/UNDAF;
- (e) Extent to which the additional volume of technical cooperation and the generated income can contribute to cover the additional cost of the Desk.

138. In relation to the five key assessment criteria established for the Agreement (and discussed in more detail below), the achievements have been significant in three of them. With regards to the other two, there is potential if some of the recommendations made in this assessment report are acted upon. Achievements against the five assessment criteria may be summarized as follows:

- (a) Both joint programme formulation and new UNIDO programme development have been significant (criteria 1 and 2);
- (b) Equally significant has been the increased visibility of UNIDO in the UN programming processes (criterion 4);
- (c) Although resource mobilization efforts have not yet started for all newly produced joint programmes, the results so far have been disappointing (criterion 3);
- (d) The prospects for financial sustainability of Desks based on generation of revenues from support costs does not look promising and need to be addressed through adoption of a more realistic financing strategy (criterion 5).

Comprehensive picture of programming activities

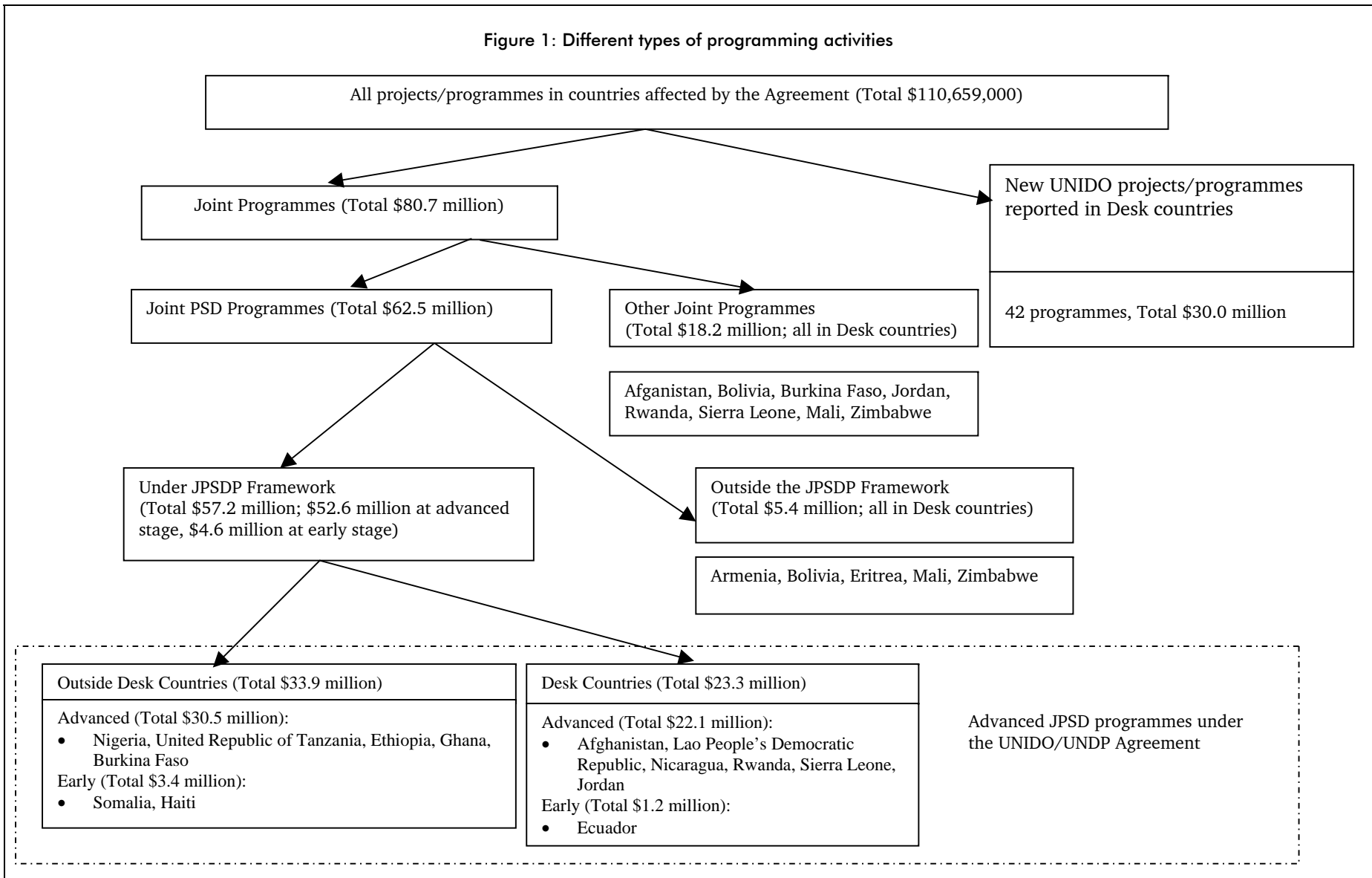
139. The performance criteria for assessing the implementation of the Agreement (see Chapter 3, sub-item 3.4) suggest a direct relationship between the Desks and joint programming. However, the Assessment found that such a direct relationship does often not (yet) exist to a significant degree. Most JPSPDs have been developed without major involvement of the Desks. In several Desk countries the formulation missions for JPSPDs were even carried out prior to the recruitment of the HUOs (see Table 2).

¹⁵ Extracted from "Criteria for selection and assessment of the effectiveness of the UNIDO Desks", UNIDO, IDB.29/CRP.4

140. The subsequent analysis of achievements gives a comprehensive picture of the different types of programming activities affected by the Agreement (see Figure 1 below), i.e.:

- (a) Joint Programmes vs. new UNIDO projects and programmes in Desk countries
- (b) Joint PSD Programmes vs. other types of joint programmes
- (c) Joint programmes under the JPSDP Framework vs. joint programmes outside the Framework
- (d) JPSDP in Desk countries vs. JPSDP in countries without a Desk

Figure 1: Different types of programming activities



Assessment criteria 1 and 2: Programming

141. Data for criteria 1 to 3 are presented in the Tables 6 and 7 below. Unless otherwise stated the information in these tables has been provided by HUOs in reports and responses to questionnaires with supplementary information from UNIDO HQ.
142. Comments on Table 6. Table 6 shows the already considerable volume of joint programming in Desk countries. In these countries a total of 26 joint programmes are underway of which 22 are in development or appraisal stages and three have been approved for funds mobilization. The table includes joint programmes in the seven Desk countries with a JPSDP coming under the Framework and in the six other Desk countries where HUOs developed joint programmes in the area of PSD that do not come under the Framework. 14 joint programmes occur in other areas. In Desk countries the estimated budget for all programmes under development is over \$46 million, including almost \$29 million in the area of PSD.
143. JPSDPs in non-Desk countries and their corresponding budget estimates comprise: Burundi (\$1 million); Ethiopia (\$4.2 million); Ghana (\$1.1 million); Haiti (\$3.4 million); Nigeria (\$18.2 million), United Republic of Tanzania (\$6.0 million) and Somalia (no budget estimate yet). This brings the total number of joint programmes under development to 33 with an overall estimated budget of about \$80 million. The data on programme budgets are estimates and actual amounts will depend on the success of resource mobilization.
144. Comments on Table 7. Table 7 shows the volume of new/ongoing programming for UNIDO reported by the Desks. Out of the 42 new UNIDO projects and programmes 31 are in development and 7 have been approved. To the extent that budget estimations are already available, the reported opportunities for new UNIDO programming appear to amount to a total of about \$30 million.

Assessment criterion 3: Resource mobilization

145. To date, a huge discrepancy still exists between estimated programme budgets and funds mobilized. UNDP has committed core funding for three JPSDPs (\$250,000 for Lao People's Democratic Republic; \$150,000 for Rwanda and \$500,000 for United Republic of Tanzania). Funding from UNIDO concerns the same three JPSDPs (\$250,000 for Lao People's Democratic Republic; \$155,000 for Rwanda and \$300,000 for United Republic of Tanzania). In addition UNIDO allocated euro 300,000 to JPSDP development. UNDP trust funds have not yet been mobilized. HUOs claim that over \$4.1 million from other funding sources have been pledged for new projects and programmes in the UNIDO Desk countries. However, in these cases "funds mobilized" often refers to unofficial donor commitments recorded by HUOs and not to official approvals by donors. Moreover, these resources have been identified in only four countries (Afghanistan; Bolivia; Ecuador; Sierra Leone).
146. It should be underlined that, at the present stage, many of the projects under development are in the status of concept papers. Moreover, HUOs and UNIDO headquarters have different understandings of what comprises a project under development, what a full project is and what constitutes an approved project. This points at the need for more training on this important subject and the establishment of a thorough monitoring and follow-up system. Moreover, differences in understanding also exist on these issues between UNIDO and UNDP.

Table 6
UNIDO-UNDP joint projects and programmes in UNIDO Desk countries

Country	No. of joint projects/programmes			Estimated budgets (in \$) of joint projects/programmes			Status of joint projects/programmes		
	PSD	Other areas	Total	PSD	Other areas	Total	Under development	Full Proposals	Approved Documents
Countries falling under the PSD Framework									
Afghanistan	1	1	2	2,400,000	800,000	3,200,000	-	1	1
Ecuador	1	-	1	1,200,000	-	1,200,000	1	-	-
Jordan	1	1	2	-	-	-	2	-	-
Lao People's Democratic Republic	1	-	1	2,300,000	-	2,300,000	-	-	1
Nicaragua	1	-	1	14,400,000	-	14,400,000	-	-	1
Rwanda	1	4	5	1,300,000	4,000,000	5,300,000	4	1	-
Sierra Leone	1	2	3	1,700,000	249,000	1,949,000	-	3	-
Countries with UNIDO Desks but not falling under the PSD Framework									
Armenia	1	-	1	-	-	-	1	-	-
Bolivia	1	2	3	4,500,000	7,300,000	11,800,000	3	-	-
Burkina Faso	-	1	1	-	1,666,000	1,666,000	1	-	-
Eritrea	1	-	1	350,000	-	350,000	1	-	-
Mali	1	1	2	500,000	-	500,000	2	-	-
Zimbabwe	1	2	3	-	4,150,000	4,150,000	3	-	-
Totals	12	13	25	28,650,000	18,165,000	46,815,000	18	5	3

Note: The information in this table concerns only Desk countries and reflects the perception of HUOs, which is often not fully consistent with UNIDO HQ records. Estimated budgets for joint programmes outside the PSD Framework are HUO estimations. Further explanations are included in the text of the assessment.

Table 7
New/ongoing UNIDO programming in countries with a UNIDO Desk

Country	No. of new UNIDO projects/programmes	Estimated budgets (in \$) of new UNIDO projects/programmes	Status of new UNIDO projects/programmes		
			<i>Under development</i>	<i>Full proposals</i>	<i>Approved documents</i>
Afghanistan	7	10,200,000	6	-	1
Armenia	4	-	4	-	-
Bolivia	4	3,230,000	2	-	2
Burkina Faso	3	5,600,000	3	-	-
Ecuador	2	864,000	1	-	1
Eritrea	0	-	-	-	-
Jordan	1	-	1	-	-
Lao People's Democratic Republic	3	2,950,000	-	1	2
Mali	0	-	-	-	-
Nicaragua	5	7,100,000	2	3	0
Rwanda	0	-	-	-	-
Sierra Leone	4	-	3	-	1
Zimbabwe	9	-	9	-	-
Totals	42	29,944,000	31	4	7

Note: The information in this table reflects the perception of HUOs. New projects/programmes mentioned by the HUOs have often not yet entered the UNIDO programming cycle and hence do not (yet) exist in UNIDO HQ records. Estimated budgets for joint programmes outside the PSD Framework are HUU estimations. Further explanations are included in the text of the assessment.

