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TECHNICAL CO-OPERATION ACTIVITIES OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

Prepared by

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Joint Inspection Unit

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INTRODUCTION

1. At this crucial moment in the history of UNIDO, the Joint Inspection Unit has decided to devote a report to technical co-operation activities of that Organization.

2. UNIDO became a specialized agency in the United Nations system 1 January 1986, giving effect in 1985 to the recommendation of the Lima Conference held in 1975 and endorsed the same year by the United Nations General Assembly at its seventh special session. Under its Constitution, the primary objective of the Organization is the acceleration of industrial development in the developing countries.

3. In 1986, the UNIDO secretariat was restructured in order to strengthen the capability of the Organization to fulfil its mandate and to enhance its operational efficiency.

4. The moment thus seems to be ripe to carry out an examination of the technical co-operation activities of UNIDO for the purpose of assisting the Organization in the context of its change of status and structure and improving the effectiveness and efficiency of its technical co-operation programmes and projects.

5. To that end, we held in-depth discussions with the senior UNIDO staff responsible for technical co-operation, collected appropriate documentation and visited a number of projects.

6. We would like to take this opportunity of expressing our appreciation to governments of the countries visited, to the Director-General of UNIDO and his staff, for the assistance they gave us in carrying out this study.

I. REALIZATION OF GENUINE GROWTH IN TECHNICAL CO-OPERATION ACTIVITIES AND IMPROVEMENT OF THEIR DISTRIBUTION BY COUNTRY AND BY INDUSTRIAL SECTOR

7. This chapter is devoted to an examination of increase in the sums allocated to these co-operation activities (section A). The evolution and geographical distribution of the funds in question are then retraced by region (section B) and by industrial sector (section C).

A. Development in absolute terms

8. Between 1977 and 1986, UNIDO expenditures on technical co-operation activities increased from US$ 44 million to US$ 100 million, an annual average growth rate of about 9 percent (see table 1). Taking into consideration the average rate of inflation during the period under consideration (about 7 percent worldwide), there was a consistent pattern of growth in real terms in technical co-operation project implementation. Nevertheless, the rate of increase in total resources made available to UNIDO for technical co-operation projects (from US$ 128 million in 1977 to US$ 255 million in 1986) was not significantly greater than the average rate of inflation.

Table 1. Evolution of funds devoted to technical co-operation
(Millions of US dollars)

Year	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Amount	44	55	71	76	89	92	78	87	94	100

Sources: Annual reports of UNIDO for 1975 and 1986.

9. The increase in resources for industrial technical co-operation projects was primarily a result of the allocation to industry by the countries concerned of a larger share of their indicative planning figures (IPF). This share grew from 11 percent of all technical co-operation activities during the first UNDP cycle to 15 percent during the first four years of the third UNDP cycle (see table 2).

Table 2. Evolution of the share of IPF assigned to UNIDO in UNDP country programmes approved during the first three programming cycles

	First cycle 1972-1976	Second cycle 1977-1981	Third cycle 1982-1985
A. IPF (UNDP)	1,144	1,808	3,714
B. Amounts programmed	1,091	1,855	2,968
C. Amounts assigned to UNIDO	118	230	432
$\frac{C}{B}$ in %	11	13	15

Sources: Annual reports of UNIDO for 1980 and 1985.

B. Adjustment of geographical distribution

10. The share of IPF allocated to industry in 1972-1976 and 1981-1985 was lower in Africa and in the Arab Countries (see table 3, page 4) and distinctly higher in Latin America, Asia and the Pacific, and Europe. These differences are repeated from cycle to cycle and seem to reflect ceteris paribus an important phenomenon, namely, the difference in the stage of industrialization reached by each of these regions. It would appear that the more advanced the degree of industrialization of a region the greater the share of the IPF devoted to industry.

11. This observation is confirmed by examining the share of IPF assigned to industry by each country. If, in each of the five regions, we choose: (a) a country in which the industrial sector is "poorly" developed; (b) a country in which the industrial sector is "moderately" developed; and (c) one in which it is "broadly" developed, it can be seen that the more intense the process of industrialization the higher the share of IPF devoted to the industrial sector (see table 4, page 5).

12. In Africa, the share of IPF allocated to industrial projects rises from 3.7 percent in Botswana to 7.7 percent in Mali and 51.4 percent in Kenya. In Asia, this share progresses from 0.2 percent in Afghanistan to 12.1 percent in Malaysia and 39.8 percent in India. The same phenomenon is apparent in Latin America. In Costa Rica, a "poorly" industrialized country, the share of IPF devoted to industry is 0.6 percent; in Chile, a "moderately" industrialized country, it rises to 4.5 percent and in Brazil, a "broadly" industrialized country, it reaches 7.2 percent. In Europe, too, the greater the degree of industrialization of the country the greater the share of IPF allotted to industrial projects. In Albania, it is only 0.4 percent, in Turkey 42.8 percent, and, in Czechoslovakia, it is over 94 percent.

13. This classification of countries according to their level of industrialization is also instructive when it is linked to the size of the contribution made by each government. The more advanced a country's industrialization, the greater the sums its government devotes to the financing of industrial projects as a counterpart to UNDP participation. Thus, in Africa, the governmental contribution rises, in millions of United States dollars, from 0.1 in Botswana to 0.8 in Mali, and to 27.7 in Kenya. In Asia, it progresses from 0 in Afghanistan to 0.9 in Malaysia and 39.3 in India. The same phenomenon is noticeable in Europe: 0 in Albania, 2.5 in Turkey and 24.7 in Czechoslovakia.

14. It is obviously necessary to take account of the size of each country, its population, its gross domestic product and other factors. Nevertheless, there is usually a strong correlation between the stage of industrialization, on the one hand, and the share of IPF devoted to industry and the volume of governmental contributions on the other.

15. This correlation would be even closer if, instead of considering the IPF funds devoted to industry, we introduced the sums allocated to projects (experts, training, equipment and sub-contracting). The first indications show that the correlation is stronger if we examine, in the "poorly" industrialized countries, the share of IPF devoted to training, in the "moderately" industrialized countries, the share of IPF spent on experts and, in the "broadly" industrialized countries, the share of IPF devoted to equipment and sub-contracting.

Table 3. Distribution by region: Expected UNIDO share in the approved country programmes

(Millions of US dollars and percentages)

Region	First cycle 1972-1976				Second cycle 1977-1981				Third cycle 1982-1986			
	IPF alloc.	Total amount progr.	Alloc. for UNIDO projects	UNIDO share of amount progr. in %	IPF alloc.	Total amount progr.	Alloc. for UNIDO projects	UNIDO share of amount progr. in %	IPF alloc.	Total amount progr.	Alloc. for UNIDO projects	UNIDO share of amount progr. in %
Africa	323	313	25	8	580	491	52	11	1,695	1,214	154	13
The Americas	278	265	28	11	312	303	41	13	388	347	54	16
Arab States	170	168	17	10	192	261	25	10	360	429	47	11
Asia and the Pacific	310	286	39	14	657	733	95	13	1,425	1,109	195	18
Europe	63	59	10	16	67	66	16	25	81	73	18	25

Sources: Annual reports of UNIDO for 1975, 1980 and 1985.

