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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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CONTENTS

Message from the Director-General	v
CHAPTER I: 2000: ANOTHER STEP FORWARD	1
A. UNIDO as a global forum on industrialization	1
B. UNIDO's technical cooperation arm.....	5
CHAPTER II: INVESTMENT PROMOTION AND INSTITUTIONAL CAPACITY-BUILDING	11
A. Industrial policies and research	11
B. Statistics and information networks	12
C. Quality, standardization and metrology	13
D. Investment and technology promotion	14
E. Private sector development	15
CHAPTER III: SECTORAL SUPPORT AND ENVIRONMENTAL SUSTAINABILITY	18
A. Agro-industries and sectoral support	19
B. Industrial energy efficiency	19
C. Cleaner production and environmental management.....	20
D. Montreal Protocol.....	21
E. Kyoto Protocol.....	22
CHAPTER IV: THE REGIONAL DIMENSION	23
A. Africa and least developed countries	23
B. Arab countries	27
C. Asia and the Pacific	29
D. Europe and NIS	31
E. Latin America and the Caribbean	33
F. Field representation	34

CONTENTS (continued)

CHAPTER V: UNIDO PERFORMANCE MANAGEMENT	36
A. Performance management system	37
B. Performance management of UNIDO programmes	38
C. Internal oversight and evaluation	39
D. Aggregate statistical analysis	42
E. Mobilization of financial resources	46
APPENDICES	49
A. Operational statistics	50
B. Project approvals under voluntary contributions	62
C. Integrated programmes	65
D. Technical assistance to the least developed countries	67
E. Regular Programme of Technical Cooperation	73
F. Geographical distribution of experts	75
G. Training activities	77
H. Agreements concluded in 2000	88
I. Country promotion presentations	90
J. Purchase orders placed and contracts awarded	92
K. Field representation	93
L. Composition of the Secretariat and personnel-related information	95
M. Selected performance indicators	97
N. Buildings Management	103
ABBREVIATIONS	105

Message from the Director-General


This is the third Annual Report that I have had the opportunity to preface. Over the last three years the Organization has made significant achievements in terms of overall stabilization, refocusing priorities and reshaping technical cooperation modalities.

Those changes occurred primarily during 1998 and 1999. Thereafter, 2000 was a year of consolidating our achievements, and one in which we succeeded in stabilizing the changes introduced. At the beginning of the year, I determined that this was precisely what was needed at that point: the Organization required relief and stability after years of downsizing and adjustment.

But the need for stability gave us additional scope to consider and better analyse ways to improve the performance of the Organization. We received evidence that the integrated programmes were the correct mechanism to integrate in-house programme formulation. Yet, from the point of view of programme implementation and integration at the field level, more needs to be done. Much of UNIDO's work in 2000 consisted of laying the foundations for a carefully structured sustainable development process. Nonetheless, we should continue to improve the management of our Organization and of our services to increase technical cooperation delivery levels, which were not fully satisfactory.

While striving for stability, as a dynamic Organization we are constantly on the lookout for new opportunities and areas that will enable us to better serve our stakeholders. As I indicated at the most recent session of the Industrial Development Board, we will launch a number of initiatives to enhance UNIDO's contribution to the achievement of international development targets set by the international community.

Having laid the foundations for a stable Organization, we can now invest our efforts in moving this Organization forward and working towards the future we want for UNIDO.

A handwritten signature in black ink, appearing to read 'Magariños', with a long horizontal stroke extending to the right.

Carlos Magariños
Director-General

I

2000: Another step forward

It takes time to build up a reputation for excellence. UNIDO's 34 years of service to the cause of industrial development have been buffeted by a chronic shortage of funding and a fundamental change in the perception of its role both by donor and recipient countries. UNIDO has not only weathered the storm but has turned itself inside out to adjust to a new set of global priorities. It has emerged as a strong, relevant and capable entity, whose reforms have been emulated by other larger organizations and whose current client orientation is a direct response to the wishes of its Member States. Its credentials both as a global forum for a range of issues pertaining to industrial development and a champion of industrialization in the developing countries have never been finer. As it strives for continuous improvement, UNIDO draws on lessons learned from the past in order to offer a better future for men, women and children in the developing world and countries with economies in transition. The following chapter describes some of the highlights of UNIDO's activities during the year 2000 in pursuit of this goal.

A. UNIDO as a global forum on industrialization

Global forum role

The Business Plan for the Future Role and Functions of UNIDO, approved by Member States in 1997, recognized the global forum function as a crucial component of UNIDO's mandate to strengthen industrial capacities in developing countries and countries with economies in transition. Under this umbrella, UNIDO offers industrial policy advice, based on action-oriented research; helps build institutional capacity at the country and sectoral levels; provides industrial information through networking, including information on the transfer of technology; acts as a repository for industrial statistics; and provides advice and support in the area of quality, standardization and metrology. Those activities include initiatives to understand the dynamics of the industrial development process and disseminate lessons learned through specialized meetings and publications covering a diversity of industry-related issues. UNIDO promotes partnerships and supports global industrial cooperation, both between developed and developing countries and economies in transition, and among developing countries themselves. In so doing, UNIDO acts as an honest broker to facilitate the spread of industrial information, knowledge, technology and investment.

To help set the agenda for global forum discussions, UNIDO also sponsors research within the Organization and in partnership with academia. Findings and conclusions enable the formulation of effective technical cooperation programmes. The Organization plays an important role in raising awareness of industrial development issues at national, regional and global venues. It assesses trends and provides information for benchmarking and the transfer of best practices. It compiles and

analyses industrial statistics, passing its knowledge to its client countries. UNIDO helps industry—and particularly small and medium-sized industries—to understand the importance and advantages of sustainable industrial development. The global contribution that UNIDO can make to sustainable energy production and usage has been recognized by the Global Environment Facility, and UNIDO has been earmarked to increase substantially its support to GEF programmes.

Confidence of Member States

The importance of UNIDO's task was acknowledged time and time again by Member States attending the Millennium Assembly in autumn 2000. In addition to numerous tributes to the success of UNIDO's reform process, particular mention was made of the Organization's efforts to increase the industrial competitiveness of developing and transition economies in the international markets. There was growing awareness of the need to provide the kind of industrial development that would benefit all countries, while at the same time respecting the environment. Special mention was made of the imperative of cooperation in the field of industrial development, and UNIDO was encouraged to continue its leading role both as a promoter of industrialization and a catalyst for cooperation among different agencies.

Cooperation within the system

Over the past three years, cooperation has become a *leitmotif* of UNIDO, characterizing both its internal and external working relationships. In the international arena, UNIDO was able to step up cooperation and collaboration both with other United Nations agencies and with the Bretton Woods organizations. The Director-General's appointment in 2000 by the Administrative Committee on Coordination (ACC) as Chair of the High-Level Committee on Programmes will strengthen those ties and enhance the participation of UNIDO in, and its substantive contribution to, the ongoing process of United Nations reform that will ultimately shape the future of technical cooperation activities.

University of Oxford

In several instances, formal partnerships with outside institutions have provided a stimulating and mutually advantageous channel for cooperation. In October 1999, the Director-General signed a two-year agreement with the University of Oxford whereby UNIDO undertook to fund research on African economic performance under a joint research programme. The first of its kind between UNIDO and a United Kingdom university, the agreement included funding for a two-year UNIDO research fellowship at the University's Centre for the Study of African Economies within the Institute of Economics and Statistics. The programme has been in operation since 1 April 2000, and progress made was reviewed by a UNIDO team during its visit to Oxford in December. Achievements included analytical papers on industry in Ghana, Kenya and Zimbabwe, and joint work with researchers affiliated with the World Bank, the International Monetary Fund and other research institutes on the links between efficiency and exports in Cameroon, Ghana, Kenya and Zimbabwe. One significant element of the programme consists of filling the information gap through the collection of firm-level primary data. This is covered in greater detail in chapter IV.A.

CNRS, Paris

Following the positive experience with the University of Oxford, a memorandum of understanding between UNIDO and France's National Centre for Scientific Research (CNRS) was drawn up at the end of the year, for signature early in 2001. The memorandum foresees a number of activities to be undertaken by CNRS, through its Département et Laboratoire d'Economie Théorique et Appliquée (DELTA), including a series of UNIDO-DELTA research papers; the appointment of UNIDO research fellows; scholarships for students from developing and transition economy countries under a UNIDO junior research fellowship programme; an annual UNIDO workshop; and a bimonthly UNIDO seminar on industrial development in Paris. UNIDO will fund the programme for an initial period of two years that may be extended.

Partnerships were not only forged with academia. The year under review saw UNIDO join forces with the global telecommunications company, Ericsson, in an effort to introduce digital communications to small and rural industries in the world's poorest countries. While an average of one in 40 of the world's population has access to the Internet, in Africa the figure is one in 15,000. Less than 2 per cent of the continent's population has a telephone line so the only way to increase connectivity, particularly in remote areas, is through wireless, power-independent devices. In order to obtain a clear picture of the needs and aspirations of developing countries, UNIDO organized three workshops in September and October, in Egypt, Sri Lanka and Uganda. Industrialists, support institutions, telecommunications providers and government policy makers were invited to map out a viable approach for SMEs to take part in electronic and mobile commerce. The workshops provided a two-way channel of communication: participants were made aware of the opportunities offered by mobile and electronic commerce as well as of the scope for using electronic hardware, while UNIDO and Ericsson pinpointed the bottlenecks that SMEs face at the policy, institutional and enterprise levels. The results of the three workshops form the core of a joint UNIDO-Ericsson study on the relationship between cutting-edge telecommunications, electronic commerce and mobile Internet services, on the one hand, and the production processes of SMEs in developing countries on the other.

Technology foresight

Throughout 2000 UNIDO was able to expand both the breadth and depth of its global forum activities and thereby firmly establish its credentials as a centre of excellence on all matters pertaining to industrial development. One issue that received UNIDO attention was technology foresight. Until recently the domain of academia and the private sector, by the end of the 1990s Governments had started to use it as a policy-making tool aimed at harnessing technological innovation to support the strategic priorities of society. Technology foresight brings together academia, industry and government to consider how scientific and technological developments can best be used to promote wealth creation and improve quality of life. UNIDO's role in technology foresight is largely that of a knowledge-broker, dealing not only with know-how, but know-who, know-where, know-why and know-what. UNIDO helps its clients decide what needs to change, why it has to change and the consequences of inaction, where can help be obtained and where is the expertise available to introduce change.

Late last year, UNIDO and the Trieste-based International Centre for Science and High Technology (ICS) launched a regional programme for Latin America and the Caribbean to promote, encourage and support technology foresight initiatives. A meeting was held in Trieste in December 1999, where the UNIDO-ICS technology foresight initiative was launched. The object of the meeting was to create an international platform of discussion to ensure that interest in technology foresight in the region is real and backed by practical intentions and commitment. The UNIDO-ICS regional network will differ from most of its predecessors by being partly owned and operated by its users. That is, the targets will be agreed and the activities will be driven by the needs and initiatives of the region's own industrial actors.

During 2000, the Director-General had an opportunity to discuss technology foresight with Chile's President, Ricardo Lagos. President Lagos welcomed UNIDO's initiative as the right tool to remove technological, economic, environmental and political barriers. The approach adopted by UNIDO would provide decision makers with the skills and techniques needed to put in place technology foresight programmes and link them with sources of technology.

Marginalization versus prosperity Venice debate

During 2000, UNIDO played a pivotal role in the international debate on the very real risk of marginalization facing the world's poorest countries as a result of globalization. At a UNIDO-organized meeting on the theme *marginalization versus prosperity* held in Venice in September, eminent government decision makers, businessmen, academic

experts and representatives from the Bretton Woods institutions presented their views on the most effective policies to promote development in the light of such global challenges as technological change, poverty reduction, injustice and environmental degradation. Hosted by the Italian authorities, the meeting aimed at setting the stage for formulating the right questions and identifying the tasks still to be accomplished rather than providing the answers and deciding who should undertake them.

Presenting a UNIDO discussion paper entitled “Reflections on the development agenda”, Director-General Carlos Magariños gave a brief overview of the evolution of economic thought on development that had led to the development agenda. At the conclusion of the meeting, Mr. Magariños said that the debate had made it clear that the mobilization of skills, knowledge, technology and information were extremely important to ensure sustainable productivity growth in developing countries and economies in transition.

Vienna round table

While industrial development per se lacks the emotional appeal of some of the other causes championed by the United Nations, decision makers are aware that industrialization plays a crucial role in resolving the humanitarian, economic and social problems facing the world’s poorer countries. A second debate on the theme *marginalization versus prosperity*, this time in the form of four panel discussions held immediately before the Industrial Development Board in November, looked at the human dimension of development. The panellists—all of them eminent representatives of government, academia, the private sector and international organizations—were unanimous in the view that the contribution of sustainable industrial development to poverty reduction, employment and environmental benefits was not only desirable but inevitable in the fight against marginalization and should involve the concerted efforts of all protagonists.

Panellists paid tribute to the role of UNIDO in tackling a range of global problems relating to poverty, environment, energy or trade. Areas viewed by panellists as a priority for UNIDO support included the elimination of poverty; sub-Saharan Africa; regional economic integration; the creation of an enabling environment to mobilize business; awareness-raising on industrial issues; the collection and assessment of data; benchmarking and the transfer of technology and best practices. UNIDO was perceived as a matchmaker between industrial development and global environmental protection. Given the link between the sustainability of industry and the sustainability of energy, UNIDO’s contribution to the development of sustainable energy as executing agency of the GEF was welcome. The drivers of competitive performance, it was stated, are technical skills, technological efforts, access to foreign direct investment and industrial support policies and institutions. UNIDO programmes in those fields were relevant in the fight against marginalization and poverty. The challenge for UNIDO, it was agreed, was to help developing countries overcome the barrier of inadequate flows of information, skills and knowledge. “We have to contribute to reinforcing these flows by strengthening the supply of public goods that markets do not deliver. This will help in connecting the population at large with the global economy,” UNIDO’s Director-General told participants.

Member States saw the round table as a useful step in stimulating dialogue and in facilitating the decision-making process in the Organization’s governing bodies. Recognizing the results of UNIDO’s reform, the European Union Commissioner for Development Aid and Cooperation, Poul Nielson, stressed that dialogue must continue as “there is no static answer for something as fluid as today’s industrial environment”. In this way, UNIDO will be able to adapt its services to the changing needs of a changing world and ensure that they effectively contribute to the achievement of the international development goals.

