

***Market Access and Trade Facilitation Support for Mekong Delta Countries,
through Strengthening Institutional and National Capacities Related to
Standards, Metrology, Testing and Quality (SMTQ)***

**TF/RAS/02/003
REPORT of the Independent Evaluation Team
11 July 2005**

PROJECT MANAGER COMMENTS: 19 August 2005

The project manager provided detailed comments on technical errors and mis-interpretations on the first draft report (see attached below initial comments dated 4 July 2005).

The evaluation team did not submit any responses, clarifications or contesting the Project Manager submission, before finalising the final report. As such it is necessary to provide additional clarifications on some specific issues that are raised in the Final report.

1. Financial Reporting

It is stated in many instances that "financial reporting provided to the evaluation team was sketchy and extremely weak". "There is lack of transparency in financial management" (page 9)

"but, financial transparency is lacking" (Conclusions page 10)

"Financial reporting is sketchy and in the opinion of the evaluation team extremely weak" (Conclusion 11 page 11)

"There is no report available to the evaluation team that explains the financial picture, **in spite of repeated requests**" (page 33)

The project manager totally disagrees with this statement. NO REQUEST FOR ANY ADDITIONAL FINANCIAL STATEMENTS was received BEFORE, DURING VIENNA BRIEFING, DURING DRAFT REPORT PRESENTATION, NOR AFTER DETAILED RESPONSE WAS MADE IN WRITING BY THE PROJECT MANAGER ON THE ERRONOUS CONCLUSION DRAWN IN THE DRAFT REPORT RELATING TO THIS.

These are very serious conclusions drawn, that cast doubts about the UNIDO financial procedures and the integrity of the Project management

UNIDO financial procedures and formats are those derived from the UN system and used system wide. No changes in financial administration or reporting have taken place, the last 10 years. (except brining in a computerised on-line system)

Both evaluators have undertaken independent evaluations of UNIDO projects before. It was naturally assumed they would know the Numerical budget lines used in UNIDO.

The evaluators did not ask for a single additional financial record during the Vienna briefing, nor during the presentation of the draft report on 20 June 2005. The Project manager stated clearly on 20 June and in the written submission on the draft report that all the detailed records are available. Both evaluators did not seek the additional data.

2. NORAD Asking for financial data in the March review

This is a different issue. What they asked is how the NOK contribution was converted, in to US\$ and how UNIDO support costs are charged, the present balance and interest accrued. The query was directed to the Fund Mobilisation and Administration Branch, which were adequately addressed.

3. Identifying individual donors with inputs

"The approach lacks transparency regarding what is funded by whom (NORAD, Austria, Swiss)" page 9.

The detail budgets under each project clearly show this. If the evaluators have spent some time or asked the project manager, the information is visible.

4. Sharing Budget Information with Countries

The comment may arise from the counterparts who are used to UNDP funded projects. UNDP has the "National Execution" modality, where the project management and fund disbursement is shared with the Government counterparts. UNIDO does not follow this modality. Further, UNIDO projects are much more technically complex than other UN projects, and project management is vested with UNIDO.

Further, the NORAD contribution is a trust fund with UNIDO and UNIDO is accountable.

5 SER Output 1.3- Not informing the donor about changing output

It was hoped that the project could deliver the output (Harmonising regional standards). However, it was found that Cambodia and Lao PDR lacked the capacity for standards development. As such, the project concentrated in developing this capacity. The donor was informed of the difficulty in the reports submitted. (see below)

1. Status of Programme Output

a) Describe the present status:

This output was not attempted directly as ASEAN ACCSQ was taking action to harmonise standards of the ASEAN member states. However under this output action was taken to prepare national standards in Cambodia and Lao PDR.

Cambodia

Fourteen priority Cambodian standards were prepared.

Lao PDR

Six Lao standards were formulated.

2. Comments on the status (*factors of success and failure, including capacity of the counterpart organization; if appropriate, suggest corrective measures*):

Lack of laboratory facilities in Cambodia and Lao PDR was a major setback for formulation of national standards. In addition, in both these countries the small number of staff available for standardisation work hampered the formulation of draft standards. The shortage of staff was particularly acute in Lao PDR. When the UNIDO sponsored Food & microbiology laboratory in Cambodia comes into operation next year, the situation may improve somewhat. However in Lao PDR the shortage of human resources is bound to persist for some time to come.

6 Comment on lack of coordination of evaluation

The initially agreed evaluation dates were changed by the international consultants. The responsibility to brief the national consultants is vested in the international consultant and not the project manager.

