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**Implementation of the Cooperation Agreement
with the United Nations Development Programme**

Executive summary of the joint assessment of progress in the implementation of the Cooperation Agreement with the United Nations Development Programme

Note by the Director-General

<p>In compliance with General Conference resolution GC.11/Res. 5, presents findings and recommendations from the joint assessment of the pilot phase of the Cooperation Agreement with UNDP.</p>
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I. Background

1. In resolution GC.11/Res.5 the Conference, inter alia, requested the Director-General to undertake an assessment of the outcome of the pilot phase in consultation with Member States at the end of the phase and present results and recommendations to the Board at its thirty-second session, with a view to taking appropriate decisions. In accordance with that mandate the executive summary of a report entitled "Joint assessment of the progress in the implementation of the Cooperation Agreement between UNIDO and UNDP" is submitted in the annex to the present note.

2. The executive summary documents the main findings and recommendations of the joint assessment. The report was finalized after informal joint briefings to Member States by the UNIDO Evaluation Group and the UNDP Evaluation Office on 3 October in Vienna and 9 October 2006 in New York, at which principal findings, conclusions and recommendations were presented. The report takes into consideration the feedback obtained from Member States on those occasions. The entire report will be jointly issued by both organizations and circulated in due course.



3. A separate report by the Director-General (IDB.32/14) will complement the documentation under this item and contain a management response to key conclusions and recommendations.

II. Action required of the Board

4. The Board may wish to take note of the present note and the executive summary of the report contained in the annex.

Annex

Joint Assessment of Progress in the Implementation of the Cooperation Agreement between UNIDO and UNDP

Executive summary

Introduction

1. This report documents the main findings and recommendations of the joint assessment of the progress in the implementation of the Cooperation Agreement between UNIDO and UNDP, dated 23 September 2004 (henceforth referred to as the Agreement) and the related “Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development” signed the same day (henceforth referred to as the Framework).

2. The joint assessment was commissioned as an independent exercise under the auspices of the heads of the evaluation offices of UNDP and UNIDO. The evaluation team consisted of two independent consultants and staff members from UNIDO and UNDP evaluation offices. One of the independent consultants acted as the Team Leader. It is important to note that the exercise was an assessment, not a full-fledged evaluation, given the limited implementation time of the Agreement since its signature in September 2004 and hence the limited evidence of results achieved on the ground.

3. The assessment was carried out in the period June-September 2006. The assessment methodology included a desk review of background documents, a survey of some 100 questionnaires sent out to UNDP country offices, UNIDO staff in the field and HQs, and national counterparts in the government and the private sector, as well as interviews at UNIDO and UNDP HQs, and validation missions to four countries (Armenia, Lao People’s Democratic Republic, Nicaragua and Sierra Leone). Two briefings took place respectively in Vienna and New York to inform the governing bodies of UNIDO and UNDP of the progress in the assessment and to obtain their feedback. The criteria for progress or achievements of results have been set more at process level rather than at a higher outcome level.

4. The terms of reference for the assessment highlight two key questions to be addressed:

- *What is the level of progress of the Agreement, including the factors affecting positively and/or negatively the implementation?*
- *What are the forward-looking recommendations for further developing and/or adjusting this type of field coordination and programmatic cooperation as a model?*

The Cooperation Agreement and its context

5. The Agreement was signed in September 2004 by the Director General of UNIDO and the Administrator of UNDP. Designed to facilitate greater collaboration between the two Organizations, the Agreement recognized UNIDO’s core competencies and its high level of expertise, and UNDP’s strength at the country level and its capacity to deliver services to a wide range of partners. Aimed at strengthening cooperation in a number of areas, but focussed mainly on private sector development, the Cooperation Agreement would allow the government and private sector partners in countries where the two organizations are active to benefit

from more effective delivery and better quality of services and programmes in support of their national development goals.