Asia-Pacific Forum on Industrial Development

One of the last, but possibly most significant, events of the year in terms of UNIDO's global forum activities, was the Asia-Pacific Forum on Industrial Development that took place in Shanghai, China, from 4 to 5 December. Sponsored by UNIDO in cooperation with the Shanghai Municipal People's Government, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation of China, the Forum was attended by ministers of industry and trade and high-ranking representatives from the public and private sector and academia from 19 countries. After a review of the potential impact of China's entry to the World Trade Organization on the productive sector of the Asia-Pacific region, the Forum concluded that China's entry into WTO would change dramatically the competitive prospects of the region's industry as well as investment flows. It would in all probability improve the bargaining power of developing countries as a whole and introduce greater equity in multilateral trade negotiations. UNIDO Director-General Carlos Magariños said that China's entry into WTO would not only change China, but would also change WTO and at the same time have important implications for the developing world. He presented a twofold business plan that aimed to develop a systematic benchmarking of productivity performance and related policies across the industrial sector and implement technical cooperation programmes in cooperation with multinational private companies.

B. UNIDO'S technical cooperation arm

Integrated programmes

As described in UNIDO's Business Plan, its integrated programmes are based on the premise that it is preferable to tackle a single development objective at a time, albeit in a way that addresses its various dimensions. UNIDO's concept calls for integration and coordination of efforts at three levels: with the strategies and actions of the partner country; with the initiatives of other agencies and donors; and within the Organization itself. UNIDO's integrated programmes remain the principal instrument for the delivery of technical cooperation. During 2000, UNIDO laid the foundations for a number of new integrated programmes covering all regions, although priority continued to be paid to Africa south of the Sahara and to least developed countries that account for over half its integrated programmes. At the same time, solid progress was made by existing programmes and the groundwork completed for new institutional structures that would assure their sustainability. Poverty eradication remained the overriding goal of most programmes, particularly those of the least developed countries.

Impact assessment

Member States were given every opportunity to review and assess not only results achieved so far, but also any constraints or bottlenecks that needed to be addressed. In line with the expressed wishes of both donor and recipient countries, meetings of the governing bodies focused to a large extent on substantive issues relating to the profile of UNIDO and the size and characteristics of its technical cooperation portfolio, with reduced emphasis on the administrative questions which in the past tended to dominate discussions. In March, a joint meeting of Member States' representatives and UNIDO management looked at ways of assessing impact, defined as the improvements realized by target beneficiaries and their contribution to the achievement of country development objectives. The first of its kind, the meeting was, in the words of the United Kingdom Permanent Representative to UNIDO, "an illustration of the close way in which Member States and the UNIDO Secretariat are working together to identify the Organization's focus". It was generally felt that a continual dialogue between UNIDO Member States and management would ensure the most judicious use of the Organization's resources.

One of the strengths of the integrated programme scheme is that while the initial impetus comes from UNIDO, once launched, a programme becomes the "property" of the client country. It is fair to say that the success of a particular programme largely

reflects the degree of commitment and sense of ownership displayed by the host country's institutions, while enterprises selected for UNIDO assistance through those institutions are those that express a strong desire to help themselves. Within the framework of the integrated programme to upgrade Palestinian industries, an agreement was signed with 35 enterprises that displayed a good track record in terms of business performance, upgrading capability and willingness and commitment to change and improve. The selected enterprises, covering a range of sectors, will work within the programme for a year in order to improve quality, productivity and overall business performance.

By the end of 2000, a total of 40 integrated programmes and 3 country service frameworks were approved. In budgetary terms, some 40 per cent of the programmes formulated related to sub-Saharan Africa, 26 per cent to the Arab region and the remaining 34 per cent to programmes located in Asia, Central and Eastern Europe and Latin America. Twenty-three integrated programmes were in their second year of operation and programme-level impact was beginning to be felt.

Training

In many countries, the first step towards economic independence is a trained workforce. Not surprisingly, training is an important component of each integrated programme and one of the first activities to get under way. More than 600 people received training as part of Uganda's integrated programme in areas such as fisheries (fish inspection, good manufacturing practices and hazard analysis critical control points, fishing boat building, fish handling etc.), leather products, textiles and micro, small and medium-sized enterprises. A mobile training unit provided training for over 200 artisans (leather goods and footwear), enabling them to increase their respective incomes by 30 per cent. Food safety was the subject of intensive training in Cuba, where 12 national seminars were held for the staff of government institutions and food-processing units. In Ghana, a garment training laboratory is being set up under the integrated programme to upgrade the skills of operators at all levels. Women entrepreneurs in Rwanda's food-processing industry benefited from training that covered business management, entrepreneurship development and the technical processing of selected food products. In the United Republic of Tanzania, 100 women entrepreneurs received training in textile products, while 400 artisans were trained in the manufacture of leather products. In Burkina Faso over 100 people were trained in leather product making, weaving, drying of fruits and vegetables, cereals extrusion and good manufacturing practices.

Not all training is at the manufacturing level. Equally important is assistance in the elaboration of industrial policies. In Ghana, a core team of national experts was given the opportunity to study the policy framework, tools and methodologies used in South Africa that could be applied to policy development in Ghana.

SMES

For the least developed countries, in particular, it is crucial to build up small- and medium-scale enterprises. This will in turn help alleviate poverty by providing employment. Under the Uganda integrated programme, secondary school graduates received the necessary preparation to enter the private sector. The integrated programme for Ghana addresses a number of structural weaknesses and imbalances in the industrial sector. Regionally concentrated in the coastal area and its hinterland, manufacturing operations rely on a multitude of micro and small industrial enterprises for the production of goods and the processing of domestic resources. The relatively few larger firms operate with little linkage to the MSME segment and the "missing link" is strongly felt. As part of the integrated programme for Guatemala, entrepreneurs in the region of Peten received advice on small business development at a newly established centre for micro, small and medium-sized enterprises.

The year under review saw the establishment of a support centre for the promotion of SMEs in Rwanda, staffed with five national experts. The centre is providing a package of business and technical support services to promoters and entrepreneurs in private sector SMEs. Under another component of the Rwanda programme, a register of all industrial establishments with 10 or more employees was drawn up, representing the first comprehensive list of formal industrial establishments currently operating in Rwanda. In Burkina Faso, an SME promotion unit was created in Ouagadougou and a second one is currently being set up in Bobo-Dioulasso.

Investment

A business plan was prepared for the coffee industry in Uganda that is expected to attract investment from international companies. By encouraging farmers and coffee processors to produce only one fifth of their Robusta as a washed product, Uganda could achieve an increase in its earnings of up to \$40 million. UNIDO's report also shows that by introducing a new grading system for coffee, Uganda could achieve additional earnings of as much as \$15 million a year.

Although its impact will not be felt in the immediate future, eventually up to 230,000 jobs will be created with estimated net earnings of over \$200 million once Uganda's Namanve Industrial and Business Park has been completed. Nearly 40 companies have applied to invest in the Namanve Park.

As part of the integrated programme for Rwanda, UNIDO helped the Rwanda Investment Promotion Agency draw up a plan of action for investment promotion in the country. In July, the institutional framework for a Palestinian industrial investment promotion unit within the Ministry of Industry was finalized; it will have two sub-units operating in the West Bank and Gaza. In March, a Palestinian delegate joined the UNIDO Investment and Technology Promotion Office in Milan, Italy, where he is involved in promoting projects to be financed by Italy. In Guinea, follow-up action was taken on 30 investment projects that had been earmarked at an investment forum, held in 1988. In Burkina Faso an investment promotion unit was created and over 50 investment opportunities identified in preparation of an investment forum to be organized in June 2001.

Some countries find it more difficult than others to attract foreign investment and it is those countries in particular that benefit most from UNIDO's support. Within the framework of its integrated programme for the United Republic of Tanzania, UNIDO has taken a number of steps to transform the existing Tanzanian Investment Centre (TIC) into an investment-facilitating body rather than a regulatory one. A workshop was held in May 2000 to draw up investment regulations that were subsequently approved by the cabinet. The most important recommendations concerned the establishment of an interdepartmental investment steering committee, an increased budget for TIC and the strengthening of TIC into a one-stop shop.

Competitiveness

All UNIDO's integrated programmes aim to increase the competitiveness of existing industries in addition to identifying new opportunities. In Burkina Faso, UNIDO helped draw up a textile development strategy and provided training in cotton grading, processing and quality issues. A number of pilot enterprises, including a processing unit for horns and bones, a hybrid drying unit for fruits and vegetables and a cereal extrusion unit, were installed and began to show promising results. Textile artisans in Guinea had been unable to weave fabric broader than 20 cm on their traditional looms. With the help of UNIDO, new tools were provided to artisans that allowed them to produce fabric in commercially acceptable widths. At the textile centre of Sanoyah, Guinean artisans were shown how to increase the value added of their produce.

Morocco has long been famous for its leather and leather products, but even an industry as old and established as the Moroccan leather industry can benefit from exposure to modern techniques. As part of the integrated programme for Morocco, UNIDO targeted clusters in the tanning town of Fez. A study tour was arranged for five Moroccan tanners to leather industry centres in Italy where they had a chance to learn new tanning and finishing techniques. An Italian shoe designer was brought to Fez to teach Moroccan artisans new designs that could enhance exports. The next stage of UNIDO assistance to the Fez leather industry will concentrate on reducing pollution. In a similar effort, UNIDO sent an Italian expert to help the ceramics clusters in Safi. A training manual was prepared and a plan of action drawn up to improve quality, technology and access to international markets.

Quality and standardization

Many developing countries find it difficult to meet the quality standards expected by importers from the industrialized world. And where measures have been taken to address the problem, the absence of standardization and quality control facilities provides yet another impediment to successful exports.

The integrated programme for Burkina Faso includes the creation of a standards institute, a food quality control system and the introduction of international standards. So far, nearly 200 people have received training in quality management. A similar effort was made by UNIDO in Cuba, with the strengthening of the National Centre for Quality and Inspection and assistance to food-processing factories. Under the Cuba integrated programme, a work programme was drawn up for over 75 food enterprises. The first step will target 15 enterprises that provide services to Cuba's budding tourist industry. The integrated programme for Rwanda saw the establishment of the National Bureau of Standards and a focal point was set up for quality, standardization and metrology. Under the programme, national consultants received training in quality control and standards. Similarly, support was given to Guinea's National Institute for Standardization and Metrology to upgrade its technical capacity.

Uganda's export earnings, which had suffered a dire blow as a result of a European Union ban on fish imports from the country, were beginning to recover. With the help of UNIDO, Uganda now has a more reliable fish inspection system that has earned the confidence of its customers. Full restoration of export earnings is expected in the near future, and many of the estimated 32,000 jobs lost as a result of the ban will be reinstated.

Similarly, Guinea's fisheries exports are almost exclusively destined for the European market and need help in meeting EU hygiene and safety standards. At the request of the Government, UNIDO assisted in a general audit of both fisheries processing and marketing operations in preparation for an EU inspection mission in December. The EU evaluation resulted in a one-year authorization for the export of fresh fish from Guinea. The country hopes that with continued technical assistance from UNIDO, it will soon be added to the list of exporters of fisheries products to the European Union.

Business services

Not all UNIDO assistance is offered at the grass-roots level. A number of client countries aspire to, or have already attained, the status of "newly industrialized country". For those countries, UNIDO provides tailor-made solutions to problems facing an already active business sector, including business advisory services, subcontracting and partnership exchange, metrology, standardization and accreditation and cleaner production techniques. Entrepreneurs tend to have limited knowledge of the administrative, regulatory and financial aspects of business management. Properly targeted business advisory services can overcome those problems, as can easy access to helpful publications, referral services, loan packages, training, counselling and help with business planning. Business centres are an efficient way of providing such services. Business incubators offer good quality, managed workspace for entrepreneurs, with on-

the-spot access to support services, as well as regular, intensive business counselling. UNIDO also provides services to fledgling entrepreneurs at the grass-roots level in several of its programmes for the least developed countries.

Statistics

Another important service is the provision of industrial statistics. UNIDO recognizes that industrial statistics are the essential tools of decision and debate. They need to be translated into consistent international data that will be understood in the same way everywhere in the world. The United Nations Statistical Commission has given UNIDO responsibility for collecting, verifying, harmonizing and disseminating industrial statistics for all countries other than OECD member States. In Sri Lanka, for example, UNIDO is making it easier and cheaper to access and disseminate the right industrial statistics at the right time, to the right users. Similarly, the integrated programme for Sudan aims to strengthen government capacity in industrial statistics through training.

Cleaner production

Industrial pollution is a universal problem. Given a lack of resources, experience and, in many cases, national policies, developing and transition economy countries find it a particular challenge. Cleaner production requires a shift in thinking away from end-of-pipe treatment towards prevention. The techniques for prevention go beyond those for pollution abatement and waste disposal: they embrace changes in management attitudes, shop floor operations, industrial processes, equipment and even product design. National Cleaner Production Centres have been set up jointly by UNIDO and the United Nations Environment Programme in 19 countries. Several new centres are planned as a component of the integrated programmes. In Sri Lanka, for example, a planned NCPC will provide training, awareness and consulting services to small- and medium-scale enterprises on cleaner production. The first steps were taken in 2000 for an NCPC in Nepal as part of the country's integrated programme while preparations continued on a cleaner production centre for the oil refining industry in Pakistan.

With Africa's largest animal population, the leather and leather products sector is Ethiopia's second export earner, after coffee. There are over 20 tanneries in the country and traditionally effluent discharged from tanneries flowed untreated into rivers. Under the integrated programme for Ethiopia, two tanneries were selected as model effluent treatment plants. Primary effluent treatment facilities were installed and as a result both tanneries are capable of producing a final effluent that meets internationally accepted effluent discharge standards. The encouraging results achieved so far have meant that a further five tanneries will be equipped with effluent treatment plants, through a project financed by Switzerland. Additional activities of this kind will be conducted by UNIDO's National Cleaner Production Centre. The ecologically sustainable industrial development programme will also play a major role in the elaboration of an appropriate environmental policy framework, including acceptable tannery effluent discharge standards. In Ouagadougou, Burkina Faso, the installation of a chrome-recovery unit helped to reduce significantly chemical tanning pollution while reducing the cost of tanning operations.