7 Executive Summary-Page 8-Section 5 – Formulation

"One weak point in the master plans is the treatment of standardization".

There is no explanation as to what is meant by 'weak point'. If this was referring to the standards formulation strategy given in the master plans, the weak point is not in the master plans but in the infrastructure (staff, documentation and facilities) available in Cambodia and Lao PDR. The plans given are based on the immediate needs in these countries and the availability of resources.

There is reference to Vietnam having published 6000 national standards. These have been done over a long period of time (20-30 years) and Vietnam has nearly 100 members of staff in its Standards Center.

A well-structured committee system is in place to formulate national standards. 84 Technical Committees and 32 Sub committees are presently in operation. Moreover, Vietnam Standards Center has been a member of ISO from 1977 and is an IEC Associate member since April 2002. It participates in 9 ISO technical committees as P-member and 51 ISO TCs as O-member. Cambodia with five members of staff (for standards work) and Lao PDR with two staff members cannot be expected to achieve similar results in the short term.

There is also an argument that ISO, IEC international standards can be directly adopted in the two countries. In the case of least developed countries such as Cambodia and Lao PDR, this is a misconception. First the number of product standards published by ISO relevant to developing countries is very small, not more than one percent of the total number of ISO standards. In the case of South East Asian countries such as Cambodia and Lao PDR, for most of their important products such as Coffee, Soya products, rice, etc, there are no complete ISO standards. Those ISOs that have been published are not complete product standards, but parts of standards such as grading, classification and test methods. Secondly, even if there was an international standard available for an industrial product,

these countries do not have the facilities to implement the standard. In fact, under the EU-ASEAN program Cambodia was forced to adopt 40 IEC standards applicable to safety requirements of electrical products. Unfortunately, Cambodia cannot implement these standards as they do not have the necessary laboratories and staff with the requisite technical knowledge. Thus, they are dependant on foreign laboratories (mainly from Singapore, Malaysia and Thailand) to conduct tests on their behalf with a consequent drain on scarce foreign exchange. This would also lead to corruption at the entry points, which is a serious problem in both of these countries. One of the main aims of standardization namely 'Protection of the Consumer' is not achieved by such pseudo standardization techniques.

8 Executive Summary, Page 9-Section 6 –Implementation

Unclear responsibilities (as observed by the beneficiaries) and reporting routines. Progress reports are extremely brief and incomplete. The financial reporting provided to the evaluation team was sketchy and extremely weak.....

All the international experts produced detailed reports after completing each mission. These reports recorded the progress of the activities relevant to the expert's mission. The CTA's mission reports (Six reports) always reported the progress of the different activities undertaken under the project. Brief summary reports were filed in addition to these reports. These reports were made brief (one or two pages) to meet a request made by the donor for short summary reports.

9 Executive Summary,Page 10-Section 8-Sustainability

It only addresses personnel and business plans, but does not discuss important assumptions, such as the significance of phase II.

The sustainability report was written on a request made by Mr. Dag Larsson of NORAD. The request was specifically to identify the sources of income and Govt. policy with respect to the outputs that had already been achieved in Cambodia and Lao PDR during Phase I. The report was not expected to discuss or substantiate the necessity of a second phase. This was to be done by the independent evaluation. This is the reason for the 'Sustainability Report' to limit itself to financial sustainability and availability of personnel and other infrastructure

EVALUATION OF MEKONG /NORAD FUNDED PROJECT

Comments from Project Manager 4 July 2005

Formulation- Domestic market Protection

Yes it is agreed that the intervention leads to additional outputs that cover domestic market regulation and protection against sub-standards imports.

However, this is not the stated objective of the project, which has the title "Market Access and Trade Facilitation support..."

It is suggested that the contribution to the domestic market regulation be seen as a by-product arising from the intervention.

Project Management Responsibility

The main (financial and substantive) project management responsibility is vested with the Project manager. This is reflected in UNIDO Project management manuals and procedures. He is the "allotment holder" in financial terms within UNIDO, vested with the responsibility of dispersing funds and being accountable for the actions.

In large projects, UNIDO assigns a Chief Technical Advisor (CTA) for day-to-day project management in the field. In this project, the CTA is a part time responsibility. He has been engaged for about 6 months in a given year. It is further to be noted that three countries are covered and the CTA is only partly assigned day-to-day management. The job description of the CTA clearly states that he reports to the Project Manager. The project manager is overall responsible for defining the project strategy, and resource planning. CTA provides technical guidance, technical advice and brings to the notice of the project manager issues for consideration.