Table 4. Share of IPF devoted by certain countries to industrial projects in course of execution on 30 September 1985

(Millions of US dollars)

Region / Country	Funds assigned to all the current projects				Funds assigned to the current industrial projects				Share of funds assigned to industrial projects in total funds (Total 2 in %) (Total 1)
	Total 1	UNDP	Contributions of third party governments and beneficiary government (cost sharing)	Contributions of the beneficiary government in local currency	Total 2	UNDP	Contributions of third-party governments and beneficiary government (cost sharing)	Contributions of the beneficiary government in local currency	
Africa									
Botswana	12.2	9.2	1.8	1.2	0.5	0.4	0	0.1	3.7
Mali	51.7	39.4	2.2	10.2	4.0	3.3	0	0.8	7.7
Kenya	63.5	31.9	2.4	29.3	32.9	5.2	0	27.7	51.4
Arab States									
Djibouti	5.9	4.8	0.4	0.6	0.1	0.1	0	0	1.6
Morocco	44.2	18.8	1.5	23.9	2.9	2.2	0	0.7	8.5
Egypt	114.8	30.9	4.6	79.3	24.6	8.2	0.3	16.1	21.4
Asia									
Afghanistan	48.8	40.5	0.9	7.4	0.1	0.1	0	0	0.2
Malaysia	33.9	13.5	1.2	19.2	4.1	3.2	0	0.9	12.1
India	300.2	202.6	7.2	90.4	119.4	72.9	7.2	39.3	39.8
Latin America									
Costa Rica	4.6	2.9	1.6	0.1	0.1	0.1	0	0	0.6
Chile	22.1	15.4	2.6	4.1	1.0	0.7	0	0.3	4.5
Brazil	51.5	23.7	15.2	12.6	3.8	3.3	0.4	0.1	7.2
Europe									
Albania	23.9	8.9	0	15	0.1	0.1	0	0	0.4
Turkey	28.3	15.6	5.2	7.5	12.1	6.6	3.0	2.5	42.8
Czechoslovakia	28.5	2.5	0.2	25.8	26.9	2.0	0.2	24.7	94.4

Sources Figures worked out by ourselves from data supplied by the Compendium of Approved Projects as of 30 September 1985, UNDP.

16. UNIDO should engage in research so as to explore more thoroughly these correlations and their implications. It would be a matter, inter alia, of confirming whether, in addition to the group of the least developed countries (LDCs), all of which are "poorly" industrialized, it might not be useful to distinguish a second group of "moderately" industrialized countries and a third group of "broadly" industrialized countries.

17. This classification into three groups could constitute a useful working tool. It would make it possible to rely on similarities between countries having reached the same stage of industrialization and to work out industrial projects to meet the present needs.

18. This would lead to a concentration of efforts in the "poorly" industrialized countries on the training of basic industrial personnel, the execution of projects for the processing of products derived from agriculture, stock-raising and fishing, and the supply of simple and robust material and equipment.

19. In the "moderately" industrialized countries, priority would be given to the training of supervisory industrial personnel and the encouragement of processing industries which produce a significant added value. More scpnisticated equipment would be procured for these countries and the experts sent there would be responsible for training instructors.

20. In the "broadly" industrialized countries, efforts would be focused on training programmes for high-level industrial specialists, the development of advanced technology industries, the sub-contracting of research agreements and the setting up of joint industrial ventures in third countries.

C. Balanced distribution by industrial sector

21. This classification of countries according to their stage of industrialization would also make it possible to detect and then to correct the tendency for the "broadly" industrialized developing countries to attract more industrial projects than the countries belonging to the two other groups. Moreover, due to their experience, the abundance of their industrial personnel and the diversity and extensiveness of their industrial sectors, the countries in the first category succeed in benefiting relatively more from projects.

22. Examining the evolution of funds allocated to technical co-operation reveals that engineering and chemical industries, i.e., the two sectors which exist more frequently in the "broadly" industrialized countries, benefited from 35 percent of the total funds between 1977 and 1982 and from 40 percent of the funds in 1985 (see table 5, page 7). On the other hand, the amounts allocated between these two dates to the most common industrial sectors in the "poorly" or "moderately" industrialized countries, such as the institutional infrastructure, factory establishment and management, and training, declined or remained static.

Table 5. Technical co-operation activities: Project expenditures, 1977 to 1986, by programme and programme component
(Millions of US dollars)

Programme/Programme component	1977-1981	1982	1983	1984	1985	1986
Office of the Executive Head	- b/	- b/	- b/	- b/	0.2	0.2
Division of Policy Co-ordination	3.6	0.8	0.6	0.10	1.3	1.8
Division of Industrial Operations						
Programme formulation and direction	2.9	0.7	1.2	0.5	0.5	0.2
Industrial planning	21.3	4.4	4.4	5.8	7.3	6.5
Institutional infrastructure	47.6	11.9	10.4	10.4	9.8	12.9
Factory establishment and management	15.4	3.7	3.2	2.9	3.9	5.0
Training	29.3	6.7	6.1	5.7	5.8	5.4
Feasibility studies	14.3	4.8	4.5	4.3	5.3	5.8
Agro-industries	40.3	12.2	10.9	9.7	9.9	8.8
Metallurgical industries	36.9	9.2	5.7	6.3	7.2	9.7
Engineering industries	43.2	14.0	9.5	13.9	13.9	14.2
Chemical industries	67.3	18.9	17.1	22.1	24.5	24.6
Investment co-operative programme	6.1	2.5	2.8	3.2	2.9	3.7 a/
Division for Industrial Studies	6.0	1.6	1.5	1.3	1.7	)
Division of Conference Services, Public Information and External Relations	0.2	0.1	0.1	0.2	0.1	) 1.3
Other	0.2	0.1	- b/	- b/	- b/	)
Total	334.6	91.6	78.0	86.4	94.3	100.1

Sources: Annual reports of UNIDO for 1985 and 1986.

a/ Now outside the Division of Industrial Operations.

b/ Less than US$ 50,000.

23. UNIDO would, incidentally, be well advised to revise the concepts on which its current division by industrial activities is based. It is probable that it cannot continue indefinitely to make use of a classification which divides technical co-operation activities into two main categories: assistance to certain industrial branches (chemical industries, engineering industries, metallurgical industries, agro-industries) and more general assistance in industrial planning, feasibility studies, industrial training and development of institutional infrastructure. Although such a classification is convenient, easy to visualize and practical, it leaves aside some contemporary problems which are at the very heart of industrial development. The latter would be more effectively taken into account by a thematic classification laying the emphasis, for instance, on:

(a) strengthening measures for the control of industrial pollution;

(b) preparing energy-saving policies and making use of new sources of energy;

(c) taking steps to economize on scarce resources (drinking water, arable land, forests);

(d) promoting the decentralization of industry;

(e) stimulating sectorally balanced industrial development activities;

(f) applying technologies suited to situations of abundant labour and scarce capital;

(g) fostering advanced technology in the most developed of the developing countries;

(h) improving the financial management of industrial enterprises; and

(i) strengthening scientific documentation centres, research and development units and facilities for the in-service training of scientific staff.

II. ACHIEVING CONVERGENCE OF PROGRAMMING ACTIVITIES

24. The programming of technical co-operation activities, i.e., the formulation of a programme which embodies all the projects executed by UNIDO for a given country, binds them together and ensures that they contribute to the attainment of main objectives, is a prerequisite for the success of all the later work of identifying, preparing and executing projects. Without integrated programming, it is difficult to identify projects which are complementary to one another and which will meet priority needs in good time. However, such programming requires inter alia: (a) formulation of a coherent and integrated programme for each country; (b) defining more clearly objectives for the programming process; and (c) programming processes at headquarters and in the field that are complementary to and strengthen one another. All in all, UNIDO needs to organize and supervise the convergence of all programming activities, particularly in the case of countries where there are many projects.