6. The Agreement included two main components. It established the basis for UNDP and UNIDO to develop joint technical cooperation programmes, particularly in support of private sector development in accordance with the recommendations of the report of the United Nations Commission on the Private Sector and Development entitled “Unleashing Entrepreneurship” (henceforth referred to as the Commission) and UNIDO’s corporate strategy. The Cooperation Agreement also introduced a new model of field representation with UNIDO establishing UNIDO Desks within UNDP country offices in 15 pilot countries over a pilot period of two years. Over a five-year period the Agreement foresees that “UNIDO intends to increase, including through a rationalization of its field structure and the establishment of UNIDO Desks in UNDP Country Offices, its country coverage to up to 80 countries”. (Article V.5).

7. The Commission emphasized the role and contribution of private sector and local entrepreneurship in developing countries in poverty alleviation and to the achievement of the Millennium Development Goals. One of the key recommendations of the Commission was to apply the approach of specialization and partnership to private sector development, an area where both UNIDO and UNDP were involved. Within UNIDO the issue of an effective decentralization of activities and of a strengthened field representation had been a priority since the adoption of the Business Plan on the future role and functions of UNIDO in 1997 and had been a central and recurrent item for UNIDO governing bodies. Following an internal assessment in 2004, UNIDO governing bodies recommended that UNIDO expand its field presence in a carefully planned and phased approach. They also encouraged the Secretariat to dialogue with UNDP in this context.

8. The UNDP-UNIDO Cooperation Agreement was conceived in direct discussions between the two heads of agencies during the summer of 2004. The coincidence of interests enabled the two leaders to capture the potential of the agreement to embody the recommendations of the Commission applying the approach of specialization and partnership and also to develop a model for inter-agency cooperation using the UNDP country office as a platform for provision of technical service by UNIDO in programme countries.

9. The Agreement was the subject of extensive dialogue and consultations with UNIDO Member States and UNIDO governing bodies took a number of decisions in this respect.¹ The agreement was also presented to UNDP Board but was never the subject of a specific decision.

Implementation status of the Agreement

10. The Agreement was the result of the vision of the two heads of agency and was negotiated and agreed through their strong leadership. On the basis of the impetus provided by the heads of agency, the Organizations rapidly initiated the establishment of the Desks and launched a process of dialogue at the country level that resulted in the formulation of new Joint Private Sector Development Programmes (JPSDPs).

11. Overall implementation of the two components of the Agreement (UNIDO Desks and JPSDPs) progressed satisfactorily despite initial start-up delays and numerous constraints.

¹ A list of all relevant decisions and resolutions is available from the UNIDO Secretariat.

12. Thirteen of the fifteen UNIDO Desks (UDs) envisaged under the Agreement have been established and staffed with well-qualified professionals designated as Heads of UNIDO Operations (HUO). The Desks have increased the visibility of UNIDO with the Government, private sector and the United Nations Country Teams. Heads of UNIDO Operations have actively participated in United Nations and national planning processes and in the course of their brief service to date, they have been actively positioning themselves to contribute to the preparation of UNDAFs. In the Desk countries which responded to the survey questionnaires, senior managers in UNDP country offices rate the selected HUOs highly and their job performance as meeting or exceeding expectations.

13. The respondents to questionnaires from all target groups indicated that the UNIDO desks have so far proved to be an adequate means to represent, promote and support UNDP's and UNIDO's combined strengths to serve countries' needs and expected further improvements of future performance. All UNDP respondents recommended replication of UNIDO Desks in other countries as a means for making UNIDO technical services accessible to the countries.

14. In line with the terms of the Agreement UNDP provided the UNIDO Desks with office space and other local operating support at no cost for the first two years of the Desk's operation, which required waiving by the Administrator of the policy on cost recovery from United Nations agencies at the programme country level established by UNDP in June 2003.

15. The terms of reference set out five criteria for assessment of the Agreement.² Briefly, these criteria include:

- New joint projects and programmes in PSD and other areas;
- New UNIDO projects and programmes;
- Improved visibility of UNIDO in United Nations programming;
- Funds mobilization for new projects and programmes;
- Potential cost recovery from new projects and programmes implementation.

16. On the first three of the five assessment criteria there has been observable progress.

17. On the joint projects and programmes in PSD and other areas, the Agreement resulted in a large volume of joint programme formulation activity. Thirty-three joint programmes are under development for a total amount of about \$80 million. Fourteen programmes fall under the PSD Framework. The total financial volume of the already developed programmes under the Framework amounts to \$52.6 million.