The Associate Expert (AE) is a support function to the project manager. The AE was assigned the Alternate allotment holder (AAH), allotting some financial responsibility. AE is mostly responsible for coordinating the logistics in the three countries when project activities are planned and implemented.

The titles used in correspondence with counterparts "Project Manager"; "Chief Technical Advisor" and "Associate Expert" it self denotes the relative responsibilities.

UNIDO has a full-time UNIDO Representative (UR) in Vietnam. Some of the financial responsibility was delegated to the UR, however the overall financial and substantive responsibility is vested with the Project Manager. Cambodia and Lao PDR did not have a UR. (Last month in Lao PDR a national staff was appointed to look after UNIDO activities). As such in Lao PDR and Vietnam, the financial disbursements were channelled through UNDP, based on established UNIDO practices.

As to the comment on lack of local counterpart involvement in budget planning and financial decisions, this is not a practical solution in this project. From the beginning, Vietnam simply wanted one third of the budget assigned to Vietnam and they be given outputs along the one-third division. Vietnam also wanted all regional training activities to be conducted in Vietnam. UNIDO resisted these demands because it was not possible to simply divide the

budget to three countries, as the needs in each country are different. The implementation was based on the project outputs defined in the project documents, the gaps in each country related to the output, and resources available. A good example is the training related to metrology: Cambodia and Lao PDR staff were sent to Sri Lanka for metrology training, a low cost affair and a laboratory having medium level metrology capacity. On the other hand Vietnam nationals were sent to Germany for metrology training at more than three times the cost of the Sri Lanka training, as metrology in Vietnam is advanced and they need specialised training.

Counterpart/beneficiary concerns are taken in during consultations and the budget decisions reflect this consultation. Vietnam requested to recruit two staff as project coordinators, which was done. It was requested in Lao & Cambodia a project vehicle be bought and this was done. Etc.

Regional Approach

The evaluation team visited the Mekong River Commission, which is not the same as the Greater Mekong Sub-Region Economic Cooperation. Please see in the annex the news related to GMS .

At the time project was designed, integration of GMS was a major political initiative. In addition it was felt that trade flows within this region would enhance and it would be beneficial to create a harmonised infrastructure.

ASEAN (ACCSQ) was launched about the time UNIDO formulated the Mekong project. It is only a "Consultative Committee" without any funds allocated to support national capacity building. Further, it is driven by the larger more developed countries within the group and the focus of standards harmonisation is more in high tech electrical/communications technology related standards. The smaller countries, particularly the LDCs are mostly marginalized in the process. If the ACCSQ of harmonising standards and conformity is to be implemented objectively, the first task is to develop the standards and metrology laws for Cambodia and Lao PDR, and develop the standards, metrology capacity in these countries. Without this legal framework and the institutional capability, the ACCSQ objectives cannot be achieved. Unfortunately, though the ACCSQ has been in operation for over three years, and until NORAD/UNIDO arrived on the scene these capacity gaps have not been looked at nor addressed by ACCSQ.

APEC – This is a much larger regional grouping, and no capacity development intended.

Harmonisation

For standards and conformity harmonisation, it is first necessary to have a functional standards and conformity infrastructure. From the inception the project concentrated on developing the related laws. The delays occurred in getting the laws passed by the respective Governments was unexpected.

Number of Standards developed for Lao & Cambodia

It is a fact that Vietnam has much more standards than the other two countries. Vietnam is a much more industrialised country having had a long history of state industry driven manufacturing base. It had a good metrology and testing base due to the past links to East Germany (GDR). Further, the centrally planned economy recognised the importance of standards and testing for accessing global markets and provided the necessary infrastructure and funding to develop the framework for standards development/harmonisation.

A pre-requisite to Standards development/harmonisation is laboratories for testing. Even to adopt a standard for cement, let say from the EU, the product has to be tested to see how it performs in the local environmental setting. The testing capacity in Lao PDR and Cambodia is very limited. We are planning in the second phase to have a budget for sending product samples for testing overseas, in order to expedite the standards development in Cambodia and Lao PDR.

Further, adopting a foreign standard could wipe out existing local manufacturer or a future potential local manufacturer, that would utilise local technology/ local material base, and these issues have to be discussed/debated in the national interest. Necessarily, developing national standards/ adopting international standards require national standards development capacity, establishment of various sub-sector technical committees and the involvement of civil society, consumer associations, academics etc. This support infrastructure is being developed by the NORAD/UNIDO project.

A further overriding issue is that without the legal base (law on standards) any standard developed/ harmonised has no legal basis in the country for implementation. So equal emphasis need to be paid to all these related issues.