A. Establishment of an integrated country programme

25. Before the restructuring of the secretariat, technical co-operation programming had to cope with two disadvantages: the multiplicity of departments having a hand in the programming process and the disparity of the projects. In more than one case, programming consisted simply of giving a formal framework to a set of pre-existing projects.

26. The restructuring of the secretariat should improve UNIDO's programming of technical co-operation. For each country concerned, UNIDO should try to work out, whenever the size and the number of projects so justify, a multi-annual industrial programme supported by a well-established strategy and designed to achieve some carefully considered objectives. The industrial projects to be included in that strategy for the purpose of achieving those objectives would then be selected and would form the content of the programme. The choice of projects should be dictated by the general economics of the programme.

27. Such a development could only be introduced gradually, of course, owing to the fact that, whenever a programme is prepared, it is necessary to include in it projects already being executed, even if they do not necessarily follow the main lines of the programme.

28. It goes without saying that a technical co-operation project can and must find its primary justification in itself, i.e., it must meet a need or render an intrinsic service. The project must then be closely linked, both upstream and downstream, to the other projects in its sector. Finally, the project must be logically integrated into an industrial technical co-operation programme. However, this last condition should not be immediately imposed on every technical co-operation project but should be gradually achieved over a long term so that the logic underlying the UNIDO programmes is clearly perceived by the beneficiary countries. It is quite impossible for UNIDO to carry on giving technical assistance to a country for dozens of years and covering more and more extensive and varied industrial areas without that assistance having a modicum of coherence. It is this internal coherence of the programme that results in the integration of the projects into a programme.

29. The restructuring of the secretariat should make it possible for UNIDO to introduce improved co-ordination of the headquarters' units involved in programming work and, more particularly, in the preparation of UNIDO's contribution to country programmes within the context of the UNDP cycles. Before the restructuring, the Programme Development and Evaluation Branch, the Regional and Country Studies Branch and, in some cases, a field mission used to produce documents related to the industry sector of the programmes. These different documents are now better co-ordinated and consolidated:

(a) The Regional and Country Studies Branch in consultation with the Area Programmes Division prepares studies for the countries for which, in the coming year, UNDP country programming exercise is planned.

(b) UNIDO country programming missions would have such country studies in their possession before leaving for field visits and could base their work upon the analysis and conclusions of those.

(c) Area Programmes Division would then consolidate the whole into a co-ordinated set of proposals for the industry sector as UNIDO's participation in the country programmes.

30. A chronological link would thus be established between the headquarters' studies, the field investigations and the resulting contribution of UNIDO to the country programmes. This would avoid situations in which UNIDO prepared country studies or organized missions whose conclusions and recommendations were presented either too soon or too late to be incorporated in the programming.

31. By combining together in the same department the Regional and Country Studies Branch and the Programme Development and Evaluation Branch, which had previously belonged to two different divisions, the new organization facilitates the planning of the various stages of programming along the lines indicated above.

B. Definition of main objectives for the programming process

32. Member States are, of course, responsible for preparing the strategy on which the programme must be based and choosing the main objectives which the strategy should make it possible to achieve. It is, nevertheless, in the interests of UNIDO and of the developing countries alike that UNIDO should have an opportunity to provide advice and assistance in this area.

33. For example, developing countries could benefit from UNIDO's advice in deciding whether to follow a strategy based on the systematic transfer of technology or one based on strengthening industrial research and development infrastructures to develop indigenous technologies. In some of the countries visited, transfers of technology had turned out to be unsuitable, expensive and difficult to assimilate. On the other hand, the development of local industrial research and development centres and the establishment of closer links between private laboratories, university laboratories and the government institutions could, in many cases, help to avoid transfers of obsolescent or unsuitable technology. These questions should be considered in greater depth by UNIDO, so as to decide upon the most suitable programmes to assist developing countries in their selection of appropriate strategies for the acquisition, transfer, adaptation, development and application of technology.

34. Another equally crucial question also deserves the attention of UNIDO. In establishing conditions favourable to the strengthening of industrial co-operation among several countries, should the accent be placed primarily on the industrial specialization of the countries in question or on the need to carry out, prior to any joint industrial venture, some generalized industrial development in each of the countries? A clear answer would help to establish programmes which would make an effective contribution to industrial co-operation and integration. Discussions during field missions have shown that countries have much need of clear ideas on this subject and would appreciate UNIDO's assistance.

35. The interaction between the internal market as the driving force for industrial development and the external market as a necessary complement (but solely as a complement) also deserves thorough consideration, country by country, so as to work out sensible and well-adapted development programmes.

36. This list of questions, with a view to defining clearer objectives for the programming process, is far from exhaustive. Most of those dealt with in section C of the preceding chapter could be added to it.

C. Encouragement of greater interaction between programming at headquarters and in the field

37. Headquarters programming should be harmonized with that of the national programming departments, where such departments exist. There are several countries which, so far, do not have such departments and which are thereby handicapped in carrying out all technical co-operation activities, particularly programming.

38. To remedy this situation, Senior Industrial Development Field Advisers (SIDFAs) working closely with the UNDP resident representatives and with appropriate national authorities could provide useful assistance. In the programming area, SIDFAs can assist in the following areas:

(a) Keeping an up-to-date calendar of preparatory work and meetings for the country programmes belonging to their region and preparing, in advance, to play an active part in them in close liaison with headquarters.

(b) Co-operating with countries, which so require, in the establisment of central programming services.

(c) Encouraging the national technical co-operation departments to work out programming methodologies.

(d) Helping the national programming departments to translate into coherent and integrated technical co-operation programmes the industrial objectives of the countries' economic and social development plans.

III. RATIONALIZATION AND ACCELERATION OF PROJECT IDENTIFICATION AND FORMULATION

39. The identification and formulation of technical co-operation projects raises many questions which can be combined together into two basic themes: how the identification and formulation of projects can be rationalized (section A) and how the time needed for these operations can be shortened (section B).

40. Before tackling these questions, we should take note of the establisment within the new structure of UNIDO (see annex 1) of a new Project Review and Appraisal Division which co-operated closely with other relevant organizational units within the Department for Programme and Project Development and with the Department of Industrial Operations in identifying and formulating technical co-operation projects. The Project Appraisal Unit could make a valuable contribution to improved project formulation, but it should be provided the necessary staff to carry out its functions in a timely, effective manner.

A. Rationalization of project identification and formulation

41. The most striking aspect of the work of identifying and formulating technical co-operation projects is the large number of ideas for projects. They arise from all kinds of sources listed in no particular order, such as national committees, UNIDO field missions by substantive and programme officers, SIDFAs, Junior Programming Officers (JPOs), UNDP resident representatives, government delegates visiting Vienna, ad hoc expert group meetings, solidarity meetings, investment promotion meetings, consultation meetings, research and studies carried out by the Studies and Research Division and the Division for the Development and Transfer of Technology.

42. A large number of the ideas put forward are then passed to the substantive and programming departments for formulation purposes, but there is no certainty in many cases that these formulations will subsequently take on a practical shape.

43. In order to deal systematically and efficiently with the large number of project ideas and proposals, UNIDO could establish a list of technical co-operation project ideas (a roster) similar to the lists of experts and of equipment suppliers.

44. This list would bring together ideas emanating from the sources mentioned at the beginning of this section and would be regularly updated so as to eliminate obsolete projects or projects no longer meeting countries' requirements.

45. Such a list would also contain information indicating the possibility of funds being obtained to finance each of the projects recorded. If funding seemed unlikely, the project in question should not be developed further.

46. The Department for Programme and Project Development has its own technical co-operation project pipeline, which should serve as the basis for programme planning and project development by UNIDO as a whole.

