



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

21010

Distr.
RESTRICTED

FMD/R.14
15 December 1994

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

ORIGINAL: ENGLISH

49 p.
Tables

**IN-DEPTH EVALUATION OF SPECIAL
TRUST FUND PROJECTS***

Prepared by the Evaluation Section
Mobilization and Management of
Financial Resources Division

* This document has not been edited.

V.94 28842

"Man makes progress by making mistakes"

Sir Karl Popper

TABLE OF CONTENTS

SUMMARY	iv
LIST OF ABBREVIATIONS	vi
1. BACKGROUND	1
2. COMPOSITION OF THE SPECIAL TRUST FUND SCHEME	6
3. ANALYSIS OF PROGRAMME & BUDGETS AND MEDIUM-TERM PLAN DOCUMENTS RELEVANT TO THE STF, AS WELL AS POLICY MAKING ORGANS, MANDATES APPLICABLE TO THE STF	15
4. PROJECT DEVELOPMENT AND IMPLEMENTATION OF STF PROJECTS	18
5. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS OF THE IN-DEPTH EVALUATIONS OF STF PROJECTS	21
6. CONCLUSIONS AND RECOMMENDATIONS	37
Annex 1: UNIDO PROGRAMME EVALUATION MANDATES AND ACTIVITIES	42

SUMMARY

The special trust fund schemes of UNIDO were designed to provide financing mechanisms that enable the Organization to respond promptly and efficiently to the needs of recipient countries, particularly those of industrial enterprises (public, private and cooperative) and in cases where such needs are not easily met by traditional assistance programmes. This is reflected in the Programme and Budgets, Medium-Term Plan documents and other related documents submitted to PMOs.

This evaluation covers the period of January 1986 to July 1994 during which the percentage of expenditures of STF projects over the total expenditures for technical cooperation from all sources increased steadily from 10% to 35% of this year. In absolute terms, expenditures related to STF projects increased from US\$ 9 million in 1986 to \$ 36,3 million in 1992 to decrease to \$ 30 million in 1993.

Trust fund projects are categorized in the following main groups with the percentages of allotments for each group:

- Self financed - where the funds come from the industrial plant, institution or enterprise that is the beneficiary of the assistance - 31%.
- Third party - where the funds come from a third party, which may be a bank, development finance institution, a governmental or non-governmental donor agency, an individual or a group of companies, industrial associations or foundations - 24%.
- UNDP - which finance in-plant group training programmes, meetings, seminars and workshops using UNDP funds - 3%.
- Genetic engineering - which relate to activities of the International Centre for Genetic Engineering and Biotechnology - 38%.
- Other types - 4%.

In order to obtain field experience with STF projects, in-depth evaluations were carried out of projects financed by Denmark, Japan, UK and Nigeria. The review mission reports of projects financed by the UK Know-How Fund were assessed. For other projects desk reviews or file searches were conducted. In addition, the Associate Experts programme was evaluated.

The project development and implementation system for STF projects showed some differences in comparison to other types of projects but these differences were eliminated with the restructure of UNIDO of 1 January 1994 with exception of the needs for project documentation. The evaluators could not find a rationale for including some of the projects under the STF and not under other funds.

It was found that STF projects showed sometimes more flexibility in design and implementation. On the other hand these projects showed design inadequacies and little compliance to structured monitoring and evaluation. Most of the substantive problems observed in the evaluations are no different from those of traditional technical cooperation. Similarly, recommendations made for improvements for STF projects with regard to project design and implementation are also applicable to projects funded from other sources.

The uniform treatment of all projects irrespective of source of funds under the recent restructure of the Secretariat is validated but project documentation for STF projects should be simplified. The present classification of technical cooperation projects should be reviewed to align it with the present strategy for funds mobilization.

The UNIDO monitoring and evaluation system should be systematically applied to STF projects.

The Associate Experts Programme was found to be actual, useful and of interest to donors and recipients. Over the time, some features of the Associate Experts have evolved such as for instance the increasing recruitment for Headquarters posts. Associate Experts are supposed to work under the supervision of a senior expert but due to the decrease of long term senior expert posts, associate experts are increasingly working on their own. Other modalities of supervision and guidance need to be found. Career prospects of Associate Experts need better attention by UNIDO and donors. The treatment of Associate Experts by different donors should be harmonized.

This version of the document originally numbered MFRD/R.13 is issued to introduce a number of editorial changes.

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AE	Associate Expert
AFDB	African Development Bank
BMZ	Bundesamt fuer Wirtschaftliche Zusammenarbeit (Germany)
BSO	Backstopping Officer
CAD	Computer-aided Design
CAM	Computer-aided Manufacturing
CNC	Computer-Numerical Controlled
COMFAR	Computer Model for Feasibility Analysis and Reporting
CSDHA	Center for Social Development and Humanitarian Affairs
CTA	Chief Technical Advisor
DANIDA	Danish Industrial Development Agency
DFI	Development Finance Institution
DG/B.	Director-General Bulletin
EDP	Electronic Data Processing
EPZ	Export Processing Zone
GA	General Assembly
GC	General Conference
GMP	Good Manufacturing Practice
HRD	Human Resource Development
ICC	Industrial Cooperation Center
ICGEB	International Center for Genetic Engineering and Biotechnology
ICS	International Center for Science
IDA	Industrial Development Agency (of host country)
IDB	Industrial Development Board
IDE	In-depth evaluation
IDF	Industrial Development Fund
IFU	Confederation of Danish Industries
JAIDO	Japan Industrial Development Organization
IPS	Industrial Promotion Service
JAU-UK-KHF	Joint Assistance Unit - United Kingdom Know-How Fund
JPO	Junior Professional Officer
LDC	Least Developed Countries
MIT	Ministry of Industry
MTP	Medium-Term Plan
NGO	Non-governmental Organization
PA	Preparatory Activity
P&B	Programme & Budgets
PBC	Programme and Budget Committee
PMO	Policy Making Organ (of UNIDO)
PPER	Project Performance Evaluation Report
PPRC	Project and Programme Review Committee
SMI	Small and medium industries
STF	Special trust fund
TCDC	Technical cooperation among developing countries
TF	Trust fund
TOR	Terms of reference
TPER	Terminal Performance Evaluation Report
TPR	Tripartite review meeting
UNDP	United Nations Development Programme
WB	World Bank
WID	Women in Development

1. BACKGROUND

1.1. Evaluation of UNIDO Headquarters Programmes

1. The relevance and importance of evaluation both as an accountability instrument and as a tool to assist management of programmes and projects is today well accepted by UNIDO management and Member States. According to the definition given in the United Nations Evaluation Manual, "*Evaluation is a technique for establishing if and how well goals have been attained. It is a process which seeks to determine as systematically and objectively as possible the relevance, effectiveness and impact of work in progress or of work completed, by measuring accomplishments against the original objectives and by revealing the reasons for any significant deviation*"¹. In evaluating whether and to what extent goals have been attained, evaluation exercises are also designed to be forward-looking, by focusing on lessons learned from past experiences - positive and negative - and transforming these into useful recommendations. Such recommendations aim essentially at improving the effectiveness and impact of technical cooperation activities, which are, in essence, high risk operations.

2. A note on the mandates and history of UNIDO Headquarters Programme evaluations is included as Annex 1.

1.2. Purpose of the evaluation

3. The mandate for this evaluation, as stated in Annex 1, stems from PMO decisions requesting the Director-General to undertake an in-depth evaluation of Special Trust Fund projects, one of five groups of activities selected for evaluation. By "Special Trust Fund projects", sometimes also called "Special Trust Fund Schemes" (hereinafter STF or Fund) the evaluators understood that the Fund as a whole should be evaluated. For the evaluation of the Fund as a whole, individual in-depth evaluations of selected projects financed under the Fund were carried out.

4. As with other UNIDO Headquarters programme in-depth evaluations, this exercise broadly aims to provide the following:

- a. An assessment of the overall achievements of the Fund against set objectives and expected results indicated in the Medium-Term Plan (MTP) and in the Programme and Budget (P&B) documents;
- b. an analysis of the extent to which observed results were attributable to activities under the Fund, and analysis of the role of the different organizational units in UNIDO;
- c. the identification and assessment of factors that have contributed to or hindered the attainment of the Fund's objectives;
- d. conclusions and recommendations to: (i) assist policy making organs to review the Fund and provide directives where necessary and (ii) advise UNIDO's Secretariat on actions needed to improve the management of the Fund and the design and implementation of related projects. These conclusions and recommendations take into particular account the organizational structure in place since 1 January 1994. However, the evaluative part of this report refers to activities mostly undertaken under the previous structure.

1.3 Scope of the evaluation

5. The mandate of the in-depth evaluation does not provide limitations in terms of time frame or breadth. On the one hand, the evaluators endeavoured to establish parameters for the in-depth evaluation to ensure an adequate breadth of coverage while at the same time keeping it manageable. On the other hand

¹ Evaluation Manual of the United Nations, New York, October 1986

the in-depth evaluations of specific projects depended on the willingness of the donors/recipients to undertake and finance such exercises. While these evaluations covered a lot of ground, certain projects, particularly self-financed Trust Fund projects, were not evaluated for lack of interest on the part of the recipient/donors². Furthermore, the evaluators had difficulty in understanding the rationale for the inclusion of some projects under the STF. Examples of such projects are the International Centre for Genetic Engineering and Biotechnology and the Industrial Cooperation Centres in Moscow and Beijing, which did not conform to any of the types of projects normally financed by the Fund. In fact, similar activities, those related to the ICS in Trieste and the Investment Promotion Services in several countries are financed under IDF. Therefore, despite the fact that the ICS and the ICCs of Beijing and Moscow were not evaluated, since they were not representative of the typical STF projects, this omission does not affect the findings of this exercise. In conclusion, there was enough evaluative material available to this exercise to validate its conclusions and recommendations.

6. Although the Fund as such was formalized only in 1986³, Trust Fund projects existed since the beginning of UNIDO. This evaluation concentrated on the activities undertaken during the period 1986-1993 although due note was taken particularly in the concluding chapter, of the organizational structure in place since 1 January 1994. Experiences acquired by the Fund before 1986 were not disregarded.

7. The framework and overall direction for the STF are provided by the UNIDO MTP documents. This is illustrated by the quotations below (paragraphs 8 to 11) which were used as a point of departure for the evaluation.

8. "The services provided by UNIDO under Trust Fund Schemes cover direct assistance in technological, managerial and enterprise development aspects that are normally beyond the scope of traditional technical cooperation projects. They are expected to include an increasing degree of pre-investment studies, supervision and inspection services during the construction phase, managerial support and manpower development services in the start up phase, rehabilitation, modernization and diversification of programmes for ailing industries and the promotion of enterprise-to-enterprise cooperation."⁴

9. "The expansion of Special Trust Fund activities will help to bring about an essential increase in the flow of technical, managerial and financial resources needed to meet promptly the critical needs of operating companies and industrial plants in the manufacturing sector in the developing countries. IDF and Special Trust Fund activities are aimed at mobilizing financial resources for industrial development through technical cooperation activities, such as policy advice, direct support, institution building, training, research and pilot projects focused on the five priority areas, in particular small- and medium-scale industries, industrial rehabilitation, and energy and environment, as well as the integration of women and the least developed countries.

10. Activities financed from IDF and Special Trust Funds will be geared towards: (a) identifying investment potential in technical assistance projects and developing integrated investment programmes; (b) mobilizing resources of a programmable nature to meet promptly and flexibly the technical assistance needs of the developing countries; (c) achieving maximum impact of resources through their utilization as "seed money" so as to increase the flow of financial and other resources to productive investments; (d) coordinating donors and pooling resources in order to secure financing of large-scale projects and programmes; (e) ensuring project/programme quality in terms of their relevance to the industrial development objectives of recipient countries; (f) promoting the application of the integrated programme approach to the implementation of projects; (g) providing supplementary, flexible and rapid mechanisms for direct services to industrialists and entrepreneurs in developing countries in both public and private sectors.

² For the full list of projects evaluated under this exercise see section 1.4. For the conclusions and recommendations of these exercises please refer to Chapter 5.

