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## INDEPENDENT EVALUATION OF THE UNIDO INTEGRATED PROGRAMME FOR PALESTINE

**XP/PAL/05/002**

### **Draft report of the Evaluation Mission\***

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The views and opinions of the team do not necessarily reflect the views of the Palestine National Authority or UNIDO.



## Table of Contents

<b>Abbreviations and acronyms used in the report</b> .....	<b>5</b>
<b>Glossary</b> .....	<b>6</b>
<b>Executive summary</b> .....	<b>7</b>
<b>Quality Matrix of the Integrated Programme in Palestine</b> .....	<b>11</b>
<b>Recommendations</b> .....	<b>13</b>
<i>1. Planning document for next IP phase</i> .....	13
<i>2. Possible themes for the future IP</i> .....	13
<i>3. The IMC and a possible relaunch of the IMP</i> .....	14
<i>4. Funds mobilisation</i> .....	15
<i>5. UNIDO 'seed money'</i> .....	15
<i>6. UNIDO field presence</i> .....	16
<i>7. Donor coordination at the MoNE</i> .....	16
<i>8. Project on recycling of building materials</i> .....	16
<b>Follow-up table on recommendations</b> .....	<b>17</b>
<b>Lessons learnt</b> .....	<b>19</b>
<i>Planning</i> .....	19
<i>Monitoring</i> .....	20
<i>Fundraising</i> .....	21
<i>Post-crisis issues</i> .....	21
<i>Counterpart structure in industrial upgrading programmes</i> .....	22
<i>UNIDO role</i> .....	22
<b>1. Introduction</b> .....	<b>23</b>
<b>2. Country Situation and Framework Conditions</b> .....	<b>25</b>
<b>3. Formulation and re-formulation of the programme</b> .....	<b>29</b>
The initial IP Document.....	29
The Memorandum of Understanding of February 2000 .....	34
<b>4. Funds mobilization</b> .....	<b>36</b>

<b>5. Implementation of individual programme components .....</b>	<b>38</b>
Support to the establishment of the PFI (component 5).....	39
<i>PFI history and mission</i> .....	39
<i>UNIDO support to PFI: The approach</i> .....	41
<i>UNIDO support to PFI: The results</i> .....	42
Industrial Upgrading Programme (component 2) .....	45
<i>Selection of companies for the pilot exercise</i> .....	45
<i>Training of Palestinian consultants in Amman</i> .....	46
<i>The diagnostic studies</i> .....	48
<i>Company feed-back on the diagnostic studies</i> .....	49
<i>Follow-up support to companies</i> .....	50
Strengthening the Ministry of Industry and the pilot Industrial Upgrading Programme (component 1).....	51
<i>Diverging views on the Industrial Upgrading Programme</i> .....	51
<i>The Industrial Upgrading programme looking for an institutional home</i> .....	52
Palestinian Standards Institute (component 4).....	55
Investment Promotion (component 3).....	57
‘Spin-offs’ of the IP .....	59
<b>6. Findings on programme implementation .....</b>	<b>61</b>
<b>7. Issues of relevance to the next phase .....</b>	<b>65</b>
<b>Annex I: History of persons involved in IP .....</b>	<b>68</b>
<b>Annex II: Survey of Industrial Upgrading Training of Trainers conducted in Amman (May 2001).....</b>	<b>70</b>
<b>Annex III: Industrial Upgrading Program Reports .....</b>	<b>74</b>
<b>Annex IV: List of Palestinian Standards Institute Clients (2005) .....</b>	<b>78</b>
<b>Annex V: Terms of reference .....</b>	<b>79</b>
<b>Annex VI: Fact sheets .....</b>	<b>82</b>
<b>Annex VII: Names of persons met.....</b>	<b>93</b>

## Abbreviations and acronyms used in the report

CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
EU	European Union
GDP	Gross Domestic Product
HQ	Headquarters
IMC	Industrial Modernisation Centre
IMP	Industrial Modernisation Programme
IND-UP	Industrial Upgrading Program
IP	Integrated Programme
IPU	Investment Promotion Unit
IIPU	Industrial Investment Promotion Unit
ITPO	Industrial Trade Promotion Office (in Milan)
IUB	Industrial Upgrading Bureau
MEDA	EU Programme for Southern Mediterranean Countries
MoETI	Ministry of Economy, Trade and Industry
MoI	Ministry of Industry
MoNE	Ministry of National Economy
MoU	Memorandum of Understanding
PFI	Palestinian Federation of Industries
PIEFZA	Palestinian Industrial Estate and Free Zone Authority
PIPA	Palestine Investment Promotion agency
PNA	Palestinian National Authority
PSI	Palestine Standards Institute
SME's	Small and Medium Enterprises
TSU	Technical Support Unit
UNDP	United National Development Programme
UNIDO	United Nations Industrial Development Organisation
US\$	United States dollar

## Glossary

<i>Conclusions</i>	Conclusions point out the factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impacts, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments.
<i>Effectiveness</i>	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
<i>Efficiency</i>	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
<i>Impacts</i>	Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
<i>Indicator</i>	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
<i>Institutional Development Impact</i>	The extent to which an intervention improves or weakens the ability of a country or region to make more efficient, equitable, and sustainable use of its human, financial, and natural resources, for example through: (a) better definition, stability, transparency, enforceability and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Such impacts can include intended and unintended effects of an action.
<i>Lessons learned</i>	Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact.
<i>Logframe</i>	Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure. It thus facilitates planning, execution and evaluation of a development intervention. Related term: results based management.
<i>Outcome</i>	The likely or achieved short-term and medium-term effects of an intervention's outputs. Related terms: result, outputs, impacts, effect.
<i>Outputs</i>	The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
<i>Recommendations</i>	Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions.
<i>Relevance</i>	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies. Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances.
<i>Results</i>	The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. Related terms: outcome, effect, impacts.
<i>Sustainability</i>	The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.

## **Executive summary**

The UNIDO Integrated Programme (IP) for Palestine was initiated in 1999 and executed over five years from 2000 to 2005. Due to partial funding, only 5 out of 10 initial subcomponents could be addressed (US\$1.3 million out of US\$6.3 million initially planned). Funding problems together with difficult and changing framework conditions (*Intifada*) motivated changes of the initial plans. The basic philosophy, however, remained the same: supporting both public and private sector institutions to improve the performance of Palestinian industry and laying the groundwork for an industrial upgrading programme.

### **A strong partnership with the private sector**

The IP has strengthened the Palestinian Federation of Industries (PFI). The PFI is now recognised as the advocate of Palestinian industry. It participates in law making and represents industry nationally and internationally. PFI's stature and role has steadily increased, and in April of 2005, the then Chairman of the Federation became the Minister of National Economy, Industry and Trade.

As a representative body, PFI plays an important political role but the organisation is not yet financially sustainable. Its stability is likely to improve through a legal transformation into a Chamber of Industry, which is currently being discussed at the Parliament.

### **Support to industrial modernisation**

The IP implemented the pilot phase of an industrial upgrading programme and created an "Industrial Modernisation Centre" (IMC). It trained 36 consultants who carried out company diagnostics and produced 19 upgrading plans for individual companies. The quality of the training and of the plans was found to be satisfactory although the IP did not monitor the impact of the plans. Follow-up of the diagnostics was limited. Some companies received software packages but no structured support has been delivered for implementing their plans. The IMC is not yet financially sustainable and is still organisationally linked to the PFI.

The concrete positive outcome of the IP on industry is limited. Only a few companies have been reached by the pilot activities of the IP. The focus has been entirely on larger companies.

#### *Significant contributions to capacity building*

At the Palestinian Standards Institute, the IP has helped to establish the calibration laboratory. This laboratory provides essential services to local industry, which would otherwise depend on more expensive and relatively inaccessible services from Israeli institutions.

In the area of investment promotion a number of COMFAR trainings has been delivered with satisfactory results.

UNIDO's lead role as a facilitator of the National Food Safety Initiative has been an important spin-off product of the IP. UNIDO's contribution in this area has been widely recognised as a possible model for future UNIDO interventions.'

#### *Significant impact on industrial policy making*

The concentration of the IP on institution and capacity building was in line with the country needs although policy relevance cannot be formally demonstrated due to the absence of a developed industrial policy framework in Palestine.

Since its inception, the IP benefited from strong counterpart ownership from both the public and private sector. The dual counterpart structure has led to periods of strained debate but overall this has contributed to awareness building in industrial governance.

The IP has had a positive systemic and cultural influence on industrial policy making in Palestine. However, institutional sustainability of the results is as yet unsecured and dependent on a number of external factors .

#### *Weaknesses in coordination, monitoring and funds mobilization*

Coordination mechanisms were rather weak, both in the IP and at the Ministry. Coordination challenges and duplication risks were underestimated.

Internal coordination by a steering committee was foreseen but not implemented. Decision-making processes were often not documented. Management structures were quite unique with experts playing a double role as UNIDO coordinator and PFI



Secretary General. This management solution was not unanimously accepted and shaped UNIDO's presence in the country. However, the approach is considered appropriate under the specific conditions of political crisis and very limited programme funding.

Programme reporting has shown weaknesses. Results monitoring schemes did not exist and outcome indicators have not been identified. Counterparts said they would have preferred a more stringent approach to monitoring and reporting.

Weaknesses in fundraising over recent years have led to a funding gap with no external funding available as of the beginning of 2006. No visible, systematic and coordinated fundraising strategy has been applied. The most important limiting factor in this respect has been the non-existence of a permanent UNIDO presence in the field.

Lack of field presence has also weakened UNIDO's ability to reap the benefits of its prestige and connectedness as a highly valued international partner.

#### *The next phase of the IP*

In order to build on the results achieved and its considerable prestige, UNIDO should accelerate the preparation of the next phase of the IP. This requires a solid planning document for the next phase. This document should build upon the mid-term plan of the PNA; analyse systematically the evolving industrial policy needs of the country, and look deeply into the complex scene of ongoing and planned donor activities. The document should be in line with UN planning in the country and target thoroughly those areas where UNIDO would be in the best position to add value.

Specific attention should be given to the following themes:

- Structural interventions with a view to bridging the gap between the financial and the industrial sectors and improving the access of industry to finance (COMFAR applications and support of the new 'movables law');
- Developing the National Food Safety Initiative;
- Close contact with the EU in developing a possible future Industrial Modernisation Programme.

Funds mobilisation needs to be given high priority. UNIDO, the PNA Representation in Vienna and the MoNE should give high priority to funds mobilization and ensure close trilateral cooperation on this issue. Bolstering the confidence of donors and improving the knowledge of their priorities is a prerequisite for developing an IP document with a realistic funding perspective.

UNIDO management should make 'seed money' available as a vehicle for fund mobilization and to maintain windows of opportunities open until new external funds become available. Seed money should not be used as a substitute for external funds but should be spent on the elaboration of the IP document and, once UNIDO and MoNE have agreed this document, on pilot projects in areas of pre-identified explicit donor interest with a view to developing viable projects together with the donors.

The project on the recycling of building materials that has been launched recently by UNIDO on the initiative of Italy has considerable potential to improve living standards and alleviate poverty. UNIDO should maximise the needs orientation of the project and avoid any tendencies towards a 'technology push' approach. The 'integration' of the project into a future integrated programme would be difficult to justify, particularly in light of the independent manner in which it has been formulated.

#### Recommendations:

- The Arab Bureau should produce a draft planning document for the next IP phase highlighting areas that need to be elaborated jointly.
- The themes for further consideration pre-identified by the evaluation mission should be analysed as options to be developed under the next phase of the IP Palestine (services of a consultant using seed money may be necessary).
- An in-depth feasibility study of the IMC should be carried out in case continued support of the IMC would be envisaged under the Country Framework Document.
- The Arab Bureau should develop a fundraising strategy note for consideration by MoNE and the PNA Representation in Vienna.
- The Arab Bureau should develop a motivated request for seed money and submit it to the UNIDO management.
- The Arab Bureau should discuss with UNDP whether the NPC could be located at the UNDP offices and assess whether the possibility exists to establish a UNIDO desk in the country.
- At the MoNE one single department reporting directly to the Minister should be in charge of donor coordination.
- It is recommended not to integrate the recycling project into the IP.

## Quality Matrix of the Integrated Programme in Palestine

	Good performance	Identification	Formulation	Implementation	Programming of next phase
	Mixed results/challenges				
	Weak performance				
Policy relevance and interaction	The philosophy of the Integrated Programme has been highly relevant to the emerging industrial policy of the Palestine National Authority			Flexible implementation secured continuous policy relevance	A country framework document based on a systematic identification and appraisal process needs to be produced
Counterpart ownership	Concentration on institution building adequate		Dual counterpart structure (Ministry and Palestinian Federation of Industry, PFI)	UNIDO coordinators acted as PFI general secretary or as advisor to the Minister	
Sustainability		Conditions for sustainability deteriorated during / immediately after the identification and formulation phase		Counterpart is highly committed but financial sustainability will be difficult to achieve under the given circumstances	
Reaching target groups	No info		Priority to larger companies implicit but not substantiated by analysis	20 companies diagnosed but only a few of them benefited from implementation activities	The next phase needs to be designed with a stronger analysis of target group needs
External coordination		Priorities and activities of other donors not sufficiently identified and taken into account		Weak external coordination at both sides: UNIDO's and counterpart	UNIDO should strengthen its cooperation with other donors and with UNDP
Integration	Several UNIDO branches participated in identification		Integration mechanisms foreseen in programme document	Steering committee foreseen but not implemented	A mechanism for continuous annual updating and programming needs to be introduced
Results Based Management	No info		Logframe methodology weakly applied in the programme document	Weak reporting; no results monitoring at company level	
Funds mobilisation	No info		Only 1.3 mio \$ mobilised (6.3 mio \$ were planned)	No coordinated fund raising activities during implementation	Funds for next phase not yet secured
UNIDO Corporate Strategy	No info		South/south diffusion of UNIDO's experience and programmatic approach	Experience is highly relevant to developing UNIDO's approach to (post-)crisis countries	Good opportunities for UNIDO to capitalize on its highly valued experience and prestige
Innovation and lessons learned	No info			Innovative approach to food safety introduced	



## Recommendations

(for an overview of responsibilities and deadlines see table at end of chapter)

### 1. Planning document for next IP phase

UNIDO and MoNE should maintain the momentum of the first phase of the IP and elaborate a solid planning document for the next phase. This document should build upon the mid-term plan of the PNA; analyse systematically the evolving industrial policy needs of the country, and look deeply into the complex scene of ongoing and planned donor activities. The document should be in line with UN planning in the country and target thoroughly those areas where UNIDO would be in the best position to add value. The draft documents that are currently under discussion are useful but must be complemented and underpinned by further analytical effort and dialogue. The Arab Bureau should produce a draft planning document for the next IP phase highlighting areas that need to be elaborated jointly.

### 2. Possible themes for the future IP

Bearing in mind the focus of the mission on evaluation (not identification) and the limitations of the insight gained (only 5 days in the field!) the Evaluation Team is not in a position to make strong recommendations for themes to be covered under the next IP phase. However, the team recommends the following themes and issues for in-depth analysis:

- UNIDO should build on the successful introduction of COMFAR in Palestine. Future COMFAR training could be extended to the banking sector, universities and other training institutions. This would help to mainstream the tool, and reduce the need to repeat the training regularly.
- UNIDO could help with the implementation of the new 'Movable Law' that is currently being drafted. This law aims at redefining collateral requirements by banks in Palestine and should enable companies to use their existing equipment and other 'movables' as collateral for acquiring bank loans. A practical and legally sound methodology for assessing the book value of 'movables' needs to be developed, agreed upon and introduced. The required expertise sits at the

boundary between financial and industrial know-how. Entering into this innovative field would help UNIDO with the renewal of its approach to investment promotion and finance.

- Furthermore, UNIDO could contribute to overcoming institutional and cultural barriers to collaboration and partnership between the industrial and the banking sectors. Direct consultations and involvement of the banking sector is strongly recommended for any future programme as the financial sector holds the key to private sector development in Palestine.
- The UNIDO Food Safety Initiative is a highly appreciated initiative and presents a good example of how UNIDO can perform its coordination support role in sub-sectors of industry at a low cost. The further development of the initiative based on UNIDO experience in Lebanon and with support from health and agriculture sector actors would be key for improving the business environment for enterprises in the food sector.

The themes for further consideration pre-identified by the evaluation mission should be further analysed as options to be developed under the next phase of the IP Palestine. (services of a consultant using seed money may be necessary)

### 3. The IMC and a possible relaunch of the IMP

Special attention needs to be paid to the future of the IMC and a possible relaunch of the IMP. In the current context, partners should not insist on its continuation unless a clear purpose and 'home' can be found for the IMC, coupled with a legal entity. In case the IMC would be retained for further support under the next phase of the IP the following questions would have to be investigated by a feasibility study:

- Carry out a thorough survey of IMC's clients to obtain feedback on its efficiency, relevance and impact and survey the real modernisation needs of local industry;
- Survey the availability of similar services currently in operation (including existing consulting services) and the range and characteristics of their clientele;
- Assess whether a specific role can be identified for the IMC to provide services geared toward the needs of local industry (willingness of enterprises to pay for such services would be a good indicator);

- Review IMC's internal competencies and potential for such service delivery;
- Carry out cost-benefit analysis of direct support to local consulting companies (or their association) versus further support to the IMC;
- Industrial diagnostic tools of UNIDO should be simplified and made more flexible, for example with different modules for different types and sizes of enterprise.

An in-depth feasibility study of the IMC should be carried out in case continued support of the IMC would be envisaged under the next phase of the IP.

#### 4. Funds mobilisation

Weaknesses in fundraising over recent years have led to a funding gap with no external funding available as of the beginning of 2006. UNIDO, the PNA Representation in Vienna and the MoNE should give high priority to funds mobilization and ensure close trilateral cooperation on this issue. Bolstering the confidence of donors and improving the knowledge of their priorities is a prerequisite for developing the country framework document with a realistic funding perspective. The Arab Bureau should develop a fundraising strategy note for consideration by MoNE and the PNA Representation in Vienna.

#### 5. UNIDO 'seed money'

UNIDO management should make 'seed money' available as a vehicle for fund mobilization and to maintain windows of opportunities open until new external funds become available. Seed money should not be used as a substitute for external funds but should be spent on the elaboration of the IP document and, once this document has been agreed by UNIDO and MoNE, for pilot projects in areas of pre-identified explicit donor interest with a view to developing viable projects together with the donors. The Arab Bureau should develop a motivated request for seed money and submit it to the UNIDO management.