18. The Desks report 42 new UNIDO projects and programmes under development for an amount of about \$30 million. However, it should be noted that these data are estimates and actual amounts will depend on the success of resource mobilization.

19. In the context of the relatively short period of time since the agreement was signed and the Desks started operations (ranging between 9 to 18 months), the evaluators consider this formulation volume significant.

20. In regard to resource mobilization, activities are just getting underway in many Desk countries and to date the results are far below expectation. Both organizations have committed core funds of about \$1.6 million to the three most advanced

² Extracted from "Criteria for selection and assessment of the effectiveness of UNIDO Desks", IDB.29/CRP.4

JPSDPs (Lao People's Democratic Republic; Rwanda; United Republic of Tanzania). The latter programmes are now under implementation. HUOs report over \$4.1 million total resource mobilization in the Desk countries since the beginning of the Agreement. However, in these cases "funds mobilized" often refers to unofficial donor commitments recorded by HUOs and not to official approvals by donors.

21. Results in resource mobilization will affect the potential for cost recovery from project and programme implementation. It appears unlikely that revenue generated as support costs from implementation will offset the costs of the Desks as envisaged by the Agreement. The potential cost recovery from new projects and programmes implementation is an unrealistic indicator of success, particularly in the short and medium term.

22. An analysis of the JPSDP documents revealed that in general the documents are of good quality. The quality of documents refers to the logic and coherence of the document and its compliance to good practices in programme design. In particular, the evaluation team made the following observations:

- All programmes have made an effort to ensure that the JPSDPs are relevant to and aligned with national priorities and strategies;
- All JPSDPs made efforts to ensure coordination with other donor activities, usually within the context of the national programme but also through extensive analysis of the donor situation;
- All are results-oriented, focusing on clear outcomes and outputs;
- The implementation arrangements are generally not clear reflecting the lack of sufficient attention to these arrangements in the Framework.

23. UNIDO investment to date in formulating joint PSD programmes coming under the Framework amounts to approximately \$500,000. UNDP expertise for developing these programmes was covered on a country-by-country basis by the country offices. The good quality of the programme documents and the total financial volume of the already developed programmes under the Framework of \$52.6 million indicate cost efficiency. The real value of the formulations and their effectiveness will depend on how many of these programmes will be actually funded and implemented.

Key issues in the implementation of the Agreement

24. Several issues emerged during implementation of the Agreement that are related to the terms and design of the Agreement and how it has been implemented jointly and respectively by the two agencies. The main issues are highlighted below.

25. An initial top-down approach was necessary. The Agreement was driven by the heads of agencies and thus took on a political importance for both agencies. There was top-down pressure on senior managers in both organizations to conclude the Agreement rather than to carry out a critical analysis or feasibility study to identify potential problems and an implementation strategy to address them. The top-down approach was however necessary to provide impetus to the Agreement and overcome initial organizational resistance, bureaucratic obstacles and rigidities.

26. The approach to pilot activity was inappropriate. The Agreement was too rigid for what was meant to be a pilot exercise. It neglected to provide for a mechanism for adaptation during the pilot phase. This was a critical oversight as any pilot activity requires a robust framework for monitoring and feedback so that adaptations can be identified and implemented.

27. Joint management arrangements were insufficient. While the Agreement notes the importance of establishing the necessary management arrangements, no formal structures were established for joint management including joint monitoring, reporting, problem solving and decision-making. Equally, field-level participation (UNDP Country Offices and UNIDO Desks) in the management process has been inadequate. Such arrangements, specifically a joint feedback mechanism, are all the more critical for the pilot activities included in the agreements.

28. The complexity of management was further increased by the fact that Desk countries and JPSDP countries were selected and agreed upon by the two Organizations on the basis of separate criteria and treated as separate pilots.

