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**REPORT ON THE EVALUATION OF  
THE SPECIAL INDUSTRIAL SERVICES PROGRAMME (SIS)\***

Prepared by  
the United Nations Industrial Development Organization  
in cooperation with  
the United Nations Development Programme

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\* This document has not been edited.

**Synopsis of Highlights of the In-depth Evaluation  
of the Special Industrial Services Programme**

The report was prepared by Mr. Raymond E. Kitchell, consultant, in close cooperation with the Evaluation Staff of UNIDO.

**I. MAJOR FINDINGS AND ASSESSMENTS AT THE PROJECT LEVEL**

**A. The Process**

- Delays in approvals, which were serious in at least half of the project sample, were more often due to the "supply-drive" of many proposals.
- The appraisal and approval process has worked effectively but, given the average small size of most projects, it is sometimes too elaborated or structured. Innovation is not encouraged.
- There have been serious delays in implementation which raise questions about the actual "urgency" of some projects.
- The most serious process deficiency involves reporting, particularly the absence of terminal evaluation reports and joint reviews.

**B. The Projects**

- The final ratings for efficiency average 1.45 (out of a possible favor-to-disfavor range of 3.0) which is acceptable. Significant improvements are not likely without changes in the approval and implementation process involving delegations of authority by UNIDO and the requesting Government.
- The final ratings for effectiveness was 2.07. Given the high-risk nature of small-scale projects, this rating should be very acceptable.
- The final ratings for impact (possible to determine in only 28 out of the 58 projects included in the sample) was 1.25. No standard for acceptance at this level has been suggested by either party.

**II. MAJOR FINDINGS AND ASSESSMENTS AT THE PROGRAMME LEVEL**

[Note: The SIS Programme does not possess most of the essential characteristics normally associated with a "programme" and is largely process-oriented.]

**A. Guidelines**

- UNIDO Headquarters puts forward a "best effort" to follow the spirit as well as the letter of the joint guidelines. Overall compliance (except for project reporting, evaluation and performance review) should be viewed as satisfactory.
- The guidelines are and will remain subject to interpretation as long as the programme remains process-oriented.
- They need to be re-examined in the light of the rapidly changing development environment and new UNDP mandates and modalities.

**B. Programme Management**

**UNIDO**

- Financial management control at the total allotment (programme) level has been inadequate.
- There are many potential areas for process simplification and delegation.
- Evaluation of project success/effectiveness is practically non-existent (non-compliance with requirements).
- Preparation of staff inputs for joint annual reviews have been exclusively process-oriented, infrequent and untimely.

### UNDP

- With the delegation of management responsibility to UNIDO, UNDP's role has become largely confined, de facto, to monitoring/policing, and allotment level budgeting and control.
- In recent years, BPPE's role has been passive with no-one in BPPE or elsewhere in UNDP assuming any continuing or comprehensive responsibility at the programme accountability level.
- Field offices remain very supportive of the programme but have not yet recognized the need to record developmental evaluative data relevant to programme effectiveness, importance and impact.

## III. MAJOR CONCLUSIONS/ISSUES/RECOMMENDATIONS

### A. Joint Issues

#### 1. Is SIS worth the effort?

- In 1990 the real value of the programme has decreased by 75% and overheads by 85%.
- There is need for a balanced perspective which takes into account the comparative high cost of managing the SIS programme vis-a-vis new and important problems and opportunities in a changing world.

#### 2. Geographical distribution

- Emphasis on LDCs, TCDC, etc, should be reviewed in terms of option selected.
- Lack of regional or country allocations can become a problem if programme scope and size is expanded.

#### 3. Assistance to the private sector

- Limited assistance to the private sector provided under SIS already demonstrates the potential use of the SIS mechanism for innovation for this purpose.

### B. Time for Decisions

- The next two or three years should be used for experimentation and innovation on ways and means for introducing more substantive content into the programme and responding to new conditions and requirements.
- A mid-cycle joint review of programme effectiveness and innovations should be undertaken as the basis for considering at least three options:
  - Option 1 - Redefine the purpose and increase the scope, size and funding of the programme to reflect new assumptions about the changing programme environment.
  - Option 2 - Reduce the scope of the programme and make it leaner (e.g., limit to plant-level problem-definition and problem-solving).
  - Option 3 - Terminate the programme at the end of the current cycle if UNDP and UNIDO senior management conclude the programme is no longer cost-effective.

### C. Follow-up

A joint review of the recommendations contained in this report should be undertaken as soon as possible and the guidelines amended as or if necessary to encourage innovation and experimentation and the accumulation of evaluative data on effectiveness and impact for analysis and presentation to a mid-cycle joint review prior to preparation of recommendations by the Administrator to the UNDP Governing Council on the scope, size and funding for the Sixth Cycle.

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## EXECUTIVE SUMMARY

It is important to note that this is the first evaluation of the SIS programme which focusses primarily on its quality and relevance vis-a-vis the process *per se*. The Evaluation Report is comprehensive and quite long but is basically divided into two principal areas of interest, *viz.*, (1) a review of compliance with the current guidelines developed for the Fourth Cycle and an assessment of project effectiveness, importance and impact; and (2) an assessment of the current relevance of the programme and recommendations for improvements at the policy and substantive as well as process levels. The results of the project level review can be briefly described with the material in the full report providing explanations on methodology used and detailed data for credibility and support of conclusions. The results at the programme level are highlighted in this summary intended for executive review but readers, particularly staff members, may require further reference to the main body of the report, particularly the "compilation of recommendations" in Chapter VI.

### *Historical Context*

With the SIS programme now over 25 years in being, it was timely to review the historical background and the traditions, commonalities, contradictions and even myths which drive the programme. From the beginning of the "temporary and experimental" programme<sup>1</sup>, there have been difficulties in describing programme objectives and contradictions were abundant, e.g.. appropriate flexibility was to be provided in meeting unforeseen needs but, at the same time, ceilings on size, duration and type of project components were quickly established. Because of an insufficient substantive orientation, process-oriented terms such as the above were seized upon and soon took on a life of their own.

The original implied and explicit assumptions about the programme environment, i.e., about the industrial needs of the developing countries, have not been subsequently monitored, verified or challenged, e.g.:

- there are large areas in the manufacturing sector which need a more flexible means of assistance;
- there will be a large number of industrial projects in the developing countries which will need assistance in filling the action gap between feasibility studies and start-up; and
- the demand will soon reach the \$20 to \$25 million level.

Subsequent guidelines emphasized simplicity and speed in project design and appraisal, while continuing to maintain UNDP Headquarters' control, and stipulated that no country or regional allocation of SIS resources be established. Reports were required on everything *but* results. The experimental nature of the programme, while never officially declared over, disappeared without a murmur. UNDP evaluations, sometimes joint and sometimes not, focused primarily on the statistical aspects of the processes for approving and implementing SIS projects emphasizing compliance, efficiency of delivery and distribution of the resources with little expressed concern for effectiveness (i.e., project success), impact, and changing conditions in the developing countries and industrial world. Key UNDP officials obviously had little confidence that UNIDO or its own field staff would not use the SIS resources as a "slush fund" for supplementing IPF resources. Questions of equity and responding to current popular themes, such as the Lima Declaration with its emphasis on the transference of industry to the developing world from the developed countries and the concept of TCDC, began to affect the *de facto* allocation of funds to regions and recognition of a preferred group of countries for assistance, i.e., Africa and the LDCs. In more recent years, the intractable and sensitive problems of dealing with industrial development in highly centralized economic systems were largely ignored.

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<sup>1</sup> Para 12, A/6070/Rev. 1, 27 October 1965.



After approximately 11 years of operation, UNDP agreed to delegate responsibility for the operational management of the programme to UNIDO and its field representatives but within a few years concern was again being expressed that a stricter interpretation of the guidelines was necessary to maintain the programme's "separate identity". Again emphasis was on what the programme was **not** to be. The illustrative type of services remained essentially unchanged but annual *joint* reviews of the qualitative and quantitative aspects of the programme were to be required but these rarely occurred.

Finally, after a highly favorable evaluation carried out in 1985 by the UNDP itself, the current guidelines were issued. It was found that the main target area for SIS assistance had been in problem-solving at the production level and there was an excess demand being unmet. In view of its success and popularity in the field and with Governments, combined with the diminishing effect of inflation on the real value of delivery, it was recommended that the fourth cycle be increased to \$30 million from the then current \$17.5 million level. However, UNDP had already recommended a \$15 million allocation and could not change it, even if disposed to do so. As the absolute and real value of the fund continues to decrease, combined with an increasing demand for SIS projects and an unchanging base budget/allocation further aggravated by the effects of over-programming, the demand for tighter criteria increases proportionally - unwittingly stimulated by staff pressures for guidelines which are subject to minimum interpretation and, consequently, flexibility. **This is the operational environment within which this current evaluation is taking place.**

#### *General Project Findings and Conclusions*

Highly abbreviated findings and conclusions regarding the major components of the project process include:

- Delays in approvals are more often due to lack of ResRep and Government clearances caused by the supply-drive nature of many proposals. There were serious delays in at least half the project sample.
- The appraisal process at UNIDO Headquarters is adequate although a reluctance to innovate for fear of negative repercussions in UNDP Headquarters was noticed.
- Many "eligibility" terms, e.g., "practical" and "urgent", despite the best and repeated efforts of guideline drafters, remain ambiguous and subject to wide interpretation. Nevertheless, in most cases approved projects conformed to the "spirit" of the guidelines.
- Despite heroic past attempts to distinguish SIS-eligible fields of activities from other funding sources, they are still sufficiently vague or subject to interpretation that they fail to provide an insurmountable barrier to the innovative or persistent ResRep, UCD (UNIDO Country Director) and/or BSO (Backstopping Officer) who is seeking additional funding support for activities of current interest or priority. The fields of activity concerning trouble-shooting and/or problem-solving need to be clarified and **expanded**. High-policy advice and preparation and implementation of investment projects might better be combined, clarified and/or **reduced** in scope to "upstream policy advice". More importantly, the acceptable types of activity should also be reviewed in terms of meeting new UNDP and UNIDO priorities resulting from programming and operational changes which will take place in the fifth cycle.
- The findings clearly indicate that small-scale projects do not necessarily mean short-term in duration. Delays in implementation are frequent, many of which are due to external factors, but it should be noted that neither UNDP or the Governments involved have provided UNIDO with any exemptions to the usual procedural requirements for the procurement and delivery of inputs, nor has UNIDO requested them beforehand.
- The most serious deficiency involves reporting. Expert terminal reports are almost always prepared but comments from the end-user/government, field office and BSO (backstopping offices), are absent from the official registry files in many cases.

Terminal evaluation reports are simply non-existent, although they have been required since September 1991. The absence of brief but precise information regarding the quality and use of SIS-funded *outputs*, both in the comments on consultants' terminal reports and in terminal evaluations, seriously affects both UNIDO's and UNDP's ability to carry out its accountability role in monitoring and assessing effectiveness and impact. Remedying this situation is a sine qua non for justification and continuation of the programme.

○ There were no apparent problems with regional or country allocations except in one African country where a disproportionate share of SIS resources and projects were approved by UNIDO at the request of the Government and Resident Representative.

### *Project Assessments*

It was necessary to define terms and establish a standard but relatively simple rating scale for both the desk and field reviews. The definitions used were as follows:

○ Efficiency - the cost of delivering inputs and implementing a work programme in consideration of the type, magnitude, quality and timely delivery of the inputs.

○ Effectiveness - the achievement of the project purpose or objective, i.e., success in getting the outputs used by the intended end-user for the purpose originally proposed (e.g., to make a decision).

○ Significance/importance - the relative importance of the project, e.g., was it a simple "boiler-repair" job or did it eliminate an important bottleneck in the production line?

○ Impact - the change which took place and the benefits which accrued to the targeted beneficiaries (intended or otherwise).

The numerical value attached to each description was as follows:

- 3 - excellent, more than planned
- 2 - satisfactory, as planned
- 1 - marginal, less than planned
- 0 - cannot determine, too early

The results of the desk reviews were subjected to field verification of the results in over half (32) of the desk project sample (58), an *unusually high number* made possible by the cooperation of several UNIDO Evaluation Staff officers in countries on other missions. On the basis of field adjustments, where necessary, the *final ratings are as follows*<sup>2</sup>:

■ Regarding ratings for efficiency, which averaged 1.45 out of a possible total of three, the data clearly indicates that, overall, ratings are valid and, given the current rules and guidelines, **performance should be acceptable to both UNIDO and UNDP**. A significant increase in efficiency is not likely without changes in the project approval and implementation processes involving significant delegations of authority.

■ The picture on effectiveness was considerably improved and strengthened through the field visits because more information was available to the evaluators and sufficient time has passed to review *use* of the outputs. For the 27 projects rated in the field sample, the average rating was 2.07. Given the high risk nature of the programme, **this rating should be very acceptable to UNDP and UNIDO, especially to the former in its accountability role and the latter in its role as a provider of quality technical assistance.**

■ There was a small net increase in the ratings on importance and significance after the field verifications, which was already adequate in the desk review, indicating a relatively high reliability for these assessments which are more favorable than might be

<sup>2</sup> See Table No. 6 in Chapter III D.

expected. No concern needs to be felt that SIS projects, in the aggregate and relatively, are dealing with minor, low-level or inconsequential matters although the targets are more often found in small or middle-scale industry. Rather, it supports the proposition that they are mainly concerned with attempting to break bottlenecks at policy and operational levels.

■ In the case of impact, the field sample increased the number of projects it was possible to assess for this critical but seldom-addressed factor from 16 to 28 but, in 15 cases it was still not possible because either the project was on-going or insufficient time had elapsed after completion for a causal effect to develop or take place. In some cases because of changes in the project's external environment, e.g., turnover in Government or plant counterparts, changes in market requirements, a new definition of the problem, discontinuance of a product line, etc., the impact was known to be marginal at best even though the project itself had been effective/successful. In any case, the composite rating was 1.25 out of a maximum of 3.00, less than that obtained in the desk review but presumably more reliable because of the increased size of the sample and on-the-spot information collected and analyzed. **Since no interagency or UNDP standard on impact has been established, it is not possible to objectively determine if this rating should be acceptable or not to UNDP, UNIDO and their respective governing bodies.** If, as recommended, UNDP and UNIDO cooperate in an organized and systematic periodic evaluation or review of the effectiveness and impact of this programme for accountability, reporting and programming purposes, some pre-determined consensus between UNIDO and UNDP as to what is an acceptable measure of significant impact must be reached which gives adequate recognition of the need to fund high-risk projects where the impact would be maximized while, at the same time, recognizing that there is little room in short-term projects to recover from unanticipated changes in the project environment and assumptions made about it. In the case of "transition countries", this will be particularly important.

#### *Compliance With Guidelines*

There is an obvious, continuous and genuine effort by UNIDO Headquarters' staff, particularly in the APP and PRC Secretariat, to make a "best effort" to follow the spirit and the letter of the UNDP guidelines. In only one case, where a large-scale IPF project was supplemented by \$1 million in SIS funds through submission of 20 sub-projects simultaneously and over the objections of some UNIDO staff, were the guidelines flagrantly disregarded by both UNIDO Headquarters and the field office involved. In the case of UNIDO, an exception under "flexibility authority" was approved at the highest level in the organization.

While handled in detail in the body of the report, considering all factors, external as well as internal, and compared with previous history, **overall compliance with the SIS guidelines, except for reporting, evaluation and review, should be viewed as satisfactory both to UNDP as the donor and UNIDO as the managing agent.** Any significant reductions in approval times will require some process simplification and delegation of authority, both at UNIDO Headquarters and to the field. Compliance with implementation process guidelines has been less than desirable partly because some causes of delay are beyond UNIDO's project management control and no exemptions or reductions in project administrative requirements and procedures regarding implementation of SIS-funded projects have ever been proposed or granted by either UNDP or UNIDO management or the requesting Government.

**There is ample evidence that a high number of projects have been significant in nature and "successful" in achieving their purpose. The data on developmental impact is less rosy but not alarming considering the high-risk factor inherent in such small projects and the difficulties involved in getting information after project completions. This is good record but is no invitation for complacency because of rapidly and significantly changing global conditions on the political, economic, trade and industrial levels and the increasing squeeze on development assistance funds. There are more important questions than simple compliance with a set of rules which now need to be reviewed before any new effort is made to redefine programme purpose and the guidelines and/or seek supplemental funding.**

### *Adequacy of Guidelines*

Definitional problems with the current guidelines are discussed in the report. A draft note, dated 13 November 1990, was prepared by UNIDO/APP staff in the latest of a seemingly never ending series of attempts to "clarify" and "standardize" interpretations of the SIS guidelines. Some suggestions are also reflected in this report. Obviously, in some cases, there are ways to reduce ambiguities and the need for interpretation and provide new foci, e.g.: tie "urgency" into some real-time event; define "high level" as ministerial, macro or multi-sector, or "upstream"; eliminate self-defeating and burdensome restrictions, e.g., no preparatory assistance (no matter who the intended donor may be) or follow-up, i.e., it must stand alone, which require divine intervention or infinite knowledge to interpret; add new fields of eligible activity such as environmental protection at the plant level, safety and meeting ISO or other export-oriented quality standards; or re-emphasizing or redefining currently eligible fields, e.g., laboratory and pilot-scale experimentation on methods of improving productivity and quality and restricting the meaning of "problem solving" to the production process. **But continual "patch-work" on the guidelines and appointment of a SIS "high priest" is a specious solution which avoids the hard questions, i.e., under which operational objectives and assumptions should the SIS programme be continued after 1996?**

The adequacy of the current guidelines, developed over six years ago and not significantly different from the original 1966 guidance from the General Assembly, needs to be examined in the light of today's rapidly changing development environment, including the momentous changes which are taking place, globally and regionally, on the political, economic and industrial scene. The decided trend towards increased privatization and the problems of those countries in transition from centrally managed to market economies, the breakup of long-standing regional political blocs and the creation or strengthening of regional economic and trade organizations, increased competitiveness for those nations outside the protection of these regional groupings, and the recognition of the importance of environmental protection and the sustainable management of natural resources, *inter alia*, require a new look at all programming instruments, including SIS. The UNDP, in response to recent decisions of its Governing Council, is seeking new tools at the programme or "upstream" level to meet new priority objectives in the six major categories established, while, at the same time, encouraging national execution. Certainly, with funding already assured for the Fifth Cycle, this is a propitious time to review the purpose of the programme and its guidelines for implementation within the framework of this rapidly changing stage.

### *Programme Management*

#### (1) UNIDO

The most glaring management problem at the moment, at least insofar as UNDP Headquarters is concerned, is with UNIDO's "loose" financial management at the programme allotment level. A large over-commitment of funds, which surfaced in early 1991, caused severe discomfort to UNIDO resulting in a "freeze" on the approval and implementation of all new projects for the remainder of the cycle and the necessity to come up with almost \$500,000 from other sources of extremely scarce programmable funds available to UNIDO to fund "essential" projects where commitments had already been made. It will also mean that few if any funds will be available for funding new projects in 1992. While UNIDO has reportedly corrected the problem for the future, **it is imperative that this oversight not be repeated.**

Improvements can also be made in other management areas, and specific recommendations are included in the report for:

- simplifying the project design format and the appraisal process while adding new focus on evaluation of effectiveness and impact;
- providing greater delegation of approval authority both within Headquarters and in the

field;

- requiring formal documentation on use of "flexibility" authority;
- increasing rate of implementation by seeking waivers of administrative procedures when appropriate and/or delegating implementation authority to the UCD;
- monitoring reporting and evaluation requirements;
- developing a cost-effective evaluation system which relies principally on end-user self-evaluation; and
- providing UNDP with substantive information on programme effectiveness, relevance and developmental impact to be used in a mid-cycle joint UNDP/UNIDO review.