B. Reduction in time taken for project identification and formulation

47. If the time taken to identify, formulate and approve technical co-operation projects is excessive, there is the danger that, when approved, the projects may no longer meet the requirements prevailing at the time of their conception. It is therefore important to keep this time to a minimum consistent with the need to ensure high quality of project design.

48. There are many reasons why project formulation can be so time consuming. Within the Organization, the projects give rise to various drafts which go backwards and forwards between the substantive departments and the technical co-operation programming units. In order to limit the number of these shuttling movements, UNIDO could set up an interdepartmental working party for each major project. This working party would be confined to the task and the means of ensuring that the project was formulated within the shortest possible time */.

49. A second cause of delay in identifying and formulating projects arises from the fact that the latter make numerous trips to and from UNIDO, to the countries concerned and to UNDP which last for weeks, sometimes months and, in a few cases, years.

50. This delay could be avoided by despatching a mission made up of one or more headquarters and UNDP officials who would be responsible for preparing on-the-spot, in consultation with the government departments concerned, a draft detailed project document which would be definitive and acceptable to the parties concerned.

51. These suggestions are far from being exhaustive. In view of the importance of efficient and timely project formulation, it might be useful for UNIDO to carry out a study for the purpose of determining (a) the amount of time required at each stage for technical co-operation project identification and formulation and (b) the financial and human resources allotted to this work.

52. The study should make some recommendations concerning harmonization of the identification and formulation functions of the various services and steps in order to shorten the time required.

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*/ Such working parties would be located upstream from the task forces currently responsible for supervising the execution of major projects.

IV. ENSURING AUTONOMY OF FINANCING AND CHANNELLING MORE RESOURCES TOWARDS EXECUTION

53. Securing increased financing of UNIDO's technical co-operation programmes and projects and ensuring full control by member States of the mobilization and management of such resources will depend on the answers to the following questions:

(a) How can the financing autonomy of UNIDO technical co-operation activities be guaranteed?

(b) How can the cost of projects be reduced and their earnings be increased so as to ensure that member States do not have to subsidize them indefinitely?

(c) How can project support costs be reduced and delivery rates increased?

54. Before dealing with these questions, a word must be said about the Investments Promotion Services. The latter secure some significant funds (several hundreds of millions of United States dollars) for the execution of industrial projects in developing countries. These projects supplement the UNIDO technical co-operation programmes, and the two types of project serve complementary ends.

55. Through investment promotion operations, the donor countries try to help their small- and medium-sized industries to take root more effectively in developing countries. They also aim at encouraging the export of "know-how" by their industrialists. In all cases, it is a matter of capital investment operations which should produce profits and which put the private sectors of the donor and beneficiary countries in touch with one another.

56. The developing countries, moreover, make great efforts to attract such investments. Nevertheless, they need financing for projects which are not financially profitable either in the short or medium term, such as training, strengthening of institutions, pre-feasibility studies or research. The profitability of such projects can often be calculated only in social terms. Moreover, these are public projects executed at the request of governments.

A. Ensuring autonomy of financing for technical co-operation programmes

57. If we divide the sources of financing for UNIDO's technical co-operation activities into two main categories, UNDP resources and UNIDO resources, we observe that, between 1972 and 1986, the share of the former has declined from 82 percent to 65 percent, and the latter's share has increased from 18 percent to 35 percent (see table 6, page 15). IPF resources account for the bulk of UNDP project financing. On the other hand, in recent years, expenditures from funds directly managed by UNIDO have been distributed almost evenly between the regular budget allocation for technical assistance, the Industrial Development Fund (IDF) and various trust funds.

Table 6. Changes in respective shares of sources of financing for UNIDO technical co-operation

	1972-1976 a/		1977-1981 a/		1985		1986 b/	
	10^6	%	10^6	%	10^6	%	10^6	%
1. UNDP	23.2	82	51.2	76	63.5	67	73.7	74
A. IPF c/ and counterpart contributions in cash	19.7	70	46.0	69	58.6	62		
B. SIS d/ and special measures for the LDCs e/	3.5	12	4.5	6	2.7	3		
C. Funds administered by UNDP	-	-	0.7	1	2.2	2		
2. UNIDO	5.2	18	15.0	23	28.1	30	25.9	26
A. Regular programme	1.8	6	3.0	5	9.0 g/	10		
B. IDF f/	2.2	8	8.4	13	10.9	11		
C. Special trust funds	1.2	4	3.6	5	8.2	9		
3. Other funds	-	-	0.7	1	2.8	3		
Total	28.4	100	66.9	100	94.4	100	99.6	100

Sources: Various annual reports of UNIDO.

a/ Annual average.

b/ Annual Report of UNIDO for 1986, Statistical annex, table 4.

c/ Indicative planning figure.

d/ Special Industrial Services.

e/ Least developed countries.

f/ Industrial Development Fund.

g/ Including US$ 5.0 million for the Industrial Development Decade for Africa.

58. Member States of UNIDO have varying degrees of influence in the use of these different categories of resources. As regards IPF resources, decisions are made by UNDP and the developing country concerned; UNIDO policy-making organs are simply informed of project approvals and expenditure. UNIDO policy-making organs also can do little more than to take note of the volume and distribution of UNDP resources allocated to Special Industrial Services (SIS) and special measures for the least developed countries (LDCs). However, UNIDO policy-making organs do have considerable ability to influence the use made of support cost reimbursement received from UNDP, since these resources are used to finance the staffing proposals contained in the Director-General's operational budget estimates.

59. Under the terms of article 13 and annex II of UNIDO's Constitution, 6 percent of the total of the regular budget shall finance technical assistance activities. The management of these resources now depends on the member States. In addition, UNIDO policy-making organs (especially the Industrial Development Board) continue to provide general policy guidance to ensure that the resources of the Industrial Development Fund are employed with maximum efficiency and effectiveness in pursuance of the purposes of the Fund (General Assembly resolution 31/203, annex).

60. Member States' scope for taking decisions has, as may readily be seen, grown steadily, but it remains fairly limited. In this respect, member States might consider the possibility of gradually consolidating UNIDO's own technical co-operation financing resources (as distinct from UNDP resources) into annual contributions. This would have many advantages: UNIDO would have assured financing which would enable it to improve management of its technical co-operation programmes; financing procedures would be simplified and standardized, which would correspondingly facilitate monitoring by member States through UNIDO's legislative organs.

61. Member States might establish the principle of programming these contributions over several years, similar to the UNDP cycles. This would enable UNIDO to improve planning of its medium-term activities and co-ordinate its own activities more effectively with those financed by UNDP. IAEA has had favourable experience with a similar approach to its voluntary contributions from member States for technical co-operation activities.

B. Reduction in agency overhead costs and improvement of rate of delivery

62. The share of expenditure at headquarters on support costs for technical co-operation projects varied from 25.7 percent in 1982 to 31.2 percent in 1983 of the total cost of these projects (see table 7, page 17). This share is high, especially when compared with the 13 percent for overheads which UNDP allocates to UNIDO.

63. In addition, UNDP uses this discrepancy as justification for allocating many technical co-operation projects to its Office for Project Execution (OPE). Without reopening the debate on the comparative costs of delivery by the agencies and by OPE, it must be acknowledged that expenditure at headquarters in support of UNIDO technical co-operation projects is in fact still too high and should be further reduced.

Table 7. Programme support costs
(Millions of US dollars)

	1981	1982	1983	1984	1985
1. Support costs					
Indirect	6.9	6.3	5.9	6.0	6.7
Direct	16.6	17.3	18.4	17.8	18.9
Total	23.5	23.6	24.3	23.8	25.6
2. Technical assistance delivery	88.5	91.9	78.0	87.2	94.5
3. Support costs as a percentage of technical assistance delivery	26.6%	25.7%	31.2%	27.3%	27.1%

Sources: Annual Report of UNIDO for 1985.