Assessment criterion 4: CCA/UNDAF including areas of UNIDO's mandate

147. The fourth assessment criterion for the UNIDO Desks is the “extent to which UNIDO’s mandate is better than before represented in such programming documents as CCA/UNDAF”. The Common Country Assessment and UN Development Assistance Framework are the UN system situation analysis and planning exercises designed to cover a five year time period. Given that the UNDAF process occurs once every five years and that the HUOs have been on station on average only one year and three months, some HUOs have not yet had the opportunity to participate in the UN planning exercise from the beginning of a planning cycle. Thus, only in countries where an UNDAF process has taken place during their time on station will it be possible to observe any impact on the CCA/UNDAF documents.

148. Table 8 summarizes feedback from HUOs on their participation in CCA/UNDAF processes and participation in UN Country Teams meetings and activities. In seven of ten countries where UNDAFs were being prepared during 2005-06, HUO’s reported active participation in the CCA/UNDAF process. Two of these reported inclusion of UNIDO programme interests in the draft UNDAFs.

Table 8
HUO Participation in UN initiatives

Country	UNDAF preparation year	Participation in UNDAF process*	Participation in UNCT**
Afghanistan	2004	No references to CCA/UNDAF.	n/a
Armenia	2003	No references to CCA/UNDAF.	Member of UNCT
Burkina Faso	2004	n/a	Member of UNCT
Bolivia	2006	“Effective participation in UN initiatives including CCA/UNDAF” included as output of HUO’s results-based work plan: preparation of documents for CCA and UNDAF currently underway.	Member of UNCT
Ecuador	2005	No references to CCA/UNDAF.	Not a member but invited to attend twice
Eritrea	2005	Full participant in UNDP UNDAF formulation retreat; UNIDO themes included in UNDAF: trade capacity building, women entrepreneurship, rural industrialization.	Under consideration
Jordan	2006	Participation in three UNDAF theme groups; Concept papers for CCA prepared on SMEs, PSD, and industrial pollution; Full participant in ongoing UNDAF process.	Not a member of UNCT.
Lao People’s Democratic Republic	2005	No references to CCA/UNDAF.	Member of UNCT
Mali	2006	No references to CCA/UNDAF.	Attends UN task force meetings only
Nicaragua	2006	Active participant in UNDAF process and leading consultations with private sector	Attends expanded UNCT
Rwanda	2006	No references to CCA/UNDAF.	Under consideration

Table 8, continued

Country	UNDAF preparation year	Participation in UNDAF process*	Participation in UNCT**
Sierra Leone	2006	Member of Review Task Force for 2004-07 UNDAF to determine whether to revise UNDAF or prepare new one.	Member of UNCT
Zimbabwe	2005	Active participant in UNDAF development which has served to identify three projects for collaboration with other UN agencies including one on dissemination of findings of the UN Commission on PSD.	Attends UN task force meetings only

* as indicated in HUU work plans, reports and questionnaires.

** from UNIDO compilation of operational issues of Desks, May 2006.

149. Only six of thirteen HUOs attend their country's UNCT or expanded UNCT at present. The majority of UNDP respondents to the questionnaire indicated that UNCT had been strengthened by HUU participation in UNCT activities and that UNIDO areas of interest had been better represented in UN system planning.

Box 6 - UN system cooperation: The case of Sierra Leone

Sierra Leone, as it emerges from post-conflict recovery and returns to an emphasis on development, has been designated as a new model for United Nations system cooperation by United Nations Security Council resolution 1620. This resolution requested the Secretary-General to establish a United Nations Integrated Office in Sierra Leone from 1 January 2006. The resolution underlines the importance of this office for effective coordination of strategy and programmes among the United Nations agencies, funds and programmes in Sierra Leone. Thus, the Executive Representative welcomed the positioning of the UNIDO Desk within UNDP as an initiative that directly supports the mission of the UN Integrated Office. The Executive Representative in his capacity as resident coordinator chairs the United Nations meetings and has accorded the UNIDO Head of Operations full membership in the team. The special status of Sierra Leone as a new model for country coordination thus facilitated the full integration of the HUU in the United Nations. The physical presence of the HUU in the UNDP Country Office has facilitated the growth of a strong relationship with UNDP and other members of the UNCT. The HUU has successfully introduced improved coverage of the areas included in the Agreement within UNDAF. UNDP and UNIDO programming approaches were complementary and the joint programme portfolio was enhanced. UNDP opened doors for the participation of UNIDO into new activities, particularly at regional level (e.g. youth employment in the Mano River Union); UNIDO brought activities developed within the context of the IP closer to UNDP (e.g. rural growth centres). Cooperation with other United Nations agencies (FAO, UNIFEM, other) was successfully promoted. There is potential for further expanding joint programmes in fields such as energy and investment promotion. UNDP noted that donors like joint programmes as they like to see "One United Nations" with United Nations agencies working together for the achievement of common goals. The UNIDO-UNDP collaboration should facilitate resource mobilization under the leadership of the Resident Coordinator.

Assessment criterion 5: Financial sustainability of Desks

150. Assessment criterion 5 seeks to determine the "extent to which the additional volume of technical cooperation and the generated income can contribute to cover the additional cost of the Desk."¹⁶ The results to date are inconclusive. Many variables affect the extent to which the additional volume of technical cooperation can

¹⁶ The assessment team assumes that this income refers to UNIDO support cost income on programme implementation

generate income to offset the additional cost of the Desk. These factors, all of which are beyond the control of the HUU, include the:

- (a) Availability of resources for programme development; the development of new project concepts into viable projects requires additional resources;
- (b) Selection of UNIDO as implementing agency for approved programmes that have been jointly formulated (UNIDO may be selected to implement only a part of a joint programme);
- (c) Delivery rate for UNIDO implementation;
- (d) UNIDO support cost rates that are agreed with the donor; and
- (e) Timing of resource mobilization.

151. The volume of programming activity shown in Tables 6 and 7 indicates that there is indeed potential for generating support cost income from project and programme implementation. However, this income will vary widely from country to country. Using \$100,000 as the estimated average annual cost of a Desk (salary plus operational costs), UNIDO would have to deliver \$1,000,000 of programme per year per country at 10% support cost rate to generate sufficient funds to fully cover the cost of the Desk. This is probably unrealistic for many countries. It is clear that the potential income generation from support cost will not meet the standard for financial self-sufficiency set in the Cooperation Agreement of “programmes and project with sufficient income to cover the costs of the UNIDO Desk” after two years of operation.

152. Moreover, UNIDO Headquarters has no system in place for disaggregated financial reporting by country on support cost income and only estimates the operational costs of a Desk. Any serious effort to determine the costs and offsetting income will require UNIDO Headquarters to establish the necessary accounting system to record income and to work with concerned UNDP Country Offices to determine actual costs of Desk operations on a country-by-country basis.

153. Asked about current problems and challenges ahead that may limit the achievement of their objectives in the future 12 HUOs mentioned the “lack of basic budget to operate the Desk”; six HUOs mentioned “limited administrative and logistic support”; three HUOs “insufficient and slow backstopping both by UNIDO and UNDP HQs” and two HUOs “limitations to fund raising by not participating in UNCT”.

3.6 Other collaborative achievements

154. As the focus of the joint UNIDO-UNDP initiative “Sharing the Future”, during the World Summit on the Information Society (WSIS) held in November 2005, 21 SMEs from private industry and 60 NGOs - representing a total of 60 countries worldwide - were able to reach a larger audience in the global information society. Through the joint initiative SMEs held some 475 one-to-one negotiations with potential Information and Communication Technology (ICT) partners, of which more than 100 are likely to lead to formal working relationships.

155. As part of the Summit’s parallel “ICT4all” exhibition, the UNIDO/UNDP initiative presented hands-on experience of ICT for industry and sustainable development from the perspective of the two organizations. In the context of applying ICT to achieve the Millennium Development Goals, UNIDO and UNDP organized three workshops and two high level panels, as part of “Sharing the Future”, to pinpoint the

particular ICT challenges confronting SMEs and NGOs. This joint initiative was funded by a voluntary contribution of the Government of the Netherlands.

3.7 Unexploited potential for collaboration

156. Broader collaboration beyond the pilot JPSPDs was also envisaged in the Framework document, specifically the following paragraph:

“4.5. At the global and regional level, joint organization of workshops and joint research programmes as well as joint development of tools (e.g. manuals, software packages) for specific areas of private sector development are envisaged.”

157. Little has been done to implement this part of the agreement although there seems to be great potential for collaboration in this area. UNIDO has participated in some PSD workshops organised by UNDP to promote the recommendations of “Unleashing Entrepreneurship” but this is not what was envisaged in the paragraph above. There have also been missed opportunities, for example in the process of preparing the UNDP PSD Toolkit (<http://www.undp.org/psd-toolkit>) which involved consultations with external partners including the ADB, DFID, IFC, IDB and GTZ but not UNIDO. There has been no joint mobilization of funds for activities referred to in article 4.5 of the Agreement, as these activities have not yet been designed.

4

Issues in the Implementation of the Cooperation Agreement

158. A number of issues have emerged during the implementation of the Cooperation Agreement. These issues have their roots in the preparation process and the content of the Agreement and also in the ways that the parties have implemented their part of the cooperation. The issues are presented below in three categories: general issues, PSD issues and UNIDO Desk issues.

4.1 General issues

159. The top-down process. The Agreement was driven by the heads of agency and thus took on a political importance for both agencies. The heads wanted an agreement. There was top-down pressure on senior managers in both organizations to conclude the Agreement rather than, say, to carry out a critical analysis or feasibility study to identify potential problems and strategies to address them. The UNDP Administrator's desire for an agreement was such that he not only exempted UNIDO from UNDP's cost recovery policy for the first 15 UNIDO Desks for a two-year period but he also unilaterally committed resources under Country Office management to support the costs of the Desks. It is therefore not surprising that UNDP Country Offices were initially less than enthusiastic to support the implementation of the Agreement. The initial top-down approach was however necessary to provide inputs to the Agreement and overcome initial organizational resistance, bureaucratic obstacles and rigidities.
160. Mechanism for adaptation. The team considers that the way the Agreement was written created a sense of rigidity that was inappropriate for what was intended to be a test for a new approach, including a pilot period. The Agreement was concluded "... for an initial period of five years with options for an extension based on consultation between the two parties ..." (Article VII). The first two years of the Agreement are referred to as the "pilot phase". The cover letter to the Agreement signed by the two heads of agency indicates that "... this agreement will be implemented first within a pilot phase of two years ..." (letter dated 23 September 2004) to be followed by a joint evaluation of the Agreement's impact. Elsewhere in the Agreement, UNIDO is charged with assessing the Desks after one year (clause 5.3b) and both parties are to review the Agreement after one year (clause 6.2). Both components of the programme, the UNIDO Desks and UNIDO-UNDP joint programming were therefore intended to be piloted. Given staggered start dates for activities in various countries – and therefore the opportunity to learn from their experience – the need for a monitoring mechanism to enable adaptation prior to the evaluation at two years would seem to be indicated.

161. Lack of clarity regarding the pilot phase of the Agreement. The Agreement fails to test the UNIDO Desk as a concept to be followed by a “go, no go” decision on expansion or termination of the experiment. While there is a sunset clause (5.3k of the Agreement) based on lack of sufficient cost recovery – presumably to be exercised at UNIDO’s discretion - the Cooperation Agreement blends a piloting exercise with full roll out of UNIDO country coverage to up to 80 countries, including Country Offices and UNIDO Desks. Since UNIDO field structure at the time of conclusion of the Agreement consisted of 30 countries, a total of up to 50 Desks was foreseen for establishment in the five years period of the Agreement. In regard to the PSD component of the Agreement, no activities have been designated as pilot activities.