## (2) UNDP

As the sole donor, and subject to the decisions of its Governing Council, UNDP has the responsibility for monitoring and reviewing programme activity in terms of adherence to the overall policy concerning the SIS programme, particularly its mission or objective. In practical terms, this means verifying that conditions continue to exist which justify the continuation of the programme or that, in view of changes in these external factors, the programme approach remains valid or requires changes in the level of resources, its distribution and/or priorities. Since the programme does not have a cohesive, single objective and is, *de facto*, process-oriented, UNDP's headquarters role until recently has appeared to be more that of a policing rather than a programmatic or policy role. **Very few people in headquarters even know what the SIS programme is and no-one in BPPE or elsewhere is currently assuming any continuing or comprehensive responsibility for the programme.**

Remedying the situation should not be a difficult task and a lot of non-productive work can be eliminated in the process. Among the actions suggested which can be easily taken by UNDP are:

- Eliminate all the paperwork that presumably floods the Regional Bureaus and is virtually ignored, e.g., project requests and terminal reports.
- Eliminate the Regional Bureaus from any operational role (which has been delegated to the field) except to: (a) reply to a ResRep's request for advice, (b) inform UNIDO of its support for a particularly important or significant request, or, (c) advise BPPE on whether a major exception to the guidelines and procedures should be approved.
- **Appoint a senior management officer in BPPE, acting in a staff capacity for the Director, with the continuing responsibility for: monitoring progress at the programme level; reviewing major deviations from the guidelines; participating in a mid-cycle programme review; arranging for joint UNDP/UNIDO programme evaluations as and when necessary; discussing the results of these reviews and evaluations with appropriate intra-agency groups (e.g., Intra-Bureau Management Committee and Policy Team) and offices; presenting a synthesis of the results of these activities, focused on the effectiveness, significance and impact of the SIS programme under current and foreseen worldwide conditions and UNDP mandates to the Administrator before or at the same time it makes a recommendation concerning the size of programme allocation for the next cycle and other changes; and representing the agency in any subsequent joint revision of the programme scope, size, criteria and procedures.**
- Finally, and most important, while reducing the paperwork, time and effort involved in the approving and implementing process, the responsible BPPE officer in cooperation with CEO and the UNIDO/PRC, should **initiate a campaign with UNDP field offices to emphasize the importance which will be given to the proper and timely completion of SIS project terminal evaluation reports.**

### *Is SIS Worth the Effort for UNIDO?*

The real value of the SIS programme, using 1966 as the base year, has decreased by over

75% in 1990 and the overhead earned by UNIDO has decreased by 85%. Indirect support costs for small-scale projects are in the 30% range and recent over-programming caused UNIDO to eat into its limited reserves of programmable funds. Is it really worth it for UNIDO to manage this programme? Of course, UNIDO is a development agency, not a business, and it must take risks and as well as assume burdens it hopes will carry out its mandate and lead to future activities. Even as a "loss leader", however, there is no evidence that SIS projects lead to UNIDO's significant involvement in other country industrial activities and problems. It does, as one senior UNIDO official commented, give UNIDO a presence in countries where it might not otherwise be because of small IPFs or other reasons. Put another way, SIS is one of the very few sources of funds that UNIDO can manage at its discretion. Whatever the reason and how valid it is, **UNIDO pays a high price to manage this programme and its senior management should use the results of this evaluation, combined with its proposals to respond to the new priorities being placed upon UNDP, to enter into joint discussions on determining a sound programmatic and financial basis for the continuation of the SIS programme beyond the Fifth cycle.**

#### *Special conditions for LDCs*

In recognition that the infrastructure in LDCs, by definition, is underdeveloped with a corresponding level of industrial development and that meeting the criteria established for the use of SIS funds will be more difficult, UNIDO has the perception that UNDP was encouraging it to use the flexibility inherent in the programme to promote its use in LDCs. In January 1990, the Director-General expressed concern about what then appeared to be a low level of approvals under SIS, "...particularly with regard to assistance to the Least Developed Countries. The Director-General had emphasized that while efforts should be made to the extent possible to respect the established SIS guidelines, there was need for flexibility in the use of these funds. In this connection the Director-General has clearly stated that there should be no 'quota' for any single country and that there should be no need to 'reserve' resources on the assumption that certain countries might request SIS assistance." However, the evaluator was assured by UNDP that this position had changed over the past few years since LDCs were already compensated by increased IPF allocations.

Up until 31 October 1991, 67 SIS projects or about 20% of the total inventory was approved for LDCs, 51 or 76% of which were located in Africa, not a bad record if that is a programme criterion for success. It should also be noted, not surprisingly, that there is a positive correlation between approval and implementation problems and the development level of the recipient country. However, there is a definite tendency to sharply focus the programme on practical problem-solving at the plant or production level. This trend, coupled with the needs of countries in transition and other factors, may well make it much more difficult for UNIDO to maintain this record. **Assuming that the level of funding remains constant, except for individual country limitations based on prior usage, there should be no limitation, formal or otherwise, imposed on acceptable SIS requests from any country eligible for UNDP assistance. If, however, programme scope and resources are enlarged significantly, regional earmarking to assure some reasonable order of equity may be in order.**

#### *Assistance to the Private Sector*

There have been some interesting examples of how assistance to the private sector can be made more effective and a number of preliminary conclusions are set forth in the report which only touch the surface of the possibilities and innovations which could be tested by the SIS programme. **It is therefore recommended that UNDP and UNIDO give special and urgent consideration to using an expanded SIS programme as an instrument for experimentation and innovation in providing cost-effective assistance to the private sector.** In fact, assuming the recommendations of this Evaluation Report are generally acceptable, the next two years could be usefully used as a **transitional experiment**, the results to be reviewed at the joint mid-cycle review when decisions will be made on the scope and size of the programme in the Sixth Cycle.

### *Overall Assessment*

The "programme" possesses few of the characteristics usually associated with the term programme, e.g., a multi-year objective or mission, assumptions about the programme environment, identification of end users/beneficiaries, priority sub-programmes, etc. In fact, it is actually a fund with criteria of an essentially process-nature attached to it. As recent evaluations have demonstrated, the programme is widely accepted in the field and welcomed by UNIDO as one of the few sources of untied funds available to it. The current evaluation, for the first time, also is showing that the programme has addressed significant problems in a reasonably successful way. Opposition to the SIS programme, which has significantly diminished or disappeared in recent years, had been mainly in UNDP Headquarters and was focused on keeping the SIS allocation to a minimum to preserve its programme reserve and its position vis-a-vis other executing agencies. However, new interest is surfacing in the Regional Bureaus regarding the possible use of the SIS instrument to respond to the new priorities and modalities now mandated for the UNDP, particularly concerning the private sector.

### *Time for Decision*

With the programme already approved for the current (fifth) cycle, the time is most propitious for UNDP and UNIDO senior management officials to carefully and calmly consider what changes, if any, should take place in the purpose, scope and size of the programme in light of updated and explicit assumptions about the current and near-term needs of developing countries for "special" assistance in the industrial sector. Three feasible options are suggested and elaborated in the report to encourage discussion within a programmatic framework. Succinctly stated, in order of presumed UNIDO preference, they are:

**Option 1** - Redefine the purpose and increase the scope, size and funding of the programme to reflect changing global conditions and to address the UNDP priorities and modalities of the Fifth Cycle.

**Option 2** - Reduce the scope and size of the programme to fit the cloth, i.e., take draconian measures which limit the size, duration and type of activities eligible for SIS funding.

**Option 3** - Terminate the programme at the end of the current cycle if UNDP and UNIDO top management conclude that the SIS programme is no longer cost-effective.

### *Process Improvements*

Unlike previous evaluations, process improvements *per se* have not been the main focus of this exercise although the report includes ample suggestions for improvements. The most important recommendations can be summarized as follows:

- Reduce the time and effort taken in the preparation of requests, appraisal and approval of projects.
- Under certain conditions (e.g., presence of a UCD and a country PRC) UNIDO should selectively delegate authority for approval and/or implementation in the field subject to funding control limitations and BSO certification of implementability.
- Revise guidelines to reduce unnecessary limitations and eliminate or define terms such as urgent, practical, clearly identified problems, high-level, etc., to fit within an expanded (Option #1) or reduced scope (Option 2).
- Require and monitor compliance with UNIDO terminal evaluation requirements for small-scale projects, adapted as or if necessary for SIS.
- Require a mid-cycle joint UNDP/UNIDO review in 1994 of programme performance and effectiveness for accountability purposes and as the basis for recommendations to the Administrator for supplemental or new funding and needed

changes in programme direction (i.e., monitoring critical programme assumptions). The principal input to this review should be a report from UNIDO which focuses exclusively on performance and impact indicators as revealed in the terminal evaluation reports. Such a review may be preceded or followed by an in-depth programme evaluation IF deemed necessary by the senior management of either agency.

**NOTE:** Refer to Chapter VI. for a compilation of detailed recommendations.



## I. INTRODUCTION

### A. Purpose of the Evaluation

1. Recognizing that the 1985 evaluation of the SIS programme and a mid-term review prepared by the PRC Secretariat of UNIDO had both concentrated primarily on statistical data regarding, e.g., regional distribution of projects, total allotment, project duration, field views, etc., and considering the imminent ending of the Fourth Cycle, it was "...decided that a *substantive* evaluation should be carried out to provide management with relevant data for its discussions with UNDP in connection with the forthcoming cycle (1992-1996)." Since the programme is not subject to regular evaluations during which programme relevance, efficiency, effectiveness and impact are analyzed, such considerations were to be a primary focus of the evaluation.

2. Subsequently, before the exercise could be mounted and upon the recommendation of UNDP management, the SIS programme was approved by the UNDP General Council at the current level, i.e., \$15 million, for the Fifth Cycle. The original terms of reference were subsequently modified, in cooperation with UNDP which also contributed \$10,000 towards consultant costs, to focus inter alia:

At the programme level on the adequacy of the guidelines and criteria, the need for changes, achievement of the programme's objectives, and programme management at both UNIDO and UNDP headquarters.

At the project level on compliance with the guidelines, assessments of effectiveness and impact, and analyses of problems and issues.

3. The final draft of the consultant's report as commissioned by UNIDO and an oral presentation of the major findings, conclusions and recommendations was formally presented by the consultant to a joint session of UNDP/UNIDO management officials. The results and recommendations included in this report are expected to be jointly reviewed shortly by UNIDO and UNDP Management and subsequent actions agreed to.

### B. Definition of the SIS Programme

4. The SIS Programme is officially and currently defined in UNDP/PROG dated 7 June 1988 as follows:

(1) The SIS programme is a source of financing established by UNDP in 1965 to meet short-term and urgent requirements of high priority projects in the industrial sector of developing countries which cannot be programmed in advance. It is operated mainly through expeditious provision of expert advisory services.

(2) The level of resources of the SIS programme is determined by the UNDP Governing Council for a given cycle.

(3) SIS resources are to be used particularly for countries which are in acute need of such assistance.

### C. Methodology and Constraints

5. The consultant met first with UNDP officials in New York en route to Vienna where on arrival he then established the inventory of projects approved under the new guidelines, designed a sample for desk review, developed issue statements, and recommended countries for field missions, all in consultation with the Evaluation Offices of UNIDO and UNDP. He then designed and conducted the desk reviews with assistance from the PRC Secretariat and the Evaluation Staff. Statistical requirements were determined and a cross project analysis of common data was

performed. An interesting feature of the evaluation, besides its unique focus on quality, effectiveness and impact, is the large number of desk review assessments which were validated or updated by field visits. In addition to two field visits by the consultant and one by the Chief of UNIDO's Evaluation Staff, evaluation staff members who were on other missions to the field during the time of the evaluation also conducted field verifications in four countries without cost to the evaluation budget, giving a higher degree of credibility to the final results.

## II. THE HISTORICAL CONTEXT

### A. Purpose

6. The history of the establishment and continuation of the SIS Programme has been adequately described in previous evaluation reports. It is brought together and summarized here to identify and analyze those aspects which have been a consistent part of the several guideline revisions and to also identify trends, contradictions and explicit as well as implicit assumptions which are relevant to the purpose of this evaluation.

### B. Birth of a "Programme"

7. The "programme" was originally established in 1965 to serve as a bridge for UNIDO (then the Centre for Industrial Development) as financing from the Special Fund and the Expanded Programme of Technical Assistance Board was phased out and the UNDP IPF Fund was established in the field. In the Report of the Secretary General<sup>3</sup>, it was stated that "...there is a large area in the manufacturing industry which involves the need for more flexible means of assistance." It was assumed "...to embrace a range of services required by Governments for the implementation of projects in the manufacturing field after the initial feasibility study had been completed and until financing for the necessary capital investment has been assured. In addition to this "action gap", there is a whole range of *practical needs* in the manufacturing industry with respect to both new and existing industries, which cannot easily be handled under the formal project procedures on which most existing programmes are based. Quite frequently these are *short-term needs which cannot be programmed in advance and the effectiveness of the assistance depends on the ability to meet Government request within a minimum of time.* The raison d'être given was that "...the existing "gap" in these areas could be bridged by the establishment of a programme to provide "special industrial services" in a flexible form and on a massive scale so as to facilitate the carrying over of existing projects to the point of actual investment." The illustrations provided were based on the assumption that there would be a large number of "industrial projects" in various stages of implementation which would require special services. Assistance of a "*trouble shooting*" nature to solve technical problems concerned with the operation of plants and machinery, flow of materials, and quality control was listed last in a list of eight illustrations provided. The diversity of expected requirements was described as flowing from the main purpose of an operational framework specially suited to the particular requirements of industrializing countries when they are establishing and expanding their manufacturing sector. The new programme, at least as far as financing was concerned, was described as "... temporary and experimental in character, subject to revision in the light of subsequent developments." It was also estimated that the resources required could reach a level of \$20 to \$25 million over the full duration of an initial experimental period of three years. It was anticipated that the programme would be financed both from voluntary contributions and the Revolving Fund Programme Reserve of UNDP. \$1.157 million was pledged since the beginning of the programme up to 31 December 1969 by eight Governments. No additional contributions were pledged thereafter since UNDP undertook to finance the SIS programme as a continuing facility from its own resources

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<sup>3</sup> A/6070/Rev.1, dated 27 October 1965.

in 1969.<sup>4</sup>

### C. Initial Guidelines

8. The first actual guidelines were issued in 1972 by UNDP<sup>5</sup>. The definition of the programme began with an admonition that it should in no way be regarded as a supplemental source of financing of the Country Programme. At the same time, the definitional statement stressed the need to apply the provisions set out in General Assembly document A/6070/Rev. 1 with *appropriate flexibility, particularly when assistance for new types of industrial projects is required*. The tone of the guidelines shifts from an emphasis on pre-investment activities to the practical needs during the post-investment stage. The emphasis on "industrial projects" remains, however, and "trouble-shooting" and "support assistance" are still low on the list of illustrative services. Short-term duration is defined as not to exceed 9 months and the upper limits of costs is specified as not exceeding \$50,000 but it is specifically stated that "There is no hard and fast rule on this duration and on this amount, and the figure is given for guidance as to the general order of magnitude. Equipment is limited to a maximum of \$20,000 for testing and demonstration purposes. It is specifically stated in para 5 that "In order to maintain the essential flexibility feature of the programme, SIS will be financed apart from the Indicative Planning Figures and therefore *no country or regional allocations resources for SIS are to be established*." Procedures are established which emphasize a "simple" project design and speedy appraisal and approval process but require UNDP headquarters approval "...in light of *inter alia* the principles and rules governing the SIS programme." Project and semi-annual status reports are required but there is no mention of reporting on results. The annex to the guidelines and instructions state that the programme will be financed on a *continuing* basis from UNDP resources, a milestone for UNIDO.

### D. First Evaluation<sup>6</sup>

9. In 1976, the first joint "evaluation" of the SIS programme was conducted by staff members. It was noted that no attempt had been made to provide a systematic and comprehensive definition of the programme which perhaps explains why the final report concentrated on process, e.g., demand and delivery, allocation and distribution of financial resources, processing and approval times, and other statistical and delivery data of a similar nature, rather than substance. Some of the more significant findings and conclusions included:

- SIS projects have been used for a variety of purposes, and only some of them meet the criteria of unforeseen and urgent needs.
- The current guidelines and procedures have worked to the disadvantage of the least developed countries while the distribution of benefits of the programme have been uneven and inequitable. They are heavily tilted in favor of those countries which have already developed to some extent an institutional capacity to undertake project development (from identification to the preparation of a bankable project), project promotion, plant design and construction, and which already possess some industrial base.
- The report implicitly suggests that the problem is aggravated in highly centralized economic systems.
- The scope of the SIS programme needs to be clarified with special needs of the LDCs and the developing countries in the medium stage of development.

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<sup>4</sup> Source: ID/B/C.3/56, 10 October 1977. Joint UNDP/UNIDO Evaluation of the Programme of Special Industrial Services.

<sup>5</sup> UNDP/PROG/12, dated 31 August 1972. A slightly revised version was issued on 6 November 1972 which omitted the statement that "Designation of an Executing Agency other than UNIDO will be made by UNDP after appropriate consultation with UNIDO."

<sup>6</sup> ID/B/C.3/56, 10 October 1977.

» The purposes of the SIS programme were recommended to:

- meet the special, short-term needs of developing countries at specific stages, in identification, formulation, evaluation and implementation of industrial projects including production start-up and initial staff training and in developing the indigenous institutional capacity to undertake these activities;
- render assistance in cases of genuine and serious *emergencies* at an enterprise/plant level, and at sub-sectoral and sectoral programming and policy levels;
- make available high-level and confidential policy advice on matters relating to specific projects or to implementation of industrial development programmes; and
- promote cooperation among developing countries for industrial development.

Recommendations were also made concerning raising imposed ceilings, continuing the annual rate of \$3.5 million, taking into consideration the institutional capabilities of the countries concerned, reducing the average time-lag of eight months by half, etc. It is interesting to note that the UNDP evaluator recommended that UNDP should delegate to UNIDO the responsibility to ensure that expenditures should be in accordance with regional quotas earmarked for the SIS programme to which the UNIDO evaluator took specific exception. Here the contradiction between adequate flexibility to assure full utilization of SIS resources and allocations based on regions, levels of development, etc., came to the surface even if only briefly. Finally, the evaluators stated that it had not been possible to make an assessment of the quantity and quality of the services provided and recommended that UNIDO should do this periodically. The UNIDO staff member also recommended that the terms "urgent" and "unforeseen" should not be defined in a general way but in relation to specific conditions in a country and its ability to "foresee" and plan for the needs as well as to fulfill the required functions through other means within the stipulated period of time. This would limit the utilization of SIS resources to:

- emergency needs at plant level
- quick and objective response to sudden changes in programmes and policies caused by external factors, and
- confidential consultations at pre-investment stages.

10. Based on this report, the Administrator of UNDP and the Executive Director of UNIDO agreed:

- to delegate the responsibility for the approval of individual projects and overall management of the programme to UNIDO;
- an annual level of \$3.5 million with carry-over authority;
- affirmed the original criteria but proposed that UNIDO apply the criteria with greater flexibility in the least developed countries (UNIDO also decided to maintain the notational amount of \$1.0 million in the allocation for LDCs);
- in the management of the SIS programme and the distribution of its resources over various regions, UNIDO will be guided by a flexible interpretation of needs and criteria.
- to the extent feasible, UNIDO will give preference to national institutions and consultants of developing countries in the light of the programme of Technical Cooperation Among Developing Countries (TCDC); and finally,
- UNIDO will report periodically on programme operations and, in cooperation with UNDP, keep the programme under continuous review and to make any adjustments required in the light of further experience.

#### E. Tightening the Noose

11. In June 1981, UNDP/BPPE was concerned that a stricter interpretation of the type of assistance which falls under the SIS programme was necessary if its separate identity was to be maintained and it is to manage within the resources available to it. This concern was expressed

in the "uniqueness" of the SIS programme, i.e.,

- (a) SIS should not be viewed as a supplement to the IPF.
- (b) SIS should be used mainly for the less developed of the developing countries.
- (c) For urgent assistance in case of natural disaster, other sources must be explored, such as programme reserve.
- (d) SIS may not be used for preparatory missions. However, it could happen that indirectly, an SIS project could lead to identifying additional problems requiring technical assistance.

Draft new guidelines and procedures were prepared to tighten application of the criteria but apparently were never officially issued. Nevertheless, the meetings that took place reminded UNIDO that UNDP remained suspicious of the way the guidelines were being applied.

12. In 1983, a joint review of the programme was carried out and new "Working arrangements and procedures for the Special Industrial Services Programme" were agreed upon.<sup>7</sup> Again, in order to maintain a separate identity for the programme, the purpose was "...to distinguish it more clearly from IPF-funded projects than is the case at present." The spirit of the Lima Declaration was called forth as continuing justification for the decision that SIS resources will not normally be available to the more advanced of the developing countries [this was eventually softened] and that distribution over time is "equitable". The "illustrative" type of services provided were not significantly different from those that preceded it with trouble shooting activities remaining at the bottom of the list. Reliance on ceilings and time limitations were continued and projects which were not operational within six months after approval were to be canceled. The project design guidelines, as in previous versions, were brief but failed to request information on what the outputs were to be, who was to use them, and what change(s) or benefit(s) was expected to occur. The Resident Representatives were expected to make a thorough review of the requests and include his comments when forwarding it to UNIDO. Nothing much new here but, for the first time, UNDP and UNIDO Headquarters were to jointly review the *qualitative* as well as quantitative aspects of the programme once a year at UNIDO Headquarters to assure compliance with the guidelines and procedures. No mention was made of effectiveness, significance and impact. Terminal reports were still required by the expert(s) or consulting firm, including UNIDO Headquarters and field comments thereon, copies which were to be sent to the Regional Bureau/Unit for Europe, but no evaluative information was required.

#### F. Ringing Endorsement

13. The last prior evaluation, conducted by UNDP itself, took place in 1985 in preparation for the Administrator's recommendations to the Governing Council concerning the magnitude and operation of the programme in the fourth programming cycle. Again, this evaluation focused primarily on issues of compliance and process although, through use of questionnaires and field visits, a first attempt was made to assess project effectiveness or success. The effort was severely constrained, however, by the lack of information on project results at UNDP or UNIDO Headquarters. Some of the major conclusions drawn from the review included:

- The main target area has been problem-solving at the level of production.
- Governments as well as UNDP field offices expressed satisfaction in general with the results achieved by the SIS projects and supported the view that the programme should be continued as a separate entity to be used side by side with the UNDP country programme.
- While Governments did not make many comments concerning the procedures and working arrangements, UNIDO and UNDP field offices would welcome simplified working procedures.
- Illustrative examples of target areas should be more clearly defined in order to narrow the margin of interpretation as to what constitutes eligible SIS assistance.

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<sup>7</sup> UNDP/PROG/100, dated 9 June 1983.

- UNDP field offices should be more actively involved in the operation of the SIS programme with the role of UNDP Headquarters confined to general supervision and monitoring.

Considering:

- (a) the confidence the SIS Programme enjoys due to satisfactory results achieved so far;
- (b) the excess demand for SIS assistance generated by the confidence the programme enjoys; and
- (c) the incidence of inflation on delivery in real terms -

it was recommended that an allocation of \$30 million be provided to the SIS Programme for the fourth programme cycle.