## 6. UNIDO field presence

UNIDO should strengthen its relations with the other UN organisations in the field (especially UNDP) and the donor community in Palestine (especially the EU, Scandinavian countries, the Gulf States, Japan and Switzerland). This requires a stronger presence of UNIDO in Palestine. The Arab Bureau should discuss with UNDP whether the NPC could be located at the UNDP offices and assess whether the possibility exists to establish a UNIDO desk in the country.

## 7. Donor coordination at the MoNE

The MoNE should strengthen its internal mechanisms for donor coordination, particularly to take a lead in: a) sectoral strategy development, b) coordination and alignment of relevant donor programmes, c) transparency and information sharing, and d) programme development. Donors are currently enhancing coordination mechanisms in Palestine, led by the World Bank, the EU and Norway. However, coordination should be the remit of national authorities. The MoNE may consider using UNIDO services to strengthen its coordination capacity, as UNIDO by its very nature is a technical and multilateral organisation without vested donor interests. At the MoNE one single department reporting directly to the Minister should be in charge of donor coordination.

## 8. Project on recycling of building materials

The project on the recycling of building materials that has been launched recently by UNIDO on the initiative of Italy has considerable potential to improve living standards and alleviate poverty. UNIDO should maximise the needs orientation of the project and avoid any tendencies towards a 'technology push' approach. The 'integration' of the project into a future integrated programme would be difficult to justify, particularly in light of the independent manner in which it has been formulated. It is recommended not to integrate the recycling project into the IP.



### Follow-up table on recommendations

No.	Recommendation	Responsibility for implementation	Timescale
1	The Arab Bureau should produce a draft planning document for the next IP phase highlighting areas that need to be elaborated jointly.	Arab Bureau	02/2005
2	The themes for further consideration pre-identified by the evaluation mission should be analysed as options to be developed under the next phase of the IP Palestine (services of a consultant using seed money may be necessary).	Arab Bureau	First semester 2005
3	An in-depth feasibility study of the IMC should be carried out in case continued support of the IMC would be envisaged under the next phase of the IP.	Arab Bureau	If retained
4	The Arab Bureau should develop a fundraising strategy note for consideration by MoNE and the PNA Representation in Vienna.	Arab Bureau	02/2005
5	The Arab Bureau should develop a motivated request for seed money and submit it to the UNIDO management.	Arab Bureau ; UNIDO management	01/2005
6	The Arab Bureau should discuss with UNDP whether the NPC could be located at the UNDP offices and assess whether the possibility exists to establish a UNIDO desk in the country.	Arab Bureau	02/2005
7	At the MoNE one single department reporting directly to the Minister should be in charge of donor coordination.	MoNE	-
8	It is recommended not to integrate the recycling project into the IP.	Arab Bureau	-



## Lessons learnt

### Planning

- UNIDO's identification and formulation process for IP's should be revisited. This process should be in line with the recommendations of the UN Development Group and the UN Reform Agenda<sup>1</sup>. It should produce two separate sets of documents:
  - An overall IP document that clarifies UNIDO's role, mandate and priorities in the context of the given country, aligned with national policy and UN cooperation frameworks
  - An evolving set of project documents that allow for flexible and timely development of projects related to the overall cooperation framework
- Management and coordination arrangements should be clearly defined in the IP document. In the IP Palestine document management arrangements were poorly considered and described. A 'proposal' was made in the document on the possibility of an 'Advisory Board' chaired by the Ministry of Industry, but this is not described in any detail, and reads like an 'option'. In the context of a lack of any field presence by UNIDO at the time, it is not clear how local management arrangements of the IP could be left undecided. Similarly, description of IP-related roles and responsibilities at UNIDO HQ level were missing.
- IP documents need to be updated properly and their status and versions should be clarified. Management decisions made in the course of implementation of a programme must be recorded through exchange of letters or notes to the file with clear indication of names and dates. In the case of the IP Palestine the initial IP document was not revised accordingly but complemented by a Memorandum of Understanding that re-orientated the programme substantially, created a different set of priorities, and affected the integration of various components. This shift in programme priorities provided a new overall direction to the programme, but the IP document was not changed, and it was left to the imagination and versatility of the implementers to match the programme with the new priorities. A revised

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<sup>1</sup> See for example, the [UN Reform Agenda web site](#); [UN General Assembly Resolution 47/199](#) (1992) calling the development of a common Country Strategy Note for the UN system in each country. Also, see the [UN Development Group Web site](#) for details on CCA, UNDAF and other harmonization tools of the UN.

planning document would have been a solid basis for launching the IP more effectively.

- IP's for crisis countries should have a specific section included on special measures and contingencies considered or needed. Concentration on support to key strategic sectors (e.g. food, health and shelter) essential for survival in conflict and disaster situations would be of relevance, and would help to identify UNIDO's niche within the international humanitarian aid architecture and in crisis situations.

### Monitoring

- UNIDO monitoring tools are insufficient and compromise accountability. Thorough application of logframe principles and greater concentration on results based management is required. The current culture of activities and outputs reporting must be cut off at project reporting level, beyond which reports should concentrate on outcomes.
- Monitoring the outcome of training activities is a frequent challenge. Assessments of training should not be limited to immediate feedback, but repeated some time after the training event. The evaluation of the IP Palestine indicated that the difficulties of such an ex-post assessment are often over-estimated. Three and a half years after the training event 21 out of 36 trainees could still be contacted without major problems by a simple telephone survey.
- In industrial upgrading programmes the satisfaction of companies should be monitored. In the case of the IP Palestine no assessment reports are available on the quality of the diagnostic reports or the impact of the exercise on the diagnosed companies. This lack of client-orientation and results-based management is particularly telling, as a Palestinian national industrial upgrading plan was due to be based on this pilot exercise, yet there is no information available on the actual quality or impact of the exercise. The difficulties of such monitoring of client satisfaction are often over-estimated. The evaluation mission carried out a telephone survey among 19 beneficiary companies without problems.
- Institutions supported by UNIDO should be encouraged to adopt responsive and transparent feedback and monitoring mechanisms. In the case of the IP Palestine

UNIDO's lack of client-centeredness in IP implementation and monitoring seeped through to the IMC: a business development service that does not systematically learn from, monitor and/or respond to its clients.

- In order to ensure accountability in cases without a permanent country presence, UNIDO could have regular independent monitoring of programmes done through third-part monitoring of implementation and local auditing or management consulting firms. This can be a relatively low cost alternative with the added benefit of supporting the development of such crucial private sector support services locally.

### Fundraising

- In the case of the IP Palestine the need for resource mobilisation was clearly foreseen in the IP document, but there was no mention of a strategy indicating roles and responsibilities, including national authorities, nor were there alternative priorities in case of inadequate funding ('plan B'). The risk of partial funding, albeit highly relevant, was not considered in the program document.
- UNIDO should clarify the tasks and responsibilities for fundraising and introduce stronger requirements and incentives. In the case of the IP Palestine responsibility for fundraising for the IP seems to be diluted and compartmentalised by components. Neither the technical staff, nor the Team Leader, nor the Regional Bureau staff, nor those in the resource mobilisation unit see fundraising as their direct responsibility. UNIDO fundraising strategy seems to rely more on individual networking with donors rather than on a clear distribution of responsibilities.

### Post-crisis issues

- Crisis situations need specific considerations put into place (flexibility, hands-off approach, high national/local ownership and leadership in decision-making, management and delivery, targeting strategic sub-sectors etc). Flexibility in programme implementation is important in crisis situations, but should be explicit and deliberate, complemented with sound and practical accountability mechanisms.

- Experience from the Palestine IP with having national project staff as counterpart staff may be a model for certain crisis situations (to combine use of high quality human resources with avoidance of creating capacity depleting incentives for staff of overstretched national institutions).

#### Counterpart structure in industrial upgrading programmes

- The IP Palestine offers lessons learned on strengthening industrial governance through a mixed counterpart structure involving a certain level of competition between government and private sector institutions. UNIDO capacity building programmes should create awareness on the respective roles of both sides in improving legal and regulatory framework conditions.
- Hosting an industrial upgrading programme can be subject to a dilemma that needs careful consideration. On the one hand the public sector is poorly qualified for the job of industrial upgrading for companies. Moreover, private sector companies are not likely to give full information in a diagnostic exercise that covers commercially sensitive information, if this information is to be held and remain accessible to many in public institutions. On the other hand, a private institution may have a vested commercial interest, and should not *drive* the process with use of public development cooperation funds.

#### UNIDO role

In the current context of multiple actors concentrating on 'policy coherence', UNIDO's role is best suited to facilitating national coordination and participatory/joint policy and strategy development with a 'partnership approach' rather than direct (individual) support to governments for policy development. UNIDO can help Governments perform their coordination role more strongly across the industrial sector (e.g. in sectoral policy and strategy development), or within sub-sectors (such as food safety) and should build its internal knowledge and tools for the purpose.

## 1. Introduction

The Palestine Integrated Programme (IP), initiated in 1999, was among the first wave of IP's introduced by UNIDO in 1998 as part of an institutional effort to enhance the effectiveness and coherence of UNIDO programmes globally. The IP's are designed to bring into a single programme all UNIDO's service lines in a country, and to replace stand-alone projects as the main mode of cooperation.

Evaluations of the IP's are therefore important in several respects, including for:

- Providing inputs for the next phase of the IP;
- Enhancing transparency and dialogue with UNIDO's partners; and
- Contributing to UNIDO's institutional memory and lessons learned across a wide range of development contexts and programmes globally.

In the particular case of the Palestine IP, some of the lessons learned may be outdated by now, given the relatively long time span since its launch. Moreover, the IP was dramatically reduced in scope and size early on during the implementation phase in February 2000. As such, a 'light approach' was chosen for this evaluation exercise that has concentrated on those components that have actually been implemented. The evaluation has relied on meetings and desk reviews of relevant documents in HQ together with a five-day visit to the field (18-23 September 2005 – rather than a two-week mission customary for in-depth evaluations) to meet and consult with major stakeholders and partners.

The field mission consisted of meetings with current and previous (when available) UNIDO and counterpart PNA officials and staff as well as a cross-section of private sector partners related to the IP. The team's access to counterparts in the field was limited to Jerusalem and Ramallah alone due to the security situation. Videoconferencing facilities were used on two occasions for discussions with counterparts in Gaza.

Arrangements were also made for two telephone surveys using structured interviews. The first survey gauged the impact of training provided by the IP to consultants in May 2001. 21 out of 37 participants could be reached by this exercise. The second survey covered companies that had benefited from upgrading diagnoses in 2002. 11 of 19 companies could be reached by this telephone survey.

The recently launched project related to the recycling of building materials has not been included in the evaluation.

The report is structured into the following chapters:

- The Quality Matrix at the end of the executive summary offers a synthetic at-a-glance overview of areas of good/weak and mixed performances;
- Two separate chapters at the beginning of the report are dedicated to recommendations (specific to Palestine) and lessons learned of broader applicability;
- Chapter 2 describes the situation in the country and explains why this situation differs from most countries, hence demonstrating the limits of generalisations;
- Chapter 3 analyses the initial formulation document and how changing boundary conditions and priorities led to re-formulations; the chapter explains the relatively weak reference basis against which this evaluation has had to be carried out;
- Chapter 4 describes funds mobilization activities and performance of the IP;
- Chapter 5 analyses the implementation of the five individual components of the IP; it looks into the specific problems, strengths and weaknesses of each component and offers the findings of this analysis;
- Chapter 6 presents the findings of the implementation of the IP as a whole;
- Chapter 7 looks into the conditions for the next phase of the programme in terms of changing country conditions and donor activities.

The evaluation was carried out by a team of three persons: a representative from the UNIDO Evaluation Group (Mr. Peter Loewe), an international consultant (Mr. Massoud Hedeshi), and a national consultant (Mr. Somida Abbas) nominated by the Palestinian Ministry of the National Economy.

The evaluation team would like to express its gratitude to H.E. the Minister of the National Economy and all other IP counterparts, to the UNIDO programme coordinator and the UNIDO colleagues for the cooperation and excellent support provided throughout the evaluation exercise.



## 2. Country Situation and Framework Conditions

From the beginning, the Palestinian National Authority (PNA) has been facing the double task of state-building and economic development of a divided and underdeveloped set of territories. This continued to be the case in the aftermath of partial autonomy gained through the September 1993 Declaration of Principles on Interim Self-Government Arrangements, followed by the Israeli Palestinian Interim Agreement on the West Bank and Gaza (September 1995).

Unemployment, poverty, political upheavals, confinement, curfews, conflict and a host of other challenges had significant impact on the potential for development in all (public and private) sectors. Security constraints formed a formidable constraint on business relations and cooperation. Most importantly, Palestinian trade with the outside world has been severely limited, and most Palestinian exports and imports have been subject to Israeli controls and tariffs. Palestinian exports in the main carry Israeli labels as they are manufactured through sub-contract arrangements with Israeli firms.

The earlier history of the Israeli-Palestinian conflict clearly pointed to high risks involved in any endeavour to 'normalise' the situation. Nevertheless, optimism was rife at the time, and the Palestinians, supported by the international community, embarked on a wide-ranging set of initiatives to establish statehood and improve living conditions in the West Bank and Gaza in 1995.

Despite deep-seated structural weaknesses, there was remarkable economic growth in the ensuing period, 'with real GDP growth estimated at 6 per cent in 1999. Moreover, the proportion of the population living below the poverty line decreased by 3.5 per cent during the period 1996-1998, from around 27 per cent to 23 per cent.'<sup>2</sup> However, unemployment remained high, the trade deficit continued to grow at an accelerated rate, and the economy remained heavily dominated by *micro* enterprises, which comprised 92% of all enterprises in 1999. The shares of small enterprises (employing 5-19 persons) and medium-sized enterprises (employing 20-50 persons) in total registered establishments were 9 per cent and less than 1 per cent respectively. The number of enterprises employing 50-99 persons was 124, and

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<sup>2</sup> This section draws heavily from an UNCTAD Report on '[Palestinian Small and Medium Enterprises: Dynamics and Contribution to Development](#)', (Geneva, 2004).

those employing more than 100 persons did not exceed 62. Small enterprises constituted 91 per cent of total SME's in 1999.

Given such an underdeveloped industrial base, the private sector's contribution to job creation remained limited. It accounted for only 45 per cent of total jobs created from 1995 until the third quarter of 2000, with work in Israel and jobs in the PNA accounting for the balance (32 per cent and 23 per cent respectively).<sup>3</sup> The latter figure is significant particularly when one considers that the PNA came into formal existence only in 1995.

While the PNA was establishing a host of ministries and related institutions, private sector actors were busy establishing networks and associations. According to one report<sup>4</sup>, 17 out of a total of 32 private sector organizations reported as currently active in Palestine were established between 1993 and 1999, and a further 3 were established after 1999.

Palestinian policy has concentrated heavily on private sector development over the last decade, as reflected in successive development plans of the PNA, and UNIDO's overall support framework has been fully aligned with local priorities.

Indeed, success in private sector development and economic growth would be an essential prerequisite for the viability of the PNA, which has - since its inception - been overwhelmingly dependent on the donor community. Nevertheless, the regulatory environment has improved, and rapid developments in revenue collection resulted in a balanced budget as early as in 1998, when the PNA raised and financed all its current expenditures internally for the first time. Despite this success, development expenditures remained totally dependent on donor funding, which was increasingly provided in the form of loans by the end of the decade. The following table provides an overview of donor pledges and disbursements over a ten-year period since 1994.

While the original aim of partners was to use donor resources predominantly for capital expenditures, periodic intensification of the conflict and stricter border closures resulted in an overall shift toward short-term income maintenance expenditures, which, over 1996-97, for example, absorbed 50% of all donor

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<sup>3</sup> Ibid.

<sup>4</sup> *Gaining an Edge: Tools for Achieving and Sustaining Real Growth in the Palestinian Private Sector.*

**Table 1: Donor Contributions to International Assistance (1994-2003), in millions of US\$**

Donor party	1994-1997		1998-2000		2001-2003		Total	
	Commitments	Disbursement	Commitments	Disbursement	Commitments	Disbursement	Commitments	Disbursement
Arab Nations	312.3	193.8	101.5	105.9	5.2	903.4	418.9	1203.1
European Union	520.2	219.1	507.2	235.2	187.3	787.3	1214.8	1241.6
United States	292.9	285.3	396.8	260.4	759.5	482.3	1449.2	1028
Japan	298.9	308.3	167.5	132.4	37.5	41.3	504	482
International Institutions	225.5	139.3	180.5	140.7	54.5	154.7	460.4	434.7
European Nations	1107.6	810.9	858.8	533.4	519.3	669.5	2485.6	2013.8
Other Nations	101.5	72.6	57.2	57.9	16.7	18.9	175.4	149.4
<b>Total</b>	<b>2858.9</b>	<b>2029.3</b>	<b>2269.2</b>	<b>1465.9</b>	<b>1580.2</b>	<b>3057.4</b>	<b>6708.3</b>	<b>6552.5</b>

Source: 2004 Palestine Human Development Report, UNDP, Page 118.

contributions. In addition, Palestine was experiencing a chronic increase in its trade deficit, which would continue till the current period. Nevertheless, in the five-year period leading up to the formulation of the UNIDO IP in 1999, the country situation had improved noticeably, and partners were optimistic about prospects. In tandem, the private sector was boosted by a flurry of support from the Palestinian Diaspora. Restrictions on movements had been partially lifted by Israel, and capital and human resource flows into Palestine were increasing.

Unfortunately, this dynamic and arguably optimistic socio-economic context took a sharp turn for the worse within a year with the onset of the *Al Aqsa Intifada* in September 2000. A breakdown in the political process was followed by violence and an Israeli enforcement of strict curfews and other restrictions on all Palestinians. This turn of events would have a strong impact on all economic activity in Palestine.

**Table 2: Distribution of International Assistance by Sector (1994-2003), in millions of US\$**

Sector	1994-1997		1998-2000		2001-2003		Total	
	Commitments	Disbursement	Commitments	Disbursement	Commitments	Disbursement	Commitments	Disbursement
Infrastructure	999.3	606	1025.5	550.5	500	307	2524.8	1463.5
Productive Sectors	270.5	137.3	348.9	192.5	143.9	98.5	763.2	428.3
Social Sectors	815.2	599	439.1	427.4	516	2094.7	1770.3	3121.1
Institution Building	697	604.5	406.1	241.7	333.2	346.8	1436.2	1193
Miscellaneous Sectors	76.9	82.5	49.5	53.8	87.1	210.2	213.8	346.5
<b>Total</b>	<b>2858.9</b>	<b>2029.3</b>	<b>2269.2</b>	<b>1465.9</b>	<b>1580.2</b>	<b>3057.4</b>	<b>6708.3</b>	<b>6552.5</b>

Source: 2004 Palestine Human Development Report, UNDP, Page 121.