Box 9 - The Agreement contains the following language

“The Agreement will be implemented first with a pilot phase of two years, which will be followed by a joint evaluation of its impact in terms of enhancing and expanding technical cooperation services and providing a cost-effective modality for joint field representation.”

(Press Release signed by the heads of both agencies)

“UNIDO intends to increase...its country coverage to up to 80 countries to increase synergy between its activities and UNDP programmes at the country level. The Agreement will be implemented in a phased approach. The ultimate objective of having a presence in 80 countries will be achieved by opening UNIDO desks at locations where UNIDO does not have an office, by converting Country Offices into UNIDO desks, and/or by establishing UNIDO Regional Technical Centres.”

(Article 5, paras. 5 and 5.1)

“UNIDO will:

b. Assess, together with UNDP, the experience of these Desks after one year. It will be done against a set of criteria to be established at the beginning of this phase;

c. Based on the outcome of the above assessment, and in consultation with UNDP, will either expand the network of the UNIDO Desks to other countries, modify the approach and arrangements or extend the duration of the pilot phase;

k. Close the UNIDO Desk, if after two years of operation, it fails in any country to generate programmes and projects with sufficient income to cover the costs of the UNIDO Desk.”

(Article 5, para. 5.3)

162. Lack of full complementarity between the two components. The UNIDO Desks and the joint PSD programmes were presented in the Agreement as complementary but at the same time different initiatives. Two sets of selection criteria for pilot countries for Desks and for PSD countries were prepared. In selecting countries for PSD programmes a conscious choice was made to target those countries meeting the criteria of demand orientation and existence of a good potential for PSD development, linkages with CCA, UNDAF and PRSPs and funding opportunities. In the selection criteria for Desk countries PSD was only one amongst many other criteria. The result of this approach was only a partial overlap at the country level between the two components. While the rationale for keeping separate tracks is well justified, the parallel approach increased the implementation complexity of the Agreement and somewhat undermined the substantive basis for inter-agency cooperation: joint promotion of the private sector development. Another consequence of this approach was that the five Desk countries excluded from the JPSDP pilot did not benefit from technical support from UNIDO Programme Development and Technical Cooperation Division (PTC) in this area. Using expanded field representation as a complementary element of a coordinated effort to promote

PSD would have made the Agreement more coherent and its implementation less complex.

163. Organizational change. Top management in both agencies underestimated the order of magnitude of the changes that the Agreement was mandating for their respective organizations. A number of factors clearly suggested the need for a broader joint strategy. These include:
 - (a) The two organizations did not, at many levels, know each other very well in regard to programmes, operations and cultures;
 - (b) There was internal resistance or indifference in both organizations; ignorance and pessimism about the other party continues at present in both agencies to some degree.
 - (c) The changes in organizational behaviour mandated by the Agreement required motivational communications designed to convince concerned personnel in both agencies of its value. In particular, UNDP's de-centralized management structure necessitated a promotional effort with its Country Offices for the Agreement, above and beyond simply communicating its terms. Such an effort was especially important since Country Offices were being asked to absorb the local operational costs of the Desks for two years.
164. Potential for synergy not fully grasped. Interviews with UNDP staff at both headquarters and some Country Offices suggested that many had limited interest in the work of UNIDO beyond the specific kind of PSD issues that they have been addressing, namely, advocacy and policy advice on the business environment and interventions to support small and medium scale enterprise development. These issues may be driven by country priorities. However a better understanding of areas of UNIDO's work could help to optimize their use and better support human development, poverty reduction, the achievement of the MDGs and other macro-level aims of the organization.
165. Different organizational response time for implementation created gaps in expectations. The Agreement did not accord adequate primacy to the fact that Country Offices would be the prime movers for its implementation at the country level. Being a country-based and country-focused organization and its programme management decisions being country-driven, UNDP Country Offices required a gestation time to understand and absorb UNDP's obligations to UNIDO Desks. Due to waiver of cost recovery, they were being required to fund the administrative support costs for UNIDO Desks from their own extra-budgetary resources. Hence the initial response of UNDP Country Offices to the demands for operational support to UNIDO Desks for the pilot two-year period seemed hesitant and slower than expected. UNIDO on the other hand has a more centralized decision making approach and moved ahead promptly on the implementation. The different response time created gaps in expectation. Over time many of the operational support issues have been resolved but there are still a number of pending matters, particularly logistical support and financial resources for daily operations.
166. Lack of appropriate joint management arrangements for implementation. While the Agreement notes the importance of establishing the necessary management arrangements (Article 6.1), no formal structures were established for joint management including joint monitoring, reporting, problem-solving and decision-making. Equally, the field level participation (UNDP Country Offices and UNIDO Desks) in the management process has been inadequate. Such arrangements,

specifically a joint feedback mechanism, are all the more critical for the pilot activities included in the Agreement.

167. There were needs for systems development and procedural guidance on operational matters in PSD development, such as, further operationalization of the strategy for PSD, how to do joint programme development, and the options for programme implementation arrangements.
168. Inadequate data collection and analysis mechanism for activities under the Agreement: The data in Tables 3 and 4 illustrate the problems with data collection in relation to monitoring the Agreement. Data providers do not have uniform understanding of data reporting requirements, which are poorly formulated. For example, there is a lack of clarity about programme budgets, the meaning of approval, as well as other conceptual issues discussed in the next two sections.
169. Sub-optimal internal arrangements for implementation of the Agreement: The team observed that arrangements for management of implementation of the Agreement were sub-optimal in both organizations.
170. Within UNDP arrangements for implementing the Agreement mirror the structure of responsibilities for PSD development in the Organization. The Bureau for Policy Development has a broad responsibility for PSD in the context of poverty reduction. The Bureau for Resources and Strategic Planning (BRSP) has the responsibility to follow up on the Commission report and the implementation of the Agreement. BRSP provides diagnostic frameworks, tools, guidelines to support Country Offices and regional centres but has no direct oversight role for the Country Offices. The fulcrum of implementation of the Agreement lies at the country level; PSD priorities are nationally driven. Management oversight of Country Offices is the responsibility of the regional bureaus. The team felt that this layered arrangement left some void in ownership and direct management follow up of the Agreement at the country level.
171. Within UNIDO, one division, Programme Coordination and Field Operations Division (PCF) was responsible for piloting the UNIDO Desks and another, Programme Development and Technical Cooperation Division (PTC) for piloting PSD joint programmes. These vertical arrangements reflected the organizational structure and reinforced the separation between the two components of the Agreement.
172. In the case of the Desk pilot countries, there was insufficient communication between UNIDO Headquarters and the concerned UNDP Country Offices. For example, the job profiles of the HUU were not discussed in advance with the concerned UNDP Resident Representatives and responsibilities for reporting and performance monitoring were not clarified at the country level.
173. Poor linkage with UNDG policies and information. The Agreement does not refer to the UN Development Group (UNDG) work on policies and procedures on United Nations reform, including the harmonization of operational procedures. The UNDG is the Secretariat for the UNDG and is responsible for facilitation of the implementation of such policies and procedures. Three examples illustrate the value that consultations with the UNDG would have brought:

- (a) The UNDG guidelines of joint programming among UN agencies were issued in December, 2003. However, the Framework Agreement on PSD mandates the use of the UNDP Programming Manual. The UN Joint Programming Guidelines, should have been made the default programming guidelines to facilitate inter-agency cooperation.
- (b) The status of HUU *vis-à-vis* the UNCT (discussed further below under UNIDO Desk Issues).
- (c) The recently completed report of a UNDG Working Group on non-resident agencies¹⁷ contains numerous suggestions of potential interest to UNIDO on methods to enhance their country level presence in countries where their representation is limited or lacking.

174. Better communication with the UNDG on the UNDP-UNIDO collaboration would also have provided rich input into UNDG's knowledge base.

175. Failure to begin implementation of integrative activities. As noted in Chapter 2, the Agreement also included some general integrative activities in addition to the two main pilot components. Specifically, UNDP agreed to do the following:

“2.1.1 ... disseminate through its Country Office network information available from UNIDO regarding the advisory and project services that UNIDO can provide and ensure that government counterparts are provided with all appropriate information;

2.1.3 ... incorporate within its global knowledge network access to the full range of UNIDO services and to mainstream UNIDO core competencies, knowledge and experience into mutually agreed UNDP programme activities”

176. The above two clauses in the Agreement were clearly intended to integrate the promotion of UNIDO services at the Country Office level and to open access by UNIDO to UNDP's knowledge networks.

177. The team considers that these integrative activities have not progressed and require more attention. On the first point, there does not appear to have been any corporate effort on the part of UNDP to consider the implications of disseminating information on UNIDO advisory and project services or to develop a promotional strategy. UNDP did not make any apparent effort to explain this responsibility or to offer advice on how it should be carried out. UNIDO, for its part, should have been more proactive in promoting its services at the country level and in a country relevant context.

178. In regard to the clause 2.1.3 above, very little has been done to introduce UNIDO to UNDP's knowledge networks. The spirit of the Agreement and the envisaged close cooperation between the two organizations would indicate that UNIDO programme staff should be accorded full access to the networks listed on Table 9. The assessment team could find no evidence of action in this area.

¹⁷ Enhancing the participation of Non-Resident Agencies in UN country-level development activities, UNDG, (March 2006)

Table 9
UNDP knowledge networks of substantive interest to UNIDO

UNDP knowledge networks	Scope
Small Enterprise and Microfinance Network (SEMFINet)	SEMFINet seeks to build the capacity and competencies of UNDP staff in the areas of microcredit, microfinance and small & micro enterprise development, and to contribute to their work by sharing information and knowledge.
Poverty Reduction Practice Network (PRNet)	One of UNDP's oldest and largest networks, it provides members with a way to enhance knowledge and competency in areas directly related to poverty reduction.
Energy and Environment Practice Network (EENet)	UNDP's internal platform for exchanging knowledge and comparative experiences in a quick and informal manner in all areas related to energy and environment.
ICT for Development Network (ICTDNet)	ICTDNet is a global group of UNDP staff working on, or interested in, information and communication technology for development (ICTD).
Millennium Development Goals Network (MDGNet)	MDGNet supports United Nations Country Teams as well as Government and Civil Society practitioners in their efforts to promote and implement the MDGs on a national level and to produce high-quality national MDG Reports.
Regional PSD networks	Some UNDP Regional Bureaux have organized their own networks on PSD.