³ UNIDO/DG/B.18 - 28 Feb. 1986 - Non Industrial Development Fund (IDF) Trust Fund Procedures

⁴ IDB.7/7, PBC.6/8, 14 May 1990 - Draft Medium Term Plan 1992-97

11. The counterparts of UNIDO in the above activities are: Governments of developed and developing countries, foundations and industrial enterprises in developed and developing countries, development finance institutions, banks, donor agencies, non-governmental organizations and industrial associations. Furthermore, in order to ensure an effective mobilization of financial resources, UNIDO will improve its coordination with regional organizations and international financing institutions, in particular the World Bank Group and the Regional and Subregional Development Banks.⁵

1.4 Evaluation activities carried out under this exercise

12. The in-depth evaluation of the Fund took place from February 1992 to September 1994. The first phase consisted of a desk review of PMO's documentation, internal documentation and the determination of composition of projects under the STF (indicated in Chapter 2). The second phase consisted of the in-depth evaluation of selected projects financed under the Fund. These evaluations needed the previous agreement of the interested parties in the donor and recipient countries. In the case of self-financed trust fund projects these are obviously the same. The largest contributors to the Fund were approached as early as February 1992 to agree to evaluate projects they funded either under the self-finance or third party modalities. Some answered positively, others did not respond, and a few declined. The countries which responded affirmatively and in respect of which evaluations were undertaken were Denmark, Japan and Nigeria. (In the case of one donor an evaluation prepared unilaterally by this donor was used. Although this particular evaluation did not follow UNIDO's methodology it provided a number of useful evaluative elements). The third phase consisted in the writing of this report. There were time overlaps between the three phases.

13. As already noted, a number of projects financed under the Fund could not be evaluated, most of these being self-financed. Furthermore, monitoring of these projects did not follow accepted practice, including periodic joint reviews preceded by the preparation of Project Performance Evaluation Reports (PPER). This is surprising since governments, institutions or companies financing their own technical cooperation projects would be expected to take an interest in an independent and objective analysis of results. In those cases the evaluation used the information available on file which refers essentially to inputs and activities and less to outputs and objectives.

14. An interesting and sizeable component of the Special Trust Fund is the Associate Experts Programme which comprises 40% of the third party trust fund component in terms of financial outlay and 53% in terms of number of projects. This component was separately evaluated by analyzing questionnaires sent to all former Associate Experts and interviewing selected donors to the programme.

15. In summary, the in-depth evaluations of individual projects/programmes carried out were as follows⁶:

<u>DONORS</u>	<u>SUBJECTS</u>
1. Denmark	Programme of direct support to industry in developing countries (2 projects)
2. Japan	<p>Cluster I: Africa: Pilot fruit processing plant by rural women Africa: Development of rural industries at grass root level Africa: Development of small and cottage industries at grass root level Africa: Integration of women in agro-industry development</p> <p>Cluster II: Eastern Europe: Improvement and Rehabilitation of a Steel Plant</p>

⁵ IDB.10/5, PBC.8/10, 13 May 1992 - Revised Draft Medium Term Plan, 1994-1999

⁶ The names of the recipient countries are omitted for reasons of confidentiality of the respective report.

Eastern Europe: Investigation and improvement of environmental impact of iron and steel industry

Eastern Europe: Statistical methods for company-wide quality control

Cluster III:

Action Programme to support the dynamic development of the building materials industry (with particular reference to the cement industry) in an African sub-region

3. Nigeria: Cement Project (self-financed project)

4. Associate experts programme

16. In addition to the above in-depth evaluations, desk reviews were conducted of the 3 projects below. These reviews were conducted instead of in-depth evaluations in view of the small size of the interventions.

- Promotion of the traditional textile industry in West African LDCs
- Assistance to industrial estate development in the South Pacific
- Clean technology programme

17. Furthermore, the evaluators used the results of review mission reports undertaken by the U.K. Know How fund in respect of industrial development support programmes for two Eastern European countries. These two programmes comprised a number of sub-projects related to the analysis of individual industrial plants (also including a consulting firm and a national quality programme) and to proposing measures for their development and/or rehabilitation.

18. The evaluation received full cooperation and assistance from the various organizational units of UNIDO involved in STF activities particularly the former Industrial Cooperation and Management Services Branch (ICMS) and the present Mobilization and Management of Financial Resources Division (MFRD). The evaluation team consisted of the following staff members of the Evaluation Section who were responsible for the preparation of this report:

O. Gonzalez-Hernandez, Head, Evaluation Section

M. Marchich, Evaluation Officer

I. Farooque, Associate Evaluation Officer

19. Individual in-depth evaluations of projects financed by the fund were undertaken as follows:

Denmark	2 projects	F. Hofman Andersen (on behalf of the Danish Government) T.K.G. Ranasinghe (on behalf of UNIDO)
Japan	Cluster I	H. Morita (on behalf of the Japanese Government) Ph. Scholtès (on behalf of UNIDO)
	Cluster II	O. Gonzalez-Hernandez (on behalf of UNIDO)
	Cluster III	I. Hodaika (on behalf of the Japanese Government) K.D. Schneider (on behalf of UNIDO)
	3 desk studies	O. Gonzalez-Hernandez (on behalf of UNIDO) I. Farooque (on behalf of UNIDO)
Nigeria		Dele Sowande (on behalf of the Nigerian Government) Ole Gundrup (on behalf of UNIDO)

Associate Experts

M. Marchich (on behalf of UNIDO)
O. Gonzalez-Hernandez (on behalf of
UNIDO)

20. In addition to this introduction, this report is composed of the following chapters:

2. Composition of the Special Trust Fund (STF) Scheme
3. Analysis of Programme & Budgets and Medium-Term Plan documents relevant to the Fund as well as Policy Making Organs Mandates applicable to the STF
4. Project development and implementation of STF projects
5. Summary of conclusions and recommendations of the in-depth evaluations of STF Projects
6. Conclusions and recommendations

In order to make each chapter to stand on its own, some information may be repeated in different chapters.

2. COMPOSITION OF THE SPECIAL TRUST FUND SCHEME

2.1. Origin and definition

21. Trust Fund Projects (projects funded by monies entrusted to UNIDO by donors for specific activities) existed since the early days of UNIDO. However, the designation STF only became official in 1986 with the creation of the STF Project Section which later became the Industrial Cooperation and Management Services Branch.

22. The first project corresponding to the present STF approach was a self-financed trust fund project which was approved and started operations in a North African Country in 1978. This was a direct support project⁷ for the operation of cement plants. The project gave rise to other projects in the same field in this country and in two other countries. Projects of this type still today constitute the bulk of activities of the Fund. With time the Fund developed to comprise other types of projects. In June 1993, the Fund was defined as follows:

"The special trust fund schemes of UNIDO are designed to provide financing mechanisms that enable the Organization to respond promptly and efficiently to the needs of recipient countries, particularly those of industrial enterprises (public, private and cooperative) and in cases where such needs are not easily met by traditional assistance programmes."⁸

23. Therefore the accent of the STF is on finding ways to respond quickly and efficiently to technical cooperation needs, particularly at plant level, which could not adequately be met by the traditional modalities.

24. The objectives, funding sources, typical activities and scope of the Trust Fund were described in a 1990 brochure⁹ issued by the Industrial Cooperation and Management Services Branch as follows:

A. Programme objectives

- To have a financing mechanism that enables UNIDO to respond promptly and efficiently to the needs of industrial enterprises (public, private, cooperative or mixed), in the developing countries.
- An alternative to conventional funding mechanisms which are geared more to serving governments of developing countries and their own institutions rather than responding to the critical and urgent needs of operating companies and industrial plants in the manufacturing sector.
- UNIDO as a dedicated partner and honest broker - free from commercial pressure and profit motive, provide developing countries with sound and impartial technical advice and assist them in obtaining the goods and services they require.
- To provide useful services to development finance institutions (national, regional and international) and to government or non-governmental donor agencies.

B. Major thrusts of the special trust fund programme

⁷ In direct support projects, the function or purpose of the project is to deliver a product directly to the end-user or provide a service directly to a predetermined client. (UNIDO/PC.31/Rev.1 of 25 May 1984)

⁸ UNIDO/DG/B.73/Rev.2 of 1 June 1993

⁹ Doc. 002 MM055, of 15 Feb. 1990, UNIDO

- (a) Direct support to manufacturing plants in the developing countries for performance improvement, training, rehabilitation and expansion;
- (b) Service to development finance institutions in designing, formulating and implementing selected industrial projects (rehabilitation, small and medium-scale industries, electronic data processing, training, women in development, technical cooperation among developing countries);
- (c) Programme of project management services to donor agencies in the design, formulation and implementation of programmes and projects on selected priority objectives (women in development, enterprise to enterprise cooperation, economic cooperation among developing countries/technical cooperation among developing countries, procurement of goods and services, agro industries development, export industries development, small and medium-scale industries and human resources development).

C. The scope of the trust fund programme

(a) Type of projects supported

- Fact finding missions and diagnostic studies
- Plant performance improvement
- Project planning services including market and feasibility studies
- Project financing advice and assistance
- Services to development finance institutions
- Procurement of equipment and spare parts
- Specialized training services
- Institution building

(b) Services provided

<i>Process technology</i>	technology selection and negotiation of technology transfer agreements
<i>Professional services</i>	design, engineering, training, trouble shooting, repair, maintenance, inspection, testing, quality control, etc.
<i>Consultancy</i>	expert advice (technical, managerial, financial, legal, patent, licensing, tendering, contract, environmental, etc.)
<i>Studies</i>	preparation of market, raw material, diagnostic, feasibility studies, etc.
<i>Procurement</i>	procurement of equipment, machinery and spare parts

(c) Advantages of the Trust Fund Programme

<i>Speed</i>	by delegating tasks to UNIDO - time and management resources are saved
<i>Impartiality</i>	UNIDO acts as an impartial broker, providing impartial advice and the widest possible choice of expertise and suppliers
<i>Low cost</i>	UNIDO's strong negotiating position means that it can usually obtain highly attractive terms

Flexibility the range of options is very wide and the client can alter the agreed package at any time, without incurring penalties

Supplier confidence suppliers of technologies and services know that with UNIDO as an intermediary their risks are cut and they welcome UNIDO's transparent recruitment and contracting procedures and prompt payments".

2.2. Composition of the Fund

Commitments to and expenditures on projects under the STF over the period 1986 - 1994 (31 July) and their relation to the overall Technical Cooperation Programme of UNIDO are described in Table 1:

Table 1: Contribution of special trust fund projects to the delivery of overall UNIDO technical cooperation

(1986 - July 1994)
(in thousand US dollars)

Year	All source commitment	STF source commitment	Percentage	Expenditures all sources	Expenditures STF source	Percentage
1986	128,901	13,142	10	93,502	8,999	10
1987	126,672	8,714	7	96,307	6,683	7
1988	159,083	19,482	12	120,024	15,375	13
1989	178,390	23,471	13	133,930	18,973	14
1990	212,789	32,325	15	159,570	27,444	17
1991	196,982	38,538	20	147,485	31,130	21
1992	181,674	45,521	25	135,653	36,306	27
1993	163,350	42,102	26	118,818	29,847	25
1994 (31/7)	135,477	38,377	28	70,524	24,587	35

Trust fund projects are categorized into the following fund groups and codes which relate both to the source of funds and in some cases to the designated use of those funds¹⁰:

<u>Group</u>	<u>Code</u>
Self-financed	
Self-financed Trust Funds	SF
Third Party	
Third Party Trust Funds	TF
UNDP	
Australia Development Assistance Bureau	AU
Relief Operation Bangladesh	BF
Capital Development Fund	CD
Czech Management Services Agreement (MSA)	CH

¹⁰ Source: Valid source of Funds Groups and their source of funds - run date 1994/03/22, DA/FS/FMTC.

