I. Background

1. Various recent analyses of the impact of the gradual expansion of the UNIDO field network on technical cooperation (TC) activities revealed that, with the introduction of the field mobility policy\(^1\) in 2006, and the subsequent redeployment of Professional staff to the field, along with the establishment of 18 UNIDO desks since 2005, the Organization’s field-based technical cooperation delivery saw a remarkable boost. In this process of decentralization, technical professional staff in the field were made increasingly responsible for project design and implementation. As illustrated in the table on page 2, efforts by UNIDO to strengthen field capacities has led to a strong increase in field-based TC delivery performance. This

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\(^1\) Director-General’s Bulletin (UNIDO/DGB/(M).97) of 21 April 2006.
strengthened field capacity has also had the benefit of bringing the Organization’s services closer to its stakeholders and clients in the countries concerned.

Table
Overview of budgeted posts, operational costs and TC delivery of field-based staff

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved budget for field posts (in millions of Euros)</td>
<td>18.70</td>
<td>22.09</td>
<td>23.16</td>
</tr>
<tr>
<td>Approved budget for field network operational costs (in millions of Euros)</td>
<td>5.92</td>
<td>6.38</td>
<td>6.53</td>
</tr>
<tr>
<td>TC delivery by field-based staff (in millions of United States dollars)</td>
<td>5.55</td>
<td>20.23</td>
<td>-*</td>
</tr>
</tbody>
</table>

* Not available.

2. While the overall investment in the field network, including human resources and operational endowments, gradually increased by about 16 per cent between 2006 and 2009, TC delivery by field-based staff during the same period increased by more than 260 per cent. Since 2009, an additional investment has been made in the field network which is expected to yield a continued increase in field-based TC delivery. UNIDO remains committed to continuing and accelerating its efforts to decentralize its activities to the widest extent possible under its tight budgetary restrictions and to further optimize the use of the field capacities as one of the Organization’s greatest assets.

II. Recent developments in strengthening the UNIDO field representation

3. The UNIDO field network has grown rapidly over the years and a historic background was provided to the Board in document IDB.37/6/Add.1. The annex to the present document provides an updated overview of the current UNIDO field presence as of September 2010, including the type and location of all UNIDO offices.

4. Based on the recommendations of the joint terminal evaluation of the cooperation agreement between UNIDO and the United Nations Development Programme (UNDP) (as outlined in document GC.13/6) and as previously announced in document IDB.37/6, UNIDO and UNDP have concluded a temporary agreement through an exchange of letters in June 2010, providing clarity on the continued operation of the UNIDO desks. A major operational adjustment is the change in the direct reporting line of the Heads of UNIDO Operations (HUOs). Instead of the UNDP Resident Representative, who formerly was the first reporting officer of the HUOs, the UNIDO Regional Office Directors will henceforth serve as their first reporting officer. It is expected that this will enhance the full integration of HUOs into the daily operations of the respective overseeing regional offices. UNIDO will, in close consultation with the respective Resident Coordinators,
continue to seek full integration of HUOs as equal participants in meetings and deliberations of the United Nations country teams (UNCTs).

5. With the Director-General’s Bulletin on the field mobility policy (reference footnote 1), all UNIDO staff were encouraged to apply for vacant field posts. As a consequence, the number of field-based international technical staff was increased and the related field vacancy ratio was considerably reduced, dropping from just below 50 per cent to below 10 per cent over the past five years. As indicated in the table on page 2, this increase in field staff resulted in a growing requirement in the allocation of operational funds. In line with the business process reengineering efforts being undertaken within UNIDO, an independent process evaluation of the field mobility policy was conducted in April 2010, which largely confirmed the positive impact of increased staff mobility on the Organization’s TC activities, but also noted that certain operational aspects of the policy were in further need of fine-tuning and improvement. These recommendations will be considered and appropriate action will be undertaken in line with all process-related reforms in the programme for change and organizational renewal (change management initiative).

6. Several other operational initiatives were recently implemented to fully capture the abilities and intellectual capital of the Organization’s field network. With the introduction of decentralized authority to field-based staff in the implementation of TC projects, further improvements became necessary in the coordination mechanisms between the field network and Headquarters. Results-based management (RBM) was mainstreamed to all field office workplans during the previous biennium, ensuring strategic alignment between global programme policies and local activities. These workplans have recently been improved and now provide for a greater degree of coherence between the different Branches in Headquarters and the field network.

7. Also, with growing numbers of field-based project managers and the increasingly systematic application of TC delivery forecasts and unit compacts in the Programme Development and Technical Cooperation Division (PTC), several alignment exercises have taken place for technical programme development in the field. With the issuance of the Director-General’s Bulletin on management of staff members assigned to the field as Industrial Development Officers,2 all field-based technical staff became directly affiliated to the relevant substantive Branches within PTC, fully aligning programmatic approaches and work planning. UNIDO has recently taken stock of the experiences gained so far and is currently considering ways of further strengthening the use of field-based technical staff.

