

# **EVALUATION OF THE RELATIONSHIP BETWEEN UNDP AND UNOPS**

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## EXECUTIVE SUMMARY

The evaluation addresses the relationship between the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS) some five years after the two institutions separated and presents recommendations that, it is hoped, will improve their working relationship. The evaluation, commissioned by the UNDP Evaluation Office, was carried out in close consultation with UNOPS at all stages. The evaluation team consisted of four independent experts.

The findings of the evaluation are based on extensive consultations with UNDP and UNOPS in New York in May, October and November 1999. The evaluation team visited 11 country offices in all regions. In each country, it interviewed staff of UNDP and UNOPS, government officials, and representatives of donors and international financial institutions. The team also visited the UNOPS Regional Asia Office in Kuala Lumpur, the UNOPS Nairobi Implementation Facility and the UNOPS/Division for Rehabilitation and Social Sustainability outpost in Guatemala. Consultations were held in Geneva and Copenhagen with UNDP and UNOPS units based there and with United Nations specialized agencies, funds and programmes in Geneva. Some members of the Executive Board, representing both donor Governments and host Governments, were also consulted. The findings and recommendations of the evaluation were presented to the Administrator, the Executive Director of UNOPS and the members of the Management Coordination Committee (MCC) in February 2000.

To understand the relations between UNDP and UNOPS, the evaluation team adopted a broad approach that included examining not only issues that concern the relationship directly but also the institutional context of the two institutions. Many of the factors affecting the relationship are perceptual, e.g., the largely prevalent mistrust and misunderstanding; some are factual, e.g., the lack of clear delineations between the two institutions.

The main findings of the evaluation are:

- Cooperation between UNDP and UNOPS functions well both at headquarters and in the field when there is a clear understanding of the respective roles and of the possible synergies as well as effective personal relationships. In other cases, there is a lack of satisfaction on both sides with the performance of the other party.
- UNOPS is still heavily dependent on UNDP as a funding source for most of its business and for the support provided by the UNDP country offices. Business acquired from the International Fund for Agricultural Development is also significant but that acquired from other United Nations bodies remains marginal.
- The relations between the two institutions are to a large extent characterized by mistrust and misunderstanding on both sides. This is in great part due to the fact that the respective roles and responsibilities of UNDP and UNOPS were never clearly

defined at the corporate level, either at the time of the separation or later. The oversight and coordination mechanisms created - the Management Coordination Committee and the Users Advisory Group - have not functioned adequately.

- There are overlaps between the two institutions. Both can execute projects, UNOPS as an executing agent for UNDP and UNDP itself through the direct execution mode or, *de facto*, as a supporting institution to national execution. In certain areas, particularly crisis and post-conflict situations, both institutions have competing competencies.
- Both institutions have difficulty in recognizing each other's role: UNDP with regard to UNOPS as the major executing/implementing agent of the United Nations system and UNOPS with regard to UNDP as its major funding source.
- Both institutions have significant weaknesses in their financial reporting systems, including a lack of timeliness and, in particular, an apparent lack of compatibility between the respective systems. This situation has created tension between UNDP and UNOPS. In the case of both institutions, the weaknesses of financial reporting systems have also raised significant concern among clients and donors. In the case of funds entrusted to UNDP through trust funds or management services agreements, these deficiencies in financial reporting may endanger fund-raising.
- The budgetary cuts over the last ten years have significantly weakened the UNDP country-office structure. The number of international staff available for UNDP functions has, on average, been cut in half - from more than four in 1990 to two or less in 1998. On average, the number of national staff per country office has been cut by some 35 per cent. These cuts, in a way, have encouraged the country offices to choose execution modalities that give them access to additional extrabudgetary resources on the one hand but reduce UNOPS participation in programme implementation on the other hand.
- The budgetary cuts have also adversely affected the performance of many UNDP country offices; this in turn has impinged on their relations with UNOPS. At the same time, some country offices continue to perform efficiently.
- UNOPS plays a limited but increasing role in supporting national execution.
- The performance of UNOPS in delivering its services is uneven. There are weaknesses in UNOPS programme/project management, in particular, in backstopping functions, caused perhaps by the very rapid growth in project and services delivery (45 per cent between 1995 and 1998) and staffing. These weaknesses in UNOPS performance have created tension between the two institutions.

- The reimbursement by UNOPS of costs for support provided by the UNDP country offices is dealt with by UNOPS in an ad hoc, non-transparent manner. In addition, the charges made by UNDP for central services provided to UNOPS are not transparent.
- There is also a lack of transparency in the way in which UNOPS establishes the fees charged to its clients. Many UNOPS clients, including Governments and donors, do not see or understand the relationship between the services provided and the fees charged.

The evaluation examined the following four alternative scenarios that could govern the future relationship between UNDP and UNOPS:

- UNOPS becomes a totally independent agency;
- UNOPS is reintegrated into UNDP;
- UNOPS is integrated into the United Nations Secretariat;
- UNOPS remains a “separate and identifiable entity”, as at present, but its relationship with UNDP is clearly defined.

The evaluation team recommends the last option.

The evaluation team has identified a number of areas in which specific actions are urgently required. It strongly believes that these actions will help to create conditions that are prerequisites for making the partnership between the two institutions work.

At the same time, the evaluation team would like to emphasize that unless the senior management in both institutions is committed to remedying the feelings of mistrust and misunderstanding, very little can or will be achieved. To move forward, it will be necessary for the senior management of both institutions to show a sincere commitment to making the partnership work and to imbue their staff with this spirit. There are, indeed, significant synergies to be gained if UNDP and UNOPS work together in a spirit of mutual support and trust.

The evaluation team identified the following six main areas where action is urgently needed:

1. Defining the respective roles and responsibilities;
2. Institutional arrangements;
3. Fund-raising and business acquisition;
4. Execution modalities;
5. Financing principles for country offices;
6. Administrative and management issues.

The recommendations of the evaluation team in each of these six areas are presented below.

## **1. Defining the respective roles and responsibilities**

### *Recommendation 1. Status of UNOPS*

The present status of UNOPS as a “separate and identifiable entity” that is “self-financing” and linked to UNDP should be maintained. UNOPS should have full responsibility for its internal management (see section 4).

### *Recommendation 2. Delineation of responsibilities*

The following are the recommendations:

- (a) The MCC should, as a matter of priority, define and delineate the roles and responsibilities of UNDP and UNOPS in order to minimize friction and conflict. Possibly, the MCC should also submit this issue to the Executive Board (see paragraph 175);
- (b) Existing overlaps between the two institutions, which are a source of conflict, should be corrected. An example of such overlaps is in the area of crisis and post-conflict situations, where the Emergency Response Division of UNDP and the Division for Rehabilitation and Social Sustainability of UNOPS appear to be performing similar tasks (see paragraph 161 of the evaluation);
- (c) UNDP and UNOPS should urgently conclude the subsidiary agreements envisaged in the 1997 Memorandum of Understanding. These should be further elaborated in detailed procedural manuals clearly indicating the responsibility and authority of the two parties at all levels, including detailed decision-making, reporting and information flows (see paragraphs 156 and 163 of the evaluation);
- (d) The Executive Director of UNOPS should issue, in consultation with UNDP, clear instructions on the precise role of the UNDP Resident Representative in his/her capacity as UNOPS Representative (see paragraph 224).

## **2. Institutional arrangements**

Recommendation 3. Management Coordination Committee      There is a need for an institutional structure to foster cooperation and partnership between UNDP and UNOPS. It is, therefore, recommended that the MCC be maintained with some changes to its current structure within the parameters of the decisions made at the time of its establishment, notably that: (a) the Executive Board provide overall policy guidance for and supervision of UNOPS; (b) the Secretary-General provide oversight and guidance, as required, to ensure the implementation of the decisions of the Executive Board; and (c) the Executive Director, under the authority of the Secretary-General, be responsible for the management of UNOPS. It should be noted that the Secretary-General has delegated his oversight and guidance functions to the MCC.

The evaluation team considered three options concerning the MCC:

*Option 1.* The MCC continues with the Administrator as Chairman and the Executive Director of UNOPS becomes a full member of the Committee. UNOPS is given its own segment on the agenda of the Executive Board. However, UNOPS submissions to the Executive Board will be reviewed by the MCC and its comments will be included as an addendum to the submission. Under this option, the MCC will continue to exercise the oversight role, delegated by the Secretary- General, to ensure that the decisions of the Executive Board are implemented. In addition, a major function of the MCC should be to foster cooperation and partnership between UNDP and UNOPS;

*Option 2.* No changes are made to the current structure of MCC, that is, the Administrator continues as the Chairman and the Executive Director as the Secretary of the Committee. However, UNOPS is given its own segment on the agenda of the Executive Board. UNOPS submissions to the Executive Board will be reviewed by the MCC and the Committee's comments will be included as an addendum to the submission. In all other respects, this option is identical to option 1;

*Option 3.* The current MCC membership is expanded by the addition of a chairman external to both organizations (who could, for example, be the Deputy Secretary-General) and the Executive Director of UNOPS is made a full member. In all other aspects, this option is identical to option 1.

The evaluation team concluded that option 1 is most likely to foster a spirit of trust, cooperation and partnership between the two organizations and therefore recommends that it be adopted.

In all three options, it is also recommended that the MCC meet four times a year, before each session of the Executive Board. It should be supported by a working party (i.e., a subcommittee) that should meet once a month to share information on a regular basis, foster cooperation (e.g., by identifying joint opportunities and resolving actual and potential conflicts), to prepare issues to be submitted to the MCC and to follow up on the implementation of the decisions of the MCC and the Executive Board (see paragraph 174).

#### *Recommendation 4. Users Advisory Group*

It is recommended that the Users Advisory Group be maintained. It should be convened by and meet under the chairmanship of the Executive Director of UNOPS to serve as a regular forum for consultation between UNOPS and its clients. It should meet at least once a year (see paragraph 178).

### **3. Fund-raising and business acquisition**

#### *Recommendation 5. Resource mobilization*

As a self-financing institution, UNOPS should be allowed to raise funds and mobilize resources for activities relating to the UNDP development agenda but only, as a strict rule, after consultation and in cooperation with UNDP. Resources mobilized through such efforts should be channelled through UNDP and recorded as UNDP resources under a separate UNOPS account (see section 5.3).

#### **4. Execution modalities**

##### *Recommendation 6. Execution modalities*

The following are the recommendations:

- (a) Country offices should adhere strictly to the recent UNDP guidelines for the national execution of UNDP programmes and those of UNDP-administered funds. Whenever necessary, a cooperating agency should be brought in to support national authorities. The creation of project support units, linked to the field office, to perform functions that the national authorities should normally carry out, should be strongly discouraged. However, in the case of countries that finance 100 per cent of the UNDP-administered programmes under the existing cost-sharing arrangements, UNDP should be allowed to continue to use present implementation modalities (see section 5.4);
- (b) UNDP should in all circumstances endeavour to identify on a competitive basis the most cost-efficient and effective executing agent (government authority, UNOPS, United Nations specialized agency, fund or programme, non-governmental organization, etc.). Direct execution should be used only when no other executing agency is capable of executing the project and willing to do so. This principle, which at present is one of the four conditions for direct execution, should be strictly enforced (see section 5.4);
- (c) The respective responsibilities of UNDP and of the executing/implementing entity should be clearly defined for each project in a project management matrix (see paragraphs 164 and 165 and annex 4).

#### **5. Financing principles for country offices**

##### *Recommendation 7. Financing principles for country offices*

The following are the recommendations:

- (a) UNDP should take steps to ensure that its country offices have adequate capacity to perform programming and coordination functions. A minimum staffing level should be established for each country office, depending on the size of the country programme, to perform UNDP core functions. Only this core staff should be financed by the regular budget (see section 5.5);
- (b) Project-monitoring functions should be financed from project budgets, as is presently the case with evaluation (see section 5.5);
- (c) All administrative support activities to projects, executing agencies and United Nations specialized agencies, funds and programmes, should be provided only on a reimbursable basis at the full cost of these services. These costs should be agreed to in negotiations between the country office and the relevant executing/implementing agent, based on general principles and simplified formulas. This will, however, require an upgrading of present accounting systems. The compensation should normally be paid in advance directly to the country office account (see section 5.5);

- (d) The country office should have full control of the use of its extrabudgetary resources that, under the proposed arrangements, will be paid to it directly and be held accountable for their use (see section 5.5).

## **6. Administrative and management issues**

### *Recommendation 8. Financial reporting*

It is recommended that both UNDP and UNOPS urgently review their financial reporting systems in order to ensure full compatibility between the systems and to meet the requirements of Governments, donors and other clients for accurate, timely and comprehensive information (see paragraphs 214, 215 and 216).

### *Recommendation 9. Administrative issues*

The following are the recommendations:

- (a) Both UNDP and UNOPS should review their programme/services delivery structures to achieve a better balance between headquarters and field activities (see paragraphs 219 and 222);
- (b) UNOPS should strengthen its project management capacities, including its capacities to backstop its project personnel adequately (see paragraph 223);
- (c) UNOPS should review its fee-setting mechanisms with a view to increasing transparency and better understanding by UNOPS clients (see paragraph 226).

Additional recommendations and suggestions, largely administrative in nature, are presented in section 5.

# EVALUATION OF THE RELATIONSHIP BETWEEN UNDP AND UNOPS

## 1. INTRODUCTION

1. In May 1999, some four and a half years after UNOPS obtained semi-autonomous status, the Evaluation Office of the United Nations Development Programme (UNDP) appointed a team of four independent evaluators to look into the relationship between UNDP and the United Nations Office for Project Services (UNOPS).

2. The terms of reference (TOR) for the evaluation (annex 1) indicated in particular that the evaluation team should evaluate the respective roles of the two organizations, the existing institutional arrangements and possible future developments, the existing financial arrangements, the contributions of UNDP country offices to UNDP/UNOPS cooperation, the efficiency and impact of the cooperation and clients' assessments of the relationship. It was stressed that the exercise would not be an evaluation of the two organizations but would focus exclusively on the relationship between them.

3. The evaluation team was composed of Nancy (Sam) Barnes, Hasso Molineus, Farid Siddiqui and Pierre Vinde (team leader) (see annex 6).

4. As an initial step in the evaluation process, the Evaluation Office had recruited an independent consultant who was supported by an EVALNET member to prepare a background document (the desk review). This document described, *inter alia*, the developments leading to the present status of UNOPS, the existing formal agreements between UNDP and UNOPS and the kinds of services the two organizations provide to each other and identified some key issues that needed to be addressed in the evaluation.

5. The methodology that the evaluation team followed was outlined in the TOR for the evaluation. It consisted of an extensive series of interviews in May, October and November 1998 at UNDP headquarters and UNOPS headquarters as well as during the period June-October 1999 in 11 country offices<sup>1</sup> selected by the Evaluation Office in consultation with UNOPS. The evaluation team assumed that problems encountered by these offices generally are representative of those at the field level. In connection with country visits, the evaluators also visited some UNOPS-executed projects. In addition, interviews were carried out in Malaysia with the UNOPS Asia Office; in Kenya with the UNOPS Nairobi Implementing Facility; in Guatemala with the UNOPS Outpost; in Geneva with the UNOPS Division for Rehabilitation and Social Sustainability, the UNDP Geneva Office, the Geneva office of the Emergency Response Division of UNDP, the International Labour Organization (ILO), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the Office of the United Nations High Commissioner for Human Rights (UNHCHR); and in Copenhagen with the Inter-Agency Procurement Service Organization (IAPSO) and the UNOPS Copenhagen Office (Division for Procurement Projects). In New York, the team met with

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<sup>1</sup> Bangladesh, Bosnia and Herzegovina, Guatemala, Kenya, Malaysia, Mozambique, Peru, Somalia, Turkey, Viet Nam and Yemen.

some members of the Executive Board, representing both donor and recipient countries, as well as with the United Nations Secretariat. At the country level, interviews were carried out with UNDP and UNOPS personnel, host-Government officials, United Nations agencies, World Bank officials and representatives of bilateral donors. In many cases, further interviews were carried out to seek clarifications of the initial interviews. The evaluation team also studied documentation relevant to the evaluation both at the headquarters and at the country-office level, including pertinent Executive Board decisions and earlier evaluations as well as country programmes and project documents. In the final stages of drafting the present report, the evaluation team had access to the final report of the Transition Team.<sup>2</sup>

6. In drafting its report, the evaluation team based its findings, conclusions and recommendations on the present situation in UNDP and UNOPS, not taking into account possible changes in organization and orientation that may occur, as suggested in the Transition Team's final report.

7. A final draft of the evaluation report was delivered to the UNDP Evaluation Office on 8 December 1999. Following comments from that office in February 2000, some clarifications were added to the text.

8. The evaluation team would like to express its gratitude to all those who assisted the team by participating in interviews or providing information and documentation.

## **2. INSTITUTIONAL CONTEXT**

### **2.1 Background**

9. UNDP first established its own project execution instrument in 1973. The Project Execution Division was responsible, *inter alia*, for projects that did not fall within the competence of any individual United Nations agency and for project that required general management and direction rather than expert sectoral guidance. The Division was renamed the Office for Projects Execution (OPE) in 1975.

10. The scope of OPE was enlarged in 1983 when the Governing Council authorized UNDP to offer management and other support services to Governments (decision 83/5). In 1988, OPE was renamed the Office for Project Services (OPS). By that time, OPE/OPS was providing more than \$200 million worth of services not only to UNDP but also to more than 10 other partners, including the International Fund for Agricultural Development (IFAD), the World Bank and bilateral donors.

11. The growth in OPS-provided services led to some concerns within the United Nations system about the dual role of UNDP - a funding agency that at the same time had its own executing arm. There was also a concern about duplication between OPS and the Department

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<sup>2</sup> The report does not address the relations between UNDP and UNOPS or even mention UNOPS. However, some of the recommendations, e.g., in relation to countries in crisis and post-conflict situations, will affect those relations.

of Technical Cooperation for Development (DTCD). The Joint Inspection Unit (JIU) raised these issues as far back as 1983.

