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OPERATIONAL ACTIVITIES FOR DEVELOPMENT:
UNITED NATIONS DEVELOPMENT PROGRAMME

JOINT INSPECTION UNIT

Office for Projects Execution of the United Nations
Development Programme

Comments of the Secretary-General

The Secretary-General has the honour to submit to the General Assembly his comments on the report of the Joint Inspection Unit entitled "Office for Projects Execution of the United Nations Development Programme" (see A/39/80).

* A/39/50.

ANNEX

Comments of the Secretary-General

I. GENERAL COMMENTS

1. The report of the Joint Inspection Unit (JIU) on the Office for Projects Execution (OPE) of the United Nations Development Programme (UNDP) (see A/39/80) has focused attention on an important issue to UNDP and to its relations with other organizations of the system. The institutional framework for UNDP direct project execution was established early in 1973, in the light of the study of the capacity of the United Nations Development System, 1969 a/ and of the relevant paragraphs of the Consensus of 1970. b/ It was the intention, at that time, that such execution would cover project requirements which might otherwise receive unsatisfactory treatment; in addition, direct execution experience would provide a yardstick for measuring cost ratios and delivery performance guidelines throughout the system.

2. In 1982, the most recent year for which complete data are available, direct execution of UNDP-assisted projects financed from main programme resources amounted to \$46.6 million, about 7 per cent of the total programme. After a period of rapid growth of OPE operations in the mid-1970s, the proportion of the UNDP main programme executed directly by UNDP has stabilized for the last five years at around 7 to 8 per cent. Slightly more than half of this amount was for "technical projects", the balance for "non-technical" projects. c/

3. The report of JIU states, in paragraph 1, that "[the major technical agencies of the United Nations family] ... consider that OPE's activities have outgrown their original purpose and encroached increasingly upon the agencies' sectors of technical competence". After a review of the legislative context, rationale and purposes for UNDP direct execution, and of aspects of the operational activities of OPE, the report recommended, in paragraph 69, that the "Governing Council of UNDP should provide new terms of reference for UNDP direct execution, limiting such execution to projects which require general management and direction and to projects of a non-technical nature".

4. The report of JIU is a formal report addressed to the United Nations for action and deals with an activity within the responsibility of the Administrator of UNDP. The operations of OPE, however, affect other organizations of the system which - together with relevant United Nations entities - were accordingly invited to comment on the report. The Secretary-General has taken into account the views so expressed in the preparation of these comments. Detailed comments of the Administrator of UNDP and views of the agencies are available to interested delegations.

5. As the report states, direct execution of projects by UNDP has been the subject of intense discussion in inter-agency forums over the last 10 years. Comments on the report received from organizations in the system were varied. Most technical organizations commented in a vein similar to the summary of executing agency views contained in paragraphs 62 to 64 and 66 to 68 of the

report itself. They generally endorsed the conclusions contained in paragraph 68 of the report and the recommendations contained in paragraph 69.

6. Other organizations of the system recognize in their comments OPE's versatility and flexibility in responding to a variety of assistance requests from developing countries. They felt that OPE's activities should be fully maintained.

7. In its report, the JIU draws attention to several considerations which led to its conclusions. These include: (a) the possible compromising of the accountability of the Administrator of UNDP for the performance of the Programme and the view expressed in paragraph 67 that, as far as the United Nations is concerned, General Assembly resolution 32/197 "removed any gaps in sectoral responsibilities which might have existed at the time of the creation of institutional arrangements for direct execution by UNDP ..."; and (b), the perception that OPE operations handled in the main through sub-contracting arrangements do not lend themselves to the transfer of know-how and knowledge that is the basic purpose of multilateral technical co-operation.

8. In the light of the views of JIU, the present comments will address three issues:

- (a) The purpose of technical co-operation;
- (b) The policies and procedures whereby the Administrator of UNDP, in accordance with the Consensus, exercises his accountability in selecting, in consultation with the government concerned, the agent by which programme assistance to each project will be implemented;
- (c) The operations of OPE in relation to activities of other organizations of the system.