15. Given this strong evaluation endorsement of the programme, it is a bit revealing of how things sometimes work to quote from the note of the Associate Administrator of UNDP in his transmittal of the evaluation report to UNIDO that "We had already made last June a provisional allocation for SIS in our Resources Planning Table at the level of US\$15 million for the Fourth Cycle [Note: a decrease from the \$17.5 million made available in the third programme cycle]. Given the findings of the consultants' report we would be able to propose to the Governing Council to accept this figure." In fact, the evaluation results were received too late to have any effect. A more positive result of the exercise was a concerted attempt to clarify the programming criteria and operational guidelines which currently govern the programme. These were issued on 7 June 1988 and are included as Annex A to this report.

#### G. Latest Review

16. In February 1991, in *partial* compliance to the new reporting procedures included therein, UNIDO prepared a report to be available during the joint UNDP/UNIDO annual review. It included information on the first four years of the present SIS cycle on:

- appraisal
- approval and reporting
- type and duration of projects approved
- countries of coverage
- levels of approvals
- timeliness of implementation
- cancellation of approved projects.

There was no information presented on project results, project success or any developmental impact.

#### E. Trends, Assumptions, Contradictions and Current Programme Environment

17. From the beginning of the "temporary and experimental" *programme*, there was some difficulty in describing the programme objectives as other than a financing bridge as The Centre for Industrial Development was being converted into UNIDO and the UNDP/IPF fund was being established. Contradictions abounded from the start, e.g., SIS would not be used as a supplement source to the regular UNDP financing of technical assistance but the enabling provisions of the General Assembly were to be applied with appropriate flexibility by UNDP. Nevertheless, subsequent ceilings on duration, size and type of components were quickly provided. Other descriptive or process-oriented terms were used which soon took on a life of their own, e.g.

- meet practical needs
- short-term
- cannot be programmed in advance (or unforeseen)

- urgent requiring minimum response time

18. The original assumptions about the needs of developing countries, which were never subsequently monitored or challenged, included:

- there are large areas in manufacturing which need a more flexible means of assistance
- There will be a large number of industrial projects in the developing countries which will need assistance in filling the "action gap" between feasibility studies and start-up
- the demand will soon reach the \$20 to \$25 million level.

19. Subsequent guidelines repeated the above, emphasized simplicity and speed in project design and appraisal while continuing to maintain UNDP Headquarters' control, and stipulated that no country or regional allocation of SIS resources be established. Reports were required on everything but substantive results. The experimental nature of the programme, while never officially declared ended, disappeared. Evaluations, sometimes joint and sometimes not, also focused on the statistical aspects [it's easier to do] of the processes for approving and implementing SIS projects emphasizing compliance, efficiency and distribution of the resources with little or no expressed concern for effectiveness, impact, and changing conditions in the developing countries and the industrial world. [Note: This was not an uncommon characteristic at that time as the joint UN/UNDP/UNIDO evaluation of Manufactures demonstrated in 1982.] Questions of equity and responding to current themes such as the Lima Declaration with its emphasis on the transference of industry to the developing world from the developed countries and the concept of TCDC began to effect the de facto allocation of funds to regions and recognition of a preferred group of countries, i.e., Africa and LDCs. The problems of dealing with industrial development in central economies was sensitive and largely ignored.

20. After approximately 11 years, UNDP agreed to cede responsibility for the operational management of the programme to UNIDO and its field representatives but within a few years, concern was again being expressed that a stricter interpretation of the guidelines was necessary to maintain the programme's "separate identity". Again emphasis was on what the programme was not to be. The illustrative type of services remained essentially unchanged but annual joint reviews of the qualitative and quantitative aspects of the programme were to be required but these rarely occurred, if at all.

21. Finally, after an evaluation which was more favorable than expected and carried out by the UNDP itself, the current guidelines were issued. It was found that the main target area for SIS assistance had been in problem-solving at the production level and there was an excess demand being unmet. In view of its success and popularity in the field and with Governments, combined with the diminishing effect of inflation on the real value of delivery, it was recommended that the fourth cycle be increased to \$30 million from the current \$17.5 million. Unfortunately, UNDP had already recommended a decrease in the programme to \$15 million. As the absolute and real value of the fund decreases, combined with increased demand and over-programming, the internal demand for tighter criteria and the minimization of guidelines subject to interpretation, regardless of its effect on flexibility, is the present operational environment in which this evaluation is taking place.

### III. RESULTS AT PROJECT LEVEL

#### A. Establishing the SIS Project Samples

##### 1. Desk sample

22. The fourth cycle inventory or population, i.e., from 1 January 1987 to 30 September 1991, includes a total of approximately 368 projects. Since one of the major purposes of the evaluation

is to assess compliance with the "new guidelines" which were effective from the beginning of 1988, by eliminating all 1987 projects the total population was reduced to approximately 306 projects. By eliminating "no-starts", the total population was further reduced to 265 projects, distributed as follows:

**REVISED PROJECT POPULATION**

<u>Region</u>	<u>under</u> <u>\$ 50,000</u>	<u>\$ 50,000 to</u> <u>\$ 99,000</u>	<u>\$ 100,000 to</u> <u>\$ 150,000</u>	<u>Total</u>
Africa	33	23	9	65
African Arab States	9	5	2	16
Asia and Pacific	35	17	3	55
Global-Interreg.	1	0	0	1
The Americas	43	19	5	67
Western Arab States	14	1	0	15
Europe	16	18	3	37
<b>TOTAL</b>	<b><u>151</u></b>	<b><u>83</u></b>	<b><u>22</u></b>	<b><u>256</u></b>

23. Given the limitations on time and staff to conduct the desk reviews and complete Phase I on schedule, it was necessary to reduce the population significantly by establishing a sample which was both rationale in selection, valid in its representation of the total inventory, and feasible of completion within the constraints mentioned. The sample size selected comprised 60 projects distributed by size as follows:

<u>category</u>	<u>% of total inventory</u>
30 under \$ 50,000	(22%)
20 between \$ 50,000 and \$ 99,99	(30%)
10 between \$ 100,000 and \$ 150,000	(52%)
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60	

Within each of these categories, a "random" selection was made, adjusted as necessary to make it representative for evaluation purposes.

**2. The field follow-up sample**

24. Based on the desk review samples, a set of criteria were established to aid in the selection of projects for field review/verification. They included:

- minimum of five projects in the country portfolio
- some diversity in size and type
- high regional usage
- UNIDO staff in country on other business but willing to assess SIS projects if feasible
- special interest for future/innovative use or selected issues.

25. Applying these criteria, in consultation with UNDP, field missions funded by the SIS evaluation budget were undertaken in Poland and Zimbabwe by the consultant. Field verifications were also conducted by UNIDO Evaluation Staff members in Côte d'Ivoire, Tanzania, Turkey, Costa Rica and Botswana.

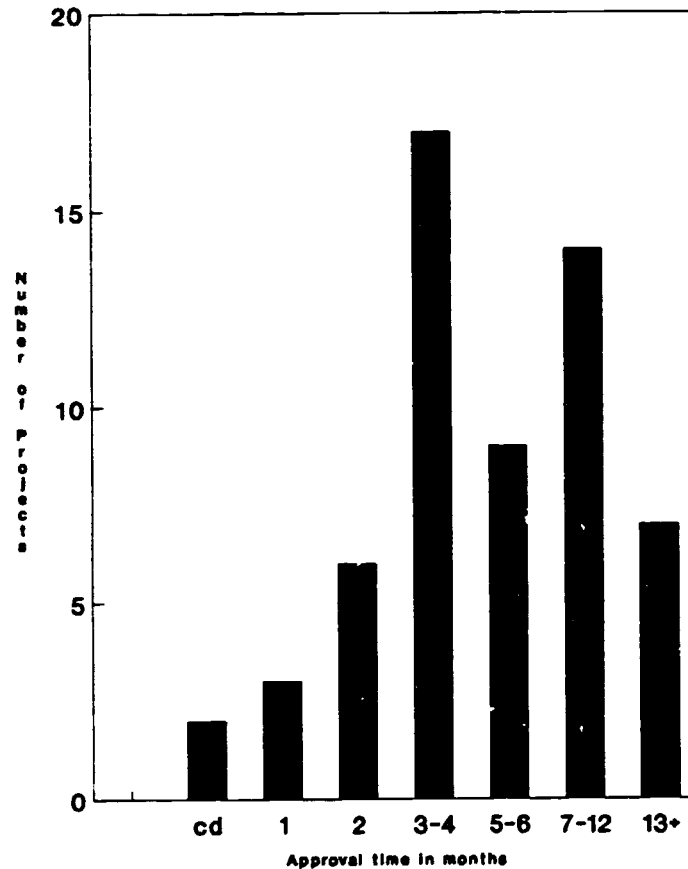


**B. Examining the Process****1. Design and appraisal**

26. The Project Data Sheet (PDS) or Project Document is fairly simple in form and generally follows the format used for UNIDO small-scale projects regardless of funding source. However brief it may be, vital information is often missing because it is not specifically called for, e.g., why is the proposal specifically eligible for SIS funding, why is it important, significant and urgent, who will follow-up or evaluate whether the outputs were used by the specified end-user and produced the change or impact intended? Often, better information is found in the job description of the expert(s). A format has been designed by UNIDO for small-scale projects but because of the intense concern given to the compliance of SIS projects with current but often changing guidelines, a special or adapted format may be necessary, including an eligibility checklist.

27. The duration of the approval process has been a matter of some interest in past evaluations and reviews, presumably as an indicator of quick response to urgent needs. Since a significant number of project requests actually appear to be initiated by Headquarter's staff, necessitating the drafting of a Project Document in Vienna and transmitting it to the Government or end-user for formal submission to the Resident Representative, it is sometimes difficult to determine the beginning date of the process. However, based on the submission date usually included in the ProDoc and the intervening time before issuance of a PAD (see Table No. 1), the following findings were made:

- only nine projects in the sample of 58 were approved within two months.
- however, 45% of the sample or 26 projects were approved within one to four months
- the remaining 30 projects (it was not possible to determine duration on two projects) took from 5 months to over three years.

Table No. 1Duration of approval process in SIS project sample\*

\* From time of government submission to ResRep to time of project approval (estimated when necessary)

28. In the main, project requests were processed by the Project Appraisal Section in a reasonable time, i.e., one week or less. However, when the APP had problems with a request and/or required additional information or specific changes, the process could become extended depending upon the Backstopping Office's willingness and/or ability to supply the rationale/data. In most cases it was difficult or impossible to determine the reasons for delay. However, based on information in the registry files, the following data was extracted to explain delays:

- (1) absence of Government or ResRep clearance (due in part to supply-driven requests) - 11
- (2) need for substantive office revision - 10
- (3) inadequate or contradictory information - 7
- (4) need for clarification regarding design and/or eligibility - 4

[NOTE: Much of the interaction between Appraisal and the submitting office is done on an informal basis and only occasionally revealed in records.]

During the sample period, APP reviewed a total of 277 projects submitted for SIS funding and sent to the PRC Secretariat 254 projects as follows:

as submitted	43
as amended	206
divergent views of appraisal	5
	---
	254

Of these 254 projects, 157 were seen by the mini-PRC<sup>8</sup> (up to \$50,000) and 96 projects by the full-member PRC.

29. From this data, the following conclusions are drawn:

- The principal factor in determining the length of the approval process was the lack of Government and/or ResRep endorsement which raises some question of where the request originated, i.e. were they supply rather than demand-driven?.

- The duration of appraisal time per se was a function of the problem encountered, ranging from routine (e.g., inclusion of a nomination form) to questioning the eligibility for SIS funding.

- The length of the approval process in some cases cast doubts on the "urgency" of the problem being addressed as a function of time.

- The volume of appraisal related to the SIS programme appears to be too heavy. There is also clear evidence that an independent (from the proposer) appraisal of eligibility and importance is also necessary but not necessarily always by a "committee" in a formal process. The proper balance needs to be addressed.

## 2. Type of services eligible

30. The current guidelines state "... that SIS services are to be related to practical rather than theoretical needs and geared to solving short-term, specific, urgent and clearly identified problems". The first question which arises is one of *definition* which can be illustrated by the following:

- practical - the original definition was derived from the assumption of an "action gap" resulting in a whole range of practical needs in the manufacturing industry with respect to both new and existing industries. Attempting to apply this criteria to any activity outside the production process becomes an exercise in individual judgement.

- short-term - currently defined as a duration of three to six months or up to 12 months in projects involving split missions. This is clear enough.

- specific - no definition. It is difficult to imagine a non-specific project, a contradiction in terms. Not much help.

- urgent - in over 30 years of experience in the development field, the consultant has never seen a proposed project which wasn't urgent. The review of some SIS projects concerning the time required for approval and implementation clearly indicates that urgency is a relative term.

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<sup>8</sup> The mini-PRC has no formal existence. However, when exercising his prerogative to approve projects below \$50,000 the Chairman of the PRC seeks the advice of a reduced number of staff which is commonly referred to as the mini-PRC.

o clearly identified - as with specific, this may depend upon the eye of the beholder.

31. A cross-project review of the desk sample reveals the following:

	<u>yes</u>	<u>no</u>	<u>cannot determine</u>
practical (not theoretical) problems	36	14	4
short-term problems	27	27	0
specific problems	50	6	0
urgent problems	34	20	1
clearly identified problems	48	7	1

32. From this data, the following conclusions are drawn:

- A significant number of projects in the sample do not meet *all* the characteristics (as differentiated from fields of activity) specified in the guidelines.

- A surprising 50% are not short-term in duration, *if* this means the total life of the project from approval to operational completion.

- Despite the high degree of specificity and clearly identified problems rated in the desk reviews, field assessments indicate that many problem areas are indeed fuzzy. In fact, "problem definition" per se may be an excellent use of SIS funds.

- Since all development projects are deemed "urgent" by their designers and supporters, the term is meaningless for programming purposes unless tied to a specific future event.

- As presently defined, these characteristics are ambiguous and subject to considerable interpretation placing considerable strain on the appraisal and approval process, sometimes at a cost out of proportion to the size and importance of the proposal.

### 3. Project function

33. The guidelines specifically state that SIS funds should not be used for assistance to inter-country projects, for training except related to problem-solving, and for institution-building or natural disasters. An analysis of the functions of SIS sample projects, using the definition provided by UNDP, showed the following:

DS	-	40
DS + T	-	5
DS + Pilot	-	4
DS + IB	-	2
DS + Exper	-	1
T	-	0
Experiment	-	0
Pilot	-	1
IB	-	3

Training programmes were within the guidelines almost without exception. Institution-building projects were clear in three cases and a significant element in at least two other projects, especially those concerning industrial institutions. There was a significant number of projects whose function, rather than direct support, is laboratory or pilot-scale testing/demonstration of a process or component thereof.

34. The following conclusions are drawn from this data and analysis:

- Most project functions, as would be expected, are of a "direct support" nature.
- The use of SIS for limited but process-specific laboratory or pilot-scale testing and/or demonstration, or some combination thereof, is clearly cost-effective and relevant to today's industrial problems in many developing and transitional countries.
- SIS-funded assistance of an institution-building nature should not, as stated in the guidelines, be normally used. However, there are circumstances where such a function would be legitimate and keeping with the spirit of SIS.

#### 4. Fields of activity

35. As an additional eligibility requirement, three general fields of activity are specified, viz., (i) preparation and implementation of investment projects, (ii) trouble-shooting/problem-solving, and (iii) high-policy advice. The detailed distribution of these fields in the project sample are displayed in Table No. 2. The largest number of projects (79 or almost 68%) have been justified under the category of "trouble-shooting and/or problem-solving". In addition to the field of activities specifically mentioned in the guidelines under this category, the following were developed in the desk review:

- market analysis
- laboratory-scale experiment
- pilot-scale experiment/demonstration
- software design/adaptation
- upgraded technical/production skills
- pollution control and safety
- process design and process control
- quality control
- meet ISO/regional standards
- repair and maintenance
- make plant operational

Twenty-nine projects were placed under the category of preparation and implementation of investment projects. In addition to those activities specifically mentioned in the guidelines, the following activities were identified:

- expansion/rehabilitation/modernization
- subsector strategy/plan
- techno-economic feasibility study
- investment forum follow-up
- establishment of special-purpose development fund

Only six projects were identified as belonging under the category of "high policy advice". Additional specifications included:

specific subsectors/industries  
 privatization  
 industrial policies

Activities not falling under any of the above categories included:

environmental protection  
 advisory panel on specific industries  
 preparatory mission for non-IPF funded project

36. The following conclusions are drawn from these findings and analysis:

- Despite heroic past attempts to distinguish SIS-eligible fields of activities from other funding sources, they are still sufficiently vague or subject to interpretation that they fail to provide an insurmountable barrier (if that is what is desired) to the innovative or persistent ResRep, UCD and/or BSO who is seeking additional funding support for activities of current interest or priority.

- The fields of activity concerning trouble-shooting and/or problem-solving need to be clarified and expanded. High-policy advice and preparation and implementation of investment projects might better be combined, clarified and/or reduced in scope.

- The acceptable types of activity should also be reviewed in terms of meeting new UNDP and UNIDO priorities resulting from programming and operational changes to take place in the fifth cycle.

#### 5. Project duration/implementation

37. In analyzing the "short-term" duration of SIS projects, particularly actual duration versus estimated duration, a problem of definition arises. Where it is included on the project document submitted for approval, in some cases it is obviously an estimate only of the time taken to deliver and use project inputs to undertake planned activities. In other cases, it is the total estimated time which will elapse between project approval and project completion, the latter event being determined by issuance of a project completion form. This is primarily a financial document indicating that no more expenditures will take place. The meaningful event, for our purpose, is when the outputs will have been produced AND used by the intended recipient as indicated by a terminal and/or evaluation report.

38. For lack of a consistent alternative, the latter definition was used in the desk review. However, the results should be qualified in the recognition that a financial definition of duration can be distorted by slow disbursements, Government postponements or failure to supply complementary inputs, and other factors outside UNIDO control. Nevertheless, the general magnitude of measured duration is in itself somewhat revealing as the following results on completed projects illustrate:

<u>Durations</u>	<u>No. of projects</u>
1-4 months	3
5-6 months	4
7-8 months	5
9-12 months	7
13-24 months	13
25-36 months	4
37 months or more	2

It is also interesting to note:

- Exactly half of the projects were completed in one year or less and, conversely;
- The largest number of projects had a duration of 13 to 24 months;
- Although two of the long duration projects were in the US\$ 100,000 to US\$ 150,000 range, no meaningful correlation was found between size of project and term of duration.

Table No. 2

Fields of activity included in project sample

<u>Preparation and implementation of investment projects</u>	<u>Total numbers</u>
(1) Choice of technology	6
(2) Selection of raw materials	1
(3) Evaluation of tenders	1
(4) Contract negotiation	0
(5) Other	
◆ Expansion/rehabilitation/modernization	6
◆ Sub-sector strategy/plan	11
◆ Techno-economic feasibility study	2
◆ Investment forum follow-up	1
◆ Establishment of special-purpose development fund	1
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	29
 <u>Trouble-shooting/problem-solving</u>	
(1) Manufacturing enterprise	1
(2) Industrial institution	3
(3) Defective products	9
(4) Low production	13
(5) Urgent utilization of substitute raw materials	1
(6) Introduction of new equipment	7
(7) Introduction of new technologies	8
(8) Introduction of new products	2
(9) Other	
◆ Market analysis	1
◆ Laboratory-scale experiment	2
◆ Pilot-scale experiment/demonstration	7
◆ Software design/adaptation	2
◆ Upgrade technical/production skills	2
◆ Pollution and safety	2
◆ Process design and control	3
◆ Quality control	3
◆ Meet ISO standards	1
◆ Repair and maintenance	1
◆ Make plant operational	1
	<hr style="width: 100%; border: 0.5px solid black;"/>
	79

Table No.2 cont'd

<u>High policy advice related to problems concerning</u>	<u>Total numbers</u>
(1) Specific projects	1
(2) Industrial policies	1
(3) Industrial project promotions	1
(4) Other	
◆ Specific sub-sectors or industries	1
◆ Privatization	1
◆ Industrial policies	1
	<hr/> 6
 <u>Other</u>	
◆ Environmental protection	1
◆ Advisory panel	1
◆ Preparatory mission for non-IPF funded projects	1
	<hr/> 3

38. It is difficult not to conclude that *small-scale* projects in general, and SIS projects in particular, are not necessarily *short-term* in nature. In the present cycle, SIS projects have often been kept open too long in many cases through postponements, rephasing, extensions, etc.

#### 6. Delays in implementation

39. Part of the reason for long project durations, where that is the case, are caused by initial delays in implementation. More often than not, these delays are caused by:

- When highly skilled or specialized experts are required, they are, first, not usually available in the stable of the backstopping office and/or highly in demand with restricted availability. This causes recruitment difficulties often requiring extensive searches.
- Governments are slow in giving clearances or are highly selective when there is a small pool to draw from. Candidates are also sometimes rejected for non-technical reasons.
- Problems in contract negotiation and clearances, inadequate equipment specification, underestimates of costs, problems in delivery and installation.
- Changes which take place in the requesting country (e.g., changes in government administration and/or policy, turnover of ministers or other key players, etc.), i.e., modifications in the project environment and the original assumptions made about it.
- Difficulties in arranging laboratory or factory-located training opportunities.