Work continued in Morocco on the establishment of a Cleaner Production Centre, as a key component of the country's integrated programme. Senior managers were recruited after an extensive selection process and the physical infrastructure put in place. In June 2000, the Centre received the legal status of a non-governmental organization. The work programme, drawn up by the Centre's newly-appointed director, was approved and the Centre is all set to begin operation.

Waste management

As part of the integrated programme for Guinea, UNIDO helped the Government in the management of household waste, fielding an international consultant to look at the possibilities of recycling. In Honduras, where the integrated programme is still at an early stage, UNIDO organized the Gulf of Fonseca stakeholders workshop and the decision was reached to include the heavily polluted Gulf of Fonseca in the GEF project

for the sustainable management of marine and coastal resources of the Pacific Central American coastal large marine ecosystem.

In conclusion

UNIDO's new integrated approach to industrial development was founded on the conviction of all UNIDO stakeholders—its governing bodies, donor countries, clients and management—that this is UNIDO's comparative advantage and the way to make optimum use of the Organization's expertise. It is a long-term approach that does not seek or even welcome short-lived, "here today, gone tomorrow" solutions. Rather, in partnership with the developing countries and economies in transition, UNIDO designs integrated programmes that will make a lasting difference to their economic and social well-being. It sows the seeds for a strong and stable future. This takes time and patience and those who are anxious for an early harvest may be disappointed. As described in this chapter, the year under review offered a foretaste of future success and showed conclusively that the seeds of industrial development were planted on fertile soil.



Investment promotion and institutional capacity-building

In 2000, the Investment Promotion and Institutional Capacity-Building Division focused on adding value to its services to developing countries and economies in transition through quality management, further integration of its branches' expertise and targeting of strategic alliances.

By closely matching management skills to functional requirements, the Division was able to deliver technical cooperation nearly on a par with the previous year, despite the additional demands of planning integrated programmes and a decrease of 8 per cent in staffing. Conspicuous in this regard was the strengthening of the role of Investment and Technology Promotion Offices in UNIDO's work by integrating them into the mainstream of Headquarters and field office activities. Likewise, strategic management of the Asia-Africa Investment and Technology Promotion Centre led to its increased effectiveness in promoting business ties between the two continents.

Combining its expertise in information networking and private sector development, the Division launched a unique alliance to help bridge the "digital divide" by collaborating with Ericsson Consulting to open up new electronic and mobile business opportunities for SMEs in developing countries and transition economies.

An IPC initiative to train 115 staff in total quality management/continuous improvement led to streamlined administrative procedures and increased efficiency in travel formalities and recruitment of international experts. Further savings were realized with the introduction, by the Information Technology and Knowledge Management Section, of up-to-date mainframe financial, administrative and communications computer systems.

A. Industrial policies and research

Industrial policy formulation and implementation efforts focused on a mix of global forum and technical cooperation activities. The former included follow-up to the World Summit for Social Development and Beyond and the Industrial Development Board event on fighting marginalization through sustainable industrial development, as well as implementation of the memorandum of understanding with the Centre for Study of African Economies (CSAE) of the University of Oxford.

Preparatory activities were undertaken for publication of the new *World Industrial Development Report 2001* "Competing through innovation", to be published in 2001. To provide Internet-based access to information and knowledge on global trends and policy issues related to the dynamics of industrialization, construction of a knowledge base on industrial policies, strategies and best practices throughout the world was initiated.

Policy advice was provided to the Government of Ghana, while four national workshops on public-private partnerships in promoting sustainable industrial development for economic growth and poverty alleviation were held for Nigeria. Completion of a policy analysis assignment in Oman led UNIDO to draft an industrial development strategy and policy recommendations. Policy support for industrial recovery in Indonesia substantiated the urgent need for a pro-active industrial strategy, backed by appropriate public action.

Together with Japan's International Cooperation Agency, UNIDO developed a master plan for industrialization and investment for one of Sri Lanka's key sectors, the garment and leather industries.

Leather and apparel in Sri Lanka

The apparel and leather sectors in Sri Lanka together deliver nearly 40 per cent of the country's manufacturing value added, with the garment industry alone accounting for more than six per cent of GDP. In 1999, it provided some 330,000 jobs and brought in more than \$2 billion in foreign exchange, making it Sri Lanka's most successful export industry. As a result of UNIDO's master plan on industrialization and investment, the Organization was invited to extend its analysis to institutional aspects of industrial development, including the possible reconfiguration of the Ministry of Industrial Development in line with the fast-changing needs of the sector.

B. Statistics and information networks

The increasing role of information and knowledge as a foundation for industrial growth and competitiveness has sharpened UNIDO's focus on collection and analysis of industrial information, knowledge products derived from this process and approaches to widespread dissemination of this information. The service module on statistics and information networks defined much of the Organization's activities in delivering such knowledge to client countries during the year and assisted countries to improve their own capacity to collect, process and provide information as knowledge products.

A system of indicators of industrial development was designed and developed to a prototype form resulting in an informal publication that was presented to the international community as an Industrial Development Board event. To support technical cooperation, an innovative approach was utilized using plant-level data to analyse the dynamics of SMEs. As the third revision of the classification of industrial activities is now widely adopted, a new processing system was made operational, ensuring that data are accessible under both the former and new classification systems.

The role of information and knowledge for industry is rapidly increasing in developing countries. Hence, the ability to support industrial information and knowledge

requirements of industrial actors in developing countries is crucial. To enable sustainable sourcing and support of industrial information, activities have focused on awareness and capacity-building for industrial information networking, for both private and public sectors. Moreover, initiatives were undertaken to explore SME support activities to meet the increasing need for e-business models. In view of the rapid development of mobile commerce and the new business opportunities that this technology will offer to developing countries and transition economies, UNIDO joined forces with Ericsson Consulting to prepare guidelines for future activities in this field.

Increasing use of UNIDO's web site

At the end of 2000, more than 1,300 UNIDO documents were available through the Organization's web site. There is a considerable demand from users worldwide. In comparison to last year, the number of hits increased from 2.8 million to 4.3 million by December 2000, averaging 350,000 hits per month. Although UNIDO's web site is primarily used to disseminate information, other activities, such as on-line registration for seminars and discussion groups, are making it an important tool to implement field activities.

C. Quality, standardization and metrology

New initiatives have been embarked on covering the crucial fields of standardization, metrology, certification and accreditation. A challenging programme developed jointly with the European Union focuses on establishment of an accreditation, standardization and quality promotion system for West Africa (UEMOA). Under this programme, initially eight participating countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo) will have the chance to reinforce the competitiveness of their private sectors to meet the challenge of globalization.

Strategic alliances—through the signing of a memorandum of understanding between UNIDO, the International Laboratory Accreditation Cooperation and the International Organization for Standardization (ISO)—have laid the grounds for a pre-peer evaluation scheme for laboratory accreditation and inspection bodies. UNIDO is now a key player in the international system of mutual recognition schemes that will lead to removal of technical barriers faced by enterprises in developing countries and, ultimately, provide opportunities for improvement in product quality and access to international markets.

Under the Rwanda integrated programme, a focal point for quality and standardization has been set up and the Rwanda Bureau of Standards was launched. In the case of Guinea, the European Union has extended permission for fresh fish exports. Coming at a timely moment, UNIDO's intervention is providing training for counterparts, restructuring and equipping of laboratories, as well as undertaking feasibility studies for the Industrial Fish Export Zone. UNIDO's assistance will continue in cooperation with the European Union. In Egypt, UNIDO is providing assistance for the design, implementation and follow-up of a national upgrading programme, including formalization of procedures and regulatory framework, organizational structure and funding mechanisms.

To prepare and adapt manufacturing enterprises to meet the challenge of globalization and international competition more effectively, UNIDO is providing assistance to Algeria and Egypt. Under the integrated programme for Algeria, a major pilot restructuring initiative was launched to support transformation and integration of industries. A special financing mechanism was established to contribute to the restructuring/ upgrading programme.

The integrated programme to support Palestinian industry constitutes a new dimension in the Organization's cooperation with and assistance to the Palestinian people. A technical support unit has been created in the Palestinian Federation of Industries, and an upgrading bureau is being established in the Ministry of Industry. National staff trained under the scheme have carried out diagnostics on 100 companies, and an initial batch of 35 companies, when selected, will benefit from this programme.

D. Investment and technology promotion

The ongoing globalization of the world economy and production systems underlines the importance of investment and technology promotion activities, which are critical for developing countries and economies in transition. In 2000, they continued to focus on implementing the strategic orientation introduced in 1998 to strengthen capacity-building and partnership development.

UNIDO's capacity to promote business partnerships is strengthened considerably by the networks of Investment and Technology Promotion Offices (ITPOs), Investment Promotion Units (IPUs), International Technology Centres, and Subcontracting and Partnership Exchanges (SPXs) as well as the Asia-Africa Investment and Technology Promotion Centre. They embrace a broad cross-section of industrial stakeholders with worldwide coverage. Investment and technology expertise has been applied to and is a key component of 11 UNIDO integrated programmes. Innovation in investment and technology promotion has also been reinforced through the development of new UNIDO tools and methodologies. Investment and technology promotion services have been supplemented by manufacturing partnerships, such as for subcontracting and supply chains and related programmes, including regional South-South centres and international technology centres. Investment and technology promotion plays a central role in the newly-launched UNIDO Exchange—a unique business intelligence system that optimizes, through an electronic platform, the use of IT to provide information, knowledge and content to its members.

Three investment and technology milestones stood out in 2000. One was in the textile subsector, where a business alliance for pilot enterprises between Ernex, a leading Austrian embroidery company, and the Senegalese company Icotaf led to a year's technical cooperation within the scope of the integrated programme for Senegal. Moreover, a business venture was developed between the two companies to supply textiles to the UEMOA market. A feasibility study prepared by UNIDO revealed that Icotaf is now working at some 60 per cent capacity, compared to 30 per cent in the previous year, and employs more than 300 staff compared to 240 in 1999.

Second, the ITPO Delegates Programme benefited 36 investment promotion institutions in 28 countries: 12 in Africa, 5 in Asia, 5 in Latin America and the Caribbean, and 2 in Europe and NIS. Delegates received on-the-job training, working hand-in-hand with staff of the ITPOs in Milan/Bologna, Paris and Tokyo, while at the same time promoting a portfolio of investment and technology opportunities from their receptive home countries.

The third milestone was the process of overall improvement in linking ITPOs more closely to Headquarters activities, which resulted in the active participation of the ITPOs in the formulation and implementation of integrated programmes, in particular those with investment and technology components. Within the programmes, technical assistance financed by Italy was launched in Jordan, Tunisia and Uganda, combining capacity-building and promotion of business opportunities.

An innovative blend of technical cooperation and financial support to the SME private sector in Egypt resulted in the conclusion of 23 projects with an investment value of \$50 million and the potential for creating 1,500 jobs. The key to success lay in the combined efforts of ITPO Italy and the Investment Promotion Unit in Cairo, backed up by Headquarters support. In addition to the projects promoted, \$4 million was approved from the Italian credit line, while 484 Egyptian companies benefited directly from the initiative.

Matching businesses in Asia and Africa opens up new horizons. Providing opportunities through investments in Africa for business people of both continents is the main thrust of the Asia-Africa Investment and Technology Promotion Centre at Kuala Lumpur, a UNIDO project focusing on South-South cooperation. Visits of Asian firms to Uganda and the United Republic of Tanzania in October resulted in more than 330 business meetings, during which five memorandums of understanding were concluded.

UNIDO continued to support the efforts of developing countries and economies in transition in bridging the technology divide through its International Technology Centres, which act as outreach technology arms for services and international frameworks for cooperation in technology areas with cross-sectoral and wide economic impact. New programmes were launched with their assistance to support national efforts in technology upgrading of industrial sectors and capacity-building through North-South and South-South technology transfer and partnership. The new International Centre of Medicine Biotechnology started its pilot phase in November with the development of public/private and research/industry partnerships between Brazil, China, India and the Russian Federation.

E. Private sector development

A coherent SME policy framework is an essential component of a private sector development strategy where the primary objective is to create productive employment and foster equitable development. UNIDO continued to support developing countries and economies in transition to build up national, regional and local competence in developing and implementing strategies and corresponding policies and programmes to promote SME development. New programmes in Eritrea, the Islamic Republic of Iran, Nepal and the United Republic of Tanzania support national efforts to develop coherent SME development strategies.

SME policy advice is often an integral component of programmes supporting capacity-building for SME development. For example, the SME development project in Kyrgyzstan has contributed to legal and policy initiatives that provide an enabling environment for SME entrepreneurs. At the same time, the Small Business Development Centre network supported by the project has been providing direct business consulting services to entrepreneurs at the micro level. Thus, information gained at the micro level can be fed back to the Government and serve in improving legal and regulatory frameworks. On the other hand, the SME business community can be kept abreast of the macro-level initiatives shaping the SME environment.

Among the main results of the project to assist industrial SMEs in Viet Nam, an action plan for private sector development led to follow-up support, co-financed by UNDP and Germany. The present phase assists in supporting the SME policy-making and coordination institutions and their initial operational programmes.

Women play a significant role in development of micro-enterprises and SMEs, both as a creative and productive industrial human resource base and, increasingly, as entrepreneurs. UNIDO's women's entrepreneurship development (WED) programme is designed to enable them to meet the challenges of changing global and local economic environments. Now in its third phase, the WED programme in the United Republic of Tanzania trains women to start up and manage small-scale food-processing businesses. Training covers aspects of supply, processing of local products, hygiene and business management and has helped create nearly 350 permanent jobs. This contribution to poverty reduction is clearly contributing to the socio-economic development of the country. A training programme for trainers of women entrepreneurs in the food-processing sector has been completed, in collaboration with IFAD, on the basis of a cost-sharing agreement. It has set the direction for further training activities to bring women into the mainstream of industrial development and overcome gender inequality. In Senegal, capacity-building for women entrepreneurs in the fish-processing industry has been initiated with bilateral assistance from Japan, aimed at establishing a landing platform for fishing boats and a fish-processing centre. In three countries in Central America, UNIDO continues its WED programme through training programmes to assist women entrepreneurs in setting up clusters in the agro-food processing sector.

UNIDO's industrial business development services for SME support institutions are helping to overcome the obstacles to SMEs playing a key role in initiating and sustaining economic growth. These include, inter alia, business incubators, rural entrepreneurship development and SME cluster development. Business plans were prepared as a preparatory step for the establishment of incubator facilities to create and support new businesses in Bahrain, Egypt and Sri Lanka. As a contribution to national poverty reduction programmes, UNIDO promotes rural industrial entrepreneurship. Ongoing programmes in Ethiopia, Mozambique and the Philippines, among other countries, have helped disadvantaged population groups diversify their sources of income and accumulate capital and knowledge.