A. The purpose of technical co-operation

9. The primary purpose of UNDP-financed technical co-operation is to meet the needs of developing countries, with emphasis on the promotion of self-reliance by building up local capabilities through the transfer of technical know-how and management skills. Responsiveness to developing countries requirements should, therefore, be overriding considerations for determining the most suitable executing arrangements for UNDP-assisted projects.

10. In this respect, the view expressed in paragraph 29 of the JIU report that UNDP and the agencies are juxtaposed as "prospective beneficiaries" in the selection of executing agency arrangements is misleading. Only developing countries which the system serves should be regarded as beneficiary of that service.

11. As concerns project execution, the main consideration should be to ensure that the United Nations makes available to developing countries a sound and flexible set of mechanisms designed to ensure both the quality and timeliness of project inputs and outputs.

B. Accountability of the Administrator of UNDP

12. The report of JIU seems to suggest that the particular mandate of a given organization automatically entitles it to be designated executing agency. Any such suggestion might be a misunderstanding of the nature of the responsibility with which the Administrator has been entrusted, namely, to determine, after consulting with the agencies and giving due weight to their views, and in agreement with the government concerned, the appropriate arrangements for executing UNDP-assisted projects. The preferences expressed by the recipient government, the efficiency and the effectiveness of the proposed arrangements and the relevant substantive capacity and performance of a particular agency are factors to be considered in the determination of execution arrangements, including the selection of an executing agency.

13. There can be no single approach for all countries and in all situations as to how UNDP and its partner agencies can best respond to particular technical co-operation requirements. With the advent of new dimensions in technical co-operation, and government execution of projects, there can be no set pattern for "project execution". In some cases, a developing country may request a full range of technical, managerial and administrative assistance in the execution of the project. In other cases, a government may request an external agent such as OPE to provide limited assistance tailored to its needs and capabilities. Such assistance could be technical, managerial or logistical, simple or sophisticated. As institutions in developing countries build up their productive capacities and indigenous human resources, the United Nations system may be called upon to deliver services that fall short of the full execution of projects, as traditionally understood. In any case, Governments will make their own judgements as to the capacities of individual international organizations, as well as institutions in the public and private sector, to respond to what is needed in each situation.

14. In certain instances, direct UNDP execution would be more effective than another type of execution arrangement. It is, however, desirable that such a modality include appropriate recourse to the relevant technical agencies of the United Nations system in regard to the formulation, appraisal and implementation of the particular projects. This approach is based on the premise that "maximum use should be made of the considerable accumulated technical experience of the system and [that] therefore first recourse should be had to that experience". d/ It is inherent in the concept of partnership between UNDP and its participating and executing agencies. In this respect, it should be noted that the Administrator has maintained the practice of giving first consideration to the United Nations and specialized agencies in selecting executing agents for UNDP assistance.

C. Operations of OPE in relation to activities of other organizations

15. The report of JIU does not contain a comparative analysis of efficiency in project execution by OPE and by other executing agencies, nor an assessment of the cost-effectiveness of sub-contracting. It will be recognized that a full discussion of OPE's activities would require such an analysis and assessment. The absence of sufficient information on the issue of sub-contracting was addressed

at a recent meeting of the Administrative Committee on Co-ordination's Consultative Committee on Substantive Questions (Operational Activities) (CCSQ(OPS)), which concluded:

"On the basis of the information available, the Committee agreed that it was not possible to arrive at a clear and definitive assessment of the utilization of sub-contracting by the executing agencies. Reliable data was scarce on the cost-effectiveness of sub-contracting compared with other modalities of project execution ... The Committee was of the view that insufficient information on the transfer of technology, the promotion of self-reliance, or the effectiveness of monitoring, precluded an assessment of the use of sub-contracting in project execution.

"The Committee did not feel that there was any prima facie reason in economic, social or technological terms for preferring sub-contracting in project implementation. On the other hand, the Committee recognized that sub-contracting could be an appropriate and effective modality of implementation in certain cases." e/

The Secretary-General notes that a further review of sub-contracting as a mode of implementing technical co-operation projects would appear to be appropriate.