40. The date a project is declared "operationally" completed needs to be redefined and kept separate from financial accounting. A project should be declared operationally completed when all outputs have been produced and a terminal report prepared by the expert designated or the sub-contractor, including the receipt of appropriate comments from the Government, field office and BSO. It can be declared "formally" completed when (a) all expenditures have been processed



AND (b) a terminal evaluation report has been received in Headquarters. There also needs to be better monitoring and use of the six months automatic cancellation rule. Otherwise, not only is the urgency of the project in question but it can become a device to reserve SIS funds by a resourceful BSO, UCD, ResRep or Government. If the funding level is not soon raised, this will become very important to assure effective and equitable use of the diminishing funds available.

41. The current guidelines on project implementation which require submission of expert nominations(s), viz., candidates or proposed sub-contractors, to the field office for government approval as soon as the project is approved and subsequent government approval/clearance within six weeks - or the project should be canceled - is honored more in the breach than the practice. It is not believed that this is the "flexibility" the original drafters had in mind. If the SIS is to serve special, urgent and emergency needs, then the tripartite system concerning the delivery of inputs needs to be lightened accordingly.

### 7. Equipment

42. Another potential "abuse", which is closely controlled by the UNDP/UNIDO guidelines, is the use of SIS funds to purchase equipment. "Normally", it is not to be authorized except in "exceptional" cases, viz., specifically for testing and demonstration purposes at a cost of not to exceed \$30,000. In the desk sample, there were 14 (out of 60) projects with an equipment component. Of these 14 projects, the equipment in 11 projects was used for pilot-scale demonstrations, testing and similar activities. One project equipment component provided computer software, one could not be determined, and only one appeared outside the criteria. In one project (SI/VIE/90/801), the US\$30,000 equipment limitation was exceeded by US\$15,000 although it was clearly for analysis and testing.

43. From the data collected in the samples, it is concluded that:

- The restrictions on financing of equipment, with one relatively small exception, have been strictly complied with.

- The guidelines on the financing of equipment are adequate but could be usefully expanded to include, specifically, laboratory and pilot-scale testing and demonstration related to the production process and quality control, analysis and testing of raw materials, environmental protection and safety, and the addition or adaption of computer software related to process and control, database management, etc. *The ceiling, within these parameters, should also be raised to \$50,000.*

- Other requirements in the current guidelines should remain in force.

### 8. Estimated versus actual total costs

44. In deference to the "foot in the door" approach, an analysis was made of the estimated or original allotment as compared with actual expenditures, i.e. final allotment. Findings include:

- In 43 sample projects, the amount expended was less than the original allotment.

- For projects between \$50,000 to \$100,000, i.e., 14, the spread was from \$4,918 to \$62,705 for a total of \$342,928 and an average per project of \$24,495 less than allotted.

- For projects over \$100,000, i.e. 10, the spread was from \$1,000 to \$104,650 for a total of \$301,858 and an average per project of \$30,186 less than allotted.

- In 13 of the sample projects, the amount expended exceeded the original allotment. Exceeding the original allotment was more often the case with projects under \$50,000 which ranged from \$252 to \$31,420 or an average of \$6,378 per project.

○ In the \$50,000 to \$100,000 category there was one budget overrun of \$7,510 and, in the over \$100,000 group, one overrun of \$9,355.

○ The above figures do not reflect changes which may have taken place during project implementation, which were sometimes frequent, but only changes from the start and at completion.

○ In the total four-year sample, there were increases of \$87,025 and decreases of \$859,299 or a net decrease in expenditures versus original allotments of \$772,274. Since 1 January 1987 and in consideration of the current freeze, this amounts to a net average of \$193,069 per year or six per cent.

45. From this data and its analysis it is concluded that:

- Attempts, if any, to secure approval at one level and process subsequent increases, i.e. the "foot-in-the-door" syndrome, were not significant, at least in the aggregate. Therefore, one can conclude that most rephasings have been due to delays in implementation, not adding new inputs.

- The reasons for overestimating final costs in 43 projects include: the normal hazard of using standardized cost estimates; an attempt to reserve funds for unforeseen events; and changes in government inputs, e.g. the number of people proposed for and/or location of training.

- An average six per cent per annum of over-obligated funds in a programme of this dimension is acceptable.

- Existing procedures for the approval of budget revisions appear adequate to prevent abuses.

#### 9. Reporting procedures

46. The guidelines require submission of a terminal report by the expert/consultant or sub-contractor to the UNIDO/BSO who is to distribute copies, inter alia to UNDP Headquarters, including the Regional Bureau concerned. The formal procedures for clearance of reports on any UNDP project regardless of source of funding are required. On the basis of the terminal report, a Terminal Assessment Report will be prepared by the *UNDP field office* which will include the views of the office and those of the Government (not necessarily the end-user) concerning quality and timeliness of project inputs, *actual results achieved*, and *the use which the Government intends to make of the results*.

47. Findings regarding reporting include:

○ Terminal reports are prepared in almost all cases due, among other reasons, to the fact that final payment to consultants and sub-contractors is not made until the backstopping officer certifies receipt of an adequate report.

○ There sometimes is considerable delay in distributing terminal reports because: the consultant delays submission; two or more consultants are involved requiring coordination; or the draft requires revision before the backstopping officer and/or end-user can accept it.

○ Most backstopping officer comments are routine, i.e. "the report is acceptable". For a limited number of cases (based on the documentation in the Registry files), backstopping officer comments are of a substantive and useful nature.

○ When prepared (or filed), Government or end-user comments on the outputs and their use were critical in assessing effectiveness/success and projecting impact.

○ In the sample projects, only six terminal evaluation reports were prepared (or filed). In nine on-going projects, they were not applicable. Of the six prepared, no information was provided on the use of the project outputs produced.

48. From the data and findings, the following conclusions are made:

- The predominant absence of qualitative comment by backstopping officers and end-users on the project output(s) used, even given the incompleteness of the documentation generally found in the registry files, is most probably representative of the true situation, not only for SIS projects, but also other small-scale projects.

- The absence of brief but precise information regarding the quality and use of SIS-funded *outputs*, both in the comments on consultants' terminal reports and in terminal evaluations, *seriously affects both UNIDO' and UNDP's ability to carry out its accountability role in monitoring and assessing effectiveness and impact.*

- This information can only be obtained by interviews with backstopping officers, who may no longer be with UNIDO, or by expensive field missions, such as those undertaken in this exercise.

#### 10. Geographic and country distribution

49. Table No. 3 is a list of project approvals by Region from the beginning of the Fourth Cycle to 31 October 1991, when the programme was in a virtual standstill because of over-programming. Africa, with the largest number of projects also scored first in approvals with almost 29% of the total. The African figures are skewed, however, due to the fact that \$1 million was approved simultaneously in one country for ten related SIS projects linked to a DP project.

Table No. 3SIS - New projects approved since 1 Jan. 1987- 31 Oct. 1991

(sorted by region/country)

**AFRICA**

<b>Country</b>	<b>Prois.</b>	<b>Total Allot.</b>	<b>% Region</b>	<b>% of World Total</b>
AFRICA REGION	1	61,380	1.34	0.38
ANGOLA	4	149,667	3.26	0.94
BOTSWANA	2	57,505	1.25	0.36
BURKINA FASO	2	103,990	2.26	0.65
BURUNDI	1	48,183	1.05	0.30
CAPE VERDE	2	69,245	1.51	0.43
CONGO	1	31,347	0.68	0.20
COTE D'IVOIRE	11	1,013,405	22.07	6.34
ETHIOPIA	8	398,755	8.69	2.49
GHANA	1	20,682	0.45	0.13
GUINEA	2	6,522	0.14	0.04
GUINEA-BISSAU	3	98,751	2.15	0.62
KENYA	1	7,949	0.17	0.05
LESOTHO	1	48,687	1.06	0.30
LIBERIA	1	45,943	1.00	0.29
MADAGASCAR	2	137,000	2.98	0.86
MALAWI	1	74,000	1.61	0.46
MALI	3	42,369	0.92	0.26
MAURITIUS	1	43,000	0.94	0.27
MOZAMBIQUE	7	270,203	5.89	1.69
NIGER	5	119,111	2.59	0.74
NIGERIA	5	381,207	8.30	2.38
SAO TOME AND PRINCIPE	1	26,334	0.57	0.16
SENEGAL	4	271,037	5.90	1.69
SEYCHELLES	2	150,843	3.29	0.94

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
SIERRA LEONE	2	66,273	1.44	0.41
SWAZILAND	1	11,798	0.26	0.07
TOGO	3	157,873	3.44	0.99
UGANDA	3	129,800	2.83	0.81
UNITED REP OF TANZANIA	5	51,271	1.12	0.32
ZAIRE	3	180,800	3.94	1.13
ZAMBIA	3	216,067	4.71	1.35
ZIMBABWE	4	100,225	2.18	0.63
<b>TOTAL</b>	<b>96</b>	<b>4,591,222</b>	<b>100.00</b>	<b>28.71</b>

#### AFRICAN ARAB STATES

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
ALGERIA	5	403,954	35.58	2.53
DJIBOUTI	1	51,320	4.52	0.32
EGYPT	6	350,671	30.89	2.19
LIBYAN ARAB JAMAHIRIYA	1	49,900	4.39	0.31
MOROCCO	2	46,249	4.07	0.29
SOMALIA	2	70,110	6.17	0.44
TUNISIA	3	163,200	14.37	1.02
<b>TOTAL</b>	<b>20</b>	<b>1,135,404</b>	<b>100.00</b>	<b>7.10</b>

#### ASIA AND PACIFIC

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
AFGHANISTAN	1	0	0.00	0.00
BHUTAN	4	230,715	6.77	1.44
CHINA	2	77,980	2.29	0.49
DEM PEOPLE'S REP OF KOREA	9	273,565	8.03	1.71

Country	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
FED STATES OF MICRONESIA	2	52,727	1.55	0.33
FIJI	1	84,460	2.48	0.53
INDIA	8	460,191	13.51	2.88
INDONESIA	2	118,755	3.49	0.74
IRAN, ISLAMIC REPUBLIC OF	6	232,971	6.84	1.46
KIRIBATI	1	49,135	1.44	0.31
MALAYSIA	6	334,820	9.83	2.09
MONGOLIA	4	155,074	4.55	0.97
NEPAL	2	63,111	1.85	0.39
PAKISTAN	3	84,230	2.47	0.53
PHILIPPINES	9	362,936	10.66	2.27
SAMOA	1	37,510	1.10	0.23
SOLOMON ISLANDS	2	183,000	5.37	1.14
SRI LANKA	2	57,173	1.68	0.36
THAILAND	4	237,342	6.97	1.48
TRUST TERR-REP OF PALAU	2	15,671	0.46	0.10
VIETNAM	7	294,709	8.65	1.84
<b>TOTAL</b>	<b>78</b>	<b>3,406,075</b>	<b>100.00</b>	<b>21.30</b>

**GLOBAL + INTER-REG**

Country	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
INTERREGIONAL	1	7,441	100.00	0.05
<b>TOTAL</b>	<b>1</b>	<b>7,441</b>	<b>100.00</b>	<b>0.05</b>

**EUROPE**

<b>Country</b>	<b><u>Prois.</u></b>	<b><u>Total Allot.</u></b>	<b><u>% Region</u></b>	<b><u>% of World Total</u></b>
ALBANIA	6	364,043	15.75	2.28
BULGARIA	5	341,318	14.77	2.13
CYPRUS	2	22,450	0.97	0.14
HUNGARY	2	116,300	5.03	0.73
MALTA	3	60,313	2.61	0.38
POLAND	6	355,441	15.38	2.22
ROMANIA	4	290,039	12.55	1.81
TURKEY	8	213,756	9.25	1.34
YUGOSLAVIA	10	547,686	23.70	3.43
<b>TOTAL</b>	<b>46</b>	<b>2,311,346</b>	<b>100.00</b>	<b>14.45</b>

**THE AMERICAS**

<b>Country</b>	<b><u>Prois.</u></b>	<b><u>Total Allot.</u></b>	<b><u>% Region</u></b>	<b><u>% of World Total</u></b>
ANTIGUA AND BARBUDA	1	15,000	0.39	0.09
ARGENTINA	5	182,695	4.79	1.14
BARBADOS	1	74,477	1.95	0.47
BOLIVIA	7	393,876	10.32	2.46
BRAZIL	7	361,838	9.49	2.26
CHILE	2	130,414	3.42	0.82
COLOMBIA	4	188,679	4.95	1.18
COSTA RICA	4	196,440	5.15	1.23
CUBA	10	497,316	13.04	3.11
ECUADOR	7	228,135	5.98	1.43
GRENADA	1	0	0.00	0.00
GUATEMALA	3	62,656	1.64	0.39
GUYANA	3	164,338	4.31	1.03
HONDURAS	1	41,471	1.09	0.26

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
JAMAICA	3	181,906	4.77	1.14
LATIN AMERICA REGION	1	33,966	0.89	0.21
MEXICO	8	236,685	6.20	1.48
NICARAGUA	4	255,942	6.71	1.60
PANAMA	2	142,000	3.72	0.89
PARAGUAY	1	54,750	1.44	0.34
PERU	3	136,583	3.58	0.85
SAINT LUCIA	1	43,066	1.13	0.27
TRINIDAD AND TOBAGO	1	29,200	0.77	0.18
URUGUAY	1	6,120	0.16	0.04
VENEZUELA	4	157,242	4.12	0.98
<b>TOTAL</b>	<b>85</b>	<b>3,814,795</b>	<b>100.00</b>	<b>23.86</b>

**WEST ASIA ARAB ST.**

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
BAHRAIN	3	109,453	15.11	0.68
DEMOCRATIC YEMEN	3	159,497	22.02	1.00
IRAQ	5	140,774	19.43	0.88
JORDAN	6	137,430	18.97	0.86
OMAN	2	70,934	9.79	0.44
REPUBLIC OF YEMEN	1	17,727	2.45	0.11
SYRIAN ARAB REPUBLIC	2	88,650	12.24	0.55
<b>TOTAL</b>	<b>22</b>	<b>724,470</b>	<b>100.00</b>	<b>4.53</b>

<u>Country</u>	<u>Prois.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
<b>GRAND TOTAL</b>	<b>348</b>	<b>15,990,753</b>		<b>100.00</b>



Table No. 3 cont'd

SIS - New projects approved since 1 Jan. 1991-31 Oct. 1991  
(sorted by region/country)

**AFRICA**

<u>Country</u>	<u>Projs.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
CONGO	1	31,347	26.38	15.95
ZAIRE	1	87,500	73.62	44.52
<b>TOTAL</b>	<b>2</b>	<b>118,847</b>	<b>100.00</b>	<b>60.47</b>

**ASIA AND PACIFIC**

<u>Country</u>	<u>Projs.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
IRAN, ISLAMIC REPUBLIC OF	1	16,600	100.00	8.45
<b>TOTAL</b>	<b>1</b>	<b>16,600</b>	<b>100.00</b>	<b>8.45</b>

**EUROPE**

<u>Country</u>	<u>Projs.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
HUNGARY	1	25,300	100.00	12.87
<b>TOTAL</b>	<b>1</b>	<b>25,300</b>	<b>100.00</b>	<b>12.87</b>

**THE AMERICAS**

<u>Country</u>	<u>Projs.</u>	<u>Total Allot.</u>	<u>% Region</u>	<u>% of World Total</u>
ANTIGUA AND BARBUDA	1	15,000	64.38	7.63
ECUADOR	1	8,300	35.62	4.22
<b>TOTAL</b>	<b>2</b>	<b>23,300</b>	<b>100.00</b>	<b>11.85</b>

## WEST ASIA ARAB ST.

Country	<u>Prois.</u>	<u>Total Allet.</u>	<u>% Region</u>	<u>% of World Total</u>
JORDAN	1	12.500	100.00	6.36
TOTAL	1	12.500	100.00	6.36

Country	<u>Prois.</u>	<u>Total Allet.</u>	<u>% Region</u>	<u>% of World Total</u>
GRAND TOTAL	7	196.547		100.00

50. A list of 20 major recipient countries is displayed in Table No. 4. Five are in the Sub-Sahara with an equal number in Eastern Europe. The 140 projects included in this group represent 40% of the total number of projects and almost 50% of the total amount approved.

Table No. 4

List of 20 major recipient countries benefitting from  
SIS resources during the present cycle  
1 Jan. 1987-31 Oct. 1991

<u>COUNTRY</u>	<u>No. of Projects</u>	<u>US\$</u>	<u>%</u>
COTE D'IVOIRE	11	1,013,405	12.72
YUGOSLAVIA	10	547,686	6.87
CUBA	10	497,316	6.24
INDIA	8	460,191	5.78
ALGERIA	5	403,954	5.07
ETHIOPIA	8	398,755	5.01
BOLIVIA	7	393,876	4.94
NIGERIA	5	381,207	4.78
ALBANIA	6	364,043	4.57
PHILIPPINES	9	362,936	4.56
BRAZIL	7	361,838	4.54
POLAND	6	355,441	4.46
EGYPT	6	350,671	4.40
BULGARIA	5	341,318	4.28
MALAYSIA	6	334,820	4.20
VIETNAM	7	294,709	3.70
ROMANIA	4	290,039	3.64
DEM PEOPLE'S REP OF KOREA	9	273,565	3.43
SENEGAL	4	271,037	3.40
MOZAMBIQUE	7	270,203	3.39
<b>GRAND TOTAL</b>	<b>140</b>	<b>7,967,010</b>	<b>100.00</b>

51. Similar data for only the LDCs shows 67 project approvals for a total of \$2,447,997 or 19 and 15 percent of the total programme respectively. A summary of project approvals by regions is shown in Table No. 5. In order of magnitude and percentage they are: Africa, Americas, Asia and the Pacific, Europe and West Asia Arab States. In view of the official UNDP position that regional allocations should not be made, and that no great imbalance seems evident, these statistics by themselves do not reveal any problems or insight.

Table No. 5

List of project approvals under SIS by region and  
by region and funding segment  
1 Jan. 1987-31 Oct. 1991

<u>REGION</u>	<u>PROJS.</u>	<u>TOTAL</u>	<u>SI</u>	<u>%</u>
A. GLOBAL	0	0	0	0.0
A. INTERREGIONAL	1	7,441	7,441	0.0
SUBTOTAL	1	7,441	7,441	0.0
B. AFRICA	1	61,380	61,380	0.4
B. AMERICAS	1	33,966	33,966	0.2
B. ASIA & THE PACIFIC	0	0	0	0.0
B. EUROPE	0	0	0	0.0
SUBTOTAL	2	95,346	95,346	0.6
C. AFRICA - INCLUDES 4	115	5,665,246	5,665,246	35.4
C. AMERICAS	84	3,780,829	3,780,829	23.6
C. WEST ASIA ARAB STATES	22	724,470	724,470	4.5
C. ASIA AND THE PACIFIC	78	3,406,075	3,406,075	21.3
C. EUROPE	46	2,311,346	2,311,346	14.5
SUBTOTAL	345	15,887,966	15,887,966	99.4
D. ARAB STATES - TOTAL 4 & 5	42	1,859,874	1,859,874	11.6
D. AFRICAN ARAB STATES - INCL. IN 1	20	1,135,404	1,135,404	7.1
GRANDTOTAL	348	15,990,753	15,990,753	100.0
Z. LDC	67	2,447,997	2,447,997	

## C. Desk Review Assessments

### 1. Methodology and definition

52. Using a standard data collection form for both assessments and cross-project analyses, a simple three point favor-to-favor scale was used to assess the following factors as defined to meet the purposes of this evaluation:

Efficiency - the cost of delivering inputs and implementing a work programme in consideration of the type, magnitude, quality and timeliness of the inputs.

Effectiveness - the achievement of the project purpose or objective, i.e., success in getting the outputs used by the intended end-user for the purpose originally proposed (e.g., to make a decision).

Relevance - this refers to the expected causal effect in reference to a Government development objective or problem impeding its achievement. Given the nature and small size of the average SIS project, this factor tended to become meaningless and was therefore dropped.

Significance/importance - the relative importance of the project, e.g., was a simple "boiler-repair" job or did it eliminate an important bottleneck in the production line?

Impact - the change which took place and the benefits which accrued (to the targeted beneficiaries or otherwise).

53. The numerical value attached to each description was as follows:

- 3 - excellent, more than planned
- 2 - satisfactory, as planned
- 1 - marginal, less than planned
- 0 - cannot determine, too early

### 2. Efficiency

54. The average efficiency rating of the projects included in the desk review was 1.45. The reasons for delays in implementation, some of which were outside the control of project management, have been discussed above (paras 38-40) and mostly concern timeliness. The quality of the experts/consultants has generally been surprisingly good, judging from the comments given by the BSO, Governments and end-users when included in the Registry files, subject to the reservation that in a significant number of cases solving a specific technical problem has been beyond the capacity of the generalists recruited. This occurrence has often been mitigated by the fact that the problem was not fully understood by the parties concerned and problem "definition" was really what was called for, a function a generalist is usually able to perform.

### 3. Effectiveness

55. The average effectiveness rating for 48 projects was 1.8, closer to the median, but in 25 cases it was not possible to make an assessment based on the documentation in the files. While it is usually possible to determine whether the outputs were produced, information on how they were used is hard to come by.

### 4. Importance/significance

56. The average score for importance and significance was an impressive 2.38 for 55 projects indicating that despite their small size, SIS projects are not concerned with trivial or peripheral

problems.