BUDGETS and Donor Identification

The UNIDO prepared brochures/annual reports on standards and metrology clearly states whom the donor is. The Standards brochures credit NORAD. Metrology credit Austria as the donor.

UNIDO labels are placed on project equipment for two purposes. First, to obtain duty free clearances the equipment has to be identified as UNIDO equipment and cleared through the common UN clearance system. (Bi-lateral project equipment are cleared through the embassy)

The equipment is inventorised by UNIDO and for insurance purposes they have to be identified as UNIDO property.

If the donor requires, we can place an additional label on the equipment that the equipment has been provided under a specific donor funded project.

Identification of Donors with Equipment & Budgets

Contrary to the conclusion that it is difficult to identify, which donor has provided which equipment and to which country, it is very easy to identify.

The project budget is sub-divided into budget lines clearly distinguishing; expenditure types, headings, and any departure from these require approvals. The project implementation has to follow this strict budget, and equipment is listed under line 45.00. The three projects NORAD, Austria, SWISS show equipment budget as follows:

NORAD \$ 50000, Austria \$ 375,000, SWISS \$ 510,000

The Equipment budget under NORAD project is \$50,000, which was used only to provide support equipment (computers, photocopiers, two vehicles). Detailed records show who got what.

The Cambodia metrology and laboratory equipment are all funded by Austria

In Vietnam all metrology and laboratory equipment all funded by Swiss/SECO

BUDGET DETAILS

The comment on the financial records submitted being “**extremely sketchy and not conclusive**” and “**lack of transparency made it virtually impossible to judge the cost-efficiency of the NORAD project**” is unfair and present a distorted image of the project management, and UNIDO financial procedures. UNIDO has a centralised computerised accounting system for project management. Further, additional Excel sheets are kept by the Project manager itemising for example each expert recruited (fee, travel, DSA); equipment (supplier, cost, beneficiary institute) etc. What was submitted to the evaluation team was the summary print out of the budgeted amounts and expenditures to date.

It is up to the evaluation team to decide to what level of details they require to go into, and if we were asked, these additional details we would have simply provided. When the same observation of absence of detailed financial records was mentioned at the presentation on 20 June, 2005; the project manager made this same comment and provided additional financial records.

It is the usual practice and indeed a main task of the Headquarter briefing of the evaluation team to identify any information gaps/ additional information needs. If more detailed information on budgets/finance were requested by the evaluators during the Vienna visit, it would have been provided.

Paying market rate for national consultants

This is a UN wide policy decision to define the salary structure in each country, based on national salary levels, cost of living, demand/supply of expertise. Some Governments impose a maximum limit on national expert salaries- pegging it to the highest Ministry salary. This is also to ensure that Ministry officials are not trying to get better paying UN project assignments on leave.

ISO9000/ 14000 –Lead Auditor – a shot above target

This conclusion, as pointed out during the 20 June presentation is misleading. The following diversified needs were identified early on:

- ✓ At present level of industry/exports, Lao PDR and Cambodia is not ready to have certification capability in 9000/14000.

- ✓ In the case of Cambodia/Lao PDR what was required was to create national awareness on 9000/14000, combined with standards institutions to have training capacity to conduct ISO 9000/14000 awareness courses.
- ✓ Lao PDR and Cambodia to have capacity to conduct internal auditor courses for companies willing to set up 9000/14000 systems.
- ✓ If one or two IRCA qualified auditors were available in Lao PDR and Cambodia, it would reduce the cost of certification.
- ✓ Equally it was recognised Vietnam needs a much larger base of qualified 9000/14000 auditors, considering the phenomenal export growth in the country and the need to have wide geographical coverage.
- ✓ Vietnam to have "training of trainer" capacity in 9000/14000 to develop national training capability to service the growing export demand.

The implementation strategy adopted is purely based on this sound assessment.

The 9000/14000 auditors training are based on international requirements based on IRCA. The trainers and the course have to be registered by IRCA and IRCA sets the limit on the number of participants per each course. (If one trainer maximum 8 trainees, if 2 trainers – 20 trainees). Further the title of these courses by default is "AUDITOR/LEAD AUDITOR" course. Those who complete the auditor course, registered as an auditor after completing supervised practical audits. The same auditor is elevated to the title of Lead Auditor, after conducting further practical audits. The course requirement (theory) and examination is the same for auditor and lead auditor. Further, auditors are required both for internal company auditing, and for certification auditing. The training is similar, only difference is to practice as an internal auditor one need not pass the IRCA course, obtaining 75% marks. An internal auditor needs information on the standards and principles of auditing.