Source: "UNDP's Global Networks: real Time Solutions for a Developing World", UNDP (October 2005)

4.2 Joint private sector development programme issues

179. The nature and scope of private sector development: The varying usages of the PSD concept by UNDP, UNIDO, UN Commission, and the Agreement have led to a lack of common understanding of what PSD is. Furthermore, the Agreement and the PSD Framework have different sets of activities for joint programme development. The Agreement states that: "UNIDO, within the overall vision and framework to foster private sector development and with ultimate view to reducing poverty, shall make available the services described below.", namely:

- (a) Trade capacity strengthening
- (b) Investment promotion
- (c) Agro-industries
- (d) Energy
- (e) Cleaner and sustainable industrial development
- (f) Entrepreneurship and SME development

180. However, the Framework defines four quite different components of programme areas:

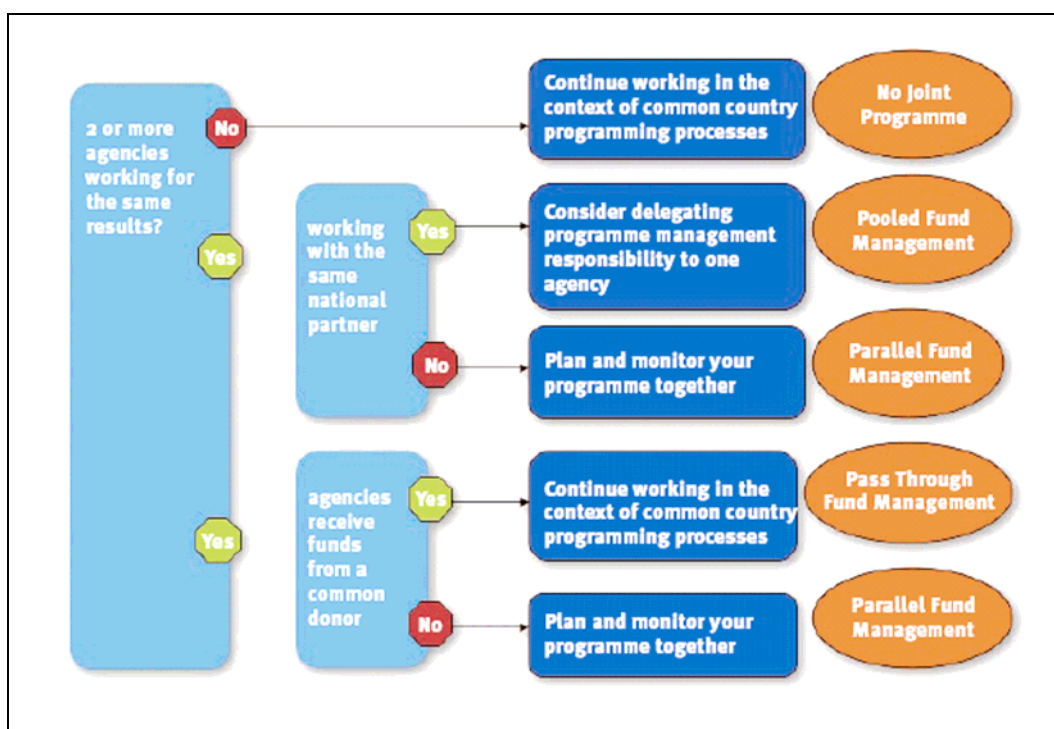
- (a) Creating an enabling environment
- (b) Assist skill and knowledge development
- (c) Develop broad financing and investment options for entrepreneurs
- (d) Mobilise private sector capabilities and resources

181. Despite this lack of clarity, JPSDPs were developed according to national contexts and priorities and, thus, met the main purpose of the Agreement, i.e., have the two organisations working more closely together, and adopting a needs driven approach. Moreover, by working together in supporting PSD, the two agencies are implementing one of the key recommendations of "Unleashing Entrepreneurship".

182. Lack of conceptual clarity about a joint programme: UNDG Guidelines produced in late-2003 provide a menu of approaches for preparation of joint programmes. The lack of UNDGO participation in the preparation of the Agreement and in its implementation has already been noted in regard to UNIDO Desks. With respect to the development of a JPSDP, both UNDP and UNIDO as members of the UNDG are assumed to use the UNDG lexicon:

“A joint programme is a set of activities contained in a common work plan and related budget, involving two or more UN organizations and (sub-)national partners. The work plan and budget forms part of a joint programme document, which also details roles and responsibilities of partners in coordinating and managing the joint activities. The joint programme document is signed by all participating organizations and (sub-) national partners.” (Source: www.undg.org)

Figure 2
Joint Programmes Quick Reference Guide



183. The UNDG Guidelines for joint programming provide, *inter alia*, sample formats for joint programme documents and a standard memorandum of understanding between participating organisations. They also provide three basic financing models:

- Parallel financing
- Pooled resource management
- Pass through mechanism

184. While there is no space in this report to describe each in detail, Figure 2 above illustrates how UN partners can choose between the various options.

185. Inappropriate joint management and implementation arrangements. As mentioned above, the Agreement and the Framework do not refer to the UN Development

Group (UNDG) work on joint programming. The Framework states clearly that the format of the JPSDPs should "... follow the formats defined in the UNDP Programming Manual" (Article 4.4). These procedures place UNIDO in the role of contractor to UNDP and have the potential to incorporate excessive support cost on funds provided by cost sharing donors. This is contrary to the spirit of partnership upon which the Agreement is based. The Framework should have been designed for joint United Nations agency programming taking full note of the UNDGO policies and procedures of joint programming¹⁸.

186. In most JPSDPs, management and implementation arrangements either lack specificity or have been set up for implementation by a single agency.
187. The fundamental issue of resource mobilization: Resource mobilization is the major issue facing the JPSDPs. Much time and resource went into preparing the programmes, but resource mobilization efforts have not been commensurate so far. No JPSDP has yet mobilized the intended level of resources. Some core resources have been committed by both UNIDO and UNDP but the financing gap remains, as mentioned earlier in chapter 3, huge.
188. The overall approach to resource mobilization has been ineffective, even though (a) donor interest was a criteria for selection of pilot JPSDP countries (b) UNDP Country Offices and UNIDO regional specialists were consulted about the selection of countries, and (c) the units responsible for resource mobilization in both UNDP and UNIDO were engaged in the formulation of the Agreement and pilot country selection. The role of governments in the selection process also appears to have been limited, an important issue in the context of alignment to national priorities and to mobilising resources to those priorities. In a number of countries there was a real or perceived competition for donor funding. This hindered in some cases collaboration in PSD and joint resource mobilization efforts.
189. Some general issues related to resource mobilization in the pilot countries and also some problems specific to resource mobilization for PSD include:
- (a) PSD is a very crowded and competitive area in many countries, e.g. Lao People's Democratic Republic
 - (b) Bilateral donors are moving towards more direct budget support, e.g., United Republic of Tanzania and Nicaragua
 - (c) Donors are still focussed on humanitarian issues, e.g., Burundi
190. It should also be noted that support to PSD has a different nature to some other forms of development assistance in that it does not necessarily or automatically receive support from government partners. Government support, often a pre-requisite for effective resource mobilization, may not be forthcoming. On the other hand, helping the government to recognise the importance of the private sector in achieving its national development goals is a role that the United Nations as a (commercially) neutral partner can play well. This underpins the argument that HUOs should provide services not directly linked to an increase of implementation volume in order to pave the way for PSD through advocacy and advisory services.
191. At Headquarters, UNIDO had high expectations with regard to increasing its resource

¹⁸ The UNDGO is the secretariat for the UNDG. It is responsible for facilitation of the implementation of policies and procedures on United Nations reform, including the harmonization of operational procedures.

mobilization and formulated the PSD programmes accordingly. It seems that some of this optimism resulted from perceived donor enthusiasm for joint or harmonised approaches, at least in their headquarters rhetoric. Field validation missions reported a greater donor concern with real value-added from the joint efforts. The new aid architecture and the harmonisation and alignment agenda in particular, point to the need for development of innovative approaches to the design of project and programme execution modalities (see Box 10).

Box 10 - Adapting to the new aid environment

International development assistance is undergoing a transformation, emphasising greater national ownership and the harmonisation and alignment of donor programmes with the development priorities of recipient countries. Principles behind the transition have been outlined in the Paris High-Level Forum on Aid Effectiveness (2005). New aid modalities are emerging to support implementation of the harmonisation and alignment agenda, among them Direct Budget Support in the forms of General Budget Support (GBS) and Sector Wide Approaches (SWAs). These modalities are the logical outcome of reform policies championed by the United Nations over the past two decades. However, their implementation erodes some of the organisation's traditional roles, programmes and funding sources. The United Nations system is, therefore, challenged to respond both in its country programmes and at the corporate level.

Source: "The UN System and New Aid Modalities", Scanteam, Oslo (2005)

192. Many JPSPDs were very ambitious from a resource mobilization perspective. Programme formulation missions contacted donors at the country level and were in some cases preceded by stakeholder consultation missions. This approach however proved not to be sufficiently effective and should have been backed by more forceful high level joint resource mobilization efforts, including a joint approach to donor capitals, as originally envisaged by the Agreement.
193. A more realistic approach was followed by the JPSPD in Ethiopia, which was designed in a phased manner. This approach not only allows lessons to be learned during the initial stage but also allows partnerships to be built and competencies to be demonstrated, both factors that could facilitate increased resource mobilization over time.
194. The role of the HUO in resource mobilization also varies. In some countries the HUO makes presentations on the JPSPD at donor coordination meetings, while in others the HUO relies on the United Nations Resident Coordinator to take the lead. At the Headquarters level, concern was raised about the potential conflict of interest of the Resident Coordinator raising money for a joint programme as he/she is also the UNDP Resident Representative. The field validation missions report that, at the country level, there seemed to be less concern about this issue.
195. Supplementary resource requirements. Successful efforts in project identification have financial and staffing implications going forward that may not have yet been taken into account. New projects require a pyramid of resources to support them. For example, identified projects may require formulation missions from UNIDO and UNDP Headquarters, Regional Offices or consultants. It is highly likely that more approved projects will require more technical supervision and backstopping. Under the pilot phase a special effort was made by UNIDO and the UNDP Country Offices concerned. The question to the management of both organizations is how to make

the Agreement an integral part of the organizations' operations in the medium to long term.

196. The relationship between the JPSDP and the UNDAF: While it was noted in the previous chapter that the JPSDPs are generally aligned with national development planning instruments, it is unclear how the JPSDP relates to the UNDAF. This is also related to the understanding of PSD and the scope of the joint programme. More importantly this issue (or set of issues) is not well covered in the Agreement.
197. The relationship between the JPSDP and the UNIDO integrated programmes: The IPs are UNIDO's main modality for the delivery of country level technical cooperation. Many of the countries to be covered by a JPSDP were identified on the basis of previous or ongoing cooperation in this field within an IP. The two activities were supposed to be closely interrelated. However in many cases the JPSDP programme became a parallel exercise resulting in PSD projects sometimes even larger than the existing IPs. This created confusion of roles between for instance the HUOs and the local IP coordinators and weakened UNIDO's efforts to support a country through a well-coordinated set of activities.
198. Different formulation and approval processes. Related to the problems of monitoring already described is the specific issue of "approval" and what it means to the two organizations in the context of collaborative efforts. For UNDP approval will usually come after resources have been mobilized, the project has gone through a local appraisal process and has been signed by the government. For UNIDO, approval precedes funds mobilization and will usually come after the project or programme document has been formulated. This difference in approach can help explain apparent misunderstandings and the long delays between UNIDO approval and final approval by UNDP.
199. Other cooperation modalities: UNIDO and UNDP can collaborate in various ways at the country level. The emphasis on joint programming under the Agreement may have diverted the attention of both parties from other collaboration modalities. Examples include the use of existing UNIDO project expertise in supporting UNDP projects (as were found by the assessment team in Nicaragua and Sierra Leone) or the utilisation of direct advisory services from UNIDO Regional Offices or Headquarters. With the benefit of hindsight the focus on developing large joint programmes was perhaps over-ambitious. The recent UNDG review of Joint Programmes¹⁹ noted that most have been much smaller and of shorter time than those developed so far under the Agreement. According to the UNDG, the average time span of a joint programme is approximately 26 months with an average funding level of approximately \$300,000.

4.3 UNIDO Desk issues

200. Logistical support for UNIDO Desks from UNDP. As noted above, the Agreement grants UNIDO a two-year exception from UNDP cost recovery policies that require full cost recovery for any services provided to United Nations agencies by UNDP. UNDP Country Offices were in effect being required to fund the administrative support costs for UNIDO Desks from their own extra-budgetary resources. Some countries were more easily able to do this than others, but many were initially

¹⁹ "Enhancing the Effectiveness and Efficiency of Joint Programmes: Lessons Learned from a United Nations Development Group Review", UNDG (March 2006)

reluctant or unable to provide free services. Eventually, greater understanding at Country Offices of UNDP's obligations and funding from the Government of Belgium to partially offset the costs of the UNIDO Desks have reduced the number and seriousness of problems with office space and equipment. Nevertheless, many HUOs reported continuing difficulties on local transportation matters and financial resources on self-assessment questionnaires²⁰.