Of particular interest to this evaluation exercise, is the impact of the events on the allocation of development resources for Palestinians. Table 2 provides a summary overview of trends by sector.

As can be seen from the above, international disbursements to 'productive sectors' and 'infrastructure' were significantly reduced over 2001-2003, dropping by around 50% and 44% respectively, as compared to 1998-2000. This reduction in productive investments occurred in the context of a two-fold *increase* in actual total donor contributions during 2001-2003. In the grander scheme of things, donors allocated a total of 428.3 million dollars to the productive sectors for the period 1994-2003, or a mere 6.5% of total disbursements. Estimating UNIDO's share over the same period to approximate to US\$1.2 million, this would amount to about 0.28% of the total for this sector.<sup>5</sup>

What is important to note is that despite relative autonomy gained in 1993, the great majority of new Palestinian institutions, public or private, were dependent on international donor support since around 1993, and became even more dependent on this support in the post-2000 era. This fact would have clear implications for the expected impact and potential of all donor-supported programmes during this period, particularly in terms of sustainability.

Moreover, it can be safely proposed that the long-term sustainability and self-determination of Palestinian institutions would be tied to the success of private sector development with its concomitant resource and public sector revenue generation impact. Furthermore, the structural characteristics of the private sector in Palestine strongly suggest that generating the 'missing middle' (SME's) would be imperative for national development efforts. However, economic growth has deluded Palestinians efforts in the period since September 2000, and most businesses have been forced to concentrate on survival tactics rather than growth strategies. This was particularly pronounced over the period 2000-2002, when national economic gains were reversed and the Palestinian GDP shrank back to its levels of 15 years earlier. Moreover, travel to Palestine was not possible during the said period, and international experts could not access the country.

Evaluation of UNIDO's efforts to support Palestinian industries over 1999-2005 must therefore be carried out against this background.

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<sup>5</sup> The relevance of this point will be made clearer in the findings section. Suffice here to say that the significance of this sector for the sustainability of Palestinian and donor efforts is not reflected in the proportion accorded. The US\$1.2 million UNIDO share is a rough estimate based on data available on current and previous UNIDO programmes, and is likely to be a slight over-estimate.

### **3. Formulation and re-formulation of the programme**

Since its inception the Palestine IP has gone through several formulation and re-formulation steps. This continuous adaptation has been driven by three main factors:

- Some components received no donor or UNIDO funding support, and were thus not implemented;
- Following the mission of a Palestinian delegation to Tunisia in the last quarter of 1999, the priorities of the national counterparts were changed, and the programme was strongly re-oriented toward 'industrial upgrading' or '*Mise à Niveau*', which was formalised through the signing of an MOU between the Ministry of Industry (MOI) and UNIDO in February 2000;
- The *Al Aqsa Intifada* physically cut Palestine's ties with the outside world over 2000-2001, and turned Palestinian Territories into numerous isolated satellite towns internally, with minimal possibilities for movements of people and goods. Most companies altered their priorities from 'upgrading' to 'survival'.

Table 3 provides an overview of the initial and revised structure and components of the IP.

#### **The initial IP Document**

Clarity on the initial programme formulation has been difficult to attain for the Evaluation Team due to the long time span since the onset of the IP formulation late in 1998. Initial reviews of available documentation suggested that the IP was a UNIDO HQ product that had been presented to the Palestinians after the event. However, meetings in the field pointed to a more sophisticated picture. Government and private sector partners reported on dialogue with UNIDO prior to and in anticipation of the IP over 1998-99. Informal discussions had taken place at UNIDO HQ and in the field. The Director General of UNIDO had paid a visit to Palestine in February 1999, preparing the ground for the IP at the highest levels with the PNA.

**Table 3: Initial and revised programme structure and budgets**

Initial IP document <sup>6</sup>		Memorandum of Understanding of February 2000		Execution
Component 1: Capacity Building for the Ministry of Industry	Planned Budget	Components as foreseen in the MoU	Envisaged budget	Allocated Budget
1.1 Establishment of Industrial Investment Promotion unit	US\$348,594	3. Investment Promotion	150-250 k\$	US\$85,078
1.2 Industrial Export Capacity Building	US\$287,020			US\$0
1.3 Capacity Building for Industrial Policy Formulation, Monitoring and Upgrading	US\$492,680	1. Strengthening the MoU and the establishment and implementation on a pilot basis of the Industrial Upgrading Programme	480-650 k\$	US\$808,465
1.4 Design Feasibility Study and Environmental Impact Assessment of Gaza Municipal Industrial Estate	US\$212,440			US\$22,400
1.5 Assistance to the Establishment of a National Palestinian Industries Union	US\$67,009	5. Support to the establishment of the Palestinian Federation of Industries	100-120 k\$	US\$250,217
Component 2: Capacity Building for Private Sector Development	Planned Budget	Components as foreseen in the MoU	Envisaged budget	Allocated Budget
2.1 Support to the Standards Organisation	US\$1,272,254	4. Support to the Palestinian Standards Institute	100-150 k\$	US\$100,022
2.2 Total Quality Improvement for Selected Industrial Enterprises	US\$348,327	2. Implementation on a pilot basis of the Industrial Upgrading Programme including quality and environmental aspects	Included in component 1	US\$0
2.3 Support to the Establishment of Entrepreneurial Incubator Network	US\$700,600			US\$0
2.4 Establishment of a Fashion Design and Technology Development Centre (Garment Industry)	US\$1,303,144			US\$0
2.5 Establishment of a Palestinian Building Resource Centre**	US\$1,249,780			US\$0
	<b>US\$6,281,748</b>		<b>830-1070 k\$</b>	<b>US\$1,266,182</b>

\* Used for preparations for the establishment of a national Cleaner Production Centre

\*\* In addition, US\$3,069,351 was been allocated for a building materials recycling project in 2005.

<sup>6</sup> The inclusion of component 1.5 under capacity building for the government appears to be a 'typo' mistake since the Union of Palestinian Industries clearly related to civil society rather than governmental institutions. Similarly, Support to the Standards Organisation (component 2.1) was mistakenly reflected under the private sector support component, whereas this was and is clearly a governmental institution. Nevertheless, the IP document itself was not formally revised to correct the error. See for example the 2003 version of the IP doc, dated as '27 March 2003' and available on the UNIDO intranet. This is a relatively minor issue that has had no noticeable impact on implementation of the programme for a variety of reasons. In terms of programme formulation and presentation, however, such errors may have a negative impact on resource mobilisation.

The initial IP document was produced in May 1999 at UNIDO Headquarters under the leadership of the UNIDO Arab Bureau, and supported by a number of the organisation's technical specialists. The document foresaw implementation over the period 1999-2001<sup>7</sup> with two main components, each with five related subcomponents and a total budget of US\$6,281,748. The overall goal of the programme was to 'contribute to the improved performance of Palestinian private industry in terms of greater market penetration both domestically and abroad'.

The strategy was to target both public and private sector institutions and to proceed simultaneously with support to:

- The Ministry of Industry
- Palestinian Industrial Estate and Free Zone Activity
- Selected public institutions such as the Palestine Standards Institute
- Selected business associations in priority sub-sectors such as food processing, leather and leather products, textiles and garments, and marbles and stones.

On the public sector side, the IP comprised components that included policy formulation, exports promotion, environmental sustainability as well as regulation and standardisation of industrial products.

Support aimed at the private sector too would be multi-dimensional, and included:

- Interventions aimed at supporting industrial development across a range of sectors (promoting industrial unions, incubator networks and 'total quality' improvements in selected enterprises).
- Improvements in specific key sectors, namely in 'garments' and 'construction' industries. This support would target those with the 'most potential', as for example demonstrated through fast growth or with such potential, and would be channelled through associations.
- A balanced geographical scope that would serve Gaza and the West Bank

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<sup>7</sup> And subsequently extended to 2005.

The IP document adopted a flexible implementation approach, allowing for a ‘rolling plan procedure’ under the activities outlined. Implementation would be ‘monitored by an Advisory Board, representing MoI and other governmental authorities concerned, the industry associations and perhaps also representatives of donors involved in related support to private sector development in Palestinian territories’.

The strengths and weaknesses of the initial IP document could be resumed as follows:

### Strengths

1. In general, the document reflects a good understanding of the development context, and highlights the needs of the country effectively. Moreover, the priorities of the government and relevant inputs by other donor partners are described well, though the section misses a ‘matrix’ of related donor support matched to national priorities.
2. The two-pronged approach of the IP to target specific needs of both the government and the private sector in the enhancement of conditions for SME development in Palestine was in line with the needs of the country at the time.

### Weaknesses

1. The IP document is presented as a collection of smaller ‘project components’ that are inter-related in a generally rational sense, yet do not form a complete whole that is demonstrably set within any particular framework – such as a national strategy/plan or within the context of other international support to Palestine. Hence, the IP is not so clearly *integrated* into any framework, be it national, donor, or the UN framework. Moreover, the UN *Programme* Approach is not applied. As such, the term ‘Integrated Programme’ does not seem justified as a descriptive term for the document. This finding may not be specific to the Palestine IP alone, and potentially relates to an organisational policy question on the nature of IP’s in general.
2. Palestine is a unique country with characteristics that are unparalleled elsewhere. The IP shows inadequate recognition of this important issue, and reads like a programme similar in most respects to other cases. Specific crisis-related measures and risks considerations to respond to and reflect the complex context are absent.



3. Description of previous programmes is limited to a table on the last page of the IP document, outlining project titles and numbers and their total allotments. This is surprising as there were several relevant previous initiatives<sup>8</sup>.
4. There are no overarching goals or targets identified to link the various components, and to help measure results. In effect, there are no overall baseline indicators and objectives against which the IP can be evaluated.
5. Management arrangements are poorly considered and described in the IP. A 'proposal' is made in the appropriate IP section on the possibility of an 'Advisory Board' chaired by the Ministry of Industry, but this is not described in any detail, and reads like an 'option'. In the context of a lack of any field presence by UNIDO at the time, it is not clear how local management arrangements of the IP could be left undecided. Similarly, description of IP-related roles and responsibilities at UNIDO HQ level is missing.
6. The IP has no signature page included. Administrative and legal arrangements are inadequately outlined in general. It is not clear what 'status' the IP document enjoys.
7. The IP touches on some important crosscutting issues such as gender, but there are no specific strategies or inputs described to address them.
8. No fundraising strategy is outlined in the document. This will be elaborated on in the relevant section below.

The UNIDO Executive Board approved the Palestine IP in June 1999. In October, the UNIDO Team Leader visited Palestine and Italy 'to discuss modalities and priorities for implementation of the UNIDO Integrated programme for the Palestinian Authorities'. In December 1999 Italy's contribution of around US\$1.0 million was formalised.

By the time of this mission, the Palestinian counterparts were already of the view that available IP resources should be used predominantly for Industrial Upgrading on a pilot basis, following the Tunisian Model<sup>9</sup>. This raises a question on why the initial IP

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<sup>8</sup> This refers more specifically to stand-alone projects TF/PAL/91/D10, UC/PAL/92/070, TF/PAL/94/E10, XP/PAL/95/033, XP/PAL/95/040, and XP/PAL/95/050. The latter was also later included as part of the IP.

<sup>9</sup> Back to Office Report of Gerardo Pataconi, 25 October 1999.

document was not revised accordingly, as the suggested re-orientation of the programme was rather substantial, created a different set of priorities, and affected the integration of various components. Such a revised planning document would have been a solid basis for launching the IP effectively.

### **The Memorandum of Understanding of February 2000**

Instead of adapting the IP document to the new realities, the Minister of Industry and the UNIDO Team Leader signed a MoU in February 2000 that established a new set of priorities and a clearer management structure with a Steering Committee at the apex, and initial descriptions of the IUB, TSU, and also mentioned an “Industrial Upgrading Fund”. It also described the roles of the UNIDO Team Leader at HQ, the National Focal Point at the MoI, and the Palestinian Delegate to the UNIDO ITPO in Milan.

The MoU outlined the main components for cooperation with a new budget total reflecting the Italian contribution secured in November/December 1999 and some UNIDO seed funding (circa US\$60,000) from its regular budget, as shown in table 3.

The MoU reflects the objective of the Palestinian authorities to devise an Industrial Upgrading Program (IND-UP) to enhance the competitiveness and exporting capabilities of the manufacturing sector. It was meant to be a flexible and permanent programme, and ‘can be considered as one of the strategic means for the implementation of the Palestinian long term economic strategy, as outlined in the 1999-2003 national plan’<sup>10</sup>.

The following components were entirely removed from the programme:

- 1.4 (feasibility Study and EIA for Gaza Municipal Industrial Estate);
- 2.3 (establishment of Entrepreneurial Incubator Network);
- 2.4 (Fashion Design and Technology Centre); and
- 2.5 (establishment of a Palestinian Building Resource Centre).

Furthermore, no specific mention is made of national industrial policy *formulation or monitoring*. The MOU is largely focussed on industrial upgrading, in a sense as a main component of national policy, and, probably, as a more practical and private

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<sup>10</sup> Ibid.

sector-oriented approach to enhancing productivity. MOI capacity in other aspects of policy formulation is not mentioned. Hence, component 1.3 (Capacity Building for Industrial Policy Formulation, Monitoring and Upgrading) is also subsumed and reduced in scope under the IND-UP concept.

This shift in programme priorities provided a new overall direction to the programme, but was not accompanied by the identification of overall, cross-cutting targets. The IP document was not changed, and it was left to the imagination and versatility of the implementers to match the programme with the new priorities.

The re-orientation of the IP presents a problem for this evaluation in that the original content of the IP was clearly altered. The ten subcomponents were reduced to 5, and the latter did not necessarily represent the original priorities or components either. On the other hand, the MOU refocused the whole programme toward a single objective: ‘Specifically, emphasis was placed by Palestinian authorities and the private sector on the need to focus the implementation of the IP around the concept of *Industrial Upgrading* (Mise à Niveau) successfully implemented in other countries (i.e. Tunisia, Morocco, Egypt, etc.).’<sup>11</sup>

The MOU was followed by another agreement on “Procedure for Implementation” of the IP, signed between the national Focal Point in the Ministry and the IP Team Leader in June 2001 in Ramallah. The document:

- Assigns roles and responsibilities in the identification and clearance of National and International Experts
- Includes an agreed work plan for the pilot upgrading exercise and other IP components
- Identifies the various sources of expertise to be used for training activities and implementation of the pilot exercise, including specific use of national UNIDO TSU staff

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<sup>11</sup> Source: UNIDO-Palestine Ministry of Industry MOU, signed 16 February 2000 in Ramallah.

#### 4. Funds mobilization

UNIDO's mandate, and issues related to industrial development, are among the most crucial in the Palestinian context, and arguably come second only to the provision of food, water and shelter for life-saving humanitarian purposes. Despite such favourable boundary conditions, UNIDO's share of the financial donor inputs into the 'productive sectors' in Palestine has been a mere 0.28% (see chapter 2). Therefore, it did not come as a surprise that the Evaluation Team was frequently faced with the question of why UNIDO has only such a small financial share to offer in Palestine.

Based on the IP Palestine case the following observations can be made:

The need for resource mobilisation is clearly foreseen in the IP document, but there is no mention of a strategy indicating roles and responsibilities, including national authorities, nor are there immediate and alternative priorities *in case* of inadequate funding ('plan B'). This may be the single most important failing of the IP's approach, as full implementation without adequate funding would clearly not be possible. The risk of partial funding, albeit highly relevant, was not considered in the program document.

Meetings with UNIDO staff revealed that responsibility for fundraising for the IP seems to be diluted and compartmentalised by components. Neither the technical staff, nor the Team Leader, nor the Regional Bureau staff, nor those in the resource mobilisation unit see fundraising as their direct responsibility. UNIDO fundraising strategy seems to rely more on individual networking with donors rather than on a clear distribution of responsibilities.

Nevertheless, partial funding of the IP was achieved in obtaining an Italian contribution of US\$1 million in December 1999, amounting to 16% of the originally foreseen IP budget. Swedish funding of about US\$100,000 was also obtained later on for the Standards Institute component, amounting to about 8% of the original component total needed.

The cause of UNIDO's partial failure to raise funds for the IP is not limited to shortcomings of the IP document and diluted responsibilities at HQ alone. Similar to other countries resource mobilisation for the IP Palestine has been hindered by lack of field presence for a number of reasons:

- Donors have devolved much of their fund allocation authority to the field. Close contact with donor representatives in the field is necessary to know their specific funding cycles and priorities. Important decisions on future budget allocations are made within specific windows that are unlikely to coincide with UNIDO fundraising missions.
- Lasting and substantial funding arrangements with any donor require a trusting and strong partnership, established and maintained over time. This relationship spans from the technical to the personal.
- National counterparts have ample opportunity to help UNIDO raise funds for programmes, but they need to have the chance to build a strong relationship and to learn about, understand and respond to UNIDO's needs (UNIDO's assertion that funds are 'not available' is not always believed by national counterparts who see well-funded and effective UNIDO programmes in other countries with longer-term international staff presence in some cases).
- National counterparts cannot be expected to take real ownership of UNIDO IP's if they are not directly involved in the formulation of programmes from the start. The same holds true for donor partners.
- UNIDO is excluded from existing in-country donor coordination mechanisms, which determine and agree upon country priorities and the specific roles of partners, leaving UNIDO without a specific portfolio that can be collectively funded by interested parties upon the basis of consensus and negotiation.

## 5. Implementation of individual programme components

As explained in chapter 3, the initial programme document was changed by a subsequent Memorandum of Understanding. This document reflected partial funding and recalibrated priorities. A number of the initially planned components were removed and the remaining ones renamed (see table 3). Due to these structural changes, the initial targets could not be used for the evaluation.

The following chapter adopts the structuring of the MoU into five components and takes a chronological approach, following the events in the field accordingly. The chapter is divided into the following five sections on the implementation of the IP:

Start of implementation	MOU Component	Corresponding Original IP component
1999	Component 5: Support to PFI	Component 1.5: Support to PFI
2000	Component 2. Implementation on a pilot basis of the Industrial Upgrading Programme including quality and environmental aspects	Component 2.2 Total Quality Improvement for Selected Industrial Enterprises
2001	Component 1. Strengthening the Ministry of Industry and the establishment and implementation on a pilot basis of the Industrial Upgrading Programme	Component 1.2: Industrial Export Capacity Building Component 1.3: Capacity Building for Industrial Policy Formulation, Monitoring and Upgrading
2002/3	Component 4. Support to the Palestinian Standards Institute	Component 2.1: Support to the Palestinian Standards Organisation
Throughout	Component 3: Investment Promotion	Component 1.1: Establishment of Industrial Investment Promotion Unit

## **Support to the establishment of the PFI (component 5)**

Support to the establishment of the PFI has been at the top of the PNA agenda since the inception phase of the IP.<sup>12</sup> The evaluators could not trace back an explicit assessment by UNIDO of PFI as an IP partner vis-à-vis other potential alternatives. However, the utility of the PFI to represent the specific needs and voice of industry, particularly the newly emerging and modern sectors, was clear in the minds of the Palestinians. PFI and its member associations are seen as the representatives of small and medium enterprises as against the predominance of traditional micro enterprises in the Chambers.