Czech MSA - Non Convertible	CK
UNDP Energy Account	EA
UNDP Global Environment Fund	EG
Voluntary Fund in Decade for Women	IW
USSR Training Trust Convertible	RC
USSR Training Trust Non Convertible	RN
Sudano-Sahelian Trust Fund	SA
International Fund for Science and Technology	ST
Norwegian Trust Fund	TD
Genetic Engineering	
Genetic Engineering	GE
Genetic Engineering Convertible Pool	GP
Genetic Engineering Non Convertible Rupees	GR
Other Trust Funds	
IDA Financed Projects	BR
Gov. Cash UNIDO	CC
Implementation of COMFAR Funds	CO
Population	PF
Special Trust - convertible	TC
Special Trust - non convertible	TN
UN Technical Cooperation	
CSDHA Trust Fund	CT

The definitions of these groups are as follows:

a) Self-financed

A self-financed trust fund project is one in which "the funds come from the industrial plant, institution or enterprise that is the beneficiary of the assistance provided by UNIDO."

b) Third party financed

"Third-party trust fund projects where the funds come from a third party, which may be a bank, development finance institution, a governmental or non-governmental donor agency, an individual or a group of companies, industrial associations or foundations."¹¹ Associate Experts and travel funds for JPOs are included in this group.

c) UNDP trust funds finance in-plant group training programmes, meetings, seminars, workshops financed by UNDP.

d) Genetic Engineering trust funds concern the implementation of activities related to the International Centre for Genetic Engineering and Biotechnology (ICGEB).

e) Other types of trust funds (as listed in para 2.3.5.)

f) Development and Humanitarian Affairs trust funds are related to projects financed by the Centre for Social Development and Humanitarian Affairs

¹¹ (a + b) UNIDO/DG/B.73 Rev.1 - 1 July 1992

The aggregates of UNIDO trust fund projects by group (1986 through 31 July 1994) is described in Table 2:

Table 2: Data on STF Groups
(1986 through 31 July 1994)

Trust fund group	No. of projects	% in no.	Allotments (US\$)	% in financial terms
Self-financed	93	14	73,521,471	31
Third party trust fund	448	68	56,676,883	24
UNDP trust	77	12	8,702,510	3
Genetic engineering	17	3	89,942,071	38
Other trust fund	18	3	9,901,140	4
TOTAL	653	100	238,744,075	100

NOTE: The sixth type, CSDHA trust fund is not included above since it relates to projects financed before 1986 and comprises only 4 projects with a total financing of US 40,000.

2.3. Detailed breakdown of the five largest STF groups

2.3.1. Self-financed trust fund

From 1986 to 31 July 1994, a total of 93 projects were approved, with a total allotment of US\$ 73,521,471. The breakdown of this group is as follows:

Table¹² 3: UNIDO project allotments
Self-financed Trust Fund

No. of Projects	(\$ 000)										TOTAL
	1985	1987	1988	1989	1990	1991	1992	1993	1994	Future	
Total	2,357	2,041	2,207	2,426	3,170	3,283	2,086	2,480	1,522	0	\$22,143,172
6	0	391	919	784	824	136	-7	36	0	0	\$2,894,961
5	0	0	3,707	3,707	2,108	2,194	2,315	1,207	1,182	0	\$15,877,808
16	0	0	0	113	152	1	46	3	75	0	\$389,777
6	0	0	0	0	740	3,755	2,210	2,582	306	0	\$9,592,260
18	0	0	0	0	0	1,785	3,750	1,257	916	487	\$8,205,139
10	0	0	0	0	0	0	2,404	2,737	2,870	8	\$8,019,691
16	0	0	0	0	0	0	0	2,226	3,512	23	\$5,781,415
13	0	0	0	0	0	0	0	0	647	0	\$647,448
3	0	0	0	0	0	0	0	0	0	0	
93	2,357	2,431	6,233	7,030	6,852	11,134	13,415	12,520	11,030	519	\$73,521,471

¹² This footnote refers to Tables 3, 4, 6, 7 and 8. Negative figures reflect the recording of either a refund, a cancellation of prior year expenditures or an overexpenditure.

For the period covered by the evaluation (1986 - 31 July 1994), a total of 30 countries used UNIDO assistance under the self-financing scheme. Among them, five countries have contributed over 1 million dollars. These countries are:

Libya	US\$ 45,443,414	62%
Egypt	US\$ 10,381,113	14%
Nigeria	US\$ 7,468,178	10%
Argentina	US\$ 3,461,347	5%
Brazil	US\$ 1,559,823	2%
Others	US\$ 5,207,596	7%
	-----	-----
	US\$ 73,521,471	100%

In Libya, large projects are in the fields of cement, training in oil related industries and chemicals. In Nigeria, large projects are in the fields of cement and plastics. In Egypt, large projects are in the field of cement. In Argentina, projects concentrated on investment promotion and statistics for the automotive industry. In Brazil, projects centered on the textile, leather and footwear and marble and granite industries.

2.3.2. Third party trust fund scheme

During the period 1986 - 31 July 1994, a total of 448 projects were approved, with a total allotment of US\$ 56,676,883. The following is a breakdown of this group is as follows:

Table 4: UNIDO Project Allotments
Third party Trust fund

No. of Projects Total	(\$ 0 0 0)										T O T A L
	1986	1987	1988	1989	1990	1991	1992	1993	1994	Future	
27	514	873	588	308	360	532	427	479	506	0	\$4,567,891
49	0	905	1,908	1,884	394	54	148	-32	0	0	\$5,041,242
38	0	0	864	1,505	983	294	138	85	37	0	\$3,904,749
54	0	0	0	1,111	2,591	1,280	473	473	206	0	\$6,113,599
83	0	0	0	0	5,316	5,246	1,752	493	192	0	\$12,999,380
84	0	0	0	0	0	2,830	3,910	2,186	2,347	0	\$11,272,895
65	0	0	0	0	0	0	2,205	2,979	1,882	111	\$7,176,950
33	0	0	0	0	0	0	0	1,783	1,491	245	\$3,518,716
15	0	0	0	0	0	0	0	0	1,780	302	\$2,061,461
448	514	1,779	3,361	4,590	9,643	10,217	9,053	8,443	8,420	657	\$56,676,883

The projects implemented, in addition to Associate Experts and travel of JPOs, comprised:

- advisory services
- training
- various types of studies
- meetings/seminars/workshops
- investment fora.

Each recruitment of an Associate Expert constitutes a project. The total number of Associate Experts stands at 240, with a financial outlay of US\$ 22,646,381, and of projects related to travel for JPOs at 12, with a financial outlay of US\$ 1,061,779. The grand total of these two categories is 252 projects (56% of total third party trust fund projects), with a financial outlay of US\$ 23,708,160 (42% of total allotment)

Contributions to the Third Party schemes come from a variety of governmental and non-governmental sources. Contributions above \$ 500,000 per source are indicated in the table below.

Table 5

Contributions of above US\$ 500,000 under the
Third Party-Trust Fund Group for the period 1986 to July 1994

Country/Company	No. of projects	Allotments	Percentage
Japan	76	10,737,385	19
Netherlands	78	7,453,415	13
Italy	52	4,858,699	9
Armenian General Benevolent Union	2	4,423,765	8
Germany	49	3,984,485	7
UK	35	3,855,811	7
Denmark	17	2,930,969	5
USA	3	2,812,490	5
Norway	10	2,015,698	4
France	14	1,988,003	4
Finland	8	1,132,450	2
Austria	12	1,011,583	2
Belgium	8	846,334	1.5
Republic of Korea	7	748,689	1.3
Industriradet, Denmark	1	622,372	1.1
SUBTOTAL	372.00	49,422,148.00	87
Others	76.00	7,254,735.00	13
GRAND TOTAL	448	56,676,883	100

The following number of Associate Experts on board were funded in the period 1986 - 1993:

Austria	4	Germany	48	Norway	5
Belgium	7	Italy	50	Spain	2
Denmark	11	Japan	22	Sweden	6
Finland	7	Netherlands	72		
France	6				

Total: 240 Associate Experts

2.3.3. UNDP trust fund

From 1986 - 31 July 1994, a total of 77 projects were approved, with a total allotment of US\$ 8,702,510. A breakdown of this group is as follows.

Table 6: UNIDO project allotments
UNDP Trust Fund

No. of Projects Total	(\$ 0 0 0)										TOTAL
	1986	1987	1988	1989	1990	1991	1992	1993	1994	Future	
3	422	-13	3	0	0	0	6	0	0	0	\$411,802
10	0	890	2	15	0	-5	0	0	0	0	\$902,104
12	0	0	1,067	-82	0	0	0	0	0	0	\$984,884
16	0	0	0	2,539	114	-111	40	-14	0	0	\$2,568,438
17	0	0	0	0	1,531	-471	-4	-91	0	0	\$364,807
14	0	0	0	0	0	380	-83	113	100	0	\$510,876
3	0	0	0	0	0	0	1,567	142	420	212	\$2,359,392
77	422	877	1,072	2,472	1,645	-207	1,539	151	520	212	\$8,702,510

Most of the projects were interregional and concentrated on in-plant group training. Only three projects were approved during 1992 and none were approved in 1993 and 1994.

2.3.4. Genetic Engineering

This component deals with the activities of the International Centre for Genetic Engineering and Biotechnology. Funds were provided to 17 projects with a total allotment of US\$ 89,942,071 for the period 1986 to 31 July 1994. A breakdown of this group is as follows:

Table 7: UNIDO project allotments
Genetic Engineering

No. of Projects Total	(\$ 0 0 0)										TOTAL
	1986	1987	1988	1989	1990	1991	1992	1993	1994	Future	
3	113	1,279	2,987	852	0	0	0	0	0	0	\$5,230,467
2	0	0	289	194	-50	0	0	0	0	0	\$432,854
4	0	0	0	2,795	7,982	8,531	9,931	9,935	9,014	0	\$48,188,527
5	0	0	0	0	5	37	68	83	181	74	\$457,538
1	0	0	0	0	0	68	1,178	2,582	5,487	26,449	\$35,462,616
1	0	0	0	0	0	0	170	0	0	0	\$170,068
1	0	0	0	0	0	0	0	0	0	0	\$1
17	113	1,279	3,276	3,841	7,936	8,636	11,347	12,610	14,381	26,522	\$89,942,071

The major donors to this group were

- the Government of Italy 71%
- the Research Area of Trieste 24%
- the Government of India 4%
- others (the Rockefeller Foundation,
one Indian company and other Governments) 1%

2.3.5. Other trust fund projects

Funds are provided by the World Bank (BR), by Government cost-sharing (CC), by income from COMFAR related activities (CD), by United Nations Population Fund (PF) and special trust convertible/non-

convertible sources (TC/TN). A total of 18 projects were approved with a total allotment of US\$ 9,901,140 during the period under review.

There were 8 World Bank financed projects, with an allotment of US\$ 7,467,130 (75% of the total). A breakdown of this group is as follows:

**Table 8: UNIDO project allotments
Other Trust Fund**

No. of Projects Total	(\$ 0 0 0)										TOTAL
	1986	1987	1988	1989	1990	1991	1992	1993	1994	Future	
2	27	52	527	317	38	-2	0	0	0	0	\$357,864
2	0	35	2	2	0	0	0	0	0	0	\$38,849
1	0	0	201	315	8	-1	0	0	0	0	\$523,441
1	0	0	0	83	868	914	566	-21	0	0	\$2,210,285
5	0	0	0	0	374	361	280	432	527	0	\$1,973,293
1	0	0	0	0	0	0	0	0	0	0	\$227
3	0	0	0	0	0	0	35	91	186	115	\$426,808
2	0	0	0	0	0	0	0	547	3,042	0	\$3,589,313
1	0	0	0	0	0	0	0	0	181	0	\$181,000
18	27	87	729	716	1,088	1,273	881	1,049	3,936	115	\$9,901,140

3. ANALYSIS OF PROGRAMME & BUDGETS AND MEDIUM-TERM PLAN DOCUMENTS RELEVANT TO THE STF, AS WELL AS POLICY MAKING ORGANS, MANDATES APPLICABLE TO THE STF

3.1. Medium Term Plan and Programme & Budget Document

25. Policy for the STF is provided on a broad basis by the MTP documents. The Medium Term Plan (MTP) 1984-89 (IDB/B/C.3/107, 16 April 1981) and the Draft MTP 1990-95 (PBC.4/3, 25 May 1988) refer in general to the mobilization of financial resources, but not specifically to the STF. The Draft MTP 1992-97 (PBC.6/8, IDB.7/7 of 15 May 1990) states the following:

"Self-financing trust funds and third-party financed trust funds are also expected to increase. The services provided by UNIDO under these trust fund schemes cover direct assistance in technological, managerial and enterprise development aspects that are normally beyond the scope of traditional technical cooperation projects. They are expected to include to an increasing degree pre-investment studies, supervision and inspection services during the construction phase, managerial support and manpower development services in the start-up phase, rehabilitation, modernization and diversification programmes for ailing industries and promotion of enterprise-to-enterprise cooperation. The overall management of these different sources of funding, including financial support from national and international non-governmental organizations, and their coherent utilization will be an integral element of this programme instrument."