12. In 1992, the Secretary-General proposed the creation of a department of the United Nations Secretariat, merging DTCD and OPS into a Department for Development Support and Management Services (DDSMS)<sup>3</sup>. This proposal met with significant objections from the Governing Council. Several alternative solutions were examined before the Executive Board (formerly the Governing Council) in 1994 proposed to the General Assembly that OPS should become "a separate and identifiable entity in a form that does not create a new agency and in partnership with the United Nations Development Programme and other operational entities, whose administrative support, including that relating to financial and personnel matters, will continue to be provided by UNDP and that the Office should continue to work through the UNDP field network" (decision 94/12, para.5). The General Assembly approved this proposal in September 1994 (decision 48/501).

13. At the time of the separation of OPS, the legislation giving UNDP the authority to execute projects itself was limited to "countries in special circumstances". At the same time, it was decided that UNOPS should not do any fund-raising on its own (see Executive Board decision 94/12 and UNOPS financial regulations).

14. The new United Nations Office for Project Services (UNOPS) came into being as a separate and identifiable entity on 1 January 1995.

15. UNOPS is headed by an Executive Director who reports to the Secretary-General and the Executive Board through a Management Coordination Committee (MCC). The MCC is chaired by the Administrator and has as members the Under-Secretary-General of the Department of Management and the Under-Secretary-General of the Department of Economic and Social Affairs. The Executive Director is Secretary of the MCC.

16. The MCC was expected to assist the Secretary-General in exercising his (oversight) responsibilities. The functions of the Committee were "to ensure that funding and coordination, technical support, and implementation functions, while remaining distinct, are carried out in a coordinated and synergistic way to maximise the effectiveness of the services provided to recipient countries" (DP/1994/52, para. 7). In his submission to the Executive Board on "the precise role and functions of the UNOPS Management Coordination Committee" (DP/1994/61), the Administrator indicated that the MCC should "provide policy and management direction in the functioning of UNOPS" and specified in more detail the functions of the MCC, including that the MCC should "review and authorize for submission ... the annual programme and budget of UNOPS and related documentation". It should be noted that the view of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the submissions from the Administrator and the Executive Director of UNOPS and others was that the creation of the MCC "might create an unnecessary and, perhaps,

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<sup>3</sup> The Secretary-General formulated his overriding objective as "the elimination of the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the system while retaining, through OPS, its own implementation capacity" (DP/1994/52, para. 1).

cumbersome reporting mechanism that may in some instances overlap with the supervisory role of the Executive Board” (DP/1994/57, paras. 4 and 15).

17. The MCC has, since its creation, dealt with a great number of issues, including UNOPS business plans, procurement and contracting, information systems, risk management, relationships and agreements with United Nations entities and the diversification of the UNOPS clientele as well as with UNOPS reorganization efforts. The MCC has on average met twice a year although in the past, the Administrator did not always attend its meetings. It was originally intended that the MCC meet four times a year (DP/1994/61, para. 6).

18. In order to create institutional links between UNOPS and its clients “and provide feedback to OPS on the effectiveness of its operations as perceived by the major users within the United Nations system”, a Users Advisory Committee (UAG) was also created (DP/1994/52). The UAG is chaired by the Under-Secretary-General for Economic and Social Affairs. Members included the Global Environment Facility (GEF), IFAD, UNDP, the World Bank and other significant users of UNOPS services. The Executive Director is Secretary of the UAG.

19. The UAG has since its creation met only once, in July 1996.

20. In 1998, the Joint Inspection Unit (JIU) proposed that the MCC be discontinued as it constituted an unnecessary layer of management. This would have the advantage, according to the JIU, of extricating UNOPS from its “parents” - UNDP and the United Nations Secretariat - and thus give it a more independent, neutral face in the eyes of other United Nations system organizations and encourage more interaction. The JIU also suggested that the UAG be discontinued and that UNOPS become a member of the Consultative Committee on Programme and Operational Questions (CCPOQ). It was also suggested that the Executive Director - when needed - could attend meetings of the Administrative Committee on Coordination (ACC), which regroups Heads of United Nations specialized agencies, funds and programmes under the chairmanship of the Secretary-General.

21. In a note (A/53/788/Add.1) dated 14 June 1999, the Secretary-General informed the General Assembly that he considered that the MCC played an important role with its oversight functions on operational matters. He did not share the JIU view that the MCC constituted an unnecessary layer of management. As regards the UAG, the Secretary-General indicated that the UAG should be seen not as a mechanism for inter-agency coordination but rather as a mechanism to assist the Executive Director of UNOPS to carry out his/her functions.

## **2.2 Agreements between UNDP and UNOPS**

22. As indicated earlier, the intention at the time of the creation of a free-standing UNOPS was that UNDP should continue to provide central administrative services and that UNOPS should continue to work through the UNDP country offices. It was envisaged that these relations would be rapidly consolidated in agreements between the two institutions. However, it was not until March 1997 - more than two years after the separation - that a

Memorandum of Understanding (MOU) between UNDP and UNOPS was signed by the Administrator and the Executive Director (annex 2).

23. The MOU was to be supplemented by subsidiary agreements between UNDP and UNOPS on services to be provided by the two parties, including corresponding costs. So far, the only subsidiary agreement signed concerns audit and management reviews. However, prior to the MOU, a personnel matrix had been agreed to in 1996 between UNDP and UNOPS concerning the operational modalities for personnel administration. This detailed document did not contain any provisions for the reimbursement of services rendered by UNDP.

24. The MOU sets out in general terms the area of cooperation between the two organizations. According to the MOU, UNOPS supports the UNDP programme by providing to UNDP and/or UNDP programme countries services and inputs for the successful implementation of projects and programmes funded by UNDP. At the request of UNDP, UNOPS may also provide services in the area of project and programme formulation and preparation. Special mention is made of UNOPS support to the national execution of UNDP projects. According to the MOU, UNDP is required to meet all costs directly incurred by UNOPS in the provision of its services. These costs can be specified in the project document or agreed on by UNDP and UNOPS or determined in decisions of the competent UNDP organs.

25. The MOU also recalls the Executive Board decision that UNOPS - unless otherwise agreed - shall utilize administrative and financial services of UNDP and shall continue to work through the UNDP field network.

26. UNOPS is also committed to informing UNDP of services that UNOPS provides to other organizations when such arrangements concern UNDP directly or indirectly. UNDP is committed to ensuring regular, periodic consideration of the role of UNOPS in project management arrangements.

27. UNDP provides central services to UNOPS. The delineation of these services and their costs were to be determined in subsidiary agreements. At the request of UNOPS, the country offices of UNDP can provide a number of services, e.g., administering local staff or making payments. It is stipulated that arrangements will be made for reimbursement to the country office for services rendered.

28. The UNDP Resident Representative was to act as UNOPS representative in the country. In that capacity s/he reports directly to the Executive Director of UNOPS.

29. The Resident Representative was expected to make the best effort to obtain from the host Government for UNOPS personnel those privileges and immunities applicable to personnel of United Nations agencies but in no case less favourable than those for personnel performing services for UNDP in that country.

30. The MOU also contains clauses concerning the keeping of accounts by UNDP and UNOPS and how to handle the suspension or termination of projects.

31. As mentioned earlier, the only subsidiary agreement concluded between UNDP and UNOPS within the framework of the MOU concerns audit and management reviews. According to this subsidiary agreement (MOU), the UNDP Division for Audit and Management Review (DAMR) is responsible for providing internal audit and related services to UNOPS in accordance with UNOPS financial rules. DAMR reports its audit findings to the Executive Director of UNOPS with copies provided to the MCC through its Chairman. Management reviews, on the other hand, are performed only at the specific request of UNOPS and the reports are distributed only to UNOPS.

32. DAMR and UNOPS agree annually on a work plan for the audit function and UNOPS provides all necessary funds for this. Attached to the subsidiary agreement on audit is an exchange of letters between UNDP and the World Bank concerning the audit of management service agreements concluded between UNDP/UNOPS and the recipient Government of a World Bank loan.

33. Apart from these two Memoranda of Understanding, there are no formal written agreements about which tasks UNDP and UNOPS perform for each other or are there any written agreements about how the tasks should be costed or reimbursed. UNDP has, for instance, charged UNOPS 14 per cent of UNOPS income for the central services UNDP provides (Office of Human Resources, Comptroller, Treasury and Executive Board Secretariat). These charges have been contested by UNOPS and apparently consultations have been under way for some time to change the methodology.

34. In the case of management services agreements executed by UNOPS, some agreements do specify in some detail the respective tasks of the two organizations and the principles of reimbursement.

35. It seems obvious that the lack of specific rules as regards the definition of tasks and the reimbursement of costs has been and remains a major cause of friction between UNDP and UNOPS.

## **2.3 UNDP context**

36. The issues of the evolution of UNDP core and non-core resources, the capacity of the country offices and the choice of modalities for project execution are interlinked. They are important in the context of the evaluation of the relationship between UNDP and UNOPS because these issues have affected, in particular, the attitudes and actions of UNDP in dealing with UNOPS.

### **2.3.1 Evolution of UNDP resources**

37. Since 1990, voluntary contributions to UNDP central resources (core income) have been declining in nominal terms. In 1990, voluntary contributions exceeded \$1 billion. By 1998, voluntary contributions had dropped to less than \$800 million. In 1999, voluntary contributions are estimated to amount to only some \$715 million. For the year 2000, voluntary contributions are forecast to drop below \$700 million.

**Table 1 Voluntary contributions to UNDP 1980 – 1998**  
(\$millions)

Voluntary Contribution	1980	1985	1990	1995	1997	1998
In dollars of year indicated	693	659	1 002	900	761	746
US CPI	50.6	66.0	80.2	93.5	98.5	100
In 1998 dollars	1369.6	993.9	1 247.1	962.6	772.6	746

Source: OECD and UNDP.

38. Measured in real terms, using the US Consumer Price Index (CPI) as the deflator, voluntary contributions shrank in 1998 prices - from nearly \$1.4 billion in 1980 to some \$1.25 billion in 1990 and to \$0.75 billion in 1998, as shown in table 1<sup>4</sup>. In short, voluntary contributions in 1998 in real terms amounted to only somewhat more than half of the 1980 level.

39. On the other hand cost-sharing, largely by recipient Governments, has increased significantly. In the 1980s, cost-sharing was essentially an additional contribution by a third-party donor or a recipient government to UNDP core-funded projects. However, in more recent years, the so-called 100 per cent cost-sharing, financed entirely by the host Government from its own resources and/or from funds acquired from loans/grants from other sources without any UNDP financial input, has become the dominant form of cost-sharing. The nature of cost-sharing has therefore changed from the 1980s to the 1990s. Between 1990 and 1998, resources under the cost-sharing arrangements increased from less than \$200 million to approximately \$1.3 billion (see table 2). Of this amount about, \$1 billion consists of 100 per cent cost-sharing by five Latin American governments.

**Table 2 UNDP resources 1980-1998**

<sup>4</sup> Admittedly, a deflation by the United States CPI does not tell the full story as the real value of UNDP core resources is also affected by the movements of exchange rates. However, the general direction of the resources available to UNDP in real terms is correct.

(\$millions)

	1980	1985	1990	1995	1997	1998
Voluntary contributions to UNDP central resources	693	659	1 002	900	761	746
Miscellaneous income	48	91	150	76	17	30
<b>Total core income</b>	<b>741</b>	<b>750</b>	<b>1 152</b>	<b>976</b>	<b>778</b>	<b>776</b>
Cost-sharing	58	92	169	601	959	1 298
MSAs	-	65	122	132	160	159
Other (largely trust funds)	90	100	154	321	363	382
<b>Total non-core funds</b>	<b>148</b>	<b>257</b>	<b>445</b>	<b>1 054</b>	<b>1 482</b>	<b>1 839</b>
<b>Total UNDP-administered funds</b>	<b>889</b>	<b>1009</b>	<b>1 597</b>	<b>2 030</b>	<b>2 260</b>	<b>2 615</b>
Total UNDP-administered funds in 1998 dollars	1 757	1 528	1 991	2 171	2 294	2 615

Source: OECD and UNDP.

40. Management services agreements (MSAs), a modality approved by the Governing Council in 1983, have in the last decade remained at a fairly constant level - \$120 million and \$160 million. MSAs are funded either by a third party-donor or by the host Government mostly using proceeds from a loan from an international financial institution (IFI).

41. The consequence of this evolution is that, while in 1980 nearly 85 per cent of UNDP-administered funds were core resources, in 1998, less than 30 per cent of these funds were core resources. About 40 per cent of total UNDP-administered funds in 1998 were government cost-sharing in Latin America.

### 2.3.2 Pressure of shrinking core resources

42. The pressure of shrinking core resources has been aggravated by the creation of new nations requiring the presence of a UN representation and the need of many of these nations for development aid as well as the decision to make UNDP responsible for the office of the UN Resident Coordinator. Between 1990 and 1998, the number of country offices increased from 114 to 135 or by about 20 per cent while voluntary contributions in real terms declined from \$1.25 billion in 1990 to \$0.75 billion in 1998.

43. This evolution has had many consequences. First of all, in order to limit the share of total core resources represented by the UNDP administrative budget there have been significant reductions in the number of international staff in UNDP headquarters and country offices during the 1990s. In 1980, the number of international staff in UNDP financed out of the regular budget was 719, which by 1990 had risen to 783. Because of budgetary pressures, the staffing level over the 1990-1998 period was cut by some 20 per cent, to a total of 616 in 1998 (see table 3).<sup>5</sup>

### Table 3 Number of UNDP international professional and national staff funded

<sup>5</sup> This reduction has also affected the staffing structure, an issue that has been addressed in the Transition Team report.

**out of core resources and number of country offices.**

	1980	1985	1990	1995	1998
International professional staff at headquarters	224	218	303	269	227
International professional staff in country offices	495	461	480	456	389
<b>Total number of professional staff</b>	<b>719</b>	<b>679</b>	<b>783</b>	<b>725</b>	<b>616</b>
Number of country offices	112	115	114	130	135
Average number of international staff per country office	4.4	4.0	4.2	3.5	2.9
Average number of national professionals per country office	1.1	1.5	3.8	4.2	4.5
Average number of other national staff per country office	24.9	21.6	21.8	16.8	14.0

Source: UNDP.

44. Secondly, the increase in the number of country offices has led to a further lowering of the average number of international staff in a country office. In 1980, the average number of international staff in a UNDP office who were paid out of central resources was 4.4. By 1990, the figure had shrunk to 4.2, in spite of the staffing increases, which had in fact been devoted almost exclusively to headquarters. By 1998, the average number of international staff in country offices had been reduced to 2.9.

45. The assumption of the resident coordinator functions by the UNDP Resident Representative has meant that the Resident Representative must devote most of the time, that she/he previously devoted to UNDP affairs to UN system issues, thus further weakening the UNDP office capacities. Indeed, some offices claim that the Resident Coordinator function requires more than a full-time international professional. This development has not been compensated for in any way. It can therefore, in fact, be argued with some strength that international professional resources available at the country level for programming and management of the UNDP programme were cut roughly in half between 1990 and 1998, from an average of more than four international professionals per country office to about two professionals or less.

46. It is true that in parallel with the reduction in international professional staff, there has been a very important increase in national professionals in the country offices. Between 1990 and 1998, the total number increased from 429 to 603, or from an average of 3.8 to an average of 4.5 per country office. However, even in purely numerical terms, this has not been enough to compensate the average country office for the reduction in the number of international professionals. Moreover, given the local labour market conditions in some countries,<sup>6</sup> national officers have not always been able to fully replace experienced international staff.

<sup>6</sup> Which may include insufficiently competitive salaries due to the application of the UN system salary methodology or the lack of sufficiently qualified candidates.

47. The resource pressures have also affected the general service staff in the country offices. Between 1980 and 1998, the average number of such staff per country office has declined from 25 in 1980 to 14 in 1998, or by nearly half. In spite of the benefit of new technologies, this has weakened the logistical and support capacities of country offices.

48. The result of all these factors has in many cases been a serious weakening of the programming, managerial and administrative capacities of the country offices.

49. Another concern relates to the overall balance of staffing in the country offices. On average, there are about two international professional staff devoted to UNDP matters against some four to five national professional staff. All para-professional staff are national. The increase in the number of national professionals in the country office has both advantages and disadvantages. The advantages include intimate knowledge of the local context as well as lower costs. However, international staff rotate every three or four years while national staff tend to be permanent and become the institutional memory of the country office, which may have its own disadvantages.

50. At present, country offices make significant use of Junior Professional Officers (JPOs) to counterbalance the scarcity of international staff. Altogether some 284 internationally recruited JPOs served in country offices in 1998, i.e., on average, 2.1 per country office. These JPOs posts were originally conceived as training positions. It seems that the lack of sufficient international staff has led to JPOs being used increasingly in positions that require significant professional experience. Such a use of JPOs has led in certain cases to serious tension with UNOPS senior project staff. In addition, senior government officials and donor representatives have expressed concern that UNDP programme functions were weak when administered by JPOs with limited experience.

51. In spite of the reductions during the 1990s the UNDP regular budget represented some 35 per cent of core resources in 1998 against some 18 per cent in 1990 and 12 per cent in 1980 (see table 4). However, when the regular/administrative budget is compared to the new definition of "total income" which includes regular core and other non-core resources, the evolution of the ratio of regular administrative budget to income appears to be stable at about 12-13 per cent. In the 2000-2001 budget estimates where "total resources" are estimated to be \$4.9 billion (of which only \$1.7 billion would be regular (core) resources), the share of the UNDP regular/administrative budget even drops to some 10.3 per cent.

**Table 4 Core resources and administrative budget  
(\$millions)**

	1980	1985	1990	1995	1998
Core resources	741	750	1152	778	776
Administrative budget	90.4	117.1	201.2	240.9	268.2
Ratio 2:1 (per cent)	12.1	15.6	17.5	31.0	34.6

Source: UNDP.