64. Moreover, some member States, pointing to an abundance of national experts and the development of their industries, ask to execute technical co-operation projects by themselves.

65. Energetic measures should be taken to reduce project support costs at headquarters. Certain measures were suggested in the previous chapter and concern, in particular, the rationalization of procedures for project identification and formulation. Other measures will be described in the next chapter and will concern reduction of the time lag in the recruitment of experts and purchase of equipment.

66. At this point, it is suggested that UNIDO should undertake a study in order to: (a) identify the reasons for the difficulty experienced in bringing about a reduction in headquarters support costs; and (b) propose means of accelerating the reduction.

67. The rate of delivery improved significantly in 1986, but previously had averaged only about 70 percent of planned expenditure (see table 8, page 18). This is too low.

68. Moreover, this rate can vary twice as much depending on the country concerned. In some of the countries visited, it is as much as 100 percent, and these countries could absorb more resources and implement more projects. Generally speaking, these are countries that have a strong and effective administrative infrastructure which follows the implementation of all projects step by step. Other countries have a below average rate of delivery. These are countries where the central administration is still embryonic, particularly as regards planning and programming, and is unable to supervise the implementation of technical co-operation projects.

Table 8. UNIDO's rates of delivery
(Millions of US dollars and percentages)

Year	Programme allotment	Expenditures on technical co-operation activities	Rate of delivery (in %)
1978	85.1	55.2	64.8
1979	100.1	70.5	70.5
1980	107.8	76.3	70.8
1981	121.4	88.6	73.0
1982	124.0	91.9	74.1
1983	115.0	78.0	67.8
1984	129.5	87.2	67.3
1985	131.5	94.5	71.8
1986	128.9	99.6	77.3

Sources: Information supplied by UNIDO secretariat.

69. Improved central co-ordinating machinery in developing countries and strengthened counterpart organizations would enable them to make increased and more effective use of multilateral technical co-operation resources. Where such services are inadequate, the UNDP resident representative and his office, including the UNIDO SIDFA and JPO, should play a more active role in assisting the government authorities in the formulation of projects and monitoring their implementation. In some cases, it may be desirable for UNDP to provide direct support to the government central co-ordinating authorities.

70. At headquarters, UNIDO should take energetic measures to increase further delivery rates. By allocating duties which are essentially oriented towards technical co-operation to three departments out of five (Department for Programme and Project Development; Department of Industrial Operations; and Department for Industrial Promotion, Consultations and Technology), UNIDO's new structure is creating the appropriate conditions which, one hopes, will enable a better rate of delivery to be achieved.

C. Achievement of financial autonomy for projects

71. In the case of institution-building projects, there is often a protracted dependence upon the support received from technical co-operation projects financed by UNDP or UNIDO. It is important to take steps to ensure that institutions become self-supporting and do not remain indefinitely dependent upon UNDP or UNIDO assistance.

72. The following three measures are suggested:

(a) Wherever possible, UNIDO should provide assistance through or in co-operation with networks of existing local institutions, avoiding the creation by the government of new administrative infrastructures, with the related recruitment of personnel and construction of premises. Project activities would be distributed among the various agencies forming part of each network, depending on their particular fields of specialization. Such a measure would in fact go some way towards meeting the wish expressed by member States that existing local institutions should be used to their full capacity and new ones should not be created unless absolutely necessary.

(b) For certain projects, financial management experts should be appointed to assist in introducing a system of accounting, tariffing, invoicing and management.

(c) Clients of institutions should pay for services, such as the training of specialists, compilation of statistics, studies and surveys, expert services, research and standardization, rather than receiving them free of charge. The institutions would thus earn income and become self-supporting.

V. CLEAR DEFINITION OF IMPLEMENTATION POLICIES

73. UNIDO implements hundreds of technical co-operation projects which, as in the case of most agencies in the United Nations system, consist of the assignment of experts, sub-contracting, the supply of equipment and material, and the implementation of training programmes. All these activities are highly appreciated by member States. Their implementation is, however, encountering difficulties, particularly in the definition of the role assigned to each component. Before dealing with these questions, it would be useful to look at a few figures which will give an idea of the number, size and unit cost of projects.

74. The total number of projects implemented by UNIDO has remained the same over the past six years: 2,378 in 1981 and 2,214 in 1986 (see table 9).

Table 9. Projects under implementation by UNIDO between 1981 and 1986

	1981	1982	1983	1984	1985	1986
New approvals	687	717	509	633	666	689
Total number of projects	2,378	2,205	2,273	2,137	2,340	2,214
of which new or on-going projects	n.a.	1,301	1,283	1,355	1,498	1,400

Sources: Annual reports of UNIDO for 1981, 1982, 1983, 1984, 1985 and 1986, Statistical annex, table 3B.

75. These projects include, according to average unit cost, small-scale (less than US$ 150,000), medium-scale (US$ 150,000 - US$ 1 million) and large-scale (more than US$ 1 million) projects (see table 10).

Table 10. Distribution of UNIDO projects by size between 1980 and 1985

	1980	1981	1982	1983	1984	1985
Under US$ 150,000	917	1,235	968	1,005	1,503	1,097
US$ 150,000 to US$ 1 million	320	398	415	453	444	457
Above US$ 1 million	93	101	127	122	134	140

Sources: Annual reports of UNIDO from 1980 to 1985.

76. On average, a technical co-operation project in the industrial sphere costs UNDP US$ 440,000 and the beneficiary country practically double this amount (US$ 840,000) (see table 11).

Table 11. Average cost of an industrial project

Number of UNDP-financed industrial projects in course of implementation by all agencies, including UNIDO, as at 30 September 1985	Financing in millions of dollars		Average project cost in dollars	
	UNDP	Governmental contributions	To UNDP	To governments
924 units	429	761	440,000	840,000

Sources: UNDP, Compendium of Approved Projects as of 30 September 1985, p. 1.

77. Over the past few years, the respective shares of each of the four main project components - experts, equipment, sub-contracts and training - have been characterized by a decline in the percentage allotted to expert recruitment in comparison with the percentages allocated to equipment and training, the percentage for sub-contracts remaining practically unchanged (see table 12).

Table 12. Respective shares of project components

	1975	1980	1985
Experts	60.5	47.4	46.9
Equipment	) 27.0	) 35.9	23.9
Sub-contracts	)	)	12.5
Training	12.3	14.8	14.3
Miscelleneous	0.2	1.9	2.4
Total	100.0	100.0	100.0

Sources: Annual reports of UNIDO for 1975, 1980 and 1985.

A. Clarification of expert recruitment procedures and the role of experts

78. Whereas the share of resources allocated to the recruitment of experts or project personnel has declined, the number of these recruits has been increasing each year. In 1985, UNIDO recruited 1,628 additional staff (1,132 in 1984) and extended 774 contracts (771 in 1984), which represents 8,872 work-months as opposed to 7,701 in 1984. The average length of contracts has declined steadily (2.87 months in 1985 as opposed to 3.86 months in 1984).

79. Whereas missions by experts and consultants have become shorter, some technical co-operation projects still continue for protracted periods. For example, in one of the countries visited, out of five ongoing projects, two are in their tenth and fifteenth years. They have been reformulated several times and have different numbers, but the purpose is often still the same. Some project extensions appear to be justified but others seem unwarranted. In the context of the latter projects, the expert seems to be assigned functions of an operational nature more appropriately carried out by a national government official than by a development co-operation adviser.