26. The revised Draft MTP 1994-99 (IDB.10/5, PBC.8/10 of 6 May 1992) indicated that "the expansion of special trust fund activities will help to bring about an essential increase in the flow of technical, managerial and financial resources needed to meet promptly the critical needs of operating companies and the industrial plants in the manufacturing sector in developing countries". The revised Draft MTP further indicated that "IDF special trust fund activities are aimed at mobilizing financial resources for industrial development through technical cooperation activities, such as policy advice, direct support, institution building, training, research and pilot projects focused on the five priority areas, in particular small- and medium-scale industries, industrial rehabilitation, and energy and environment, as well as the integration of women and the least developed countries.

27. Activities financed from IDF and special trust funds will be geared towards: (a) identifying investment potential in technical assistance projects and developing integrated investment programmes; (b) mobilizing resources of a programmable nature to meet promptly and flexibly the technical assistance needs of the developing countries; (c) achieving maximum impact of resources through their utilization as "seed money" so as to increase the flow of financial and other resources to productive investments; (d) coordinating donors and pooling resources in order to secure financing of large-scale projects and programmes; (e) ensuring project/programme quality in terms of their relevance to the industrial development objectives of recipient countries; (f) promoting the application of the integrated programme approach to the implementation of projects; (g) providing supplementary, flexible and rapid mechanisms for direct services to industrialists and entrepreneurs in developing countries in both public and private sectors.

28. The counterparts of UNIDO in the above activities are: Governments of developed and developing countries, foundations and industrial enterprises in developed and developing countries, development finance institutions, banks, donor agencies, non-governmental organizations and industrial associations. Furthermore, in order to ensure an effective mobilization of financial resources, UNIDO will improve its coordination with regional organizations and international financing institutions, in particular the World Bank group and the regional and subregional development banks."

29. Finally the MTP for 1996-2001 (IDB.13/10, PBC.10/12 of 31 May 1994) did not refer specifically to the STF but indicated that "Since, however, funding sources differ in terms of their objectives, operational policy, resource potential and capabilities, it will be essential for UNIDO to design and promote a tailor made funds-mobilization strategy according to the profile of the present providers of resources. The funding sources have accordingly been organized in terms of sources of funds rather than funding mechanisms and comprise funds from the United Nations system, governments, development finance institutions and the industrial sector."

30. In conclusion, MTP's show the STF to be an additional source of funds for other programmes and funds for UNIDO's technical cooperation activities, with an accent on direct assistance to enterprises "normally beyond the scope of traditional cooperation projects" without however precisng what is meant by "beyond the scope". This accent is toned down in the last MTP.

31. The evaluators analyzed the P&B documents for the periods 1986-87, 88-89, 90-91, 92-93 and 94-95, the latter adjusted on the basis of IDB.11/Dec.40 which deals with the restructuring of UNIDO.

32. The document for 1986-87, prepared before the 1986 restructuring of the UNIDO Secretariat does not refer specifically to the STF. In the document for 1988-89 the following is indicated in respect of the special trust fund:

33. "Developing countries are facing many important and urgent problems related to industrialization, yet many of these problems have not been adequately dealt with in the majority of technical cooperation activities carried out by UNIDO with financing from traditional sources such as UNDP and IDF, simply because of the long lead time required for project identification, formulation, appraisal and approval. It is therefore imperative for UNIDO to explore ways and means of expanding its resource base, not just to increase the volume of its technical assistance but to be able to tackle problems which are vital to the success of the industrialization programmes of the developing countries. For example, millions of dollars have been invested in the developing countries in industrial plants which are working ineffectively and unsatisfactorily for a number of reasons and are therefore making financial losses. Nevertheless, direct assistance for optimization and rehabilitation of industrial plants rarely comes within the scope of UNDP country programmes. UNIDO should therefore devise new mechanisms for providing direct support to industrial plants, particularly for optimization and rehabilitation programmes involving the use of technical and financial contributions from governmental and non-governmental institutions and enterprises.

34. With the introduction of the new programme element Special Trust Fund projects, emphasis will be given to develop and implement innovative mechanisms to generate technical assistance projects through voluntary contributions as special purpose trust funds from governmental and non-governmental organizations, development financing institutions and industrial enterprises through tripartite cooperation (UNIDO, donor and recipient parties) in the form of joint project identification, design, formulation, technical consultations, field missions, etc. Negotiations for financing and implementation arrangements will be made for third party financing or self-financing. Project development facilities, established under trust fund agreements with industrial enterprises and development financing institutions, are expected to finance project identification and formulation missions leading to projects of direct support to industrial plants, particularly for optimization, rehabilitation and expansion."

35. The P&B documents which followed the above, for the periods 90-91 and 92-93 had the same orientation. In addition, they indicated that the share of self-financed trust funds in the total UNIDO technical cooperation delivery was expected to increase. Finally, in the P&B document for 1994-1995, the mobilization of trust funds is included in each of four main sources (in line with UNIDO's fund mobilization strategy) namely governments, United Nations system, development finance institutions and the industrial sector.

3.2. Secretariat Documentation on STF to PMOs

36. A number of documents on STF projects dealing not only with policy but more extensively on guidelines for the operation of these projects were submitted to PMO's during the period under review. The main documents and their titles are as follows:

IDB.8/38 SPECIAL TRUST FUND PROJECTS
(GC.4/16) Programmes and activities financed by special trust funds
6 June 1991

GC.4/36 TRUST FUND PROJECTS FINANCED BY RECIPIENT OR THIRD PARTIES

30 Sept. 1991	Guidelines for the development, appraisal, approval and implementation of special trust fund projects
PBC.8/8 IDB.10/8 4 May 1992	OPERATIONAL BUDGET: REIMBURSEMENT FOR PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES Reimbursement for Special Trust Fund projects in accordance with financial rule 106.21
PBC.8/16 IDB.10/10 26 May 1992	GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET Regulatory framework for the implementation of Articles 16 + 17 of the Constitution
IDB.10/15 7 Aug. 1992	GUIDELINES FOR SPECIAL TRUST FUND PROJECTS
GC.5/23 IDB.11/31 24 Sept. 1993	PRIORITIES AND STRUCTURAL REFORM OF UNIDO

37. A reading of these documents reveals that they are based on the policy indicated in the MTP and P&B for STF projects, namely a) the mobilization of financial resources from sources other than the traditional ones and b) the focus on industrial enterprises. The documents also deal in considerable detail with funding arrangements and guidelines for project development and implementation. In the opinion of the evaluators these documents do not differentiate sufficiently between policy and operational guidelines. Furthermore, it is questioned whether it is necessary for such a degree of detail to be brought to the attention of PMOs, which should concentrate on policy issues.

38. The last document, GC.5/23, is in line with the MTP 1996-2001 with regard to the STF in that the organization of funds mobilization is done by source of funds rather than funding mechanisms.

3.3. Decisions of the PMOs

39. Policy making organs reacted to the above documents with a number of decisions on the STF, of which the most important are as follows:

IDB.6/Dec.10 (1 June 1990)	Programmes and activities financed by STF
GA Res.45/196 (21 Dec. 1990)	Industrial development cooperation and the diversification and modernization of productive activities in developing countries
IDB.8/Dec.32 (5 July 1990)	Special trust fund projects
GC.4/Res.28 (22 Nov. 1991)	Guidelines for special trust fund projects
IDB.10/Dec.14 (6 Nov. 1992)	Guidelines for special trust fund projects

40. These decisions recognize the growing importance of the UNIDO trust fund schemes as a mechanism, supplementary to the traditional technical cooperation programmes and approve the guidelines submitted. Furthermore the General Conference requests in (GC.4/Res.28) that such guidelines "be subject to examinations and possible adjustments based on the conclusions and recommendations of the in-depth evaluation" of the STF.

4. PROJECT DEVELOPMENT AND IMPLEMENTATION OF STF PROJECTS

4.1. Operational guidelines

41. Operational guidelines for the development, appraisal, evaluation and implementation of STF projects are described in the following bulletins:

UNIDO/DG/B.18 (28 Feb. 1986)	Non-Industrial Development Fund (IDF) Trust Fund Procedures
UNIDO/DG/B.73 (29 March 1988)	Trust fund projects financed by recipient or third parties
UNIDO/DG/B.18/Rev.1 (15 May 1992)	Model agreements and related guidelines for projects financed from trust funds, special purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund or the regular budget
UNIDO/DG/B.73/Rev.1 (1 July 1992)	Trust fund projects financed by recipient or third parties
UNIDO/DG/B.73/Rev.2 (1 June 1993)	Trust fund projects financed by recipient or third parties

42. Each bulletin supersedes the previous one except the last which complements the previous one, and bulletin UNIDO/DG/B.18/Rev.1 which still remains valid allowing for the organizational changes of 1 January 1994.

43. Other bulletins refer also to the STF, but apply to projects in general, irrespective of the source of funds. The most recent are the following:

UNIDO/DG/B.177 (26 April 1994)	Guidelines for the Management of UNIDO Services
UNIDO/DG/B.178 (26 April 1994)	Programme and Project Review Committee

44. Analysis of these documents, shows that guidelines for project development, appraisal, implementation and development never drastically differed from those applicable to traditional technical cooperation. However, the following differences could be ascertained:

- Project development was the primary responsibility of the Special Programmes and Activities Division instead of the Area Programmes Division;
- STF projects were not submitted to the PRC (later PPRC);
- Monitoring was to be undertaken by the STF Section in collaboration with the backstopping section whereas for non STF projects the backstopping officers were responsible;
- There were also some differences regarding the documentation required for STF projects. These documents, listed in UNIDO/DG/B.18 (Rev.1) are:
 - trust fund agreement, essentially a legal document which indicates the legal obligations of the parties involved
 - a project document
 - standard administrative arrangement for the payments of the contributions
 - an appendix to the project document regarding basic terms and conditions governing UNIDO projects, and

- an exchange of letters regarding acceptance of the arrangements and conditions with regard to the TF contribution

45. With the reorganization of 1 January 1994 the differences indicated in para. 46 were eliminated, with the exception of the requirements for project documentation indicated above, which remain valid.

4.2. Support Costs

46. The issue of support costs for STF projects was dealt with in IDB/10/8 of 4 May 1992 which remains valid today. This document deals with the application of financial rule 106.21 to special trust fund projects, taking into account the UNDP cost measurement study on reimbursement for programme support and administrative services.

47. While the usual rate of reimbursement for support costs is a flat 13%, this percentage would apply in principle to all projects. However, irrespective of source of funds, for large projects or for projects with an unusual composition of inputs, specific rates would be negotiated, meaning they could be higher or lower than 13%. For example, support costs for the activities related to the ICGEB were established at 5% and for associate experts at 12%. In other projects there are mixed arrangements: support costs related to personnel are 13% and to other items are 5%.

4.3. The Experience with STF Project Development and Implementation

48. The STF Section was particularly active in the promotion of the Fund, travelling frequently to donors and recipient countries to identify and promote projects under the Fund. This promotional work was successful insofar as the share of STF projects steadily increased. For those projects with a high substantive content, the STF Section officer would be accompanied or guided by a substantive officer as necessary.

49. The present organizational structure splits the funds mobilization function among four units in accordance with the source of the funds. While experience with the new system is limited it makes sense since project promotion/funds mobilization should be done differently according to the source of funds and not according to funding mechanisms.

4.3.1. Appraisal and Approval

50. As regards appraisal and approval of STF projects, a noticeable trend towards better compliance with quality criteria could be observed in the immediate years before the recent restructuring. In 1990 the then Project Appraisal Section reported a rather bad experience in the appraisal of STF projects (project design guidelines not followed, resulting primarily in imprecise and vague description of the problems to be addressed and in vague formulation of project outputs; developmental aspects were not adequately included in the project; there was hardly any provision for structured monitoring and evaluation, etc.). Many projects were not submitted for appraisal at all. Some projects were approved in spite of negative appraisal. To a certain degree this resulted from the deviation of the procedures indicated in UNIDO/DG/B.73 of 28 March 1988 for appraisal and approval of other projects (with an unspecified role for the Project Review Committee in the approval of STF projects.)

51. As top management paid attention to the above problem, the situation gradually improved. While some projects still were approved without previous submission for appraisal, the quality of those submitted for appraisal improved and projects approved were more in line with the appraisal memoranda. In the last year before the January 1994 restructuring, the Industrial Cooperation and Management Services Branch established a closer contact with the Project and Programme Appraisal Section allowing for its participation in project formulation at an earlier stage (before official submission of the project for appraisal). This trend was reflected in and supported by the second revision of the relevant Director-General's Bulletin (UNIDO/DG/B.73, Rev.2 dated 1 June 1993).