52. The share of total administrative budget expenditures represented by government contributions to local office costs (GLOC) has steadily declined, from about 11 per cent of gross administrative budget expenditures in 1980, to 8 per cent in 1990 and to 6 per cent in 1998.

53. The normal reaction to the dramatic shrinkage of core resources, from which the UNDP global network is financed, would have been to close a number of offices in order to have a more balanced relationship between the number of offices and available staff and core resources. Another alternative would have been to create regional or subregional offices to serve a cluster of countries. This has not been possible for political - and maybe also for policy - reasons and it has not yet been possible - as would be reasonable and legitimate - to transfer a significant share of the costs of the resident coordinator function to the UN budget. The growth in the number of country offices, necessitated by UN system considerations, without acquiring additional resources has weakened the average capacity of the individual country office.

54. Nevertheless, some of the offices visited were efficient and effective with a qualified dedicated staff delivering good service to host Governments, donors, projects and UN agencies. In other cases, performance was much weaker or more uneven.

### **2.3.3 Execution modalities**

55. In addition to the shrinking core resources and the decreased international staffing of the country offices, an important parameter in analysing the UNDP context is the dramatic change that has taken place in project execution modalities.

56. In the late 1980s, 80 per cent of the UNDP core programme was executed by UN agencies and 60 per cent by the six large agencies (FAO, ILO, DDSMS, UNESCO, (NEX) and UNIDO). OPS executed about 10 per cent of the UNDP programme. National execution was used for only 10 per cent of the programme.

57. In 1998, nearly 80 per cent of the UNDP core programme as a whole was nationally executed. In some countries, the share of NEX was even higher. In 1998, the share of UN agencies (excluding UNOPS) represented only some 8 per cent of programme execution. UNOPS was directly responsible for executing roughly 12 per cent of the programme.

58. However, UN agencies also participate in NEX as cooperating agencies. UNDP records do not permit the identification of the volume such participation represents. UNOPS has, however, indicated that in 1998, its delivery as a cooperating agency in national execution financed from UNDP-administered funds amounted to \$39 million. This can be compared to \$325 million in direct UNOPS delivery for UNDP-administered funds.

59. An independent study of the NEX modality, commissioned by the UNDP Office of Evaluation and Strategic Planning (OESP), the predecessor to the Evaluation Office, in 1995,<sup>7</sup> noted that the country offices were overburdened by the management tasks required as a result of the rapid growth in NEX. The traditional agency execution modality had a clear tripartite structure: UNDP was the donor, the host Government was the recipient and the UN specialized agencies had the responsibility for technical and managerial execution. With the advent of NEX, UNDP has a multitude of roles: donor, partner to the Government, facilitator of management, assistant project administrator and performance monitor.

60. One consequence of this rapid shift to NEX during a period of shrinking core resources and decreased international staff in the country offices, noted the 1995 evaluation report has been to weaken the country offices' capacity not only in programme planning and formulation but also in effectively supporting and monitoring the implementation of the UNDP programme.

61. Another consequence of the shift to nex is that agency support costs disappear as an immediately apparent cost to the programme. Greater resources are therefore apparently available for programming. This is, however, not the complete picture as some of the Government's costs for project execution are often directly charged to the project. The same holds true for the costs of the country office for supporting the project. Thus, total support costs - or the costs for managing the project - are much less transparent than under direct UNOPS or agency execution. Whether total support costs, particularly if account is taken of host government costs, are lower than under UN agency execution may be debatable.

62. At first glance, the rapid growth in the NEX modality over the last decade would suggest that the countries in question had the capacity or had acquired the capacity to execute UNDP-supported programmes. The validity of such an assumption is questionable. It is more likely that in many countries, the national capacity to execute projects is less than what would be desirable. The rapid growth in NEX has led to an increased role falling on the Country offices – which also may not have sufficient capacity, as indicated by the 1995 evaluation, to fully support NEX even after having received some support costs from the project.

63. At the operational level, the demarcation between NEX and direct execution DEX appears to be less than transparent. In one country it appears that a programme that is classified as nationally executed is *de facto* directly executed by the country office, which has set up its own project management and support structure.

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<sup>7</sup> UNDP, OESP *National Execution: Promises and Challenges*, New York, 1995.

64. It also appears that direct execution by country offices (the DEX modality) is a tempting choice for a country office, as it seems easier to obtain full cost recovery from the project in such a mode. Again, the costs of managing the projects are less transparent.

65. Executive Board decisions 94/28 and 98/2 restrict the use of direct execution. It can be used only in “countries in special development circumstances”<sup>8</sup> and “only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery”.

66. According to the UNDP Programming manual, direct execution may be considered when:

- (a) There is a situation that calls for speed of delivery and decision-making;
- (b) Where national authorities lack the capacity to carry out the project;
- (c) The project could not be carried out by another UN agency;
- (d) The UNDP country office has adequate capacity to manage, report and achieve the expected results.

At the operational level, it is, however, unclear whether a decision to adopt a direct execution modality requires meeting all four of the above conditions or whether it is sufficient to meet only one or more of them. The authority to approve DEX on a case-by-case basis is vested in the Associate Administrator.

67. The use of DEX has increased in recent years. From a level of \$1 million in 1995, the level of country office-executed projects rose to a level of \$8 million in 1997 and to \$17 million in 1998. There are indications that this upward trend may continue. This is, in fact, one of the recommendations of the Transition Team (CPC recommendation 3, option 2), which speaks of expanding the criteria for direct execution.<sup>9</sup>

68. In view of this increase, it can be questioned whether the strict criteria desired by the Executive Board have been upheld or loosely interpreted. UNOPS, for its part, maintains that, in a number of cases, it has not even been offered the option of executing a directly executed project in spite of its extensive experience in executing UNDP projects in post-conflict situations.

69. Also, the use of the term “direct execution” does not seem crystal clear. In many cases, it is, indeed, the country office that executes the project fully, being responsible for the recruitment of international and local staff, procurement, logistical support, etc. In other cases, the same term is used to cover what is in essence a local trust fund with multiple funding sources. Project implementation is not performed by the country office but by sub-contracted UN bodies (e.g., UNOPS or UNHCR), international organizations (e.g.,

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<sup>8</sup> According to the UNDP Programming Manual (chapter 1.4.9), special development situations are those considered by UNDP to require major interventions to sustain or restore the coping capacities of countries under acute stress, where significant development gains have been lost or seriously compromised by a complex set of factors.

<sup>9</sup> It is noteworthy in this connection that the report does not mention the work of UNOPS as executing agency for a number of UNDP-funded crisis and post-conflict programmes.

International Office of Migration) and non-governmental organizations. It is, however, still termed direct execution.

## **2.4 UNOPS context**

70. In the context of evaluating the relations of UNOPS with UNDP, a central issue is the evolution of UNOPS project and service delivery to UNDP and its non-UNDP clients. Also of relevance are issues concerning the evolution of UNOPS income and staffing, UNOPS business acquisition, and UNOPS dependency on UNDP-provided services. These issues are discussed in the following sections.

### **2.4.1 Evolution of UNOPS project delivery**

71. The volume of project delivery performed by UNOPS and its predecessors OPS and OPE has shown a significant increase, particularly since 1983, when the MSA modality was introduced, and again since 1995, when UNOPS became an executing arm of other UN bodies.

72. UNDP remains the main source of funding for UNOPS project delivery. In 1998, about two thirds of UNOPS project delivery was related to UNDP funds (see table 5). If MSAs, which are in principle signed exclusively by UNDP but are not in fact UNDP funds, are included, the share of UNOPS project delivery originating with UNDP rises to nearly 95 per cent. The remainder of UNOPS project delivery relates to other UN bodies, such as the UN Office of the Iraq Programme (UNOIP), the Department of Political Affairs of the United Nations Secretariat (DPA), the UN High Commissioner for Refugees (UNHCR) or the UN International Drug Control Programme (UNDCP). If activities relating to loan supervision for the International Fund for Agricultural Development (IFAD) are added to UNOPS project delivery, the UNDP-related share of UNOPS business declines but still remains around 70 per cent.

73. The viability of UNOPS as a self-financing entity therefore still remains intimately linked to the volume of business originating with UNDP or with recipient Governments executing projects in a NEX mode. The business acquired from other parts of the UN system remains marginal. In most countries, UNOPS is also highly dependent on the support of the UNDP Country Office network for a cost-efficient delivery.

74. UNOPS, however, is making significant efforts to diversify its clientele and the nature of the services it provides in order to counterbalance a decline in business originating from UNDP core resources.

**Table 5 OPE/OPS/UNOPS project delivery 1985-1998**  
(**\$million**)

	1985	1990	1995	1997	1998
OPE/OPS/UNOPS execution for UNDP-funded projects <sup>10</sup>	70	160	235	296	364
Management service agreements <sup>11</sup>	10	108	131	156	137
Execution for other UN bodies	4	18	17	11	37
<b>Total UNOPS project delivery</b>	<b>84</b>	<b>286</b>	<b>383</b>	<b>463</b>	<b>538</b>
Project supervision and loan administration (IFAD)	20	37	108	151	175

Source: UNOPS.

#### 2.4.2 UNOPS project implementation for other UN agencies

75. UNOPS implements projects for a number of other UN agencies and departments (see table 6) although the total volume of business, as indicated earlier, is insignificant compared to UNDP-related activities.

**Table 6. UNOPS project delivery for other UN agencies in 1997 and 1998**  
(**\$millions**)

	UNDCP	UNRISD <sup>12</sup>	DPKO	DPA	IDNDR <sup>13</sup>	UNFPA	UNHCHR	UNOIP <sup>14</sup>	OTHER <sup>15</sup>	Total
1997	6.713	0.694	---	2.788	0.053	0.131	---	0.988	0.706	12.0
1998	10.954	1.520	5.518	5.186	0.155	0.126	3.721	7.841	0.457	35.5

Source: UNOPS.

76. Under its General Operational Agreement with UNHCR, dated 1998, UNOPS may at the request of UNHCR, implement projects or provide inputs to UNHCR projects and programmes. These include recruitment and administration of project personnel, procurement of equipment, supplies and commodities, management of training activities and fellowships; contracting of consulting firms and contractors for services and works; and management of contracts. The standard support cost rate is 9 per cent with deviations as agreed between the two parties. The decision to use UNOPS as an executing agency is made at the field level depending on the local circumstances.

77. Agreements for similar purposes have been signed between UNOPS and DPA for its activities in Guatemala (MINUGUA) and with its Electoral Assistance Division (DPA/EAD),

<sup>10</sup> Includes execution for UNDP core resources as well as for UNDP-administered funds and trust funds, e.g., the Global Environment Facility or the Trust Fund for Cambodia. The figure also includes UNOPS delivery as a cooperating agency in nationally executed projects.

<sup>11</sup> Roughly 50 per cent are MSAs for third-country donors, about 30 per cent are financed by multilateral banks and 20 per cent by the recipient countries.

<sup>12</sup> UN Research Institute for Social Development.

<sup>13</sup> International Decade for Natural Disaster Reduction.

<sup>14</sup> UN Office of the Iraq Programme

<sup>15</sup> Includes UNICEF, UN Office of the Commissioner for Humanitarian Affairs (UNOCHA), World Food Programme (WFP) and UNESCO.

with the Joint and Co-sponsored United Nations Programme on HIV/AIDS (UNAIDS) and with the World Meteorological Organization (WMO).

78. UNOPS has signed a MOU with the Office of the High Commissioner for Human Rights (UNHCHR). Under this MOU, UNOPS provides logistical support in the field to HCHR operations. The standard support cost rate is 8 per cent.

79. The International Labour Organization (ILO) has a long-standing relationship with UNOPS, predating the present UNOPS. Interagency letters of agreement define the respective roles, ILO concentrating on technical areas and UNOPS on logistics. Normally, this collaboration is related to UNDP projects although occasionally, ILO technical assistance funds are also involved. Presently, the idea of a broader agreement between UNOPS and ILO is being considered.

80. The United Nations International Drug Control Programme (UNDCP) uses UNOPS for a significant part of its programme, at present about 30 per cent, particularly for more complex projects. The normal support cost rate is 7.5 per cent. For some less complex projects, UNDCP executes the projects directly with direct support from the country office. According to UNDCP, UNDP offices are then reimbursed for their costs at a rate of 3 to 3.5 per cent.

81. Under a cooperation agreement, UNOPS provides IFAD with loan-administration and project-supervision services.

82. UNOPS has been engaged by the Department of Peace-keeping Operations (DPKO Mine Action Service) for: (a) identifying, shortlisting, tendering and contracting suppliers and/or commercial companies and/or consultants; and (b) contracting translation and printing of all types of publications (pamphlets, handbooks, posters, reports and newsletters), distribution of all types of publications and administering of training workshops.

83. In addition, a number of special purpose agreements have been signed by UNOPS and a number of other UN organizations. Examples are:

- ◆ Agreement between UNOPS/UNDP/DDSMS for implementation and management services provided by UNOPS in the field of rehabilitation and reconstruction of societies in crisis;
- ◆ Agreement between UNOPS/OCHA for specific project services relating to UNOPS execution of a project in Tunisia;
- ◆ Agreement between UNOPS/UNICEF for specific project services relating to UNOPS execution of a post-conflict social rehabilitation project in Haiti;
- ◆ Agreement between UNOPS Institute for Social Development for implementation of the War-torn Societies Project;
- ◆ MOU between UNOPS/UNDP/DPA/Programme for Strategic and International Security Studies (PSIS) for collaboration in the War-torn Societies Project.
  
- ◆ Agreement between UNOPS/United Towns Development Agency for collaboration on projects and implementation services provided by UNOPS;

- ◆ MOU between UNOPS/Crime Prevention and Criminal Justice Division (CPCJD) of the United Nations Office in Vienna for technical services provided by CPCJD in UNOPS executed projects;
- ◆ MOU between UNOPS/Food and Agriculture Organization of the United Nations (FAO) for general cooperation; including UNOPS use of FAO facilities in Rome.

### 2.4.3 Development of UNOPS income and staffing

84. In 1995, the first year UNOPS became a separate entity, UNOPS income (project implementation and provision of services only) amounted to \$29.7 million (see table 7). By 1998, income had risen, in parallel with project delivery and the provision of services to UNOPS clients, to \$47.6 million, or by 60 per cent. Of this income, UNDP-administered funds (including management services agreements) provided some \$25.4 million (85.5 per cent) in 1995 and \$41.0 million (86.1 per cent) in 1998. Income from other sources - primarily IFAD and UN system organizations - provided the reminder, that is \$4.3 million (14.5 per cent) in 1995 and \$6.6 million (13.9 per cent) in 1998. Thus the share of income from sources of funds other than UNDP still remains marginal.

**Table 7 UNOPS income 1995-1998**  
(\$ millions)

Year	UNDP core	Other UNDP-administered funds	Management services agreements	Other UN agencies	Total	IFAD
1995	14.1	5.5	5.8	1.2	26.6	3.1
1996	18.4	6.1	6.3	0.8	31.6	3.3
1997	20.4	6.6	7.2	0.8	35.0	3.6
1998	23.0	9.7	8.3	2.5	43.5	4.1

*Source:* UNOPS.

85. The income received by UNOPS in 1998 for services rendered corresponds to an average overhead of just under 9 per cent for UNDP, slightly more than 6 per cent for management services agreements, close to 7 per cent for other UN agencies and some 2.3 per cent for supervision of IFAD loans. As the services rendered vary from agency to agency and from project to project, it has not been possible for the evaluation team to judge whether these differences are warranted or not.

86. As can be seen from table 8, it is, however, noteworthy that the share of total delivery represented by UNDP-funded delivery rose from some 61 per cent in 1995 to nearly 68 per cent in 1998, or by more than 6 percentage points, while the share of income coming from these projects increased only marginally from 73.7 to 75.2 per cent or by about one and a half percentage points.

**Table 8 UNOPS project delivery and income**

	1995				1997				1998			
	Project delivery \$ millions %		UNOPS income \$ millions %		Project Delivery \$ millions %		UNOPS income \$ millions %		Project delivery \$ millions %		UNOPS income \$ millions %	
UNDP funded projects	235	61.4	19.6	73.7	296	63.9	27.0	77.1	364	67.6	32.7	75.2
MSAs	131	34.2	5.8	21.8	156	33.7	7.2	20.6	137	25.5	8.3	19.1
Execution for other UN agencies	17	4.4	1.2	4.5	11	2.4	0.8	2.3	37	6.9	2.5	5.7
UNOPS: total project delivery	383	100.0	26.6	100.0	463	100.00	35.0	100.0	538	100.0	43.5	100.0
Project supervision & loan administration (IFAD)	108	--	3.1	--	151	--	3.6	--	175	--	4.1	--

87. UNOPS administrative costs have also risen (see table 9), never threatening, however, the overall balance between income and expenditure. In fact, UNOPS has created a financial buffer against an unforeseen drop in income. Administrative costs rose from \$27.7 million in 1995 to \$41.4 million in 1998 (see table 9) and are projected to be \$48.1 million in 1999. The increase between 1995 and 1998 is about 50 per cent, which is slightly higher than the increase in total volume of project delivery and loan supervision – which increased by some 45 per cent. However, this latter figure does not take into account other sources of income, which accounted for 5 per cent of income in 1998.

**Table 9 UNOPS administrative costs, 1995-1998**

(\$millions)

Cost item	1995	1996	1997	1998
Staff costs	19.3	19.8	23.1	26.5
Reimbursement to UNDP	3.2	6.0	5.1	7.2
Other costs	5.2	7.8	8.4	7.7
Total	27.7	33.6	36.6	41.4

Source: UNOPS.

88. UNOPS staff numbered 211 as of 1 January 1995 and 395 as of September 1999, an increase of some 87 per cent. About 64 per cent of the staff are located at headquarters in New York (252 posts); slightly less than 10 per cent (38 posts) in Europe (Copenhagen, Geneva, Rome); and nearly 26 per cent (105 posts) in Africa (Abidjan Office and Nairobi Outpost), Asia (Asia Office in Kuala Lumpur and Tokyo Liaison Office) and Latin America (Quito Project Implementation Unit, San Salvador and Guatemala Outposts).