The UNIDO cluster development programme in India, initiated with funding from Italy, has expanded with financial support from Switzerland to include the design of a training programme for cluster development agents. Project activities supporting the transition of the Malaysian electronics industry were completed, covering conceptual framework and cluster analyses in three regions.

Within UNIDO's efforts to enhance cooperation with the private sector, a major expert group meeting on UNIDO partnerships with private business was held. It brought together some 20 international experts from the private sector and from United Nations organizations, as well as representatives of Governments and business organizations. Another milestone was the conclusion of the cooperation agreement with the telecommunications company Ericsson. UNIDO continued to contribute to the work of the Committee for Donor Agencies for Small Enterprise Development by presenting a paper on cluster development and business development services promotion at its Hanoi conference.

Private sector cooperation

In November 2000, a UNIDO-Ericsson cooperation agreement opened up the world of electronic and mobile business (EMB) for SMEs in developing and transition economies. As a first step, a joint study entitled "Industry at the Edge" was carried out on the challenges and prospects for EMB. Based on workshops held in Cairo, Colombo and Kampala, it mapped out opportunities for SMEs to take part in electronic and mobile commerce. The study recommended that the private sector invest in upgrading local telecommunications infrastructure and services and work with Governments on human resource policies. UNIDO and Ericsson will further pool their industrial and technological expertise to support SMEs' participation in electronic and mobile business and enter the global electronic marketplace.



Sectoral support and environmental sustainability

Within the framework of system-wide cooperation the Sectoral Support and Environmental Sustainability Division in 2000 took a dynamic approach in establishing and reinforcing partnership links with international conventions and funds, particularly in areas related to environment and energy. Those areas not only reflect the major fields of competence of the Division, notwithstanding the area of sectoral support to agro-related industries, but also the continuously increasing priority given to those two important sectors by the international community. Global forum activities of the Division in the area of sustainable industrial development gained in size and depth, which serves to improve the relevance of the Organization's technical cooperation activities.

As in previous years, the Division participated in meetings organized by the United Nations Framework Convention on Climate Change (UNFCCC). Moreover, the UNFCCC Executive Secretary participated in a special event on UNIDO and the Climate Convention/Kyoto Protocol, held in preparation of the Industrial Development Board. With the participation of Permanent Missions, the event offered a forum for direct dialogue on a sensitive global issue.

The link with the Global Environment Facility (GEF) was strengthened through an intensive exchange of views and increased participation at meetings. This effort was particularly rewarded by the decision of the GEF Council in May to grant UNIDO the status of executing agency with expanded opportunities.

UNIDO's visibility was enhanced by participation in conventions and other events dealing with very specific issues such as international waters (First GEF Biennial International Waters Conference) and persistent organic pollutants (fourth and fifth sessions of the Intergovernmental Negotiating Committee for an International Legally Binding Instrument for Implementing International Action on Certain Persistent Organic Pollutants).

These examples illustrate how the Division is orienting itself towards critically important areas in which UNIDO's comparative advantage might be in a position to make a difference in the achievement of international development targets.

A. Agro-industries and sectoral support

The Regional Africa Leather and Footwear Industry Scheme was completed in 2000. The distinctive feature was the UNIDO private sector partnership that provided extensive technical assistance to the subsector, stimulating the privatization process in a number of countries. The programme focused on various areas requiring assistance, such as: raw material improvement, strengthening of private sector operations, mitigating the negative impact of tanneries on the environment, and developing the leather products industry. A major output of the programme was the establishment of the Training and Production Centre for the Shoe Industry. The programme continues to demonstrate its ability to extend assistance and catalyse spin-offs, such as creation of the Eastern and Southern Africa Leather Industry Association.

Better fisheries for more jobs

In Uganda and the United Republic of Tanzania, around 1,200,000 people rely on the fisheries sector for their living. Within its integrated programmes, UNIDO carried out capacity-building activities in fish safety and assisted both countries in lifting the European Union ban on fish exports in February and October, respectively. This has resulted in the restoration of foreign income amounting to \$60 million in Uganda and \$200 million in the United Republic of Tanzania, and direct jobs estimated at around 30,000 in each country. In Guinea, the initiation of similar activities has led to the extension of EU authorization to fish exports from that country. These achievements add to earlier UNIDO successes in the same sector in Mauritania, Morocco and Senegal.

As a follow-up to the 1999 All-India Seminar on Bamboo Development, UNIDO was invited to participate in the Programme Committee meeting of the International Network for Bamboo and Rattan held in Beijing in January. The Organization initiated implementation in July of a large project in north-east India to upgrade technologies and improve networking capacities. Initial indications are that industrial production of laminated flooring, panel products and furniture as well as charcoal and bamboo shoots offer the greatest potential for employment and income generation. Cuba has since requested the addition of bamboo development to its integrated programme, and a market study for these industrial products began in December with funds from the Ghana programme that will benefit several countries interested in investing in this new technology from China.

B. Industrial energy efficiency

Execution of a large-scale GEF project is well under way in India. It aims to demonstrate modern coal bed methane extraction and utilization technologies. In addition to the recruitment of a Chief Technical Adviser and other international experts, two high-level study tours were undertaken and the technical specifications for equipment were drafted. The formulation of GEF-financed boilers and cement projects continued.

The successful implementation of a renewable energy and efficiency capacity-building project in Sri Lanka, financed by UNDP and GEF, included a number of UNIDO seminars on mini-hydro turbine design and fabrication, mini-hydro power stations and energy auditing at the factory level. A series of energy audit training manuals was finalized.

With the objective of promoting renewable energy sources available in Cuba, UNIDO analysed energy use patterns in six food factories. The energy situation was assessed at Juventud Island, where specific solutions will be adopted to achieve a sustainable energy mix.

Field missions analysed the prospects of industrial applications to abate greenhouse gases, specifically: (a) in Brazil, for the industrial use of forest (biomass) energy; (b) in Guatemala, for renewable energy sources, especially hydro and biomass; and (c) in the Komi Republic of the Russian Federation, for energy efficiency in large industrial plants.

A preliminary agreement was developed on the preparatory phase of a photovoltaic assembly plant project for the electrification of rural areas in Gambia. During a GEF training and awareness workshop held at Lagos in October, a number of energy-related projects were identified for both Nigeria and the region.

C. Cleaner production and environmental management

Within the National Cleaner Production Centres (NCPCs) programme, three more centres were established, in Ethiopia, Kenya and Mozambique, raising to 19 the total number of centres established since 1994.

The annual meeting of the programme at Berne, Switzerland, in May generated considerable interest outside the centres themselves. Some 75 participants from more than 30 countries included NCPC directors, counterpart institutions, donor countries and other United Nations organizations. Similarly, a policy and cleaner production workshop in Central America featured the participation of the directors of the four UNIDO/UNEP NCPCs in the region, policy makers from the four participating countries, representatives from donor countries and other United Nations organizations. UNIDO staff and the Directors of the UNIDO/UNEP NCPCs in Africa took part in the first-ever African Cleaner Production Roundtable, organized by UNEP and the Carl Duisburg Gesellschaft.

In the area of mercury emissions reduction, a global project was prepared for submission to GEF that will demonstrate and facilitate the development of alternatives to amalgamation as an artisanal gold extraction method in developing countries with cleaner locally-produced technology. The project will help to reduce mercury emissions to national and international waters through the introduction of environmentally benign and financially sustainable approaches to artisanal gold mining.

The joint UNIDO/OECD biosafety information resource and databases have been recommended as a model system for the clearinghouse mechanism of the Convention on Biological Diversity. UNIDO has been requested by GEF and UNEP to assist in the biosafety capacity-building programme intended for the implementation of the Cartagena Protocol on Biosafety.

UNIDO continues to support activities that incorporate environmental considerations into industrial policy. In 2000, a report completed on industrial policy and environment

showed that modifications in industrial policy are essential to improving environmental conditions in Pakistan. Advice was also provided to improve the environmental regulatory programme. UNIDO continues advising the State Planning and Development Committee in China on opportunities to incorporate environmental considerations into the tenth five-year plan, and is contributing to the formulation of a sustainable development policy for the United Republic of Tanzania.

D. Montreal Protocol

UNIDO entered the year with a portfolio of some 370 investment, demonstration and non-investment projects amounting to more than \$190.4 million in 55 countries. In 2000, the Multilateral Fund for the implementation of the Montreal Protocol approved for implementation by UNIDO 102 projects at a value of \$28.9 million (without agency support costs) in 26 countries to eliminate 3,580 ODP tons. The sectors covered are aerosols, foam, fumigants (methyl bromide), refrigeration and solvents. Particularly in the field of fumigants, in which UNIDO has maintained its leading international role in the elimination of the use of methyl bromide, at the end of 2000 UNIDO had 29 projects in 25 countries in soil fumigation and in storage and treatment of commodities, addressing both demonstration of technologies and phase-out of methyl bromide. Africa, being currently the second largest consumer of methyl bromide in the world, continued to receive attention. One third of UNIDO's projects in the fumigant sector address the concerns and needs of that continent.

At the end of 2000 UNIDO was implementing 654 projects in 59 countries at a value of approximately \$220 million (without agency support costs) under the Montreal Protocol. Those activities correspond to a phase-out of over 28,000 ODP tons, of which 17,109 had already been eliminated.

Phasing out CFC-12 in China's small and medium enterprises

Polymer packaging and insulating foams are the target subsector in a \$4.5 million project approved under an innovative implementation modality with UNIDO and the China State Environmental Protection Administration. The first in a series of UNIDO umbrella projects for China in this important SME subsector, the project will phase out an average annual use of more than 1,000 tons of CFC-12 by 25 factories. Ultimately, a total of 207 enterprises will be affected, phasing out average annual use of 3,800 tons of CFC-12.

Enterprise conversion will be a further benefit. In line with China's policy for SMEs, the consolidation of small factories will achieve economies of scale and overall stability while maintaining a steady production capacity.

An international workshop was held in October within the framework of a demonstration project in Zimbabwe for alternatives to the use of methyl bromide in the production of tobacco seedlings. Participants included local growers, local and international suppliers of inputs for alternative technologies, national and international associations, and representatives from five countries and UNEP. The workshop facilitated exchange of experience on specific technologies and the implementation of phase-out programmes.

UNIDO is presently finalizing all methyl bromide demonstration projects that were approved by the Multilateral Fund since 1998, having achieved very good results in terms of technological alternatives, involvement of the local institutions and technology transfer.

The Organization assisted in the preparation of an agreement between the Government of China and the Executive Committee on the phase-out strategy for the tobacco sector in China and continues to work closely with the Multilateral Fund Secretariat for the preparation of an environmentally-sound strategy in the production of extruded polyethylene and polystyrene foams.

During the year UNIDO provided 15 man-months of its staff for technical services, including project development, technology transfer, supervision of installation and commissioning of new production lines, and as resource persons for evaluation purposes. The Organization took part in the Earth Technologies Forum in Washington, D.C., and in the work of the Advisory Body of the World Bank on Ozone Issues.

E. Kyoto Protocol

UNIDO published a report of a climate change-related capacity-building needs assessment exercise in six African countries (Ghana, Kenya, Nigeria, Senegal, Zambia and Zimbabwe) that was distributed to all African delegates at the sixth conference of the Parties (CoP6) to UNFCCC in the Netherlands in November as well as to African Permanent Missions and UNIDO Representatives in Africa.

The national experts from the six countries who prepared the country studies had previously attended the thirteenth session of the UNFCCC Subsidiary Bodies at Lyon, France, in September as UNIDO “delegates” and presented the results of their work in the context of sustainable development at a special side event.

The chapter of the report on Nigeria formed the basis for preparing the first climate change component in an integrated programme that is now part of the Nigerian country service framework. The Nigerian national expert also made a presentation at another special industry side event during CoP6 that covered technical issues related to industrial cogeneration and energy efficiency.

Capacity-building for the Clean Development Mechanism—An inter-agency project

Among the flexibility mechanisms set out in the Kyoto Protocol, the CDM is undoubtedly the most central in terms of its potential to bridge the objectives of sustainable industrial development. Capacity-building for the CDM is thus the main objective of an inter-agency project funded by the United Nations Foundation, with the UNFCCC as coordinator and facilitator.

UNDP, UNIDO, UNCTAD and UNEP have agreed to bring their joint expertise and experience to bear to carry out capacity-building work and demonstration activities designed to reduce transaction costs and ensure the greater involvement of the private sector in CDM operations. The UNIDO contribution focuses on assisting potential CDM recipient countries to build the capacities required for launching CDM programmes and projects in the industrial and energy sectors.

IV

The regional dimension

This chapter presents an overview of UNIDO activities in its target regions. While support to all the regions encompasses a broad range of activities, the cornerstone of technical cooperation is the integrated programmes. A number of “stand-alone” projects are under way in countries with no integrated programme, and global forum events benefit countries in all the regions and serve to improve the relevance and quality of UNIDO services. To minimize overlap with other parts of this report, only brief references to integrated programmes are provided. Key global forum events, as well as developments in field representation, are highlighted.

A. Africa and least developed countries

UNIDO’s focus on Africa translates into a wide range of activities, of which integrated programmes are the basis for technical cooperation. Increased field representation, global forum activities, industrial investment promotion, training workshops, and direct dialogue at the highest levels through missions of the Director-General—these demonstrate the commitment of UNIDO to the industrial development of African countries. A welcome development occurred in October, when South Africa acceded to the UNIDO Constitution, thereby becoming the 169th Member State. Besides enabling the country to take advantage of the Organization’s expertise in programmes that have a real impact on the economies of developing countries, this decision also acknowledges the role of South Africa as a development partner in the region.

Supporting the region’s efforts to reverse its marginalization in the world economy, UNIDO continued its development of new integrated programmes of technical cooperation in tandem with greater focus on the implementation of those previously approved to maximize impact. All integrated programmes in Africa and LDCs have touched upon small and micro enterprises for employment creation and income generation to address poverty-related social problems. They call also for ownership, selectivity, participation, partnership and decentralization. The new element in 2000 was to ensure that an additional thrust of activities should be to expand their regional dimension and to coordinate their preparation and implementation with other international organizations and major donors.