52. In the course of the recent restructuring, the appraisal system was radically changed, shifting the responsibility for compliance with quality criteria to the implementing divisions, with a Central Quality

Assurance Unit providing advisory services only at the request of those divisions. The new Guidelines for the Management of UNIDO Services (UNIDO/DG/B.177) apply to all projects, including STF projects. This implies that STF projects follow the same quality assurance criteria and are also submitted to the PPRC. However, it is too early to draw conclusions on the impact which the new service management process has on compliance of STF projects with quality criteria.

53. In the past, the approval process for STF projects was often faster than for traditional technical cooperation projects since some steps, such as appraisal or review by the PPRC, were bypassed or not taken into account.

4.3.2. Implementation, Monitoring and Evaluation

54. Implementation of STF projects was done mostly by the appropriate substantive organizational units. In a few cases implementation was carried out by the STF Project Section or other units, rather than those where the technical competence existed. In some cases this occurred for umbrella or project preparation type of projects which is acceptable. In the other cases, evaluations showed that implementation suffered since either the technical competence was not available or projects did not benefit from the accumulated experience with similar projects.

55. The monitoring of STF projects carried out by the STF section concentrated on financial issues. The role of AREA in the STF project cycle was marginal and limited to general administration and field contacts.

56. The circumventing of some processing steps sometimes led to inadequacies in project design, as is shown by the individual STF in-depth evaluations. These inadequacies refer *inter alia* to ambiguity as to whether the project was of an Institution Building or Direct Support type, too much attention was given to activities and less to outputs (results) and objectives, while little attention was given to structured monitoring and evaluation. The latter point is of particular relevance to this evaluation. In fact, few evaluations were made of STF projects and the evaluations carried out were made mostly for the purpose of this exercise rather than as an on-going management tool for the STF projects.

57. The present system for the implementation of STF projects is the same as before, although it is expected that compliance with established procedures will be improved. However, many large-scale STF projects remain today without structured monitoring and evaluation.

5. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS OF THE IN-DEPTH EVALUATIONS OF STF PROJECTS¹³

The following in-depth evaluations of STF projects were carried out:

- A. Denmark: two projects (13 sub-projects)
- B. Japan.
 - B.1 Cluster I (4 projects)
 - B.2 Cluster II (3 projects)
 - B.3 Cluster III (1 project)
 - B.4 Desk Reviews (3 projects)
- C. UK/Know how Fund:
 - C.1 East European Country: Pilot Restructuring Project (10 sub-projects)
 - C.2 Another European Country: Development Support Programme (14 sub-projects)
- D. Nigeria:
 - D.1 Cement Project
- E. Associate Experts

5.1. Denmark (DANIDA)

Programme of direct support to industry in developing countries

Project 1: Budget: 400,000
 Substantive Office: Department for Programme and Project Development/
 Industrial Cooperation and Funds Mobilization Division

Project 2: Budget: 600,000
 Substantive Office: Department for Programme and Project Development/
 Industrial Cooperation and Funds Mobilization Division

5.1.1. Conclusions

58. The objective of this Danish Trust Fund Programme was to improve the productivity and viability of new or existing plants in developing countries through enterprise to enterprise cooperation. The evaluation concluded that the immediate objectives of the projects have not been achieved to a satisfactory level. The core problem of the projects was found to be unrealistic design, lack of critical assumptions and of follow-up after the sub-project studies. In general, no enterprise to enterprise relationships had been established and no follow-up action had taken place since submission of studies/reports.

59. While the Special Trust Fund Section has facilitated speedy execution and administration of the programme, this advantage was out-weighed by the following factors:

- 1) Insufficient sub-project identification;
- 2) low interest in enterprise to enterprise relationships in low income developing countries amongst potential Danish partners;
- 3) sub-optimal selection of Danish partners;

¹³ All budgets indicated in this chapter include agency support costs. The degree of detail of this chapter serves its purpose of supporting the findings of this exercise.

- 4) quality of studies/reports was insufficient;
- 5) insufficient-distribution of reports;
- 6) insufficient UNIDO monitoring and follow-up on sub-projects;
- 7) insufficient UNIDO response to applications for further assistance (identification of joint venture partners, technical specifications and items lists for rehabilitation)

60. The evaluation also concluded that the Special Trust Fund Programme was relatively new and the needed learning (trial and error) process had not yet come to an end. Project 1 did not produce any measurable results but Project 2 was going in the right direction.

The mission was of the opinion that the advantages of the DANIDA-UNIDO programme would outweigh the possible disadvantages in the long term, that the TF scheme is workable after refining the modus operandi, and that a higher level of success will be achieved once the recommendations and lessons learned are followed up.

5.1.2. Recommendations

61. For execution of future Danish Trust Funds programmes, the Evaluation Mission recommended that:

- 1) An assessment be made of relevant Danish enterprises and financing institutions as to their interest in the project on the existing conceptual basis;

(Although a UNIDO mission visited subsequently DANIDA and the Confederation of Danish Industries which offers funds for industrialization in developing countries, no particular concern or any questions were raised on the present framework by these funding organizations.)
- 2) If the above assessment is negative, then the project should be redesigned to include higher income developing countries (however, the donor wishes to maintain the present target countries), try that consultancies be carried out by Danish companies but let other than Danish companies be eligible for cooperation if no Danish firms can be identified;
- 3) The project document be properly designed based on the Logical Framework Approach including an overall problem analysis. The sub-project identifications too should be clear, stating the responsibilities of the involved parties.
- 4) Procedures for selection of partners (Danish or non-Danish) and eligibility criteria should be established. Relevant financial institutions in Denmark or other countries, if there is a non-Danish partner, should be involved in the screening process both of sub-projects (local beneficiaries) and Danish/non-Danish partners.
- 5) Establish procedures and guidelines for follow-up and monitoring of sub-project proposals be established.
- 6) The Special Trust Fund staff should concentrate on Programme Officer functions (and not project implementation) with responsibility for overall supervision of the project and sub-project activities.
- 7) Improve coordination with specialized divisions within UNIDO such as Investment Promotion Division, Feasibility Studies Branch, etc.

5.1.3. Lessons learned

- 1) An inadequately defined Project Document overlooked three major assumptions which led to a lack of success, namely the availability of Danish partners, the willingness of Danish finance institutions to finance Danish deliveries, and the fact that financing of further

technical assistance and training for the establishment of enterprise to enterprise cooperation, would be handled by the partners themselves.

- 2) Sufficient funds must be available for each sub-project to attain the project objectives. This implies that funds for follow-up be included in the project budget.
- 3) Diagnostic studies must take a global view of the enterprises and sub-project proposals and shall be based on thorough overall problem analysis and the use of the Logical Framework Approach.
- 4) More substantive know-how should be included in the project management. Information of local conditions should be provided by local UNIDO/UNDP staff and the Federation of Danish Industries should be more involved in project implementation. Also, relevant Danish Financing Institutions should be given a role in the screening and selection of local partners.

5.2. Japan

5.2.1. Cluster I

- (a) Pilot fruit processing plant by rural women (East African Country)
- (b) Development of rural industries at grass root level (East African Country)
- (c) Development of small and cottage industries at grass root level (East African Country)
- (d) Integration of women in agro-industry development (West African Country)

	<u>Budget</u>	<u>Substantive Office</u>
a)	99,700	Industrial Human Resource
Development Branch		
b)	224,880	Industrial Human Resource Development Branch
c)	300,000	Human Resource and Enterprise/ Institutional Support and Private Sector Development Branch
d)	700,000	Industrial Sectors and Environment Branch
Division/Agro based Industries		

62. The above projects share common features such as a focus on small-scale rural industrialization at grass-root level, an emphasis on the integration of women in the development process, and the use of a revolving fund to address credit constraints faced by small-scale enterprises.

5.2.1.1. Conclusions

63. The following project design inadequacies were found:

In project (a), firstly, the project design did not integrate the critical assumption that women would be interested in earning cash income by allocating some of their labour to producing tradeable goods. Secondly, the cause of low profitability in fruit processing can be traced to the lack of an assessment of the market situation at the time of project design.

For project (b), the project failed to indicate that the revolving fund should be operated on a commercial basis.

For project (c), the project document understated the risks associated with setting up a structure to be anchored finally in the local community.

For project (d), the title had a focus on integration of women in agro industry. However, the content of the document was technology oriented. At mid-point the project was re-oriented to the targeted women's group, although the project counterpart remained unchanged. Consequently, a conflict between technological and commercial interest arose. Planned project activities did not lead to desired results.

5.2.1.2. Recommendations

- 64.- Critical factors and assumptions should be adequately tackled and reflected in project documents.
- Revolving funds should be operated on a commercial basis with market-determined interest rates.
 - The experience of the pilot plans established under the first project was positive. This approach should be promoted and replicated in other regions with similar conditions.

5.2.1.3. Programme level: Lessons learned

65. Grass root level industrialization and UNIDO
- **Scale:** the desired transfer of competence from the experts to the target beneficiaries is thwarted by discrepancy between them in terms of knowledge, standard of living and cultural heritage.
 - **Target:** it is preferable to aim the technical assistance not at the level of end users, but at an intermediate institution such as a recognized rural development organization.
 - **Expertise:** expertise must be local to the extent possible, and preferably strongly rooted in the socio-economic milieu.
 - **Technology:** no technological breakthrough can be reasonably expected from rural enterprises at the grass roots level - rather experience sharing in the use of proven equipment is more feasible.
 - **Absorption capacity:** this should not be over-estimated while preparing projects and work plans.
 - **Social/Cultural Dimension:** for projects of this type an assessment should be made of the intricate environment they operate in. Such projects should be preceded by a comprehensive preparatory assistance.
 - **Pilot projects:** the concept should be clear beforehand and lead to a broader dissemination of the experience gained.

5.2.1.4. Integration of Women in Development

- 66.- **Women as targets of technical assistance:** it is not always relevant to measure the extent of women's participation only from the number of women beneficiaries. In this regard, an in-depth social analysis is required to better apprehend the true extent of women's involvement.
- **Income attraction:** a prior socio-economic analysis should look into income allocation mechanisms in the society, particularly across genders. It may turn out that income earned by women is spent by husbands - which thus does not increase the women's own financial capability nor for that matter serve the ultimate cause of their advancement in the society. Again, the project's social environment should be well analyzed.
 - **Women as instruments in technical assistance:** perhaps a more effective way of enhancing the profile of women and contributing to their progressive integration in the economy is by relying on

women's groups, on NGOs or rural development organizations to channel technical support to the end users.

5.2.1.5. The Revolving Fund Instrument

- 67.- **Interest rates:** the revolving fund should run on a commercial basis and market determined interest rates.
- **Accessibility vs. availability:** the attraction of the scheme lies in accessibility rather than on the availability of credit for grass root level entrepreneurs.
 - **Grace period and repayment schedule:** these should be consistent with the actual flow of funds. The use of the revolving fund for variable costs should be limited. Emphasis should be on capital financing.
 - **Security:** group rather than individual security should be encouraged.
 - **Leverage merits:** are to be encouraged, as a way to promote successful entrepreneurs into larger and more sophisticated lending.

5.2.1.6. The Trust Fund mechanism

68. The Evaluation Mission did not see, in the four projects under review, significant advantages of third-party Trust Fund, versus, for instance, Industrial Development Fund financing:

- at the design stage, the Mission noted the following points:
 - the idea of initiating discussions with a donor around a preliminary concept represents a time-effective improvement;
 - the role of the Trust Fund section seems unclear at this stage. Its value-added fluctuates from project to project, at times contributing to the design and drafting, but acting at other times as a mere forwarding office;
 - other parts of UNIDO such as the Area programme and the Appraisal section, normally involved in project identification and design appear systematically by-passed in the case of trust funds projects;

evidence from the implementation of such projects suggests that:

- trust funds projects do not show greater flexibility during their implementation, when it comes for instance to redeploy inputs and introduce internal transfers in the budget;
- no periodic mandatory revisions are carried out to revise initial allotments, actual expenditures and forecasts;
- there seems to be no built-in mechanism for joint progress reviews that would allow the donor, UNIDO and the national counterpart to closely monitor the execution of the project;
- similarly, there appears to be no regular reporting obligation from the backstopping branch to the Trust Funds section and to the donor.