89. The average portfolio size of a programme management officer has risen by more than one third from \$9 million in 1995 to over \$12 million in 1998. According to UNOPS, the magnitude of effort required, however, is influenced by the nature of the portfolio, e.g., bulk or itemized procurement and recruitment of identified individual or market search. Still, the conclusion can be drawn that pressures on UNOPS programme management officers have increased significantly.

#### **2.4.4 Other contextual issues**

90. The United Nations General Assembly, by its decision 48/501 of 19 September 1994, decided, upon recommendation of the Economic and Social Council, that UNOPS should become a “separate and identifiable entity in accordance with the United Nations Development Programme Executive Board decision 94/12 of 9 June 1994”. Pursuant to decision 94/12, UNOPS was to “become a separate and identifiable entity in a form that does not create a new agency and in partnership with the United Nations Development Programme” and the UNDP/UNFPA Executive Board was to provide “overall policy guidance for and supervision of OPS”. Furthermore, in accordance with decision 94/12, the Executive Director of UNOPS reports to the Secretary-General and the Executive Board

through the Management Coordination Committee; However, UNOPS is not part of the United Nations Secretariat proper.

91. It is indeed clear that UNOPS is not a free-standing United Nations specialized agency, like FAO or UNESCO, as the setting up of such an agency requires a separate intergovernmental agreement. In many respects, UNOPS is a body *sui generis* in that it is entirely self-financing and receives no direct contributions from Member States.<sup>16</sup>

92. It is natural that UNOPS wants to live up to its new status and be seen as “the separate and identifiable entity” stated in its founding charter. This is probably also essential if UNOPS is to diversify successfully its client base and in that way lessen its dependency on UNDP funding. As mentioned earlier, UNOPS project delivery for non-UNDP funds remains marginal even if the share of this business is increasing.

93. UNOPS must be self-financing, which also implies that it must search for business. In order to do this, UNOPS tries to develop competencies beyond pure project management, such as reconstruction in war-torn societies and de-mining. In its business acquisition, UNOPS naturally contacts potential clients, whether they be other United Nations institutions, international financial institutions, bilateral donors or host Governments, in order to develop new business.

94. When creating UNOPS, the Executive Board decided that UNOPS “will undertake implementation rather than funding activities” (decision 94/12). This decision is spelt out more clearly in UNOPS Financial Regulations (Regulation 2.1. (d)) DP/1995/7/Add.1), which states that the sources of UNOPS funding are an organization of the United Nations system or other funding sources (e.g., a donor Government or an IFI) “acting through an organization of the United Nations system”).

95. There is, however, an ambiguity or perhaps more a contradiction between the requirement to be self-financing and therefore to acquire business and the ban on UNOPS engaging in fund-raising. UNOPS has tried to advance a somewhat specious argument that there is a difference between business acquisition, where the funds are channelled through a United Nations system entity or where no funds pass through UNOPS, and fund-raising. This has created tension between UNDP and UNOPS.

96. UNOPS has its own financial regulations and rules based on the corresponding UNDP regulations and rules. However, the Administrator of UNDP maintains certain functions in the financial management area (e.g., Regulations 13.2, 14.1(a) and 114.15).

97. As mentioned earlier, UNOPS uses a certain number of services provided by UNDP headquarters, in particular, the treasury function, certain personnel services and, based on a written agreement, the audit and management review functions of UNDP. In the area of

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<sup>16</sup> The language of paras. 90 and 91 was drafted in consultation with the United Nations Office of Legal Affairs.

personnel, UNOPS has recently obtained greater autonomy in defining personnel policy and managing its staff. UNOPS also makes extensive use of the UNDP country office network and the UNDP Resident Representative is the UNOPS Representative in the country.

98. UNOPS carries a legacy from having been an integral part of UNDP. This is reinforced by the existing close links with UNDP: through the MCC; by UNOPS dependency on services provided by UNDP at the headquarters and at the field level; by the strong dependency of UNOPS on UNDP funding; and, to a decreasing extent, by having many former UNDP staff members in its establishment. It is therefore natural that not everybody outside the two institutions fully understands the meaning of UNOPS being a “separate and identifiable entity.”

### 3. FINDINGS OF THE EVALUATION

#### 3.1 Perceptions of relations between UNDP and UNOPS at headquarters

99. There are areas where cooperation between UNDP and UNOPS works well and without noticeable friction. This is true, for instance, in the areas of the Montreal Protocol and governance. However, it also seems clear that the perceptions at headquarters of the relations between UNDP and UNOPS – on both sides – in many cases are marked by mistrust. There are probably many reasons for this, some institutional and some probably attributable to the personalities involved. An important factor that has adversely affected the relations between the two institutions is the failure to clearly define the rules and regulations that were to govern the relations between the two institutions after the separation in 1995.

100. On the UNDP side, complaints are heard that UNOPS is seeking business at the expense of UNDP. “UNOPS should not go to donors and propose projects and programmes. They should only provide the services they are asked to perform or contracted for.” UNOPS is also charged with not taking due account of UNDP priorities and with not giving UNDP proper credit for its funding of UNOPS-executed projects. UNOPS is seen as wanting to become a full-fledged agency, breaking its institutional ties with UNDP, while retaining its protected share of UNDP business.

101. Questions are sometime raised about the real value of the UNOPS contribution – “What is the value added compared to national execution (NEX) or direct execution by the field office (DEX)?” Questions are asked about the appropriateness of the overheads charged by UNOPS – “Does the quantity and quality of work UNOPS does for this project really warrant that much overhead charges?” Complaints are also voiced about a lack of transparency in financial reporting, about delays in delivery and about a lack of capacity to backstop projects. Some complain that UNOPS is too centralized, does not understand the local context and does not delegate enough responsibility to the field level.

102. Another development that makes collaboration between UNDP and UNOPS more difficult is the increasing number of UNOPS staff who have not worked previously in UNDP – the informal network between the two organizations is becoming less effective.

103. On the other hand, many positive comments are also heard from the UNDP side about UNOPS. Relations and cooperation can be described as very constructive. “UNOPS does a great job with speed and flexibility.” “They provide a real value added.” Also, however: “It works well because we both work hard at it.”

104. On the UNOPS side at the headquarters level, there are also a number of complaints. UNDP is seen as not having accepted the autonomous status of UNOPS. “UNDP is not ready to accept a relation between equal partners but wants to maintain UNOPS in a dependent position.” “They speak to us like a father who dislikes that his child is growing up.” UNDP is also perceived as trying to take over legitimate UNOPS business by opting for direct execution by country offices or for national execution *de facto* by the country office. This

feeling is reinforced when UNDP does not acknowledge in its documentation the role played by UNOPS as an implementing agency. Questions are raised about the charges UNDP makes for its central services and about the quality of the support given in the field by the country offices. “UNDP should be compensated for its services but then it should also deliver.” Complaints are sometime voiced about the quality of UNDP project documents: they are often not sufficiently clear, which creates implementation problems. Project document quality – and project implementation quality – could, according to UNOPS, be improved if UNDP agreed to involve, UNOPS at the formulation stage (which happens in certain cases). As this is rarely the case however, UNOPS sometime feels obliged to refuse to execute a project that it considers to be too badly designed or impossible to execute.

105. UNOPS recognizes that it has concentrated its relational efforts at the field level and that it has underestimated the need to make greater efforts in building bridges at headquarters.

106. Many at headquarters level in both organizations stress, the constructive synergies that could be created if there were a real dialogue between the two partners. “It is time for a new and mature relation between UNDP and UNOPS where both parties respect each other.”

107. This is true in resource mobilization/fund-raising/business acquisition where partnership instead of competition could contribute to increasing the funding volumes for both organizations. This is true in programming where joint UNDP/UNOPS missions could lead to better-designed programmes and projects.

### **3.2 Perceptions of relations between UNDP and UNOPS at the field level**

108. At the field level, the complaints largely reflect those heard at headquarters but also become more specific. From the UNDP side - and from Governments using the NEX modality - complaints are heard, about delays in recruiting experts or about insufficient numbers of candidates to select from. There are complaints from the country offices about having to deal with too many different units at UNOPS. “For some projects we deal with the regional office; for others we have to deal with different units in New York.” Sometimes, there are also complaints about lack of responsiveness or delays in providing responses.

109. There is a general level of dissatisfaction both at the country-office level and from Governments and donors about the quality and timeliness of UNOPS financial reporting. There also appear to be some problems in reconciling UNDP and UNOPS accounts, at least at the country level. On the UNOPS side, there are complaints about the UNDP financial systems and the services provided by UNDP headquarters, particularly concerning the treasury function. Whether these problems will be resolved by the new financial information system (Integrated Management Information System), the evaluation team cannot judge, but if not, they need to be addressed urgently. It is clear that these failings of the financial reporting systems constitute a serious threat to business acquisition/fund-raising for both institutions.

110. In some cases, complaints have been raised about the lack of sufficient briefing by UNOPS to arriving experts about UNDP and UNOPS. This concerns both local conditions and the rules and regulations that govern the project and the expert. This can sometimes lead to significant irritation between the parties concerned.

111. In this connection, it can be mentioned that in many cases, complaints are voiced about inadequate reporting by the expert to the country office or about the expert dealing directly with UNOPS without informing the country office. This could largely be solved if there existed proper rules and regulations on these issues.<sup>17</sup>

112. In some country offices, a concern was expressed about UNOPS not always adequately advertising the fact that UNDP was the funding agency. Some donors raised the same problem. This issue, which can have psychological effects on relations between the two agencies and with donors, can normally be settled by local consultations.

113. The general comment, which can be heard in many country offices, concerns the value-added of UNOPS: “We could do the recruitment and procurement for this project just as well or better and faster than UNOPS and we anyway have to service the project locally.” “Do we get value for the money we spend on UNOPS?”

114. It is apparently this sentiment that has led at least one country office to exclude UNOPS totally and instead opt for government execution supported by a special project support unit attached to the office.

115. In many cases, complaints were also voiced about inadequate compensation for the support provided by the country office. In only one instance was there full satisfaction about the compensation. In another case, it was said that UNOPS had not been willing to compensate the country office for the significant support provided by the office to UNOPS-executed projects.

116. Finally, some country offices complained that UNOPS was too aggressive in promoting its services, particularly with host Governments, and that this sometime led to serious tension. A particular complaint was that, in certain cases, senior UNOPS staff from headquarter units promoted UNOPS services with Governments or donors without prior consultation or without even informing the country office.

117. On the UNOPS side, complaints are heard about insufficient and slow service from the country office. In one case particularly, strong complaints were voiced about delays in payments of salaries to international project staff.

118. In some cases, dissatisfaction with country-office services or the volume of UNOPS activities has led to the creation of UNOPS administrative support units, free-standing from the country office.

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<sup>17</sup> The evaluation team has, however, noted that UNOPS has been organizing one-week workshops for project managers during the last few years to train them on, *inter alia*, administrative and financial issues.

119. In some cases, project staff feel that they are not fully appreciated or supported by the country office. “We are treated like second-class citizens.”

120. A particular issue that was raised by UNOPS both at headquarters and in the field is the ambiguity of the UNDP resident representative role as both the representative of UNDP and of UNOPS. On the UNOPS side, many contend that the Resident Representative does not do enough to promote the interests of UNOPS and, in fact, in certain cases has hindered UNOPS from acquiring business. Resident Representatives, on the other hand, normally do not perceive a conflict of interest between the two roles.

### **3.3 Perceptions of UNOPS clients**

121. From interviews with representatives of host Governments and of donors at the field level, it appears that many are not aware of or do not fully understand the implications of the 1994 decision to separate UNDP and UNOPS. They see UNDP and UNOPS as one organization. Their perceptions and comments therefore concern the UNDP system, which includes UNOPS.

122. Some are aware of the autonomous, separate status of UNOPS. This is particularly true of donors utilizing the management services facility (MSA) or Governments using UNOPS as a procurement agency.

123. In general, there is satisfaction among these clients of UNOPS with the services provided, especially as regards procurement. In some cases, there was strong praise of the achievements of UNOPS. On the other hand, complaints are sometime voiced, as already mentioned, about insufficient or belated reporting, particularly in the financial area, or about inadequate consultations before recruiting international experts.

124. At the level of delegations to the Executive Board, there is, of course, full understanding of the decision to create an autonomous UNOPS. In general, there is strong praise for what UNOPS has achieved since the separation.

125. It appears that United Nations system organizations are sometime unclear about the exact relationship between UNDP and UNOPS. One United Nations organization using UNOPS services, for example, has indicated surprise and opposition to the fact that UNOPS issued personnel contracts under the UNDP name. This particular issue should be resolved now that UNOPS has acquired autonomy in personnel matters.

126. As regards UNOPS fees, there are numerous complaints voiced by donors and Governments about the lack of transparency in the fee-setting, in particular the specific purposes for which the fee income is used.

### **3.4 Specific findings based on visits to country offices**

127. The visits the evaluation team made to 11 country offices and to some outposted units, outpost facilities and regional units did not aim at evaluating the individual offices or units. The aim was rather to identify generic issues that were common to a number of offices and that were symptomatic of the functioning of UNDP and UNOPS outside headquarters in New York. The findings of the field visits are summarized in annex 3.

#### **4. ALTERNATIVE SCENARIOS FOR THE RELATIONS BETWEEN UNDP AND UNOPS**

128. The present relations between UNDP and UNOPS - as the evaluation team has perceived them - are often characterized by suspicion and the lack of a common view at the headquarters level. At the field level, a lot of irritation is largely due to perceived under-performance by both UNDP and UNOPS as well as to unclear organizational, financial and reporting relations between the two organizations.

129. In order to clarify possible alternative solutions to the present situation, the evaluation team has looked at four different models, namely:

- (a) UNOPS becomes a free standing United Nations Agency;
- (b) UNOPS is reintegrated to UNDP as one of its departments. This seems to be a model, that has broad support at the UNDP country-office level but also at UNDP headquarters;
- (c) UNOPS is integrated into the United Nations Secretariat as was originally proposed by the Secretary-General;
- (d) UNOPS remains as at present, but the responsibilities and obligations of UNDP and UNOPS at the headquarters and country levels are more precisely defined.

##### **4.1 UNOPS as a free-standing United Nations agency**

130. As discussed above (section 2.4.1), UNOPS is presently highly dependent on the business from UNDP. If UNOPS became a free-standing agency with full authority to mobilize funds independently, it would, in all likelihood, try to take over the management services agreement modality, which now in principle requires the UNDP umbrella. There is already one example of an MSA being executed under an IFAD umbrella. As MSAs represent some 25 per cent of UNOPS project delivery, the UNDP share of UNOPS total business volume would shrink to some 55 per cent if UNOPS could execute MSAs without UNDP.

131. It is also likely that in its legitimate quest for business, UNOPS would try to convince bilateral donors as well as host Governments with available funds to go directly to UNOPS without transiting through UNDP, thus further reducing the UNDP share of UNOPS activities.

132. In such a situation - where UNDP and UNOPS in fact were in direct competition for funds - it is likely that UNDP, to the extent possible, would try to find alternative ways of project delivery, primarily through NEX supported by the country offices and other Executing Agencies or through direct execution through the country offices. It is also possible, maybe even likely, that UNDP Country offices in such a context would not go out of their way to facilitate UNOPS operations at the field level. It is therefore very uncertain whether an independent UNOPS could compensate for the loss of a significant volume of UNDP business by acquiring new funding sources or be able to operate efficiently without positive

country office support. It is likely that both UNDP and UNOPS would emerge weakened by such a development.

133. Another issue concerns areas of specialized expertise that UNOPS would have to demonstrate in order to qualify as a specialized agency. At present, all United Nations agencies have a particular sectoral specialty - health, education, agriculture, etc. The specialty of UNOPS is its general management capacity with a few niche sectors where UNOPS is trying to develop a special competence (post-conflict rehabilitation, de-mining, governance, procurement, climate change). The question is whether a general management capacity with a limited number of small niche sectors is sufficient to warrant the transformation of UNOPS into a full-fledged agency.

134. There is also the question of the competition for project execution between UNOPS and the private sector. Bilateral donors have to a large extent entrusted delivery to private contractors who do not enjoy the privileges and immunities, that UNOPS enjoys as part of the United Nations system. If UNOPS were to expand its business significantly beyond United Nation system funding, the issue of unfair competition would surely arise. Private-sector competitors to UNOPS could legitimately complain about the lack of a level playing field.

135. As indicated earlier, para 91, the transformation of UNOPS into a specialized agency on par with the other specialized agencies would legally require an intergovernmental agreement creating a new agency. This is not a likely proposition.

136. For all the above reasons, the evaluation team does not believe that UNOPS should become a free-standing United Nations agency.

## **4.2 UNOPS reintegrated into UNDP**

137. Another alternative would be to revert to the pre-1995 situation where OPS was an integral part of UNDP. The main reason advanced for the separation was to eliminate “the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the system while retaining, through OPS, its own implementation capability” (DP/1994/52 para.1). This position expressed by the United Nations Secretary-General, also reflected the arguments of UN specialized agencies that had seen their execution of UNDP-funded projects drop significantly in favour of OPS execution. Between 1990 and 1994, the share of the five largest United Nations agencies (FAO, ILO, UNESCO, UNIDO and WHO) in the execution of UNDP-funded projects had dropped from nearly 40 per cent to about 20 per cent. Simultaneously, the OPS share had risen from 12 to more than 15 per cent. It was probably hoped that if the institutional links between UNDP and UNOPS were severed or significantly reduced, the agencies would be more likely to be charged with the execution of UNDP-funded projects and the unfavourable trend would be reversed.