### *PFI history and mission*

The PFI has emerged as a result of a joint effort of industrialists within the garments, pharmaceutical, construction and food associations who took the lead in driving the creation of PFI in the late 90's. The private sector was in a sense organising itself in order to deal more effectively and coherently with and participate in national policy and strategy development. In 1998, the creation of PFI became sanctioned by a PNA decree.

PFI is a federation of industry associations representing the following sectors:

- Food Industries Sector
- Textiles and Garments Sector
- Stone and Marbles Sector
- Pharmaceutical Sector
- Metals and Engineering
- Plastics Rubber
- Construction
- Paper and Packaging
- Wood and Furniture
- Handicrafts
- Chemicals

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<sup>12</sup> Document reviews at HQ revealed that support to the establishment of the Palestinian Federation of Industries was specifically requested by the Ministry of Industry on 21 February 1999 through an ongoing preparatory assistance project - US/APL/95/050: Support to the Development of Small and Medium Scale Enterprises.

This list of member associations reflects the situation expected by the end of 2005. Initially there were over 20 members including separate Gaza and West Bank associations for some of the sectors. Rationalising the PFI member base has been a major concern in recent years and also one of the issues tackled by the IP.

The member associations elect the PFI Board, which in turn elects a Chairman<sup>13</sup>, who works on a voluntary basis. The Board of Directors appoints also the Secretary General (sometimes referred to as the CEO), as a paid executive manager overseeing PFI's four departments.

Over the period 1999-2001, the PFI grew to become a major player in industrial affairs in Palestine with the mission to 'develop competitive Palestinian industries', and the following goals:

- Institutional development of industrial associations in support of achieving their goals.
- Effective management of industrial policies to serve members' interests and contribute to the development of the national economy.
- Effective representation of members and their interests at local, regional, and international bodies and institutions

A new law drafted by the PNA is expected to be ratified by the end of 2005. It foresees 11 members in total and will clarify the relationship between PFI and the Federation of the Chambers of Commerce and Industry. In practice the new law might split the Federation of Chambers into Chambers of Commerce and Chambers of Industry, the latter becoming a 're-branding' of the PFI. The law will also make member payments compulsory, thus securing the PFI's source of funding. The latter aspect is of particular importance because financial commitment of the Federation's members is very poor, as none of the members have paid their membership fees over the past 4 years. As such, the organisation continues to depend on external support.

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<sup>13</sup> Chairmen of PFI in chronological order: Mr. Tala Nassirudin (10/1999 to mid-2002); Mr. Mazen Sonokrot (mid-2002 to April 2005); and Mr. Sameh Khuzundar (since April 2005)



### UNIDO support to PFI: The approach

Supporting PFI in pursuing its mixed roles in policy, advocacy and technical support (business service) had to be approached with care. As any other newly created organisation, PFI could not claim to represent more than its members, and might easily have been accused of acquiring advantages for the benefit of its most active protagonists.

Neither the IP document nor the MoU give sufficient information on the rationale and the need for the PFI, and even less on the expected results of UNIDO support. Targets specified in the work plan and budget section relate purely to the establishment itself, rather than what it was expected to achieve. This lack of results orientation is evident throughout the structure and approach of the IP.

From November 1999 to April 2005, the UNIDO National Project Coordinator for the IP<sup>14</sup>, recruited and paid with IP resources, intermittently cost-shared with other partners, also acted as the Secretary General of the PFI. This highly unusual and debatable solution led to a situation where no real distinction existed between the UNIDO technical support unit (TSU) and administrative and management offices of PFI. The situation had implications for:

- IP capacity development plans;
- Sustainability of PFI;
- Accountability of the organisation to its members;
- Ability of UNIDO to act as a neutral party (when UNIDO staff are also formal officials of a civil society institution whose capacity is being developed through an agreement between UNIDO and local authorities), within PFI and in other initiatives under the IP

As a result, the neutrality of UNIDO was compromised and there was virtually no difference between the work plan and objectives of the 'project' itself and those of the national institution supported. Incidentally, this institutional overlap also meant that there was little scope for UNIDO to 'get it wrong' or to push the PFI in the wrong direction determined by its own priorities rather than those of the national institution.

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<sup>14</sup> SG of PFI in chronological order: Mr. Odeh Al-Zaghmouri (10/1999 to mid-2002); Mr. Bahiej Biqawa (mid-2002 to April 2005); and Mr. Jihad Ityani (since April 2005)

This very unusual strategy must be seen in the context of the specific situation in Palestine. With the outbreak of the *Al Aqsa Intifada* in September 2000, UNIDO HQ's direct access to Palestine was severed for around 2 years, and the programme depended heavily on the skills and capacities of national UNIDO staff and their counterparts. Furthermore, substantial savings were made in terms of personnel costs to the programme<sup>15</sup> – an important issue for a heavily under-financed programme. Arguably, the programme made the most out of this specific situation, while also benefiting from outstanding national talent among the IP staff.

What was lacking, however, was an effective monitoring mechanism at the field and HQ levels of UNIDO. Records on PFI's achievements are hard to find, and information on events in IP progress reports was largely anecdotal and stopped at the level of people having attended meetings or training events or having come to agreements on intended activities with other partners. Unfortunately, this weakness is typical to UNIDO's reporting and monitoring system. Field staff complained that they were not provided with appropriate monitoring tools.

While UNIDO's approach to encourage greater autonomy at the local level is laudable and effective, particularly (but not exclusively) in crisis situations, the lack of effective monitoring is not justified, primarily because it reduces UNIDO's chances of valuable knowledge management and learning internally and across countries.

Another critical issue has been the absence of any formalised decision-making process on the abovementioned - and sometimes very delicate - matters (potential for conflict of interest in the PFI project and management structure, work planning, monitoring, saving costs etc). It would appear that most of the important decisions on this programme were made verbally rather than through written agreements or instructions.

#### *UNIDO support to PFI: The results*

With UNIDO support, PFI has been in the forefront of efforts to improve the environment for the growth of industry in Palestine. The Federation had substantial input into the first draft of the Industrial Modernisation Programme (IMP) as early as in 1999, and participated in the design and implementation of the early pilot phase of

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<sup>15</sup> In that a separate PFI SG and other staff would probably also had their salaries and logistical costs covered by the IP.

the Upgrading Exercise in 2000<sup>16</sup>. It was also regularly involved in the development of economic development policies and drafting of laws such as the Labour Law. PFI plays also an important role internationally and has been, for example, the representative of Palestinian industry in the Euro-Mediterranean Union of Industrial Federations created under the auspices of the European Union.

PFI has played an increasingly prominent role in investment promotion domestically and externally, and it should be recognised as a major advocate for foreign direct investment in Palestine. This role was for example evident when PFI signed a Memorandum of Cooperation in 2003 with the Italian Consulate for direct cooperation with PFI as private sector representative and the Consulate representing the Government. Moreover, the PFI Chairman was among the delegation of Palestinian leaders who attended a major international conference on the Road-Map and the Future of Palestine in May 2003 in Italy. PFI's stature and role has steadily increased, and in April of 2005, the then Chairman of the Federation became the Minister of National Economy, Industry and Trade.

On the more technical side, PFI played a role in promoting industrial modernisation as a concept among Palestinian enterprises with IP support. 3000 posters promoting the concept were distributed among manufacturing industries in 2001 alone. Promotional videos (June 2004) and brochures (Dec 2003) were also produced. PFI took the lead in preparations for an investment forum in Italy in 2003, and initiated a campaign to promote Palestinian exports under the logo "Made in Palestine - Made for Peace" in the same year.

The then Minister of Industry gave strong support for PFI's role in industrial upgrading. This supportive approach has continued throughout the implementation of the IP. The Ministry's approach was concretely demonstrated when a new MOU was signed between UNIDO and PFI (rather than the Ministry) for the implementation of the Upgrading Programme in June 2004, upon the request of the Minister of National Economy in April 2004.

With the departure of the PFI Chairman for the Ministry in April 2005, a change in the leadership of the PFI became necessary. PFI deliberations resulted in the election of a new Chairman from Gaza. This is the first time that the Gaza branch office has

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<sup>16</sup> See Back to Office Mission Report of G. Patacconi, Sept 2000.

hosted the PFI leader. This was a bold move that was decided on – not without internal resistance - in the context of an expected Israeli pull out from Gaza in the coming months, and reflected also growing concerns for the need to better concentrate efforts toward alleviating Gaza’s poverty stricken, overcrowded and underdeveloped state.

With the benefit of hindsight, it is probable that the need for the PFI was more a political one than a purely ‘industrial business service’ one: while ‘industrial modernisation’ or ‘support to the private sector’ were the likely core themes given for the establishment of the Federation (though this is not fully clear from the IP document itself, but can be seen in for example the mission report of UNIDO staff<sup>17</sup>), major private sector actors were in need of an institutional mechanism for organising themselves and to represent their interests to the authorities. The *impact* of the PFI was to build national policy development capacity, and the *drive* for this came from industry actors who were very effective in using UNIDO’s competencies and support in the process.

In effect, the IP’s approach was in favour of relatively larger industries, and UNIDO’s partnership with the PFI was a clear reflection of this. As one private sector partner put it in the field: “UNIDO assistance made the good better, and the better best”. While this assertion must not to be mistaken as UNIDO policy, it does point to an important lesson: given a chance, enterprising industry leaders can very effectively use UNIDO’s services and comparative advantage to the benefit of local industry.

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<sup>17</sup> See e.g. Back to Office Mission Report of Zeynep Taluy, 26 September 2000: Objective 2 of a draft project proposal suggests a role for PFI in ‘information, advisory and business linkage services to SME’s.

## **Industrial Upgrading Programme (component 2)**

This component – based on the Tunisian model - was seen at the time as the centrepiece of the IP. Several progress reports on file state that the first draft of the Industrial Upgrading Programme was included in the Palestinian Development Plan for 1999/2000, but the Evaluation Team could not verify this. However, Industrial Modernisation is included in the National Medium Term Development Plan for 2005-2007<sup>18</sup>. In the MOU, the various parts formed a whole that would contribute to a greater and permanent national 'Palestinian Industrial Upgrading Program'<sup>19</sup>.

### *Selection of companies for the pilot exercise*

In the period February to September 2000, a great deal of preparation was carried out for the first phase to select around 30 enterprises to be upgraded, which would be followed by selection and training of local consultants and consultancy firms to carry out diagnostic studies for around 30 local manufacturers. The latter were selected through a thorough process that involved:

- Establishment of transparent criteria for selection
- Issuance of a call for interest from companies
- Identification of interested enterprises
- Initial selection of 140 applicants
- Interview of 79 companies (28 Aug to 5 Sept 2000)
- Selection of 35 companies for the diagnostic review and upgrading exercise

The criteria for pre-selection of pilot enterprises included:

- Size of the Enterprises (greater than 20 employees)
- Equitable distribution over WB and Gaza
- Sectoral representation
- Size of capital greater than US\$0.5 million
- Export potential
- Willingness and commitment to improve and invest

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<sup>18</sup> See Executive Summary, p 11, available at:

[http://www.mop.gov.ps/en/docs\\_archive/MoP%5CMTDP%20Executive%20Summary%20Final%20031204.pdf](http://www.mop.gov.ps/en/docs_archive/MoP%5CMTDP%20Executive%20Summary%20Final%20031204.pdf)

<sup>19</sup> See UNIDO Report on 'The Palestinian Industrial Upgrading Programme' prepared by Salah Hamdane, UNIDO Financial Analyst Consultant, January 2000.

- Availability of quality systems/standards/marks (HACCP, ISO 9000, PSI etc)<sup>20</sup>

The selection process was strategically designed to engage committed enterprises with good potential during the first pilot exercise in order to boost chances of success and to demonstrate potential for results to potential donors in the country. The MOI and PFI together with UNIDO and its programme staff formed 6 interview teams using a locally modified format of UNIDO checklists for the interviews, and a detailed report on the process was produced. The process led to the selection of 34 enterprises for diagnostic studies.

#### Training of Palestinian consultants in Amman

The local consultancy training phase was to begin immediately after the enterprise selection process completed in September 2000. However, the *Intifada* broke out in the same month, making implementation impractical. Security and travel constraints did not allow for the training to be carried out in Ramallah or elsewhere in Palestine.

Eventually, a solution was found: all national and international participants were brought together in the Jordan Export Development & Commercial Centres Corporation (JEDCO) in Amman, Jordan over 5-10 May 2001 to carry out 'Training of Palestinian Trainers and Experts on Quality and Enterprise Diagnostic'<sup>21</sup>. Five (4 Tunisian and 1 Italian) trainers with inputs by UNIDO experts conducted sessions on:

- Total Quality management concepts and tools
- Case studies
- Marketing strategies
- Financial Analysis
- Draft methodology of the PINUP

Trainees included:

- Palestinian public sector institutions: MoI, PSI & PIEFZA<sup>22</sup> (7)
- Palestinian Management Consulting Companies (20)
- PFI & Industrial Associations (6)
- JEDCO, Jordan Investment Board/IPU – Jordan (3)

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<sup>20</sup> Patacconi Back to Office Mission Report of 11 October 2000

<sup>21</sup> See UNIDO's Training Activity Report for the same, prepared by A. Badarneh (UNIDO Consultant) and the IP Team Leader (G. Patacconi).

<sup>22</sup> Palestinian Industrial Estates and Free Zones Authority

- UN relief and Works Agency (UNRWA) (1)

On-site evaluation of the training by the trainees themselves yielded good results with over 80% giving Excellent/Good overall ratings. The spatial distribution of selected trainees was fairly even between the Gaza and the West Bank. However, only one Palestinian female was among the national trainees (representing the Wood Industries Union in Gaza) while one of the five listed trainers was also female. 36 participants received completion certificates, 9 of whom (25%) were not directly from the Palestinian private sector, but had specific links to the sector through their institutions (except for 1 from IPU-Amman).

The Evaluation Team found UNIDO monitoring of actual training provided to be adequate, but there was no subsequent monitoring. In order to gauge the impact of training on participants, the Palestinian member of the Evaluation Team carried out a brief telephone survey of the participants during the evaluation exercise (three and a half years after the event) to see what impact had been experienced as a result of the training. 21 of the participants could be reached by phone for the survey, and were asked to provide:

- A 'quality' score for the training (scoring from 0 to 5)
- A description of the impact of the course on their subsequent work
- Comments on the strengths and weaknesses of the course

The table below gives the training 'quality' ratings given by the interviewees (see Annex II for a full account of the survey results):

Rating	0	1	2	3	4	5
Score (by # of respondents)	1	0	1	3	13	3
Percentage of total (out of 21 respondents)	5%	0%	5%	14%	62%	14%

The quality of the training was highly appreciated by well over 70% of the respondents. Moreover, a clear majority felt that the Tunisian experience shared was decidedly relevant and useful, and a good number also felt that the course should either have been longer or had fewer modules included for the time given. However, a number felt that the diagnostic methodology could have been more pertinent to local needs of enterprises, while a sizeable number were dissatisfied with the lack of follow-up training/action.

From an evaluation point of view, the following findings and lessons are pertinent:

- Assessments of training by UNIDO should not be limited to immediate feedback, particularly when the real impact of such training (on quality of Palestinian industrial upgrading consultancy services) is contingent on results achieved in the period that follows such training.
- Follow-up action should not be promised to participants if the environment is not favourable.
- Context-specific factors should be built into training materials and not left to participants to manage alone especially if subsequent access to participants is known to be problematic.
- UNIDO trainers should be encouraged to establish one-to-one contact with trainees after the event, as most consequent requests for technical assistance would likely be punctual and specific with a very high likelihood of safeguarding intended results.

#### The diagnostic studies

The next step was to carry out diagnostic studies after the Amman training. However, due to deteriorated security conditions under the *Intifada*, international consultants lacked access to the ground. As a result, the newly trained consultants and consultancy firms involved had to conduct their upgrading diagnoses without technical back up support. This situation put the Palestinian case at a disadvantage compared to the Tunisian or Egyptian models from the start.

Implementation of the diagnostics began in May 2002, and the first drafts of diagnostic reports were ready by October 2002. Technical reviews with inputs by UNIDO specialists and finalisation of reports would take place by July 2003.

Annex 2 provides an overview of the 19 upgrading plan reports for individual companies. However, no assessment reports are available on the quality of the diagnostic reports or the impact of the exercise on the diagnosed companies. This constitutes a lack of client-orientation and results-based management in approach. The example is particularly telling, as this was the *core element* of the IP after the 2000 MOU. A permanent Palestinian national industrial upgrading plan was due to



be based on this pilot exercise, yet there is no information available on the actual quality or impact of the exercise.

### Company feed-back on the diagnostic studies

Moreover, information on follow-up action is scarce and what information exists overlaps with activities often reported under the Investment Promotion component (see below for further details) such as business software provision. No specific patterns can be found to link the upgrading exercise and reports directly to software implementation, apart from the supply of PHAROS, which appears to have followed directly in a number of cases. The latter exercise, however, received lukewarm to poor feedback (as against other business software).

The Palestinian member of the Evaluation Team conducted a brief telephone survey of the 19 industrial enterprises involved in order to obtain some feedback on the quality and impact of the upgrading service from the point of view of the companies involved. 11 of the 19 companies responded to the survey, with the following summary of results:

- Results were mixed, though a majority reported overall positive results
- 9 out of 11 described the upgrading plans' recommendations as realistic
- 6 reported that the exercise had matched their original expectations
- 6 reported some direct benefits from the exercise (e.g. in quality, management, finance, or price policy)
- 8 would recommend the same exercise to other companies, but some with qualifications such as better follow-up and quality of experts used
- Only 1 company reported having incurred any costs directly related to the exercise (i.e. the companies received the services for free)
- Chief among the recommendations to UNIDO for the future were:
  - Concentration on exports promotion
  - Establishing follow-up mechanisms
  - Establishing credit mechanisms
  - Training outside of Palestine
  - Greater concentration on local conditions and specificities needed

Interviews in the field with the staff of the Industrial Modernisation Centre (IMC – see below for details of the role of IMC) revealed their preference for shorter diagnostic

studies (of a few hours duration rather than a few days) as more conducive to local needs. Most Palestinian industries, they believed, were too small and relatively underdeveloped for UNIDO's standard diagnostic tool. Moreover, similar donor-supported programmes in Palestine also used simpler checklists. The results of our phone survey appear to support this contention, and it is recommended that UNIDO should revise and simplify its industrial diagnostic tools, perhaps using different modules for different types and sizes of manufacturing enterprises. In addition, it is highly recommended that UNIDO *build in* specific follow-up reporting systems into its industrial upgrading system for at least 6 to 12 months after finalised upgrading plans are delivered to clients in order to have a two-way partnership and learning element.