In addition to the 10 programmes under implementation, three new programmes were approved during the year: Eritrea, Mali and Nigeria. In 2000, Africa accounted for 44 per cent of countries covered by UNIDO integrated programmes, of which 75 per cent are sub-Saharan African countries. Taking into account the size of Nigeria and the

complexity of the problems faced by its economy, UNIDO proceeded with the preparation of a country service framework document comprising four interrelated subprogrammes addressing key industrial development issues. The country service framework was officially launched during a visit of the Director-General to Nigeria in October—his second visit in 2000.

Preparing for LDC III

With a focus on enhancing productive capacities, the Third United Nations Conference on the Least Developed Countries will convene in Brussels from 14 to 20 May 2001 as a system-wide initiative to arrest the further marginalization of LDCs and stimulate their socio-economic development. A Global Programme of Action will be put in place.

Enhancing productive capacities constitutes a core UNIDO mandate; hence the Organization has an important role to play in LDC III. In cooperation with UNCTAD as chair of the Conference, UNIDO is actively involved in preparatory activities. A concrete plan of specific contributions to the Conference was developed, including the preparation of a background study on the role of industry in LDCs, a regional thematic round table on energy in LDCs at the Conference, contributions to interactive thematic sessions and organization of side events.

During the year, the number of integrated programmes for least developed countries also reached 13. In addition to Eritrea and Mali, UNIDO finalized the programme for Nepal. In the end, the total value of integrated programmes finalized for LDCs exceeded \$68 million. Around 20 per cent of this amount has been mobilized through UNIDO's own resources and donor commitments. Additional IDDA funds were also utilized for programming missions. Of countries covered by approved integrated programmes, 25 per cent are LDCs.

A project approved in 2000 will help reinforce the role of the Conference of African Ministers of Industry (CAMI) as a leading agent for rapid African industrialization in providing policy guidance to African Governments and the Alliance for Africa's Industrialization. It will also mobilize resources for an industrial development programme ahead of the fifteenth CAMI session (CAMI-15) to be held at Yaoundé in October 2001. Moreover, the project will encourage forums for private sector participation in policy decision-making, funds mobilization and SME development, and will strengthen the partnership between UNIDO and its partners in Africa: CAMI, ECA and OAU.

The second meeting of the Bureau of CAMI-14 was held in November at Dakar. The meeting was attended by the UNIDO delegation headed by the Director-General, the Ministers of Industry from Senegal (as Chair of the Bureau), Cameroon and Nigeria, and representatives of Côte d'Ivoire and Madagascar.

Strategies for African industrialization in the new millennium were considered by the Bureau of CAMI-14 at its November meeting. The issue is particularly important since the Second Industrial Development Decade for Africa is due to come to a close in 2002. A UNIDO working paper on the subject summarized the situation facing African industry at the turn of the millennium. The paper acknowledges that IDDA should, as a

matter of urgency, be adapted to the challenges of globalization and the multilateral trade system. To achieve these goals, the CAMI Bureau immediately launched a process of reflection to determine a set of new industrialization objectives, commensurate with the current international economic order. It is envisaged that a new mechanism could be established to assume the role of IDDA over the coming 10 to 20 years. An immediate objective is to achieve a consensus among all concerned parties on a new mechanism at CAMI-15.

In line with its decentralization policy and strengthening field representation, UNIDO opened the Regional Industrial Development Centre at Lagos, Nigeria. In addition to its crucial role in the implementation of the UNIDO country service framework for Nigeria, the Centre will provide technical support to countries in West and Central Africa. It will serve as a technical support facility for programme formulation, a resource centre for short-term advisory services for public and private sectors, and a regional centre of excellence for industrial development issues.

Nigeria was an outstanding example of country-level activity during the year. A UNIDO-sponsored country service framework was designed to assist the Nigerian Government clarify key industrial development issues through a dialogue with the private sector. Four national workshops in various locations identified solutions in effective policy development, economic management and industrial development, which were presented to the Government as a basis for future industrial development policy. The discussion of these and other issues backed by concrete UNIDO support were the focus of talks during two missions of the Director-General to Nigeria in the year.

In Kenya, a UNIDO project will help the Government and the private sector to prioritize actions to be taken at the policy, institutional and enterprise levels. Initial tasks will involve an assessment of the technical capacity of selected public and private institutions involved in setting up policies conducive to business growth, with particular focus on MSMEs.

A project elaborated for Angola and approved late in the year addresses capacity-building for the rehabilitation of the food industry. The project will assist Angola to rehabilitate its manufacturing industry and develop its private sector. Activities aimed at building national capacities to improve competitiveness are expected to help the country fit within the market-oriented Southern African Development Community (SADC) and the globalized world market.

An important mechanism to encourage subcontracting and partnership arrangements between enterprises is the UNIDO-sponsored subcontracting and partnership fair known as SUBEX. The third such event for Indian Ocean countries, SUBEX Fair 2000, was held at Port Louis, Mauritius, in August. Demonstrating the effectiveness of this event, more than 70 exhibitors from nine countries showed notably higher professional skills in establishing business and partnership contacts and concluding contracts.

UNIDO-CSAE research programme bears fruit

The 1999 agreement signed with the University of Oxford featured funding for a UNIDO research fellowship at the University's Centre for the Study of African Economies. Core research undertaken by the UNIDO fellow in 2000 related to the performance of African manufacturing firms. A number of analytical papers, featuring in particular industry in Ghana, Kenya and Zimbabwe, were submitted for publication to various journals. Research based on modern econometric methods aimed at illustrating the benefits of exporting was also conducted in cooperation with the World Bank, the International Monetary Fund and other research institutes in Europe, North America and Africa on the links between efficiency and exports in Cameroon, Ghana, Kenya and Zimbabwe.

One of Africa's major impediments for industrial development remains the lack of high-quality data. In this regard, the UNIDO-CSAE programme focused its efforts on filling these countries' information gap through the collection of firm-level primary data. In October and November, surveys were carried out in Ghana and Kenya to update and expand their existing sources of firm-level data. The survey in Ghana will update the Ghanaian database to span nine years (1991-1999), making it an unrivalled source of information on West African manufacturing firms, in terms of the length of the time series, the number of firms covered and the level of detail provided. The Kenyan survey was based on close cooperation between UNIDO and researchers from the University of Göteborg, Sweden and the Institute for Policy Analysis and Research, Kenya. In 2001, CSAE will strive to strengthen further the source of firm-level information, primarily by carrying out another survey in Tanzania and by expanding the group of countries to encompass Nigeria, in view of its strategic importance in Africa.

In March 2001 a two-week intensive training programme aimed at measuring and assessing performance in African firms will be offered to statisticians and civil servants from Africa as well as UNIDO staff. The objective will be to inform, train and encourage participation in the analysis and collection of data for analysing firm behaviour and success in Africa.

The UNIDO study *African Industry 2000* was made available during the year as a UNIDO sales publication. Providing an overview and analysis of the status of African industry in the light of the globalization process, the publication presents data and information from UNIDO and other multilateral agencies and research institutions. Two technical publications, *Fighting Marginalization and Social Inequality through Sustainable Industrial Development* and *Public-Private Partnerships for Economic Development and Competitiveness, with Special Reference to the African Experience* were widely disseminated in the region to enhance awareness of those important subjects.

A notable ECDC initiative was the visit to investment promotion agencies in Uganda and the United Republic of Tanzania by companies from four Asian countries (India, Malaysia, Pakistan and the Republic of Korea). Organized by the Asia-Africa Investment and Technology Promotion Centre at Kuala Lumpur, the mission—which featured the involvement of the heads of State of both countries—identified areas of improvements and formulated strategies for future cooperation. UNIDO field offices arranged investment seminars and over 330 one-to-one business meetings in the two countries, during which five memorandums of understanding were concluded.

A number of other activities feature ECDC/TCDC covering African countries, including:

- ❑ UNIDO-India partnership for housing in Africa—the International Centre for Advancement of Manufacturing Technology, established in 1999 at Bangalore, India, generated projects worth some \$4.5 million. A memorandum of understanding was signed with the Indian Ministry of Urban Development and Poverty Alleviation, providing a framework to encourage TCDC in the manufacture of materials based on local resources for low-cost housing in Africa;
- ❑ Preparatory assistance for industrial clean development mechanism projects—programme framework elaborated to address the central issue of barrier identification and removal to assist in preparing national “enabling environments” for industrial projects in Ghana, Kenya, Nigeria, Senegal, Zambia and Zimbabwe;
- ❑ Plans for a subregional expert group meeting on industrial policy and competitiveness (early 2001 in Abuja, Nigeria) were finalized with ECOWAS;
- ❑ The European Commission and UEMOA agreed to entrust UNIDO with the technical implementation of a regional programme on quality promotion in the Western African Monetary and Economic Union.

As reflected throughout the present report, cooperation with other organizations is an integral part of the full range of UNIDO activities. Nowhere is this truer than in Africa, where collaboration takes place also in a wide variety of forms. In addition to those illustrated in the present chapter, other selected examples in Africa during the year included:

- ❑ COMESA Extraordinary Summit and assistance in organizing investment promotion forums and technology transfer activities;
- ❑ Start of implementation of UNIDO proposal to assist ECOWAS to develop an interregional exchange programme with other regional organizations, such as MERCOSUR;
- ❑ Joint UNIDO/UNCTAD programme on investment promotion and enterprise development in Africa formalized;
- ❑ WTO Integrated Framework for Least Developed Countries—communications on possible modalities for UNIDO participation;
- ❑ Memorandum of understanding signed with the African Development Fund on working arrangements (foresees development and implementation of technical assistance, exchange of information and staff, procurement of goods and services).

B. Arab countries

Coverage of Arab countries in the development of integrated programmes made impressive gains in 2000, with no fewer than 10 programmes for the region finalized by October. Of the total \$63 million required for their implementation, some \$11 million had been secured. With the five integrated programmes whose preparation is pending approval, 75 per cent of the 20 countries in the region will eventually benefit from these UNIDO programmes.

Successful funds mobilization for the region enabled implementation of its integrated programmes to progress considerably. A further contribution by Italy to the programme for Tunisia will give that country the distinction of being the first with a fully-funded integrated programme. Moreover, a \$1.3 million contribution of Spain was announced

for the programme in Morocco. In Jordan, the Government announced its readiness to allocate \$1 million as a contribution towards training elements, under terms still to be worked out. A new contribution of \$1.4 million from France will bring funding of the programme for Algeria to nearly 60 per cent.

Based on funds provided by Italy plus UNIDO seed money, several components of the programme in support of Palestinian industry are under implementation. Representing a new dimension of UNIDO assistance to the Palestinian people, which originated in the early 1980s, the programme reflects the emphasis in the Business Plan on the provision of support in the fields of industrial policy, industrial institutions and SMEs. Progress is particularly evident in respect of 35 pilot enterprises, where the demonstration phase of an industrial upgrading programme was implemented. At the institutional level, the Federation of Palestinian Industry—established and recognized as a partner by the Palestinian Authority and the international community—is experiencing a continuous increase in membership.

Two integrated programmes address LDCs in the region. In Yemen, high unemployment, coupled with limited possibilities to further develop agricultural production, leaves the industry and service sectors as the only realistic options for future expansion of the economy. While the UNIDO programme is considered an important poverty reduction tool through its emphasis on job creation, implementation has been hampered by lack of funding, although there were encouraging signs that SPPD funding might be forthcoming from UNDP.

In Sudan, the programme focuses on institutional capacity-building, agro-industry and SME development. With nearly complete funding for the statistics component and almost 30 per cent for industrial policy, progress has been achieved mainly in those areas. Funding prospects for the investment promotion component appeared optimistic based on anticipated UNDP SPPD financing in 2001.

Similarly, the integrated programme for Jordan reflects the focus of the Business Plan on strengthening competitiveness and the employment potential of the agro-industrial subsector, including its integration, through subsectoral linkages, into the national industrial structure. Government contributions will complement the funds secured for the investment promotion subcomponent from a voluntary contribution of Italy and the seed money made available from UNIDO's own resources.

Fostering competitiveness and diversifying the private industrial sector are the main objectives of the programme for Saudi Arabia, which is now awaiting final approval by the Government. Supporting the formulation of industrial blueprints and organizing industrial support services will enable the private sector to make a greater contribution to the national economy. The recently-approved programme for Lebanon focuses on strengthening industrial competitiveness at large with the goal of integrating this sector into the global market. The Lebanese Government and private sector are fully supportive of the programme and have greatly facilitated the process of funds mobilization.

In the spirit of the Business Plan, which called for UNIDO to promote international industrial cooperation among specific groups of countries, a number of initiatives were launched in cooperation with other global or regional organizations.

UNIDO and UNDP jointly commenced a preparatory exercise that will result in the formulation of concrete recommendations and the identification of priority action needed to stimulate the development of a competitive SME sector in the countries of the region. In particular, this joint intervention aims at establishing a benchmarking mechanism at the regional level and to stimulate the adoption of best practices through

a comparative analysis of strengths, opportunities and constraints facing SMEs across the Arab region. It will also result in the establishment of a pilot network for the promotion of the flow of investment and technology resources towards the region.

The network will be operated by UNIDO and will link selected Arab countries with UNIDO's Investment and Technology Promotion Offices. The pilot network will support the efforts of local SMEs, as well as private and public institutions dealing with this sector to strengthen their competitiveness through a targeted exchange of information on investment and technology opportunities. This one-year preparatory initiative will furthermore result in the formulation of a large-scale programme, to be launched in 2001, to further enhance the leading role of SMEs in the socio-economic development of Arab countries.

A workshop on agro-industry and sustainable development in the Mediterranean coastal areas, with specific focus on the olive oil industry, was held in Beirut from 4 to 6 December as a collaborative undertaking of ICS, UNIDO, and research and agronomic institutes. Over 50 participants from eight Mediterranean countries adopted a series of concrete recommendations. Participating experts confirmed that a strategy for specific techno-economic aspects of the integrated development of rural areas should be formulated by participating countries, with assistance from ICS and UNIDO as required.

Jointly with the ILO International Training Centre, UNIDO held an expert group meeting in Turin on improving the performance and competitiveness of Arab enterprises in the global economy. Recommendations to be applied at the macroeconomic and institutional levels were distributed to Arab Governments, and a follow-up meeting is expected in 2001.

Cooperation with ESCWA focused primarily on the review of industrial policies aimed at increased productivity and competitiveness within global trends, and preparatory work was carried out for an expert group meeting to be held in early 2001.