138. In fact, this has not happened. The share of the United Nations agencies in the execution of UNDP-funded projects has continued to drop to about 8 per cent. The UNOPS share has declined marginally to some 12 per cent in 1998. Instead it has been the NEX that has grown at the expense of the agencies. In 1990, the NEX modality represented some 13 per cent of project execution. By 1994, this share had risen to 44 per cent, largely at the expense of the five large agencies. This trend continued and by 1998, nearly 80 per cent of projects were executed under NEX.

139. Under the NEX modality, United Nations agencies can participate - when requested by the national executing body - in parts of the projects/programmes as cooperating agencies. UNOPS participates as a cooperating agency in a large number of NEX projects. Out of the UNDP projects (UNDP core funds and UNDP-administered funds and trust funds) that are being executed under the NEX modality, the UNOPS share was some \$39 million in 1998. This can be compared to \$325 millions in UNOPS directly executed projects. It has not been possible to obtain the corresponding figures for other agencies.

140. However, this does not necessarily reflect a bias from executing Governments and UNDP in favour of UNOPS at the expense of the traditional agencies. It is more likely that this reflects the changing nature of the UNDP programmes. Area-based development projects, reconstruction and de-mining in war-torn areas or GEF/Montreal Protocol projects do not fall within the natural ambit of the traditional agencies. Moreover, in a NEX mode, the support that an executing national agency requires is often procurement or the recruitment of an expert adviser or administrative support, tasks that UNOPS or even the country office can usually provide without directly encroaching on the area of expertise of the five large agencies.

141. Thus the objective of preserving the share of agency execution, which was one of the reasons behind the separation, has not been attained. Instead, the separation has created tension between UNDP and UNOPS both at headquarters and country-office levels without creating additional benefits for the United Nations agencies. One can therefore question the wisdom of the 1994 decision to separate UNDP and UNOPS. Moreover, it can also be noted that in many countries, neither representatives of donors in recipient countries nor the authorities of the host Government understand or are even aware of the difference between UNDP and UNOPS. The two entities are still often considered to be one organization.

142. On the other hand, it is clear that UNOPS as an institution has evolved since the separation and is developing its own organizational culture. This is likely to be further strengthened with UNOPS being able to develop its own personnel policies.

143. Although the business, that UNOPS has acquired from other United Nations organizations remains limited, it is expanding. It seems clear that if UNOPS were reintegrated into UNDP, much of that business would be lost as UNOPS would no longer be perceived as an independent contractor

144. On balance, it is likely that there would be significant difficulties in trying to turn back to the organizational structure, that preceded the separation and that this would also affect the potential volume of UNOPS business. The evaluation team therefore believes that the option should not be pursued.

#### **4.3 UNOPS is integrated into the United Nations Secretariat**

145. The original proposal of the United Nations Secretary-General, back in 1992, was to move OPS from UNDP and merge it with the then Department for Technical Cooperation and Development (DTCD) into a Department for Development Support and Management Services (DDSMS). This proposal met with serious objections from the Governing Council. The compromise arrived at was the creation of UNOPS as a free-standing entity reporting to the Executive Board.

146. There are no reasons to believe that opinions among members of the Executive Board have changed significantly since 1992. Also, the evaluation team did not find any significant benefits that would arise out of either making UNOPS into a free-standing department in the United Nations Secretariat or merging it with another department of the UN Secretariat.

147. The evaluation team, therefore considers that this option should not be pursued.

#### **4.4 UNOPS remains a separate entity as at present**

148. A general agreement appears to exist that UNDP needs some entity to support the implementation of its programme. Until the end of 1994 OPS served as such an entity within UNDP. The basic rationale for making OPS into a separate, identifiable entity as UNOPS is as valid today as it was in 1994.

149. However, once separated, the relationship between the two institutions has not evolved in an optimal fashion, not because the concept was wrong but mainly owing to the failure of the two institutions to work at defining their respective roles and responsibilities, at creating effective coordination mechanisms and at developing appropriate cost-reimbursement mechanisms for services provided by UNDP to UNOPS.

150. The starting point for any improvement at both the headquarters and country levels is, therefore, a much clearer definition of the tasks UNDP and UNOPS, including clear rules for the reimbursement of the costs that the two organizations incur in supporting each other. Had the original Memorandum of Understanding between UNDP and UNOPS been supplemented, as was originally intended, by subsidiary agreements setting out tasks and the basis for reimbursement, it is probable that there would have been less tension between the two organizations.

151. This seems to be especially true at the country-office level. In most of the offices the evaluation team visited (admittedly only 11 out of 135), the basis for reimbursement of services rendered to UNOPS projects was unclear to non-existent. The result is a mutual

suspicion between the country office and the projects. The office considers that it is not properly reimbursed for its services and therefore provides them reluctantly. The projects see that the office does not provide them with adequate support and therefore feel encouraged to set up their own independent administrative services, often dealing directly with UNOPS headquarters without adequate consultation with the country office. Only in one office that the team visited were the services provided costed in detail as a basis for reimbursement by UNOPS. In this case, the reimbursement allowed the office to have adequate supplementary staff - including international professionals - funded out of the extrabudgetary resources generated. Both the office and the projects seemed fully satisfied with the arrangements. In another case, an agreement on cost reimbursement between the UNOPS local operation and the UNDP office had been overruled by UNDP headquarters, leading to a dramatic increase in the charges to UNOPS without the UNDP office benefiting from this. In still other cases, the country office received no reimbursement from UNOPS even though the volume of UNOPS business in the office was considerable.

152. Other issues that need to be addressed clearly if the present arrangements are maintained include UNDP fund-raising and UNOPS business development as well as execution modalities.

153. In terms of the status of UNOPS, the evaluation team does not believe that UNOPS should become a fully free-standing United Nations agency or that it should be reintegrated into UNDP. The solution of bringing UNOPS into the United Nations Secretariat does not seem realistic or particularly advantageous. The recommendation made is therefore to continue with UNOPS as a “self-financing” and “separate and free-standing” entity, working in close partnership with UNDP.

## **5. PREREQUISITES FOR THE DEVELOPMENT OF GOOD RELATIONS BETWEEN UNDP AND UNOPS**

154. To ensure that the future relations between UNDP and UNOPS are good and effective, a number of measures need to be taken to clarify and improve the present situation. Most important, however, is that senior management in both organizations recognize that there are powerful synergies to be achieved if the two organizations work together rather than compete and continue to mistrust each other. They should ensure that a new spirit of cooperation imbues their staff at all levels. Without such a change in attitudes, any new institutional rules and procedures are unlikely to achieve the desired results.

155. To develop an effective, efficient partnership, the two institutions need to examine and take corrective actions in a number of areas. The areas that the evaluation team considers to be prerequisites for developing an effective partnership between the two institutions include:

- Roles and responsibilities of the two institutions;
- Institutional arrangements;
- Fund-raising and business acquisition;
- Execution modalities;
- Financing principles for the country offices;
- Administrative and management issues;

### **5.1 Roles and responsibilities of the two institutions**

156. The first step to be taken is to define clearly the respective roles of the two institutions. The decision setting up UNOPS as a separate, identifiable entity did not do this sufficiently nor did the original 1997 MOU between UNDP and UNOPS. Much of the tension between UNDP and UNOPS finds its source in the unclear delineation of responsibilities at both the headquarters and field levels. It is therefore essential that these be clearly defined in detailed agreements between the two organizations, as was originally intended at the time UNOPS was created. The evaluation team proposes the following definition of roles for the two institutions. These definitions should not be seen as mission statements for the two organizations but rather as elements that are relevant for defining the distribution of tasks between them.

#### **5.1.1 Role of UNDP**

157. The roles of UNDP should be its traditional ones.<sup>18</sup>

- Fund-raiser for its development activities, whether as central resources, as cost-sharing or as trust funds.

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<sup>18</sup> In proposing this definition of roles for UNDP, the evaluation team has not taken account of changes in UNDP activities proposed by the Transition Team or what may follow from the Administrator's Business Plans.

- Providing management services to donors or other sources of funding through UNOPS;
- Developing its country programme in line with its development agenda and national priorities;
- Being a discussion partner with national authorities on the sustainable human development agenda;
- Developing projects to be executed either in a NEX format when the national authorities have adequate capacity or through agency execution. Whenever necessary, a cooperating agency should be brought in to support NEX. In developing project proposals, UNDP should as a rule consult with the envisaged executing and/or cooperating agency in order to benefit from its input before finalizing the project document;
- Monitoring and evaluating the progress of the programme and projects without engaging in project management, but alerting the project manager and/or the executing agency whenever problems are perceived;
- Providing logistical support to its executing agencies as required and on a reimbursable basis;
- Providing logistical support to United Nations agencies not present at the local level on a reimbursable basis.

### **5.1.2 Role of UNOPS**

158. The role of UNOPS should be that of a provider of a broad range of general and professional services to UNDP, other United Nations agencies, Governments and donors on a competitive basis. Such services include:

- Project management services (including recruitment of project staff, contracting and procurement);
- Loan supervision services to international financial institutions;
- Services to donors and Governments under management services agreements (MSAs) and reimbursable service agreements (RSAs);
- Substantive support in UNOPS niche sectors, e.g., in the areas of reconstruction, demining, rural area development and climate change.

159. The evaluation team also recommends that UNOPS be able to do fund-raising for its activities in close cooperation with UNDP (see section 5.3 below).

160. As a separate and identifiable entity, UNOPS should have full responsibility for its internal management. It should use the services of UNDP, when appropriate and cost-effective, on the basis of agreements between the two institutions.

### **5.1.3 Other issues**

161. Given the roles defined above for the two institutions, it will probably be necessary to review the organizational responsibilities of some units in both UNDP and UNOPS to ensure

that there is no overlapping of functions. It was beyond the scope of the present evaluation to perform such a review. It appears to the evaluation team however, there is a clear overlapping of responsibilities and competing mandates between the Emergency Response Division in UNDP and the Division for Rehabilitation and Social Sustainability in UNOPS. This situation has created serious tension, which is detrimental to both institutions. If the role of UNDP is clearly delineated as programming and the role of UNOPS as execution and implementation then such overlapping would be avoided.<sup>19</sup>

162. For historical reasons and by tradition, UNDP views its relations with UNOPS as different from those with traditional executing agencies of the United Nations system. Thus, when UNDP entrusts the execution of a project to a traditional United Nations agency, such as FAO or ILO, it limits its role to monitoring and evaluation and providing the required country office support. On the other hand, when a project is entrusted to UNOPS, the country office often wants to be involved in the management of the project to an extent that blurs the responsibilities of the two parties. It can also create tension and misunderstanding. UNOPS should therefore not be treated differently from other executing agencies.

163. A major reason for the tension between the two institutions has been the delays in concluding agreements that would have clearly outlined the parameters of the relationship. Both organizations need to accord a high priority to concluding the outstanding subsidiary agreements. Procedural manuals for all concerned staff, which clearly specify the responsibility and authority of the two parties (at all levels of the institutions), should supplement these agreements. The manuals should indicate in detail the decision-making, reporting and information flows.

164. At the field level, the procedural manuals should be supplemented by project-level agreements (project management matrix) that specify which tasks and functions should be performed by UNDP (headquarters and country office), UNOPS (project, regional office, headquarters unit) and the host Government.

165. Such project-level agreements usually form part of management services agreements. The evaluation team believes that these should be generalized and included in all project documents. An example of such a project management matrix, which has been developed by UNOPS and which should be supplemented and refined, is attached as annex 4.

166. The evaluation team believes that many or even most of the existing problems, misunderstanding and irritation between UNDP and UNOPS would disappear if roles and responsibilities, lines of authority and reporting/information flows and requirements were clearly defined.

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<sup>19</sup> Such a definition of roles is not contradictory to making crisis and post-conflict situations a priority policy area for UNDP as proposed by the Transition Team.

## 5.2 Institutional arrangements

167. The Executive Board provides overall policy guidance and supervision of UNOPS. The Secretary-General provides oversight and guidance, as required, to ensure the implementation of the decisions of the Executive Board. The Executive Director, under the authority of the Secretary-General, is responsible for the management of UNOPS.

168. The Management Coordination Committee (MCC) was set up to assist the United Nations Secretary-General in exercising his oversight responsibilities in relation to UNOPS. It is chaired by the Administrator and has the Under-Secretaries-General for Management and for Economic and Social Affairs as members. The Executive Director of UNOPS is Secretary to the MCC.

169. The evaluation team considers that the MCC exercises an important oversight function, on behalf of the United Nations Secretary-General. This oversight includes not only the follow-up of the implementation of Executive Board decisions but also a general “oversight of the management of UNOPS”. At the same time, it is important to note that the management of UNOPS is the responsibility of the Executive Director, who is accountable, through the MCC, to the Secretary-General and the Executive Board. This evaluation believes that the expression “oversight of management of UNOPS” reflects more closely the oversight role of the MCC than the expression “management oversight”.

170. The evaluation team also strongly believes that there is an urgent need for the MCC to play an additional role of promoting and ensuring a spirit of cooperation and partnership at the most senior levels between UNDP and UNOPS and, when required, between the United Nations Secretariat and UNOPS.

171. To reflect this added dimension of coordination and partnership, serious consideration should be given to making the Executive Director a full member of the MCC. Consideration might also be given to bringing in chairman external to the MCC, e.g., the United Nations Deputy Secretary-General.

172. In order to reflect the sizable growth of UNOPS since 1995 but also to give UNOPS “a more independent and neutral face,” as the JIU expressed it, the evaluation team considers that UNOPS should have its own segment at the sessions of the Executive Board. However, all UNOPS submissions to the Executive Board should be reviewed by the MCC and its comments included as an addendum to the submission.

173. Against this background, the evaluation team has considered the following three options:

*Option 1* The MCC continues with the Administrator as Chairman and the Executive Director of UNOPS becomes a full member of the Committee. UNOPS is given its own segment on the agenda of the Executive Board. However, UNOPS submissions to the Executive Board will be reviewed by the MCC and its comments will be included as an addendum to the submission. Under this option, the MCC will continue to exercise the oversight role, delegated by the Secretary-General, to ensure that the decisions of the Executive Board are implemented. In addition, a major function of the MCC should be to foster cooperation and partnership between UNDP and UNOPS;

*Option 2* No changes are made to the current structure of the MCC, that is, the Administrator continues as the Chairman and the Executive Director as the Secretary of the Committee. However, UNOPS is given its own segment on the agenda of the Executive Board. UNOPS submissions to the Executive Board will be reviewed by the MCC and the Committee's comments will be included as an addendum to the submission. In all other respects this option is identical to option 1;

*Option 3* The current MCC membership is expanded the addition of an external Chairman external to both organizations (who could for example, be the Deputy Secretary-General) and the Executive Director of UNOPS is made a full member. In all other aspects, this option is identical to option 1.

The evaluation team concluded that option 1 is the most likely to foster a spirit of trust, cooperation and partnership between the two organizations, and therefore recommends that it be adopted.

In all three options it is also recommended that the MCC meet four times a year, as was originally intended, before each session of the Executive Board.

174. As indicated earlier, the MCC in the past did not always function satisfactorily. One reason that may have contributed to this is that a body has not existed to prepare adequately the meetings of the MCC or to follow up on its decisions. The evaluation team, therefore, recommends that the MCC be supported by a working party (i.e, a subcommittee) that should meet once a month to share information on a regular basis, foster cooperation (e.g., by identifying joint opportunities and resolving actual and potential conflicts), to prepare issues to be submitted to the MCC and to follow up on the implementation of the decisions of the MCC and the Executive Board. This working party should be co-chaired by the deputies to the Administrator and the Executive Director. Membership should include two senior staff members from each institution, who could alternate depending on the issues on the agenda. Whenever necessary, appropriate representatives of the United Nations Secretariat should be invited.

175. The first urgent task of the MCC should be to define and delineate the responsibilities of UNDP and UNOPS (e.g., the precise tasks that each organization should perform both at headquarters and at the field level, the principles for compensation for services rendered and the respective roles of UNDP and UNOPS in resource mobilization/business acquisition), which should possibly be endorsed by the Executive Board. The MCC should also supervise the development of the subsidiary agreements between UNDP and UNOPS envisaged in the 1997 MOU but never developed.

176. Among the issues to be discussed on a regular basis at the MCC and its working party would be joint fund-raising/business acquisition missions, joint programming missions and the further development of cooperation between the two institutions, including overhead and cost recovery issues. The working party would be the normal forum for resolving day-to-day problems, that could not be resolved immediately through bilateral contacts. The working party would normally meet once a month.

177. Again it should be repeated that no institutional arrangement as such would resolve existing tension and misunderstanding unless there were a definite desire in both institutions to resolve them. It will be incumbent on the senior managers of both institutions to create the necessary climate for this.

178. Most contacts between UNOPS and its non-UNDP clients will obviously be on a bilateral basis. However, there is probably some merit in UNOPS having a collective meeting with all its clients on a regular basis to discuss common issues of costs and performance. This could be achieved in a revitalized Users Advisory Group (UAG). The Executive Director, who is most concerned about receiving the appropriate feedback, should convene and chair the Group. The evaluation team therefore believes, like the Secretary-General, that the UAG should be maintained. The UAG should meet at least once a year.

### **5.3 Fund-raising and business acquisition**

179. In defining the roles of the two institutions, a specific and very important issue concerns fund-raising and business acquisition. As shown earlier in the section on the UNDP context (section 2.3.2), UNDP is trying to counterbalance the significant decrease in core resources by focusing attention instead on what it terms “total income” or “total resources”. The extent to which the large Latin American cost-sharing programme, funded by IFI loans taken by the countries concerned or out of their national budgets and nationally executed by the same countries, should really be termed part of UNDP income or resources, it is of course debatable. The same holds true of the MSAs where UNDP *de facto* acts only as an agent for the funding source.

180. This extended definition of income or resources used by UNDP makes it very difficult for UNDP to accept possible competition for funds by UNOPS, as this would diminish these “total resources”. At the same time, it is obvious that UNOPS could be a very valuable partner for UNDP in attracting additional non-core resources.