### 5. Impact

57. Impact should be the most important measure or indicator of development assistance but in the desk review it was only possible to make assessments on 16 projects with an average score of 1.4. This is the least reliable desk assessment not only because of the small sample involved but because the documentation regarding this critical factor is practically non-existent and, in most cases, considerable time must be allowed after completion of project operations to observe impact.

### 6. Validity of results

58. In summary, the following evaluation results were obtained from the desk review:

	<u>score</u>	<u>No. of projects</u>
efficiency	1.45	54
effectiveness	1.8	48
importance/significance	2.38	55
impact	1.4	16

The first three ratings involve over 80% of the 58 projects in the desk sample and, taken together, give an overall assessment of slightly less than planned (1.88) which is no cause for the sounding of trumpets but neither is it a cause for alarm! Based only on the desk review, it is this latter conclusion that is germane to this exercise. However, since one of the main purposes of this evaluation is to assess substantive results and the developmental value of the programme, the desk assessments on effectiveness clearly need verification and additional data must be collected and analyzed regarding impact, actual or potential, before any useful conclusions can be reached.

## D. Field Verification of Results

### 1. Methodology

59. The selection of projects for field assessment was explained in paras 24-25 and it was noted that a much larger sample than could be normally expected from an exercise of this budget and duration was made possible by the cooperation of UNIDO Evaluation Staff members already in-country on other missions and by a sizeable financial contribution from the UNDP. A standard assessment form was designed using the same definitions and three-point scales developed in Phase I. In addition, in their contacts with Government officials and UNDP/UNIDO field staff, evaluators were requested to discuss such issues as: usefulness of the programme; problems encountered; suggestions for improvement of the process; and suggestions for increasing programme "effectiveness", including any changes in SIS guidelines.

### 2. Comparison of results

60. Results of the field assessments compared with the desk review assessments is shown in Table No. 6. An analysis of the assessment changes occurring because of field verifications is displayed as follows:

	Increased	Decreased	No change
Efficiency	13	5	14
Effectiveness	22	2	8
Impact	10	3	19
Importance/ Significance	<u>5</u>	<u>7</u>	<u>20</u>
TOTAL	50	17	61

### 3. Final ratings

61. Regarding ratings for efficiency, the data clearly indicates that, overall, ratings are valid and, given the current rules and policy guidelines, performance should be acceptable to both UNIDO and UNDP. A significant increase in efficiency is not likely without changes in the project approval and implementation processes involving significant delegations of authority.

62. The story on effectiveness was considerably improved and strengthened through the field visits because, among other reasons, more information was available to the evaluators and sufficient time has passed to review *use* of the outputs. For the 27 projects included in the field sample, the average rating was 2.07%. Given the high risk nature of the programme, this rating should also be acceptable to UNDP and UNIDO, especially to the former in its accountability role and the latter in its role as a provider of quality technical assistance.

63. There was a small net increase in the ratings on importance and significance, which was already acceptable in the desk review, indicating a high reliability for these assessments which are more favorable than might be expected. To repeat, no concern needs to be felt that SIS projects, in the aggregate and relatively, are dealing with minor, low-level or inconsequential matters although the targets are more often small or middle-scale industry. Rather, it supports the proposition that they are mainly concerned with attempting to break bottlenecks at policy and operational levels.

64. In the case of impact, the field sample increased the number of projects assessed for this critical but seldom-addressed factor from 16 to 28 but in 15 cases it was still not possible to make an assessment because either the project was on-going or there had not been sufficient time for a causal effect to develop or take place. In some cases, because of changes in the project's external environment, e.g., change in Government counterparts, change in market requirements, a new definition of the problem, failure to secure an import permit, etc., the impact was known to be marginal at best even though the project itself had been effective/successful (an instance where the operation was a success but the patient died). In any case, the composite rating was 1.25, less than that obtained in the desk review but presumably more reliable because of the increased size of the sample and on-the-spot information collected and analyzed. *If UNDP and UNIDO cooperate in an organized and systematic periodic evaluation or review of the effectiveness and impact of this programme for accountability, reporting and programming purposes, some consensus between UNIDO, UNDP and their respective Boards as to what is an acceptable measure of significant impact must be reached which gives adequate recognition of the need to fund high-risk projects where the impact would be maximized while, at the same time, recognizing that there is little room in short-term projects to recover from unanticipated changes in the project environment and assumptions made about it. In the case of "transition countries", this will be particularly important.*

Table No. 6

Desk and field assessments\*

<u>Project number</u>	<u>Status</u>	<u>Efficiency</u>	<u>Effectiveness (success)</u>	<u>Relevance</u>	<u>Significance importance</u>	<u>Impact (change)</u>
<b>AFRICA (22)</b>						
BOT/90/801	(C)					
Desk		2	0	3	2	0
Field		2	1	1	1	0
ETH/88/801	(C)					
Desk		1	2	2	2	0
ETH/88/802	(C)					
Desk		1	1	1	3	1
ETH/88/803	(C)					
Desk		1	2	2	2	0
ETH/89/801	(F)					
Desk		1	0	2	2	0
ETH/90/802	(O)					
Desk		1	0	2	2	0
IVC/89/801	(C)					
Desk		2	0	3	3	0
Field		2	2	3	3	0
IVC/89/802	(O)					
Desk		2	0	3	3	0
Field		1	1	2	2	0
IVC/89/803	(C)					
Desk		2	0	3	3	0
Field		3	0	3	3	0
IVC/89/804	(O)					
Desk		2	0	3	3	0
Field		1	1	2	2	0
IVC/89/805	(C)					
Desk		2	0	3	3	0
Field		2	2	2	3	0
IVC/89/806	(C)					
Desk		2	0	3	3	0
Field		2	2	3	3	0
IVC/89/807	(C)					
Desk		2	0	3	3	0
Field		2	2	3	3	0
IVC/89/808	(C)					
Desk		2	0	3	3	0
Field		3	2	2	2	0

## \* Rating criteria:

- 3: - more than planned; - outstanding; - more than expected.  
 2: - as planned; - successful; - as expected.  
 1: - less than planned; - less than expected.  
 0: - marginal; - cannot determine.

Other symbols:

c = completed      u = inactive/unknown      cd = cannot determine  
 o = on-going      f = frozen      na = not applicable/not available



<u>Project number</u>	<u>Status</u>	<u>Efficiency</u>	<u>Effectiveness (success)</u>	<u>Relevance</u>	<u>Significance importance</u>	<u>Impact (change)</u>
<b>AFRICA cont'd</b>						
IVC/89/809	(C)					
Desk		2	1	3	3	0
Field		2	2	3	3	0
IVC/89/810	(O)					
Desk		2	0	3	3	0
Field		2	3	3	3	3
NIR/89/806	(C)					
Desk		2	3	2	3	2
URT/89/801	(C)					
Desk		2	0	2	2	0
ZIM/88/801	(C)					
Desk		2	1	3	3	1
Field		2	2	3	3	0
ZIM/89/801	(C)					
Desk		2	0	3	3	1
Field		2	3	3	3	3
ZIM/89/802	(C)					
Desk		2	2	0	3	1
Field		2	2	2	2	1
ZIM/89/803	(C)					
Desk		2	0	2	2	0
Field		2	2	2	2	2
<b>ASIA AND PACIFIC (10)</b>						
FIJ/89/801	(C)					
Desk		2	1	2	2	0
PHI/88/801	(C)					
Desk		2	3	3	3	2
PHI/88/802	(C)					
Desk		1	2	2	2	1
PHI/89/801	(C)					
Desk		2	0	2	3	0
PHI/89/802	(C)					
Desk		1	0	2	3	0
PHI/89/803	(C)					
Desk		2	0	3	3	0
PHI/90/801	(C)					
Desk		2	0	2	2	0
PHI/90/802	(O?)					
Desk		2	0	2	2	2
SOL/89/801	(C)					
Desk		2	3	2	2	3
VIE/90/811	(O)					
Desk		1	CD	2	2	0

<u>Project number</u>	<u>Status</u>	<u>Efficiency</u>	<u>Effectiveness (success)</u>	<u>Relevance</u>	<u>Significance importance</u>	<u>Impact (change)</u>
<b>EUROPE (13)</b>						
POL/88/801	(C)					
Desk		1	1	3	3	1
Field		2	1	3	3	1
POL/88/802	(U)					
Desk		1	2	2	3	0
Field		1	2	2	3	3
POL/89/801	(O)					
Desk		0	0	3	3	0
Field		2	2	3	3	1
POL/89/802	(U)					
Desk		0	0	0	0	0
Field		1	(2)	2	3	CD
POL/90/801	(U)					
Desk		2	0	3	3	CD
Field		2	2	3	3	3
TUR/88/801	(C)					
Desk		2	2	2	2	1
Field		3	3	2	2	0
TUR/88/802	(C)					
Desk		1	2	2	2	2
Field		2	2	2	2	2
TUR/88/803	(C)					
Desk		2	3	2	1	0
Field		3	3	2	2	1
TUR/88/804	(U)					
Desk		CD	1	0	1	1
Field		2	2	1	1	2
TUR/88/805	(C)					
Desk		1	2	2	2	0
Field		2	3	2	2	1
TUR/89/801	(O)					
Desk		1	1	2	2	1
Field		2	2	2	2	1
TUR/90/801	(O)					
Desk		NA	NA	NA	NA	NA
Field		2	2	3	3	NA
TUR/90/802	(O)					
Desk		0	0	2	2	0
Field		1	NA	2	2	NA
<b>THE AMERICAS (13)</b>						
ARG/90/801	(C)					
Desk		2	2	2	2	0
BRA/90/802	(C)					
Desk		2	0	2	2	0
COL/88/802	(C)					
Desk		0	2	2	2	0

<u>Project number</u>	<u>Status</u>	<u>Efficiency</u>	<u>Effectiveness (success)</u>	<u>Relevance</u>	<u>Significance importance</u>	<u>Impact (change)</u>
<b>THE AMERICAS cont'd</b>						
COS/88/801	(C)					
Desk		3	2	3	2	CD
Field		1	0	1	1	CD
COS/89/801	(C)					
Desk		2	2	2	2	0
Field		0	0	1	1	0
COS/89/802	(C)					
Desk		2	0	2	2	0
Field		1	0	1	1	0
COS/90/802	(U)					
Desk		2	CD	2	3	CD
Field		2	3	2	3	3
CUB/88/805	(C)					
Desk		2	1	2	2	0
JAM/89/801	(U)					
Desk		1	0	2	3	0
MEX/89/801	(U)					
Desk		2	3	2	2	2
NIC/89/801	(O)					
Desk		1	1	1	1	1

#### IV. RESULTS AT PROGRAMME LEVEL

[Note: The evaluation makes separate analyses at the project and programme levels as required by the TOR. However, due to the absence of real programmatic content of the SIS mechanism, there is an unavoidable overlap between the two.]

##### A. Compliance With Guidelines

65. Compliance with the UNDP SIS guidelines by the managers of the programme, i.e., UNIDO, can be divided into two categories for analysis, i.e., programme and process. In making this analysis, however, it must be noted that the flexibility to go outside these criteria has been emphasized throughout the history of the programme. In cases where projects have been approved that are outside the guidelines, the question is whether the exception was made at the proper level, and after due process, adequately documented. The more important findings and conclusions developed in Chapter III are summarized here at the "programme" or aggregative level.

##### 1. Programme compliance

66. In fact, programming criteria are limited to (a) the type of services eligible, (b) the type of problems to be addressed, and (c) what funds should not be used for. There is no multi-year programme objective of a substantive nature. In Chapter III, these aspects were treated in detail. From the findings, the major conclusions concerning programme compliance included:

- The fields of activity eligible, despite long-standing attempts to distinguish them from other funding sources, are still sufficiently vague or subject to interpretation that they fail to present an insurmountable barrier to an innovative or

persistent ResRep, UCD or BSO. This forces over-reliance on "process" definitions and ceilings.

- It is easier to judge compliance when dealing with activities of a "trouble-shooting" nature at the plant level which are, de facto, becoming the predominant activity funded by SIS. Conversely, projects relating to high-policy advice are more difficult to judge.

- Project approvals for those fields of activities specifically excluded are almost non-existent. However, there is often a great deal of rewriting which takes place to make a project eligible. While the function of most projects has been "direct support" there are some projects that might more correctly have been labeled "institution-building" and "experimental" (laboratory and/or pilot scale). Even these exceptions fit the general criteria.

- The current SIS guidelines no longer mention TCDC as an eligible service. Furthermore, the evaluation did not find any TCDC elements in the sample of projects reviewed.

67. From the cross-project review indicated in paras 31-32, some conclusions regarding programmatic compliance can be derived.

68. Succinctly stated, *general compliance with SIS programme guidelines has been more than satisfactory*. Having said this, it is also important to note that the extensive time and effort taken by UNIDO Headquarters to assure this compliance on small projects of a limited character is questionable.

## 2. Process compliance

69. Process is defined here as dealing with the procedures, ceilings, geographic and equitable distribution considerations and administrative standards developed for SIS projects. The findings and conclusions regarding the major elements, based on the documentation in the central registry files, included:

### Design and approval process

- In an attempt to justify a project, there is a tendency for draft project documents to increase in size. Nevertheless, brief but crucial information on (a) why it is eligible for SIS funding, (b) who will use the outputs produced and for what purpose, and (c) what change or impact is expected to result and when, is sometimes missing, in part or in whole. This would be much more valuable information than supplying "...achievement indicators, list of phased inputs, and a detailed workplan".

- A perfunctory statement, if any, is included on conducting terminal evaluation. How a project is to be evaluated, by whom and when should be a part of the design. If such an exercise is not necessary or desirable, the reason for this exception should be included.

- Very few projects (only nine in the sample) were approved within four weeks of receipt in UNIDO headquarters. However, about half of the sample projects were approved within four months but the remainder took anywhere from five months to over three years.

- The principal factors in determining the length of the approval process were the supply-driven nature of many proposals, need for revision, inadequate or contradictory information, and/or need for clarification regarding design or eligibility.

- The length of the appraisal process in some cases cast some doubt on application of the "urgency" criterion.

- There is no apparent imbalance in the regional or country allocation of funds although there is an obvious contradiction in efforts to allocate funds "equitably" vis--a-vis responding to urgent problems caused by new needs such as rehabilitation to meet competition, meet new standards, eliminate hazards, encourage the private sector and minimize environmental hazards.

- While the PRC Secretariat and the Project Appraisal Section have acted promptly, correctly and helpfully in most cases, considering the average small size of SIS projects, there seems to be some evidence of "overkill", e.g., use of a "mini-PRC" process, requiring parallel submission of nomination forms, etc.

- *Compliance has been generally satisfactory given the problems with process-oriented guidelines. Significant reductions in approval times will require some process simplification and delegation of authority, at Headquarters and to the field.*

### Implementation

70. Compliance here refers to delivery of inputs, equipment prohibitions, and duration of the project. There are definitional problems arising when measuring the duration of project operations as well as major events during the process. Major findings and conclusions included:

- Exactly one-half of the projects in the desk sample were completed in one year or less but a large number took over one year. There was no significant correlation between size of the project and duration.

- The current guidelines on project implementation regarding submission and clearance of experts, *viz.*, candidates or proposed sub-contractors will be submitted to the field office for government approval as soon as the project is approved and Governments will approve within six weeks of submission or the project should be canceled -- is honored more in the breach than the practice. If the SIS is increasingly to serve special, urgent and emergency needs, then the existing system of multiple clearances concerning the delivery of inputs needs to be adjusted accordingly through mutual tripartite agreement.

- Enforcement of cutoff deadlines, e.g., if Government approval of candidates is not taken within six weeks after submission, or a project is not operational within six months after approval, project cancellation has proven to be a difficult and sometimes onerous process.

71. From the analysis of use of equipment in SIS projects made in para 42, it is concluded that *the restrictions on financing of equipment, with one relatively small exception, have been strictly complied with.*

72. *Compliance with implementation process guidelines has been less than desirable partly because many causes of delay are beyond UNIDO's project management control or UNIDO has not exercised its own flexibility authority to seek or grant exemptions or reductions in project administrative requirements and procedures.*

### Reporting

73. Terminal reports of experts and sub-contractors dealt, understandably, mostly with the production of outputs and were generally of a good quality. The comments of BSOs, field staff, Governments and end-users on these reports, and their distribution, were less frequently found in the files or were often perfunctory. Formal clearance requirements remain in force.

74. Terminal Assessment Reports, to be prepared by the UNDP field office and to include the views of the office and the Government concerning quality and timeliness of project inputs, actual

results achieved, and the use which the Government intends to make use of these results, were almost non-existent. In the few cases where forms were filled out by UCDs or JPOs and included in the central files, they contained no information.

75. From the two paras above and the conclusions are made in para 48, it can be stated that compliance with existing reporting requirements is insufficient. Remedying this situation is a sine qua non for justification and continuation of the programme.

### 3. Overall compliance

76. There is an obvious and genuine effort by UNIDO Headquarters staff, particularly in the PRC Secretariat and APP, to make a "best effort" to follow the spirit and the letter of the UNDP guidelines. In only one case, where a large-scale IPF project was supplemented by \$1 million in SIS funds through submission of 10 sub-projects simultaneously and over staff objections, were the guidelines flagrantly disregarded by both UNIDO Headquarters and the Resident Representative involved. In the case of UNIDO, an exception was approved at the highest level in the organization exercising the flexibility authority granted. *Considering all factors, external as well as internal, and compared with previous history, overall compliance should be viewed as satisfactory both to UNDP as the donor and UNIDO as the managing agent. There is ample evidence that a high number of projects have been significant in nature and "successful" in achieving their purpose although the data on developmental impact is less rosy but not alarming considering the high-risk factor inherent in such small projects. This is a good record but is no invitation for complacency because of rapidly and significantly changing global conditions on the political, economic, trade and industrial levels and the increasing squeeze on development assistance funds. There are more important questions than simple compliance with a set of rules which now need to be reviewed before any new effort is made to redefine programme purpose and the guidelines and/or seek supplemental funding.*

#### B. Adequacy of Guidelines

##### 1. Historical trends

77. In paras 17 to 21 in Chapter II, the trends, explicit and implicit assumptions, and contradictions were discussed.

##### 2. The recent past and today

79. Definitional problems with current guidelines have already been discussed. Because there is an absence of mission-oriented programme criteria there is an over-reliance on process-oriented criteria and ceilings. A draft note, dated 13 November 1990, was prepared by UNIDO/APP in the latest of a seemingly never ending series of attempts to clarify and standardize interpretations of the SIS guidelines. Some of the suggestions are reflected in this report. *Obviously, in some cases, there are ways to reduce ambiguities and the need for interpretation and provide new foci, e.g., tie "urgency" into some real-time event; define "high level" as ministerial and macro or multi-sector; eliminate self-defeating restrictions, e.g., no preparatory assistance (regardless of who the intended donor is) or follow-up and stand alone which require divine intervention or infinite knowledge to interpret; add new fields of eligible activity such as environmental protection and safety at the plant level, and meeting international or regional quality standards; or re-emphasizing or redefining currently eligible fields, e.g., laboratory and pilot-scale experimentation on methods of improving productivity and quality and restricting the meaning of "problem-solving" to the production process/system. Continual "patch-work" on the guidelines or the appointment of SIS "high priests", however, is a make-work solution which avoids the hard questions, i.e., should the SIS programme be continued and, if so, under what operational objectives and assumptions after 1995 (or before)?*

### 3. Current and future programme environment

80. The adequacy of the current guidelines, developed over six years ago and not significantly different from the original guidance provided by the General Assembly in 1996, must also be examined in the light of today's rapidly changing development environment, including the momentous changes which are taking place, globally and regionally, on the political, economic and industrial scene. The decided trend towards increased privatization and the problems of those countries in transition from centrally managed to market economies, the break-up of long-standing regional political blocs and the creation or strengthening of regional economic and trade organizations, increased competitiveness for those nations outside the protection of these regional grouping, and the recognition of the importance of environmental protection and the sustainable management of natural resources, *inter alia*, require a new look at all programming instruments, including SIS.

81. The UNDP, in response to recent decisions of its Governing Council, is seeking new tools at the programme or "upstream" level to meet new priority objectives in the six major categories established while, at the same time, encouraging national execution. *Certainly, with funding already assured for the Fifth Cycle, this is a propitious time to review the purpose of the programme and its guidelines for implementation within the framework of this rapidly changing stage.*

#### C. Programme Management

##### UNIDO Headquarters

#### 1. Financial management and record keeping

82. The current guidelines urge UNIDO to ensure that no country receives a disproportionate share of SIS resources and that a reasonable distribution is to be ensured without mentioning a time span. UNIDO does attempt to do this but it is not surprising that most requests come from countries in a more advanced stage of industrial development than LDCs and where there are active UCDs and Government counterparts. In the one case where a country allocation was grossly out of proportion to the norm, it was formally approved by the DG.

83. UNIDO is also admonished not to permit expenditures to exceed approved annual allocations. This took place once in the Third Cycle causing great consternation to the UNDP officials involved. Unfortunately, it happened again in the Fourth Cycle. In early 1991, the last year of the just completed cycle, a projected over-expenditure was signaled (belatedly, in the opinion of some UNIDO staff) by Financial Services. This occurred for a number of unusual reasons, i.e., a large carry-over from the previous cycle, a relatively high demand and subsequent implementation rate (particularly in the first quarter of 1991), the 1989 approval of \$1 million of SIS projects in one country in one full sweep, a history of being able to borrow on the next year's allotment and little concern for monitoring/controlling approvals, and the absence of a key officer on extended leave. It is also difficult to programme resources on an annual basis much in advance when the guidelines require that it respond to unplanned, unexpected and urgent/emergency type assistance.