An Aluminium Business Forum was held at Manama in May, organized jointly by UNIDO with the Government of Bahrain and the Islamic Development Bank. Twenty investment and business opportunities discussed by investors from Asia, Europe and Gulf Cooperation Council countries led to 41 letters of intent worth \$158.2 million and six agreements for commercial cooperation worth \$45.1 million. In conjunction with the Forum a round-table meeting was held on promoting investment and technology in selected Islamic/Arab countries. The meeting led to the signature of a memorandum of understanding with the Islamic Chamber of Commerce and Industry for future cooperation in promoting private sector development for which follow-up is being developed.

Countries of the region will benefit from a variety of capacity-building programmes of the Arab Regional Centre for Entrepreneurship and Investment Training, which became operational in 2000. Attached to the UNIDO Investment and Technology Promotion Office at Manama, the Centre will be formally inaugurated in February 2001.

C. Asia and the Pacific

As least developed countries, the Lao People's Democratic Republic and Nepal were accorded special priority by UNIDO in the region for the development of integrated programmes. In the case of the Lao People's Democratic Republic, the integrated programme foresees a package of advisory services to promote sustainable manufacturing production as a way to alleviate the country's trade deficit. To kick-start

the programme, UNIDO provided \$50,000 in seed money, which was used to engage national consultants to prepare sectoral studies on four manufacturing subsectors. An international consultant was also hired to supervise the preparation of the sectoral profiles and to delineate the respective domains of intervention of the main donors active in the country. At the end of the exercise, a clear picture emerged of possible areas of synergies between the UNIDO programme and bilateral initiatives, in a multi-bilateral setting.

The programme for Nepal was kicked off with a workshop held at Kathmandu aimed at developing a strategy for UNIDO assistance to the SME and private sector. Implementation of the industrial policy programme subcomponent was made possible by the allocation of SPPD funds by UNDP. A UNIDO expert visited the country to discuss cooperation modalities in implementing the cleaner production component, and in particular the establishment of a National Cleaner Production Centre, for which a project document is now being developed.

In Sri Lanka, the broad range of components in the UNIDO integrated programme is symbolic of the country's recent economic diversification. With more than 25 per cent of the programme funded at the end of the year, considerable progress was made in industrial policy interventions (in cooperation with Japan), subcontracting and partnership exchanges, business advisory services, standardization, industrial statistics, quality management and cleaner production.

In Thailand, as a result of high-level meetings between Thai, Japanese and UNIDO officials during UNCTAD X at Bangkok in February and subsequent technical meetings, the Government of Japan agreed to fund the integrated programme component "Tracking manufacturing performance: towards an early warning system of the economy".

During the reporting period, an integrated programme entitled "Country service framework for environmentally sustainable industrial development" was finalized for the Islamic Republic of Iran. The main focus is to increase the share of the non-oil sector and foster the sustainable development of competitive industries, create employment, generate income and thus contribute to the alleviation of social hardship. The framework gives particular emphasis to key areas with high development impact. Financed through a trust fund with the recipient, programme activities started by assisting the Organization of Investment in adapting the country's investment code for the requirements of modern capital markets.

In Pakistan, progress in the integrated programme was made in the cleaner production and environmental management component. A preparatory assistance project for a Cleaner Production Centre for the oil refining industry, facilitated by UNDP STS funding, is nearing completion, and efforts are under way to develop and obtain funding for the follow-up full-scale project. Similarly, the UNDP SPPD-financed preparatory assistance project on industrial policy and the environment also reached an advanced stage.

Whereas integrated programmes are the primary instrument of UNIDO technical cooperation, a number of "stand-alone" projects characterize the Organization's support to some countries. India is an example of a country where a wide range of UNIDO programmes are being implemented. The partnership programme, launched only two years ago to strengthen the SME-based automotive component industry in India, has already achieved notable impact in that pilot programme. Assessment of the first phase has shown major indications of success in the integration of improved

activities into normal operations, both at the shop floor and the production management level. Based on this performance, the Government has expressed interest in extending the programme to other regions, leading ultimately to a nationwide effort.

Examples of other industrial areas in India that benefit from UNIDO support are leather and cleaner production. Footwear artisans, craftspersons and micro-entrepreneurs in three provinces will benefit from UNIDO assistance to improve quality, productivity and marketing linkages between local producers and domestic wholesalers. In support of India's strong commitment to promoting cleaner production, the UNIDO/UNEP National Cleaner Production Centre signed a memorandum of understanding to set up a regional centre in Calcutta, which will become the fourth regional cleaner production centre to be established in India.

UNIDO was selected by the Multilateral Fund for the Implementation of the Montreal Protocol as the implementing agency for the first investment project approved by Japan for a bilateral contribution through the Fund to a value of \$2.25 million. The three-year project aims at assisting the Chinese Government to phase out production of ozone-depleting substances in the household refrigeration sector.

In December, the Asia-Pacific Regional Forum on Industrial Development held at Shanghai addressed the implications of China's imminent accession to WTO—a topic of significant regional and global interest. The accession of China will inevitably result in major challenges for industrial management in developing countries, and at the same time offers great potential in important areas that were identified in the debate. A two-fold business plan presented by UNIDO aims at the development of a systematic benchmarking of productivity performance and related policies across the industrial sector; and the implementation of technical cooperation programmes with demonstration effect to work on a cross-border value chain development in cooperation with multinational private companies.

Intechmart Pakistan 2000, convened in February, provided an opportunity for local entrepreneurs and foreign investors to enter into intensive dialogue in pursuit of cross-border investment and technology business. The results were some 300 one-to-one business meetings between Pakistani project promoters and potential investors or suppliers of technology from abroad. Partnerships were being sought through joint ventures, technology tie-ups and equipment purchases, buy-back arrangements, subcontracting, market access, joint R&D and other commercial linkages.

D. Europe and NIS

As a direct response to the request of the General Conference to ensure an ongoing dialogue between the countries of the region, the Regional Forum on Industrial Cooperation and Partnership in Central and Eastern Europe and NIS was held in Budapest in October. It is significant that the event was the first joint meeting of representatives of all countries of the region focusing on industrial development since the beginning of the transition process to a market economy. In this sense it represented a commitment for new forms of regional cooperation.

The discussions at the Forum, and bilateral meetings of the Director-General with the highest-level officials of the Czech Republic, Poland and Hungary, led to the launching of three new initiatives: a regional quality and productivity initiative initially focusing on a programme between UNIDO and Poland; an initiative focusing on technology

foresight that will see its first manifestation in a regional meeting in Vienna in 2001; and a proposed ministerial-level meeting of policy makers from the Europe and NIS region and from Latin America and the Caribbean later in 2001.

These new initiatives offer considerable potential for the region. A project document is being elaborated on the quality and productivity initiative, based on the provision of services to industry and institutions to assist them to discover and implement “best practices”. The programme aims at providing the knowledge, tools and solutions needed to improve productivity and quality in industries of the region. Technology foresight activities are an important focus of the UNIDO programme in Latin America and the Caribbean, and after further review may be applied successfully to the countries of Eastern Europe and NIS.

In Minsk, UNIDO conducted a seminar on innovation policy and commercialization of R&D for some 60 government officials and managers of R&D institutes, universities, technology parks and industry. The seminar also covered the role of UNIDO and UNDP in fostering innovating processes and international partnerships.

Parallel to its global forum activities, UNIDO continued to develop and support the implementation of technical cooperation programmes and projects across the region and to promote cooperation among the countries of the region. Activities continued under the seven ongoing integrated programmes—including those for the different regions of the Russian Federation, and a new integrated programme for Uzbekistan was developed. In Uzbekistan, an investment seminar during a December promotional week for the country sponsored by the Japan External Trade Organization (JETRO) was held as well.

An intensified dialogue with the donor community, as requested by the General Conference, yielded results in 2000. In the former Yugoslav Republic of Macedonia, funding was obtained from the Czech Republic for the first year of a three-year project in the area of cleaner production. Also under Czech multilateral official development assistance, a new programme developed for Ukraine aims at ODS phase-out.

The General Conference also called for appropriate measures to assist the Balkan region in rehabilitation and development of its industrial structure with others involved in the coordination effort. Post-crisis reconstruction and rehabilitation were among the specific features considered under “stand-alone” activities. During the year, discussion began with a potential donor concerning a regional programme in support of civil society organizations in agriculture-related industries in the Balkan countries. Also at the preliminary stage, late in the year discussions with authorities of the Federal Republic of Yugoslavia focused on possible cooperation on the establishment of an investment promotion agency for donor financing. Extensive discussion also took place with the Government of Bosnia and Herzegovina regarding a programme on ODS under the Montreal Protocol.

Cleaning up the Tisza River Basin following contamination from hazardous waste is the immediate aim of a project on environmental management and pollution control to be financed by the Hungarian Government. The project will develop a strategic framework for an integrated environment management approach incorporating a risk management plan.

In cooperation with the Government of Slovenia, a regional project was developed to assist the countries in transition to strengthen their capacity for sustainable industrial development, and a programme developed jointly with Turkey will promote small and medium enterprises in the NIS. GEF financing was obtained to allow work to begin on

transferring environmentally sustainable technology to the countries of the Danube River Basin.

UNIDO activities in Romania included the introduction of food safety and quality principles in the food-processing industry, and assessing the feasibility of the development of an industrial park in Craiova. In the Republic of Moldova, a survey on industrial energy efficiency and identification and formulation of follow-up activities was carried out. Implementation commenced on a project to develop capacity in the commercialization of research results, technology transfer and investment promotion in the Republic of Belarus.

A major priority was to encourage the expansion of the role of emerging donors from within the region, particularly for the funding of programmes and projects of neighbouring countries. In addition to activities mentioned above, Slovakia funded the establishment of an investment and technology promotion office in Bratislava, and Turkey continued its financial support for the UNIDO Centre for Regional Industrial Cooperation in Ankara.

E. Latin America and the Caribbean

While integrated programmes and technology foresight characterized UNIDO activities in Latin America and the Caribbean, they were complemented by a range of other initiatives, the importance of which was underscored by a number of high-level visits throughout the year.

Progress was evident in integrated programmes despite the early stage of implementation. In Colombia and Guatemala, the programmes are co-financed through recipient country contributions, thereby facilitating implementation of a greater number of components. In both countries the principal concentration is support to SMEs, as well as investment promotion and improvement of international competitiveness. Entrepreneurs in the Peten region of Guatemala have started to benefit from advisory services in small business development, credit and financing, technology development and transfer, quality control and investment information. The services are being provided by a newly-established centre designed to support MSMEs.

In the case of Colombia, several studies on investment promotion were finalized and a programme to support productive chains was launched in December. Two groups of food producers were selected for technical assistance financed by UNIDO, and the Government allocated \$1 million to initiate the implementation of other programme components.

In Bolivia, efforts focused on implementing the agro-industry, policy-making and information networking components. Concrete actions were initiated in three key SME sectors: textiles, agro-food manufacturing and viticulture. Support was provided to the Bolivian investment promotion agency and the information management and networking capacity of key institutions and provinces were enhanced.

Throughout the reporting period, implementation of the integrated programme for Cuba developed dynamically. Nearly all programme components were addressed by UNIDO substantive units, in part through field missions. Significant contributions achieved some indications of success, in industrial information; innovative management development for SMEs; development and implementation of food safety concepts; and environmental and energy audits in six industrial plants.

The Honduras integrated programme is designed to support efforts by the Government, private sector and civil society towards competitive industrial development as a means to ensure sustainable livelihoods through income and employment generation. Good governance, empowering MSMEs to become dynamic growth engines, and environmentally friendly resource management are key aims of the programme. Implementation will be initiated upon formal approval of the trust fund agreement with the recipient country.

Building on the regional technology foresight initiative launched with the International Centre for Science and High Technology (ICS) in Trieste, Italy, concentration in 2000 was on establishing national committees, training programmes and elaborating training handbooks; developing national technology foresight programmes; establishing inventories of available skills and capabilities in the participating countries; and consolidating a regional electronic platform of communication. The UNIDO regional programme, which is still under review, foresees five stages: (a) skills and capabilities inventory; (b) national programme elaboration; (c) implementation of technology foresight; (d) dissemination of results; and (e) implementation of policy recommendations.

Four countries (Argentina, Brazil, Uruguay and Venezuela) have completed the first two stages and four (Bolivia, Chile, Colombia and Mexico) have initiated or completed the inventory stage. Review and identification of further action was the focus of a regional seminar held at Montevideo from 10 to 13 December with more than 70 participants from over 15 countries. To ensure the highest impact at the national level, the counterparts in participating countries are key national institutions, including offices of the president, ministries of science and technology and national councils of science. Detailed information on the programme is available from the ICS web site (www.foresight.ics.trieste.it).

EUROPALIA is a UNIDO event held annually to strengthen industrial and technological cooperation between Latin American and European business firms and to exchange technical and institutional experience and know-how in the field of agro-industrial development. Convened in Paris and organized by the UNIDO Investment and Technology Promotion Office, EUROPALIA 2000 drew some 300 participants.

At the regional level, negotiations with the ECLAC Executive Secretary in Vienna in February led to a revival of the relationship between the two organizations. UNIDO will support the work of the Joint ECLAC/UNIDO Industry and Technology Unit in Santiago, Chile, by providing technical expertise, both through national and international consultants, to undertake sectoral surveys and analyses with a particular view to assisting the private industry sector.

F. Field representation

At the end of the year, the Organization was maintaining 36 offices, including 10 regional and 18 country offices. During 2000, new heads of regional offices were appointed in India, Nigeria and Thailand. However, the nature and role of the field offices remained unchanged owing to limited financial resources. In programme and project formulation and implementation, the country offices continued to have few main responsibilities, while the regional offices—which should function as regional technical centres—were not fully operational as it was not yet possible to deploy the required technical personnel.

The year witnessed renewed attention to reorienting the UNIDO field representation programme to the changing operational environment of development assistance. In the second half of the year, the Organization engaged in extensive discussions with Member States regarding the need to expand and qualitatively change its field structure so as to enhance the relevance and effectiveness of UNIDO's technical cooperation. This would require transferring to the field substantive responsibilities in programming and project management that are presently being performed at Headquarters. Although Member States reaffirmed the importance of decentralization as a means to enhancing effectiveness, they requested the Organization, for the time being, to consolidate and stabilize the existing field structure while eliminating organizational inefficiencies.

V

UNIDO performance management

UNIDO's performance management system has been developed to provide feedback and lessons learned to enable management and stakeholders to assess and take remedial actions for the continuous improvement of efficiency, effectiveness and impact.