5.2.2. Cluster II

- (a) **Improvement and rehabilitation of a Steel Plant;**
- (b) **Investigation and improvement of environmental impact of iron and steel industry;**
- (c) **Statistical methods for company-wide quality control; all projects in a East European Country.**

	<u>Budget</u>	<u>Substantive Office</u>
(a)	129,950	Department of Industrial Operations/ Metallurgic Industries Branch
(b)	181,000	Department of Industrial Operations/ Metallurgic Industries Branch
(c)	190,000	Department for Programme and Project Development/Industrial Statistics and Sectoral Surveys Branch

5.2.2.1. Conclusions

69. The evaluation mission concluded that the projects were well designed and implemented. Their outputs were well utilized by the counterparts and helped end-users to better cope with their problems, even if the projects were too modest in relation to the overall problems they were tackling. They represented globally good value for money.

70. The first and second projects were very small interventions in relation to the nature and size of the problems faced by the recipient company. A substantial impact from these two projects, therefore, cannot be expected. The solution to the problems - survival and economic efficiency of the company as well as better environmental control - lies essentially with a massive rationalization programme accompanied by substantial investments for which a joint-venture with a strong foreign partner would be of much help.

71. The Ministry of Industry and Trade has now submitted to UNIDO a proposal for a comprehensive programme of industrial quality control, which hopefully should include the strong participation and leadership of the private industry, i.e. the end-users. To a limited extent, it constitutes a follow-up to the third project. A Quality Development Center for Industry and Trade has been established with further infusion of funds from the UK Know How Fund with participation of both the public and private sector enterprises to promote and ensure quality assurance in their respective companies.

5.2.2.2. Recommendations

72. Being of an ex-post nature, there was nothing the evaluation could recommend in relation to these projects, since they had been completed. The only recommendation that could be made regarded further technical assistance to the country, where two fields had good perspectives for external expertise combined with financial help or foreign investment:

- Industrial quality control;
- Environmental control.

5.2.2.3. Lessons learned

73. This evaluation illustrates the well known principle that well designed projects facilitate implementation. The success of these projects indicate the advantage of close involvement of the counterparts in the design and implementation of technical cooperation projects.

74. UNIDO should, on the basis of its experience, be more involved in the planning and undertaking of training (particularly pedagogical and logistical aspects) provided through technical cooperation projects.

5.2.3. Cluster III

Action programme to support the dynamic development of the building materials industry (with particular reference to the cement industry) in an East African sub-region

<u>Budget</u>	<u>Substantive Office</u>
801,000	Feasibility Studies Branch

5.2.3.1. Conclusions

- **Problem identification and rationale:** No clear problem identification and analysis has been carried out, contributing to the indication of too many problem levels.
- **Project design:** over-ambitious - no link between activities, outputs and objectives established. No suitable work programme was developed, major assumptions were not identified nor any risk assessment indicated.
- **Project implementation (general):** the project duration had a time overrun of one year. No TPR meetings were held nor any PPER prepared.
- **Project implementation (inputs):** the project had no CTA, but mainly short-term experts whose fielding and placement timing were scattered and unclear.
- **Project implementation (activities):** most activities did not lead to any planned results.
- The project lacked logic both in design and during implementation.
- **Target group and beneficiaries:** interview with project beneficiaries revealed that they were not aware that they were the "primary beneficiaries" of the project. Neither the Counterpart (Regional) Institution, the national ministries, the enterprise management nor the UNIDO field office could provide evidence that outputs had been employed directly by beneficiaries for problem solving and/or decision support.
- **Counterpart organization:** the Division of Industry and Energy of the counterpart institution neither had the capacity nor the capability to formulate and monitor projects. (The Counterpart Institution disagrees with this finding).

5.2.3.2. Recommendations

75. The evaluation mission recommended a fundamental re-orientation of the project. (Action has been initiated by the Backstopping Officer to follow-up on the recommendation for the preparatory assistance. The recipient organization has been informed accordingly).

- an in-depth needs assessment in the building materials sub-sector and the identification of a suitable entry point for assistance;
- an assessment of housing policies and low cost housing schemes in the sub-region, including eventual institutional set ups;
- an assessment of training needs in the cement industry, including the potential and possibilities for a viable sub-regional training center; (fundamental changes have taken place in the project

environment, including the redefinition of the roles of the private and the public sectors - which has a profound impact on the on-going and planned cement enterprise rehabilitation schemes under the project. However, no corrective measures were undertaken.)

- an assessment of the privatization drive and a definition of the role UNIDO could play in assisting national Governments and/or enterprises in this process;
- an assessment of the feasibility and necessary support for a sub-regional cement manufacturers association and the role that UNIDO could play in supporting such a body;
- a review and assessment of whether UNIDO advice is sought and needed for regional and/or national level policy formulation;
- an in-depth analysis of the capacities and capabilities of the Counterpart Institution.

76. The outcome of the above preparatory assistance should be a catalogue of project outlines, including a priority ranking for implementation.

77. A tripartite review meeting held in July 1994 in the Counterpart Institution decided upon the following course of action to be undertaken using the balance of funds available under the project:

- (1) Undertake a general survey on alternative building materials (lime, ceramics, etc.) in the subregion
- (2) A feasibility study including raw material investigation for expansion and to facilitate the privatization process of a cement factory in one of the target countries.
- (3) A funds mobilization programme to establish and strengthen a specialized cell within the Counterpart Institution to support future activities related to building materials in the region.

5.2.3.3. Related to UNIDO STF section

- A criteria should be established for identification and formulation of projects under the Japanese/UNIDO trust fund arrangements.
- UNIDO STF section should take measures to ensure compliance with established in-house procedures, in particular as they refer to project appraisal, standard reporting procedures and overall project management.
- The management of complex projects may require the establishment of "task force," and/or "task managers" and, in fact, UNIDO's guidelines on trust fund projects makes such provisions. UNIDO should ensure compliance with these instructions.

5.2.3.4. Lessons Learned

- it must be ensured that all projects, regardless of their source of funding, are subjected to UNIDO's internal appraisal process; (now called quality management procedures);
- in cases where there is no CTA, clear project management responsibility and accountability should be established and standard monitoring procedures adhered to ;
- When the counterpart organization is a regional intergovernmental body, an in-depth analysis should be carried out to determine the organization's suitability for the project;
- the lack of cooperation among concerned entities within UNIDO has resulted in diffused responsibilities and non-action (in terms of substance and overall project implementation).

5.2.4. Desk Reviews

5.2.4.1. Promotion of the Traditional Textiles Industry in West African LDCs

<u>Budget</u>	<u>Backstopping Office</u>
283,630	Department for Programme and Project Development/ Least Developed Countries Coordination Unit

5.2.4.1.1. Conclusion of the Desk Review

78. The central question arising from this evaluation refers to the competence of UNIDO in activities which are more closely related to cultural than industrial issues, and include an important export market research component where ITC is the competent UN organization. Member countries and UNIDO's management have recently stressed the need for UNIDO to concentrate on areas where it possesses comparative advantages, and specific market niches near the core of industrialization. The emphasis of the present project on artistic handicrafts and export market research for such projects does not fall, in the view of this analysis, in areas where UNIDO has either competence or comparative advantages. This question was raised by the appraisal of the project proposal made in October 1990.

79. It should also be mentioned that the project was implemented by the LDC Coordination unit which has a coordination rather than implementation function.

80. The project created awareness of certain solutions, based essentially on exports, to the problems faced by traditional textile and small-scale artisans in African LDCs and paves the way for further technical assistance on the subject. However, it should be mentioned that interventions, to have effect at the enterprise level, should be carried out preferably by country rather than sub regional projects to avoid an excessive number of intermediaries and to take into account particular features of each country. A follow-up project of US\$ 398,000 is under preparation to train local artisans in improving products and marketing. The project is scheduled for presentation to the Quality Assurance Unit for review at the end of 1994. The central question posed at the start of this review should be answered, that is, whether UNIDO has competence in activities which have more of a cultural than industrial orientation.

5.2.4.2. Assistance to Industrial Estate Development in the South Pacific

<u>Budget</u>	<u>Backstopping Office</u>
37,290	Industrial Infrastructure Branch

5.2.4.2.1. Conclusion of the Desk Review

81. It took three years from the date of request to the start of project operations. An inordinate amount of time was spent in preparing, processing, approving and then commencing project operations. Long delays were also experienced in project implementation, mainly due to the non-availability of the main expert whose incumbent was nominated by the recipient government.

82. Flexibility was shown during project implementation - when the original purpose of the project focusing on Industrial Estate and Export Processing Zone became unadvisable, the activities of the project were redirected towards more feasible goals, including the Business Incubators and International Service Activity.

83. The two experts on the project were not fielded together as envisaged and therefore could not work as a team in the completion of a techno-economic study. Instead, each submitted their own report.

84. The total of 4 w/m to conduct the study by two international experts for an island state economy was more than normally required. It would have been prudent to have conducted a desk review at UNIDO headquarters where relevant material was available and then to proceed to the field to finalize the study. A total of 2 w/m in the field and at headquarters would have been sufficient.

85. Backstopping of the project left to be desired, partly because of the BSO being changed at mid-point. No endeavor was made to amalgamate the reports (project results/outputs) of the two experts nor was an overall assessment of the reports made and transmitted to the recipient government in order to assist in decision-making.

86. The project was described as "global" despite the fact that it was limited to one country. This is due to the fact that funds for the project were obtained from the umbrella project - "Programme Support for new initiatives and mechanism for individual co-operation", which allegedly only applied to global interventions.

87. After inquiries from UNIDO, no indications from the field on eventual follow-up by the government to the recommendations made by the experts were received.

5.2.4.3. Clean Technology Programme

<u>Budget</u>	<u>Backstopping Office</u>
399,000	Department for Industrial Promotion, Consultations and Technology/System of Consultations Division/Common Topics (including Department for Industrial Promotion, Consultations and programme support Technology/System of Consultations Division/Heavy Industries costs) Sector Department for Programme and Project Development/Special Measures and Activities Division

5.2.4.3.1. Conclusion of the Desk Review

88. The basic idea behind the project, to prepare guidelines and updated information on selected technologies for environmental control and waste recycling in the steel industry, is good. However, because of unclear and overambitious design and the fact that a) concept and implementation was undertaken at the margin of substantive know-how in UNIDO HQs on metallurgy, environmental questions and publications and b) of a too supply-driven orientation, the project's results were not acceptable. The lack of adequate involvement of the related substantive units prevented linking the project with other on-going activities in the same fields, in particular on environment. The main results of the project were as follows:

- (a) Creation of awareness of certain measures to reduce pollution and waste in the target countries;
- (b) Limited direct advice on the same questions to the targeted companies;
- (c) A manual with limited distribution, basically to the participants in the project, which includes several articles or case studies (improperly called handbooks), some not novel, on various aspects of recycling of wastes and water, dust handling and heat recovery in the steel industry. The title of the manual "Model Steel Works Handbook" does not correspond to its contents.

The lack of transparent design and implementation made this desk review particularly difficult.

5.3. UK Know How Fund (UK KHF)

5.3.1. UK/UNIDO Industrial Development Support Programme in an Eastern European Country: Pilot Restructuring Project

89. Within the above framework 10 sub-projects were identified and implemented with an overall budget of US\$ 1.5m including programme support costs. Each sub-project budget average about US\$ 150,000. All the sub projects were backstopped by the Industrial Management and Rehabilitation Branch. The companies meriting assistance were selected by the country's counterpart institution, namely the "Industrial Development Agency" (IDA). Targetted companies were classified in the following categories:

- | | |
|------------|---|
| Category 1 | Companies performing well which do not need help |
| Category 2 | Companies performing fairly well which would perform better with help |
| Category 3 | Companies which will not survive without help |
| Category 4 | Companies without hope of survival even with help |

Companies selected for assistance were in category 3.

90. From the umbrella project (the UK/UNIDO Industrial Development Support Programme under which funds have been planned by the donor for subsequent funding to individual projects) 10 industrial (company) sub-projects were funded in agreement with the Joint Assistance Unit (JAU) of the Know How Fund.

Overall objectives of the programme were:

- to keep the companies operating so they could continue to provide employment;
- to return the companies to profit;
- to use UK know how to introduce new technical and management techniques to enable the companies to operate successfully;

Specific objectives at the company level were defined as:

- to change attitudes in the management of the company in the first instance, and through them in the work force as a whole;

These attitude changes include:

- self-reliance and confidence in their own ability to solve problems;
- cost consciousness;
- ability to market and sell the company's products;
- ability to prepare and update business plans;
- quality consciousness;
- readiness to seek advice when needed.