#### Follow-up support to companies

The evaluators could not identify an overarching strategy for the follow-up support to the diagnostic exercise. Some examples of training in PHAROS, Produce+ and COMFAR were noted throughout the period of the IP, starting in 2001. The following sample training reports were obtained by the team in the field:

- PHAROS Training (UNIDO Business Navigation Software): 14-16 November 2001, Ramallah National Institute for Information Technology, 15 participants representing West Bank enterprises trained by UNIDO National Expert in PFI
- PHAROS Training (UNIDO Business Navigation Software): 13-15 November 2001, Gaza National Institute for Information Technology, 20 participants representing Gazan enterprises trained by UNIDO National Expert in PFI (Mr.
- Total Quality Management (inc. Produce Plus software) training by IMC for 6 enterprises in West Bank with use of UNIDO international expert

Field visit to two companies in the West Bank produced relatively positive feedback on Produce+ as a useful industrial enterprise management tool. Feedback on PHAROS, however, was less positive.

It was difficult for the team to obtain a clear picture of how such training integrates into the bigger picture. Most of the inputs appeared to be individual ones rather than part of a broader, coherent approach.

## **Strengthening the Ministry of Industry and the pilot Industrial Upgrading Programme (component 1)**

In line with the Tunisian upgrading model, the February 2000 MOU foresaw a lead role for the Ministry in the administrative management and implementation of this component. An Industrial Upgrading Bureau (IUB) would be established in the Ministry; staff would be trained; and local private consulting firms and consultants would be recruited and trained to carry out the exercise with support from international expertise to be provided by UNIDO.

The IP would support the proposed IUB to be set up under the administration of the PINUP Steering Committee<sup>23</sup> chaired by the Minister of Industry. The IUB would administer and implement the PINUP programme, and provide policy advice to the Steering Committee.

### *Diverging views on the Industrial Upgrading Programme*

From the start, the IND-UP concept – and hence the relevant IP components – was subject to a lively local debate on who should be in the driving seat and how.

On the one hand it was argued that the public sector is poorly qualified for the job of real industrial upgrading for companies in the private sector. Moreover, private sector companies are not likely to give full information in a diagnostic exercise that covers all commercially sensitive information, if this information is to be held and remain accessible to many in public institutions.

On the other hand, a private institution made up of and representing a specific group of industries may have a vested commercial interest, and should not *drive* the process with use of public development cooperation funds. As in the case of the public sector solution, sensitive commercial information can become directly available to competitors if a federation of associations like the PFI runs the exercise.

Both arguments have merit and this debate has continued throughout the life of the IP. UNIDO could have been a third party in this situation, but the IP TSU was set up within PFI and its staff were actual managers of PFI on an executive level. Any

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<sup>23</sup> Members would include: Ministers of Planning, Commerce & Finance; Presidents of PFI, Federation of the Chambers of Commerce, and PalTrade; 2 representatives from the banking sector, and 2 private sector leaders appointed by MoI and PFI.

consultant – for example – recruited to carry out such activities could not be reporting to the UNIDO NPC as s/he would then also be reporting to the PFI SG.

The situation resulted in a ‘tug of war’ between the local public and private sector partners involved, and the ‘Industrial Upgrading Bureau’ – which was later renamed as the Industrial Modernisation Centre - never found a stable ‘home’ or a legal entity of its own throughout the IP implementation period.

### *The Industrial Upgrading programme looking for an institutional home*

Initially, the IUB was agreed on with the designation of internal MoI staff to the upgrading tasks during the first quarter of 2000 with UNIDO IP technical and financial support. The MoI and PFI collaborated to launch the pilot industrial upgrading programme, described above under component 2 of this chapter. A Tunisian expert was fielded to assist with the institutional set of the IUB, and 5 Palestinians (MoI, MoP, Development Bank and PFI) went on a study tour to Tunisia late in 1999. In parallel, plans for the establishment of an Industrial Investment Promotion Unit within the Ministry were moving ahead. In mid-2000, a verbal agreement was reached to merge the two concepts of an IUB and an Industrial IPU, and to establish a single unit in the Ministry, but this was not implemented.<sup>24</sup>

The full establishment of the IUB was likely overtaken by other events on the ground related to the *Intifada*, but was eventually inaugurated as the Industrial Modernisation Centre (IMC) in the PFI in June 2004, with a ceremony including all major partners. This event signalled a change in the PNA’s approach to give greater leadership to the private sector in industrial affairs. It also marked a formal move of the IUB from the Ministry of National Economy that had itself been newly established in April same year following the merger of the Ministry of Economy, Trade and Industry (MoETI) with the Ministry of Supplies.

The MoETI had in turn been formed through a merger of the two former ministries late in 2002. In the period 2002-2004, a new UNIDO Focal Point in the MoETI had paid special attention to the capacity of the IUB. He also signed a new MOU with UNIDO on behalf of the Government at UNIDO HQ on 19 February 2003, outlining

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<sup>24</sup> Back to Office Mission Report of J. Moonganganiyil, 14 July 2000

new priorities in the context of new national leadership in the sector and some relaxation of security constraints.

The IUB staff were to receive the required equipment as well as some training in Tunisia. The MoU also specified that 5 further upgrading exercises should be conducted, open to bidding by all enterprises, regardless of their membership of associations. While training of the IUB staff was conducted on various aspects of diagnostics and modernisation, the period 2000-2004 saw some differences in approach between the Ministry and the PFI over the most appropriate strategy, including over implementation of the UNIDO IP. New leadership at the PFI in the last quarter of 2003 also coincided with changes in the IP approach, particularly as the new IP national coordinator no longer held the PFI Secretary General's position.

The IP originally included policy and capacity support to the Ministry, and the new MOU sought to move this initiative back to the top of the priorities, but this was largely reversed in 2004 when the IUB with two of its Ministry national staff were moved to the PFI premises. This move was supported by the new Minister who also appointed a new UNIDO Focal Point at the Ministry. Hosted by the PFI, the IMC formed a new organisation with a governing board, headed by the Chair of the PFI. The IMC was seen at the time as an important business service institution that would become a key actor in Palestine's industrial modernisation efforts. Its Board would be made up of five members of the national Industrial Modernisation Plan Board with three departments ranging from policies and sector development to enterprise upgrading.

While the UNIDO NPC was relieved of his duties as the PFI SG in 2003, he was instead appointed as the IMC Director in the initial phase in 2004 until his departure in April 2005. Since then, the new IP coordinator has not held any official position within either the PFI or the IMC.

However, the IMC and the upgrading initiatives continued in phases after the finalisation of the enterprise diagnostic reports in July 2003. Several efforts were made to obtain funds for the upgrading programme.<sup>25</sup> One of the biggest achievements of the IMC, supported by the IP and the PFI, has been in raising the profile of 'industrial upgrading' as a concept in the Palestinian private sector.

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<sup>25</sup> See for example G. Pataconni IP Progress Report of October 2003.

Nevertheless, the IMC does not until today hold a legal entity of its own. It operates as a project, funded in the main by the Islamic Development Bank and other donors. Many questions about the status, the role and the added value of the IMC vis-à-vis private sector consulting companies remain.

#### **Palestinian Standards Institute (component 4)**

This component is the most clear-cut and simple of the IP. It was formulated on the basis of previous policy support to the PSI and UNIDO's wide international experience with standards organisations globally. In year 2000, the PSI became the legal entity responsible for all metrology activities in Palestine, ending Palestinian dependence on costly and inaccessible Israeli services alone.

UNIDO helped to establish the Calibration Laboratory in PSI in 2 phases starting in 2002 after Swedish funding of US\$100,000 was secured. Measurement instruments were provided in the fields of Temperature; Lengths; Pressure and Mass.

In addition, office furniture and IT equipment, weights, deep freezers etc. were provided. The IP also supported the use of a RSS expert to develop quality management systems in PSI, currently under implementation.

A national workshop on Standardisation was held in March 2005, as to raise awareness on standardisation issues among industrialists. PSI was also helped to participate in international ISO General Meetings in Sydney and Stockholm.

Several other donors also support or have supported the establishment of the PSI, which is a public institution established under the Ministry of Industry, and has a range of other services and departments. UNIDO TSU helped develop PSI's three-year strategic plan, management restructuring and resource mobilisation in 2003.

PSI provides its services on a cost-recovery basis to private sector clients, and works with the Ministry of Finance on its income and budget issues.

The institution is an essential component of industrial modernisation in Palestine. It has a client-centred approach, and develops its services through surveys and existing demand (see Annex ... for PSI's Strategy and a list of its current clients). Over 2004/5, the UNIDO IP has supported PSI's advocacy and promotion efforts.

The future plans of PSI include enhancements in the following calibration services:

- Introduction of electrical measuring instruments
- Improving precision of current calibration capacity
- Establishment of a calibration unit in Gaza

Given the situation on the ground, support to the establishment of a calibration unit in Gaza must be a top priority for the private sector there.

Finally, it is important to note the close relationship reported in the field between the PSI and the PFI. According to verbal reports, the PSI enjoyed much support from PFI in preparation of funding proposals, advocacy, liaison with potential donors and strategy development. Put differently, local needs and the drive of industry leaders ensured the success of this institution.



### **Investment Promotion (component 3)**

This component is the most difficult to evaluate due to the lack of a specific plan and confusing reporting in the UNIDO progress reports and other documents about its specific targets and goals.

The initial IP document aimed at the establishment of an Industrial Investment Promotion Unit (IIPU) at the Ministry of Industry as the main output of this component (Component 1.1 under the IP) and foresaw the following activities and outputs:

- Set up organisational framework of IIPU in Mol
- Training courses on UNIDO investment promotion methodology (COMFAR)
- Support entrepreneurs in the articulation of investment proposals
- Bring proposals to attention of international investors using UNIDO ITPO in Milan
- Setup a database of Palestinian business opportunities looking for partnerships with foreign investors

By the time the initial plans were revised by a MoU (see chapter 3), investment promotion was seen more from an 'upgrading lens', with joint ventures or other alliances for foreign direct investment. Reflecting the reduced financial input of only US\$70,000, as compared to the original IP budget of US\$350,000 the MoU was focused on:

- Strengthening MOI and other public/private institutions in feasibility studies, upgrading competitiveness of the SME's through promotion of joint ventures or other alliances
- Eventual establishment of an Investment Promotion Unit
- Assist preparation of an Investment Promotion Plan

References are made in some UNIDO progress reports to plans for the establishment of an IIPU in the Mol, but this was in somewhat of a logical contradiction to the establishment of the Palestinian Investment Promotion Agency (PIPA) as a public institution under the Ministry of Industry in 2000. One would have to ask why there was a need for two separate public sector bodies to deal with investment promotion. Liaison with PIPA is reported in several instances both by the IP TSU and PFI. But no express reorientation of the IP is described. In fact, in mid-

2002, another IPU proposal was reportedly under preparation by the UNIDO NPC and the PIPA Director General.

The component was in practice therefore limited to two sets of inputs and activities, supported also by an overall advocacy role by UNIDO:

1. Palestinian delegate to ITPO, Milan, carried out in 1999
2. Training in investment proposal development

The second component is never presented coherently in available documentation. Several instances of training, particularly in use of COMFAR are reported. However, no overall picture of how many trained and what use has been made of COMFAR is available.

The table below shows COMFAR and related training and other investment activities reported (as a random sample, not a comprehensive list).

Date	Description
Feb 12-22, 2001	Project Preparation and Appraisal and Application of COMFAR III, in Bahrain for two MOI staff
May 26- June 9 2001	Industrial Project Identification, Formulation and Screening; in Bahrain for 3 Palestinians from MOI and PFI
7-10 July 2001	Proj. prep and appraisal and application of COMFAR III training , for 23 local consultants, enterprises, MOI, industrial associations and banks in the West Bank by TSU. Same done again on locals by TSU
July/Aug 2001	Two-week training seminar on Investment Project Identification, Formulation, Screening and Promotion as well as other Project Preparations and Appraisal inc application of COMFAR III for 21 local consultants, enterprises, MOI, industrial associations and banks in the West Bank by TSU
30 July-8 Aug 2001	Industrial Project Identification training for 12 Palestinians trained by TSU
Sept 2 to 13, 2001	Training of trainers on new enterprise creation, for 6 people from PFI, MOI and local consultants, held in Amman
Oct 15 to 21 2001	Project Preparation and Appraisal and Application of COMFAR III, for 14 local consultants, enterprises, MOI, industrial associations and banks
Nov 12-21 2001	Industrial Project Identification training for 15 Palestinians trained by TSU
6-17 April 2002	Regional workshop on project preparation and appraisal inc COMFAR III, attended by NPC/PFI SG
Mid-2002	COMFAR software installed at PIPA offices in Ramallah and Gaza
2001-2003	Posters and brochures and a video produced to mobilise additional donor support for Palestinian industry
2003	Investment Forum (SIMEST) in Italy – organised by PFI
2004	Investment Forum in South Africa – organised by PFI with SA Dept of Trade and Industry
21-29 Jan 2004	Training on Industrial Feasibility Studies; COMFAR III for one PIPA staff member in Bahrain (ARCEIT)

Discussions with COMFAR training participants in Ramallah revealed that the tool is seen as a very effective and useful one by both the Ministry and PIPA. An informal estimate by a counterpart suggested that at least 6 people – across all sectors - in

Palestine are well versed and fully capable of using COMFAR for industrial project appraisal and training. While modest in terms of numbers, this nevertheless reflects success in effective knowledge transfer. However, little is known about the *investment impact* of the training carried out so far.

### **‘Spin-offs’ of the IP**

The IP had several ‘spin-offs’ that deserve a mention, as they had at least some impact on the institutions involved and the industrial sector as a whole. Table gives a brief account of some of these:

<b>Spin-off activity / intervention</b>	<b>Impact</b>
National Food Safety Initiative in Palestine	Food safety was not included in the IP, but has been introduced on an ad-hoc basis based on UNIDO’s experience in Lebanon. UNIDO managed to set up this initiative with 7 different national partners from the public and private sector. Now the initiative is the main address on food safety in the country coordinating with all related donors and institutions. The NPC managed to raise funds of over US\$120,000 for its activities with a UNIDO input of only a few hundred.
Quality Improvement Project of the World Bank and the Palestinian Ministry of Higher Education	UNIDO represented by the NPC has supported PFI and the industrial associations in submitting three projects to the World Bank fund managed by the Ministry of Higher Education, the projects are: Diploma programme on Food processing Master degree programme on engineering and technology management Pharmaceutical lab. The first 2 projects have been approved in the first cycle of the fund with a total of US\$ 700,000. The fund will launch 4 more cycles in the years 2006 and 2007.
SDC / DELTA Projects	UNIDO has supported PFI since the year 1999 in being a partner in the DELTA network (a Swiss funded project in Mashreq and Maghreb countries) the first proposal was prepared by UNIDO for PFI and since then and until now they are receiving yearly budget to implement the DELTA activities in Palestine in the environmental awareness and management fields. Total funds estimated at US\$ 150,000.
Performance improvement and Quality assurance Unit at the MoNE	Based on a special request from the Minister of National Economy, UNIDO is technically supporting the Ministry in setting up a Quality Assurance Unit and training of the Ministry staff on the performance improvement tools.

Private Sector coordination council	UNIDO has supported PFI in establishing the Private Sector Coordination Council which includes all the private sector institutions in the country working on a high policy level in the country. Subsequently, the Council became a very active body in formulating the policies in the country and now EU is supporting this council with the aim of having a National Competitiveness Council.
USAID projects	UNIDO has supported PFI and IMC in their discussions and efforts to get the support from USAID. As a result, IMC has received a grant from one of the USAID projects and PFI and IMC expect to receive more grants soon from a newly established USAID project for a period of 3 years.
Technical assistance and training projects	UNIDO has supported PFI and IMC in developing several projects documents and proposals for fundraising since the year 2000, several projects have been considered by donors like FNF, USAID, Islamic Development Bank, SDC, and others. These projects were the bases behind developing PFI's departments and projects.
Networking and partnership development	UNIDO has supported PFI in establishing partnerships and signing MOU's with different national and international institutions. For example MOU's signed with Confindustria, Tunisia, Egypt, and most of the national institutions.

Of the above, the National Food Safety Initiative is of particular interest as it can become a potential component of future cooperation in Palestine. Moreover, it presents a model for how UNIDO could play a key coordination role with national and international partners with relatively little additional funding resources. More on this point is given in the relevant sections below.

## 6. Findings on programme implementation

The implementation stages of the programme are shown in the following table:

Phase (period)	IP Milestones	Description of context
1. Start-up (Feb 1999 to January 2000)	UNIDO General Director's visit to Palestine – request of PNA for IP development – Feb '99 National Steering Committee for establishment of PFI (circa April) Recruitment of 1 <sup>st</sup> national consultant Mission of IP Team Leader to Ramallah & Italy (October) Mission of Pal counterparts to Tunis Italian confirmation of funding (\$1 m - Nov)	Political optimism, economic revival and dynamism. Private sector actors in the driver's seat, encouraging and supporting PNA & UNIDO to move forward. Minister of Industry supportive of lead role by private sector. PFI and IP offices launched in Ramallah.
2. First implementation (Jan to Sept 2000)	PNA-UNIDO MOU signed (Feb) IP reorganized around PIN-UP concept Pilot upgrading exercise launched in full IP and PFI structure & offices consolidated in WB & Gaza	Clearer overall IP direction with industrial upgrading as a central theme. Unusually high national ownership of IP implementation. IP & PFI executive management staff identical.
3. Siege/ Isolation (Sep 2000 to end 2002)	<i>Al Aqsa Intifida</i> Out of country training as alternative solution & strategic use of national training and expertise in absence of international access National capacity building top priority Heavy concentration on advocacy role by PFI Swedish funding (\$100 K) secured and PSI component launched (early 2002) IUB staff assigned at Mol	No international access to Palestine – remote management of IP by UNIDO. Extreme conditions and delays. Palestinian industries under attack. Industry in retreat: growth optimism turns into search for survival tactics: food, textiles and pharmaceutical sectors targeted for upgrading (import-substitution and life-saving priorities)
4. Second Implementation (Jan 2003 – April 2005)	2 <sup>nd</sup> IP MOU signed in Feb 03 with new priorities Upgrading reports finalized (July 2003) IUB (IMC) capacity given higher priority PFI takes full charge of own management (Sept 03) Investment promotion concentrated in PIPA 3 <sup>rd</sup> IP MOU signed in April 04 with PFI IUB moves to PFI as IMC (June 03) and subsequent expansion of partnerships & role PFI acquires int. representation role Italian funding for recycling of construction materials (\$1.2 m.) confirmed, and new component added to IP. PFI Chairman becomes Minister of Economy (April 2005)	Cautious optimism. Partnerships with relevant private sector org's consolidated. PFI grows in profile and influence. New wave of technocrats as leaders and institutional rationalization in PNA. IP office support strategy and partnership development by PFI, IMC & PIPA .
5. Finalisation (April 2005 onwards)	PFI and IMC managed separately from IP New PFI Chairman elected from Gaza PSI & IMC future strategy developed & promoted among donors with IP support New Law drafted to formalize PFI structure membership and resources IP office winds down with one part-time NPC	Israeli pull out from Gaza, but borders still closed. Donor coordination mechanism enhanced, esp for Gaza. Greater concentration on productive sectors. Extensive plans for Gaza development.