8. Moreover, further investments were directed towards the strengthening of capacities and capabilities of the UNIDO field staff, including measures to upgrade the skills of General Service staff in the field offices. Redeployed or newly recruited staff are trained on a systematic basis through extensive inductions and other development courses. This training is equally provided to UNIDO Representatives (URs) and international and national Professional staff.

9. Considerable progress was also made in ensuring a higher degree of decentralized financial operations by furthering the use of imprest accounts throughout the field network, providing the URs with an ability to meet operational

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expenses of their offices, as well as technical cooperation activities. In the second half of 2010, almost all field offices will have their own imprest account. These changes improve implementation efficiency by providing a quicker and more flexible method of disbursing project funds at the field level. To acquire the necessary financial management skills, field-based General Service staff attended intensive training sessions, which included consideration of the new financial practices and procedures introduced through the adoption of the International Public Sector Accounting Standards (IPSAS) in January 2010. Training courses were held at Headquarters, as well as in selected regional offices.

10. A new approach has furthermore been introduced by the UNIDO Evaluation Group, moving its evaluations in 2010 and beyond towards the innovative concept of country evaluations. These new types of evaluations will assess all UNIDO activities in the respective country in a consolidated manner, including the performance of the field office in its function of facilitating programme development and implementation. Currently, the Evaluation Group is preparing the operational guidelines for implementing these country evaluations, in particular the methodology for evaluating the performance of field offices.

11. In addition, consideration is currently being given to empower URs to assume the central lead function in all country level operations. As country programme team leaders, full authority would thus be given to URs, enabling them to manage, oversee and monitor all country-based resources and programmatic operations of the Organization. This would further improve the coherence, speed, efficiency and effectiveness of UNIDO at the country level and bring its programmatic operations closer to its counterparts and beneficiaries in the field.

III. Expected developments in UNIDO field representation in the future

12. In line with the recommendations in the joint terminal evaluation and as outlined in document GC.13/6, the Organization is now exploring how best to convert the UNIDO desks into country offices and the HUOs into National Country Directors (NCDs). Consideration is also being given to gradually changing the institutional responsibilities and authorities of these NCDs in the UNIDO operational arrangements at the field level. NCDs may gradually be granted the status of country programme team leaders, depending on their individual work experience within UNIDO and their technical background.

13. UNIDO is further giving consideration to starting several pilot exercises in selected field offices, where full delegation of authority for programme implementation will be tested. It is expected that such a higher degree of decentralization will allow an even faster response to local needs and a closer partnership between UNIDO and local counterparts. This is of particular relevance in light of recent developments regarding United Nations system-wide coherence at the country level and the increased use of national implementation modalities. This will, however, require a considerable increase in national programme staff, along with growing General Service capacities in the selected field offices. Some preparatory arrangements in this regard have started for the establishment of the
necessary administrative support functions at Headquarters, including functional help desks and knowledge management systems.

14. As already indicated in document IDB.37/6/Add.1, and following an impact assessment as mandated in resolution GC.13/Res.7, new field offices were established in 2010 in Bangladesh and Brazil and new offices are envisaged for the Democratic Republic of the Congo and Central America:

(a) **Bangladesh**

The location was chosen on the basis of several ongoing large-scale programmes amounting to approximately €11 million, particularly in the area of trade capacity-building. An additional large-scale €13 million programme, co-financed by the European Commission and the Norwegian Agency for Development Cooperation (Norad), required the establishment of a stable local presence in the country. The desk will in particular provide an improvement in the effectiveness and outreach of the regional office in India, which oversees and guides UNIDO operations in Bangladesh.

(b) **Brazil**

The prospects for the development and funding of large-scale programmes in Brazil have been assessed positively and led to the selection of this location for an additional field office in Latin America. The main emphasis of UNIDO programmatic activities in this country is expected in the area of energy efficiency and renewable energy. In Brazil’s South-South cooperation, it is expected that the office would provide support to the further integration of the Southern Common Market (MERCOSUR) and facilitate industrial cooperation activities between Brazil and sub-Saharan Africa as well as with China and India. In addition, the office would be instrumental in the further development of other regional initiatives, including the energy observatory\(^3\) and similar initiatives.

(c) **Democratic Republic of the Congo**

With its rich natural resources in ores, metals and diamonds, the Democratic Republic of the Congo is heavily dependent on the mining sector and its industrial portion of gross domestic product (GDP) remains comparably low. The country also possesses 50 per cent of Africa’s forests and a river system that could provide hydropower on a regional basis, although both of these resources are currently not being sufficiently considered in relation to the country’s longer-term sustainable industrial development. In addition, the Democratic Republic of the Congo is a major post-conflict rehabilitation country and, while in recent years UNIDO implemented a small TC portfolio in the country in the area of energy and environment, there are considerable prospects for UNIDO to support the Government in the implementation of its poverty reduction strategy and further economic development and diversification. In particular, this could include programmes in the areas of agri-business development and private sector-based employment creation. Also, synergies with regional efforts such as the upgrading and quality programme in tandem with the South African Development Community

\(^3\) Observatory of Renewable Energy for Latin America and the Caribbean.
(SADC) and the Economic Community of Central African States (CEMAC), as well as with youth programmes in the Great Lakes region are currently being explored. All these preparatory activities required a fast deployment of UNIDO personnel to Kinshasa in order to be able to act locally, in coordination and coherence with the resident UNCT agencies.