In the case of Lao PDR and Cambodia in addition to the formal training course on 9000/14000, an international consultant was used to provide practical exposure to the standards institute and additional guidance to those that completed the Nigel Bauer course. Five pilot enterprises were used to develop this practical capability. The key objective is to support the Standards institute capacity to provide awareness training on ISO 9000/14000 standard and at the second stage to conduct "internal auditor" training programs to the private sector.

Developing certification capacity in Lao PDR and Cambodia was never thought of in this phase of the project.

Selection of trainees for ISO 9000/14000

Training strategy was to train primarily staff from the Standards institutions, as well as awareness creation in the private sector chambers, Ministries and universities. The institutions were requested to nominate suitable trainees and English knowledge was listed as a requirement. It was assumed that the trainees would have the English knowledge. It was found that some did not have good English knowledge to follow the course.

Training of Trainers

Comments made are confusing. The objective was to support STAMEQ which has the responsibility to provide training on “internal auditor” courses to industries. Due to the wide geographic demand for training and the unprecedented export growth it is necessary to develop this capacity. The private sector is not providing the internal auditor training courses.

Head Quarter Missions

As presented on 20 June, the comment likely arose from the last mission to Vietnam, where a comment was made that the phase 2 document was not discussed with the counterparts in Vietnam.

To make an objective judgement, one has to go through the Back-to-office- Mission Reports. (BTOMRs). These clearly state the objective of the mission, achievements and follow up actions.

It should be noted that most experts (international/ national) limit the work to what is defined in their respective job-descriptions. They do not often feel the responsibility to ensure the overall project objectives are achieved, addressing political issues and ensuring long term sustainability. This task is carried out by the Project Manager.

Some major achievements have been made during the field missions. The Cambodia Government commitment to contribute \$ 100,000 to the laboratory buildings, the decision to consolidate test laboratories under one Department etc. are examples. The project manager meets the Ministers/Deputy ministers during missions to provide briefings on project progress and the necessary Government commitments needed. In the case of Cambodia, the project manager challenged the laboratory Head who is the son –in-law of the Minister, and then explained to the Minister the need to make changes. In Lao PDR, the project manager found out about the ADB planned intervention that is counterproductive and stressed on the Government to reject the project.

Comment on “Missions being used to train UNIDO staff is a bit too harsh” Considering the complexity of the training logistics and the need to conduct an evaluation of the training, a UNIDO staff member undertakes a mission during the training period. In the cases referred, the UNIDO Associate expert undertook the mission to oversee the training and conduct the end evaluation. The associate expert in addition, participated as a trainee.

MASTER PLAN Vietnam

The Vietnam Master Plan is “not a Master plan” as mentioned in the report. The “master Plan” is to map out the development of each country, standards, metrology, testing and conformity infrastructure, in line with the industry needs and export demands foreseen. In the case of Lao PDR & Cambodia, which does not have the key institutional structure in the SMTQ area, a detailed Master Plan is prepared. In the case of Vietnam, it has a functional standards institution, a developed metrology structure, good certification capability, functional conformity infrastructure. Hence the master plan is not really applicable in the case of Vietnam. What was proposed was filling some gaps in equipment, enhancing service delivery (corporate governance etc)

EVALUATION national experts reporting to project Manager

A comment was made about the national experts reporting to the Project Manager. This was purely the administrative procedure.

Normal UNIDO Evaluations are charged under the Evaluation Branch budget, and evaluations carried out according to annual evaluation plans. Since NORAD requested in March that an evaluation be done in June, as a precondition for second phase funding, it was decided to fund the national experts under the project budget. As the main allotment holder, the job descriptions state that the national experts have to report to the project manager. This condition however did not influence the impartiality of the evaluation. As to the proper briefing of the national consultants during evaluation, this should be the responsibility of the international consultants recruited to undertake the evaluation. UNIDO staff should not give instructions to the national experts on what to do, as this will compromise the independence of the evaluation. (same as "report to Project manager" issue in the Job description.)

Coordination of expert missions and short notice

This is a contentious issue from UNIDO side as well. To maximise expert mission efficiency, it is planned that the expert goes to all three countries. Two countries would agree on dates and another disagrees. Unplanned holidays and events (Lao ASEAN meeting, Cambodia election, coronation etc.), Vietnam (New year etc) at times made logistics difficult. Sometimes, agreed dates were changed by the countries. Further, the experts recruited are always in demand by UNIDO and other organisations. We also have to make sure the same expert is sent on return missions, and not a new expert every time. UNIDO would have pushed hard the national counterparts to agree on the work plans and expert visit schedules. On a different note, the fielding of expert at an "inconvenient" time to the national counterpart did not affect the outcome. Also once one country wants a change in the previously agreed schedule, it creates a lot of work and re-scheduling for UNIDO and the consultant. We have been very strict on the dates agreed.