The following findings on programme implementation, by its strengths and its weaknesses, should be read bearing in mind that the specific situation of the country makes Palestine a special case, which is hardly comparable to any other UNIDO IP.

#### Policy relevance

The still rudimentary industrial policy framework of Palestine makes it difficult to formally demonstrate policy relevance. However the IP's concentration on institution building and establishing participatory governance mechanisms was clearly in line with the needs of the country. Due to the nature of the context, opportunities for greater integration into the UN framework in the country were also limited.

#### Counterpart ownership

The counterpart structure of the IP is rather unique in the sense that it deliberately or effectively introduced a certain level of competition between government and private sector institutions. Not surprisingly this led to periods of disagreement between both sides reflecting realities and structural changes on the ground with private sector gaining a stronger voice and coming up to participate in the political process. Periods of stalemate were also noted. However, these were regularly overcome with high degrees of mobility among officials and staff. Overall, these elements of forced cohabitation have been healthy and positive.

Placing the IP TSU in PFI ensured great synergy between UNIDO and PFI, but reduced interaction with the PNA, particularly over 1999-2002. Nevertheless, there was clear evidence of counterpart ownership and leadership of the programme on all sides during the mission to the field.

#### External coordination

External coordination was inadequately considered in the IP document and subsequent agreements. In practice, the coordinating role of the Ministry of National Economy was rather weak. This left a gap in policy coherence, programme coordination and information sharing for the sector.

Competition among new (sectoral Associations, PFI, Paltrade, PIPA etc) and previously established institutions (Chambers of Commerce, Industry and Trade and their Federation) has been a determining factor also. PFI and similar organizations were newly established in Palestine, and there was little experience of cooperation to

build on, particularly in terms of how best to coordinate with public and private sector partners in a transparent fashion.

Transparency in governance is a cross-cutting issue that UNIDO could have concentrated on rather more as an integral part of the IP to help improve the environment for policy making.

#### *Management structure and internal integration of the IP*

While the original IP was rather silent on management and oversight arrangements the first MOU established a clearer management structure with a Steering Committee at the apex, and initial descriptions of the IUB and TSU. It also described the roles of the UNIDO Team Leader at HQ, the National Focal Point at the MoI, and the Palestinian Delegate to the UNIDO ITPO in Milan.

The work plan included in the June 2000 agreement was rather detailed, and demonstrates awareness among partners involved of some key essential features of the IP that were unfortunately not implemented in the ensuing period.

However, none of these management issues has been adequately tackled in practice. The IP Steering Committee never met (except for verbal mention of a single meeting to the team in the field).

#### *Results Based Management*

UNIDO monitoring tools were insufficient, thus compromising accountability on all sides. UNIDO's lack of client-centeredness in IP implementation and monitoring seeped through to the IMC: a business development service that does not systematically learn from, monitor and/or respond to its clients. Requisite databases were not developed thus leaving an important information and coordination vacuum. Training records were supply-oriented and impact assessment non-existent. Results at company level were not recorded; and there is no evidence of considerations on gender or other cross-cutting issues (for instance in training). In short, due to insufficient results-based management standards there were no records of how the IP had actually contributed to the development of local businesses.

UNIDO Corporate Strategy

UNIDO is a highly valued international partner in Palestine, but is rather far from fulfilling its full and expected potential, as reflected in the small size of its programme in the country. UNIDO's role as a multilateral UN institution to facilitate policy and programme coordination is recognised but not fully exploited.



## 7. Issues of relevance to the next phase

Issues of relevance for the next phase are closely linked to changes to the country context and to ongoing and pipeline programmes of other donors.

### Changing country context:

A number of key factors have direct impact on future programmes:

- Since the onset of the *Al Aqsa Intifada*, the structure of Palestinian private sector has changed significantly. A thorough review of the impact of the *Intifada* is needed in order to devise future plans.<sup>26</sup> Industrial modernisation is now at the top of the national agenda, and included in the Palestinian Medium Term Development Plan for 2005-2007.
- The Israeli separation wall is close to its completion. This may further deteriorate Palestinian industry's ability to trade competitively. Support is needed to enhance access to international trade through Jordan and Egypt in the first instance, and with other regional countries subsequently. UNIDO's strong regional network is potentially and highly useful at this juncture.
- Israeli withdrawal from the Gaza Strip 2005 has important implications for Palestine. Further integration of the legal system will be required.<sup>27</sup> Gaza is also one of the most densely populated areas in the world, and possesses an industrial and economic base quite inferior to that of the West Bank. Programmes for Gaza thus require special considerations, and – in the context of the MDG's – must take precedence.
- General elections due in January 2006 could bring changes to the balance of power in Palestine. Current crisis of the Israeli government could also change the situation in Israel. Past experiences and the current climate of increasing insecurity and turmoil in the region indicate that the crisis will continue in the foreseeable future, and any new programme should have specific measures built into them.

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<sup>26</sup> See the World Bank assessment published in 2004 "Four Years – Intifada, Closures and Palestinian Economic Crisis, An Assessment."

<sup>27</sup> Gaza has a legal framework based on Egyptian law that has been quite different from the Jordanian based context of the West Bank.

### Ongoing and pipeline programmes of other donors

- USAID has launched a programme of support for the PFI member associations.
- The EU is currently developing a major Industrial Modernisation Programme for Palestine that will come under the auspices of the MoNE. The IMC has been identified as a potential support structure. The EU delegation expressed a positive interest in working with UNIDO.
- GTZ has an ongoing project in private sector development. The initiative concentrates on small SME's through a Small Enterprise Centre set up in Ramallah in 2003 that provides business development services and referrals. The project has a strong monitoring mechanism that UNIDO and the IMC in particular could learn from. The initiative is due to be evaluated and reformulated in 2005.
- USAID funds a *Capital Markets Development Initiatives Project* that includes measures to improve the legislative environment and financial management capacities of Palestinian companies and offers emergency loans to companies facing bankruptcy with a grant component and support from local banks.
- KfW established a credit guarantee scheme with Euro 5 million to support enterprise loan applications. Such initiatives are highly useful in Palestine and UNIDO could make an important difference if it made a special effort to concentrate on financing mechanisms for industrial purposes in the next phase.



## Annex I: History of persons involved in IP

Period	Ministry / Minister	NPC	Focal Point	PFI CEO	IMC Director	PFI Chairman	IMC Chairman
10/1999 Mid/2002	Dr. Sadi Al-Krunz - Ministry of Industry	Odeh Al-Zaghmouri	Dr. Abdelmalik Al-Jaber	Odeh Al-Zaghmouri	Dr. Sami Abu Zarifa – Gaza	Mr. Talal Naserudin	No IMC board at that time
Mid 2002 09/2003	Mr. Maher Masri – Ministry of economy, trade and Industry	Odeh Al-Zaghmouri	Dr. Jawad Naji	Odeh Al-Zaghmouri	Mr. Atef Maidani & Mr. Amal Shuqair	Mr. Talal Naserudin	No IMC board at that time
09/2003 04/2004	Mr. Maher Masri – Ministry of National Economy	Bahiej Biqawi	Dr. Jawad Naji	Mr. Yousef Abu Sway	Mr. Bahiej Biqawi	Mr. Mazen Sinokrot	No IMC board at that time
06/2004 04/2005	Mr. Maher Al-Masri Ministry of National Economy	Bahiej Biqawi	Mr. Ziad Tome	Dr. Mohamad Sarsour	Mr. Bahiej Biqawi	Mr. Mazen Sinokrot	Mr. Mazen Sinokrot
04/2005 present	Mr. Mazen Sinokrot Ministry of National Economy	Ali Badarneh	Mr. Ziad Tome	Mr. Jihad Ityani	Mr. Jihad Ityani	Mr. Sameh Khuzundar	Mr. Sameh Khuzundar



## Annex II: Survey of Industrial Upgrading Training of Trainers conducted in Amman (May 2001)

Current position	Quality of the Course 1-5	Impact of the course on your current position	Comments
New vision consulting company / general manager	4	Positive and learnt new Technique and implement it with customizing to fit Local enterprises	
New vision consulting company / Market Research Manager	4	Positive and learnt new Technique and implement it with customizing to fit Local enterprises	
The Consultant Firm is doesn't excise now (He is Abroad)			
The Consultant Firm is doesn't excise now (He is Abroad)			
Development & planning Dept/SME's training officer	4	Very useful methodology. It is a comprehensive analysis tool. I can't applied in my daily consultations	
Secretary General-PFI	3	The course includes basic information for me. I can't used what I learnt	
Working In Saudi As Manager for TQM			
The Head of Technical Department-Sinkrot Food Group	4	It was one of the most useful training I got. It enriches my qualification. Help me in my current position	
Working in DUBAI			
Left the country			
Ministry of Industry GM planning and studies Dept	5	Tunisian experiences were great. I learn a lot and these mythologies always with me and effected my thinking	We should continue arranging these kinds of training courses. Our privet sector and our local consultants need it

Current position	Quality of the Course 1-5	Impact of the course on your current position	Comments
Area Manager-Rafeed. USAID funded project	2	A comprehensive analysis. Doesn't fit our local enterprises. Wasn't useful for me	
Manager of Food Processing Sector-Paltrade	3	Tunisian Experiences was a good lesson to learn. It was very useful knowledge, but can't use what I learn here.	
Left the Union and working outside the country			
Manager of Vocational training Center-Ministry of Labors	4	The Course was great for me. I always am looking to learn more from other experiences as the Tunisian one. I haven't the opportunities to apply what I learn	
Left The Country			
Manager-IMC	4	The methodology was comprehensive. We should customize diagnostic tool which fit the size of our local enterprises. enrich my knowledge	Quick Check list as the one UNIDO developed to Egypt is suitable tool that we can use here
Manger of Technical Department-Ministry of Transportation	4	I don't practice what I learn. The Tunisian experiences was great, we can copy it here in Palestine.	The course has not affected my carrier.
General Manager-Optimum Consulting and Training	0	Waist Of time. Basic Information	Not used any of these Teachings or methodologies where the course highlight

Current position	Quality of the Course 1-5	Impact of the course on your current position	Comments
Arja Textile Company Mechanical Engineer	4	It was great training course. I learn a lot and try to think in deferent ways taking what I learn in the consideration	
Owner of his own workshop-Producing shoes	4	It was a great opportunities for me to attend the training. Enrich my knowledge. I can't apply what I learn; it is away from my daily tasks.	I believe attending training courses should have a positive impact. It will effect you in un –direct way. It is accumulated way in make us better
The Company doesn't excited any more, He left the country			
AI –Bawwab Textile company, Gaza production Manager	4	A positive impact on my personal skills. Have obvious effects on my carrier. I apply what I learn	I appreciate if you can give us more opportunities to attend similar training courses
Palestinian industrial estates and free zones authority planning director Of Technical Department	4.5	It was useful. I learn a lot. With my tasks at PIEFZA I can't apply what I learn	Very poor follow up, they promised us to participate at COMFAR training in the future, but no one contact us. It is more useful for the people who worked as consultants.
In depended Consultant	4	Positive impact on my skills. customized it to fit the size of my clients	
Training accounting & management institute TAMI, Executive Director	4	Enrich my knowledge. Very wide to be able to implemented in Gaza. I can't used it	Poor follow up. Waiting to attend the COMFAR , as they promised us in Amman
Left The Country			
International Cooperation Manager-PSI	5	Had an obvious impact on my skills and carrier	
Left the union. No any contact with her. Her mobile out of the service			



Current position	Quality of the Course 1-5	Impact of the course on your current position	Comments
Najim textile company general manager	4	I will never forget what I learn in this training course. Especially the Tunisian experiences in the textile industry.	It affected my daily work since I left Amman. Please you should follow up with more training where we can learn from others experiences.
Director Of planning and Production Department-Fleafel Company	3	I attend the course after the company got ISO certification. What they learn us at the course was not new for me	For the diagnostic tool. I minimize it and customized to fit our scale.
The Project is completed for 3 years ago.			No one knows where Mr.Nabil is working now. I asked 3 participants about him and they remember that he was not active at the course.

### Annex III: Industrial Upgrading Program Reports

#	Title	Client SME	Sector/Business	Consultancy Firm	Date	Language	Profile/Comments
<b>West Bank</b>							
1	Full Scale Diagnostic Study & Upgrading Plan – Final	Qassrawi Food Company	Food Processing: Manufacture and Marketing of Food Snacks	Bena' for Institutional Development – Consultants	15 July 03	English	Family owned – 88 employees, based in Hebron
2	Full Scale Diagnostic Study & Upgrading Plan – Final	Al Karmel Company	Cosmetics manufacturer	Bena' for Institutional Development – Consultants	15 July 03	English	Private Ltd Co.; 34 employees; targets domestic and Israel markets – plans to export in M.E.; US\$1.5 m annual sales; based in Eastern Industrial Zone, Nablus
3	Upgrading Plan	Salah Co. for Food Industries	Food processing	Global Management Consulting Group	April 2003	Arabic/English	65 Staff, US\$1.6 m assets.
4	Upgrading Plan	Salwa Food Industries Co.	Food processing: meats	New Vision Management Consulting	Oct 02	English & Arabic	Supplies Gaza and WB mainly, based in Ramallah; ~20% of producers' share
5	Upgrading Plan	Al HayaFood Industries Co.	Food processing	New Vision Management Consulting	Oct 2002	Arabic & English (2 reports)	Est in 94; 32 staff; Annual sales approx US\$4 m; based in Ramallah; supplies to Gaza & WB; some exp to Jordan; has 20% of producers market share
6	Upgrading Plan	Arab Industry Co.	Chemicals (detergents)	New Vision Management Consulting	Oct 2002	Arabic/English (2 rep's)	Only co. with capacity to produce detergents in Palestine. Dead Sea products export potential; 82 staff, inc. 12 women; deteriorating sales ~\$0.5 m in 01
7	Full Scale Diagnostic Study & Upgrading Plan – Final	Al Arja Textile Co.	Textiles/Garments	New Vision Company - Ramallah	July 03	English	Est in 71; family owned; became private ltd co. in 99, 6 main shareholders; based in Beit Jala; 83 staff.

#	Title	Client SME	Sector/Business	Consultancy Firm	Date	Language	Profile/Comments
8	Industrial Upgrading Plan for:	Pizeit Palestine Pharmaceuticals Company	Pharmaceuticals	Gulf Industrial Development Comapny	April/03 (Oct/02 ?)	English	Private shareholding co. with 450 shareholders, 3-5 large sites; ~40% of local market share
9	Industrial Upgrading Plan	Feafel Co for Trading and Textile Industry	Textiles	Gulf Industrial Development Co.	April/03 (Oct/02 ?)	English/ Arabic Mix	Private share holding co., two-person control of shares., US\$400 K annual sales; exporter through Israel
10	Enterprise Full Scale Diagnostic Study&Upgr Plan:	Jordan Chemical Laboratory	Pharmaceuticals	Industrial Details Consultants	20/Oct/02	English	Est. in 1969 with 50 staff in production; ~\$2 m annual sales;
11	Enterprise Full Scale Diagnostic Study & Upgrading Plan for:	Dabaseh Rubber Co.	Rubbers	Industrial Details Consultants	20/Oct/02	English	Private share holding co., two-person control of shares; subcontractor; US\$330 K annual sales; 17 staff
<b>Gaza</b>							
12	Full Scale Diagnostic Study & Upgrading Plan – Final	Al Bawwab Company	Textiles	Bena' for Institutional Development – Consultants	15 July 03	English	Private ltd partnership Co.; 70 staff, 95% of sales regionally through Israel; ~US\$1.7 m annual sales;
13	Upgrading Plan	Nejim Textile Company	Textiles	Global Management Consulting Group	April 2003	Arabic/ English	Family owned; 68 staff; mainly sub-contractor to Israeli market.
#	Title	Client SME	Sector/Business	Consultancy Firm	Date	Lang.	Profile/Comments
14	Upgrading Plan	Bilal Company	Textiles	Global Management Consulting Group	April 2003	Arabic/ English	150 staff; concentrates on bed sets; 90% of production as sub-contractor to Kitan Israeli Co.; located in Gaza Industrial Area
15	Upgrading Plan	El-Awda Company. for Food Industries	Food processing	Tami Consulting Co.	June 2003	Arabic/ English	Family owned; 220 staff; confectionary producer; facing cheap regional imports; located in Gaza Industrial Area

#	Title	Client SME	Sector/Business	Consultancy Firm	Date	Language	Profile/Comments
16	Upgrading Plan – Final	Abu Dan Company	Garments and textiles	Tami Consulting Co.	April 2003	English	Private ltd partnership co, Family owned; 122 staff; garments for Israel market as sub-contractor; est. in 81; based in Beit Lahia since 94.
17	Enterprise Full Scale Diagnostic Study and Upgrading Plan for the:	Gaza Company for Foam and Mattress Foamco	Foam and mattress production	Industrial Details Consultants	20 Oct 02		One of only 2 foam companies in Gaza; 10 employees; supplies mainly to WB and Israel. Net profits only after 2000!
<b>WB &amp; Gaza</b>							
18	Industrial Upgrading Plan	Sinokrot Food Company	Food Processing: Manufacture and Marketing of confectionary	Gulf Industrial Development Co.	April/03 (Oct/02 ?)	English/ Arabic mix	Private share holding co., family control of Board, US\$15 m annual sales; 250 employees; large exporter to E. Europe and former Soviet countries
19	Industrial Upgrading Plan	Near East Industries & Trade Ltd	Food Processing: edible oils processing and export (corn, soya and olive) to all continents	Gulf Industrial Development Co.	April/03 (Oct/02 ?)	English	Private limited group of co's. Family control of Board, US\$10 m annual sales; 250 employees; large exporter to E. Europe and former Soviet countries
20	Full Scale Diagnostic Study & Upgrading Plan – Final	Pharmacare Company	Pharmaceuticals and veterinary products	Bena' for Institutional Development – Consultants	15 July 03	English	Public shareholding – 411 (650investors; 7.1% of local market; exports 30% of production; 125 employees; ~US\$20 m annual sales