29. The need for a joint implementation strategy was underestimated. Top management in both agencies underestimated the order of magnitude of the changes that the Agreement was mandating for their respective organizations and failed to develop an effective joint strategy to operationalize the Agreement. A change strategy would have had to be devised, taking into account the following:

- How to address the asymmetries of the two organizations in terms of size, degree of decentralization and related decision-making processes;
- How to promote a better reciprocal understanding between the two organizations in terms of their programmatic approaches, comparative advantages or cultures;
- How to carry out a campaign to change attitudes of staff members to overcome resistance or indifference to the Agreement within both organizations, including obtaining support from the concerned UNDP country offices, which were being asked to share the costs of implementation;
- The need to put in place effective communications arrangements between headquarters and the country level;
- The need for joint systems development and procedural guidance in many areas, particularly joint programming for PSD and knowledge-sharing;
- The need to exploit synergies because of separate treatment of the two main components of the Agreement;
- The need of a joint reporting system for joint data collection and analysis of activities carried out under the Agreement.

30. Different organizational response time for implementation created gaps in expectations: The Agreement did not accord adequate primacy to the fact that country offices would be the prime movers for its implementation at the country level. Being a country-based and country-focussed organization and its programme management decisions being country-driven, UNDP country offices required a gestation time to understand and absorb UNDP's obligations to UNIDO Desks. Due to waiver of cost recovery, they were being required to fund the administrative support costs for UNIDO Desks from their own extrabudgetary resources. Hence the initial response of UNDP country offices to the demands for operational support to UNIDO Desks for the pilot two-year period seemed hesitant and slower than expected. UNIDO on the other hand has a more centralized decision-making approach and moved ahead promptly on the implementation. The different response time created gaps in expectation. Over time many of the operational support issues have been resolved but there are still a number of pending matters, particularly logistical support and financial resources for daily operations.

31. Joint PSD programming and other collaborative approaches were not sufficiently explored. The two organizations and the PSD Framework have different

concepts and areas of interest related to PSD. Not much has been done yet to enhance conceptual clarity. Indeed, the emphasis given to joint programme development for PSD over other less ambitious forms of collaboration such as knowledge-sharing and networks, joint development of tools such as manuals and software packages and joint research programmes has not been explored. The assessment team considers that there have missed opportunities in this respect and that there is great potential for collaboration in this area. Further, the relationship of various country level programming instruments (UNDAF, UNIDO integrated programmes, joint programmes) has been identified as a source of confusion.

32. The potential for synergy in PSD was not fully grasped. Interviews with UNDP staff at both headquarters and some country offices suggested that many had limited interest in the work of UNIDO beyond the specific kind of PSD issues that they have been addressing, namely, advocacy and policy advice on the business environment and interventions to support small and medium scale enterprise development. These issues may be driven by country priorities. However, a better understanding of areas of UNIDO's work could help to optimize their use and better support human development, poverty reduction, the achievement of the MDGs and other macro-level aims of the organization. Competition (real or perceived) for funding at country level was another factor that hindered in some cases collaboration in PSD.

33. HUO profiles are strong but personnel issues need to be resolved. UNIDO has chosen strong candidates for the HUO posts who are self-starters. However, a number of personnel issues related to the HUO were identified during the assessment including lack of clarity in regard to their career path, reporting and supervision lines, their job profile, and how their performance is evaluated. Resolution of the issues is essential to long-term retention of the most qualified staff members.

34. A number of factors influenced negatively the performance of the HUO:

- Unclear understanding of representational roles and opportunities for HOU participation in UNCTs. The Agreement entrusts UNDP RR to be the representative while job description state that HUO represent UNIDO in the country;
- Uneven and often slow technical support from UNIDO HQs HUOs require technical and specialized expertise from UNIDO Headquarters to support their advisory service;
- The distortionary effect of an over-emphasis on resource mobilization implicit in the Agreement;
- Unclear scope of responsibilities of the HUOs (e.g. their role in JPSPD development is not included in the job profile);
- Lack of budget for HUOs beyond the operational support provided by UNDP.