201. Technical support to the UNIDO Desks from UNIDO Headquarters and Regional Offices. Some UNDP questionnaire respondents found UNIDO Headquarters' centralized decision-making on requests from UNIDO Desks to be too slow and that technical support could be improved. Inefficiencies created by incompatibilities between UNIDO and UNDP systems and administrative requirements were also noted. HUO self-assessment data reported the need for closer working relationships with the respective Regional Office. Moreover, UNIDO staff respondents to the assessment questionnaires noted that UNIDO Headquarters does not provide sufficient guidance and support to the Desks and that guidance and support from UNIDO Headquarters is disorganized and sometimes confusing²¹. Regional Office coverage of UNIDO Desks was only established in June 2006²². In addition to direct technical support from UNIDO Headquarters, HUOs have also requested more opportunities to be present at UNIDO Headquarters.

Box 11 - Armenia: Great potential but more support needed

There is great potential for a successful UNIDO-UNDP collaboration in Armenia with the enabling environment for such success nearly in place with (a) a government enthusiastic about working with UNIDO (b) a UNDP Country Office willing to cooperate and recognising the potential in the cooperation, and (c) a dynamic and well qualified HUO in place. But there are some elements missing: (a) There are limited resources available either for programming or, more importantly, for implementation (b) There is no ongoing CCA/UNDAF development process where UNIDO could contribute. Given Armenia's historical background, there is excellent potential for successful UNIDO interventions in the country. The initial investment by UNDP and UNIDO has been good but in order to generate effective results and turn the potential into reality further technical and financial support to the UNIDO Desk is required. Representatives from all groups of stakeholders interviewed during the field validation mission pointed to the need for some seed money to start activities with the framework of the collaboration.

202. Unsatisfied training needs. All HUOs seem to agree that the training they received in relation to funds mobilization methods was insufficient. The analysis of HUO responses to the questionnaire concluded that:

"... the ratio between results achieved and quality of training seems to indicate an even trend in most areas with the exception of three key areas: "funds mobilization and coordination with donors", "development of New Projects and Programmes and "Coordination of Services to Governments". The lowest observations correspond to fund mobilization, a critical function of the UDs. These results point out the need to review the training approach used in the three areas."

(Source: Report on analysis of questionnaires sent to HUOs)

²⁰ "Assessment of Questionnaires responded by UNDP, UNIDO Staff and Counterparts" Table VI. UNIDO Evaluation Group (31 August 2006)

²¹ "Analysis of Questionnaires for UNIDO Staff". UNIDO Evaluation Group (22 August 2006)

²² "UNIDO Field Reform. Note by the Secretariat", UNIDO, IDB.31/CRP.6 (1 June 2006)

203. Financial implications of the UNIDO Desks. The full financial implications for UNIDO of the continued roll out of additional Desks and the operational costs of the pilot Desks after the end of the pilot phase have not yet been defined. These costs include the costs of establishment of new Desks, ongoing costs of existing Desks including salaries for HUOs and the operational support costs.
204. In addition, HUOs continue to have unfunded costs for programming work, such as, in-country travel or the hiring of local technical consultants. Such costs are outside the Agreement. Twelve out of thirteen HUOs stated on self-assessment questionnaires that they lacked the basic budget (from whatever source) to operate the UNIDO Desk.
205. Under the terms of the Agreement, there is two-year grace period for each new Desk, during which time UNDP will provide premises and will not charge for operational support costs. After this period, UNIDO must bear these costs. The operational support costs vary from country to country. UNIDO Finance provided a rough estimate of \$40,000 per annum for support costs for each Desk. Assuming that the Desks will continue to be located within UNDP Country Offices, a more precise estimate of these costs could be developed in consultation with the concerned Country Offices.
206. UNDP policy is to recover actual costs for services provided to United Nations agencies. As described by UNDP, these services are in three categories, all of which would be accessed to some degree by UNIDO Desks:
- (a) Common/shared services, which mostly relate to common premises and related services. These services are agreed on locally among the resident United Nations agencies and are regulated by UNDPGO policy²³. The cost for common/shared services are usually split proportionately among participating agencies.
 - (b) Standardized services, which are those services that are provided in more or less consistent fashion across all Country Offices, and for which a transaction-based fee has been set through the Universal Price List. This category of services is regulated through corporate Memoranda of Understanding with United Nations agencies.
 - (c) Local ad-hoc services, which are specific to the Country Office and are requested by a United Nations agency on an *ad-hoc* basis. Because the type and scope of service differ each time, these services cannot be standardized and need to be agreed on individually between the Country Office and the requesting United Nations agency. The costs of these services are determined by the Country Office based on the True Hourly Cost methodology²⁴.
207. Strategy for financing the Desks. The strategy for financing the UNIDO Desks over time is to devote revenue generated as support cost from the implementation of new programmes to offset the costs of the Desks. While it is too early to make a definitive judgment, the probability of sufficient revenue being generated from this source appears low, particularly in regard to reaching financial self-sufficiency by the end of the two-year grace period of free administrative services from UNDP.
208. It should be noted, however, that the financing method suggested in the Agreement is not a financial strategy for self-sufficiency but an accounting device. Income

²³ Operational guidelines for the implementation of common services. UNDPGO (August 2002)

²⁴ Policy on Cost Recovery from UN Agencies for Services at the Programme Country Level. UNDP (June 2003)

generated from support cost on UNIDO programme implementation is not profit but cost recovery. As such, it is not a new source of funds. This income is intended to reimburse administrative costs incurred by UNIDO Headquarters and Regional Offices in the course of programme implementation. Dedicating this income stream to the support of a UNIDO Desk merely diverts the funds from one cost centre – central administrative costs – to another, the operational costs of the Desks.

209. A new approach to financing the Desks is urgently required if the Desks are to continue.
210. Furthermore, it is conceptually wrong to focus on “earning” aspects considering that the UNIDO Desks are expected to perform public goods functions such as provision of advice to governments, information to the private sector, improve coordination within the United Nations system, etc. In addition, the UNIDO Desks are expected to provide support to implementation. All these activities are time consuming, resource intensive, compete with the resources that the Desk can devote to funds mobilization and result in conflicting priority setting. They are, however, equally important for the relevance of the UNIDO Desk.
211. UNIDO representation in countries where there is a UNIDO Desk. Five Resident Coordinators in Desk countries include the HUU in the UNCT; one includes the HUU in the extended UNCT. In the other Desk countries, UNIDO has seen exclusion from the team as some kind of discrimination even though the HUU participates in UNCT theme groups and other activities. The question as to whether or not the HUU is entitled to membership in the UNCT is in fact part of the larger issue of the HUU’s role in representation of the agency.
212. The UNDP has advised that technically the HUU is not an accredited agency representative at the country level and therefore not entitled to membership in the UNCT (defined as country level United Nations agency heads). The HUU may participate in the expanded UNCT, a less formal group that may include representatives of many stakeholders, and in United Nations theme groups. Nevertheless, some United Nations Resident Coordinators have encouraged broad United Nations system participation in the UNCT. They regularly convene the extended UNCT meeting thereby enabling regular HUU participation in such meetings.
213. The Agreement states clearly that the UNDP Resident Representative is the official representative of UNIDO in any country where a Desk is present. The confusion arises from the language of the job profile for the HUU, which states that the HUU “... represents UNIDO in all events related to UNIDO scope of activities...”. The “Draft Terms of Reference and Operational Guideline of the UNIDO Desks” (dated 30 May) in circulation at UNIDO Headquarters does not provide further clarification of the representational function of the HUU *vis-à-vis* the UNIDO Representative, i.e., the UNDP Resident Representative.
214. Scope of HUU responsibilities. In addition to the unclear representational role of the HUU the scope of the HUU responsibilities does not seem to be entirely clear. The following issues have been identified:
 - (a) The functions listed in the HUU job profile and the required competencies look much like those required of a UNIDO Representative (UR). A UR is officially accredited to the host Government and has to manage the human and financial

resources of the UNIDO Country Office. Otherwise, the substantive demands are quite similar. A question of HR policy coherence arises: are HUOs being asked to perform the main substantive functions of a UNIDO Representative's job with lesser resources and with the pressure to generate income for their financial sustainability?

- (b) On the other hand the ambitious job title of "Head of UNIDO Operations" is not in line with current practice. With one exception HUOs do not have any financial authority, a subject on which no consistent UNIDO policy seems to be in place. Furthermore the degree of involvement of HUOs in UNIDO IPs and other ongoing UNIDO activities varies widely. It seems to occur that HUOs are even not always aware of certain UNIDO activities in the country.
- (c) The most striking ambiguity in the scope of HURO responsibilities is the fact that their role in regard to developing JPSPDs under the Framework is not covered in their job profile.

215. HRM issues. A number of UNIDO personnel issues related to the HURO position have been observed in the assessment:

- (a) The apparent lack of ex-ante consultation with concerned UNDP Country Offices on the job profile;
- (b) Unclear reporting and supervision lines in the relationship between the UNIDO Desk and the UNDP Resident Representative. Under the Agreement, UNIDO will "entrust the UNDP Resident Representative to exercise supervisory responsibility for the UNIDO Desk". However, in the job profile for the Desk, there is no mention of any reporting to or through UNDP Resident Representative;
- (c) The need to clarify with UNDP the mechanism for performance monitoring and assessment for HUOs (from HURO questionnaire responses), and
- (d) The exclusion of the HUOs from the UNIDO Field Mobility Policy. In UNDP, in contrast, provides opportunity for its best national officers to be promoted to international posts.

216. The UNIDO Human Resource Development Branch provided the following comments on this point: "The Heads of UNIDO Desks are in a unique situation as they are staff operating within the structure of another organization; moreover the UNIDO/UNDP Agreement under which they are operating was to be reviewed after two years to determine whether it should be continued or not. This invariably introduced some elements of uncertainty in the administration of these staff. HURO will be reflected in the Human Resource Development Framework and other related policy documents once the decision is taken to continue with the UNIDO Desk concept and make it part of UNIDO's field structure". (Source: UNIDO, PSM/HRM. *Interoffice memorandum*, dated 5 October 2006)

5

Conclusions

5.1 Primary conclusion

217. The implementation results so far (Chapter 3) show promise of success in the joint promotion of private sector development and the expansion of UNIDO representation in most of the countries included in the pilot phase of the Agreement. These positive results are remarkable, in particular because they were achieved despite shortcomings in the Agreement itself and numerous problems in its implementation (Chapter 4). Even after a short period of implementation, all stakeholders who participated in this assessment agree that the collaboration has potential. The assessment team therefore concludes that the collaboration is worth continuing, albeit with many modifications in its future implementation modality.