#### Annex IV: List of Palestinian Standards Institute Clients (2005)

No.	Organization	Sector
1-	Ramallah Testing Lab	Testing lab for construction materials
2-	Al Meezan Engineering Co.	Testing lab for construction materials
3-	Palestine Polytechnic University	Testing lab for construction materials
4-	International Center for Geotechnical & Engineering Studies	Testing lab for construction materials
5-	Aletamad Engineering & Materials Testing Center	Testing lab for construction materials
6-	Building Center	Testing lab for construction materials
7-	Alquds Center for Civil & Environmental Engineering Studies	Testing lab for construction materials
8-	Jenin Center for Engineering Tests	Testing lab for construction materials
9-	ISOTECH	Testing lab for construction materials
10-	Hijawii Construction Lab	Testing lab for construction materials
11-	Building & Transportation Research Center	Testing lab for construction materials
12-	Palestine Center for Engineering Studies	Testing lab for construction materials
13-	Biological & Chemical Analysis Center- AnNajah University	Testing Lab for Chemicals & Drugs
14-	Water & Environmental Institute – AnNajah University	Testing & research Lab for water & environment
15-	Center for Environmental & Occupational health Sciences-Birzeit university	Testing Lab for Food & environment
16-	Scientific Center Co.	Testing Lab for food & Chemicals
17-	Central Public Health Lab	Testing lab for Food Products
18-	Birzeit Palestine Pharmaceutical Co.	Pharmaceutical Industries
19-	Jerusalem Pharmaceuticals Co. Ltd	Pharmaceutical Industries
20-	Jordan Chemical Laboratory	Pharmaceutical Industries
21-	GaMa Co.	Pharmaceutical Industries
22-	Pharmacare Co.	Pharmaceutical Industries
23-	Palestine Islamic Co.	Food Industries
24-	Al Haya for food Industries	Food Industries
25-	Vegetable Oil Factories Co.	Food Industries
26-	AlHamoudeh for food & Dairy Products Ltd	Food Industries
27-	Al Sharq Al Adna for trade & Industry	Food Industries
28-	Palestine Beverage Group	Food Industries
29-	Al Arz Ice Cream Factory	Food Industries
30-	Azzakat Committee Rehabilitation Dairy Plant	Food Industries
31-	Sinokrot Food Co.	Food Industries
32-	National Beverage Co. Ltd	Food Industries
33-	Jericho Natural Mineral Water Co.	Food Industries
34-	Consolidated Palestinian Co. for Steel Industry Ltd	Steel Industry
35-	National Aluminum Profile Co.	Aluminum Industry
36-	Wahdan & Odi Concrete Factory	Construction Industries
37-	Kandeal Bros. Co.	Construction Industries
38-	Mawassi Concrete Industries Ltd	Construction Industries
39-	Arabia Concrete Co. Ltd	Construction Industries
40-	Al Naser Co. Concrete Industries Ltd	Construction Industries
41-		Construction Industries
42-	Jamaeen Concrete co.	Construction Industries
43-	Salous concrete Co.	Construction Industries
44-	Abu Shosheh Concrete Co.	Construction Industries
45-	Al – Jerashi Modern Co.	Export & Import Co.
46-	Al – Hadad Brothers Co. Ltd	General Trade Co.
47-	Pinar Co.	General Trade Co.
48-	Royal Company for Trade & Industry.	Plastic Industries
49-	Sinan Group Co.	Construction Materials trade Co.
50-	Al Shuwaki Co.	Glass Industries Co.
51-	Nassar Marbles Co.	Marble Industry
52-	Bani Naim Marbles Co.	Marble Industry

## Annex V: Terms of reference

DATE: \_\_\_\_\_

### **Terms of Reference**

#### **INDEPENDENT EVALUATION of the UNIDO INTEGRATED PROGRAMME in PALESTINE**

#### **The independent evaluation**

Independent programme evaluation is an activity carried out during and/or at the end of the cycle, which attempts to determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, outcomes and impact) and sustainability of the programme. The evaluation assesses the achievements of the programme against its key objectives, as set in the Programme document, including re-examination of the relevance of the objectives and of the design. It also identifies factors that have facilitated or impeded the achievement of the objectives.

#### **Purpose**

The purpose of the independent evaluation of the Jordan Integrated Programme (IP) is to enable the Government, UNIDO and donors:

- *To assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities.*
- *To assess the outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact.*
- *To provide an analytical basis and recommendations for the focus and (re) design for the continuation of the programme under a possible Phase II.*

The evaluation is conducted in compliance with UNIDO evaluation policy.

#### **Method**

*The evaluation will be conducted at two levels: evaluation of selected integrated programme components and evaluation of the programme as a whole.*

*The evaluation will be carried out through analyses of various sources of information including desk analysis, survey data, interviews with counterparts, beneficiaries, partner agencies, donor representatives, programme managers and through the cross-validation of data. While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties.*

*All components will be evaluated, making use of the results of previous evaluations, in particular those covering the investment promotion and the private sector development components.*

*Reproduced below is the financial picture of the programme components as of the day that the TOR was prepared:*

Components		Approved Amount	Total Allotment	Open for Funding
		(in United States dollars - US\$)		
1	Environmental Management	22,000	22,400	- 400
2	Industrial competitiveness and trade	835,773	880,121	-44,348
3	Industrial Governance and Statistics	1,810,000	129,785	1,680,215
4	Investment and Technology Promotion	437,490	94,576	342,914
5	Private Sector Development	1,107,560	148,799	958,762
6	Sustainable energy and climate change	38,000		38,000
	<b>TOTAL</b>	<b>4,250,823</b>	<b>1,275,679</b>	<b>2,975,144</b>

## **A. Programme-wide evaluation**

The programme-wide (IP) evaluation will address the following issues:

### *1. Relevance and ownership*

The extent to which:

- The IP was jointly identified and formulated with the central coordinating authority, as well as with the involvement of programme counterparts and their target beneficiary groups.
- There is an agreement among the stakeholders that the objectives of the IP are still valid and that the programme supports the country industrial strategy.
- The programme did and continues to meet the MDGs and other international targets and is related to UNIDO's corporate strategy.
- The programme is complementary with relevant bilateral and multilateral cooperation and coordination programmes (especially UNDAF and CCA).

### *2. Funds mobilization*

The extent to which:

- The central national management and counterparts were able and willing, to contribute (in kind and/or cash) to IP implementation and in taking an active part in funds mobilization.
- UNIDO HQs and the Field representation paid adequate attention to and was effective in funds mobilization.
- The IP team and its stakeholders were in a position to participate in the process of allocation of seed money.

### *3. Programme coordination management*

The extent to which:

- The central national management and overall field coordination mechanisms of the Programme have been efficient and effective.
- The UNIDO HQ based management, coordination, monitoring of its services have been efficient and effective.

### *4. Programme formulation*

The extent to which:

- A participatory programme identification process was instrumental in selecting problem areas and counterparts requiring technical cooperation support.
- The IP has a clear thematically focused development objective, which will contribute to goals established by the country, the attainment of which can be determined by a set of verifiable indicators.
- The project/programme was formulated based on the logical framework approach

### *5. Synergy benefits derived from programme integration*

The extent to which:

- Coordination amongst and within components led to benefits (such as cost saving in implementing UNIDO services; increased effectiveness resulting from providing different services to the same target group; increased effectiveness resulting from interventions aiming at strengthening linkages within a system; improved effectiveness due to services provided simultaneously at the level of policies, support institutions and enterprises).
- The transaction costs of the IP (management and coordination of many stakeholders, complexity in funds mobilization, etc.) were commensurate to the benefits of integration.

### *6. Results at the programme-wide level (contribution to industrial objectives of the country)*

Assessment of:

- The results achieved so far at the output, outcome and whenever possible impact level.
- If the IP has or is likely to contribute indirectly to the achievement of the Millennium Development Goals/indicate which ones.
- Result indicators were developed and facilitated the assessment of progress towards national and international development targets.



## **B. Evaluation of (sub-) components**

Evaluation of each of the selected components will address the following issues:

### *1. Ownership and relevance:*

The extent to which:

- The component was formulated with participation of the national counterpart and/or target beneficiaries, in particular the industrial stakeholders.
- The counterpart(s) has (have) been appropriately involved and were participating in the identification of their critical problem areas and in the development of technical cooperation strategies, and are actively supporting the implementation of the component.
- A logically valid means-end relationship has been established between the component objective(s) and the higher-level programme-wide objective.
- Changes of plan documents during implementation have been approved and documented.
- The outputs as formulated in the IP document are still necessary and sufficient to achieve the component objectives.
- Coordination envisaged with other components within the IP or with any other development cooperation programmes in the country has been realized and benefits achieved.

### *2. Efficiency of implementation*

The extent to which:

- UNIDO and Government/counterpart inputs have been provided as planned and were adequate to meet requirements.
- The quality of UNIDO services (expertise, training, equipment, methodologies, etc.) were as planned and led to the production of outputs.

### *3. Effectiveness of the component*

Assessment of:

- The relevance of the outputs produced and how outputs are used by the target beneficiaries.
- The outcomes, which have been or are likely to be realized through utilization of outputs.

### *4. Impact*

- Identify what developmental changes (economic, environmental, social) at the target beneficiary level (industry) have occurred or are likely to occur.

Composition of the evaluation team

The evaluation team will be composed of the following three persons:

- UNIDO representative (mission leader)
- Government nominated representative, well acquainted with industry-relevant institutional framework of the country.
- International evaluation consultant.

*Members of the evaluation team should not have been directly involved in the design and/or implementation of the programme/projects.*

All members of the evaluation team who are not staff members of UNIDO will be contracted by UNIDO. UNIDO Field Office will support the evaluation team.

Donor representatives from the bilateral donor Embassies will be briefed and debriefed; and will be offered to participate during the evaluation of the components and/or projects they have funded.

## Annex VI: Fact sheets

<a href="#">Integrated Programme Monitoring</a>			
PALESTINE		Component 1	Component 2
<b>Title:</b>	Integrated Programme for UNIDO support programme to the Palestinian Industry with focus on Industrial Upgrading	Capacity Building for the Ministry of Industry	Capacity Building for the Private Sector Development Ministry
<b>Status:</b>	ongoing		
<b>Duration:</b>	36 months		
<b>UNIDO's Approval Date:</b>	21-Jun-99		
<b>Government Approval Date:</b>	16-Feb-00		
<b>Start of implementation activities: planned / expected completion date:</b>			
<b>Preparatory Assistance</b>			
<b>Approved Budget Excluding Support Cost:</b>	7,207,046		
<b>Approved Budget Including Support Cost:</b>	7,996,150		
<b>Total Allotment</b>	4,250,625		
<b>Total Expenditures</b>	1,236,778		
<b>Self Evaluation Reports</b>	<b>Aug-05</b>	<b>6-Oct-03</b>	<b>6-Oct-03</b>
<b>Terminal Project Reports</b>			
<b>Progress Reports</b>	<b>30-Jun-05</b>		
	<b>31-May-05</b>		
	<b>30-Sep-04</b>		
	<b>30-Apr-04</b>		
	<b>31-Oct-03</b>		
	<b>31-Jul-03</b>		
	<b>31-Oct-02</b>		

Component / Subcomponent	Projects/PADs	Starting date of implementation	UNIDO Staff	Org. unit	Service Module	Donor	Counterpart Organisation	Total	Prev. Years	Curr. Year	Total Expenditures	Balance
								Allotment	Disbursement	Expenditure		
<b>COMPONENT 1: CAPACITY BUILDING FOR THE MINISTRY OF INDUSTRY</b>												
	US/PAL/99/A55	27-Apr-00	Patacconi Gerardo	PTC/IPT		Italy		646,163	578,578	20,921	599,499	46,664
	XP/PAL/99/043	20-Sep-99	Patacconi Gerardo	PTC/IPT		Reg.Pro.Tech.C		50,817	50,817		50,817	0
	US/PAL/01/233	18-Jul-00	Patacconi Gerardo	PTC/IPT		UK Integrated Programme		32,517	32,517		32,517	0
<b>Total</b>								<b>729,497</b>	<b>661,912</b>	<b>20,921</b>	<b>682,833</b>	<b>46,664</b>
Subcomponent 1.1: Establishment of Industrial Investment Promotion Unit												
	US/PAL/99/D55	27-Apr-00	Moongananiyil V. Joseph	PTC/IPT		Italy		47,925	36,866		36,866	11,059
	UB/PAL/00/018	14-Jul-00	Moongananiyil V. Joseph	PTC/IPT		Unutilized Balance		37,153	37,153		37,153	0
<b>Total</b>								<b>85,078</b>	<b>74,019</b>	<b>0</b>	<b>74,019</b>	<b>11,059</b>
Subcomponent 1.2: Industrial Export Capacity Building												
	NOT FUNDED											
<b>Total</b>												
Subcomponent 1.3: Capacity Building for Industrial Policy formulation, monitoring and updating												
	US/PAL/99/C55	27-Apr-00	Akhvlediani Yuri Iraklie	PCF/SRE		Italy		78,968	78,968		78,968	0
<b>Total</b>								<b>78,968</b>	<b>78,968</b>	<b>0</b>	<b>78,968</b>	<b>0</b>
Subcomponent 1.4: National Cleaner Production Center (replaced: Design Feasibility Study and Environmental impact assessment for Gaza Municipal industrial estate)												
	US/PAL/99/B55	27-Apr-00	Morssy Azza Abdel moneim	PTC/EBC		Italy		22,400	22,400		22,400	0
<b>Total</b>								<b>22,400</b>	<b>22,400</b>	<b>0</b>	<b>22,400</b>	<b>0</b>
Subcomponent 1.5: Assistance to the establishment of a National Palestinian Industries Union (Palestinian Federation of Industries - PFI)												
	US/PAL/95/050	14-Jul-96	Taluy Grossruck Zeynep	PTC/SME		Italy		59,299	59,299		59,299	0
	US/PAL/99/F55	27-Apr-00	Akhvlediani Yuri Iraklie	PCF/SRE		Italy		89,500	88,936	-82	88,854	0
	UB/PAL/00/017	14-Jul-00	Patacconi Gerardo	PTC/IPT		Unutilized Balance		55,355	55,355		55,355	646

	XP/PAL/00/030	14-Jul-00	Patacconi Gerardo	PTC/IPT		Reg.Pro.Tech.C		46,063	46,063		46,063	0
<b>Total</b>								<b>250,217</b>	<b>249,653</b>	<b>-82</b>	<b>249,571</b>	<b>646</b>
<b>Total Component</b>								<b>1,166,160</b>	<b>1,086,952</b>	<b>20,839</b>	<b>1,107,791</b>	<b>58,369</b>
<b>COMPONENT 2: CAPACITY BUILDING FOR THE PRIVATE SECTOR DEVELOPMENT</b>												
Subcomponent 2.1: Support to the Standards Organization												
	US/PAL/02/054	23-May-02	Patacconi Gerardo	PTC/IPT		Sweden		100,022	65,293	28,097	93,390	0
<b>Total</b>								<b>100,022</b>	<b>65,293</b>	<b>28,097</b>	<b>93,390</b>	<b>0</b>
Subcomponent 2.2: Total Quality Improvement for selected Industrial Enterprises (tackled under subcomponent 1.5)												
<b>Total</b>												
Subcomponent 2.3 Support to the Establishment of Entrepreneurial Incubator Network - on hold												
<b>Total</b>	NOT FUNDED											
Subcomponent 2.4 Establishment of a Fashion Design and Technology Development Center (Garment Industry) - on hold												
<b>Total</b>	NOT FUNDED											
Subcomponent 2.5: Establishment of a Palestinian Building Resources Center - on hold												
	TF/PAL/05/001	18-Jul-05	Vento Emilio	PTC/IPT		Italy		2,959,831		20,103	20,103	0
	XP/PAL/04/069	10-Jan-05	Vento Emilio	PTC/IPT		Reg.Pro.Tech.C		9,498		7,948	7,948	6,632
<b>Total</b>								<b>2,969,329</b>	<b>0</b>	<b>28,051</b>	<b>28,051</b>	<b>6,632</b>
<b>Total Component</b>								<b>3,069,351</b>	<b>65,293</b>	<b>56,148</b>	<b>121,441</b>	<b>6,632</b>
<b>OTHER PROJECTS</b>												
	US/PAL/99/155	14-Dec-99	Patacconi Gerardo	PTC/IPT		Italy		1			0	0
	XP/PAL/05/002	18-Aug-05	Magliani Donatella			Reg.Pro.Tech.C		15,115		7,546	7,546	0
<b>Total</b>								<b>15,116</b>	<b>0</b>	<b>7,546</b>	<b>7,546</b>	<b>0</b>
<b>GRAND TOTAL</b>								<b>4,250,627</b>	<b>1,152,245</b>	<b>84,533</b>	<b>1,236,778</b>	<b>3,013,849</b>