Performance is monitored internally and externally. Internal factors such as administrative, financial and process efficiency are measured for management feedback. Externally, service development, implementation efficiency, effectiveness and impact—including client satisfaction—are measured to ensure the quality of services provided. There is continuous monitoring of performance, for example with respect to how UNIDO complies with its mandates and Business Plan, manages its resources and implements its processes.

Core processes dealing with integrated programmes involve setting up teams that are responsible for identifying, formulating and implementing UNIDO services in an integrated and need-based fashion. The quality of integrated services is measured against established criteria covering the efficiency of the programme development phase; the quality of programmes developed; the efficiency and effectiveness of implementation; results produced and impact in the beneficiary countries.

Of particular importance in the integrated programming approach is monitoring external factors that may prevent UNIDO from producing planned results. External factors may include the payment by Member States of their assessed contributions, and—more importantly—the availability of extrabudgetary funds.

The present chapter discusses the integrated performance management and measurement system. The chapter also provides a quantifiable measurement of UNIDO performance in 2000 in terms of technical cooperation delivery and approvals.

In compliance with mandates of the governing bodies, the Annual Report also serves as a programme performance report. Within that context, the appendices provide information, primarily in tabular and graphic form, on a broad range of activities carried out during the year.

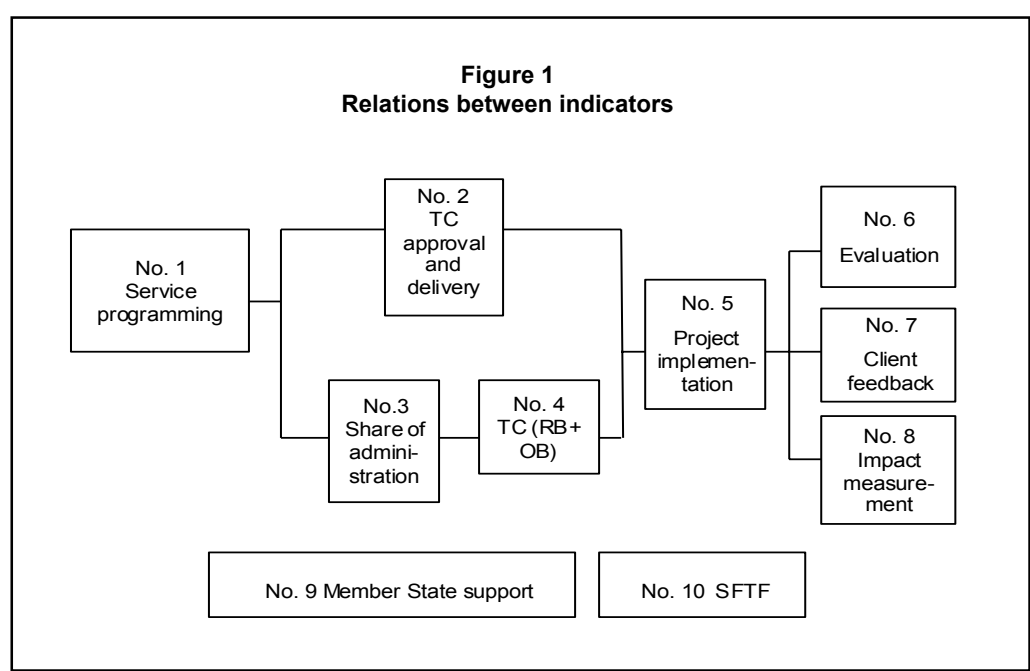
A. Performance management system

Starting with the 1998 Annual Report, the Secretariat has been using a performance indicator system to facilitate a broad assessment to answer three questions: What does UNIDO do? What are the results? How much does it cost? Progress made in 2000 in applying a system of performance indicators included the following developments:

- ❑ For internal management purposes, an integrated monthly financial performance reporting system has been used as an important management tool for target-setting, monitoring and implementation control of UNIDO services. The system and the accompanying recruitment model have enabled the Organization to stabilize its financial situation and prioritize services amidst declining technical cooperation delivery and operational budget income;
- ❑ The development of performance and impact indicators for integrated programmes has continued to facilitate assessment by team leaders and management. In March and November presentations were made to Member States on progress achieved;
- ❑ The Secretariat has developed a new system of performance management and control with a view to ensuring effective implementation of UNIDO strategies. The system now covers four dimensions: direct perspective, financial perspective, internal process perspective and learning and development perspective.

Organization-wide performance indicators developed in 1999 have been updated to cover 2000 and are shown in appendix M. The 10 performance indicators reflect UNIDO performance in a number of specific areas. To facilitate comparison, data for previous years are included where available. Figure 1 below shows the interlinkages of the 10 selected indicators.

It should be reiterated that the establishment of indicators to assess UNIDO performance is difficult both conceptually and technically, but facilitates UNIDO's efforts to add value and generate more impact than the limited resources at its disposal would imply. UNIDO will continue to improve its performance indicator system.



B. Performance management of UNIDO programmes

In 2000 the first three country service frameworks were approved in addition to nine new integrated programmes. This brings the total to 40 integrated programmes and three country service frameworks (Brazil, Egypt and Nigeria). Country service frameworks can contain a number of integrated programmes of a local or sectoral nature as well as projects and are better suited to meet the requirements of those larger countries with more complex industrial structures.

To ensure that UNIDO programmes are well designed and implemented, two additional guidelines were issued during the year. Guidelines for the formulation of regional integrated programmes were distributed in March, but although a number of potential areas have been put forward no regional integrated programmes have yet been developed. Following wide in-house consultation, guidelines for the implementation and monitoring of integrated programmes were published in December. Guidelines for the evaluation of integrated programmes that will complete the current series are under preparation.

Performance measurement

With the first integrated programmes well into their second year of implementation, a main focus of 2000 was the establishment of a performance measurement system. A number of interrelated initiatives were carried out, all of which aim to improve the measurability of programme impact.

Two meetings on impact assessment were held with Member States during the year under review. At the first, in March, consensus was achieved on the need for a clear and simple mechanism that would reflect what was measurable in the context of UNIDO's integrated programmes while at the same time linking in to such higher-level indicators as economic growth and poverty alleviation. This laid the groundwork for a second meeting, in November, where progress was reported on the development of a performance measurement system for UNIDO's integrated programmes.

With the programme methodology established in the form of standardized guidelines and formats, a major obstacle to measuring programme performance remained the scarcity of baseline data. Without such data it is impossible to demonstrate changes brought about through UNIDO intervention. To remedy this situation teams have been encouraged to use the questionnaires provided in the guidelines for the formulation of integrated programmes to collect baseline data on potential counterparts, support institutions and pilot enterprises. A second round of information collection will provide evidence of impact at the programme level. The questionnaires will be refined based on the feedback received from the teams who are using them.

At the same time, efforts have been made within UNIDO to establish a coherent set of generic success indicators for each of the outputs identified in the existing service modules. Although success indicators have been tailored to individual outputs in all the integrated programmes, it was felt that a more systematic approach was needed to obtain more comparable data and also to promote a better understanding with stakeholders at the country level of the expected benefits of the programme.

While baseline data and success indicators are essential prerequisites for efficient implementation and monitoring, the guidelines for the implementation and monitoring of integrated programmes lay down the process to be followed to record and measure progress in the form of standardized work plans, reports and regular review meetings

at Headquarters and in the field. Steps were also taken during the year to overcome disparities in the recording of financial information with the Financial Performance Control Branch being given the responsibility to ensure that the figures reported on the integrated programmes, including “soft information”, were corrected and updated regularly. The extent of those disparities had come to light during a comparative review in July and August carried out with the Branch Directors in an effort to make the programmes more realistic while maintaining their coherence. An internal reporting system is now in place (Infobase) to provide management with up-to-date information on programme funding, distribution of service modules, progress and participation.

Earlier in the year an Organization-wide assessment was made of the potential of approved and ongoing programmes with the primary objective of establishing where limited seed money can produce the greatest impact. The assessment took account of the perspective of the teams (programme as a whole), the Regional Bureaux (country situation), Branch and Managing Directors (service modules), Funds Mobilization and the Executive Office. This exercise resulted in the allocation of seed money to 36 programmes.

Before seed money was actually allocated in May teams were asked to prepare a means-end diagram identifying outputs to be produced and expected outcomes within a given time frame, together with their success indicators and the inputs required. Quantified results are expected in April 2001.

C. Internal oversight and evaluation

Sharing lessons learned enhances coordination and improves performance. With this in mind, the Intranet database for regular budget and technical cooperation activities went on line to assist staff in continuously improving their services in all three core performance dimensions: economy, efficiency and effectiveness. Applying the same concept in a broader perspective, the Office of Internal Oversight and Evaluation started looking into a more interactive oversight tracking system in cooperation with other United Nations organizations. In UNIDO, such a system would help to follow up recommendations emanating from senior management, the External Auditor and the Joint Inspection Unit.

In conducting its oversight function, the Office of Internal Oversight and Evaluation operates in conformity with established UNIDO rules and regulations as well as administrative instructions. In doing so, the various activities are undertaken with due regard to fairness and objectivity, to prevent and detect waste, misconduct, abuses and mismanagement in UNIDO operations. To achieve the objectives set forth in its mandate, the Office examines allegations received that involve misconduct or other prohibited activity, and ascertains the facts in order to substantiate or disprove these. In this regard, commitment to accountability is imperative.

Internal oversight

UNIDO’s internal oversight function covers a broad spectrum, from management control systems to observance of regulations. Moreover, the coordination function covers the Secretariat’s relations with the Joint Inspection Unit.

In 2000, the Office produced 34 internal oversight reports or studies, which varied considerably in scope. Numerous reviews were conducted in response to management inquiries or observations during periodic tracking of UNIDO operations. Some of these short studies do not necessarily result in specific recommendations, but are intended as

inputs into the decision-making process. During the year, 12 such audit observations were provided to the Director-General (seven for information or clarification and five pointing out deficiencies in control mechanisms).

In general terms, audits are planned events conducted routinely to (a) review the reliability and integrity of financial and operating information; (b) review the systems established to ensure compliance with policies, plans, rules, regulations and other administrative instructions; and (c) appraise the economy and efficiency with which resources are employed. Audit activities involve a systematic process resulting in recommendations to remedy deficiencies or improve performance. During 2000, five audit reports were issued: three on technical cooperation projects, and two on finance and management. Several pending issues will be attended to once a vacant post is filled in 2001.

Investigations are carried out following specific allegations involving possible violations of regulations, rules and other pertinent administrative issuances on misconduct, mismanagement, waste of resources and abuse of authority. The three investigations conducted in 2000 related to two technical cooperation projects and one field office. All final reports are communicated directly to the Director-General with recommendations derived as lessons learned for posting on the Intranet. After review and clearance by the Director-General, the reports are further discussed with the offices concerned.

Comments are provided mainly following requests by the Director-General on various issues. In 2000, a total of 14 audit comments were provided to the Director-General on organizational issues.

Evaluation

The Office of Internal Oversight and Evaluation continued to manage and participate in the evaluation of stand-alone programmes and projects, excluding those implemented under the Montreal Protocol (which has its own evaluation system). The office also participated in designing the monitoring and evaluation system for the integrated programmes.

Number of evaluations, 1998-2000

	1998	1999	2000
Self-evaluations (progress, terminal reports)	125	50	62
Independent in-depth evaluations	9	17	13
Total	134	67	75

After several years of contraction the number of self-evaluation reports has stabilized. The small increase in self-evaluations in 2000 is due to better compliance with monitoring and evaluation guidelines. Independent in-depth evaluations have maintained their role in the system. Staff participated directly in five in-depth evaluations, including field missions. The share of mid-term in-depth evaluations remained rather low (around 40 per cent of all independent evaluations) as project managers tend to put off evaluations to a later date. No ex-post in-depth evaluation was conducted in 2000 as project budgets do not provide for evaluations to be conducted several years after project completion.

In projects evaluated, statistical analysis of qualitative aspects is based on data derived from all evaluation reports reviewed during the year. In 2000, this represented a total amount of technical cooperation programme activity of \$42,541,195 in terms of revised budgets and \$36,338,177 in terms of expenditures.

Duration of implementation: Approximately 40 per cent of projects evaluated were completed on time or within an additional delay of less than 50 per cent of total duration as initially foreseen. Fifteen per cent of evaluated projects exceeded the planned duration three times or more. While the latter category may have been affected by unfavourable external factors, the large number of projects completed later than planned indicates that project planning continues to be too optimistic with respect to time frames.

Production of outputs: Of 456 outputs evaluated in 2000, 79 per cent were produced satisfactorily or better. This is comparable to the evaluation results in 1999.

Overall assessment (effectiveness): Effectiveness of projects is measured by achievement or likelihood of achievement of the project's purpose. After an exceptionally high percentage of satisfactory or better results of 90 per cent in 1999, the effectiveness indicator settled to 82 per cent in 2000.

Overall assessment (effectiveness)
(Percentage)

	1995	1996	1997	1998	1999	2000
More than planned	--	--	2	4	7	3
As planned	46	54	44	44	59	52
Slightly less than planned but satisfactory	25	23	23	37	24	27
Subtotal	71	77	69	85	90	82
Less than planned	23	15	27	10	7	11
In trouble	--	--	4	2	1	5
Subtotal	23	15	31	12	8	16
Undetermined	6	8	--	3	2	2
TOTAL	100	100	100	100	100	100

Capacity-building: Capacity-building projects prevailed by far (76 per cent) over the direct support projects (24 per cent). In budgetary terms their share was even higher (84 per cent), which implies that capacity-building projects are on average larger.

Environment: Approximately 30 per cent of all projects evaluated were those with primarily environmental objectives (46 per cent in budgetary terms).

D. Aggregate statistical analysis

Technical cooperation entered a new era in 1999 with the commencement of the integrated programmes. During the consolidation period of old and new in 2000, total technical cooperation delivery decreased to \$68.7 million (figure 2). However, net approvals continued to increase reaching a de facto level of \$87.8 million in 2000 as compared to \$81.6 million in 1999 (see part E below on mobilization of financial resources).

Geographically, the Asia and Pacific region continued to be the largest recipient of UNIDO technical cooperation. Its share however, decreased from 47 per cent in 1999 to 39 per cent in 2000 in favour of all other regions. Africa remained the second largest beneficiary of UNIDO services with a share of 27 per cent, including 20 per cent for sub-Saharan countries. The weight of Latin America and the Caribbean and the share of Europe and NIS increased to 18 and 9 per cent respectively (figure 3).