5.2 General conclusions

218. The initial top down approach was necessary but lacked a change strategy to support implementation. The Agreement was the result of the vision of the two heads of agency and was negotiated and agreed through their strong leadership. They identified common interests and saw opportunities for exploiting synergies in the context of the implementation of the recommendations contained in “Unleashing Entrepreneurship”. On the basis of the impetus provided by the heads of agency, initial organizational resistance, bureaucratic obstacles and rigidities were overcome. The organizations rapidly initiated the establishment of the Desks and launched a process of dialogue at the country level that resulted in the formulation of new JPSPDs.
219. Top management in both agencies however underestimated the order of magnitude of the changes that the Agreement was mandating for their respective organizations and failed to develop an effective joint strategy to operationalize the Agreement. A change strategy should have been devised, taking into account the following:
- (a) How to address the asymmetries of the two organizations in terms of size, degree of decentralization and related decision-making processes;
 - (b) How to promote a better reciprocal understanding between the two organizations in terms of their programmatic approaches, comparative advantages or cultures;
 - (c) How to carry out a campaign to change attitudes of staff members to overcome resistance or indifference to the Agreement within both organizations;
 - (d) How to obtain support from the concerned UNDP Country Offices, which were being asked to share the costs of implementation;
 - (e) The need to put in place effective communications arrangements between headquarters and the country-level;

- (f) The need for a team of UNDP and UNIDO managers to jointly address operational problems and sustain implementation;
 - (g) The need for joint systems development and procedural guidance in many areas, particularly joint programming for PSD and knowledge sharing;
 - (h) The need to exploit synergies despite the separate treatment of the two main components of the Agreement;
 - (i) The need of a joint reporting system for joint data collection and analysis of activities carried out under the Agreement.
220. Inappropriate approach to pilot activities. The Agreement was too rigid for what was meant to be a pilot exercise. It neglected to provide for a mechanism for adaptation during the pilot phase. This was a critical oversight as any pilot activity requires a robust framework for monitoring and feedback so that required adaptations can be identified and implemented.
221. The Agreement and the implementation strategy need to be revisited. The Agreement needs to be revisited (either through a revision of the Agreement itself or through an operational appendix) in order to address the design shortcomings. An effective implementation strategy needs to be put in place by both organizations in order to overcome the implementation shortcomings listed under the chapter “issues” above and to ensure an efficient and effective continuation of activities.
222. An effective approach for leveraging national expertise. The UD proved a good investment in national capacity and an effective approach for the use of national high-level expertise. The HUOs were identified through a professional and transparent recruitment process and proved an excellent vehicle for expanded country presence and facilitating access by the public and private sectors alike to advice and expertise in the areas covered by the Agreement. A precondition for the effectiveness of the approach is the full understanding and acceptance by country level authorities of the benefits of a national technical representation, an open and facilitating approach by UNDP to UNCT participation and effective technical and substantive support by UNIDO.
223. A cost-effective approach. The UNIDO Desk staffed with a national HUO appears to be a cost-effective option for UNIDO representation in a number of countries compared to a full UNIDO Representative. The HUO and the UNIDO Representative have similar technical job profiles (except formal representation). However, the estimated cost of a UNIDO Representative position is \$ 350,000 per annum (including support staff and office costs) in contrast to \$ 100,000 per annum for an HUO. While there are trade-offs for adopting either staffing approach, the UNIDO Desk would appear to be an attractive alternative for expanding UNIDO’s field representation. Because of the demonstrated and potential value-added of the approach, the UD is definitely a good alternative to no representation at all.
224. A new approach to financial sustainability of the Desks is urgently needed. The financing strategy for the Desks included in the Agreement is unrealistic as the deadline for financial self-sufficiency on the basis of cost recoveries - two years from the date of establishment of a Desk - is unlikely to be met. The Desks will be unable to continue beyond the pilot phase until a new strategy for financing the operational costs of the Desks is in place. The financing strategy is furthermore inappropriate as it does not envisage long-term solutions and options for funding of the UNIDO Desks beyond the two years pilot period. Finally the priority attention to resource mobilization in order to ensure survival of the posts diverts the attention of the HUO

away from other activities, which are of equal importance and relevance for the countries.

5.3 Conclusions in regard to specific assessment criteria

225. The conclusions below respond to the criteria and questions in the terms of reference (see Annex 1). It must be noted that these conclusions are only preliminary. The average time on station for the new UNIDO Desks is just under 15 months. As noted in the introduction, this brief time period is insufficient to fully evaluate the effectiveness of the Desks or the JPSDPs. Most of the conclusions relate to efficiency in the implementation of the Agreement so far. Preliminary conclusions are drawn as to the relevance, effectiveness, efficiency and sustainability of the main components of the Agreement.

5.3.1 Relevance

226. The Agreement with its emphasis on pro-poor PSD is very relevant since both UNDP and UNIDO are committed to the implementation of the Millennium Development Goals, a priority emphasis of which is poverty reduction. Moreover, there is a complementary fit between the two organizations with UNIDO providing expertise on PSD and UNDP country level convening power and a wider perspective on the necessary local conditions for pro-poor growth. The Agreement represents an entry point for reciprocal learning in these matters.

227. The Desks are relevant in two additional ways. First, to the Member States that want expanded access to technical expertise of UNIDO and, second, to supporting improved United Nations system coherence at the country level utilizing a UNDP “umbrella”.

5.3.2 Effectiveness

228. Overall, the UNIDO Desks are successfully serving as platforms for the delivery of UNIDO services with the support of UNDP. UNIDO services at this point are primarily in the areas of project identification and formulation. HUOs have been active in the development of new joint programmes and new UNIDO programmes. Private sector development has been the main theme of new joint programmes. The main limitations of the UNIDO Desks are their limited knowledge of UNIDO procedures, technical services and ‘who does what’ in UNIDO. Another limitation is the lack of funding to support service provision outside of the programme context.

229. The HUO is supposed to be an active knowledge worker according to the job profile, which includes responsibilities for marketing UNIDO success stories and regular review of relevant technical literature. UNDP, which has a strong corporate model for knowledge management and sharing, could have taken the lead on the integration of UNIDO expertise and service promotion into UNDP systems and processes, particularly its relevant knowledge networks. The failure to initiate agreed knowledge sharing activities contributed to a slow growth of mutual understanding and missed opportunities for collaboration.

230. Questionnaire respondents described HUOs, on average, as either partially or fully fulfilling their function of coordination with Government and the private sector. Positive examples are the HUO in Sierra Leone who has been embraced by the

Government as a trusted advisor. In Armenia the HUU has changed the relationships of the Government and UNIDO from *ad-hoc* to a more systematic approach with tangible results. Some HUOs (e.g. in Zimbabwe) have given priority to developing close relations with companies and private sector organizations and assessing their needs.

231. In addition, HUOs in the field mission countries were actively participating in donor coordination activities. Where national PSD strategies are being developed, HUOs are playing a role and this may facilitate greater coordination and exploitation of synergies. The case of Nicaragua showed that where harmonization and alignment efforts of donors are more advanced the HUU can play an important role in aligning UNIDO/UNDP activities with bilateral and other donors.
232. Donors interviewed during field visits, particularly those that are actively supporting United Nations reform, welcomed the Agreement's demonstration of increased United Nations cooperation and joint programming. However, it appears that this positive attitude may remain rhetoric in some cases. When it comes to funding, donors do not seem to necessarily give a premium to joint activities.
233. The respondents to questionnaires from all target groups indicated that the UNIDO Desks are an adequate means to represent, promote and support UNDP's and UNIDO's combined strengths to serve countries' needs. Respondents also expected slight improvements in future performance. All UNDP respondents recommended replication of UNIDO Desks in other countries.

5.3.3 Efficiency

234. The Agreement did not accord adequate primacy to the fact that Country Offices would be the prime movers for its implementation at the country level. Being a country-based and country-focused organization and its programme management decisions being country-driven, UNDP Country Offices required a gestation period to understand and absorb UNDP's obligations to UNIDO Desks. Due to the waiver of cost recovery, they were being required to fund the administrative support costs for UNIDO Desks from their own extra-budgetary resources. Hence the initial response of UNDP Country Offices to the demands for operational support to UNIDO Desks for the pilot two-year period seemed hesitant and slower than expected. UNIDO on the other hand has a more centralized decision making approach and, moved ahead promptly on the implementation. The different response times created gaps in expectation. Over time many of the operational support issues have been resolved but there are still a number of pending matters, particularly logistical support and financial resources for daily operations.
235. UNIDO has chosen strong candidates for the HUU posts who are self-starters. This wise selection policy has meant that the HUOs have solved many problems by themselves, reducing the need for administrative and technical support. However this tendency towards self-reliance resulted also from the fact that technical support from UNIDO has been uneven and occasionally slow. It should be underlined that the majority of HUU complained about slow (and sometimes totally lacking) HQ responses to their requests for information or suggestions.

236. A number of issues have affected the efficiency of the performance of the HUO. These include:
- (a) The distortionary effect of the over-emphasis on resource mobilization implicit in the Agreement.
 - (b) Unclear reporting arrangements between the HUO and UNDP, UNIDO Regional Offices and UNIDO Headquarters divisions
 - (c) Inconsistent assignment of financial authority among the HUOs by UNIDO
 - (d) Lack of budget for HUOs beyond the operational support provided by UNIDO
237. There is lack of conceptual clarity with regard to the idea of a joint programme and to the relationship between a joint programme and the various United Nations system, UNIDO and UNDP programming instruments. One manifestation of this is confusion over how programmes are approved.
238. With regard to JPSDPs, three key factors for efficiency can be identified:
- (a) Joint formulation allowing synergies between the partners to be exploited.
 - (b) A favourable environment for resource mobilization (i.e. one that favours a joint approach) for example, where donors explicitly support United Nations reform and collaborative efforts.
 - (c) Application of UNDG joint programming guidelines in order to simplify management arrangements and reduce overheads.
239. Implementation of the Agreement has so far showed some success in terms of creating beneficial synergies between the two partners. The other two factors of efficiency were not properly exploited.
240. The above examines efficiency in the context of JPSDPs but not with regard to alternative collaborative approaches that could be implemented by UNDP and UNIDO. There may have been more efficient modalities of collaboration that were not explored due to the emphasis that has been placed on JPSDPs. In this context the question can be asked whether the scale of the operation has been somewhat over-ambitious. According to the UNDG average funding of joint programmes is around \$300,000. Moving in JPSDP countries immediately to multi-million dollar operations might not have been the best choice.

5.3.4 Sustainability

241. As discussed earlier, the approach to financial sustainability of the UNIDO Desks included in the Agreement is not appropriate. Moreover, the suggested strategy of using funds generated from support cost on UNIDO programme implementation is not a financing strategy at all; it is merely an accounting device that shifts funds from one cost centre – central administrative costs – to another, the operational support costs of the HUOs.
242. It appears that the incremental budgetary and staffing requirements for programme development and implementation have not yet been fully considered by UNIDO and UNDP.

6

Recommendations

243. Recommendations are intended for the consideration of management in the respective organizations and for eventual consideration by their governing bodies when they touch upon financial and policy issues. The recommendations should be considered with the management responses produced by the two organizations either jointly or individually.

6.1 Continue implementation with adjustments and a phased approach

244. Continue implementation of the Agreement for the envisaged initial period of five years. Major improvements and adjustments should, however, be introduced in the implementation approach and a more effective joint management mechanism should be put in place. The financial and sustainability issues should be revisited.

245. Both organizations should look at the continuation of the Agreement beyond its bilateral nature and align it with the respective Organizational responses to new and emerging country-level United Nations-wide reform initiatives.

246. In order to overcome the rigidities encountered in the implementation of the Agreement, the parties should consider either revision of the Agreement, or development of an operational appendix to the Agreement to guide future implementation and address the issues raised in this assessment. The assessment team recommends pursuing the second option, which is less legalistic, more operational and can be implemented faster and more easily. Whichever approach is adopted, the resulting document should be a living document that can be adapted to changing circumstances.²⁵

247. The new document should clearly define the envisaged cooperation line on issues which were included in the Agreement but which were not sufficiently clear and/or not implemented, in particular:

- a) Conceptual clarity and programmatic complementarities in private sector development;
- b) Clear synergies between the two main components of the Agreement;
- c) Joint programming modalities in all areas covered by the Agreement, including programme and project identification, formulation and channelling of funds;

²⁵ Article 5.3.c. of the Agreement states that "... based on the outcome of the assessment UNIDO will in consultation with UNDP either expand the network of the UNIDO Desk to other countries, modify the approach or arrangements or expand the duration of the pilot phase"

- d) Joint country-level cooperation in resource mobilization under the leadership of the respective Governments and high-level joint advocacy and resource mobilization to donor capitals;
- e) A clearly defined joint operational strategy (see detailed recommendation below);
- f) A full-fledged evaluation to be envisaged towards the end of the five-year period covered by the Agreement.