80. In addition, the short duration of assignment of experts creates problems of determining clear responsibility for project management. In the past, when project Chief Technical Advisers were appointed for longer assignments in the country concerned, they were responsible for leadership and management of the experts assigned to the project and the efficient and effective use of project resources. UNIDO could therefore be held more directly responsible for the progress, success or failure of the project, even though the overall responsibility for the project might remain with the government counterpart organization. This is becoming less and less the case, especially with the widespread appointment of national directors as project leaders and the limitation of international experts to short, highly specialized assignments. In practically all cases, UNIDO has to content itself with supervision from headquarters or periodic missions by technical backstopping officers within the context of tripartite meetings. To some extent, SIDFAs can monitor project activities, but they do not have direct supervisory authority.

81. However that may be, the recruitment of hundreds, if not thousands, of experts and sending them into the field for such short periods is undoubtedly arduous work, especially if one bears in mind the numerous conditions that have to be met: finding an expert who has precisely the right qualifications, planning his mission so that it takes place at the appropriate time, giving the governments concerned the choice between several experts, etc.

82. Expert recruitment procedures would be greatly improved if certain measures were put into effect even more energetically. For instance, UNIDO should exercise greater care in drafting experts' job descriptions, which should be sufficiently detailed and indicate the expert's main responsibilities. If, in addition to his job of installing equipment, the expert will be required to repair it, and give demonstration courses, these tasks must be clearly specified in the job description.

83. It is a widely held view that one of the expert's main tasks is to train a counterpart, but in the course of our visits we found that this duty is not always undertaken. The current regulations do not, in fact, provide a means of ascertaining whether the expert is performing his role as a trainer.

84. As far as possible, countries should be offered experts with experience of industries and technology whose level is suited to the conditions prevailing in those countries. Some of the projects visited had secured a UNIDO-recruited expert who was more accustomed to working on highly sophisticated machinery uncommon in the country concerned.

85. Sometimes, after recruitment, the expert's field of specialization proves to be far removed from the job to which he is assigned. In order to avoid such misunderstandings, the specialized skills listed in the classification of the roster of experts should be spelt out in greater detail. The complete section of this classification, and not only the activity sought, should be communicated to the authorities concerned. This would provide a means of choosing between several related specialized fields in order to select that which is closest to the skill required. If the country concerned needs an expert in the textile industry, for example, this person could be a mechanic, a manager or a marketing specialist. A clear definition of the expert's profile and the use of the UNIDO roster's software for this purpose will avoid confusion and loss of time.

86. Lastly, UNIDO should gradually introduce a system of classification dividing experts into three categories: basic-level, medium-level and top-level experts. Long-term observation of trends in numbers and ratio in respect of each of these three categories would contribute to the formulation of adequate recruitment policies and to the adjustment of recruitment methods.

B. Maintenance and standardization of equipment

87. In 1985, UNIDO placed 2,293 orders representing a nominal value of US$ 22.6 million on behalf of beneficiary countries. It should be noted that:

(a) The volume of purchases, although growing steadily, has undergone marked fluctuations: US$ 18 million in 1980, US$ 14.7 million in 1983 and US$ 18.6 million in 1984.

(b) The average value of orders placed has continued to decline.

(c) Equipment purchases from manufacturers or suppliers in developing countries, although increasing, account for only 11 percent of the total (9 percent in 1984).

Obviously, fluctuations in the number of orders from one year to the next and the decline in the unit value of each order make the Purchase Service's task more difficult.

88. In the field, the supply of material and equipment has enabled UNIDO to set up, in co-operation with governments, a large number of laboratories, workshops, research, measurement and training centres which are doing valuable work. However, the projects in question continue to encounter difficulties, such as: (a) local shortage of spare parts; (b) difficulties in undertaking repairs and maintenance; (c) impossibility of operating certain equipment because of non-delivery of the necessary parts; (d) lack of synchronization between the construction of buildings intended for equipment and delivery of the equipment; (e) great diversity of origins, makes and specifications of material and equipment, which hinders storage of spare parts and makes maintenance and repair difficult; and (f) delivery of equipment without a technical installation manual or with a manual written in a language other than of the country concerned.

89. In order to overcome the latter obstacle, the project document may stipulate that the equipment will not be paid for until a technical manual in the language of the country concerned has actually been supplied. In addition, provision must be made in some cases for the non-existence of such a manual because some undertakings, particularly small and medium-sized ones, do not have sufficient financial resources to supply manuals in several languages.

90. In this connection, the countries receiving equipment should be allowed to contact a local agent, a course which would reduce delivery times and storage costs and ensure better maintenance. Control of procurement by the Purchase Service at UNIDO headquarters would be exercised through the supply of accountable receipts and guarantees by the supplier and its local agent.

91. In consultation with the governments concerned, UNIDO should purchase less heterogeneous equipment, even if this is a little more expensive.

92. Efforts should be made to resolve these problems. UNIDO should pay more attention to the synchronization of deliveries with the construction of buildings in order to prevent equipment being left outdoors for several months.

93. Agreements should be concluded in the field with local institutions or representatives of foreign firms for the provision of maintenance, breakdown and repair services.

94. Once the supplier has been selected, project leaders should be able to examine the equipment ordered on the supplier's premises and note all specifications. In particular, this would enable buildings to be constructed according to actual technical specifications, and thus avert the occasional need to undertake long and costly modifications in order to adapt buildings to equipment.

95. UNIDO should classify the equipment supplied and make essential distinctions between: (a) ancillary equipment, such as office machines (typewriters, calculating machines, etc.) and vehicles (cars, minibuses, etc.); and (b) specific equipment. This would show whether there is a trend towards the supply of more specific equipment and less ancillary equipment.

C. Reservation of sub-contracts for advanced technologies

96. In 1985, UNIDO concluded 148 new service contracts or sub-contracting agreements to a nominal value of US$ 13 million, at an average figure of under US$ 90,000 per contract.

97. The breakdown of these contracts per sector, at least for 1985, indicates that 80 percent of the total number of contracts concerned the chemical, metallurgical and engineering industries and the agro-industry sectors.

98. As to breakdown by size, this shows that three contracts had attained an appreciable size: they related to the preparation of a technical-economic feasibility study accompanied by semi-industrial pilot tests on alunite ores (US$ 1.5 million), assistance in the installation of a diesel engine manufacturing plant (US$ 950,000), and the redesign and development of the bakery industry (US$ 658,000). It should be noted that these sums covered service contracts and the purchase of necessary equipment.

99. In this connection, one should raise the question of whether UNIDO should undertake directly technical co-operation projects covering all sectors of industry and embracing all industrial technologies.

100. In the opinion of some, these technologies are too broad and change too rapidly for UNIDO to be able to have enough experts to deal with all of them. Others are of the view that the mechanism of employing short-term experts and consultants can deal adequately with these circumstances. Another opinion is that UNIDO should be assisted by large public or private firms which are conversant with advanced technologies whenever it receives a request for such specialist services. Still others advocate a policy of re-training and re-deployment for UNIDO staff members in order that they may assimilate the new technologies, constantly update their expertise and provide assistance which bears comparison with the best available on the international market. These various options have important implications which should be analysed and which need to be considered by UNIDO.

D. Adjustments in training policies and strategy

101. In 1985, technical co-operation expenditure on training programmes (fellowships, study tours and collective training activities) receiving substantive support from the UNIDO Training Branch amounted to US$ 13.5 million.

102. At headquarters, it would seem that the main areas of training are adequately covered, notably through the existence of specialized units responsible for fellowships, training, field operations, policies and strategies.

