I. BACKGROUND

1. Since the adoption of the Business Plan on the Future Role and Functions of UNIDO in 1997, decentralization has been an important component of UNIDO reforms. Traditionally, UNIDO maintained country offices in the field which performed primarily representational and other miscellaneous functions. As part of UNIDO’s transformation since early 1998, UNIDO has taken as many steps towards decentralization as possible with its limited financial resources. A number of country and regional offices have been opened, their functions have been redefined and certain administrative and financial powers have been delegated to the field. Numerous reports on UNIDO field representation have been prepared and submitted to the policy-making organs in recent years. Since the adoption of the Business Plan in 1997, the following reports on field representation have been issued to the Board: IDB.19/11, IDB.19/CRP.8, IDB.20/16, IDB.20/CRP.4, IDB.21/10 (chap. VI), IDB.21/19, IDB.22/2 (chap. 1.B) and IDB.23/10.

Furthermore, the staffing of UNIDO field offices is covered in appendices to the annual reports of the Organization (see, for example, IDB.22/2 and Corr.1, appendix K).

2. However, there has been only limited qualitative change in the nature and role of the field offices. Under the present arrangement, the country offices undertake some activities relating to country-level programming and are associated in a general way with project implementation in the field. Their substantive responsibilities in the area of programme formulation and development and project implementation is somewhat restricted due to the limited human and financial resources made available to them. The regional offices, which are supposed to function as regional technical centres, are not yet fully operational as the required technical personnel have not yet been deployed, again owing to limited financial resources.

3. The need to expand and qualitatively change UNIDO’s field structure arises from the Business Plan’s
prescription to introduce “effective decentralization” in order to respond to the changing operational environment and to enhance the relevance and effectiveness of UNIDO activities. Specifically, the Business Plan required UNIDO to introduce “effective decentralization of activities and strengthened field representation” through:

(a) Redeployment of resources and Professional staff with the required level of expertise from Headquarters to the field;

(b) Appropriate delegation of authority;

(c) Formulation of key functions and responsibilities of field offices.

It also called for discontinuation of the general activities related to country-level programming at Headquarters, in the light of the future changes in field representation.

4. Moreover, the need to decentralize is driven by changes in the broader context of the international development scenario in recent years. This relates to a wide range of factors, including the flow of development assistance, the shifting role of various actors, and technological advances. Given these new circumstances, the highly competitive environment in the client countries in which UNIDO operates renders a centralized management system unsuitable. A decentralized system would move the Organization closer to its clients and to other development actors in the field and adequate powers would enable the field offices to respond to challenges quickly and to seize emerging opportunities. In short, effective decentralization would make UNIDO more relevant and efficient and would help increase the development effectiveness of its activities, thereby enhancing its visibility in the development scene.

5. Therefore, the prescriptions of the Business Plan have been interpreted by the Secretariat to mean that the field offices should be strengthened and assigned substantive responsibilities in programme formulation and development, and in project management and implementation. This would involve transferring to the field many of the functions presently being performed at Headquarters, both in the Regional Bureaux and the technical divisions. This would also mean that the present one-person field offices should be expanded and strengthened by putting in place a multidisciplinary team with technical personnel specific to the requirements of the area or region in which the office would be opened. This entails costs.

6. While undertaking various measures towards decentralization over the past two years, the Secretariat was aware of the Business Plan’s prescriptions and their implications. It was always expected that generation of additional resources, mainly through a higher level of technical cooperation delivery, would enable the Organization to bring about effective decentralization.

7. Since these expectations were not being realized and in view of the resource constraints that the Organization faces, these and other relevant issues were raised in conference room paper PBC.16/CRP.5, which was submitted to the Programme and Budget Committee at its sixteenth session. At the same time, similar considerations also prompted the submission of conference room paper PBC.16/CRP.4 relating to the financing of the integrated programmes.

II. CONSULTATIONS WITH MEMBER STATES

8. As requested by the Programme and Budget Committee at its sixteenth session (conclusions 2000/5 and 2000/6), consultations were held with regional groups during the period 22 September to 9 October 2000 on the issues covered in the two conference room papers. As a second stage, all Permanent Missions were invited to a plenary consultation convened on 23 October 2000. The main results of the discussions are summarized below.