35. There was a poor linkage with and/or understanding of UNDG policies. The Framework being a bilateral agreement outside the interagency framework of cost recovery does not refer to the United Nations Development Group (UNDG) work on joint programming. It states clearly that the format of the JPSPDs should "follow the formats defined in the UNDP Programming Manual" (Article 4.4). These procedures place UNIDO in the role of contractor to UNDP and have the potential to incorporate excessive support cost on funds provided by cost sharing donors. This is contrary to the spirit of partnership upon which the Agreement is based. The Framework should have been designed for joint United Nations agency

programming taking full note of the UNDGO policies and procedures of joint programming.³

36. Resource mobilization challenges were underestimated. At Headquarters UNIDO had high expectations with regard to increasing its resource mobilization and formulated the PSD programmes accordingly. It seems that some of the optimism resulted from perceived donor support for joint or harmonized approaches, at least in their headquarters rhetoric. Country validation missions reported a greater donor concern with real value-added from the joint efforts. In many cases government support, often a prerequisite for effective resource mobilization has not been forthcoming as initially expected. Given the fact that neither organization could fully fund joint programmes, the approach to joint resource mobilization has been ineffective so far. The new aid architecture and the harmonization and alignment agenda in particular point to the need for development of innovative approaches to the design of project and programme execution modalities.

37. The financing strategy was unrealistic and inappropriate. The funding of the 15 UNIDO desks was secured for two years and left the longer-term strategy at a tentative level. The Agreement states a prospective expectation that over time revenue generated, as support costs from the implementation of new programmes will offset the costs of the Desks.⁴ Many variables affect the extent to which the additional volume of technical cooperation can generate income to offset the additional cost of the Desk. These factors, all of which are beyond the control of the HUU, include:

- The availability of resources for programme development (these were made available primarily for JPSDP in JPSDP pilot countries but less so for other countries or programmatic areas);
- The selection of UNIDO as implementing agency for approved programmes that have been jointly formulated (UNIDO may be selected to implement only a part of a joint programme or implementation may occur under modalities other than UNIDO such as bilateral arrangements);
- The timing of resource mobilization and programme approval;
- The UNIDO support cost rates that are agreed with the donor;
- The delivery rate for UNIDO implementation.

38. In view of these reasons the deadline for financial self-sufficiency on the basis of cost recoveries—two years from the date of establishment of a Desk—is unlikely to be met. The Desks will be unable to continue beyond the pilot phase until a new strategy for financing the operational costs of the Desks is in place.

39. Overemphasis on resource mobilization diverts HUU attention from other activities. The Agreement implicitly requires the HUU to give priority attention to resource mobilization in order to ensure financial survival of his/her post. This requirement becomes the primary performance indicator for the HUU. This diverts the attention of the HUU away from other activities, which are of equal importance and relevance for the countries. These include advocacy for PSD, the provision of

³ The UNDGO is the secretariat for the UNDG. It is responsible for facilitation of the implementation of policies and procedures on UN reform, including the harmonization of operational procedures.

⁴ Article 5.3.k requires to “close the UNIDO desks, if after two years of operations, it fails in any country to generate programmes and projects with sufficient income to cover the costs of the UNIDO Desks”.

advice and information to governments and the private sector, as well as efforts to improve coordination within the UN system.

Main conclusions

40. The conclusions are only preliminary. The brief period of time since start of implementation of the Agreement is insufficient to fully evaluate the effectiveness of the Desks or the JPSDPs. Most of the conclusions relate to efficiency in the implementation of the agreement so far.

41. Promise of success. The implementation results so far show promise of success in the joint promotion of private sector development and the expansion of UNIDO representation in most of the countries included in the pilot phase of the Agreement. These positive results are remarkable, in particular because they were achieved despite weaknesses in the Agreement itself, and problems in its implementation. Even after a short period of implementation, all stakeholders who participated in this assessment agree that the collaboration has potential. The assessment team therefore concludes that the collaboration is worth continuing, albeit with many modifications in its implementation modality.

42. A relevant initiative. The Agreement with its emphasis on pro-poor PSD is very relevant since both UNDP and UNIDO are committed to the implementation of the Millennium Development Goals, a priority emphasis of which is poverty reduction. Moreover, there is a complementary fit between the two organizations with UNIDO providing experience and expertise on PSD and UNDP providing country level convening power and opening a wider perspective on the necessary local conditions for pro-poor growth. The Agreement represents an entry point for reciprocal learning and cross-fertilization in these matters.