103. It would also seem that stress is correctly laid on the need to give priority to training in the country concerned (bearing in mind the fact that the developing countries have, over the past few decades, enormously diversified and improved their education systems); study tours, courses and overseas fellowships tend to be reserved for disciplines which are not well developed locally.

104. However, certain aspects of training policy do not appear to be quite so clearly perceived and should be the subject of detailed examination by UNIDO, which should, for example: (a) assist the countries concerned in choosing between the organization of refresher courses and the setting up of documentation centres; and (b) integrate, as far as possible, training with other project components. These problems are far from theoretical and reflect the concerns expressed by several senior government officials whom we met.

105. In order to find adequate solutions, UNIDO should distinguish between the need for upgrading of the knowledge of industrial technicians and specialists in developing countries, which is real and justified and should be covered by technical co-operation, and the mere updating of the scientific knowledge of these specialists, which is more of a personal duty. If, the holders of key positions in industry in these countries find difficulty in upgrading their knowledge, there are many reasons for this situation, in particular the non-existence or lack of specialized documentation centres with an adequate stock of technical and scientific periodicals.

106. For example, a very large chemical fertilizer plant, which has been set up in a relatively advanced developing country, continues to recruit experts and send its skilled personnel for further training abroad. However, it does not have a documentation centre or subscribe to the specialized periodicals in the related sphere of activity.

107. In co-operation with the countries concerned, UNIDO should make better known the possibility of setting up documentation centres in large industrial undertakings and institutions. These centres have the advantage of being permanently accessible to a large number of specialists, whereas training courses and fellowships need to be periodically updated in the light of advances in science and technology.

108. In other countries, UNIDO is co-operating with technical and specialist training centres for the benefit of industrial undertakings. These centres have been set up to remedy the deficiencies in university and secondary education, which still provides excessively general technical training, remote from the needs of industrial undertakings, establishments, plants and laboratories.

109. UNIDO should co-operate with the countries concerned in order to enable graduates in industrial studies to enter employment directly. To this end, projects should be designed to encourage schools, universities, undertakings and the government institutions to establish better links with industry and better programmes by organizing, inter alia, exposures for schoolchildren and students to factories and laboratories.

CONCLUSIONS AND RECOMMENDATIONS

110. In 1985, UNIDO changed its status and became a specialized agency. In 1986, its secretariat was reorganized in order to give practical effect to this legal change. The result of this dual operation has been the establishment of technical co-operation as an essential function of UNIDO. What does this co-operation represent? What impact does it have? How can its effectiveness be improved? The aim of this report has been to answer these questions.

REALIZATION OF GENUINE GROWTH IN TECHNICAL CO-OPERATION ACTIVITIES AND IMPROVEMENT OF THEIR DISTRIBUTION BY COUNTRY AND BY INDUSTRIAL SECTOR

111. The development of technical co-operation activities, as measured in monetary terms, is more apparent than real. The amount allocated to technical co-operation programmes and projects (US$ 100 million in 1986) may be said to have increased only if it is expressed in current values. In real terms, this amount has remained practically unchanged over the past ten years and the nominal increase is partly a reflection of inflation and the depreciation of certain currencies.

112. In addition, there are regional and sectoral imbalances in the distribution of technical co-operation activities.

Recommendation No. 1

By taking advantage of its new status and structure, UNIDO should make greater efforts to:

(a) increase the volume of its technical co-operation activities in real terms;

(b) achieve better geographical and sectoral distribution of its activities, in particular by taking account of the state of industrialization of each country.

ACHIEVING CONVERGENCE OF PROGRAMMING ACTIVITIES

113. In several member States, UNIDO's technical co-operation programmes comprise a number of sizeable projects which absorb appreciable sums. At headquarters, these programmes require the intervention of several UNIDO departments. Such intervention would gain in effectiveness if it were rationalized and planned more efficiently. If objectives and procedures for the programming of technical co-operation were clarified, understanding of this co-operation would be made easier and its impact enhanced.

Recommendation No. 2

In order to harmonize and plan the programming of technical co-operation more efficiently, UNIDO should:

(a) focus the work of its various departments on the formulation of an integrated technical co-operation programme for each country;

(b) assign major objectives to each programme; and

(c) assist the countries concerned in strengthening their programming institutions.

RATIONALIZATION AND ACCELERATION OF PROJECT IDENTIFICATION AND FORMULATION

114. UNIDO's departments and offices identify and formulate ideas for technical co-operation projects in a rather elaborate fashion, ranging from the preparation of simple profiles to the execution of detailed feasibility studies, including the compilation of technical economic lists and the drafting of project documents.

115. The time taken to identify and formulate these projects is often excessive because of the constant exchanges between secretariat departments and the many missions from headquarters to the field.

Recommendation No. 3

UNIDO should rationalize procedures for the identification and formulation of technical co-operation projects, shorten the time taken for these tasks, and limit the waste and loss of time which they cause, in particular through:

(a) setting up a central roster of ideas for projects; and

(b) establishment of task forces to identify and formulate major projects.

ENSURING AUTONOMY OF FINANCING AND CHANNELLING MORE RESOURCES TOWARDS EXECUTION

116. The technical co-operation projects executed by UNIDO derive their financing from two major sources: UNDP and UNIDO itself. The share of each of these sources has changed appreciably in recent years. Although UNDP resources still account for two thirds of total financing, UNIDO's have been rising steadily.

117. However, the situation continues to be characterized by the multiplicity of resources originating from each of these two institutions. This inevitably causes difficulties in the management of these resources. The beneficiary countries' perception of the operation of, and access procedures for, these resources is far from clear. Lastly, UNIDO's legislative organs are not entirely sovereign in their decisions in the area of financing technical co-operation programmes and projects, and UNIDO cannot count on a regular increase in financing, a fact which prevents it from planning its activities on a multi-annual basis.

118. Moreover, expenditure at UNIDO headquarters on support for technical co-operation activities is still too high and the rate of delivery is still too low. The combination of these two factors is inhibiting an increase in the resources channelled to beneficiary countries.

Recommendation No. 4

In order to ensure regularly increasing financing for UNIDO which is simple to manage and control, member States should consider the possibility of gradually consolidating UNIDO's own financing resources (as opposed to those of UNDP) into direct contributions.

Recommendation No. 5

UNIDO should apply the measures described in the report with a view to:

(a) reducing the proportion of headquarters' support costs; and

(b) increasing the rate of delivery.

CLEAR DEFINITION OF IMPLEMENTATION POLICIES

119. Ever since it was established, UNIDO has been in a position to co-operate with member States in the implementation of important and useful projects. The quality of this co-operation might be further improved, in particular by further clarifying the procedures for implementation of project components and the policy governing the execution of each component.