248. A phased approach should be followed and should consist of the following steps:

- a) Continue operations of the Desks in the 13 pilot countries and establish the two remaining Desks included in the pilot period. In clarification of the terms of the Agreement, UNDP shall provide support costs for UNIDO Desks for a two-year period from the starting date of each Desk;
- a) Continue initiated action to gradually convert existing UNIDO National Focal Points to UNIDO Desks. This will need to be done in full consultation with the host countries, UNDP and along the lines of the assessment recommendations;
- b) In view of the already demonstrated value as shown in the assessment, gradually expand the network of UNIDO Desks provided that funding is ensured and that the recommended management mechanisms are in place. Any decision for expansion should be primarily based on recipient country interests and the agreement by the UNDP Country Office to host the Desk. The ambitious target of expanding UDs to up to 50 countries may need to be revisited.

249. In order to ensure smooth continuation of the operations of the Desks and realizing the benefits of the investments made so far, the criteria for any closure or extension of Desks should disregard the self-financing clause of the Agreement and be primarily based on the interests of the recipient country as well as the willingness of the UNDP Country Office to continue hosting the Desk.

250. Continue to focus on joint private sector development programmes but also promote other substantive areas of cooperation, such as energy and environment that have already been included in the Agreement but not pursued so far.

6.2 Devise a sustainable funding arrangement for UNIDO Desks

251. UNIDO should devise a sustainable funding arrangement going beyond the two-year pilot period to ensure the sustainability and expansion of the Desks. This financing strategy should be supported by commitment for programme funding by UNDP at the country level within the wider priorities of the country needs.

252. Financing of the operational costs upon completion of the pilot period include the following options, which can be used individually or in any combination.

- (a) UNIDO:
 - (i) Coverage of the operational costs from UNIDO regular budgets;
 - (ii) Dedication of support costs from UNIDO programme implementation. To determine the costs and offsetting income will require UNIDO Headquarters to clearly identify those projects that resulted from the UNIDO Desk activities and extract from the accounts part of the corresponding income as well as

- UNDP Country Offices to determine actual costs of Desk operations on a country-by-country basis;
- (iii) Reduce UNIDO Representative posts and reallocate resources to the Desks.

(b) Other partners:

- (i) Expanded voluntary contributions to UNDP and UNIDO, along the lines of the Belgian contribution to UNDP;
- (ii) United Nations reform initiatives for funding country-level coordination;
- (iii) Cost-sharing with host countries of the Desks.
- (iv) Country-level contributions by UNDP based on programme/project development;

6.3 Continue cooperation under the PSD Framework

253. Continue cooperation under the PSD Framework subject to improved joint programme modalities and confirmation of commitment to knowledge-sharing and UNIDO participation in PSD and other knowledge networks relevant to the Agreement.
254. Both organizations should devote sufficient resources to carry out comprehensive country analysis as a foundation for the effective preparation of programmes.
255. Before considering any expansion of the JPSD Programmes, give highest priority to the joint global resource mobilization efforts prescribed in the Framework, but not implemented.²⁶ In addition, the partner organizations should explore the possibility of establishing a joint trust fund. Resource mobilization at country level under the leadership of the Resident Coordinator should be the case in every programming country.

6.4 Define a joint implementation strategy

256. Establish a formal joint management mechanism/group to manage the continuing implementation of the Agreement and the Framework. This will include monitoring, identification, resolution of operational problems in relation to the Agreement and the Framework, and carrying out recommendations for change that have been mutually agreed. The first step will be to follow up on the recommendations set out in this assessment and agreed upon by management of the two organizations. Each organization should have one coordinator for the entire Agreement. The precise nature of this mechanism will need to be developed following intensive consultations between the partner organizations.
257. At the country level, working arrangements should be formalized in consultation with the UNDP Resident Representative to define specific mutual responsibilities (programmatic priorities, UNCT participation, resource mobilization, technical and operational support, etc). While targeting specific country conditions and requirements, country-level arrangements should not be *ad-hoc* and should be devised within the overall coherent cooperation modality established by the Agreement.

²⁶ See article 6.1.1 – At the global level: Joint presentation of the initiative to the headquarters of key potential donors; and joint mobilization of funds for specific activities, including country programme development and activities referred to in article 4.5

6.5 Recommended actions for UNIDO

258. Continue the Agreement in the context of UNIDO's overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives. This will require making medium- to long-term choices on the most suitable and financially feasible modalities and mix of options for country-level expanded presence (Regional Offices, Country Offices, UNIDO Desks). The issues of choice of representation, category of staff deployment at country level (international/national), level of authority, streamlined technical support services, managerial delegation and sequencing of programming with country-driven initiatives etc. need to be a clear management focus as situations unfold.
259. Incorporate the HUU into the overall organizational structure of UNIDO. Fully include the HUU in the Human Resource Policy Framework and other related policy documents and administrative instructions. Strengthen the field coordination mechanism in order to ensure proper monitoring and follow-up of Desk work plans and improve technical support and information flows to the Desks by UNIDO Headquarters and Regional Offices.
260. Address the relationship issues:
 - (a) Clarify the reporting and supervision lines in the relationship between the UNIDO Desk and the UNDP Resident Representative;
 - (b) Clarify the administrative and technical relationships and reporting lines between the Desks and UNIDO Headquarters and, in the context of the new UNIDO field mobility policy, Regional Offices;
 - (c) Clarify the relationship between Integrated Programmes, stand-alone projects and joint programmes and the role of the HUOs in support to all these technical cooperation delivery modalities.
261. Explore a gradual increase in delegation of administrative and financial authority and accountability of HUOs within the context of a uniform policy (as opposed to current *ad-hoc* practice). Provide seed money for programming and advisory activities and clarify the leadership issue of programme development and implementation at country level (joint programmes, integrated programmes)
262. Include the financial implications for gradual expansion of UNIDO Desks in the programme and budgets 2008-2009.

6.6 Recommended actions for UNDP

263. Continue the Agreement based on a reconfirmed commitment to its implementation and in the context of UNDP overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives.
264. Enhance communications arrangements between headquarters and the country level. Issue clear directives to the UNDP Resident Representatives, clearly delineating their responsibilities and obligations under the Agreement, in particular joint programming, joint resource mobilization, HUU participation in UNCTs, monitoring

and evaluations based on results. This will promote better understanding of the Agreement's objectives and advantages.

265. In line with the Agreement, initiate knowledge-sharing and networking with UNIDO counterparts to enable access to and participation in relevant UNDP knowledge networks and to disseminate information on both agencies' experience and expertise through shared communications channels and networks.
266. Explore the feasibility of creating joint UNIDO-UNDP PSD teams based at UNDP Regional Centres, in particular in the African region where some cooperation already exists. This possibility was mooted in the Cooperation Agreement but never explored.

6.7 Outlook beyond the Agreement

267. In the spirit of United Nations reform the Agreement is a new model of inter-agency cooperation and field representation with UNIDO Desks established in UNDP Country Offices. The pilot phase confirms the feasibility of the strategic partnership between a medium-sized specialized agency seeking to expand field representation in a cost-effective manner, such as UNIDO, and UNDP.
268. The pilot phase has also shown that excellent use can be made of national high-level expertise to leverage and invest in national capacity.
269. It is too early to draw final conclusions on the replicability of this new model by other agencies. The Agreement may however have implications beyond UNIDO and UNDP as a possible model for hosting arrangements of United Nations agencies with no field representation. In this context there are some emerging organizational lessons that can be useful beyond UNIDO and UNDP.
270. The lessons are:
- (a) The driving factors for success have been a tradition of cooperation, shared priorities, as well as commitment and strategic vision at the highest level;
 - (b) Sustained stakeholder interest and policy guidance from Member States is key to starting and keeping the momentum of the cooperation process. However, experience so far shows that financial support does not come automatically as a result of cooperation;
 - (c) Innovation and change do not come for free but require resources. Inflexible financial policies reduce the prospects for success. The potential gains for the country and for the participating organizations go much beyond the monetary or financial value of the projects and programmes generated. Narrowing down the ambition to income generation for the agencies through programming and support cost entails the risk of reducing other benefits for the country (advice, access to knowledge, networking, etc.);
 - (d) Despite organizational rigidities, working together at the country level can break the barriers of different organizational cultures and lack of understanding and has the potential to bring more effective country-level support by two organizations.

Joint Assessment of the Progress in the Implementation of the Cooperation Agreement between UNIDO and UNDP

Terms of Reference

Background

On 23 September 2004 UNDP and UNIDO signed a cooperation agreement “*to establish the basis for both organizations to develop joint technical cooperation programmes, particularly in support to private sector development in developing countries. At the same time it introduces a new model of field representation with UNIDO desks established in UNDP Offices*”.²⁷

The Agreement was designed as a strategic alliance between UNDP and UNIDO to work together at the country level for the benefit of the developing countries covered, in line with national priorities and the Millennium Development Goals.

Areas of intervention defined in the agreement are: trade capacity building; investment promotion; agro-industries; energy; cleaner and sustainable industrial development; entrepreneurship and small and medium enterprise (SME) development.

A “Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development” was defined in a separate framework document, aimed at implementing the recommendations of the United Nations Commission on the Private Sector and Development.

The agreement envisaged an initial pilot phase of two years to be followed “by a joint evaluation of its impact in terms of enhancing and expanding technical cooperation services and providing a cost-effective modality for joint field representation”. More specifically, Article 5.3b of the agreement stipulates that the assessment “*will be done against a set of criteria to be established at the beginning of this phase*”.

Document IDB.29/CRP.4 sets out the requested set of “criteria for selection and assessment of the effectiveness of UNIDO desks” (see below).

The agreement followed an extensive consultation process with UNIDO Member States and was presented to UNDP Executive Board. UNIDO Governing Bodies took a number of decisions and recommendations regarding the agreement: GC.10/ Res. 2, GC 10/Res.10, IDB 28/Dec.2, IDB.29/CRP.4, and IDB.30/CRP.6.

Resolution GC 11/Res 5. of December 2005 requested, inter alia, the Director General “*to undertake an assessment of the outcome of the pilot phase in consultation with Member States at the end of the pilot phase and to present results and recommendations to the Industrial Development Board at its thirty-second session, with a view to taking appropriate decisions*”.

²⁷ Letter on Cooperation Agreement between UNDP and UNIDO dated 23 September 2004 signed by Mark Mallock Brown, Administrator UNDP and Carlos Magariños, Director General of UNIDO

At a meeting in March 2006 between Senior Management of UNDP and UNIDO it was agreed that a joint assessment of the partnership's pilot phase would be carried out and, based on the outcome of this exercise, decide on the future course of action.

As of May 2006 a total of 13 UNIDO Desks were operational worldwide: Burkina Faso, Eritrea, Mali, Rwanda, Sierra Leone, Zimbabwe, Jordan, Afghanistan, Lao PDR, Armenia, Bolivia, Ecuador, Nicaragua.

A total of 11 joint programmes for private sector development had been identified and were at different stages of development, as follows:

Programme document approved:

Lao People's Democratic Republic, Nicaragua, Nigeria, United Republic of Tanzania

Preparation of programme document 1) close to finalization or 2) at an advanced stage:

1) Rwanda; 2) Afghanistan, Burundi, Ethiopia, Ghana,

Programme formulation 1) ongoing or 2) initiated:

1) Sierra Leone; 2) Jordan

UNDP-UNIDO cooperation activities completed:

Tunis (WSIS, November 2005)

Reserve list of countries (established on 26 January 2006) for periodical review/reactivation of activities: Angola, Ecuador, Kazakhstan, Mozambique, Senegal, and Regional Asia

Purpose of the joint assessment

The main purpose of the joint assessment will be to assess the overall progress and effectiveness of the agreement for the benefit of the developing countries covered.