The key problem was in Vietnam, which had a strict bureaucratic system to get clearances. Further, in one case after following strictly the STAMEQ agreed schedule, when the expert went on mission, the lab was not even aware of his visit. He wrote this in his report and since then STAMEQ has asked for longer lead times for approval of experts.

Office Equipment Purchase

Lao PDR and Cambodia particularly did not have many reputed suppliers of computers and support equipment. Further, branded and original products were difficult to source locally. Additionally, in Lao PDR & Cambodia, UNIDO did not have a field representative to undertake the purchasing responsibility

As such, the UNIDO Headquarter purchasing procedures were followed. It is true that some equipment broke down and spares were difficult to get. Locally purchased equipment would have had a better service is possible. However the later procurement of a photocopier, particularly for Vietnam was done through local procurement.

L. Goonatilake; Project Manager; 5 July 2005

ANNEX: GREATER-MEKONG SUB REGION

<http://www.adb.org/GMS/default.asp>

In 1992, with ADB's assistance, the six countries entered into a program of subregional economic cooperation, designed to enhance economic relations among the countries.

The program has contributed to the development of infrastructure to enable the development and sharing of the resource base, and promote the freer flow of goods and people in the subregion. It has also led to the international recognition of the subregion as a growth area.

<http://www.gmsarn.org/about/about.htm>

http://www.findarticles.com/p/articles/mi_hb020/is_200004/ai_hibm1G166961956

Efforts to develop the Mekong Sub-region far antedate ASEAN. The Mekong Committee was established under the auspices of ESCAP as early as 1957. The sub-region can thus be said to be a pioneer in regional cooperation in Southeast Asia.

Even after ASEAN's founding, for many years, only Thailand among the Mekong riparian states was an ASEAN member. The GMS forum itself was initiated in 1992. In ...

Ha Noi, June 30 (VNA) - Representatives from around 25 Vietnamese businesses will attend the 2nd Summit of the Greater Mekong Sub-region (GMS) to be held in Kunming, China, from July 3-5.

These businesses are operating in the fields of tourism, banking, finance, export-import, information technology, and transport, Vice Chairman of the Viet Nam Chamber of Commerce and Industry (VCCI) Hoang Van Dung has said.

The 2nd GMS summit will also draw around 300 delegates from GMS member countries, international organisations, and private enterprises.

The participants are expected to discuss various topics, including the facilitating of commerce and investment and the upgrading of infrastructure facilities and information networks.

Within the framework of the summit, there will be also a business forum to discuss enterprises' role in the cooperation process in the region, as well as measures to enhance regional businesses' economic cooperation, promote commerce and investment, and improve business environment.

Dung further said that the forum is an opportunity for participating businesses to have direct dialogues with leaders of GMS member countries in order to remove their difficulties and promote economic and investment cooperation in the region.

On this occasion, the VCCI will also arrange meetings between businesses in Kunming and from other GMS countries with Vietnamese enterprises to help them seek partners, he added

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Evaluation team response:

The PM's comments of 4 July were incorporated in the final version of the report and not commented separately. In the following we shall therefore concentrate on his comments of 19 August. These have been distributed earlier to the recipients of the present memo by the PM. However, we shall include essential elements of the PM's comments below, in order to remind the reader of the context.

1. Financial Reporting

PM comments:

It is stated in many instances that "financial reporting provided to the evaluation team was sketchy and extremely weak". "There is lack of transparency in financial management" (page 9)

"but, financial transparency is lacking" (Conclusions page 10)

"Financial reporting is sketchy and in the opinion of the evaluation team extremely weak" (Conclusion 11, page 11)

"There is no report available to the evaluation team that explains the financial picture, **in spite of repeated requests**" (page 33)

The project manager totally disagrees with this statement. NO REQUEST FOR ANY ADDITIONAL FINANCIAL STATEMENTS was received BEFORE, DURING VIENNA BRIEFING, DURING DRAFT REPORT PRESENTATION, NOR AFTER DETAILED RESPONSE WAS MADE IN WRITING BY THE PROJECT MANAGER ON THE ERRONOUS CONCLUSION DRAWN IN THE DRAFT REPORT RELATING TO THIS.