84. Whatever the causes, the results were traumatic for UNIDO when UNDP refused to advance additional funds. An immediate "freeze" was put on all project proposals and those approved but not yet implemented for the remainder of the cycle, which stopped the programme cold. All uncommitted projects funds were reviewed for de-obligation or postponement as a result of a time-consuming and often adversarial process with BSOs. In the case of six projects whose importance, advanced stage or for other reasons required it, UNIDO switched the funding from SIS to the General Pool of its Industrial Development Fund (IDF), an indicator of UNIDO's commitment to the programme. On the other hand, in most cases the freeze was accepted in the field without major complaint, a cause for some speculation on urgency and importance. *It is*

*obvious that, given the increasing rate of demand and the unlikelihood of increased allotments, better allotment control is required over commitments and expenditures. It is unlikely that UNIDO will permit this situation to occur again given the pain it has already suffered. A new system which includes projecting and monitoring of approvals at the programme level, including carryovers between cycles, has already been set-up for the Fifth Cycle. It is imperative that this oversight NOT be repeated.*

85. A specific report on yearly expenditures is to be prepared by UNIDO for use during a joint UNDP/UNIDO annual review. Only one has been prepared by UNIDO in early 1991 and no comment was received from UNDP headquarters. The guidelines on "budgets and types of expenditures" have already been discussed and have been followed in a satisfactory manner. However, except for inclusion in the computer data base, there is no indication that forwarding approved project data sheets to either BPPE or the Regional Bureaus has served any purpose.

86. *If the demand trend continues when the programme is restarted in 1992, and the funding level remains at \$3 million per year, and also in consideration of the existing backlog caused by the freeze, the rate of new approvals must be reduced to fit the cloth. This can mean a sharp reduction in the type of projects eligible for SIS funding.*

87. The documentation in the official registry files, particularly concerning results, is unacceptable. Either some way must be found to improve this situation or, perhaps more feasible, the "official files" should be maintained in the PRC Secretariat. *The SIS data bank also needs to be reviewed to include reports on matters of additional concern, e.g., operational (non-financial) status of a project, date evaluation report due and when submitted, etc.*

## 2. Request and approval procedures

88. The guidelines on "submission of requests" are generally adequate but based on the sample projects, the following observations can be made:

- o The Resident Representatives and the UCD where present do not do a very good job in justifying the eligibility of a proposal for SIS funding. In fact, the PDS sheet is often drafted or revised in Vienna and the ResRep gives a perfunctory endorsement.

- o The guidelines on the "description of the project" do not require that the end-user of the project outputs be identified, an explanation of what the purpose of the project is, and what change is expected to occur and the benefits thereof. Since terminal evaluation is difficult to enforce and post-evaluation is too expensive, the opportunity to assess the effectiveness and significance of the programme is greatly reduced.

- o The consultant did not come across any instance where the ResRep consulted with either his Regional Bureau or Unit or BPPE on requests "which are not consistent with these instructions".

89. *Given the deficiencies in the guidelines noted just above, it is not surprising that PDSs are unbalanced, i.e., too much attention in appraisal is given to higher-level objectives (requiring a level of justification far beyond the need for such small projects), activities, indicators and work plans while simple or basic information on who is to use the outputs, for what purpose and to what end is sparse, implicit or otherwise not provided. To some extent, this condition reflects UNIDO's inability to date to design and secure in-house approval of a concise and brief format for Headquarters funded/managed small-scale (less than \$150,000) projects. It is understood that another attempt is in process. In the case of SIS projects, at least, the following elements are recommended for inclusion:*

- Describe purpose of the project, e.g., to enable decision-makers to solve a specified production or quality problem.



- Explain justification of the project, i.e., why it is important AND eligibility under the guidelines (a checklist of eligibility requirements should be prepared for easy use and certification). Identify end-users and targeted beneficiaries, i.e. what change is expected to occur (e.g., eliminate toxic effluents) and what will the benefit be (remove hazardous conditions in nearby community).

- Describe outputs to be produced, e.g., recommendations on: new technology or equipment required; problem definition; productivity improvements; better quality control, pilot-scale production and economic data, etc. - and milestones for their achievement (e.g., set-up of test, analysis of results, presentation of recommendations) including ending events for the work programme (expert presents final report to factory management and departs) and ending event(s) for the project (end-user acts/or fails to act on proposals).

- Description of UNIDO and, if appropriate, Government or industry inputs (e.g., an IRSI, Chamber of Commerce, factory, or sub-sector industrial association). [Note: Activities can be covered in the experts job descriptions, sufficient for projects averaging less than \$75,000.]

- Specification of who will do a terminal evaluation of the project and when. If the proposal fits the SIS criteria, there is no reason this information cannot be presented in a very brief format of one or two pages plus attachments as needed for inputs. The temptation to request more should be resisted. When such new guidelines are issued, *the PRC Secretariat and the Project Appraisal Staff, on an annual basis, should sample approved project designs to determine compliance with the guidelines and need for improvements.*

90. The approval process, and the deadlines set out in the guidelines, has already been discussed. *Possible ways to accelerate the process include:*

- Require a new format for field submission of requests as suggested just above.
- Eliminate "committee" review of all proposals \$75,000 or under, by assigning sole responsibility to the Chairman of the PRC with staff advice.
- Delegate approval authority for proposals \$75,000 and under to the field under certain circumstances, e.g., existence of a PRC at post, presence of a UCD or JPO. UNIDO Headquarters would retain right to issue PAD for financial management purposes and to assure reasonable equity.

91. While, except as noted above, *the appraisal and approval process is working satisfactorily*, there was one aberration which took place with the PRC which should be strictly avoided in the future. This involved the participation of a ministerial-level official in a meeting of the PRC as an advocate of an SIS proposal. While this is to be avoided under any circumstances, in this case the proposal was a major deviation from the guidelines which eventually had to go to the Director-General for decision. His ability to make an objective decision was compromised by this incident. In the same case, the Chairman of the PRC was also the principal sponsor of the project, a clear *conflict of interest*.

Additional recommendations for improvements by UNIDO include:

- Meetings of the PRC should be open to attendance only by UNIDO and UNDP staff members.
- The chairman of the PRC should automatically and without exception excuse himself from the review and appraisal of any proposed project in which he has a

direct or indirect interest.

- All major deviations from the guidelines should be approved by the Director-General.

- Major deviations should be defined to cover exceeding limitations on total cost, duration, and component limitations and/or including a new field of activity for eligibility.

- The staff work accompanying any request for exemption using the "flexibility" powers provided to UNIDO should include a projection of the ramifications of approval on fund availability, regional and country distribution, existing guidelines, etc.

### 3. Implementation procedures

92. The guidelines on "project implementation" are essentially a set of time requirements and deadlines concerning submission and approval of candidates and availability of equipment. It requires that all SIS projects not operational within six months be canceled, after consultation with the ResRep and Regional Bureau concerned. The PRC Secretariat has found it difficult, under normal circumstances, to enforce this rule as field missions and BSOs are innovative, to say the least, in providing reasons why this should not happen. There also is an implicit assumption that the SIS instrument can respond more rapidly to urgent needs than IPF or other programme mechanisms. This is true in regards to approval but not to implementation. *UNDP and UNIDO regulations concerning the submission of candidates and government clearances, competitive procurement, processing of nominating forms, and clearance of terminal reports, remain in full force for SIS projects.*

93. *To improve the speed of project implementation, the following steps should be considered:*

- certification by backstopping office at time of approval that qualified candidates are available.

- agreement by Government to supply qualified candidates or waive expert clearances.

- agreement by UNIDO to waive competitive procurement regulations for consulting sub-contracts and testing/experimental equipment.

- funding of interpreters to accompany scientists/engineers in critical problem-related training [in several projects, factory visits turned out to be the principal method of problem-solving and knowledge transfer].

### 4. Reporting procedures

94. *Compliance with the reporting procedures has been poor at all levels.* While terminal reports are almost always prepared by the experts and sub-contractors as a pre-requisite for payment, substantive comments by all parties concerned is either non-existent, perfunctory, or in most cases not available in the official files. Subsequently, it is difficult for an outside party to assess the quality of the outputs produced. Comments by the field, when they are made, are not usually transmitted to UNDP headquarters as required because no-one is interested in them.

95. On the basis of the (expert's) terminal report and preliminary comments by UNIDO, the UNDP field office is to prepare a Terminal Assessment Report. They are to contain the views of

the Government concerning the quality and timeliness of project inputs, actual results achieved, and the use which the Government intends to make of the results. As already noted, these are non-existent and, consequently, are not completed within six months after project termination or forwarded to UNIDO and UNDP Headquarters for final comments. In line with UNIDO's internal evaluation system, these guidelines were unilaterally changed to require preparation of a terminal Project Evaluation Report by the BSO, exactly the reverse of that first proposed. Regardless of how it works, it is obvious that *such reports should include the uncensored self-assessment by the end-user to assure accuracy and credibility and could be a condition of SIS assistance. It should be noted that current UNDP procedures do not require this even for large-scale projects.*

96. *The absence of these reports makes it almost impossible for UNIDO to assess the quality, success and impact of its projects, either individually at the project level or aggregated at the programme level, making it difficult to justify continuance or expansion on any basis other than base budgeting and field popularity. It also, de facto, limits UNDP's accountability to financial and accounting matters which is not sufficient for the Administrator when justifying the programme to UNDP's Governing Council. This long-standing and continuing failure by all parties to live up to these requirements should not be permitted to continue. The challenge is to develop a cost-effective and realistic evaluation system for these small-scale projects within the constraints of time, staff availability and resources. When redesigning such a system (for other centrally-funded UNIDO small-scale projects as well) for SIS, the following recommendations should be considered.*

- BSOs should be made solely responsible for assessing the quality of the outputs produced based on his review of expert(s) terminal reports and synthesis of comments received from the Government and/or end-user as well as the field office and assuring that copies are inserted in the official SIS registry files.

- As previously recommended, the PDS should indicate who will evaluate the use of these outputs for the intended purpose and, if feasible, what change or impact took place. This may be a UCD, JPO or other member of the field office, a Government official or visiting BSO, but *preferably the end-user, particularly at the plant level, if appropriate*. A simple, one page evaluation form, incorporating the points already outlined, may be sent to the end-user at the same time an appraisal of the consultant's performance is presently routinely requested.

- When the last project activity has taken place, e.g., presentation of an expert's recommendations, return from in-plant training, the field or BSO shall declare the project operationally completed (not to be confused with financial completion) and notify the PRC Secretariat. The Terminal Evaluation Report shall be submitted within three months of this date. *The status of evaluation reports should be entered into the SIS data base and monitored monthly by the PRC Secretariat*. If the report is overdue, no new projects for that field office should be approved until it is submitted and/or any delegations of approval authority to the field office should be suspended or rescinded.

- Copies of these reports may be submitted to UNDP Headquarters at the discretion of the ResRep or as requested but such distribution should not be required. A representative sample of terminal evaluation reports, however, should be prepared for joint reviews of programme effectiveness.

- The UNIDO Evaluation Staff, on an annual and sample basis, should review these reports for compliance and adequacy and also prepare a report on their findings for use in any joint programme reviews.

## 5. Programme review

97. Finally, the guidelines require that:

UNDP and UNIDO Headquarters will jointly review the qualitative and quantitative aspects of the programme once a year at UNIDO Headquarters at a mutually convenient time. UNDP has designated the Bureau for Programme Policy and Evaluation as responsible for undertaking with UNIDO the joint annual review of the SIS programme.

As will be discussed in the next section concerning UNDP management, *no joint annual review has been held during the cycle*. In February 1991, the last year of the Fourth Cycle, in a tardy and partial compliance with this provision, UNIDO prepared a report on the first four years which covered<sup>9</sup>:

- appraisal
- approval and reporting
- type and duration of projects approved
- countries of coverage
- levels of approvals
- timeliness of implementation
- cancellation of approved projects

98. As can be seen by the report headings, the report addressed only the **quantitative** aspects of the programme. There is no mention of the impending financial crisis. Equally important, there is no mention of the qualitative aspects of the programme and, indeed, it is symptomatic that the *guidelines make no mention of the need to review effectiveness, significance or development impact*, which one would assume should be the principal concern of the senior management officials of both agencies. As already noted, there was no UNDP reply or reaction to the report.

### UNDP Headquarters

#### 1. Policy

99. As the sole donor, and subject to the decisions of its Governing Council, UNDP has the responsibility for monitoring programme activity in terms of adherence to the overall policy concerning the SIS programme, particularly its mission or objective. In practical terms, this means verifying that conditions continue to exist which justify the continuation of the programme or that, in view of changes in these external factors, the programme approach remains valid or requires changes in the level of resources, its distribution and/or priorities.

100. Since the programme does not have a cohesive, single objective and is, *de facto*, process-oriented, UNDP Headquarter's role until recently has appeared to be more that of a policing rather than a programmatic or policy role. *Very few people in Headquarters even know what the SIS programme is and no-one in BPPE or elsewhere is currently assuming any continuing or comprehensive responsibility for the programme.*

#### 2. Management

101. The responsibility for operational management of the programme was delegated to UNIDO in 1977 and UNDP Resident Representatives were delegated authority to approve such projects. The current guidelines specify the following residual management functions for UNDP:

- o BPPE (Documentation/Statistics Office), DOF (Accounts Section), and the "concerned" Regional Bureau will receive copies of all PDSs for inclusion in the computer data base.

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<sup>9</sup> UNIDO report on "Special Industrial Services - Joint UNDP/UNIDO Annual Review", dated February 1991, addressed to the Associate Administrator of UNDP.

- The Regional Bureaus or Unit concerned will also receive from UNIDO at the end of every year, budget revisions for all approved projects (purpose not explained).
- The Regional Bureau or Unit concerned will consult with the Resident Representative involved, with copies to BPPE and UNIDO, on requests not consistent with the guidelines/instructions.
- Copies of UNIDO communications cancelling projects because of failure to meet deadlines are also to be sent to BPPE, DOF and the Regional Bureaus.
- Regional Bureaus should be consulted when projects are not operational six months after approval.
- Copies of terminal reports, with brief comments, will be sent to UNDP Headquarters and the Regional Bureaus concerned.
- The Terminal Assessment Report is to be forwarded to the "...UNIDO substantive office for additional comments and to UNDP Headquarters for final comments...[to be] used for the periodic review of the programme".

102. UNDP obviously requires certain informational inputs from UNIDO for statistical/accounting and financial control but it is equally obvious that either *a lot of paper is going back and forth for no apparent or real reason or the guidelines are being ignored*. The role envisioned for the Regional Bureaus in the management of the programme is far from commonplace and BPPE attention, since the retirement of staff with specific interest in the SIS programme, has become passive or focused exclusively on the total level of annual and cycle allocations.

### 3. Accountability

103. While \$15 million for the cycle, averaging \$3 million a year, is a comparatively small amount in the UNDP budget the Administrator is still ultimately and personally responsible that the funds donated by the Governments are being used in a reasonably efficient, effective and significant manner. In the preparatory work for the Fifth Cycle, the recommendation to the Governing Council was for a \$2.5 million reduction in funds without explanation and apparently there was no discussion of the item by member states. The results of this evaluation obviously also had no input into the process as it was initiated too late in the cycle. **The fact that UNDP agreed to cooperate and provide additional funds for this evaluation with an additional focus on Headquarter's management is a clear indication that BPPE staff are aware of the need for prompt remedial actions to assure proper UNDP and UNIDO accountability at the programme level, emphasizing programme effectiveness and importance.**

104. Remedying the situation should not be a difficult task and can eliminate some non-productive work. Among the actions which UNDP can take are:

- Eliminate all the paperwork that is sent to Regional Bureaus and virtually ignored.
- Eliminate the Regional Bureaus from any operational role (which has been delegated to the field) except to: (a) reply to a ResRep's request for advice, (b) inform UNIDO of its support for a particularly important or significant request, or, (c) advise BPPE on whether a major exception to the guidelines and procedures should be approved.
- Appoint a senior management officer in BPPE, acting in a staff capacity for the Director, with the continuing responsibility for: monitoring progress at the programme level; reviewing major deviations from the guidelines; participating in a mid-cycle programme review; arranging for joint UNDP/UNIDO programme evaluations as and when

necessary; discussing the results of these reviews and evaluations with appropriate inter-agency groups (e.g., Intra-Bureau Management Committee, the Policy Team) and offices; presenting a synthesis of the results of these activities, *focused on the effectiveness, significance and impact of the SIS programme under current and foreseen worldwide conditions and UNDP mandates* to the Administrator **before** it makes a recommendation concerning the size of the programme allocation for the next cycle and other changes; and representing the agency in subsequent joint revision of the programme scope, size, criteria and procedures.

■ Finally, and most important, while reducing the paperwork, time and effort involved in the approving and implementation processes, BPPE in cooperation with the UNIDO/PRC and respective Evaluation staffs should *initiate a campaign with UNDP field offices to emphasize the importance which will be given to the proper and timely completion of terminal project evaluation reports.*

#### 4. Field offices

105. Interviews made during the field missions undertaken in this exercise revalidate the findings in the previous evaluation, i.e., Resident Representatives find the SIS programme to be very useful and are very supportive of it. Where he/she is supported by an effective UCD/JPO team, there is a correlation for more frequent and effective use. Nevertheless, and regardless where the idea for SIS assistance actually originated, the ResRep and his staff must take their "approval" and/or "endorsement" as a serious matter given the unique and precarious nature of this programme. Means to accomplish this have already been suggested. In fact, as discussed below, one option may be, subject to certain procedural restrictions, to *delegate approval for most projects (e.g., under \$75,000) to the field.* In any event, the *Resident Representative must take responsibility for assuring that terminal project evaluation reports are prepared in an adequate and timely manner and distributed to all interested parties.*

## V. OTHER ISSUES

### A. Is SIS Worth the Effort?

#### 1. The real cost

106. Under current conditions, this is a question UNIDO should really be asking itself, assuming that the recently approved \$3 million per year programme level remains unchanged. *Is it really worth it for UNIDO to manage this programme?* Using 1966 as the base year and deflating this amount to take account of price rises, the equivalent amount for 1990 would be \$764,000<sup>10</sup>. The overhead funds earned at this time would have been \$400,000 or a bit less. It is assumed that overhead funds are spent in Austria and the Austrian CPI is therefore relevant. Furthermore, the overheads are converted at the current rate of exchange and account should also be taken of the fall in the US dollar. With these assumptions, the Austrian Schilling equivalent of US\$400,000 in 1966 was AS10,339,600. After deflating by the Austrian CPI, the 1990 equivalent is \$134,480. Conversion at today's exchange rate (AS11.37 = US\$1) yields a sum of AS1, 524,000. In other words, the purchasing power of the overheads earned when expressed in Austrian Schillings is now approximately 15% of its 1966 value. The following table graphically illustrates the reduction in delivery and earning capacity.

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<sup>10</sup> The deflator used in this case was the consumer price index (CPI) obtained from the International Monetary Fund.

	1966 base year	1990 current value	% of change
Programme allotment	\$3,000,000	\$764,000	-75%
Overheads	AS10,339.000	AS 1, 524,000	-85%

107. This discouraging note becomes even more distressing when it is realized that small-scale projects in general, and particularly SIS projects which require extensive review, periodic evaluations and a disproportionate amount of substantive and administrative backup and processing, incur overhead costs in excess of 30%. As it is now, UNIDO contributes a considerable amount of its limited and programmable resources to the support of this programme, e.g., \$400,000 from the General Pool of its IDF to cushion the impact of the 1991 "freeze".

## 2. Need for a proper perspective

108. UNIDO is a development agency, not a business, and it must take risks and assume burdens it hopes will carry out its mandate successfully and lead to future activities. Even as a "loss leader", however, there is no evidence that SIS projects lead to UNIDO's significant involvement in other country industrial activities and problems. It does, as one senior UNIDO official commented, give UNIDO a presence in countries where it might not otherwise be because of very small IPFs or other reasons. Put another way, SIS is one of the very few sources of funds that UNIDO can manage at its discretion. Whatever the reason, *UNIDO pays a high price to manage this programme, and its senior management should use the results of this evaluation, combined with its proposals to respond to the new priorities being place upon UNDP, to enter into joint discussions on determining a sound and programmatic basis for the continuation of the SIS programme in the Fifth Cycle and beyond.*

109. The question can also be approached in another way. Given its already small and constantly diminishing size, why has it generated such a fuss in the past? Indeed, all the noise and fury that has taken place over the years sounds like a "tempest in a teapot" today! *One cannot escape the conclusion that the programme is not only top-heavy and "over-managed", but the eye of the donor is on the wrong circus ring.* If innovation in changing circumstances with the flexibility and funding provided to meet "special" conditions and new problems is the justification for continuation of the programme, then the focus of review should be on results, effectiveness and impact, not concentrated almost exclusively on the process *per se*.

## B. Earmarking of funds

### 1. Geographical distribution

110. Contradictory and vacillating statements on the desirability of the "equitable" distribution of SIS funds between regions are common in both organizations, sometimes influenced by external and internal criticisms or the perceived necessity to increase the rate of approvals. The current guidelines seem more concerned that no country receive a disproportionate share than with regional imbalances. By happenstance or otherwise, the current distribution is relatively equitable. Except for Eastern Europe and the newly emerging independent countries in the former Soviet Union, this roughly equitable pattern of geographical distribution can be expected to continue unless efforts are made to make SIS respond to pre-determined and continually reviewed programme priorities.