With this overall objective in mind, the assessment will be forward looking and cover both programmatic and process aspects, including:

- The progress made under the "Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development".
- The process of establishing the UNIDO Desks, the experiences acquired and the preliminary results achieved during the pilot phase of the UNIDO Desks²⁸;

The assessment will be presented to the UNIDO Industrial Development Board, as requested by the UNIDO General Conference, and will feed into relevant discussions of the UNDP Executive Board.

Methodology

The assessment will be an independent exercise under the joint responsibility of the Evaluation Office of UNDP and the Evaluation Group of UNIDO. Although the exercise will

²⁸ Pilot phase of the UNIDO desks is considered the period since the start of operations of the UNIDO desks and not the period since signing of the agreement

not take the form of a full-fledged evaluation, it will be based on the UN Evaluation Group (UNEG) norms and standards for evaluation in the UN system and the evaluation policies of the two organizations.

The assessment approach will be applied considering the limited implementation time of the agreement since its signature in September 2004 and hence the still limited evidence on results achieved on the ground. The assessment will enable UNIDO and UNDP to evaluate the process followed so far and the promise that the pilot cooperation approach holds for the future. Forward looking recommendations will be provided on measures and adaptations required.

All components of the agreement will be covered through desk reviews, self-assessment and stakeholder interviews. Some countries will be covered in depth through field visits to widen the scope of data collection and to validate the secondary data collected.

In spite of the limited time of implementation of the agreement the assessment will try to assess quantifiable outcomes and outputs, but the criteria outlined in annex 2 will have to be fine tuned accordingly.

A participatory approach will be applied involving relevant UNDP and UNIDO staff both in the field and at HQs as well as selected stakeholders in governments and the private sector.

A reference group comprising of representatives of management of UNDP (BRSP) and UNIDO (PCF and PSD) will be established. The reference groups will be responsible for providing all necessary information and will be appraised regularly of the progress of work.

Member States of all regional groupings will be briefed in Vienna and New York, as required. This will ensure continuity and consistency with the approach pursued in the development and the implementation of the pilot phase of the agreement, which was based on active participation and dialogue with Member States. Briefings will take place at the beginning of the assessment to provide information on the Terms of Reference and work plan and at the end of the implementation phase to provide information on preliminary findings and recommendations.

The assessment is an integrated exercise covering the two main components of the Agreement, i.e. the UNIDO Desks and the private sector programmes. For ease of management UNDP will take the lead and cover the costs of the assessment for the private sector component and UNIDO will take the lead and cover the costs of the UNIDO Desks component. It is however understood that the complementarities and interrelationships between the two components will be taken into account throughout the assessment process. All tools will be jointly developed and agreed upon. The different steps, including the field visits, will be carried out either jointly or in close coordination. The two evaluation offices will agree on all findings, conclusions and recommendations and the assessment will be covered by one joint report. Two consultants will be used and one of them will serve as the team leader responsible for the coordination of the preparation of the draft report. There will be one final report covering both components in an integrated manner. The final report will be issued under the joint responsibilities of the Directors of evaluation of UNDP and UNIDO.

The following steps are envisaged under the respective components:

1. Assessment of the UNIDO Desks:

- Desk Review of all background information available within both organizations, including decisions, resolutions and discussion records by the Governing Bodies, Terms of Reference of the UNIDO Desks, job descriptions, vacancy announcements, etc.
- Self Assessment of UNIDO Desks to obtain structured information on issues such as: advisory, programming and technical cooperation support function, relations with UNDP and with UNIDO HQs, thematic focus of activities etc. (through questionnaires to HoUO, UNIDO Staff and UNDP field offices).
- Stakeholder Interviews of Government counterpart representatives (through direct interviews, telephone interviews and/or questionnaires).
- Field assessment of selected UNIDO Desks (jointly identified by UNDP and UNIDO) to assess their progress in the areas of priority identified in the agreement. Interviews will be carried out with the Resident Representatives, UNDP and UNIDO field staff as well as selected Government and private sector representatives. Wherever possible these field assessments will be carried out in the context of ongoing evaluation missions (e.g. UNIDO already carried out such reviews in the context of evaluations in Jordan, Eritrea, Burkina Faso and Ecuador²⁹).

2. Assessment of the Private Sector Development Programme

- Desk Review of all PSD Programmes
Analyze all background documentation available in both organizations regarding the development of PSD Programmes, including project concepts, project documents, monitoring reports, decisions, appraisal notes, etc.
- In depth analysis of at least three private sector development programmes through a review of the identification, formulation and promotional process, including resource mobilization and identification of country level partners. This will involve a desk review as well as interviews with selected stakeholders in the respective organizations at HQs and in the Field, Government and private sector counterparts.
- Review of cases of programmes, which did not progress as expected, in order to identify constraints faced and learn lessons for improvements
- Illustrative field level case studies of a selected number of PSD Programmes in order to validate through on the ground assessments the secondary data collected.

The field level cases will be selected jointly based on commonly defined selection criteria, including the presence of a Head of UNIDO operation.

Issues to be addressed

The key questions to be addressed will be:

- What is the level of progress of the agreement, including the factors affecting positively and/or negatively the implementation?
- What are the forward-looking recommendations for further developing and/or adjusting this type of field coordination and programmatic cooperation as a cooperation model?

²⁹ Not in all of these brief reviews the full methodology of the joint assessment was applied. Where necessary, the missing information will be collected through additional telephone interviews.

Specifically the assessment will look into the following issues relating to relevance, efficiency and effectiveness:

1. Relevance

To what extent are the agreement and the PSD framework relevant to:

- Country level policies and priorities?
- UNIDO and UNDP policies and priorities?
- As an innovative model for field level and programmatic cooperation within the context of UN wide reforms?

2. Effectiveness and prospects of results

To what extent have the UNIDO Desks been an effective tool for facilitating Government and private sector access to UNIDO expertise through the UNDP Country Offices?

To what extent is there commitment and responsiveness from counterparts at the country level to fulfil the agreement?

To what extent has the agreement enhanced coverage of the substantive themes covered by the agreement within CCA and UNDAF?

To what extent has this model strengthened country level coordination and synergies with other bilateral and multilateral partners?

To what extent has the agreement increased the prospects for resource mobilization?

2. Efficiency of the process

To what extent has an enabling environment been established by the Resident Representatives to ensure the functioning of the UNIDO operations through the country desks within the UN country teams?

To what extent have the respective inputs for the selection and establishment of the UNIDO Desks and for the identification/formulation of joint programmes been provided as planned?

To what extent have the costs incurred by both parties been commensurate to the achieved and/or planned benefits?

To what extent have the two parties, including the field offices, been efficient in selecting, managing, coordinating, monitoring and providing administrative as well as technical support for the implementation of the activities related to the agreement?

What kind of joint management system has been in place to monitor the progress of the agreement (selection, appointment, supervision, reporting, etc.)? How has the monitoring system worked?

To what extent has a relationship been established between the UNIDO Desks and UNIDO country and regional offices in neighbouring countries?

To what extent and under what preconditions is this approach likely to be cost effective for both partners in the medium and long term?

(extracted from UNIDO, IDB.29/CRP.4)

CRITERIA FOR SELECTION AND ASSESSMENT OF THE EFFECTIVENESS OF UNIDO DESKS

Overall objective

1. The Cooperation Agreement with UNDP has as its overall objective the reduction of poverty. The parties therefore agreed to work together at the country level on issues of sustainable industrial development, in line with national priorities and the Millennium Development Goals as expressed in particular in the country in the CCA/UNDAF. Areas of intervention defined in the agreement are: trade capacity building; investment promotion; agro-industries; energy; cleaner and sustainable industrial development; entrepreneurship and small and medium enterprise (SME) development. Also agreed was a joint UNIDO/UNDP technical cooperation initiative on private sector development, defined in a separate framework document, aimed at implementing the recommendations of the United Nations Commission on Private Sector and Development.

2. For UNIDO, in addition to the programmatic objectives outlined above, objectives include the better reach of its Member States through an increased presence at the country and regional levels in order to be more responsive to their development needs.

3. The Agreement includes provisions for joint reviews of the success/effectiveness of the implementation of the Agreement and the new model of cooperation in the field. Although no criteria for this assessment have been agreed upon, based on the above objectives the following criteria for assessment are considered:

- (a) Number and volume of joint projects and programmes developed and approved in:
 - (i) Private sector development;
 - (ii) Other areas of UNIDO mandate
- (b) Number and volume of new UNIDO projects and programmes developed in the country with the support of UNDP;
- (c) Funds mobilized for new programmes and projects from
 - (i) UNDP core funds;
 - (ii) UNDP-managed trust funds;
 - (iii) other sources, jointly mobilized;
- (d) Extent to which UNIDO's mandate is better than before represented in such programming documents as CCA/UNDAF;
- (e) Extent to which the additional volume of technical cooperation and the generated income can contribute to cover the additional cost of the Desk.

Criteria for selection of UNIDO Desk countries

4. In order to maximize the chances for success, countries where a UNIDO Desk is located should be selected on the basis of criteria that correspond to the success criteria above. In addition to the full and unconditional support of the host Government to the establishment of a UNIDO Desk, and possible commitment of the Government to provide contributions to the cost of the Desk, this includes:

- Potential increase in UNIDO TC volume. The most objective indicators of potential volume/increase of TC are:
 - (a) The unspent balance of the current PAD value in the country;
 - (b) actual approvals and delivery in recent years;
 - (c) Amount of programmes and projects under advanced preparation; this includes countries selected for the joint PSD framework, as well as potential for funding under the post-crisis modality;
 - (d) UNDP TRAC annual amounts available;
 - (e) Extent of official donor interest in the country (annual ODA volume);
 - (f) Commitment of the Government to (co-)finance projects and programmes;
 - (g) Recent or existing positive experience with TC projects in the country.
- Improved position in programming and coordination mechanisms:
 - (a) Active interest and support of the UNDP Resident Representative in the work of UNIDO;
 - (b) Government interest in UNIDO-related industrial development issues (as reflected in current CCA/UNDAF as well as the PRSP if applicable).
- Political and economic (pre-)conditions for sustainable industrial development:
 - (a) Political and economic stability- (Industrial development is not possible, or seriously hampered by political or economic instability);
 - (b) Enabling environment for industrial development and private sector development.
- Other factors:
 - (a) Size and population of the country;
 - (b) Special considerations: LDC, landlocked or island developing country;
 - (c) Geographical location (impact on the regional presence of UNIDO);
 - (d) Payment status of assessed contribution (indicator of interest in UNIDO activities).

Criteria for assessing the performance of UNIDO country offices

5. In the context of the new approach to the UNIDO field presence, it is proposed to establish a system to review regularly and systematically the performance of all UNIDO field offices. The basis for the review will be the following criteria that may be combined into a “scorecard”:
 - (a) Level of unspent balance of the PAD value in the country;
 - (b) Current level of annual net approvals and delivery;
 - (c) Volume of programmes or projects under advanced preparation;
 - (d) Strength of government interest in UNIDO mandate areas (as also demonstrated by the UNDAF priorities);
 - (e) Extent of government contribution to the UNIDO presence, including free or low-cost premises, contributions to operational costs and project funding;
 - (f) Extent to which UNIDO mandate areas are included in the CCA/UNDAF;
 - (g) Level of official donor interest (ODA);
 - (h) Level of UNDP TRAC allocations and extent of UNDP interest in UNIDO’s mandate areas.

6. In addition, for the purpose of the pilot period, as the main reason for reviewing the performance of current country offices and identifying some for conversion into UNIDO Desks is the need to realize savings required to finance the new Desks, the anticipated cost of conversion should be taken into account, including the anticipated cost of transferring or separating current incumbents.



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