16. As noted earlier, OPE operations have stabilized at between 7 and 8 per cent of main UNDP programme expenditures since 1977, with a downward trend for all technical and non-technical from 8.3 per cent of the main programme in 1978 to 7.7 per cent in 1980 and 7.1 per cent in 1982. The report of JIU cites the volume of technical projects as being a source of particular concern. Depending on where one draws the line between technical and non-technical work, projects with a technical content and where OPE plays a technical role may be defined at any point between 3.5 and 5 per cent of the main UNDP programme. This modest proportion should be taken into account when addressing the report's contention that OPE exhibits a continuous growth pattern at the expense of other organizations in the system.

17. While the Administrator is responsible for the determination of appropriate executing arrangements for projects, he is conscious of the requirement to undertake meaningful consultations with agencies of the system before taking a decision. This requirement takes on particular significance in as much as resident representatives of UNDP, who are normally also designated resident co-ordinators, are often called upon to advise Governments, UNDP and other organizations of the system regarding the appropriate executing arrangements for UNDP and for technical co-operation projects financed from other sources. The latest version of the guidelines for direct UNDP execution of projects funded from UNDP main programme resources, dated 6 August 1982, d/ and worked out in consultation with the UNDP Inter-Agency Task Force, seeks to ensure that the Consensus provision that agencies be given first consideration is respected.

18. As the report of JIU states, these guidelines represent an improvement over past procedures. They represent an effort at reconciling the principles of partnership: that consideration be given first to the appropriate organization

of the system, with the overriding consideration of the specific needs of the recipient country. These guidelines are not immutable. They may be reviewed at regular intervals and any necessary modifications introduced therein, provided that the Administrator's authority for the determination of an executing agent is fully respected.

19. The above considerations may be summarized as follows:

(a) Arrangements for the execution of UNDP-assisted projects should be in keeping with the expressed needs and best interests of developing countries themselves;

(b) Such arrangements should embody the best substantive and managerial contribution the system can provide, using a sound and flexible set of mechanisms that ensure both the quality and timeliness of project inputs and outputs consistent with the changing and diverse needs of countries;

(c) The ultimate responsibility for the choice of an executing agency for the implementation of UNDP assistance lies with the Administrator, who should undertake meaningful consultations with United Nations agencies concerned before taking a decision;

(d) In the spirit of partnership, maximum use should be made of the considerable accumulated technical knowledge and experience of the specialized agencies and other organizations of the system and, therefore, in accordance with the Consensus, first recourse should be had to that experience;

(e) The developing countries should, however, have access to a flexible system for the procurement of inputs financed by UNDP, consistent with their changing and diverse needs, with OPE providing one such alternative in appropriate circumstances;

(f) It is desirable that direct execution by UNDP should include appropriate recourse to the relevant technical agencies of the United Nations system in regard to the formulation, appraisal and implementation of projects.

II. COMMENTS ON SPECIFIC RECOMMENDATIONS

20. In paragraph 9 of the JIU report, it was stated that "no separate Governing Council decision exists providing explicit terms of reference for UNDP's executive operations in the light of the roles and responsibilities of the participating and executing agencies of the United Nations system". It should be noted that the Governing Council has reviewed OPE's operations on a number of occasions, including the thorough review in 1977 by the Budgetary and Finance Committee of the Council. OPE's operations have been in keeping with such guidance that the Governing Council has provided.

21. The Secretary-General sees merit in the Governing Council, if it so decides, consolidating in one decision all matters relating to OPE's establishment and operational modalities. He therefore agrees (according to recommendation 1 of the