## 2. Special conditions for LDCs

111. In recognition that the infrastructure in LDCs, by definition, is underdeveloped with a corresponding level of industrial development and that meeting the criteria established for the use of SIS funds will be more difficult, UNIDO has the perception that UNDP was encouraging it to use the flexibility inherent in the programme to promote its use in LDCs. In January 1990, the Director-General expressed concern about what then appeared to be a low level of approvals under SIS, "...particularly with regard to assistance to the Least Developed Countries. The Director-General had emphasized that while efforts should be made to the extent possible to respect the established SIS guidelines, there was need for flexibility in the use of these funds. In this connection the Director-General has clearly stated that there should be no 'quota' for any single country and that there should be no need to 'reserve' resources on the assumption that certain countries might request SIS assistance." However, the evaluator was assured by UNDP that this position had changed over the past few years since LDCs were already compensated by increased IPF allocations.<sup>11</sup>

112. Up until 31 October 1991, 67 SIS projects or about 20% of the total inventory was approved for LDCs, 51 or 76% of which were located in Africa, not a bad record if that is a programme criterion of success. It should also be noted, not surprisingly, that there is a positive correlation between approval and implementation problems and the development level of the recipient country. However, there is a definite tendency to sharply focus the programme on practical problem-solving at the plant or production level. This trend, coupled with the urgent needs of countries in transition and other factors, may well make it much more difficult for UNIDO to maintain this record. *Assuming that the level of funding remains constant, except for individual country limitations based on prior usage, there should be no limitation, formal or otherwise, imposed on acceptable SIS requests from any country eligible for UNDP assistance. If, however, programme scope and resources are enlarged significantly, regional earmarking to assure some reasonable order of equity may be in order.*

### C. Assistance to the Private Sector

113. The increasing UN interest in encouraging growth of the private sector in market-oriented countries presents some new opportunities and problems for both UNDP and UNIDO but which is not the focus of this evaluation exercise. However, as discovered in the field evaluations, the SIS programme is already providing UNIDO with some interesting examples of how such assistance can be made effective, e.g., in Poland, Turkey and Zimbabwe. A number of preliminary conclusions may be interesting:

- The assistance should have some "strategic" value, e.g., it can be replicated throughout the industry or solves an industry-wide problem, it can result in additional capital investment, it removes a critical bottleneck at the industrial subsector level, etc.
- Providing limited and strategic assistance through use of the UNDP programme level and project umbrella concepts at the industrial subsector level can be a very effective way to assure SIS project significance and probable developmental impact and eliminate unnecessary review and delay in the project approval process.
- The use of intermediary mechanisms and organizations, e.g., industrial associations, IRSIs and Chambers of Commerce, to funnel assistance to the private sector can be an effective way both to minimize problems with the sponsoring Government, streamline administrative processing and implementation, and making the results widely available throughout the private sector.

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<sup>11</sup> Minutes of the PRC, 23 January 1990.



- SIS funds can be used as "seed money" for intermediary organizations to set up a revolving fund to finance additional services needed by the private sector.

- SIS can also be used in combination with voluntary programmes such as STAS, UNISTAR, to provide assistance.

- Assistance at the plant level must not result in unfair competition or advantage.

114. The above conclusions and examples only touch the surface of the possibilities and innovations which could be tested by the SIS programme. It is therefore *recommended that UNDP and UNIDO give special and urgent consideration to using an expanded SIS programme as an instrument for experimentation and innovation in providing cost-effective assistance to the private sector. In fact, assuming the recommendations contained in this Evaluation Report are generally acceptable, the next two years could be usefully used as a transitional experiment, the results to be reviewed when decisions will be made on the scope and size of the programme in the Sixth Cycle.*

#### D. Options - A Time for Decision

##### 1. Overall conclusion

115. The "programme" possesses few of the characteristics usually associated with the term programme, e.g., a multi-year objective or mission, assumptions about the programme environment, priority sub-programmes, etc. In fact, it is actually a fund with criteria of an essentially process-nature attached to it. As more recent evaluations have demonstrated, the programme is widely accepted in the field and welcomed by UNIDO as one of the few sources of untied funds available to it. The current evaluation, for the first time, also is showing that the programme has addressed significant problems in a reasonably successful way. Opposition to the SIS programme, which has gradually diminished in recent years, has mainly been located in UNDP Headquarters and is focussed on keeping the SIS allocation to a minimum to preserve its programme reserve and its position vis-a-vis other executing agencies. However, new interest is surfacing in the Regional Bureaus regarding the possible use of the SIS instrument to respond to the new priorities and modalities now mandated for the UNDP, particularly concerning the private sector. With the programme already approved for the current (fifth) cycle, the time is most opportune for UNDP and UNIDO senior management to carefully and calmly consider what changes, if any, should take place in the purpose, scope and size of the programme in light of updated assumptions about the current and near-term needs of developing countries for "special" assistance in the industrial sector.

##### 2. Preferred options

116. To assist in this recommended joint programme review regarding the future of the SIS programme, three options are presented here to encourage discussion recognizing that there may be others. A brief explanation of each is provided along with some suggestions on how they might be configured. They are presented in the assumed order of UNIDO preference.

##### Option #1

117. *Redefine the purpose and increase the scope, size and funding of the programme.* The changing global scene and its implications for development assistance to the industrial sector is briefly presented in paras 79 and 80. The need is to provide a truly "programmatic" dimension to the SIS programme which reflects substance as well as process guidance. UNDP priorities and modalities which can be addressed by SIS include:

(a) Direct support at plant level in:

- environmental protection and pollution control;

- sustainable natural resource management;
  - transfer and adaptation of technology for development;
- (b) Assistance to the private sector;
- (c) Problems of countries in transition;
- (d) "Up-stream" policy dialogue and providing "points of entry" for UNDP and UNIDO; and
- (e) Direct execution.

118. There are a variety of strategic, innovative, short-term, and one-time interventions, some of which have been included in this report, that could be mounted under the banner of SIS if the programme scope was first trimmed of outdated assumptions and limitations and then revised to add new scope and programme content which plays into UNIDO's unique strengths and neutrality, e.g., in pre-feasibility studies, problem definition, technology selection, trouble-shooting on the production line and in-plant training. Added to this could be the concept of marketing a "product" for UNIDO's clients, e.g., packaging the results derived from lessons of experience as they have been extracted in programme and thematic evaluations, expert group meetings, consultations, etc. This would require (1) significant additional funding and (2) tripartite agreement to streamlining and shortening the approval and implementation procedures under urgent/emergency conditions.

#### Option #2

119. *Reduce the scope and size of the programme to fit the cloth.* The second option assumes that a decision is made that the current cycle allocation of \$15 million will remain basically unchanged throughout the next five years and beyond. In this case, given the rapidly diminishing value of the assistance which can be provided by UNIDO, draconian measures are necessary to assure a significant and cost-effective programme. Some of the measures which could be taken to develop a lean programme include:

- Place top priority and emphasis on assisting in the rehabilitation of plant and increased competitiveness of manufactured products.
- limit the eligible fields of activity to problem-solving related to the production process/system (from marketing intelligence, selection of new technology, raw material supply, productivity and quality improvements, packaging and distribution, to safety and pollution control.) and up-stream policy advice.
- Add "problem identification" as an eligible aspect of problem-solving.
- Give added emphasis to laboratory and pilot-scale testing and experimentation for process improvement.
- Add "upgrading product quality" to meet international and regional standards.
- Reduce project limitation on size to \$75,000.

#### Option #3

120. *Terminate the programme at the end of the current cycle if UNDP and UNIDO top management conclude that the SIS programme is no longer cost-effective.* While not feasible during the current cycle, if the UNDP Governing Council is reluctant or unable to finance a demand-driven SIS programme, as is reflected in a strangle-like decision to maintain the reduced

\$15 million base level indefinitely, then both parties should consider opting out of the programme. While all UNDP and UNIDO programmes are suffering from the effects of inflation, decreased value of the US dollar, deficit financing and inadequate contributions, the overhead cost of this programme versus the value of the delivery provided to developing countries, *if the current trend line is extended*, will become untenable no matter what advantages are perceived as accruing to UNIDO. This will be a tough pill for UNIDO to swallow.

### 3. Process improvements

121. Unlike previous evaluations, process improvements *per se* have not been the main focus of this exercise although the report includes ample suggestions for improvements. The more important recommendations can be summarized as follows:

- Reduce the time and effort taken in the preparation of requests, appraisal and approval of projects.
- Under certain conditions (e.g., presence of a UCD and/or a country PAC) UNIDO should selectively delegate authority for approval and/or implementation to the field subject to funding control limitations and BSO certification of implementability.
- Revise guidelines to reduce unnecessary limitations and eliminate or define terms such as urgent, practical, clearly identified problems, high-level, etc., to fit within an expanded (Option #1) or reduced scope (Option 2).
- Seek tripartite exemptions, under certified conditions or urgency and importance, to the normal clearance and procedural requirements concerning input procurement and formal report clearances.
- Require and monitor compliance with UNIDO terminal evaluation requirements for small-scale projects, adapted as or if necessary for SIS.
- Require a mid-cycle joint UNDP/UNIDO review in 1994 of programme performance and effectiveness for accountability purposes and as the basis for recommendations to the Administrator for supplemental and/or next cycle funding and needed changes in programme direction (i.e., monitoring critical programme assumptions). The principal input to this review should be a report from UNIDO which focuses exclusively on performance and impact indicators as revealed in the terminal evaluation reports and important management issues. Such a review may be preceded or followed by an in-depth programme evaluation IF deemed necessary by the senior management of either agency.

## VI. COMPILATION OF RECOMMENDATIONS<sup>12</sup>

### A. At the Programme Level

#### 1. Updating programme objective and scope

- a. **The adequacy of the current guidelines**, developed over six years ago and not significantly different from the original 1966 guidelines, **should be reexamined in the light of today's rapidly changing development environment and assumptions about the future** including the momentous changes which have and are taking place, globally and regionally, on the political, economic, technology and industrial scene, the worldwide movement to increase the role of the private sector and the parallel problems confronting those countries in

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<sup>12</sup> See full text for explanation.

transition from centrally managed to market economies, the breakup of long-standing regional political and trade blocs and the creation of new ones, including the strengthening and expansion of existing regional economic and trade organizations, increased competitiveness for those nations outside the protection of these regional groupings, and the recognition of the importance of environmental protection and the sustainable management of natural resources, *inter alia*, require a new look at all programming instruments, including SIS. With funding already assured for the Fifth Cycle, this is a propitious time to review the purpose of the SIS programme and its guidelines for implementation within the framework of this rapidly changing stage.

- b. UNDP and UNIDO should give special and urgent consideration to using an expanded SIS programme as an instrument for experimentation and innovation in providing cost-effective assistance to the rehabilitation and, where appropriate, privatization of existing industry. The next two years could be effectively used as a transitional experiment, the results to be reviewed at a joint mid-cycle review when decisions will be made on the scope and size of the programme in the Sixth Cycle.

## **2. Effectiveness and accountability**

- a. While the management of the SIS programme has been delegated to UNIDO, both the Administrator of UNDP and the Director-General of UNIDO share the responsibility for accountability. The definition of accountability, by default, has been too narrowly defined and should be expanded to include developmental importance.
- b. UNDP and UNIDO should cooperate in an organized and systematic periodic evaluation or review of the effectiveness and impact of the SIS programme for accountability, reporting and programming purposes. Specifically, a mid-cycle joint UNDP/UNIDO review should be required in 1994 of programme performance, effectiveness, and major changes in the programme environment, not only for accountability purposes but as the basis for recommendations to the Administrator for supplemental or new funding levels and needed changes in programme direction, if any. The results of any innovative experiments should also be reviewed.
- c. The principal input to this review should be a report from UNIDO which focuses almost exclusively on performance and impact indicators as revealed in the terminal evaluation reports. Such a review may be preceded or followed by an in-depth programme evaluation IF deemed necessary by the senior management of either agency.
- d. UNDP and UNIDO staff attention in future reviews and evaluations should focus less on compliance with process-oriented guidelines and ceilings and concentrate more on effectiveness and significance. This can be done in UNDP, while at the same time eliminating some unproductive work, by taking the following actions:

(1) Eliminate all the paperwork that floods the Regional Bureaus and is virtually ignored.

(2) Eliminate the Regional Bureaus from any routine operational role (which has been delegated to the field) except to: (a) reply to a ResRep's request for advice, (b) inform UNIDO of his support for a particularly important or significant request, or, (c) advise BPPE on whether a major exception to the guidelines and procedures should be approved.

(3) Appoint a senior management officer in BPPE, acting in a staff capacity for the Director, with the continuing responsibility for: monitoring progress at the programme level; reviewing major deviations from the guidelines; participating in a mid-cycle programme review; arranging for joint UNDP/UNIDO programme

evaluations as and when necessary; discussing the results of these reviews and evaluations with appropriate intra-agency groups (e.g., Intra-Bureau Management Committee and Policy Team) and offices; presenting a synthesis of the results of these activities, focused on the effectiveness, significance and impact of the SIS programme under current and foreseen worldwide conditions and *UNDP mandates* to the Administrator before it makes a recommendation concerning the size of programme allocation for the next cycle and other changes; and representing the agency in any subsequent joint revision of the programme scope, size, criteria and procedures.

(4) Finally, and most important, while reducing the paperwork, time and effort involved in the approving and implementing process, BFPE in cooperation with the UNIDO PRC Secretariat and both Evaluation staffs should initiate a campaign with UNDP field offices to emphasize the importance which will be given to the proper and timely completion of terminal project evaluation reports.

### 3. Options

- a. UNIDO pays a high price, the dimensions of which may not be fully appreciated as time increasingly erodes its value, to manage this programme and supplement its meager supply of "programmable" resources. Its senior management should use the results of this evaluation to enter into joint discussions on determining a sound programmatic and financial basis for the continuation of the SIS programme beyond the Fifth Cycle. Three options are suggested which illustrate the type of decisions called for:

#### Option #1

- b. Redefine the purpose in substantive as well as process terms and increase the scope, size and funding of the programme to reflect the changing programme environment. UNDP priorities and modalities which can be addressed by SIS include:

(i) Direct support at the plant-level in:

- environmental protection and pollution control;
- sustainable natural resource management;
- transfer and adaptation of technology for development;

(ii) Assistance to the private sector;

(iii) Problems of countries in transition;

(iv) "Up-stream" policy dialogue and providing "points of entry"; and

(v) Direct execution.

- c. There are a variety of strategic, innovative, short-term, and one-time interventions that could be mounted under the banner of SIS if the programme scope was first trimmed of outdated assumptions and suspicions and then revised to add new scope and programme content which plays into UNIDO's unique strengths and neutral position, e.g., in pre-feasibility studies, problem definition, technology selection, trouble-shooting on the production line and in-plant training. Added to this could be the concept of marketing a "product" for UNIDO's clients, e.g., packaging the results derived from lessons of

experience as they have been extracted in programme and thematic evaluations, expert group meetings, consultations, etc. This would require (1) significant additional funding, (2) tripartite agreement to streamlining and shortening the approval and implementation procedures under urgent/emergency conditions, and (3) some experimentation.

### Option #2

- d. **Reduce the scope and size of the programme to fit the cloth.** The second option assumes that a decision is made that the current cycle allocation of \$15 million will remain basically unchanged throughout the next five years and beyond. In this case, given the rapidly diminishing value of the assistance which can be provided by UNIDO, draconian measures are necessary to assure a significant and cost-effective programme.
- e. Some of the measures which could be taken to develop a lean programme include:
- (i) Place top priority and emphasis on assisting in the rehabilitation of plants and increased competitiveness of manufactured products.
  - (ii) Limit the eligible fields of activity to problem-solving related to the production process/system (from marketing intelligence, selection of new technology, raw material supply, productivity and quality improvements, packaging and distribution, to safety and pollution control.) and up-stream policy advice.
  - (iii) Add "problem identification/definition" as an eligible aspect of problem-solving.
  - (iv) Give added emphasis to laboratory and pilot-scale testing and experimentation for process improvement.
  - (v) Add "upgrading product quality" to meet international and regional standards.
  - (vi) Reduce project size limitation to \$75,000.

### Option #3

- e. **Terminate the programme at the end of the current cycle if UNDP and UNIDO top management conclude that the SIS programme is no longer cost-effective.** While not feasible during the current cycle, if the UNDP Governing Council or the Administrator is reluctant or unable to finance a demand-driven SIS programme as reflected in a decision to maintain the reduced \$15 million base level indefinitely, then both parties should consider opting out of the programme. If the current trend line is extended, the situation will become untenable no matter what advantages are perceived as accruing to UNIDO.

### B. At the Project Level

#### **1. Eligibility**

Depending on the option selected, it will be necessary to revise the eligibility requirements for and restrictions on SIS funding and, under Option #1, extend the former and relax the latter considerably. Recommendations concerning the current guidelines include:

- (i) The limitation on SIS-funded assistance of an institution-building nature should be relaxed in circumstances which are keeping with the spirit of SIS, e.g., bringing in a short-term expert to help on a specific research project in an industrial research and service institute or center.

(ii) The fields of activity concerning trouble-shooting and/or problem-solving need to be **clarified and expanded**. High-policy advice and preparation and implementation of investment projects might better be combined, clarified and/or reduced in scope.

(iii) The guidelines on the financing of equipment are adequate but could be usefully expanded to include, specifically, laboratory and pilot-scale testing and demonstration related to the production process and quality control, analysis and testing of raw materials, environmental protection and safety, and the addition or adaption of computer software related to process and quality control, database management, etc. **The equipment limit should be increased to a maximum of \$50,000.**

## **2. Design**

a. In the case of design of SIS projects, the following elements are recommended for inclusion:

(i) Describe purpose of the project, e.g., to enable decision-makers to solve a specified production or quality problem.

(ii) Explain justification of the project, i.e., why it is important AND eligibility under the guidelines (a checklist of eligibility requirements should be prepared for easy use and certification). Identify end-users and targeted beneficiaries, i.e. what change is expected to occur (e.g., eliminate toxic effluents) and what will the benefit(s) be (e.g., remove hazardous conditions in nearby community or region).

(iii) Describe outputs to be produced, e.g., recommendations on: new technology or equipment required; problem definition; productivity improvements; better quality control, pilot-scale production and economic data, etc. - and milestones for their achievement (e.g., set-up of test, analysis of results, presentation of recommendations) including ending events for the work programme (expert presents final report to factory management and departs) and ending event(s) for the project (end-user acts/or fails to act on proposals).

(iv) Description of UNIDO and, if appropriate, Government or industry inputs (e.g., an IRSI, Chamber of Commerce, factory, or sub-sector industrial association).

(v) Specification of who will do the required **terminal evaluation** of the project and when.

b. Revise guidelines to reduce unnecessary limitations and eliminate or define ambiguous terms such as urgent, practical, high-level, etc., to fit within an expanded (Option #1) or reduced (Option #2) scope.

c. When such new guidelines are issued, **the PRC Secretariat and the Project Appraisal Staff, on an annual basis, should sample approved project designs to determine compliance with the guidelines and need for improvements.**

## **C. At the Process Level**

### **1. Approval**

a. **There should be a simplification and speed-up in the request and approval process for small-scale SIS projects which is currently characterized by "overkill". Possible ways to accomplish this include:**

(i) Design a new request format for SIS Project Documents, as illustrated just above and in harmony with the newly designed UNIDO format for small-scale projects, including a **checklist of eligibility criteria.**

(ii) Eliminate "committee" review of all proposals of \$75,000 and under by assigning sole responsibility for their approval to the Chairman of the PRC with Secretariat staff advice. [Proposals above \$75,000 would still be subject to current Headquarter's review and approval procedures.]

(iii) **Delegate approval authority** for proposals \$75,000 or under to the field under certain circumstances, e.g., existence of a PAC at post, presence of a UCD or JPO, assurances that terminal evaluation reports will be prepared in an adequate and timely manner. UNIDO Headquarters will retain right to issue PAD for financial management and equity purposes.

(iv) Meetings of the PRC should be open to attendance **only** by UNIDO and UNDP staff members.

(v) All major deviations from the guidelines should be approved by the Director-General or his designee. Major deviations should be defined to cover: exceeding limitations on total cost, duration, and individual components; and/or, including a new field of activity for eligibility, particularly as part of an **experimental period** already suggested.

(vi) The staff work accompanying any request for exemption using the "flexibility" powers provided to UNIDO should include a projection of the ramifications of approval on fund availability, regional and country distribution, policy, etc.

## 2. Implementation

- a. If the SIS is to serve special, urgent and emergency needs, in an effective manner the **tripartite system concerning the delivery of inputs and types of activities needs to be lightened** accordingly.
- b. **To improve the speed of project implementation, the following steps should be considered:**
  - (i) Certification by backstopping office at time of approval that qualified candidates are available .
  - (ii) Agreement by Government to supply qualified candidates or waive expert clearances.
  - (iii) Agreement by UNIDO to waive competitive procurement regulations for consulting sub-contracts and testing/experimental equipment.
  - (iv) Agreement by Government to waive formal clearance of reports.
- c. Project effectiveness can be significantly improved by funding of interpreters to accompany scientists/engineers in critical problem-related training [in several projects, factory visits turned out to be the principal method of problem-solving and knowledge transfer]; and increase pool of qualified experts for problem-solving and upstream policy advice.
- d. Upon request, **delegation** of implementation responsibility can be given to the UCD and/or the Government or its designee (e.g., an industry association).
- e. A project should be declared "**operationally**" completed when all outputs have been produced and a terminal report prepared by the expert designated or the sub-contractor, including the receipt of appropriate comments from the Government, field office and BSO. It can be declared "**formally**" completed when (a) all expenditures have been processed AND (b) a terminal evaluation report has been received in Headquarters. There also needs to be better monitoring and disciplined use of the **six months automatic cancellation rule**.