These are very serious conclusions drawn, that cast doubts about the UNIDO financial procedures and the integrity of the Project management.

The evaluators did not ask for a single additional financial record during the Vienna briefing, nor during the presentation of the draft report on 20 June 2005. The Project manager stated clearly on 20 June and in the written submission on the draft report that all the detailed records are available. Both evaluators did not seek the additional data.

Evaluation team response:

First, we would like to point out that this is an evaluation, not an audit. We have therefore not evaluated the accounts with reference to UNIDO's financial procedures. We have no indication of non-compliance with these procedures. Also, there is no indication of any lack of integrity on the side of the Project Management.

Second, we need to emphasize that our comments regarding financial reporting, p. 38 - 39 of the report, are included as one of several issues where we have identified “substantial room for improvement” (p. 36, last paragraph). Making suggestions for improvements is one of the principal objectives of an evaluation, and is part of our ToR.

We have to correct the statements of the PM relating to requests for information:

- The first request to submit financial reports was made in a mail to the PM on 1 June, a few days after we had received about 1200 pages of reports, but no activity reports or financial reports.
- We also brought up the issue during the briefing meeting in Vienna 6-7 June, and we received a set of progress reports.
- In the reporting meeting in Vienna 20 June, immediately following the field mission, we made the following statement (slide 49): “Reports are extremely weak and not satisfactory.” In the ensuing discussion we were offered additional financial reports. These were received on 23 and 24 June, but did not add new information.

The combined results of these requests are reported on p. 38 of our report.

In his comments to the draft report dated 4.7.2005 and to the final report on 19.8.2005, the Project Manager strongly disagreed with the statement that financial reporting was weak without, however, providing any additional information. This led the evaluation team to the conclusion that either such data did not exist or the Project Manager was not willing to share the information with the evaluation team.

The evaluation team maintains its opinion that the reports provided to the team did not provide a transparent picture of how the project funds have been used. The reporting formats are not consistent, thus complicating comparisons. Only one report distinguishes between the countries. There is no link between input and output. It was therefore not possible for the evaluation team to evaluate the cost efficiency of the project.

In order to account for the Project Managers concerns in the feedback to the draft report, the evaluation team added a sentence on p. 39 of the final version that “internally in UNIDO, there appears to be project management instruments that have allowed the Project Manager to control the project, since most of the missions have been completed with very good results and the overall budget has not been exceeded.”

2. NORAD asking for financial data in the March review

PM comments:

This is a different issue.

Evaluation team response:

OK, but the donor has also pointed to the need of linking inputs with outputs, see our comments above.

3. Identifying individual donors with inputs

PM comments:

“The approach lacks transparency regarding what is funded by whom (NORAD, Austria, Swiss)” page 9.

The detail budgets under each project clearly show this. If the evaluators have spent some time or asked the project manager, the information is visible.

Evaluation team response:

In the briefing on 6 - 7 June we did ask the PM for financial reports, see point 1 above. We also checked if the information in the Project Document was still valid. If additional information was available, we do not understand why it has not been shared with us.

4. Sharing Budget Information with Countries

PM comments:

The comment may arise from the counterparts who are used to UNDP funded projects. UNDP has the “National Execution” modality, where the project management and fund disbursement is shared with the Government counterparts. UNIDO does not follow this modality.

Evaluation team response:

The evaluation team acknowledges that according to UNIDO policies, the mode of implementation chosen does not foresee sharing financial data with counterparts. This is also consistent with the trust fund agreement signed between NORAD and UNIDO. Nevertheless, we maintain our opinion that this is a missed opportunity to develop the beneficiaries’ capacity in fund management.

5. SER Output 1.3- Not informing the donor about changing output

PM comments:

It was hoped that the project could deliver the output (Harmonising regional standards). However, it was found that Cambodia and Lao PDR lacked the capacity for standards development. As such, the project concentrated in developing this capacity. The donor was informed of the difficulty in the reports submitted.

Evaluation team response:

The evaluation team maintains its view that if outputs stated in the project plan are changed, the donor should be informed in advance. In this case, the donor was only informed after the change had been implemented.

Having said this, the evaluation team would like to positively emphasize that the change made sense and was in fact a good example on adapting an output to changed requirements.

6. Comment on lack of coordination of evaluation

PM comments:

The initially agreed evaluation dates were changed by the international consultants. The responsibility to brief the national consultants is vested in the international consultant and not the project manager.

Evaluation team response:

UNIDO directed the evaluation team with regard to schedule. Inquiries regarding possible changes were refused. The only change in the original schedule was that the departure from Vienna to Hanoi after the briefing meeting was delayed for one day.