43. The Desks are relevant in two additional ways. First, to the Member States that want expanded access to the technical expertise of UNIDO and, second, to supporting improved United Nations system coherence at the country level utilising the UNDP umbrella.

44. An effective approach for leveraging national expertise. The UD proved a good investment in national capacity and an effective approach for the use of national high-level expertise. The HOU's were identified through a professional and transparent recruitment process and proved an excellent vehicle for expanded country presence and facilitating access by the public and private sectors alike to advice and expertise in the areas covered by the Agreement. Precondition for the effectiveness of the approach is the full understanding and acceptance by country level authorities of the benefits of a national technical representation, an open and facilitating approach by UNDP to UNCT participation and effective technical and substantive support by UNIDO.

45. A cost-effective approach. The UNIDO Desk staffed with a national HOU appears to be a cost-effective option for UNIDO presence in a number of countries compared to a full UNIDO Country Representative. The HOU and the Country Representative have similar technical job profiles (except formal representation). However, the estimated cost of a Country Representative position is \$350,000 per annum (including support staff and office costs) in contrast to \$100,000 per annum for an HOU. While there are trade-offs for adopting either staffing approach, the UNIDO Desk would appear to be an attractive alternative for expanding UNIDO's field representation. Because of the demonstrated and potential value-added of the approach, the UD is definitely a good alternative to no representation at all.

46. The Agreement and the implementation strategy need to be revisited. The Agreement itself needs to be revisited in order to address the design shortcoming

highlighted above and an effective implementation strategy needs to be put in place by both organizations in order to overcome the implementation shortcomings listed under the chapter “issues” above and to ensure an efficient and effective continuation of activities.

47. A new approach to financial sustainability of the Desks is urgently needed. The assessment team considers the financing strategy for the Desks included in the Agreement not only unrealistic, as outlined in paragraph 37 above, but also inappropriate as it does not envisage long-term solutions and options for funding of the UNIDO desks beyond the two years pilot period.

Recommendations

48. This section captures in full the recommendations in the main report. Recommendations are intended for the consideration of management in the respective organizations and for eventual consideration by governing bodies when they touch upon financial and policy issues. The recommendations should be considered with the management responses produced by the two organizations either jointly or individually.

Recommendation 1. Continue implementation with adjustments and a phased approach

49. Continue implementation of the Agreement for the envisaged initial period of five years. Major improvements and adjustments should, however, be introduced in the implementation approach and a more effective joint management mechanism should be put in place. The financial and sustainability issues should be revisited.

50. Both Organizations should look at the continuation of the Agreement beyond its bilateral nature and align it with the respective Organizational responses to new and emerging country-level United Nations-wide reform initiatives.

51. In order to overcome the rigidities encountered in the implementation of the Agreement, the parties should consider either revision of the Agreement, or development of an operational appendix to the Agreement to guide future implementation and address the issues raised in this assessment. The assessment team recommends pursuing the second option, which is less legalistic, more operational and can be implemented faster and more easily. Whichever approach is adopted, the resulting document should be a living document that can be adapted to changing circumstances.⁵

52. The new document should clearly define the envisaged cooperation line on issues which were included in the Agreement but which were not sufficiently clear and/or not implemented, in particular:

- (a) Conceptual clarity and programmatic complementarities in private sector development;
- (b) Clear synergies between the two main components of the Agreement;
- (c) Joint programming modalities in all areas covered by the Agreement, including programme and project identification, formulation and channelling of funds;

⁵ Article 5.3.c. of the Agreement states that “... based on the outcome of the assessment UNIDO will in consultation with UNDP either expand the network of the UNIDO Desk to other countries, modify the approach or arrangements or expand the duration of the pilot phase”.

(d) Joint country-level cooperation in resource mobilization under the leadership of the respective Governments and high-level joint advocacy and resource mobilization to donor capitals;

(e) A clearly defined joint operational strategy (see detailed recommendation below);

(f) A full-fledged evaluation to be envisaged towards the end of the five-year period covered by the Agreement.