181. UNOPS, for its part, needs to increase its volume of business and diversify its clientele. It is making good progress in acquiring business from other United Nations institutions and these efforts should be pursued and encouraged. The question is whether UNOPS should be allowed to prospect other clients – bilateral donors, host countries or IFIs – independently of UNDP. UNOPS already manages loans from IFAD independently of UNDP. UNOPS provides services under RSAs directly to some Governments outside the UNDP resource framework. Why then should UNOPS not be allowed to prospect other funding sources freely?

182. The answer lies in whether one wants to promote competition and conflict or cooperation between UNDP and UNOPS. If UNOPS is allowed to search freely for business without reference to UNDP, this will be perceived by UNDP as a conflictual competition for business. UNOPS would then try to contract MSAs directly with the funder and this would not be recorded as “UNDP resources”. Similarly, UNOPS could propose both to donors and host Governments to manage trust funds outside the UNDP framework. Again this would impinge on what is recorded as “UNDP resources”. UNDP would then be tempted to retaliate against this encroachment by UNOPS on traditional UNDP terrain by cutting back on its use of UNOPS services. At the very least, it would create serious tension between UNDP and UNOPS, which would surely also be reflected in the cooperation at the field level.

183. If, on the other hand, UNOPS “business acquisition” from sources other than the United Nations system were automatically recorded as “UNDP resources” and channelled through UNDP, there is no evident reason why UNOPS should not become a major fund-raiser for UNDP. In order to ensure that UNOPS is seen as a “separate and identifiable entity” these funds could be recorded under a separate subheading, for instance, “Funds acquired by UNOPS”. Such a solution would be compatible with UNOPS financial regulations and would allow UNOPS to look for MSAs, trust funds and other funding opportunities without impinging on the total volume of “UNDP resources”.

184. If UNOPS were to be allowed to acquire business in this way, it remains essential that UNOPS do this in close collaboration with the concerned country offices. Under no circumstances should UNOPS staff try to mobilize business locally without prior consultation with the UNDP Resident Representative. The UNDP Resident Representative in his/her capacity as country representative of UNOPS should be closely involved, *inter alia* to ensure that projects acquired by UNOPS do not directly contradict the priorities of the UNDP country programme or those of the host Government. It would also be necessary that the Resident Representative – in both his/her capacities – ensure that there is no competition at the local level between UNOPS “business acquisition” and UNDP “fund-raising”. Such competition would be detrimental to both organizations.

185. There is also a requirement that business acquisition performed by UNOPS in donor countries or with other external funding sources, such as the European Union or the IFIs, not come in competition with fund-raising performed by UNDP in these same countries and with these same institutions. No resource mobilization efforts in any form should be undertaken

by UNOPS without prior consultation with UNDP. In order to ensure this, prospective business acquisitions should always be discussed at the preliminary stage with those in UNDP responsible for fund-raising. Whenever possible or suitable, fund-raising/business acquisition should be performed jointly by UNDP and UNOPS. Such a practice would enhance the attraction of channelling funds through the United Nations development system. The Administrator and the Executive Director of UNOPS should be responsible for putting in place the appropriate institutional mechanisms.

186. Under the above-mentioned conditions, the evaluation team believes that UNOPS should be allowed to acquire business independently but in close cooperation with UNDP.

187. Similarly, UNOPS should be able to participate in fund-raising for its other United Nations system partners, again in close consultation and cooperation with these partners.

#### **5.4 Execution modalities**

188. When defining the respective roles of UNDP and UNOPS, it is also necessary to address the issue of execution modalities as these have a bearing on the relations between the two institutions. As has been indicated earlier, the composition of project execution modalities has changed dramatically over the last decade. From having been largely agency executed, the UNDP core programme has become predominantly nationally executed.

189. NEX is a mode of execution that has been firmly endorsed by the Executive Board of UNDP. In many countries, national capacities are such that national project execution poses few problems, particularly if there is some backstopping capacity in the country office. If need be, this can be reinforced by bringing on board UNOPS and/or a United Nations specialized agency as a cooperating agency. In other countries, national capacities are less developed. Here again, properly backstopped, NEX can be seen as a way to develop and strengthen national capacities. There is, however, a risk that this backstopping is not always fully available or sufficient to support a weak national administration with ensuing difficulties with project execution.

190. In the present budgetary situation, with reduced resources at the country-office level, there is also a temptation for the office to prefer NEX to UNOPS/agency execution even if national capacities are clearly insufficient. NEX supported by the country office can provide the office with sorely needed extrabudgetary resources, which would not be available to the same extent if the country office only provided administrative support to UNOPS or a United Nations agency.

191. This generalized preference for NEX with extended country-office support, even when national capacities can be considered weak or insufficient, is also a source of tension between UNDP and UNOPS, and possibly between UNDP and other United Nations agencies. UNOPS and possibly other United Nations agencies consider that the quasi-

automatic recourse to NEX can create problems for the quality and efficiency of project execution as well as limit the scope of intervention of these agencies.

192. The evaluation team believes that country offices should in practice use much stricter standards regarding the capacity of national authorities to execute projects themselves. This could be achieved by strictly adhering to the guidelines for NEX. Instead of providing management support on a scale, that in reality transforms NEX into direct execution by the country offices, country offices should insist on bringing in a United Nations agency – UNOPS or a specialized agency – to provide the necessary back-up to NEX.

193. The creation of project support units linked to the country office – financed out of project funds – to perform functions that national authorities should perform as executing agencies should be strongly discouraged. If the national authorities cannot adequately execute the project, then a cooperating agency should be brought in or the project should be transferred to another executing agency.

194. At the same time, the evaluation team recognizes that the global operations of UNDP cover a broad range of countries extending from the least developed countries, to middle income countries, as well as to economies in transition. It recognizes that UNDP may need different approaches to meeting the needs of countries at different stages of development. The team believes that in the case of countries that finance 100 per cent of the UNDP-administered programme under existing cost-sharing arrangements, UNDP should be allowed to continue to use existing execution modalities. This should not, however, preclude calling upon UNOPS to participate in the provision of specific services where UNOPS has demonstrated particular expertise and where such partnership is likely to improve the overall quality of the services that these countries receive from UNDP.

195. Another mode of execution is direct execution (DEX) by the country office. The conditions laid down by the Executive Board for utilizing this modality are quite restrictive. Nevertheless, there is a strong temptation for the country office to advocate DEX as this modality can provide extrabudgetary resources to the office. As mentioned earlier (section 2.3.3), the use of the DEX modality has increased rapidly in the last couple of years and there are indications that this trend might continue.

196. Seen from the standpoint of UNOPS, DEX is a modality that is in direct competition with UNOPS execution. DEX can also be seen contravene the principle enunciated when UNOPS was created, namely, “the elimination of the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the system while retaining ... its own implementation capability” (DP/1994/52, para.1.

197. The evaluation team has seriously considered recommending a total suppression of the existing authority for UNDP to execute projects itself. This authority was natural when UNOPS was part of UNDP. When UNOPS was hived off in order not to mix the funding and

coordinating roles of UNDP with the project execution role of UNOPS, it would have been logical for UNDP to cease executing projects itself. Although the rules for UNDP direct execution were changed and made more restrictive, nevertheless, there has been a tendency for country-office execution to increase beyond what the evaluation team considers appropriate. It is, for instance, not convincing to state, as has been done, that only the country office can act sufficiently fast in emergency projects.

198. There may, however, be situations where no other solution than direct execution by the country office is available. The authority for UNDP to execute projects directly should therefore be maintained but its use restricted even more severely. DEX should only be used when no other executing agency is willing to and capable of executing the project in question. A project started under DEX - using these very restrictive criteria - should be transferred to an executing agency as soon as it is feasible to do so. This should be foreseen at the start of the directly executed project with a time frame for the transfer of execution responsibility. In order to ensure the necessary restrictions on DEX it might be advisable that the initial approval of the working party of the MCC be required for the use of this modality.

199. The evaluation team, therefore, does not agree with the recommendation by the Transition Team that the present criteria for DEX should be relaxed in crisis and post-conflict situations. Such a relaxation of the criteria for DEX would rapidly lead to the creation of a division to supporting DEX and be tantamount to recreating a new UNOPS within UNDP. The overall performance of UNOPS in these situations seems to have been satisfactory and does not warrant UNDP taking over the execution of crisis and post-conflict projects.

200. Country offices at present rely to a large extent on income provided by NEX- and DEX-executed projects. The evaluation team recommends that these practices largely be discontinued, with the exception mentioned in para. 194. On the other hand, it recommends, in section 5.6 below, that the country office be reimbursed on a full-cost basis for any services provided to projects, Governments, executing agencies and United Nations agencies.

201. While the evaluation team considers that UNDP should, by and large, not be involved in implementation either directly or indirectly, it also strongly believes that UNOPS should not be considered the sole provider of services to UNDP. In its selection of executing/implementing agents, UNDP must ensure that its decisions embody the norms of a competitive market, based on transparent pricing and cost-effectiveness.

## **5.5 Financing principles for the country offices**

202. Fruitful cooperation between UNDP and UNOPS at the field level requires that the country office be adequately staffed and that clear rules exist for how the country office is reimbursed for the services it provides.

203. Over the last ten years, the UNDP country office network has expanded significantly while at the same time, the total number of international staff has been severely reduced. The addition of national professional staff has not been sufficient to compensate for this

reduction. This weakening of the average staffing strength of the country offices has not been accompanied by a corresponding lessening of the tasks of the country offices, rather the reverse has been the case.

204. In order to deal with this situation, country offices have tried in various ways to create additional resources for themselves. As mentioned above, DEX or support units for NEX have been used for this purpose. Country offices have also tried – with mixed results – to charge for the support they provide to UNOPS and other United Nations agencies, but there remains a lack of clarity as to what services the UNDP country office should provide free of charge and how much it is allowed to charge for its services. This issue should also be addressed as part of the delineation of the functions of UNDP and UNOPS.

205. In line with the proposed role for UNDP presented above, the evaluation team believes that the UNDP regular budget should finance staff at the country office only for the UNDP core functions: coordination, resource mobilization, programme formulation, programme/project design, and dialogue with the development partners. These functions could be fulfilled with a limited number of international and national professional staff – varying in number depending on the size of the activities in the country – and core support staff.

206. The resources needed for project monitoring should be included in the project budgets, as is already the case with project evaluation. They should accrue to the country office as extrabudgetary resources.

207. All other services performed by the country office for United Nations agencies or for projects should be performed only on a reimbursable basis. Cost calculations should be based on the full cost of services provided, not on a marginal-cost basis.

208. The reimbursement of costs associated with logistical support to UNDP projects should be decided in negotiations between the country office and the executing agency, based on general principles and simplified formulas established at the headquarters level.<sup>20</sup> These costs should normally be calculated in advance for each project, based on the delineation of functions agreed to in the project management matrix. In this way, the executing agency will know how much it is expected to pay for the services required and the country office will be able to plan adequately for the provision of these services. Normally, the compensation for country-office costs should be paid in advance (quarterly or annually) so that the country office does not have to function as banker for the project or the agency. The compensation should be credited directly to the country office extrabudgetary account.

209. The reimbursement of costs associated with other logistical support provided to organizations of the United Nations system should also be based on simplified formulas negotiated

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<sup>20</sup> Both UNOPS and UNDP are presently developing such formulas. These efforts should be combined and an agreement reached between the two organizations.

directly between the country office and the relevant United Nations organization. Whenever possible these costs should also be calculated and credited in advance to the country office extrabudgetary account.

210. With the compensation provided to the country office for monitoring and evaluation and for logistical support, the office should be able to recruit the necessary international and national professional staff as well as support staff and cover other costs associated with the provision of services. The country office should have full control of its extrabudgetary account but should, of course, be held accountable for its proper use.

211. The principles for cost reimbursement proposed here may contravene certain existing agreements or understandings between UNDP and other parts of the United Nations system. If necessary, these will have to be abrogated in line with the suggestions in the present evaluation.

212. The evaluation team believes that such a system should enable the country offices to meet the expectations of their clients better (projects, executing agencies, United Nations organizations), while accomplishing its core functions better. The implementation of such a system would, however, require that UNDP country offices be guaranteed a minimum level of staffing from the UNDP regular budget, depending on the size of the office. In a system where the country offices are classified into three categories, i.e., small, medium, and large depending on the size of the UNDP core programme, the evaluation team recommends that UNDP fund from its regular budget the positions indicated in table 10. There may, however, be cases where the UNDP programme is so small that even this minimum staffing is excessive. In such situations, the alternatives seem to be to either close the office or have it staffed exclusively by national staff, possibly supervised from a neighbouring office.

**Table 10 Proposed minimum staffing levels for UNDP country offices**

Size of office	Staff positions funded from UNDP regular budget
Small office	Resident Representative Deputy Resident Representative 2-3 National Professionals Essential logistical personnel for core office
Medium office	Resident Representative Deputy Resident Representative Assistant Resident Representative (International) 2-4 National Professionals Essential logistical personnel for core office
Large office	Resident Representative Deputy Resident Representative 2 ARR's (International) 3-5 National Professionals Essential logistical personnel for core office

213. As pointed out earlier, the country offices will also receive extrabudgetary resources that will be used to recruit international and national professional officers to carry out their functions of monitoring and evaluating programme implementation and to provide administrative and financial support services to clients who are paying for such services.

## **5.6 Administrative and management issues**

### **5.6.1 Issues common to UNDP and UNOPS**

214. A source of irritation and frustration for UNDP country offices, UNOPS projects, donors and IFIs as well as host Governments are the weaknesses of the financial reporting systems and the apparent lack of compatibility between UNDP and UNOPS systems. This relates both to reporting on resources advanced to UNDP through trust funds or MSAs and to reporting on project expenditures.

215. Some problems may be due to the introduction of the new information system, IMIS. There are, however, clear indications that not all problems will be solved even when IMIS is fully functional, particularly at the field level. It is possible that there is a need to develop a special simplified system for country offices, that is compatible with both IMIS and the UNOPS systems. UNDP and UNOPS need to address the whole issue of financial reporting systems as a matter of high priority and urgency.

216. In this connection, the evaluation team wants to stress that when projects are operationally closed, they should also be financially closed within a period not exceeding six months. The strict enforcement of such a rule would be a contribution to improving financial reporting.

217. As mentioned above, there seems to be a need to review possible overlaps between functions now performed in both UNDP and UNOPS in view of the definition of roles given in section 5.1. UNDP capacity should be devoted to programming and project design while UNOPS should concentrate on the competencies needed for project execution and implementation.

218. UNDP should ensure that in all circumstances, it gives proper credit to providers of specific funds as well as to executing/implementing agencies. Similarly, UNOPS should ensure that in all circumstances, it gives proper credit to the provider of funding, whether it is UNDP, a bilateral donor or some other funding institution.

### **5.6.2 UNDP**

219. UNDP should review the structure of staffing in its offices in order to ensure that the staff have the capacity to perform their substantive functions adequately as defined above. This might involve consideration of creating subregional offices to serve more than one country, of creating regional or subregional support facilities and of reviewing the balance between resources allocated to headquarters and the field. In this connection, the

balance between international and national professional staff should also be examined. There may also be a need for strengthened accountability mechanisms.<sup>21</sup>

220. In order to promote a team spirit between the country office and project personnel, the Resident Representative or his/her deputy should hold regular meetings, bringing together all senior experts serving in the country on UNDP projects. The exchange of experience between different projects would also be beneficial. Funds for such meetings should be provided for in country-office budgets as well as the project budgets.

221. Country offices should also issue regularly updated manuals on local conditions and administrative arrangements for arriving project staff.

### **5.6.3 UNOPS**

222. UNOPS should review its organizational structure, which at present has both a thematic and a geographic orientation, to simplify its communication and reporting channels. In this connection, it might be useful also to review UNOPS field operations and the regional structures with a view to achieve greater decentralization, encompassing both increased delegated authority, including in the financial area, and strengthened accountability mechanisms.

223. UNOPS should take steps to improve its internal project management capacities, including its capacity to backstop its project personnel adequately. As mentioned above, UNOPS also needs to improve its financial reporting systems in order to satisfy its clients.

224. UNOPS, in consultation with UNDP, should urgently issue clear instructions defining the precise role, functions and responsibilities of the UNDP Resident Representative in his/her capacity as UNOPS Representative. The country office should be compensated for this task based on the workload involved.

225. UNOPS should develop a detailed project management manual for its project staff. This manual should define the roles, tasks, responsibilities and authority of the field experts and their relations to UNOPS, the UNDP country office, the host Government and possible donors. It should, in particular, indicate reporting and information requirements and lines of authority. It should also contain basic administrative rules of UNOPS and their interaction with UNDP rules. The programme of workshops on administrative and financial management issues should be pursued.

226. UNOPS should consider reviewing its present fee-setting mechanism with a view to moving towards a system based on actual cost for delivery (as it already does in certain cases) rather than the present negotiated flat percentage charge. Such a move would increase transparency and a better understanding by UNOPS clients.

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<sup>21</sup> These issues are addressed in some detail in the Transition Team report.

## 6. RECOMMENDATIONS

227. The evaluation team presents the following **recommendations** in each of the six areas that have been identified as prerequisites for developing an effective partnership between the two institutions.

### 6.1 Defining the respective roles and responsibilities

#### *Recommendation 1 Status of UNOPS*

228. The present status of UNOPS as a “separate and identifiable entity”, that is “self-financing” and linked to UNDP should be maintained. UNOPS should have full responsibility for its internal management (see section 4).

#### *Recommendation 2 Delineation of responsibilities*

229. The following are the recommendations:

- (a) The MCC should as a matter of priority, define and delineate the roles and responsibilities of UNDP and UNOPS in order to minimize friction and conflicts, (see para. 175);
- (b) Existing overlaps between the two institutions, which are a source of conflict, should be corrected. An example of such overlaps is in the area of crisis and post conflict situations, where the Emergency Response Division of UNDP and the Division for Rehabilitation and Social Sustainability of UNOPS appear to be performing similar tasks (see para. 161);
- (c) UNDP and UNOPS should urgently conclude the subsidiary agreements envisaged in the 1997 MOU. These should be further elaborated in detailed procedural manuals clearly indicating the responsibility and authority of the two parties at all levels, including detailed decision-making, reporting and information flows (see paras. 156 and 163);
- (d) The Executive Director of UNOPS should issue, in consultation with UNDP, clear instructions on the precise role of the UNDP Resident Representative in his/her capacity as UNOPS Representative (see para. 224).