The evaluation team was never requested to brief the national consultants prior to the field mission. In fact, we were only informed of names and contact details during the Vienna briefing 6 - 7 June. In the national consultants’ contracts (which we were also not informed about), there was an allowance for document studies prior to the field mission. But the consultants did not receive any documents. In our view, there is substantial room for improvement in UNIDO’s procedure for appointing and briefing national consultants.

7. Executive Summary-Page 8-Section 5 – Formulation

PM comments:

“One weak point in the master plans is the treatment of standardization”.

There is no explanation as to what is meant by ‘weak point’. If this was referring to the standards formulation strategy given in the master plans, the weak point is not in the master plans but in the infrastructure (staff, documentation and facilities) available in Cambodia and Lao PDR. The plans given are based on the immediate needs in these countries and the availability of resources.

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There is also an argument that ISO, IEC international standards can be directly adopted in the two countries. In the case of least developed countries such as Cambodia and Lao PDR, this is a misconception. First the number of product standards published by ISO relevant to developing countries is very small, not more than one percent of the total number of ISO standards. Secondly, even if there was an international standard available for an industrial product, these countries do not have the facilities to implement the standard.

Evaluation team response:

The PM’s quote above is the final remark in our discussion of the Master Plans for Lao PDR and Cambodia. We want to emphasize our main conclusion in the same paragraph: “These plans are a good basis for a work plan for Phase II, but more specific plans are still needed.”

Our remark that the treatment of standardization is a weak point may need some elaboration. One of the principal needs for standards in international trade is an agreed specification for the country’s export products. This may be a national or a regional standard, and both Lao PDR and Cambodia have a need for development in this respect. However, it is also possible to use the national standards of the importing country, and in many cases such standards are imposed upon the exporter.

Another issue is that the countries (Lao PDR and Cambodia) need a set of standards for protecting their societies against substandard or even hazardous import products. For this purpose, international standards (for example by ISO or IEC) may be highly useful, and the application of such international standards is encouraged by the WTO TBT and SPS agreements. Reference to standards must be incorporated in national legislation on product safety.

In order to implement the standards, procedures for conformity assessment (such as testing, inspection or certification) must be introduced. Facilities for testing of the most important export products are needed. For imports, however, a common alternative today is recognition of testing by the exporter (on certain conditions).

In our opinion, these different mechanisms were not made clear in the Master Plans. In particular, the master plan for Cambodia starts out in Section 6.1 on formulation of standards, to discuss the problems related to non-availability of test laboratories. This is the background for our comments, which were discussed and agreed to by the CTA, who wrote the Master Plans, during a meeting with the evaluation team in Vientiane. We did not see the need to go into this degree of detail in the report.

8. Executive Summary, Page 9-Section 6 –Implementation

PM comments:

Progress reports are extremely brief and incomplete.

All the international experts produced detailed reports after completing each mission. These reports recorded the progress of the activities relevant to the expert’s mission. The CTA’s mission reports (Six reports) always reported the progress of the different activities undertaken under the project. Brief summary reports were filed in addition to these reports. These reports were made brief (one or two pages) to meet a request made by the donor for short summary reports.

Evaluation team response:

It is correct that all international experts produced detailed mission reports. But it cannot be expected that the representative of the donor reads and distills complex technical reports for his/her own reporting purposes.

The brief summary reports were limited to key words such as 'completed' or 'planned 2005'.

We see a clear need for improvement of reporting. Reports should be more user-friendly and strike a better balance between information overload and extreme brevity.

9. Executive Summary, Page 10-Section 8-Sustainability

PM comments:

It only addresses personnel and business plans, but does not discuss important assumptions, such as the significance of phase II.

The sustainability report was written on a request made by Mr. Dag Larsson of NORAD. The request was specifically to identify the sources of income and Govt. policy with respect to the outputs that had already been achieved in Cambodia and Lao PDR during Phase I. The report was not expected to discuss or substantiate the necessity of a second phase. This was to be done by the independent evaluation. This is the reason for the 'Sustainability Report' to limit itself to financial sustainability and availability of personnel and other infrastructure.

Evaluation team response:

The minutes of the meeting 2 March 2005, in which Mr. Larsson's request was presented, does not limit the sustainability issue to the interpretation presented by the Project Manager. Therefore the evaluation team has applied the common, much broader meaning of the term 'sustainability'.

We would like to add, that soon after the reporting meeting 20 June, Norad released the surplus funding remaining from Phase I, in part based on the recommendations of the evaluation team.