53. A phased approach should be followed and should consist of the following steps:

(a) Continue operations of the Desks in the 13 pilot countries and establish the two remaining Desks included in the pilot period. In clarification of the terms of the Agreement, UNDP shall provide support costs for UNIDO Desks for a two-year period from the starting date of each Desk;

(b) Continue initiated action to gradually convert existing UNIDO focal point offices to UNIDO Desks. This will need to be done in full consultation with the host countries, UNDP and along the lines of the assessment recommendations;

(c) In view of the already demonstrated value as shown in the assessment, gradually expand the network of UNIDO Desks provided that funding is ensured and that the recommended management mechanisms are in place. Any decision for extension should be primarily based on recipient country interest and interest of the country office to host the Desk. The ambitious target of expanding UDs to up to 50 countries may need to be revisited.

54. In order to ensure smooth continuation of the operations of the Desks and realizing the benefits of the investments made so far, the criteria for any closure of Desks should disregard the self financing clause of the Agreement and be primarily based on the interests of the recipient country as well as the willingness of the country office to continue hosting the Desk.

55. Continue to focus on joint private sector development programmes but also promote other substantive areas of cooperation, such as energy and environment that have already been included in the agreement but not pursued so far.

Recommendation 2. Devise a sustainable funding arrangement for UNIDO Desks

56. UNIDO should devise a sustainable funding arrangement going beyond the two-year pilot period to ensure the sustainability and expansion of the Desks. This financing strategy should be supported by commitment for programme funding by UNDP at the country level within the wider priorities of the country needs.

57. Financing of the operational costs upon completion of the pilot period include the following options, which can be used individually or in any combination.

(a) UNIDO:

(i) Coverage of the operational costs from UNIDO regular budgets;

(ii) Dedication of support costs from UNIDO programme implementation. To determine the costs and offsetting income will require UNIDO Headquarters to clearly identify those projects that resulted from UNIDO Desk activities and extract from the accounts part of the corresponding income as well as UNDP country offices to determine actual costs of Desk operations on a country-by-country basis;

- (iii) Reduce UNIDO Country Representative posts and reallocate resources to the Desks.
- (b) Other partners:
 - (i) Expanded voluntary contributions to UNDP and UNIDO, along the lines of the Belgian contribution to UNDP;
 - (ii) United Nations reform initiatives for funding country-level coordination;
 - (iii) Cost-sharing with host countries of the Desks.
 - (iv) Country-level contributions by UNDP based on programme/project development.

Recommendation 3. Continue cooperation under the PSD Framework

58. Continue cooperation under the PSD Framework subject to improved joint programme modalities and confirmation of commitment to knowledge-sharing and UNIDO participation in PSD and other knowledge networks relevant to the Agreement.

59. Both organizations should devote sufficient resources to carry out comprehensive country analysis as a foundation for the effective preparation of programmes.

60. Before considering any expansion of the JPSD Programmes give highest priority to the joint global resource mobilization efforts prescribed in the Framework, but not implemented.⁶ In addition, the partner organizations should explore the possibility of establishing a joint trust fund. Resource mobilization at country level under the leadership of the Resident Coordinator should be the case in every programming country.

Recommendation 4. Define a joint implementation strategy

61. Establish a formal joint management mechanism/group to manage the continuing implementation of the Agreement and the Framework. This will include monitoring, identification, resolution of operational problems in relation to the Agreement and the Framework, and carrying out recommendations for change that have been mutually agreed. The first step will be to follow up on the recommendations set out in this assessment and agreed upon by management of the two organizations. Each organization should have one coordinator for the entire Agreement. The precise nature of this mechanism will need to be developed following intensive consultations between the partner organizations.

62. At the country level, working arrangements should be formalized in consultation with the UNDP Resident Representative to define specific mutual responsibilities (programmatic priorities, UNCT participation, resource mobilization, technical and operational support, etc.). While targeting specific country conditions and requirements, country level arrangements should not be ad-hoc and should be devised within the overall coherent cooperation modality established by the Agreement.

⁶ See article 6.1.1—At the global level: Joint presentation of the initiative to the headquarters of key potential donors; and joint mobilization of funds for specific activities, including country programme development and activities referred to in article 4.5.