### 6.2 Institutional arrangements

#### *Recommendation 3 Management Coordination Committee*

230. There is a need for an institutional structure to foster cooperation and partnership between UNDP and UNOPS. It is, therefore, recommended that the MCC be maintained with some changes to its current structure within the parameters of the decisions made at the time of its establishment, notably that: (a) the Executive Board provide overall policy guidance for and supervision of UNOPS; (b) the Secretary-General provide oversight and guidance, as required, to ensure the implementation of the decisions of the Executive Board; and (c) the Executive Director, under the authority of the Secretary-General, be responsible for the management of UNOPS. It should be noted that the Secretary-General has delegated his oversight and guidance functions to the MCC.

231. The evaluation team considered three options concerning the MCC:

*Option 1* The MCC continues with the Administrator as Chairman and the Executive Director of UNOPS becomes a full member of the Committee. UNOPS is given its own segment on the agenda of the Executive Board. However, UNOPS submissions to the Executive Board will be reviewed by the MCC and its comments will be included as an addendum to the submission. Under this option, the MCC will continue to exercise the oversight role, delegated by the Secretary-General, to ensure that decisions the Executive Board are implemented. In addition, a major function of the MCC should be to foster cooperation and partnership between UNDP and UNOPS;

*Option 2* No changes are made to the current structure of the MCC, that is, the Administrator continues as the Chairman and the Executive Director as the Secretary of the Committee. However, UNOPS is given its own segment on the agenda of the Executive Board. UNOPS submissions to the Executive Board will be reviewed by the MCC and the Committee's comments will be included as an addendum to the submission. In all other respects, this option is identical with option 1;

*Option 3* The current MCC membership is expanded by the addition of a Chairman external to both organizations, who could for example be the Deputy Secretary General, and the Executive Director of UNOPS is made a full member. In all other aspects, this option is identical to option 1.

232. The evaluation team concluded that option 1 is most likely to foster a spirit of trust, cooperation and partnership between the two organizations and therefore recommends that it be adopted.

233. In all three options it is also recommended that the MCC meet four times a year, before each session of the Executive Board. It should be supported by a working party (i.e., subcommittee) that should meet once a month to share information on a regular basis, foster cooperation (e.g., by identifying joint opportunities and resolving actual and potential conflicts), to prepare issues to be submitted to the MCC and to follow up on the implementation of the decisions of the MCC and the Executive Board (see para. 174).

#### *Recommendation 4 Users Advisory Group*

It is recommended that the Users Advisory Group be maintained. It should be convened by and meet under the chairmanship of the Executive Director of UNOPS to serve as a regular forum for consultation between UNOPS and its clients. It should meet at least once a year (see para. 178).

### **6.3 Fund-raising and business acquisition**

#### *Recommendation 5 Resource mobilization*

235. As a self-financing institution, UNOPS should be allowed to raise funds and mobilize resources for activities relating to the UNDP development agenda but, only as a strict rule after consultation and in cooperation with UNDP. Resources mobilized through such efforts should be channelled through UNDP and recorded as UNDP resources under a separate UNOPS account (see section 5.3).

### **6.4 Execution modalities**

#### *Recommendations 6 Execution modalities*

236. The following are the recommendations:

- (a) Country offices should adhere strictly to the recent UNDP guidelines for the national execution of UNDP programmes and those of UNDP-administered funds. Whenever necessary, a cooperating agency should be brought in to support national authorities. The creation of project support units, linked to the field office, to perform functions that the national authorities should normally carry out, should be strongly discouraged. However, in the case of countries, that finance 100 per cent of the UNDP-administered programmes under the existing cost-sharing arrangements, UNDP should be allowed to continue to use present implementation modalities (see section 5.4).
- (b) UNDP should in all circumstances endeavour to identify on a competitive basis the most cost-efficient and effective executing agent (government authority; UNOPS; United Nations specialized agency, fund or programmes; NGO, etc.). Direct execution should be used only when no other executing agency is capable of executing the project and willing to do so. This principle, which at present is one of the four conditions for direct execution, should be strictly enforced (see section 5.4);
- (c) The respective responsibilities of UNDP and of the executing/implementing entity should be clearly defined for each project in a project management matrix (see paras. 164 and 165 and annex 4).

### **6.5 Financing principles for the country offices**

#### *Recommendation 7 Financing principles for country offices*

237. The following are the recommendations:

- (a) UNDP should take steps to ensure that its country offices have adequate capacity to perform its programming and coordination functions. A minimum staffing level should be established for each country office, depending on the size of the country programme, to perform UNDP core functions. Only this core staff should be financed by the regular budget (see section 5.5);
- (b) Project monitoring functions should be financed from project budgets, as is presently the case with evaluation (see section 5.5);
- (c) All administrative support activities to projects, executing agencies and United Nations agencies, funds and programmes should be provided only on a reimbursable basis at the full cost of these services. These costs should be agreed to

in negotiations between the country office and the relevant executing/implementing agent, based on general principles and simplified formulas. This will, however, require an upgrading of present accounting systems. The compensation should normally be paid in advance directly to the country office account (see section 5.5).

- (d) The country office should have full control of the use of its extrabudgetary resources that, under the proposed arrangements, will be paid to it directly and be held accountable for their use (see section 5.5).

## **6.6 Administrative and management issues**

### *Recommendation 8 Financial reporting*

238. It is recommended that both UNDP and UNOPS urgently review their financial reporting systems in order to ensure full compatibility between the systems and to meet the requirements of Governments, donors and other clients for accurate, timely and comprehensive information (see paras. 214, 215 and 216).

### *Recommendation 9 Administrative issues*

239. The following are the recommendations:

- (a) Both UNDP and UNOPS should review their programme/services delivery structures to achieve a better balance between headquarters and field activities (see paras. 219 and 222);
- (b) UNOPS should strengthen its project management capacities, including its capacities to backstop its project personnel adequately (see para. 223);
- (c) UNOPS should review its fee-setting mechanisms with a view to increasing transparency and better understanding by UNOPS clients (see para. 226).
- (d) Additional recommendations and suggestions, largely administrative in nature, are presented in section 5.

# ANNEX 1

## TERMS OF REFERENCE

### EVALUATION OF THE RELATIONSHIP BETWEEN UNDP AND UNOPS

#### 1. Background

In January 1995, the Office for Project Services, thus far part of UNDP, became a self-financing identifiable entity established by the General Assembly and called the United Nations Office for Project Services (UNOPS). The objective of the creation of UNOPS was "to eliminate the conflict inherent in UNDP exercising coordination responsibility in relation to the operational activities of the system while retaining, through OPS, its own implementation capacity".<sup>22</sup> UNOPS was not established as a new funding agency but as an instrument with the mandate to undertake implementation activities and operate within the UN system.

The Executive Board of UNDP/UNFPA is the governing body for UNOPS, which is headed by an Executive Director appointed by the Secretary-General. As a specific mechanism, a Management Coordination Committee chaired by the UNDP Administrator was established to provide operational guidance and management direction to UNOPS.

In March 1997, UNDP and UNOPS signed a Memorandum of Understanding to establish the terms of their partnership. Following the signing of this document, a subsidiary agreement on audit procedures was signed between the two parties. Subsequently, the Administrator of UNDP and the Executive Director of UNOPS created a joint working group with the chief task of reviewing UNDP/UNOPS cooperation in a number of selected countries. This working group has met only on a limited number of occasions. At the country level, the UNDP Resident Representative normally acts as the Representative of UNOPS as stated in the MOU.

Over four years, the two organizations have developed a very active relationship at both central and country office levels. UNDP is by far the major client of UNOPS. A large number of projects executed by UNOPS are financed from UNDP core funds, UNDP Trust Funds or Management Services Agreements signed with Governments and implemented through a UNDP/UNOPS partnership. In 1997, UNOPS total delivery amounted to US \$463.1 million, of which US \$208.3 million, or 45 per cent, came from UNDP core resources. In addition, UNDP Trust Funds totaled US \$34.2 million or 7.4 per cent of total OPS delivery. Management Services Agreements reached US \$160.3 million being the second largest source with 34.6 per cent of the total delivery. At the central level, the two

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<sup>22</sup> Executive Board of UNDP and UNFPA, "Note by the Secretary-General on the Office for Project Services", 6 June 1994 (DP/1994/52).

organizations have entered into ad hoc agreements whereby UNOPS pays UNDP for central services rendered in administration and finance.

The cooperation between UNDP and UNOPS is therefore of particular significance and includes both institutional and operational aspects. The common past shared by UNDP and UNOPS and the links inherited from this past act as a specific factor in the development of the relationship.

Because of this importance, the UNDP/UNOPS relationship was identified by the Evaluation Office as belonging to the portfolio of strategic evaluations. The strategic dimension stems from the nature of the issues, the timeliness of the review and the number of diverging opinions existing on the selected subject. The proposal was welcome by UNOPS, which was closely consulted from the initial stages of the evaluation preparation, and it received endorsement from the Executive Committee. The Evaluation Office undertook on this basis to launch the evaluation as an independent exercise.

This present evaluation is the second one done on institutional cooperation by the Evaluation Office. It follows the evaluation of the working relationship between UNDP and the Inter-American Development Bank conducted in 1996.

## **2. Objective**

The approach to be followed is one of a backward and forward-looking exercise. The evaluation aims at assessing how to foster the synergy between UNDP and UNOPS learning from the experience gained. This is not an evaluation of any of the two organizations and the exercise will focus exclusively on the relationship existing between UNDP and UNOPS after four years of cooperation as separate entities.

## **3. Scope**

To assess the UNDP/UNOPS relationship, the evaluation will focus on the empirical experience gained. It will review best practices, perceived difficulties and lessons learned from the cooperation between the two organizations. The evaluation will, in particular, identify areas where the working relationship has yielded the highest value and will formulate recommendations for a fuller partnership between UNDP and UNOPS.

A desk review will form the initial stage of the evaluation and will study the main institutional and operational aspects. Issues addressed will include identifying services the two organizations are providing one to another, the major types and areas of UNDP/UNOPS cooperation at the central, regional and country office level and the pattern of cooperation between specialized units of both organizations.

Subject to validation by the desk review, the following issues have been identified for review during the further stages of the evaluation. The evaluators can expand and adjust the list as deemed appropriate in the course of the work.

Respective role, institutional arrangements and future developments:

- How do both organizations see their own role in the relationship?
- How do they see the role of the other partner?
- What are the benefits they feel they derive from their partnership?
- How have the governance and management arrangements put in place at the time of UNOPS establishment as a “separate and identifiable entity” worked?
- What role can UNOPS play effectively under the “National Execution” modality?
- Has “direct execution” any effect on UNOPS’ participation in UNDP funded projects?
- What are the factors they identify as hindrances to the development of their cooperation?
- Where do they see windows of opportunity to strengthen the cooperation in the future?
- Which are the institutional and operational mechanisms that could be instrumental in developing the relationship?

Financial arrangements and accountability:

- Are the existing arrangements for payment of services between the two organizations at the central and country level perceived as satisfactory and fairly balanced?
- What were the major factors that caused delays in concluding agreements between UNDP and UNOPS?
- Based on the experience gained, what are the strong and the weak points of existing mechanisms, and are there recommendations that could be made on this particular issue?

Contribution of UNDP country offices to the UNDP/UNOPS cooperation:

- What is the role of country offices in UNDP/UNOPS operation?
- How are the arrangements pertaining to the representation functions of UNOPS working at the country level, and do they represent a potential conflict of interest?

Efficiency and impact:

- In which areas does UNDP/UNOPS partnership work the best?
- Where does it work the worst?
- What are the reasons for this?
- What are the examples and best practices of regional cooperation that can illustrate a successful cooperation between the two organizations?
- What is the contribution of UNOPS regional offices to the cooperation with UNDP?
- Are there thematic areas where the cooperation between UNDP and UNOPS is particularly developed?
- What areas of the operational relationship need to be clarified or improved on?

Clients' assessment of the relationship:

- How do Governments, national counterparts and donors perceive the UNDP/UNOPS cooperation? What is their awareness of the respective role of each organization?
- Do they feel they derive benefits from the cooperation between the two organizations?
- What are the patterns of cooperation between UNDP, UNOPS and other UN agencies at the country level, and the impact they have on project implementation?

#### **4. Methodology**

An extensive consultation process between UNDP and UNOPS will take place at all stages of the evaluation. This will facilitate access to and sharing of essential information on the relationship. It will ensure that both organizations are thoroughly informed of the evaluation findings and will be in a position to follow up on its recommendations.

As an initial step in the evaluation process, a desk review will be conducted. The review will cover legal documents, appraisals and prior evaluations available at UNDP and UNOPS, and will allow a refining of the issues to be addressed. During the evaluation, the team will hold extensive interviews with UNDP and UNOPS staff, including project personnel, in headquarters, regional and country offices. Interviews with clients and other stakeholders, including donor and recipient governments as well as other UN agencies, will be included. The experience and views of clients and stakeholders will be specifically taken into consideration.

For that purpose and in addition to interviews planned in New York, the evaluation team will undertake missions to countries in several regions.

The selection of countries is based on the following key criteria:

- wide range of UNDP and Government financed projects executed by different thematic areas, or alternatively a focus on one large-scale programme including post-conflict operations.
- specific type of working relationship, including MSA, involving Governments and other UN agencies.
- presence of a UNDP office and a UNOPS regional office.

On this basis, a tentative list of offices to be visited in the following countries and cities has been established:

- Africa: Kenya (including Somalia programme), and Mozambique
- Asia: Bangladesh, Malaysia and Viet Nam
- Arab States: Yemen
- Europe: Bosnia and Herzegovina, Turkey, Copenhagen and Geneva
- Latin America: Guatemala and Peru

The evaluation will place emphasis on the dissemination of its results. Upon completion of the work, the report will be distributed to UNDP and UNOPS as well as relevant stakeholders. It is contemplated that a seminar will be organized when findings become available. This seminar will bring together representatives of UNDP and UNOPS. Discussions on the evaluation conclusions and recommendations will be held to allow policy decisions by senior management on the evaluation recommendations.

#### **5. Team composition and implementation arrangements**

The evaluation will be undertaken by a team of four consultants operating with the support of the Evaluation Office. A member of EVALNET will be associated to the exercise.

The team leader will have a strong experience in international organizations with the United Nations or international finance institutions, including senior management positions in headquarters and the field.

The consultants will be project management specialists with prior experience in dealing with international agencies, including UNDP and UNOPS. They will have familiarity with the rules and procedures of both organizations, including financial and budgetary issues. Experience in project management in several different regions would be an asset.

## **6. Timetable**

It is anticipated that the evaluation will start in March 1999 with the desk review. Interviews and missions are scheduled to take place in May and June.

Upon completion of interviews and visits, the team will prepare the Evaluation Final Report, the submission of which will be expected by September 1999. Publication of the Final Report and dissemination of the evaluation results will take place in October-November 1999.

## ANNEX 2

### Memorandum of understanding between the UNDP and UNOPS

WHEREAS the United Nations Development Programme (hereafter referred to as UNDP) has the leadership role within the United Nations system for the coordination and funding of technical assistance programmes and projects to support and supplement the national efforts of developing countries to accelerate their economic and social development;

WHEREAS the United Nations Office for Project Services (hereafter referred to as UNOPS) has been established pursuant to General Assembly Resolution 48/501 of 19 September 1994 and Executive Board Decisions 94/12 and 94/32, effective 1 January 1995, as a separate and identifiable, self-financing entity without creating a new agency, which undertakes Implementation and not funding activities;

WHEREAS pursuant to such establishment, UNOPS operates under the legal framework of the UNDP basic assistance agreements with Governments, including the Convention on the Privileges and Immunities of the United Nations;

WHEREAS under such framework, UNOPS provides services directly to or on behalf of UNDP and other Organizations of the UN System, utilizing funds provided by or through them;

WHEREAS UNDP and UNOPS desire to outline the fundamental elements for their partnership as called for in paragraph 5 of Executive Board Decision 94/12;

NOW THEREFORE THE PARTIES HEREBY AGREE AS FOLLOWS:

#### I. PURPOSE

1. This Memorandum of Understanding establishes the terms of the UNDP and UNOPS partnership with the aim of promoting their respective goals, including UNDP's mission and achieving the development objectives of the programme countries served by UNDP and UNOPS.

#### II. ROLE OF UNOPS

2. UNOPS shall provide, at the request of UNDP (this includes UNDP headquarters, UNDP Country and other Offices outside of its headquarters) and/or of UNDP programme country(ies), services and inputs required for the successful implementation of projects and programmes

funded by UNDP. Such services may include: project execution; project implementation; management and administrative services; and procurement and delivery of specific project inputs.

UNOPS may, upon the request of UNDP, provide services for the preparation and formulation of technical cooperation projects and programmes. UNOPS may be called upon to enter into cooperation arrangements with Programme Country Governments, specialized agencies of the United Nations, Non-governmental Organizations or other entities in the context of UNDP-funded activities.

3. In view of the emphasis placed by the UN Member States on national execution as a preferred modality for carrying out technical cooperation activities, UNOPS shall work in partnership with UNDP and the country(ies) concerned to foster and ensure the effectiveness of programmes and projects carried out under this modality.

4. In carrying out the services described in paragraphs 2 and 3 above, UNOPS shall conform to the particular conditions of and the specifications relating to each such activity as set forth in such Project Documents as UNDP and the programme countries may conclude with respect to each technical co-operation activity. Such Project Documents may provide specific instructions to UNOPS as to the manner of carrying out a project activity, including the contracting of specific entities or persons for the provision of goods, works or services, as selected by UNDP.