5.3.1.1. Summary of Review mission - June 1993

Mission purpose: To advise KHF/JAU on the success or otherwise of the UK/UNIDO Pilot Restructuring Programme and to enable the JAU to decide whether to go ahead with the proposed extension of the programme.

5.3.1.1.1. Conclusions

91. The evaluation considered that the UK/UNIDO Pilot Restructuring Programme was a success, that the project management by UNIDO was good, and recommended that the proposed Restructuring Programme extension should proceed with certain changes (the second phase comprises 6 sub-projects worth US\$ 680,000 is now under implementation).

5.3.1.1.2. Company selection

92. Nine companies were selected for visit by the Industrial Development Agency in three stages, with a tenth being added later. All project activities were complete at the time of the review with the exception of those related to the last company.

93. Although company selection was in general acceptable, it is recommended that when selecting enterprises for future projects more attention should be paid to management commitment to the project's objectives. Terms of Reference should also be discussed and agreed with the companies prior to selection. During the meetings in the field it was agreed that enterprises should make a contribution to the cost of the project. Their willingness to contribute would be proof of commitment.

5.3.1.1.3. Selection of consultants

94. Overall, the consultants selected were considered suitable. It was deemed essential for industrial credibility in the recipient country that consultants should have knowledge of the local language and mentality but should also have hands-on western industrial experience.

5.3.1.1.4. Terms of Reference

95. The TOR used for all companies were sufficiently broad to suit most. The main criticism of the TOR is that too much attention and time is devoted to the Diagnostic Analysis, and not enough to implementation. In a number of cases, the enterprises concerned did not see the TOR before the project started.

5.3.1.1.5. Implementation

96. All companies need help to carry out the recommendations of the Diagnostic Analysis Reports. Consultants should work with management to ensure that recommendations are practical and can be implemented.

5.3.1.1.6. UNIDO project management

97. Project management by UNIDO was considered good and was praised by enterprises.

5.3.1.1.7. Programme effectiveness

98. The enterprises selected faced virtual collapse, yet none of the companies has failed. Most of the companies are now considered on the way to profitable operations. More importantly, companies have learned how to operate in a free market environment by understanding the concepts of marketing and appreciating the need to sell. Business plans originally written by consultants have been in many cases revised and adjusted by the enterprises without help, showing that they have learned how to do it and that they can now prepare business plans by themselves.

99. The companies visited showed cost consciousness. Management in all companies now feel more confident in taking decisions and the work force is more confident. All enterprises agreed that the corporate Restructuring Training Programme was excellent. Seven enterprises regarded the quality of diagnostic analysis as good and the others rated this as satisfactory.

100. Additional courses on cost accounting and on energy efficiency was not very fruitful and the enterprises expressed dissatisfaction with the qualitative delivery of these. It appears that persons entrusted with this task did not perform according to the TOR.

5.3.1.1.8. Proposed Action/Recommendations

- IDA should continue to be responsible on behalf of the recipient Government for the second phase of the programme.
- Prior to company selection, a joint team of the local counterpart institution and the UK KHF should visit the seven proposed companies, explain the purpose of the programme, assess company needs, management commitment and willingness/ability to contribute financially to the project, and report with recommendations to the full steering committee. The recommendations should include the number of companies that can be assisted, with consideration of the required budget. The amount which should be contributed by the companies involved will also be taken into consideration.
- Each of the projects will consist of three phases:
 - Phase 1 Determination of immediately required help to enable the company to function in the short-term.
 - Phase 2 Detailed diagnostic analysis and implementation phase proposal.
 - Phase 3 Company strategy and implementation of selected elements of the strategy.

5.3.2. Review Mission - UK/UNIDO Industrial Development support Programme in an Eastern European Country (March 1993)

101. The KHF/UNIDO Trust Fund for this Eastern European Country was approved in March 1990. The umbrella project had a total financial input of US\$ 1.3 million under which 14 sub-projects were identified, formulated and implemented. The list of the sub-projects (by project objective) as indicated in the review report is given immediately below:

Sub-projects:

1. Umbrella project - intended for project development and preparatory work
2. Introduction of advanced CAD methods to a contracting/ engineering company
3. & 13. Introduction of advanced CAD methods to a Foundry
4. Assistance to small and medium sized enterprises
5. & 14. Quality and marketability of frozen food products
- 6., 7., 10. & 11. Good manufacturing practice (GMP) in the pharmaceutical industry
8. Assistance to an engineering consultancy company which specializes in pharmaceutical and food manufacturing
9. Assistance to an manufacturing company producing equipment for use by the pharmaceutical and food industries
12. National industrial and commercial quality programme

102. All the projects were backstopped by technical branches of UNIDO, which comprised the Engineering Industries Branch for projects 902, 908, and 909; the Metallurgic Industries Branch for 903 and 913; the Institutional Infrastructure Branch for 904; Agro-based Industries Branch for 905 and 914; and Industrial Statistics and Sectoral Surveys Branch for 906, 907, 908, 911 and 912..

5.3.2.1 Conclusion of the review mission

- The UK/UNIDO Industrial Development Programme meets a real need.
- The programme as a whole has been well planned, covering a suitable range of priority subjects.
- The fourteen individual projects are also well planned, covering a suitable range of priority subjects.
- The UK consultants chosen to carry out the work have performed well, and established good relations with their counterparts.
- The Recipient Government and the beneficiary companies and organizations are committed to the success of the programme, and have provided sufficient support services.
- Most of the projects have already begun to exercise a "multiplier effect" on their sub-sectors of industry.
- The programme as a whole is beginning to have a good impact at enterprise and industry level and has potential at national level, through the National Quality Programme project, now in its early stages.
- Monitoring by UNIDO Backstopping Officers has sufficiently kept in touch with project progress.
- UNIDO cost estimates appear to have been realistic.
- There is no indication of significant cost overruns, and project budgets have been tightly controlled.
- Consequently value for money appears to have been good.

5.3.2.2. Recommendations of the review mission

- To continue the programme
- To follow up existing projects if necessary, to obtain the intended results.
- If funds permit to add new sub-projects.
- In order to keep in touch with the progress of the projects, and ensure they are heading in the right direction to request UNIDO to provide copies of monitoring reports direct to the Joint Assistance Unit, as a matter of routine, as and when they are produced, and not in bunches at intervals, as in the past.

5.3.2.3. Trust Fund Specific

103. There is no evidence in the review mission report that the STF Section had any direct role with programme implementation. The STF Section was primarily involved in negotiations and discussion with relevant UK Government institutions and authorities in finalizing the arrangements with UNIDO pertaining to the mobilization of funds under the respective umbrella project. All tasks related to project development and implementation were carried out by the respective technical branches of UNIDO.

5.4. Nigeria Technical Assistance to a Cement Company
 Budget: US\$ 4,780,578
 Substantive Office: Department of Industrial Operations/Chemical
 Industries Branch

5.4.1. Conclusions

5.4.1.1. Design level

104. Immediate objectives and outputs are not clear and specific. Outputs are not quantified. The module approach is not used, though the project is of an institution building type. The project design is overambitious. The design lacked specification of systems to be developed. A problematic situation is that the project mentions training of plant staff where in fact the subcontractor was actually running the plant.

5.4.1.2. Implementation level

105. The subcontractor was basically providing a team to run the plant. There was a discipline and morale problem among local staff. The training function was not properly carried out, partly because of language problems. The technical level of subcontractor was low and needs introduction of modern management systems. The low level of education of many staff made them untrainable. There was a lack of transport equipment, spare parts and consumables. A considerable degree of bureaucratic and unwieldy procurement procedures was evident. The remote location of the project made it difficult to attract competent staff. The international staff did not work closely with counterpart personnel.

5.4.1.3. Project result level

106. Overall project performance is less than planned. Production improved but not to the 70% capacity as envisaged. Outputs with respect to maintenance were not produced. Project objective was not achieved. The following was additionally highlighted in the report:

- low capacity utilization due to faulty plant design and bottlenecks;
- lack of sufficient quarry and transport equipment to cope with the production desired;
- lack of spare parts and consumables;
- a general lack of motivation/dedication to work among staff.

5.4.2. Recommendations

107. Procurement procedures need to be streamlined. A preventive maintenance system needs to be made operational. Increased production should start from the quarry. The transport system needs to be improved. A proper workshop to maintain equipment is required. Interference by state government should be minimized. More dedicated and educated employees are required. Storage, maintenance and procurement systems should be computerized. International staff must be trainers with pedagogical abilities. From a file review it appears that the above indicated problems have eased off after the evaluation.

5.5. Associate Experts Programme

108. The Associate Expert programme has never been evaluated. Under the present evaluation, an assessment of the programme was made through the following:

- a questionnaire sent to former associate experts;
- interviews with some donors (at practically no cost because all the meetings were organized on the occasion of other travel of the evaluators); and
- Review of documents at UNIDO Headquarters.

109. This programme started at the end of the 1950s with the United Nations Secretariat. In UNIDO the first associate expert was recruited in 1969. The programme offers young professionals, graduates from universities or institutions of higher education, a unique opportunity to acquire professional experience in the field of technical cooperation. For the donors, this programme has a double purpose: (i) to offer to developing countries additional assistance and, at the same time, (ii) to give to young professionals the possibility to acquire experience of development cooperation in field assignments.

110. The associate experts, who generally have limited professional experience (around 30 years of age), are recruited to serve development projects under bilateral agreements between UNIDO and the donor countries. They bring youthful skills and updated methodologies to the tasks they are assigned.

111. The associate experts are governed by the 200 series of staff regulations and rules, applicable to all technical cooperation project personnel. Upon receipt of a breakdown of estimated costs, the donor transfers the necessary funds to cover all the costs, such as salary, allowances, insurances, travels, as well as administrative expenses incurred by UNIDO. The salary levels of the associate experts are determined by the donors, who have their own policies.

112. The associate experts should perform their duties under the supervision of a senior expert in their field in order to impart knowledge/skills and help them to discharge their duties while gaining, at the same time, development cooperation experience. Associate experts are usually recruited at L1/L2 levels and their initial one year appointment may be extended if their performance matches the standards expected. The total length of the assignment varies according to the donor. Some donors offer a maximum of two years, some three and another donor up to four years combining the time as associate expert with two years as a Junior Professional Officer (JPO).

113. On completion of their assignment associate experts either resume their careers in their home countries or take up appointments with the bilateral technical assistance. Although a few are appointed as staff members under the 100 or 200 series, there is no automatic transfer to staff positions. However, associate experts may apply for such positions like any other candidate. From 1969, 13 countries have financed associate experts for UNIDO. They are: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Spain, Sweden and Switzerland.

6. CONCLUSIONS AND RECOMMENDATIONS

114. As noted in para 5, in-depth evaluations could not be undertaken in respect of a number of projects these being mostly self-financed projects as well as the International Center for Genetic Engineering and Biotechnology (ICGEB). However, information obtained from file reviews of these projects are in line with the findings of in-depth evaluations of other projects. We consider, therefore, that the conclusions and recommendations in this report do not suffer from incomplete coverage. It was also found that problems and strengths of projects financed under STF schemes do not differ substantially from those of other types of projects.

6.1. CONCLUSIONS

6.1.1. General findings

115. The classification of STF projects indicated in 2.2 does not correspond with the present fund mobilization strategy which is oriented to four major sources: governments, industry, UN System and DFIs. The type of services financed under the STF is not different from the traditional technical cooperation activities. In fact the revised draft MTP for 94/99 does not differentiate between the activities financed under the IDF and the STF (para 30). Projects financed under STF sometimes took less time to develop and approve and were subject to fewer administrative hurdles in their implementation. There was sometimes more flexibility in making changes in the project after approval. This was in part due to simplification or overlooking of procedures and to the flexibility afforded by the donors for the project's implementation. Therefore, flexibility is not an inherent feature of the STF, particularly under the present organizational structure where the procedures for the project are exactly the same irrespective of the source of funds.

116. This flexibility brought with it some disadvantages. Quick approval and disbursement sometimes meant insufficient problem analysis, inadequate project design, overambitious objectives, low sustainability and little attention paid to end-users.

117. Most of the substantive problems observed are no different from those of traditional technical cooperation projects. A cross analysis of problems identified during various evaluation exercises (the present one, the analysis of IDEs undertaken in 1993, ex-post evaluations of four projects carried out by UNIDO and BMZ and the BMZ evaluation of 40 IDF projects) show similar results.

118. The same commonality was found in respect of the positive features. In particular, the close participation of the local counterpart in the design and implementation of the projects led to increased effectiveness. Close monitoring by the backstopping officers allowed a quick response from Headquarters during the implementation phase.