### 3. Monitoring, review and evaluation

- a. **Effective allotment control is required over commitments and expenditures in the Fifth Cycle under any set of circumstances or options. Specific responsibility for maintaining such control should be formally assigned to appropriate officers in Financial Services and the PRC Secretariat and quarterly status reports required.**
- b. **The almost total non-compliance with terminal evaluation requirements must be turned around. Penalties for non-compliance must be set, e.g., revocation of delegation of approval and/or implementation to the field, freeze on any new approvals until delinquent report(s) received, etc.**
- c. **UNIDO should develop a cost-effective and feasible terminal evaluation system for SIS projects, in conjunction with its current exercise of designing and installation of a small-scale evaluation system for all UNIDO-executed projects, which provides the uncensored self-assessment by the end-user to assure its accuracy and credibility.**
- d. **When redesigning such a system for SIS, the following recommendations should be considered:**
  - (i) **BSOs should be made solely responsible for the final assessment of the quality of the outputs produced, based on their review of expert(s) terminal reports and synthesis of comments received from the Government and/or end-user as well as the field office, and assuring that copies are inserted in the official UNIDO Headquarter's SIS files.**
  - (ii) **The Project Document should indicate who will evaluate the use of these outputs for the intended purpose and, if feasible, what change or impact took place. This may be a UCD, JPO or other member of the field office, a BSO on mission, a Government official, but preferably the end-user, particularly at the plant level, if appropriate. A simple, one page evaluation form can be sent to the end-user at the same time an appraisal of the consultant's performance is presently routinely requested.**
  - (iii) **When the last project activity has taken place, e.g., presentation of an expert's recommendations, return from in-plant training, the field or BSO shall declare the project operationally completed (not to be confused with financial completion - see 2.e above) and notify the PRC Secretariat. The Terminal Evaluation Report shall be submitted within three months of this date. The status of evaluation reports should be entered into the SIS data base and monitored monthly by the PRC Secretariat.**
  - (iv) **Copies of these reports may be submitted to UNDP Headquarters at the discretion of the ResRep or as requested but such distribution should not be required. A representative sample of terminal evaluation reports, however, should be prepared for the Mid-term Joint Reviews of Programme Effectiveness.**
  - (v) **The UNIDO Evaluation Staff, on an annual and sample basis, should review these reports for compliance and adequacy and prepare a report on their findings for use by the PRC Secretariat in programme reviews.**

- e. **Require a mid-cycle joint UNDP/UNIDO review in 1994 of programme performance and effectiveness for accountability purposes and as the basis for recommendations to the Administrator for supplemental or new funding and needed changes in programme direction (i.e., monitoring critical programme assumptions). The principal input to this review should be a report from UNIDO which focuses exclusively on performance and impact indicators as revealed in the terminal evaluation reports. Such a review may be preceded or followed by an in-depth programme evaluation IF deemed necessary by the senior management of either agency.**

#### **4. Financial management**

- a. In view of the small amounts involved and except for individual country limitations based on prior usage, there should be no limitation, formal or otherwise, imposed on acceptable SIS requests from any country eligible for UNDP assistance. If, however, programme scope and resources are enlarged significantly, regional earmarking to assure some reasonable order of equity may be in order.

#### **5. Documentation and data base**

- a. The documentation in the official registry files, particularly concerning what happened, is seriously incomplete. Either some way must be found to improve this situation or the official files should be maintained in the PRC Secretariat. The SIS data bank also needs to be reviewed to include reports on matters of additional concern, e.g., operational (non-financial) status of a project, date evaluation report due and when submitted, etc.



UNITED NATIONS  
DEVELOPMENT  
PROGRAMME

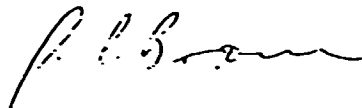


UNDP/PROG  
UNDP/PROG/FIELD  
UNDP/PROG/HQTRS

7 June 1988

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To: All Participating and Executing Agencies  
UNDP Field Offices and Headquarters Staff

From: G. Arthur Brown  
Associate Administrator 

Subject: New Guidelines for the Special Industrial Services Programme

An evaluation of the Special Industrial Services (SIS) Programme was carried out in 1985. The evaluation mission came to the conclusion that in general the programme was efficiently executed and was effective. It however proposed that the management of the programme be streamlined in order to ensure the closer involvement of UNDP Field Offices.

.....

Accordingly, following consultations with UNIDO, the attached guidelines have been prepared and agreed upon.

As indicated in para. II, 7 of the document, these revised instructions supersede all previous issuances on this subject. The material, suitably adapted, will be issued as part of the Policies and Procedures Manual.

WORKING ARRANGEMENTS AND PROCEDURES FOR THE  
SPECIAL INDUSTRIAL SERVICES PROGRAMME

I. Definition of the SIS Programme

1. The SIS programme is a source of financing established by UNDP in 1965 to meet short-term and urgent requirements of high priority projects in the industrial sector of developing countries which cannot be programmed in advance. It operates mainly through the expeditious provision of expert advisory services.

2. The level of resources of the SIS programme is determined by the UNDP Governing Council for a given cycle.

3. SIS resources are to be used particularly for countries which are in acute need of such assistance.

II. Brief Historical Evolution of the Programme

4. When the SIS programme became operational in 1966 it was meant to cover in a flexible manner urgent needs in the industrial field which could not be accommodated under the relatively long-term projects then financed under the Special Fund allocations and the medium-term activities then programmed on a biennial basis under the Expanded Programme of Technical Assistance.

5. With the introduction of the IPF system and the decentralized system of project approval many of the small-scale needs of governments in the field of industry became eligible for financing through IPF resources. To maintain a separate identity for the SIS programme and to manage the resources available, a clear distinction between the SIS programme and the IPF-funded projects was introduced in 1983. The Special Technical Assistance Programme (STAS) created in 1984 did not introduce any duplication with the SIS programme as this new programme is intended to cover all sectors without any criteria of urgency.

6. The policy "guidelines" for the operation of the SIS programme are defined in General Assembly resolution 2953 (XXVII) paragraph 5 of 11 December 1972. That resolution authorized the Administrator of UNDP and the Executive Director of UNIDO to interpret flexibly from time to time the needs met by the SIS programme as well as to establish and revise as necessary detailed working arrangements and procedures designed to give effect to the principle established in that resolution.

7. The working arrangements and procedures which are described below include most of the recommendations proposed in a recent review of the programme. The proposed working arrangements and procedures will supersede previously existing instructions contained principally in:

UNDP/PROG/12/Rev 1 (UNDP/PROG/FIELD/17/Rev 1, HQTRS/19/Rev 1) of 31 October 1972;

Amend. 1 to the foregoing document dated 9 May 1974;

UNDP/PROG/54 (PROG/FIELD/82; PROG/HQTRS/98) of 23 November 1976; and

UNDP/PROG/100 (PROG/FIELD/157; PROG/HQTRS/155) of 9 June 1983.

### III. Operational Guidelines

#### A. Type of services eligible for the SIS programme

8. On the basis of the illustrative examples of SIS services provided by the Report of the Secretary-General (Document A/6070/Rev 1 of 23 October 1965) and the recommendations made in the last programme review report (Mission Report of the Evaluation of the SIS Programme December 1985), that SIS services are to be related to practical rather than theoretical needs and geared to solving short-term, specific, urgent and clearly identified problems. Thus the following fields of activities are selected:

a) services relating to the preparation and implementation of investment projects-related to industry in respect of specific questions as choice of technology, the selection of raw materials, evaluation of tenders, and negotiations with third parties regarding contractual agreements;

b) services of a trouble shooting nature relating to the operation of manufacturing enterprises and industrial institutions in respect of problems such as defective products, low production and the urgent utilization of substitute raw materials or in respect of the introduction of new equipment, technologies and products; and

c) high policy advice on matters relating either to specific projects or industrial policies or industrial project promotion problems.

9. SIS funds should not be used for:

a) assistance in inter-country projects,

b) preparation or modification of technical assistance projects financed from IPF,

c) training fellowships abroad except arrangements which bring national technicians to the sources of specialized knowledge where they can obtain the required specific technical assistance either by advice or by first-hand observation,

d) institution-building projects, and

e) assistance in connexion with natural disasters and consequent rehabilitation and reconstruction efforts since Programme Reserve or other resources could be used for this purpose.

#### B. Financial management of the Programme

10. UNIDO will make every effort in selecting projects for implementation to ensure that no country receives a disproportionate share of SIS resources, that a reasonable geographical distribution is to be ensured, that the distribution over time of SIS resources is equitable and that the programme responds to its basic objectives. UNIDO will endeavor to promote the SIS programme in LDCs.

11. UNIDO will ensure that the level of approved budgets for implementation in a given year remains close to the level of resources as indicated by UNDP for that year and that the yearly expenditures do not exceed the approved allocations for the same year. A specific report will be prepared by UNIDO and will be available during the joint UNDP/UNIDO annual review. This report shall comprise among other items the following: appraisal, approval and reporting, type and duration of projects approved and the countries of coverage, level of approvals, timeliness of implementation and cancellations of approved projects.

C. Budgets and types of expenditure

12. The services defined above should be financed for short-term expertise and/or training. Normally such projects should not exceed 3 months but exceptionally the duration may be up to 6 months. In the case of projects involving split missions the total duration of the projects should not exceed 12 months.

13. The cost of each project should not exceed \$150,000.

14. Equipment will not normally be financed under the programme. Where in exceptional cases, equipment is to be provided, it shall be specifically for testing or demonstration purposes, its costs should not exceed US\$30,000 and UNIDO must ascertain that qualified and experienced counterparts could be made available to ensure the proper utilization and maintenance of such equipment. Complete equipment specifications should be submitted together with the project proposal, except in those cases where the project includes a split mission with a first diagnostic assignment, in which case complete equipment specifications may only be available after that assignment. The supply of equipment as the only project component does not qualify for the SIS programme.

15. UNIDO Staff mission costs are not to be financed by SIS funds. However, where it is considered that professional UNIDO staff could be from UNIDO for full-time assignment would contribute to the solution of specific problem for an SIS project, provision could be budgeted under line 11.00.

16. Once an SIS project is approved, UNIDO will forward to BPPE (Documentation/Statistics Office), DOF (Accounts Section), the concerned Regional Bureau at UNDP Headquarters, individual project data sheets for inclusion in the computer data base. The numbering of projects will be done by UNIDO, according to UNDP procedures under the designation "country/year/8x" and under sources of funds code "51". UNIDO will also submit to the concerned Regional Bureau or Unit at UNDP Headquarters and the Resident Representative, project budget revisions reflecting actual expenditures at the end of every year, for all approved projects.

17. The accounts for completed and cancelled projects will be promptly processed and reported to UNDP.

#### D. Procedures

##### 18. Submission of Requests

(a) Governments will submit their requests for assistance to the Resident Representative or the Resident Representative may, in consultation with Governments, submit request on their behalf. Resident Representatives should ensure that the central authorities are informed of the request. Each request should be presented in a simple form, contain the following information:

##### (i) Reference data

This item should indicate the country, the project title, the proposed Executing Agency - which in most cases will be UNIDO - the origin and date of the request;

##### (ii) Background information and justification

Basic data of a technical or economic nature describing the situation which led to the submission of a request should be given under this item. The urgency of the need to be met by the technical assistance request should be clearly assessed and should be



accompanied by a description of previous efforts made to solve the problem. Reference should also be made to any external technical assistance provided already in this field.

(iii) Description of the project

This part of the request should define briefly but precisely the objectives of the project, the problem to be solved, the expected outputs, the way in which activities to be undertaken are proposed to be carried out, the suggested modalities for the delivery of technical assistance and the time frame for the project's implementation. The newly devised Project Formulation Framework might be used to facilitate the project appraisal.

(b) The request should be appraised by the Resident Representative and if available by the Senior Industrial Development Field Adviser. After appraisal, the Resident Representative will forward the request within two weeks of its receipt with brief comments (one typewritten page) to the UNIDO Department for Programme and Project Development with a copy to the UNDP Regional Bureau. A provisional job description for each post has to be attached. In his comments, the Resident Representative will certify that:

- (i) the project is urgent and of a short-term nature,
- (ii) the project covers specific needs, and
- (iii) the specific problem should be fully resolved with the technical assistance provided by the project upon the successful completion of the project. The Resident Representative should suggest achievement indicators for the outputs, the necessary pre-conditions and pre-requisites and should give his personal recommendation as to whether the project should be approved or rejected.

(c) The Resident Representative is required to consult the Regional Bureau or Unit concerned with copy to the Bureau for Programme Policy and Evaluation, on all requests which are not consistent with these instructions. Any comments that UNDP Headquarters may have in respect of such SIS requests will be communicated to the Resident Representative with a copy to UNIDO.

#### 19. Project Design and Formulation

(a) UNIDO will immediately study the request, taking into account, inter alia, the provisions of this instruction, the comments received from the UNDP Resident Representative and the availability of expert(s)/consultant(s) or sub-contractor. Any additional information or clarification which may be needed by UNIDO will be requested through the UNDP field office.

(b) The draft project document will include the following points: a cover page, justification of the project, definition of objectives, enumeration of outputs with achievement indicators, activities, list of phased inputs, and a detailed work plan. When applicable, an itemized equipment list, job descriptions, terms of reference and nomination forms will be attached as annexes.

(c) The descriptive part of the project proposal should present the necessary information as concisely as possible. If the proposal is approved, it will serve as the project document.

#### 20. Approval process

(a) Within four weeks of the receipt by UNIDO headquarters of the government request accompanied by the Resident Representative's endorsement either a decision regarding approval of the project shall be taken or a request for additional information required, as per para 19, above shall be submitted to the Resident Representative.

(b) Once approved, the project document will be transmitted to the Resident Representative, and the Regional Bureau or Unit concerned at UNDP Headquarters. The Resident Representative will transmit a copy of the project document to the Government and on behalf of UNIDO and UNDP, inform the Government of the approval of the project and the date when the implementation of the assistance is to start.

(c) As a rule, the Government should be informed by telex through the Resident Representative on the decision taken within 8 weeks after receipt of the request by the UNDP field office .

## 21. Project Implementation

(a) As soon as the project is approved, the candidatures of consultants or the references of sub-contractors will be submitted to the field office for clearance with the Government. Six weeks from the date of submission to the Government of candidates or sub-contractor should be the usual deadline for the Government's decision. If no decision is taken by the Government before the deadline the UNDP field office should inform, after UNIDO's approval, the Government that the project is cancelled. A copy of this communication should be sent to UNIDO, BPPE (Documentation/Statistics Office), DOF (Accounts Section), and the Regional Bureau concerned at UNDP. This deadline also applies to the submission of participants in study tours. The Government should be invited to propose consultants or subcontractors to undertake project activities.

(b) UNIDO should ensure the availability of any equipment when the project personnel is fielded.

(c) SIS projects not operational within six months after approval will be cancelled by UNIDO after consultation with the Resident Representative and the Regional Bureau concerned at UNDP. BPPE (Documentation/Statistics Office) and DOF (Accounts Section) should be informed.

## 21. Reporting Procedures

(a) The expert/consultant or the sub-contractor will submit as early as possible for review the terminal report to the substantive office of UNIDO which will send copies with brief comments to UNDP Headquarters, Regional Bureau concerned and to the Resident Representative who will transmit the final report with comments to the Government.

(b) As any recommendations arising out of a project should be quickly implemented by the Government, such recommendations may be submitted unofficially to the Government, UNDP and UNIDO by the expert/consultant upon completion of his mission. UNIDO should transmit its comments on the recommendations to the Government and UNDP within one month of their receipt.

(c) On the basis of the terminal report and preliminary comments of UNIDO, a Terminal Assessment Report will be prepared by the UNDP field office which will include the views of the office and those of the Government concerning quality and timeliness of project inputs, actual results achieved, the use which the Government intends to make of the results and the Government's position to derestriction of the report. It will be forwarded to the UNIDO substantive office for additional comments and to UNDP Headquarters for final comments. The Terminal Assessment Report should not exceed one typewritten page. This will be used for the periodic review of the programme. It should be completed six months after the termination of the project.

## 22. Programme Review

(a) UNDP and UNIDO Headquarters will jointly review the qualitative and quantitative aspects of the programme once a year at UNIDO Headquarters at a mutually convenient time. UNDP has designated the Bureau for Programme Policy and Evaluation as responsible for undertaking with UNIDO the joint annual review of the SIS programme.

(b) The review itself, based upon UNIDO's specific report as provided for in para 11; will be undertaken to assess the effectiveness and impact of the SIS programme. A joint report on the review will be prepared and submitted to the senior management of UNDP and UNIDO for consideration.

## ANNEX B

In-Depth Evaluation of the SIS Programme

## TERMS OF REFERENCE

I. BACKGROUND

## 1.1. The SIS Programme

The Special Industrial Services Programme is a fund established by UNDP for the purpose of serving specific needs of developing countries in their industrial development process. The fund was designed to meet short-term and urgent requirements which cannot be pre-programmed but need to be solved as soon as they occur.

Policies for the operation of that fund are defined in General Assembly Resolution 2953 (XXVII), paragraph 5, of 11 December 1972. By that resolution the Administrator of UNDP and the Director General of UNIDO are authorized to interpret flexibly the needs met by the SIS programme as well as to establish and revise detailed working arrangements and procedures. The latest version of guidelines for the SIS programme were issued by UNDP New York after consultation with UNIDO on 7 June 1988. A detailed programme description is contained in that paper and should be reviewed during the evaluation.

## 1.2. The Evaluation

The Secretariat of the Project Review Committee (PRC) requested the UNIDO Evaluation Staff to undertake an in-depth evaluation of the SIS programme in accordance with the guidelines of that programme. Since the cycle of the programme is terminating by the end of 1991, it was felt appropriate to time the evaluation prior to that to provide management with substantive findings on the programme's attainments and operations, with a view to enhance the programme. This evaluation will be conducted as an UNIDO evaluation with cooperation and limited financial input of UNDP.

## 2. SCOPE, PURPOSE AND METHODS OF THE EVALUATION

The evaluation will concentrate on the present cycle of the SIS programme. In accordance with established rules and practices, the following should be undertaken in the scope of the in-depth evaluation:

At the programme level:

1. To review guidelines and criteria governing the SIS programme and assess whether these are conducive to the programme's objectives;
2. To review whether SIS criteria utilized in the programme has led to optimum results or whether different criteria would be more suitable;
3. To identify external factors that have facilitate the achievements of the programme's objectives, as well as those factors that have impeded the fulfillment of those objectives;

4. To review the distribution of assistance by region, subsector and function to identify main beneficiaries and assess whether this distribution is in accordance with the programme's objectives;

At the project level:

5. To analyze whether projects comply with programme guidelines and meet established criteria or whether projects may rather qualify for other sources of funding;

6. To categorize the type of problems addressed by SIS projects under each function so as to develop an internal checklist for PA;

7. To analyze the origin and relevance of projects to the immediate objective of the recipient and possibly to the development process of the recipient country, i.e., whether actual development problems are addressed and solved by these projects;

8. To analyze the anticipated (planned) impact of projects, to the extent possible from project documentation and assess the actual impact of a limited number of projects through field missions and/or questionnaires to respective counterparts and field offices, to compare and contrast planned and actual use of project inputs;

9. To analyze main problems encountered by projects during their implementation and the causes of delays in implementation;

10. To assess the adequacy of counterpart support capacity;

11. To review and analyze whether projects which had been the subject of negative appraisal but were still approved and, if any examples exist, their outcome.

### 3. EVALUATION PROCEEDINGS

The evaluation will be carried out mainly by one independent consultant who has not been directly involved in the programme or in design, appraisal or implementation of projects. The consultant will be supported by the UNIDO Evaluation Staff and the Project Appraisal Section in her/his desk review of materials, gathering of data, consultations, interviews and internal discussions as required. Part of the field missions might, if required, be carried out in co-operation with the Evaluation Staff. The consultant and the UNIDO Evaluation Staff will undertake some field visits.

During field mission(s) the evaluation will maintain close liaison with the resident representative of UNDP, local UNIDO staff, the concerned government organisations, the project's national staff, and any other relevant group of people.

### 4. TIMETABLE OF THE EVALUATION AND REPORTING

The evaluation will be conducted mainly as a desk review for which the international consultant and field visits to a selected number of countries and projects. During the first three weeks of the desk review, to be undertaken at

UNIDO headquarters, the selection of those projects should be made in co-operation with the Evaluation Staff and the Project Appraisal Section. The field mission should take place immediately after three weeks of desk work, leaving the last week of the Vienna-based assignment for final discussions with Headquarters staff concerned after the completion of field mission(s) and report writing.

A draft report, in accordance with UNIDO standards, will be handed over by the consultant to the Evaluation Staff prior to her/his departure from Vienna. The final version of the report will be submitted within ten days after completion of the assignment in Vienna.

A tentative schedule could be as follows:

10 days	Desk review and interviews at UNIDO, Vienna
10 days	Field missions to selected countries in different geographic regions, with emphasis on African countries
7 days	Finalization of desk work, report writing and final briefing at UNDP Headquarters

UNDP will provide a contribution of US\$10,000 to UNIDO for this exercise.