The analysis of UNIDO technical cooperation delivery of 2000 in accordance with the World Bank classification system shows that one third was directed towards low-income economies, and two thirds to middle-income economies (figure 4).

While the Montreal Protocol continued to be the largest source of funds for technical cooperation delivery, its share decreased from 42 per cent in 1999 to 39 per cent in 2000 (figure 5). Accordingly, the share of the Industrial Development Fund and trust funds increased from 23 per cent in 1999 to 27 per cent in 2000, and from 11 to 19 per cent respectively. The weight of UNDP continues to decrease.

The composition of project components in 2000 remained largely unchanged compared to recent years. The share of the subcontract component returned to a lower share of 32 per cent after a rise to 39 per cent in 1999. In turn, project personnel component increased from 34 per cent in 1999 to 40 per cent in 2000. While the share of the equipment component remained stable at 18 per cent, fellowship and training rose slightly in 2000 (figure 6).

The analysis of technical cooperation delivery in 2000 in accordance with the UNIDO Business Plan priorities shows a similar picture as in the previous year. The share of environmentally sustainable industrial development and international protocols remained the highest (39 per cent), followed by environmentally sustainable industrial strategies and technologies (14 per cent), promotion of investment and related technology (20 per cent) and agro-industries (8 per cent) (figure 7). The delivery pattern basically followed the approval pattern of the preceding year.

After the consolidation period of the year 2000, technical cooperation could accelerate in 2001, benefiting also from the increase in approvals during the years 1999 and 2000.

Figure 2. Technical cooperation delivery and approval, 1991-2000

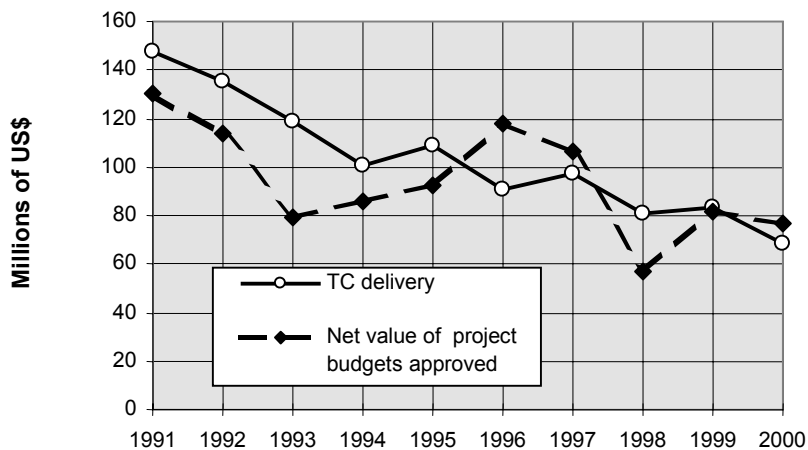


Figure 3. Technical cooperation expenditure by region, 2000

(excluding global/interregional projects)

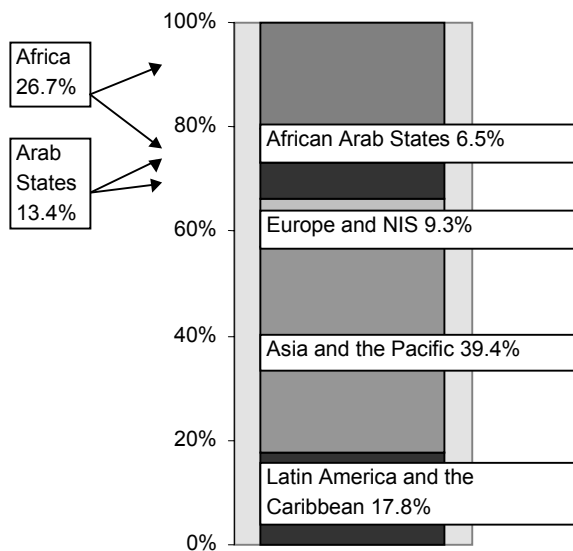


Figure 4. UNIDO technical cooperation delivery, 2000 by World Bank classification

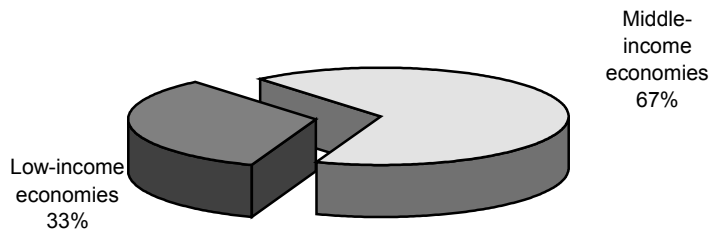


Figure 5. Technical cooperation expenditure by source of funds, 2000

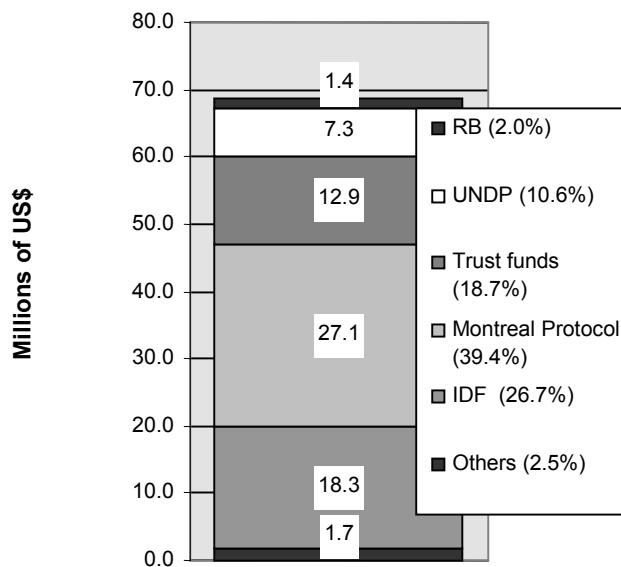


Figure 6. Technical cooperation expenditure by project component, 2000

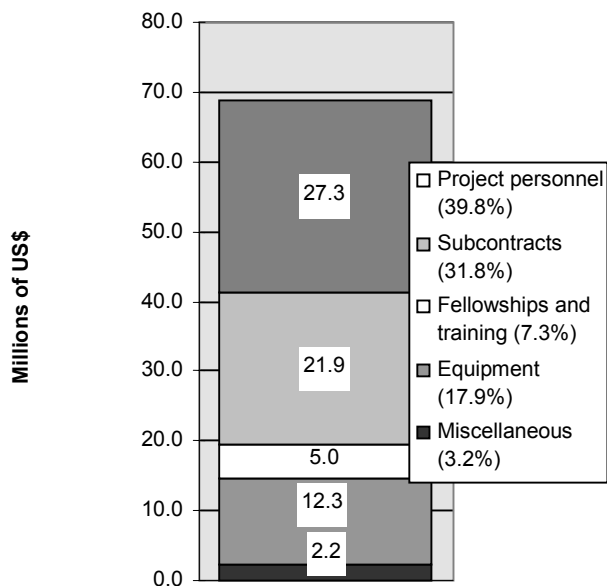
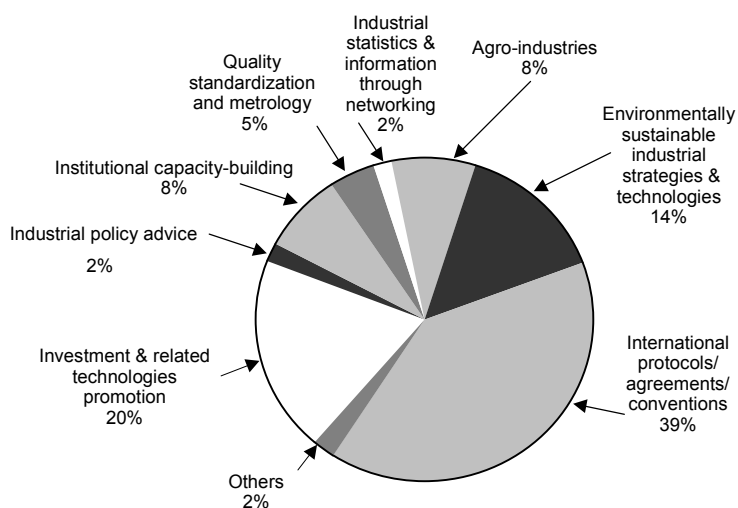


Figure 7. Technical cooperation delivery by Business Plan priorities, 2000



E. Mobilization of financial resources

In 2000, the new initiatives in terms of mobilization of financial resources and the integrated programmes taken in the previous two years started to produce results. As mentioned in the 1999 Annual Report, results were expected in 2000 of ongoing consultations with several donors on the provision of targeted but programmable funds. This indeed resulted in a considerable increase in such funds available. Denmark has continued to contribute about \$2 million per year. The United Kingdom made available not only its \$1 million contribution announced in 1999 but also another \$2 million just before the end of 2000, all for the integrated programmes. In addition, Austria made available €1 million for integrated programmes, Norway approximately \$666,000 for specific environment activities within integrated programmes in Africa, Kuwait \$100,000 and Ireland \$116,000. Furthermore, Italy and Austria also made contributions to the general-purpose programmable segment of the Industrial Development Fund. As a large part of those funds were received late in the year, they could not be allocated by 31 December. The balance of those programmable donor funds available at the end of 2000 amounted to \$6.2 million, compared with \$3.2 million at the end of 1999, an increase of \$3 million.

This increase in programmable funds has proven very valuable as it allows UNIDO to start priority activities rapidly, fill gaps in the funding of critical components and attract other funds. It is hoped that other donors will also consider such contributions, so that flexibility can be maintained to ensure optimum implementation of programmes given the funding constraints.

Considerable progress was made also with obtaining access to bilateral funds (i.e. in principle made available by specific donors to partner countries). This has been the case mainly in countries where an integrated programme is in place. Donors and recipients have expressed appreciation for the approach followed and have provided funds, mainly through the trust fund mechanism. Major approvals were obtained in 2000 from Italy and Norway for the programmes in Sri Lanka, Tunisia and Uganda. An agreement was signed late in the year with Spain for an important component of the integrated programme for Morocco, representing the first major technical cooperation contribution from Spain to UNIDO. The \$14.9 million level of net approvals reported under this category takes into account only actual payments received; future year payments under trust fund agreements signed with donors in 2000 (and therefore not included in net approvals) amount to \$7.9 million. Until 2000, such future payments had been marginal.

Net project and programme approvals from all sources of funds amounted to \$76.9 million, as compared with \$81.6 million in 1999. However, with the types of funding, and modalities changing from the traditional pattern as described above, the net approval figures no longer show the total volume of funds mobilized during the year. As described above, in addition to net approvals, UNIDO increased the unallocated balance of programmable donor funds by \$3 million during the year, and together with future payments under trust fund agreements signed, total financial resources mobilized in 2000 amounted to \$87.8 million.

Furthermore, in order to allow a proper comparison between the 1999 and 2000 amount approvals, it must be kept in mind that the donor contributions are made mainly in currencies other than the United States dollar. The average euro/dollar exchange rate in 1999 was €1 = \$0.93, while in 2000 the rate was €1 = \$1.08, a decrease of 16 per cent. This has reduced the dollar equivalent of 2000 approvals by several million dollars.

The distribution of Industrial Development Fund and trust fund approvals by region and subject is given in appendix B. Details of the projects are provided in the list of technical cooperation activities (IDB.24/2/Add.1).

Funding from UNDP core funds continues to decrease. In 2000 net approvals from this source amounted to \$4.6 million only. In view of the financial situation of UNDP, no rapid recovery in that funding can be expected.

Net approvals under the Multilateral Fund for the Montreal Protocol amounted to \$29.5 million, around the average of recent years. Annual net approvals have stabilized at this high level, enabling UNIDO to maintain the annual delivery under this source of funds.

Other very important developments took place during the year in respect of the relations of UNIDO with GEF and the European Commission. Under GEF and UNDP funding a project with a total value of \$8.9 million was approved for India in the area of clean energy. In another GEF-funded project for the Dneiper River Basin involving several agencies, UNIDO was assigned responsibility for several components with a total value of almost \$1.3 million. Also a preparatory project for development of a strategic action plan for the Gulf of Guinea marine ecosystem was approved. This is likely to result in a large-scale project in the coming years. At the end of the year, the main phase of an energy conservation project in China with a value of \$7.4 million and a project of almost \$1 million for the Danube valley were also approved by GEF. (Those last two projects are not included in the above statistics, but will be reflected in 2001 approvals.) Furthermore, a major breakthrough was achieved in terms of improved access to GEF funding. Until now UNIDO could access GEF funding only through one of the implementing agencies: UNDP, UNEP or the World Bank. In the spring, the GEF Council decided to enable UNIDO to work directly with the GEF secretariat on project development, including funding. Later in the year UNIDO was given the status of "executing agency with expanded opportunities", enabling UNIDO to work directly with the GEF secretariat on all activities. Under several GEF operational programmes, particularly but not exclusively in the areas of persistent organic pollutants and climate change, this presents major opportunities both for substantive cooperation with the GEF secretariat as well as for project funding.

Progress was made also with the European Commission. A project was approved for the Union Economique et Monétaire Ouest Africaine for which UNIDO will implement activities with a value of €8.2 million. Furthermore, progress is being made in the finalization of the detailed working arrangements between the United Nations and the European Commission. Completion of this process, expected in the coming months, will enable United Nations organizations to cooperate directly with the Commission and obtain project funding. As several other projects are under discussion, finalization of those arrangements could result in a rapid increase in cooperation.

Approvals for 2000 also include the funds resulting from the unutilized balances of appropriations arising from the adoption of General Conference resolution GC.8/Res.4. Those funds are currently being utilized in the integrated programmes. Together with the Regular Programme for Technical Cooperation, those funds have provided the organization with a very important flexibility to start up programme activities and facilitate a balanced implementation of programmes. Because of its special nature, no new funds will be available in 2001 under this heading.

Funds mobilization efforts at all levels in relation to the integrated programmes will continue unabated in 2001. Efforts will include special missions to the field where, in close cooperation with the Government, donors are approached to participate in the

funding of the programmes. It is further anticipated that contributions from Governments and other national participants, both in cash and in kind, will increase.

As shown in appendix C, funding mobilized for the integrated programmes during 2000 amounts to \$32.4 million, an increase of more than one third over the \$23.7 million of 1999.