119. The evaluation could not find a rationale for including some of the projects under the STF and not under other sources of funds. There was an increased flow of projects under STF in total commitments up to 1992, and in percentage terms up to present (table 1 in page 8). The increase in value terms may be explained either as a result of the promotional activities undertaken by the STF Section but also by arbitrary allocation of projects under STF. The continuing increase in percentage may be explained by the proportionally higher drop of commitments under the other types of funds. The evaluators could not observe that as a result of STF projects an improvement of coordination with regional organizations and international financing institutions, in particular the World Bank Group and the regional and sub-regional banks, took place.

6.1.2. Enterprise to enterprise cooperation

120. At one time (around 1990), the STF Project Section developed a special line of business which referred to enterprise to enterprise cooperation. This type of project merits separate findings. While the idea was good, it was marred by design and implementation problems mostly derived from the lack of business orientation of those projects. Proposals for actual implementation of enterprise to enterprise deals did not materialize mainly due to non identification of the problems addressed, lack of interest of the prospective

partners (Headquarters driven projects) and flawed industrial financing schemes. There was also inadequate (or timely) response to the needs for follow-up assistance and overoptimism about the interest of foreign business partners in enterprise to enterprise cooperation in lower income countries.

6.1.3. Implementation/Monitoring/Evaluation

121. UNIDO has established monitoring and evaluation procedures (DG/Bs 147 of 30 August 1991 and 106 of 18 April 1989) which are experience proven and objective/results driven. They are structured so that findings and recommendations are transparent and allow for corrective action by all parties concerned - UNIDO, recipient and donor parties. Large scale projects undergo an independent evaluation which provides unbiased accountability and an outside overview with corrective measures recommended for the project in question. Lessons are learned for other similar projects.

122. Furthermore, PPERs (allowing analysis by results) are prepared as background to tripartite reviews to allow structured monitoring of projects. TPERs are prepared for small scale projects. Compliance with these requirements was lower in respect of STF projects than in traditional technical assistance.

123. Finally, some projects were implemented in UNIDO by organizational units other than those where the recognized technical competence exists. Project implementation suffered as a consequence. In addition, implementation of these projects did not add to or benefit from the stock of experience with similar projects implemented by UNIDO.

6.1.4. Quality management of STF projects

124. Appraisal of STF projects was undertaken loosely although the situation improved during 1993. There is not enough experience with the present Quality Management System to assess how it applies to STF projects.

6.1.5. Uniform treatment of projects

125. The reorganization of the secretariat of 1 January 1994 provides for uniform treatment (from identification to implementation) of all projects irrespective of source of funds which this evaluation finds positive. What remains to be analyzed is whether the present project development / implementation procedures are swift enough to allow for a quick response from UNIDO to demands from donor/recipient countries in respect of what is offered in STF projects.

6.1.6. Associate experts

126. After twenty-five years of existence the programme is still actual and is considered with high interest by the donors and recipients alike. However, financial constraints have had a considerable impact on the programme. The number of the candidates financed by the donor countries has decreased. To this decrease one should add the present shortage of long term international posts in technical assistance. This shortage has led to insufficient technical supervision of associate experts which is one of the prerequisites for the establishment of such posts.

127. The programme started originally for young nationals of the donor countries to give them the opportunity to be trained in the field of development cooperation while gaining experience in developing countries. During the years some characteristics of the programme have changed:

- The associate experts have been attached also to Headquarters duty stations.
- The limit age has increased or it does not exist anymore for some donors.
- The continuous supervisory role of the senior expert connected with the on-the-job training objectives has been declining and, therefore, the associate expert has been obliged to work much more on his/her own with positive and negative consequences.

- A minimum amount of professional experience after the degree is increasingly required. This is due to the larger unemployment of young professionals, which has contributed to the higher age limit and to the stronger competitiveness during the selection process.
- Few donors have accepted to sponsor also nationals from developing countries to give them opportunities to gain experience in technical cooperation.
- During the first decade of the programme, at least 50% of the Associate Experts found a job in the UN system or in bilateral cooperation. This percentage has been declining and today perhaps only 3% can have prospects of a career with the UN.
- Not all the donors have the same criteria regarding age, experience, level of appointment and duration of the assignment.
- Often donors do not differentiate between Associate Experts and Junior Professional Officers

6.2. Recommendations

6.2.1. General

128. Most of the recommendations which this evaluation could make in respect of STF projects were superseded by the restructuring of the secretariat of 1 January 1994. Therefore, the uniform treatment of STF projects established by this restructuring is validated by this evaluation. Also validated is the organization of funds mobilization by source of funds rather than type of projects.

129. The experience with project development guidelines established under UNIDO/DG.B /177 is still too short to determine its practical effectiveness. It is recommended that one year after its issuance an analysis be carried out to determine bottlenecks in project development procedures, in particular which may hamper quick action (identification, development, appraisal, approval) demanded by donors and recipients in respect of STF projects.

130. Specific recommendations made by the evaluations of STF projects do not differentiate from those made by evaluations of projects financed by other source of funds. Recommendation from such evaluations and others may be illustrated in the table 9:

6.2.2. Project documentation

131. Documentation needs for STF projects as indicated in para.46 should be reviewed with the objective of aligning them with those for other technical cooperation projects.

6.2.3. Project classification

132. The present project classification (UNDP/IPF and SIS, RP/TA, STF and IDF) should be reviewed to align it with the present strategy of UNIDO regarding funds mobilization which is oriented to four different sources.

6.2.4. Monitoring/evaluation

133. It is recommended to donors/recipients to follow UNIDO's well proven monitoring/evaluation methodologies not only for accountability purposes but for transparent project management as well as to learn lessons for future use.

6.2.5. Associate experts

- The Associate experts programme should be continued.
- Associate experts should be recruited preferably for field posts. If there are no available vacancies in the field, the donors accept to sponsor Headquarters positions.

- More attention should be paid by UNIDO to the training and supervisory elements of the assignment. In case no senior expert exists in the project, the supervision could be done on a periodical basis by the Chief Technical Adviser, by the National Director in the case of projects with a large Government execution component or by other competent authorities related to the project.
- Due to the larger number of young graduates looking for employment in most of the donor countries and the reduced number of available positions where the continuous supervision of a senior expert can be assured, the associate experts should have a minimum of professional working experience so as to allow them to work on their own. The trend towards requiring minimum experience is already followed by some donors.
- The donors and UNIDO should investigate the possibility of more concrete career prospects for the associate experts recruited, in order not to lose the human and financial investment done, which normally lasts for at least two years.
- All the donors should have direct agreements with UNIDO. Still today some donors are operating under old agreements signed with the UN when UNIDO was not yet a specialized agency.
- UNIDO should organize a meeting of the donors to try to have uniformity in the criteria of selection and appointment. Associate experts of different nationalities can work in the field on the same project and differences in grades and policies can provoke bad feelings or resentments.
- A clearer distinction should be done at donors level between the Associate Experts Programme and the Junior Professional Officers Programme. Although similar, the two programmes have different contents for the UN.
- An evaluation study of this programme should be done every two/three years to have a greater insight of the results of the programme and to adjust it more rapidly to developing trends.

Table 9

Recommendations (applicable to all projects regardless of source of funding)

Project/Service Management	Relevance	Cost-effectiveness	Sustainability
Identification	Improve problem and alternatives analysis. Need to define responsibility for client institution programme and provision of UNIDO's technical services. Strengthen counterpart involvement.		
Formulation	Increased involvement of target groups in project formulation and implementation. A thorough market analysis of the services to be provided is required at preparatory (assistance) phase. Gender consideration to be adequately reviewed and reflected. Critical factors to be adequately considered. Replicability of pilot plants to be defined.	Implementation of high risk project should start with a PA phase. Develop projects with appropriate time horizon. Up-date/adapt work plans.	Ensure sustainability through analysis of external factors during formulation and implementation. (Ensure that environmental aspects are incorporated in project/programme.)
Implementation	Implementation through both local and external expertise with requisite background.	Select the most qualified and not the least expensive expert/consultants. Better coordination between field and UNIDO HQ. Increased use of national expertise.	Emphasize capacity building. Focus on institution building, in particular financing of institutions. Diagnostics studies must take an overall view of the enterprises and not deal only with technical issues.
Monitoring and Evaluation		Adhere to established procedures for PPER, TPER, TPR meetings and IDE. IDE should be used as accountability and management tool and not as an administrative requirement.	Evaluation should be used to verify impact and sustainability and learn lessons.

UNIDO PROGRAMME EVALUATION MANDATES AND ACTIVITIES

1. In response to mandates given by its Policy Making Organs, UNIDO, over the past years, has made appreciable progress in preparing for and undertaking evaluations of technical co-operation including refining and improving the relevant methodologies.

2. Prior to 1988, not much attention had been focused on the evaluation of Headquarters programmes. Comparable work done in the past, did not generally constitute a proper evaluation, since it did not address the questions of programme relevance, effectiveness and impact and, with a few exceptions, tended to concentrate on the achievement of outputs, activities undertaken and financial statements. Furthermore, findings were not structured so as to ensure their application.

3. In 1988 the Evaluation Staff of UNIDO commenced their evaluation of Headquarters programmes by undertaking an in-depth evaluation of the System of Consultations. The report of this evaluation was submitted to the Fifth Session of the Industrial Development Board (IDB) of UNIDO in July 1989 and received a positive response. Furthermore, the IDB concluded that the evaluation of Headquarters programmes was a useful management tool to monitor and steer the programmes and decided to institutionalize this activity. As a consequence, the IDB, in its Fifth Session, adopted decision 5/12 on evaluation of UNIDO's programmes and activities, which reads as follows:

4. "The Industrial Development Board:

(a) Recalled conclusion 1989/4, paragraph (j) of the Programme and Budget Committee, which agreed on the important role of systematic and long-term scheduled in-depth reviews of UNIDO Headquarters and field programmes as a source of feedback to the decision-making process of the Organization, and recommend to the Board that it ensure that further action is taken to that effect during the 1990-1991 biennium;

(b) Took note with appreciation of the report on the evaluation of the System of Consultations as a first in-depth programme evaluation to be carried out by the Evaluation Staff of the Office of the Director-General;

(c) Requested the Director-General to undertake further in-depth evaluations of the important activities of the Organization, giving priority in particular to:

- Development of human resources¹⁴;
- Economic co-operation among developing countries, *inter alia*, solidarity meetings¹⁵;
- The industrial investment activities of UNIDO¹⁶, namely
 - (i) investment project identification and preparation and
 - (ii) investment projects promotion including the Investment Promotion Services;
- Development and transfer of technology¹⁷;
- Special trust fund projects¹⁸.

¹⁴ ODG. 15 of 20 May 1993

¹⁵ ODG. 14 of 25 May 1992

¹⁶ ODG. 12 of 21 January 1991

¹⁷ held up for lack of funding - Desk work completed.

¹⁸ constitutes the present report

(d) Requested the Director-General to report to the Board at its Sixth Session on the implementation of the present decision"

5. Decision 5/12 was subsequently endorsed by the Third General Conference of UNIDO. It was later completed by decision 6/14 of the IDB at its Sixth Session, which reads as follows:

"The Industrial Development Board:

(a) Noted with interest the increasing role of systematic and long-term scheduled in-depth reviews of UNIDO Headquarters and field programmes in the decision-making process of the Organization;

(b) Urged the Director-General to strengthen the resources available to ensure effective and systematic in-depth evaluations and their follow-up;

(c) Requested the Director-General, two years after the completion of an evaluation, to outline in the annual report the actions which have been taken to implement the recommendations made;

(d) Recalled Board decision IBD.5/Dec.12, whereby the Director-General was requested to undertake further in-depth evaluations in five priority activities of the Organization;

(e) Urged the Director-General to undertake in-depth evaluations of the five activities of UNIDO requested in the aforesaid decision according to the plans indicated in paragraphs 8 to 14 of document IDB.6/2;

(f) Requested the Director-General to continue to develop UNIDO methodology and practices in its evaluation activities and to report on that issue to the General Conference at its Fourth Session."

6. The question of evaluation methodologies and practices was addressed in doc 4C 4/3C of 10 September 91.

7. The question of regular financing of in-depth evaluations of Headquarters programs requested by the PMOs remains unsettled. Various alternatives to solve this question were submitted to the G.G.5 (G.G. 5/19 paras 13 and 18) but no decision was taken in this respect. The question remains open.