- report of JIU (A/39/80, para. 69)) that the Governing Council of UNDP should be invited to provide a consolidated framework for the future role of OPE.
22. The Secretary-General, for the reasons summarized in paragraph 19 above, is not able to accept the second part of recommendation 1, namely that such a framework should limit OPE's operations, with a consequential reduction of staff and other resources over a three-year transitional period. The many types and varied nature of requests from developing countries for multilateral technical co-operation enjoins the system to make full use of its flexibility and diversity. As part of that flexibility and diversity, the Administrator needs to have at his disposal an instrument for use in carefully selected cases for the direct execution of UNDP-assisted projects.
23. The Secretary-General believes that there is need for a more effective process of consultation between UNDP and the agencies as this would overcome much of the friction surrounding the subject of UNDP direct execution. It should be noted that the JIU report does not take fully into account the fact that other, non-UNDP, sources of funding for technical co-operation directly available to some agencies have grown substantially in the last few years. The principle of partnership and mutual recognition of their distinctive roles as funding and technical organizations respectively should inspire all guidelines and operating procedures as far as UNDP and the agencies are concerned.
24. Accordingly, the Secretary-General welcomes recommendation 2 of the JIU report (*ibid.*) that the Administrative Committee on Co-ordination, assisted by the Inter-Agency Task Force should examine the procedures used by OPE with a view to recommending for use by all organizations those which have proven their worth in the delivery of technical co-operation to Governments.
25. CCSQ(OPS), for which the Inter-Agency Task Force acts as the substantive secretariat, has been engaged in reviewing aspects of sub-contracting, as noted earlier. Accordingly, the Secretary-General will propose that the Committee include in its current programme of work a study on the applicability of OPE procedures to other organizations. The Committee will no doubt wish to take into account the changing development environment which is the backdrop to all technical co-operation and the fact that, as institutions in developing countries move forward towards self-reliance, the United Nations system needs to adapt itself to assist in meeting new requirements with new modalities.
26. The UNDP guidelines for direct execution provide for full consultation with concerned agencies on the designation of UNDP as its own executing agent. They also provide for communication of information on the projects concerned. In this way, the agencies are informed of the circumstances that led to direct execution by UNDP and they can make comments on the proposed projects. The intention, as stated earlier, is to provide for the fullest possible utilization of the accumulated technical expertise and know-how in the system.
27. These guidelines need to be fully and rigorously observed and the consultations carried out at a meaningful time prior to final decision-making by UNDP. The relevant technical agency or organization can then be afforded every opportunity to express its views on a project for which direct execution

is contemplated and to propose ways and means of becoming associated with the project during the formulation and implementation stages.

28. In the view of the Secretary-General, it would be appropriate for there to be periodic discussions among UNDP and other organizations of the system on the application of the UNDP guidelines for direct execution. d/ There could emerge from these discussions a further refinement of the guidelines and of the procedures to be followed for consultation with organizations regarding the most appropriate executing arrangements for UNDP-assisted projects. The outcome of such discussions would be communicated to the Governing Council of UNDP in the context of its regular review of direct execution by UNDP.

29. Part of OPE's operational activities are financed from resources other than the IPF (indicative planning figure) under the responsibility of the Administrator. The Secretary-General is of the view that the Administrator should examine the possibility of enhanced consultation between UNDP and other organizations of the system in regard to their technical involvement in such activities funded from such resources.

30. The Secretary-General is convinced that there is potential for collaboration between UNDP/OPE and other executing agencies of UNDP. The OPE's approach to project execution could be matched in appropriate instances with the knowledge and services of the specialized technical departments of the United Nations and other organizations of the system.

31. To review ways and means of promoting closer collaboration between the United Nations Department of Technical Co-operation for Development (DTCD) and OPE, the Secretary-General will ask the Administrator of UNDP and the Under-Secretary-General of DTCD to establish a joint task force. The report of this task force is to be submitted to the Director-General for Development and International Economic Co-operation.

Notes

a/ A Study of the Capacity of the United Nations Development System, 1969 (DP/5).

b/ General Assembly resolution 2688 (XXV), annex, paras. 38-42.

c/ According to OPE statistical data. The basis on which OPE activities are divided into "technical" and "non-technical" categories was reviewed in the report of the Joint Inspection Unit (A/39/80, paras. 35-37).

d/ See "Guidelines for Direct Execution", submitted by the Deputy Administrator of UNDP on 6 August 1982 and annexed to the report of JIU (A/39/80, annex, para. 2).

e/ Report of the Consultative Committee on Substantive Questions (Operational Activities) on its second regular session of 1983 (ACC/1983/22, paras. 21 and 22).