Integrated programmes

9. On the question of the portfolio of integrated programmes, the general consensus was that there should be consultations with the respective Member States prior to undertaking any revision of the integrated programmes. This is particularly necessary as programme formulation and implementation as well as funds mobilization are a joint responsibility of the Organization and the country concerned. The Secretariat appreciated this position, while pointing out that screening and assessment of the integrated programmes is a continuing process, influenced by a number of factors such as the changing needs of the country concerned, alternative modes available for needs-fulfilment and, most important of all, availability of the required financial resources. The need to undertake continuous review and assessment in consultation with the relevant Member States is fully appreciated.

10. A conference room paper will contain an overview of the current status of the integrated programme portfolio. In addition, specific, up-to-date information on the integrated programmes for individual countries will be provided during the session.

Decentralization

11. As regards strengthening decentralization, there was general appreciation that, within the available limited resources, UNIDO has taken some steps for putting in place a field structure comprising a number of
country and regional offices. This structure should be streamlined, consolidated and stabilized. At the same time, it was felt that some steps should be taken by the Organization in order to implement the Business Plan’s directive of “effective decentralization” through strengthening a few regional offices with substantive powers and responsibilities in the areas of programme development and project implementation.

12. In this context, the representatives of the Member States took note of the relative costs involved in consolidating and stabilizing the existing field structure, the cost of options to bring about “effective decentralization” and the resources made available during the year 2000 for the field representation system. This information has been summarized in the annex to the present document.

13. The prevailing view was that, while the existing field structure should be consolidated and stabilized over time, UNIDO should at the same time take up further strengthening of a few regional offices in a planned manner and endow these offices with substantive responsibilities and powers in the area of programme formulation and development as well as project implementation. It was recognized that even this limited initiative would require provision of funds at a level slightly higher than that made available for the field structure in the programme and budgets, 2000-2001.

14. The report on field representation issued under the symbol IDB.23/10 provided information on the status of field offices as of 31 August 2000. Paragraph 7 of that document referred to staffing of the field offices, and included the expectation to field an additional 26 Professional staff by the end of the current year. This figure will now be modified in the context of reviewing and consolidating the overall situation. Moreover, as part of the overall reorganization of the field structure, it would be necessary to review the functioning of some of the existing country offices, also as reflected in the annex to document IDB.23/10.

III. ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the information provided in documents IDB.23/10 and IDB.23/18, including the intention of the Director-General to strengthen and empower a few regional offices in a planned manner as part of the process of introducing “effective decentralization”, while at the same time seeking to consolidate and stabilize the existing field structure over time.
Annex

SUMMARY OF OPTIONS DISCUSSED

I. Current field network consolidated and stabilized

- 10 regional offices (each 1 director, 2 technical staff (P-4 and P-5), 1 secretary, 1 driver)
- 20 country offices (each 1 senior technical staff, 1 secretary, 1 driver)
- Some 10 focal point offices
- International travel costs and operating costs.

II. Option under “effective decentralization”

- 10 strengthened regional offices (each 1 director, 4 technical staff, 3 General Service staff, 2 drivers plus 1 national officer, 1 junior programme officer)
- 10 country offices (each 1 senior technical staff, 1 secretary, 1 driver)
- 10 focal point offices
- International travel costs and operating costs.

III. Current field network consolidated and stabilized, plus two strengthened regional offices

- 8 regional offices (each 1 director, 2 technical staff (P-4 and P-5), 1 secretary, 1 driver)
- 2 strengthened regional offices (each 1 director, 4 technical staff, 3 General Service staff, 2 drivers plus 1 national officer, 1 junior programme officer)
- 20 country offices (number subject to review of functioning) (each 1 senior technical staff, 1 secretary, 1 driver)
- Some 10 focal point offices
- International travel costs and operating costs.

<table>
<thead>
<tr>
<th></th>
<th>I. Current</th>
<th>II. Effective decentralization</th>
<th>III. Current + 2 strengthened regional offices</th>
<th>Amount available in programme and budgets, 2000</th>
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