Recommendation No. 6

In order to further rationalize and give a greater impact to the implementation of technical co-operation projects, UNIDO should:

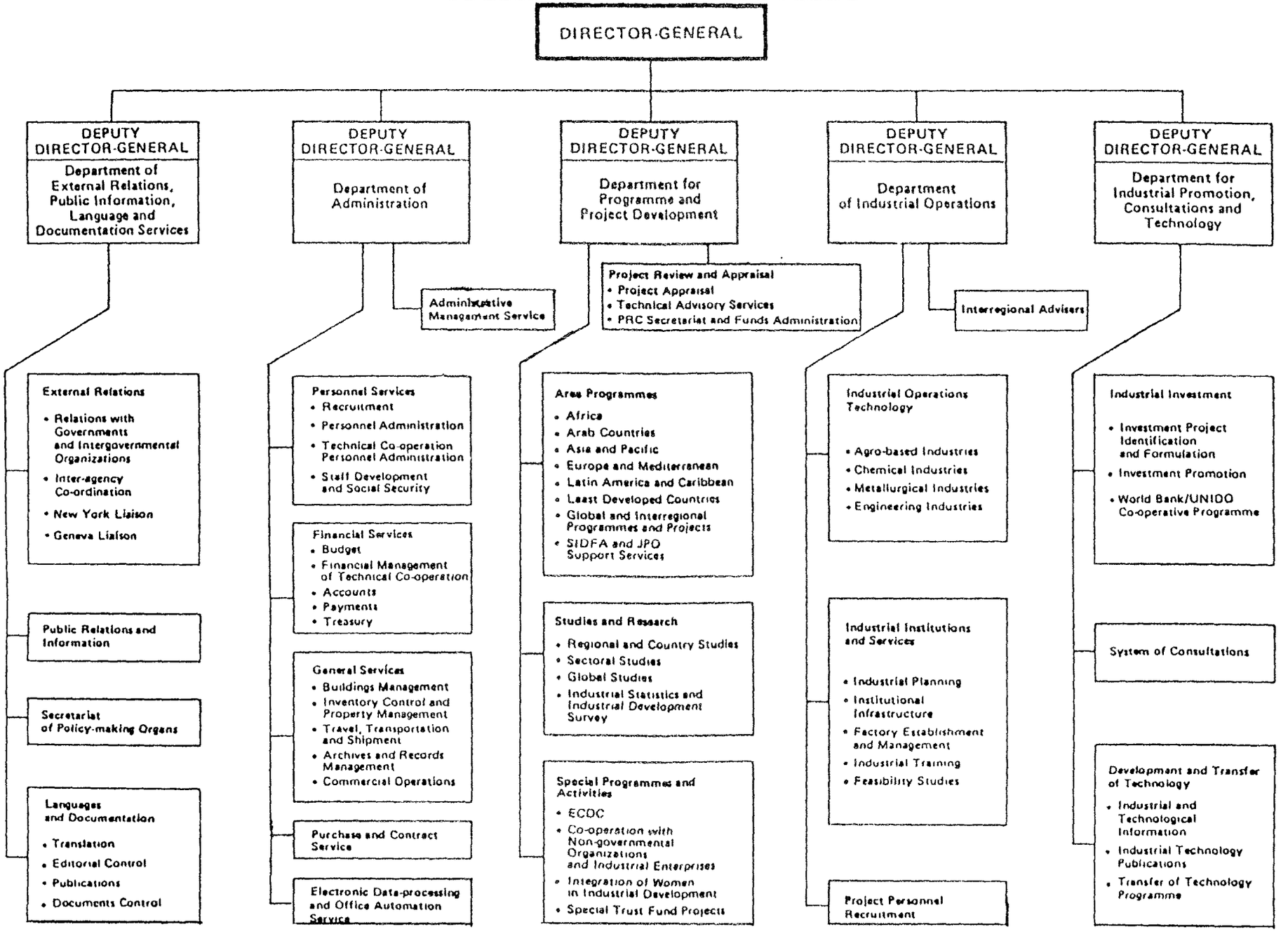
(a) improve recruitment procedures for experts and define their tasks more clearly, in particular by drafting their job descriptions more carefully;

(b) attach greater importance to the maintenance, repair and standardization of the equipment supplied;

(c) reserve sub-contracts for advanced technologies and provide further training for certain secretariat personnel in order to enable them to master these technologies;

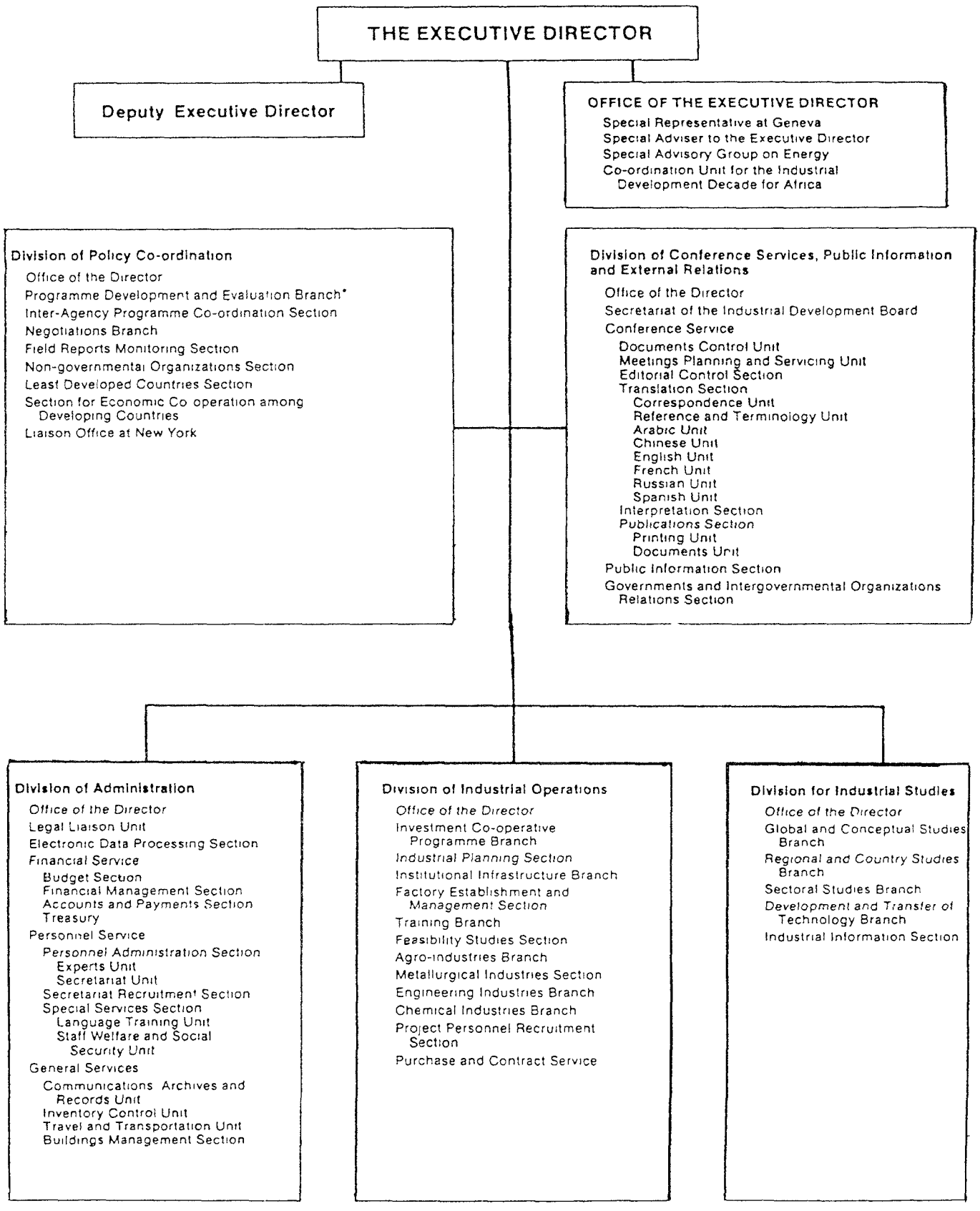
(d) give preference to the strengthening of the national training infrastructure and to the establishment of close links between national training services and production units.

New UNIDO organization Chart as of 1986



Annex 1

Former UNIDO organization Chart



*Evaluat on Unit reports to the Deputy Executive D rector