(d) Central America

While the programme volumes in the Central American subregion, encompassing Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and several countries of the Caribbean, are still relatively low, prospects for a larger-scale engagement of UNIDO are assessed as excellent. The main focus of interventions is expected to be on activities related to trade capacity-building, energy and employment creation. The new regional office, to be located in Panama, will plan, implement and monitor technical cooperation and global forum activities in the region and explore with local and multilateral partners programmatic synergies and new funding opportunities for the subregion.

15. In both Bangladesh and Brazil the field offices are fully operational and the heads of the respective offices reported to their duty stations. In the Democratic Republic of the Congo, an international adviser has been posted to the country on a temporary basis in order to provide for basic representation and undertake preliminary measures for establishing a full UNIDO programme of activities. The adviser is also representing UNIDO in the activities and deliberations of the UNCT. For Panama, an exchange of letters has taken place and UNIDO is actively communicating with the Government on the exact modalities of the new regional office.

16. In response to resolution GC.13/Res.7, the Organization has also advanced in establishing a framework for analysing the potential impact of any future office location. While the Organization maintains its policy of paying special attention to the long-term financial implications of any expansion, some details regarding TC growth and potential development impact of an office are key factors in this newly established methodology. It was decided that such analysis would guide the Organization in the decision-making process for any new field location in the future, thus ensuring transparency of these decisions. Document IDB.37/6/Add.1 presented the following list of criteria, which will guide the overall selection process in the future:

(a) The industrial developmental needs of a country;
(b) The actual and potential demand for UNIDO services, including global forum activities;
(c) The current volume of UNIDO services;
(d) Specific country-related funding opportunities;
(e) The presence of relevant multilateral and intergovernmental organizations, with a particular attention to issues related to United Nations system-wide coherence and the potential for joint programmes, e.g. in the framework of the United Nations Development Assistance Framework (UNDAF);
(f) Logistical considerations such as transportation infrastructure, local logistical systems and other local support capacities, including those of other United Nations offices in the country;

(g) Other strategic considerations, including a focus on least developed countries (LDCs) and the potential for increasing the effectiveness and outreach of established field offices through local desks.

17. In addition to the use of this mechanism for deciding on new field locations, UNIDO will analyse its entire field network regularly and, if appropriate, determine the necessary adjustments in the field structure. This will also be influenced by the ongoing change management process and the related reform of UNIDO business processes, which will further increase the Organization’s ability to gradually decentralize its programmatic and operational activities to the field.

IV. Action required of the Board

18. The Board may wish to take note of the information provided in the present document.
### Annex

**Overview of the current UNIDO field presence (status September 2010)**

<table>
<thead>
<tr>
<th>Region</th>
<th>AFR</th>
<th>ARB</th>
<th>ASP</th>
<th>EUR</th>
<th>LAC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Office</strong></td>
<td>Ethiopia, Nigeria, South Africa</td>
<td>Egypt</td>
<td>China, India, Thailand</td>
<td>–</td>
<td>Colombia, Mexico, Uruguay</td>
<td>10</td>
</tr>
<tr>
<td><strong>Country Office</strong></td>
<td>Cameroon, Côte d’Ivoire, Democratic Republic of the Congo (being established), Ghana, Guinea, Kenya, Madagascar, Senegal, United Republic of Tanzania</td>
<td>Algeria, Lebanon, Morocco, Sudan, Tunisia</td>
<td>Indonesia, Iran (Islamic Republic of), Pakistan, Philippines, Viet Nam</td>
<td>–</td>
<td>Brazil</td>
<td>20</td>
</tr>
<tr>
<td><strong>Desk</strong></td>
<td>Burkina Faso, Eritrea (vacant), Mali (vacant), Mozambique, Rwanda (vacant), Sierra Leone, Uganda, Zimbabwe</td>
<td>Jordan</td>
<td>Afghanistan, Bangladesh, Cambodia, Lao People’s Democratic Republic</td>
<td>Armenia, Kyrgyzstan</td>
<td>Bolivia (Plurinational State of), Ecuador, Nicaragua</td>
<td>18</td>
</tr>
<tr>
<td><strong>Focal Point</strong></td>
<td>Togo</td>
<td>Sri Lanka</td>
<td>Russian Federation, Ukraine</td>
<td>Cuba</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Regional Centre</strong></td>
<td></td>
<td></td>
<td></td>
<td>Turkey</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21</td>
<td>7</td>
<td>13</td>
<td>5</td>
<td>8</td>
<td>54</td>
</tr>
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