Recommendation 5. Recommended actions for UNIDO

63. Continue the Agreement in the context of UNIDO overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives. This will require making medium- to long-term choices on the most suitable and financially feasible modalities and mix of options for country-level expanded presence (regional offices, country offices, UNIDO Desks). The issues of choice of representation, category of staff deployment at country level (international/national), level of authority, streamlined technical support services, managerial delegation and sequencing of programming with country driven initiatives etc. need to be in the clear management focus as situations unfold.

64. Incorporate the HOU into the overall organizational structure of UNIDO. Fully include the HOU in the Human Resource Policy Framework and other related policy documents and administrative instructions. Strengthen the field coordination mechanism in order to ensure proper monitoring and follow-up of Desk work plans and improve technical support and information flows to the Desks by UNIDO Headquarters and regional offices.

65. Address the relationship issues:

(a) Clarify the reporting and supervision lines in the relationship between the UNIDO Desk and the UNDP Resident Representative;

(b) Clarify the administrative and technical relationships and reporting lines between the Desks and UNIDO Headquarters and, in the context of the new UNIDO field mobility policy, regional offices;

(c) Clarify the relationship between integrated programmes, stand-alone projects and joint programmes and the role of the HOs in support to all these technical cooperation delivery modalities.

66. Explore a gradual increase in delegation of administrative and financial authority and accountability of HOs within the context of a uniform policy (as opposed to current ad hoc practice). Provide seed money for programming and advisory activities and clarify the leadership issue of programme development and implementation at country level (joint programmes, integrated programmes)

67. Include the financial implications for gradual expansion of UNIDO Desks in the programme and budgets 2008-2009.

Recommendation 6. Recommended actions for UNDP

68. Continue the Agreement based on a reconfirmed commitment to its implementation and in the context of UNDP overall corporate strategy relating to United Nations programmatic and country-level partnerships as well as organizational responses to United Nations reform initiatives.

69. Enhance communications arrangements between headquarters and the country level. Issue clear directives to the UNDP Resident Representatives, clearly delineating their responsibilities and obligations under the Agreement, in particular joint programming, joint resource mobilization, HOU participation in UNCTs, monitoring and evaluations based on results. This will promote better understanding of the Agreement's objectives and advantages.

70. In line with the Agreement, initiate knowledge-sharing and networking with UNIDO counterparts to enable access to and participation in relevant UNDP knowledge networks and to disseminate information on both agencies' experience and expertise through shared communications channels and networks.

71. Explore the feasibility of creating joint UNIDO-UNDP PSD teams based at UNDP Regional Centres, in particular in the African region where some cooperation already exists. This possibility was mooted in the Cooperation Agreement but never explored.

Outlook beyond the Agreement

72. In the spirit of United Nations reform the Agreement is a new model of inter-agency cooperation and field representation with UNIDO Desks established in UNDP country offices. The pilot phase confirms the feasibility of the strategic partnership between a medium-sized specialized agency seeking to expand field representation in a cost-effective manner, such as UNIDO, and UNDP.

73. The pilot phase has also shown that an excellent use can be made of national high-level expertise to leverage and invest in national capacity.

74. It is too early to draw final conclusions on the replicability of this new model by other agencies. The Agreement may however have implications beyond UNIDO and UNDP as a possible model for hosting arrangements of United Nations agencies with no field representation. In this context there are some emerging organizational lessons that can be useful beyond UNIDO and UNDP.

75. The lessons are:

(a) The driving factors for success have been a tradition of cooperation, shared priorities, as well as commitment and strategic vision at the highest level;

(b) Sustained stakeholder interest and policy guidance from Member States is key to starting and keeping the momentum of the cooperation process. However, experience so far shows that financial support does not come automatically as a result of cooperation;

(c) Innovation and change do not come for free but require resources. Inflexible financial policies reduce the prospects for success. The potential gains for the country and for the participating organizations go much beyond the monetary or financial value of the projects and programmes generated. Narrowing down the ambition to income generation for the agencies through programming and support cost entails the risk of reducing other benefits for the country (advice, access to knowledge, networking, etc.);

(d) Despite organizational rigidities, working together at the country level can break the barriers of different organizational cultures and lack of understanding and has the potential to bring more effective country-level support by two organizations.