IP Component	Service	Project	TITLE	Allotment	Total	Prev. Years	Curr. Year	Total	Balance	Remarks
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	Module			Holder	Allotment	Expenditure	Disbursement	Expenditures		
1		US/PAL/99/A55	Capacity Building for the Ministry of Industry	Patacconi Gerardo	646,163	578,578	20,921	599,499	46,664	
1		XP/PAL/99/043	Capacity Building for the Ministry of Industry	Patacconi Gerardo	50,817	50,817		50,817	0	
1		US/PAL/01/233	Capacity Building for the Ministry of Industry	Patacconi Gerardo	32,517	32,517		32,517	0	
1.1		US/PAL/99/D55	Establishment of Industrial Investment Promotion Unit	Moongananiyil V. Joseph	47,925	36,866		36,866	11,059	
.1		UB/PAL/00/018	Establishment of Industrial Investment Promotion Unit	Moongananiyil V. Joseph	37,153	37,153		37,153	0	
1.3		US/PAL/99/C55	Capacity Building for Industrial Policy formulation, monitoring and updating	Akhvlediani Yuri Iraklie	78,968	78,968		78,968	0	
1.4		US/PAL/99/B55	Design Feasibility Study and Environmental impact assessment for Gaza Municipal industrial estate	Morssy Azza Abdel moneim	22,400	22,400		22,400	0	
1.5		US/PAL/95/050	Support to the Development of Small- and Medium Scale Enterprises: Preparatory Assistance	Taluy Grossruck Zeynep	59,299	59,299		59,299	0	
1.5		US/PAL/99/F55	Assistance to the establishment of a National Palestinian Industries Union	Akhvlediani Yuri Iraklie	89,500	88,936	-82	88,854	646	
1.5		UB/PAL/00/017	Assistance to the establishment of a National Palestinian Industries Union	Patacconi Gerardo	55,355	55,355		55,355	0	
1.5		XP/PAL/00/030	Assistance to the establishment of a National Palestinian Industries Union	Patacconi Gerardo	46,063	46,063		46,063	0	
2.1		US/PAL/02/054	Upgrading Palestinian Industries	Patacconi Gerardo	100,022	65,293	28,097	93,390	6,632	
2.5		TF/PAL/05/001	Technology Transfer for "Recycling of Building Material Waste": A Platform for Production of Low-Cost Construction Products	Vento Emilio	2,959,831		20,103	20,103	2,939,728	
2.5		XP/PAL/04/069	Preparatory Mission for the Project "Transfer of Technology to Enable Recycling Waste and Debris for Production of Building Material"	Vento Emilio	9,498		7,948	7,948	1,550	
		US/PAL/99/155	Integrated Programme for UNIDO support programme to the Palestinian Industry with focus on Industrial Upgrading	Patacconi Gerardo	1			0		Main project under IP 1 PAL.
		XP/PAL/05/002	In-Depth Evaluation of Palestine Integrated Programme	Magliani Donatella	15,115		7,546	7,546	7,569	
		<b>TOTAL</b>			<b>4,250,627</b>	<b>1,152,245</b>	<b>84,533</b>	<b>1,236,778</b>	<b>3,013,849</b>	

Component / Subcomponent	Self-Eval. Report August 2005		Output	
	% of completion	Self evaluation	planned	achieved
Subcomponent 1.1: Establishment of Industrial Investment Promotion Unit	50%	SLP	Output 1.1.1: Investment Promotion Unit established at Ministry of Industry to provide assistance to foreign potential investors as well as Palestinian companies interested in starting/expanding industrial projects. It is linked to the Industrial Upgrading and to the PIEFZA Output 1.1.2 Database of Palestinian business opportunities looking for partnerships with foreign investors established and updated IPU	
Subcomponent 1.2: Industrial Export Capacity Building	Not funded	Not funded	Output 1.2.1 Sector and Branch-level analysis of prospects and constraints Output 1.2.2 Advise on policy instruments and legal/regulatory framework Output 1.2.3 Export and investment promotion agencies - on hold Output 1.2.4 Technology and Productivity centres Output 1.2.5 Export processing and free zones - on hold Output 1.2.6 Cluster formation and support - on hold Output 1.2.7 Industrial partnership councils - on hold Output 1.2.8 Investment and export promotion campaigns - on hold	
Subcomponent 1.3: Capacity Building for Industrial Policy formulation, monitoring and updating	70%	SLP	Output 1.3.1 Policy unit - on hold Output 1.3.2 Industrial strategy Output 1.3.3 Industrial Strategy Output 1.3.4 Sectoral strategies - on hold Output 1.3.5 Measures to improve the regulatory framework - on hold	
Subcomponent 1.4: Design Feasibility Study and Environmental impact assessment for Gaza Municipal industrial estate	Information not given	Information not given	Output 1.4.1: National Cleaner Production Centre (replaced Market survey demand analysis for MIZ) Output 1.4.2 Analysis of promotion strategies - cancelled Output 1.4.3 Formulation of a comprehensive plan for the development of a MIZ for Gaza Municipality - cancelled Output 1.4.4 Capacity development for the Ministry of Industry and Gaza Municipality regarding industrial zones development issues - cancelled	
Subcomponent 1.5: Assistance to the establishment of a National Palestinian Industries Union	Merged with 2.2	Merged with 2.2	Output 1.5.1 Strategy and action plan for the strengthening of the Palestinian Federation of Industries with active involvement of Palestinian stakeholders	
Subcomponent 2.1: Support to the Standards Organization	30%	Information not given	Output 2.1.1 Enhance the PSI capacity in elaborating national standards, adopting and adapting international standards to meet the needs of industry Output 2.1.2 Creating facility for industrial metrology calibration and verification activities in mass, length and volume management	

			Output 2.1.3 Library facility for enhancing interactive flow of information within and providing sufficient services to potential customers on information retrieval related to standards and technical regulations of national and foreign origin - on hold	
Subcomponent 2.2: Total Quality Improvement for selected Industrial Enterprises	80%	Information not given	Output 2.2.1 Design, implement and analyze a survey	
			Output 2.2.2 Capacity created at PSI to assist Palestinian enterprises in introduction of TQM practices and in implementation/auditing of ISO 9000 series of standards through assistance to selected pilot enterprises	
Subcomponent 2.3 Support to the Establishment of Entrepreneurial Incubator Network - on hold	Not funded	Not funded	Output 2.3.1 A "Business Plan" finalized per each business incubator in three envisaged sites - on hold	
			Output 2.3.2 Three business incubators established in the selected site - non-active	
			Output 2.3.3 Three business incubators operational in the selected site	
			Output 2.3.4 International links to other developed and developing countries' business incubators established - non-active	
Subcomponent 2.4 Establishment of a Fashion Design and Technology Development Center (Garment Industry) - on hold	Not funded	Not funded	Output 2.4.1 Operational Fashion Design and Technology Centre (FDTC) - on hold (to be revised)	
Subcomponent 2.5: Establishment of a Palestinian Building Resources Center - on hold	Information not given	Information not given	Output 2.5.1 An APEX Body set up for taking high-level decisions, recruitment of National manager, staff, provision of building and other physical facilities, as well as monitoring, supervision and guidance to the project - on hold	
			Output 2.5.2 PC System Network, with central PC server, internet, intranet, email facilities - on hold	
			Output 2.5.3 Library Service and computerized information service unit: fully functional unit with up-to-date library and bookshop facility providing access to technical/other information and help establish linkages abroad to specialized units - on hold	
			Output 2.5.4 Training unit: trained staff capable of organizing professional courses/training programmes on subjects of interest to clients in consultation/coordination with other specialized institutions in the country - on hold	
			Output 2.5.5 Research and Development Unit: substantive operations unit with trained staff responsible for acting as focal in coordinating and implementing research and programme development activities endorsed by ASC in consultation with relevant institutions - on hold	
			Output 2.5.6 General building information service: unit operating under a qualified and trained editor with the task of disseminating information through a homepage on website, and publications on technical meetings, survey results, research... - on hold	

### List of Milestones

Date	Milestone	Description / Notes / Remarks
01-Jan-99 - 31-Dec-99	Programming Mission Date	Description: Remarks: No programming mission was carried out.
01-May-99 - 01-May-99	Programme Document Date	Description: Programme document elaborated in Vienna
21-Jun-99	Executive Board Decision Date	Description: EB approved IP
17-Oct-99 - 22-Oct-99	Back-to-Office Mission report	Description: G. Pataconi, TL, Ramallah Palestine/Rome Italy. Discuss modalities, priorities and funding strategy for IP; discuss funding possibilities with Italian authorities
14-Dec-99	PAD Date	Remarks: Italian contribution of \$1 ml officialized at the UNIDO GC
31-Dec-99	Quarterly Progress Report	Description: Progress report prepared by PFI
11-Feb-00 - 16-Feb-00	Back-to-Office Mission report	Description: G.Pataconi, TL, Ramallah/Jerusalem. Official launch of IP; discuss assistance in investment promotion; identification of cooperation with other projects/donors.
16-Feb-00	Programme Approval Date	Description: Agreement for IP implementation signed on 16/2/00 by TL and Minister of Industry
13-Jun-00 - 20-Jun-00	Back-to-Office Mission report	Description: G.Pataconi, TL, Jerusalem/Ramallah & Milan, Italy. Attend 6th UN Inter-Agency meeting on coop. between Palestinian Authority and the UN; monitor progress of IP; discuss delegate Palestinian programme with ITPO Milan and cooperation with the Italian Standards Body (UNI).
27-Aug-00 - 08-Sep-00	Back-to-Office Mission report	Description: G. Pataconi, TL, Gaza/Jerusalem. Carry out pre-diagnostic and selection of pilot enterprises for demonstration phase of industrial upgrading; review IP with counterparts, UN agencies and donors.
27-Aug-00 - 07-Sep-00	Milestone	Description: Identification of 140 candidate enterprises and selection of 35 pilot-enterprises for the demonstration and capacity building phase Notes: 35 pilot-enterprises selected and agreed by MoI and PFI

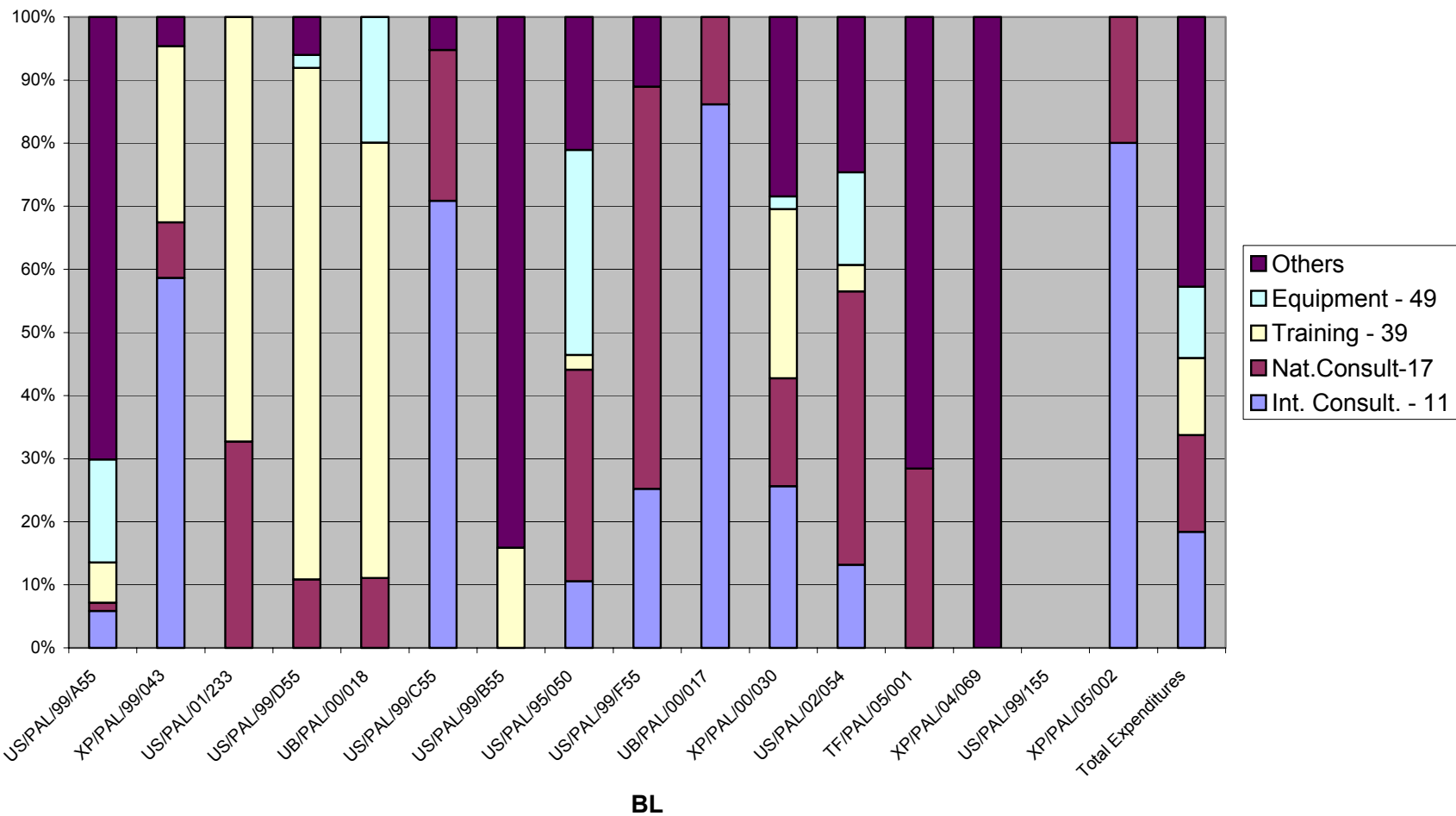


24-Sep-00 - 24-Sep-00	Milestone	Description: Validation workshop held in Ramallah for the PSD proposal. Remarks: Funding possibility by Italy to be re-addressed.
30-Sep-00 - 30-Nov-00	Quaterly Progress Report	Description: Progress report as at end. Sept.(UNIDO) and end Nov. 2000 (NTC)
01-Jan-01 - 03-Dec-01	Yearly Progress Report	Description: Progress report submitted to donor Italy on 3 Dec. 2001 Remarks: See also brief yearly report submitted to FOA.
30-Jun-01	Quaterly Progress Report	Description: Progress report for IDB 24 - June 2001
30-Nov-01	Quaterly Progress Report	Description: Progress report for GC - Dec 2001
31-Mar-02	Quaterly Progress Report	Description: Progress report prepared for IDB 25 - May 2002
8-May-02	Milestone	Description: Swedish funds for IP - "Upgrading Palestinian Industries", US\$. 100,022 (excl. support costs) project US/PAL/02/054
8-Nov-02	Quaterly Progress Report	Description: Progress report for IDB 26
31-Jul-03	Quaterly Progress Report	Description: Progress report for IDB 27
27-Apr-05	Executive Board Decision Date	Description: New TL approved (transfer of TLship to Regional Bureau)
30-Jun-05	Milestone	Description: PAC/PRP: approved the increase of the IP budget by € 2,650,000 (incl psc) Remarks: Ref: Project on "Technology Transfer for Recycling of Building Material Waste" (control no. 40630)

I.P. PALESTINE: EXPENDITURES BY BLs (Status as of 05th September 2005)							
Project number	Title	Issue - Expenditures					Total Expenditures
		Int. Consult. - 11	Nat.Consult-17	Training - 39	Equipment - 49	Others	
US/PAL/99/A55	Capacity Building for the Ministry of Industry	\$35,042	\$7,848	\$38,288	\$97,898	\$420,424	\$599,500
XP/PAL/99/043	Capacity Building for the Ministry of Industry	\$29,800	\$4,484	\$14,191		\$2,342	\$50,817
US/PAL/01/233	Capacity Building for the Ministry of Industry		\$10,640	\$21,877			\$32,517
US/PAL/99/D55	Establishment of Industrial Investment Promotion Unit		\$4,003	\$29,898	\$750	\$2,215	\$36,866
UB/PAL/00/018	Establishment of Industrial Investment Promotion Unit		\$4,117	\$25,641	\$7,395		\$37,153
US/PAL/99/C55	Capacity Building for Industrial Policy formulation, monitoring and updating	\$55,954	\$18,894			\$4,120	\$78,968
US/PAL/99/B55	Design Feasibility Study and Environmental impact assessment for Gaza Municipal industrial estate			\$3,556		\$18,844	\$22,400
US/PAL/95/050	Support to the Development of Small- and Medium Scale Enterprises: Preparatory Assistance	\$6,262	\$19,882	\$1,400	\$19,267	\$12,488	\$59,299
US/PAL/99/F55	Assistance to the establishment of a National Palestinian Industries Union	\$22,422	\$56,643			\$9,789	\$88,854
UB/PAL/00/017	Assistance to the establishment of a National Palestinian Industries Union	\$47,696	\$7,659				\$55,355
XP/PAL/00/030	Assistance to the establishment of a National Palestinian Industries Union	\$11,800	\$7,880	\$12,356	\$934	\$13,093	\$46,063
US/PAL/02/054	Upgrading Palestinian Industries	\$12,300	\$40,467	\$3,936	\$13,710	\$22,977	\$93,390
TF/PAL/05/001	Technology Transfer for "Recycling of Building Material Waste": A Platform for Production of Low-Cost Construction Products		\$5,714			\$14,389	\$20,103
XP/PAL/04/069	Preparatory Mission for the Project "Transfer of Technology to Enable Recycling Waste and Debris for Production of Building Material"					\$7,949	\$7,949

US/PAL/99/155	Integrated Programme for UNIDO support programme to the Palestinian Industry with focus on Industrial Upgrading							\$0
XP/PAL/05/002	In-Depth Evaluation of Palestine Integrated Programme	\$6,046	\$1,505					\$7,551
<b>Total item:</b>		<b>\$227,322</b>	<b>\$189,736</b>	<b>\$151,143</b>	<b>\$139,954</b>	<b>\$528,630</b>		<b>\$1,236,785</b>
<b>Total Expenditures:</b>		<b>\$1,236,785</b>						

### Expenditures by BLs



## Annex VII: Names of persons met

H.E. Minister Mazen Sinokrot, Min. of National Economy
Dr. Jawad Naji, Deputy Minister, Ministry of National Economy
Mr. Ziad Toame, UNIDO Focal Point, MoNE
Mr. Al- Khuzundar, Chairman PFI
Mr. Amal Shuqier, Enterprise Upgrading Manager, IMC
Mr. Shawqi Makhtub; Sectors Upgrading Manager, IMC
Mr. Muene, IMC Staff
Mr. Saad Al-Khateeb, local advisor for the EU experts working on IMP
Mr, Bassim Khuri, Former IMC Board Member
Mr. Mohammad Al-Sayyed, International Cooperation Manager, PSI
Mr. Manoun Sabbah, PSI
Mr. Bassam Omar, PSI
Mr. Sani Daher, Paltrade CEO
Mr. Saad Khatib, Director, Trade Policy Department, PALTRADE
Mr. Odeh Zaghmouri, Former CO PFI/UNIDO Coordinator
Mr. Talal Nasseudin, Former PFI Chairman
Mr. Sami Abu Zarifa, Former UNIDO National Focal Point
Mr. Amer Hamed, Deputy CEO PFI
Ms. Amal Tarazi, Director of Private Sector Coordination Unit, MoNE
Mr. Imad Jallal, MoNE/UNIDO Consultant
Mr. Nameer Khayat, Director of Aftercare Unit, PIPA
Mr. Adnan Abu Awad, Chairman, Palestinian Food Industries Association
Mr. Faud Aqrah, PFIA
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Mr. Hazem Kawasmi, GTZ
Mr. Muhsen Sinokrot, GM Sinokrot Food Co
Mr. Fritz Frohlich, Deputy Head, Swiss Agency for Development and Cooperation
Mr. Khalid Qutob, FMI
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