In such cases, and unless otherwise agreed in writing between UNDP and UNOPS, UNDP shall bear responsibility for having adequately considered the technical and financial capabilities of such entity(ies) or person(s) in making its selection, while UNOPS shall bear responsibility for the management of the selected entity's or person's performance.

5. As requested by UNDP, UNOPS shall cooperate fully with UNDP in the development of strategies for the delivery of UNDP assistance, and towards this end, shall regularly exchange with UNDP information which would support the UNDP mission.

6. In accordance with Executive Board Decision 94/12, in carrying out its activities, UNOPS will utilize administrative and financial services of UNDP Headquarters unless otherwise determined and agreed, and will continue to work through the UNDP field network.

7. UNOPS shall keep UNDP informed of services UNOPS provides to other organizations when such arrangements concern UNDP directly or indirectly. In cases calling for support from a UNDP country office, it will be especially important to consult and agree in advance upon the nature of the support required and related costs as further stipulated in paragraph 16 below.

### III. ROLE OF UNDP

8. In accordance with UNDP's funding role, UNDP shall provide or be responsible for mobilizing

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from external sources the resources for UNOPS to carry out the activities foreseen under signed Project Documents and shall authorize UNOPS to incur expenditure in accordance with relevant Financial Regulations and Rules. To this end, UNOPS and UNDP shall share on a timely basis such information as may be necessary for UNDP to call for funds in order that project activities may continue without interruption.

9. UNDP shall meet all costs directly incurred by UNOPS in its provisions of services, in the amount set forth in project budgets forming part of such Project Documents, or otherwise agreed between UNDP and UNOPS, or as determined in pursuance of such resolutions and decisions as the competent UNDP organs may adopt from time to time.

10. Central services will be provided by UNOP headquarters units to UNOPS which include but are not limited to areas of finance, administration, personnel and internal audit. A description of these services, which also includes relevant delineation of the respective functions and responsibilities between UNOPS and UNDP, and their corresponding costs shall be covered in separate subsidiary agreements. Any services provided by the UN through UNDP will be negotiated jointly by UNDP, UNOPS and the UN.

11. UNDP shall, in particular through the Country Offices, and with the programme country(ies) concerned, ensure regular and periodic consideration of the potential role of UNOPS in project management arrangements, particularly with regard to enhancing capacities.

12. UNDP Country and other Offices outside of its headquarters may, upon the request of UNOPS, provide services to UNOPS in respect of its activities. Such services will generally include, but will not be limited to the following

- a) administration of local staff;
- b) administration of NPPPS;
- c) administration of fellowships/training;
- d) local property survey board;
- e) local Appointments and Promotions Panel;
- f) payments;
- g) security;
- h) dispensary;
- i) medical services;
- j) general administration including but not limited to travel, customs clearances, inventories of project equipment; and

- k) local contracts committee as appropriate and when requested by the Executive Director of UNOPS in a separate delegation of authority.
13. For all actions taken on behalf of UNOPS, the UNDP Resident Representative or other authorized UNDP personnel will be guided by the Financial Regulations and Rules applicable to UNOPS and Instructions of the Executive Director.
14. In addition to the above-mentioned services, the UNDP Resident Representative may sign, as authorized in writing by the Executive Director or his/her designated personnel, project agreements, letters of agreement, inter-agency letters of agreement and contracts between UNOPS and other parties. In this case, the UNDP Resident Representative shall sign over the title "For the Executive Director of UNOPS." Any information relevant to the formation and administration of a contract signed by the UNDP Resident Representative on behalf of UNOPS shall be brought to the attention of UNOPS.
15. In the case where UNOPS provides services directly to organizations of the UN system other than UNDP and utilizes their funds, UNDP's role and responsibilities shall be limited to providing administrative and financial services, as specified in paragraphs 10 and 12 supra. UNOPS shall take all necessary action to obtain the financial resources required to carry out services for those organizations. UNDP shall facilitate any agreements for receipt of financial resources, but shall not advance from Its own resources any funds to UNOPS for non-UNDP purposes.
16. Arrangements between UNDP and UNOPS shall be made for the appropriate reimbursement of the UNDP Country Office for services it renders to UNOPS, in a manner consistent with arrangements for similar services with other UN organizations.

#### IV. ROLE OF THE UNDP RESIDENT REPRESENTATIVE

17. The UNDP Resident Representative shall normally act as the representative of UNOPS, and his/her functions shall include but not be limited to:
- a. facilitating the establishment of representational contacts on behalf of UNOPS with government authorities, bilateral aid programmes and non-governmental voluntary agencies, personnel of the United Nations bodies represented in the country as well as with their visiting missions;
  - b. arranging for UNOPS personnel to participate in programme planning and review meetings with UNDP and other relevant United Nations Agencies, as well as in programme discussions with appropriate government officials whenever UNOPS presence or possible future involvement may be concerned;
  - c. undertaking operational activities on behalf of UNOPS, upon specific ad hoc or delegated authority from the UNOPS Executive Director. When acting on behalf of UNOPS, the UNDP Resident Representative shall report directly and be accountable to the Executive Director of UNOPS; and

d. apprising government authorities, when appropriate, of UNOPS operational policies and procedures that may be applicable to project services provided by UNOPS.

18. The UNDP Resident Representative will make his/her best efforts to obtain from the government for UNOPS personnel and persons performing services (as defined by Article IX, paragraph 6 of the SBAA) for UNOPS, those privileges and immunities as are applicable to other personnel of United Nations Agencies, Bodies and Organizations, but no less favorable than for personnel and persons performing services for UNDP in the country of assignment.

## V. OWNERSHIP OF PROJECT PROPERTY/ INTELLECTUAL PROPERTY

19. Subject to the Basic Agreement between UNDP and the Government concerned:

(a) All goods procured by UNOPS under UNDP funded projects shall belong to UNDP and are under the custody and control of UNOPS until such time as UNDP, UNOPS and the Government agree on its disposal; and

(b) Patent rights, copyright rights, and other similar rights to any discoveries of work resulting from UNDP technical co-operation activities shall belong to UNDP, it being understood that the recipient Government shall have the right to use any such discoveries or work within the country free of royalty or any charge of similar nature. UNOPS and UNDP shall agree with regard to such steps as may be required in each case concerning such rights and as may be reflected in UNOPS contracts necessary for project implementation.

## VI. GENERAL PROVISIONS

### Personnel Matters

20. In respect of personnel matters the Administrator of UNDP shall delegate the necessary authorities to the Executive Director of UNOPS, pursuant to the provisions of paragraph 50 of DP/1 994/62 as may be relevant to carrying out its purposes. The Executive Director shall be accountable to the Administrator for the exercise of such authority.

### Contractual and Financial Matters

21. UNOPS shall be responsible for the provision of services in relation to contractual obligations entered into by UNDP/OPS prior 1 January 1995 and which remained in effect after

such date. UNDP and UNOPS shall consult on any contractual or financial issues which may arise in connection with activities undertaken prior to 1 January 1995. Where appropriate, UNDP shall authorize UNOPS to act on its behalf in respect of such contractual obligations.

#### Financial Records and Accounts

22. UNOPS and UNDP shall agree on the manner of maintaining accounts, records and supporting documentation so as to meet UNOPS operational requirements and ensure UNOPS accountability.

23. UNOPS shall furnish to UNDP periodic financial reports at such times and in such form as UNDP may request to ensure, inter alia, the timely updating of project information.

24. UNDP and UNOPS recognize that UNOPS shall use the same External Auditors as those for UNDP to examine and report on UNOPS's accounts and records relating to its services.

25. UNOPS shall close project accounts as soon as practicable, but not later than twelve months after the completion of the work set out in the project document or termination of the activity unless otherwise agreed between UNDP and UNOPS.

#### Suspension or Termination of Projects

26. UNDP and UNOPS shall consult with each other if any circumstance arises which, in the judgement of UNDP or UNOPS, interferes or threatens to interfere with the successful completion of project activities. UNDP and UNOPS shall co-operate towards the rectification or elimination of the circumstances in question and shall exert all reasonable efforts to that end, including prompt corrective steps by UNOPS where such circumstances are attributable to it or within its responsibility or control. Subject to the provisions of UNDP's basic agreement with the Government concerned and the Project Document, if the cause of suspension is not rectified or eliminated within fourteen days after UNDP shall have given notice of suspension to the Government and UNOPS, UNDP may by written notice at any time thereafter during the continuation thereof terminate the project activity concerned.

27. In the event of any termination under the preceding paragraph, UNDP shall reimburse UNOPS for all costs it may incur or may have incurred to carry out the project activity concerned up to the effective date of the termination, including:

(a) such proportion of the UNOPS overhead costs allowable for the activity (if any) as the amount expended on such activity by the UNOPS (counted to the effective date of termination) ..... to the entire UNDP allocation on the activity (as determined in the Project Document); and

(b) reasonable costs of winding up its execution of the technical co-operation activity.

Reimbursements to the UNOPS under this provision when added to amounts remitted to it by UNDP in respect of the activity shall not exceed the total UNDP allocation for such activity.

#### General Provisions

28. This Memorandum of Understanding shall enter into force upon signature, and will continue in force until terminated under paragraph 30, below.

29. This Memorandum of Understanding may be modified or supplemented by written agreement between UNDP and UNOPS hereto. Any relevant matter for which no provision is made in this Memorandum of Understanding, or any controversy between UNDP and UNOPS, shall be settled in keeping with the relevant resolutions and decisions of the appropriate organs of the United Nations. Each Party shall also give full and sympathetic consideration to any proposal advanced by the other under this paragraph.

30. This Memorandum of Understanding may be terminated by either Party by written notice to the other and shall terminate six months after receipt of such notice, provided that termination shall become effective with respect to on-going project activities only with the concurrence of both UNDP and UNOPS.

31. The provisions of this Memorandum of Understanding shall survive its expiration or termination to the extent necessary to permit an orderly settlement of outstanding matters including accounts between UNDP and UNOPS, and, if appropriate, with each Government concerned.

32. In the event that resolutions or decisions issued by the General Assembly or the Executive Board affect any provisions of this Memorandum of Understanding, UNDP and UNOPS shall modify this Memorandum of Understanding accordingly.

IN WITNESS WHEREOF, the undersigned, duly appointed representatives of UNDP and of UNOPS, respectively, have on behalf of UNDP and UNOPS signed the present Memorandum of Understanding on the dates and at the places indicated below their respective signatures.

New York, March 1997

For the United Nations  
Programme:  
Office for Project Services:

For the United Nations Development

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James Gustave Speth  
Administrator

Reinhart Helmke  
Executive Director

(Place and Date)

(Place and Date)

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## ANNEX 3

### SUMMARY OF FIELD VISIT FINDINGS

This section draws together the findings made during the field visits and presents them in the format outlined in the terms of reference.

#### 1. Respective roles and institutional relationships

The main findings of the field visits relating to the respective roles and the institutional relationship between the two institutions are:

- In general, UNOPS is still largely seen by UNDP country office staff as part of UNDP and the implication of its new status is not fully understood. In some countries, UNOPS staff do not understand that UNOPS is not a full-fledged United Nations agency.
- There is a lack of clarity in the institutional roles of UNDP and UNOPS among UNDP country office staff and UNDP project personnel, as to where UNDP responsibilities end and UNOPS responsibilities begin. Many Senior Technical Advisers/Chief Technical Advisers (STAs/CTAs) recruited by UNOPS are unclear as to the hierarchy of their reporting responsibilities to the UNDP country office and UNOPS.
- The reporting hierarchy between UNOPS headquarters/regional offices/outposts and UNOPS project staff is often unclear to both UNOPS staff and the UNDP country office staff.
- From the UNDP country office perspective, the thematic and regional organizational structure of UNOPS, which requires two or more different channels of communication, is often confusing and causes problems.
- The lack of coordination between UNOPS headquarters, UNDP country office and the Government during the implementation phase often causes problems for the UNDP country office. It has, happened for instance, that UNOPS project staff or project equipment has arrived without proper consultation with the country office or without adequate clearance from the Government.
- For many UNDP and UNOPS staff in the field, there appears to be a lack of coherence between UNDP and UNOPS practices (procurement, personnel, financial reporting).
- There are divergent views on the role of UNOPS in regard to substantive contributions to the formulation, design and evolution (reformulation) of UNOPS executed projects. UNOPS would like to contribute substantively while UNDP country offices often view this as their domain.

- Given the resource constraints faced by UNDP (country office and headquarters) country offices often advocate execution modalities, that enhance their extrabudgetary resources as opposed to optimizing the effectiveness of implementation arrangements.
- The contribution of UNOPS as a provider of specific services is in general well appreciated by UNDP country offices. On the other hand, when UNOPS is an executing agency, complaints are sometimes voiced by country offices about insufficient technical backstopping and timely support by UNOPS.
- UNOPS appears to be well equipped to provide a wide range of management services as a cooperating agency under the national execution (NEX) modality. In many countries, its share of project delivery has increased with NEX.
- UNOPS/RESS (Division for Rehabilitation and Social Sustainability, Geneva) views the direct execution (DEX) modality as an attempt to undercut UNOPS participation in execution.
- The role of the UNDP Resident Representative as the UNOPS Representative is not clearly defined. Most UNDP Resident Representatives stated that they did not feel that the dual role of UNDP Resident Representative and UNOPS Representative created a conflict of interest. On the other hand, given the resource constraints faced by UNDP country offices, some within UNOPS feel that it would be difficult for UNDP Resident Representatives to be impartial when faced with decisions regarding execution modalities.

## **2. Financial arrangements and accountability**

The main findings of the field visits relating to financial arrangements and accountability issues are:

- The viability of UNOPS as a self-financing entity is highly dependent on access to UNDP's country office network and the availability of UNDP services that are provided at marginal cost.
- There are no accepted guidelines/mechanisms for fee-sharing or the reimbursement of services between the country office and UNOPS. In most instances, there appears to be no direct relationship between the negotiated fee/reimbursement and the quantity and quality of the services provided. It is negotiated in an ad hoc manner on a country-by-country, project-by-project basis.
- However, in some countries, neither UNOPS nor the specialized agencies are asked to contribute to cover the costs of the services provided by the UNDP country office. In some cases, when they are asked to contribute, they refuse.
- Fees charged by the UNDP country office to provide services to NEX constitute a significant source of extrabudgetary income for the UNDP country office. The fees charged range from 3 to 5%.
- In some country offices, the extrabudgetary income - overhead charges - from one project is used to cross-subsidize non-related activities without full transparency. This sometimes also appears to be the case with UNOPS overhead charges.

- In addition to the changes for administrative and operational services (AOS) provided by UNOPS, there is a relatively frequent practice of charging some administrative costs to project budgets. This in fact looks like double charging as all the executing agency's administrative costs should be covered by the AOS fee.
- The inability of existing UNDP financial and treasury systems to provide clients with timely, accurate and user-friendly project status information is an area of concern of Governments and donors. In some instances, this causes the donors to review their continued involvement with UNDP. These problems are most pronounced in the case of funds channelled through UNDP under MSAs and trust fund arrangements.
- The delays in receiving timely, accurate financial reports from both UNDP and UNOPS are also an area of concern to UNOPS project managers and UNDP country offices. The introduction of the new information system, IMIS, seems to have exacerbated the problems and caused increased delays in reporting.
- The financial reporting system of UNOPS seems not to be fully compatible with that of UNDP, making it difficult for the UNDP country offices to report back to Governments and donors on time.

### **3. Efficiency and impact**

The main findings of the field visits relating to efficiency and impact issues are:

- In circumstances where the services to be provided by UNOPS are clearly defined (through an MSA, for specific line items of a larger project or as a cooperating agency in NEX) or are in a UNOPS specialty area (e.g., Montreal Protocol projects), generally there is satisfaction with UNOPS performance among Governments, country offices and donors alike. In these cases, the collaboration works to the benefit of all parties. In such situations, the performance of UNOPS has resulted in additional resource mobilization for UNDP.
- Where roles and responsibilities are ill-defined and when there is poor communication and divergent expectations, then the relationship between UNDP and UNOPS as well as with Governments and donors becomes strained. This has negative implications for resource mobilization, project impact and future programming.
- UNOPS/RESS outposts in Nairobi and Guatemala, where the two outposts have more than \$8 million in annual project delivery, seem to provide efficient financial, administrative, procurement and training support for UNOPS-executed projects. However, if the role of the outposts is expanded to include programming (as is being discussed for the Nairobi Implementing Facility), without adequate and close collaboration with UNDP, then there is a danger of an overlap of the respective roles and functions of UNDP and UNOPS, which could increase the tension between the two.
- In general, the UNOPS Asia Office in Kuala Lumpur seems to provide a good level of services to its clients, as evidenced by its steadily increasing implementation portfolio. However, the Office must ensure that its staff meet expectations both in terms of substance and form as well as be more transparent in the application of its reimbursement policy for services provided by individual country offices.

- In one country questions were raised about the value-added of the UNOPS procurement office in Copenhagen.
- In some countries, there is a perception by UNOPS staff that they are being treated as second class citizens within the United Nations family. This is compounded by the lack of proper orientation of UNOPS field staff, especially newly hired STAs/CTAs, by UNDP country offices and UNOPS headquarters. This often results in relational and administrative problems both during the project's start-up phase and during its implementation.
- In many countries, UNOPS project staff have expressed concern over the quality of services provided by the UNDP country office (timely payment of salaries of international staff, customs clearance, settling-in support).
- Tension in the relationship increases when UNDP country office staff attempt to micro-manage UNOPS-implemented projects, which does not normally happen in the case of projects implemented by United Nations specialized agencies.

#### **4. Clients' assessment**

The main findings of the field visits with respect to clients' assessment of the relationship are:

- For most clients in the field (Governments and donors), the distinction between UNOPS and UNDP is not clear. An understanding of the respective roles of UNDP and UNOPS is lacking.
- There is a perception among government officials and donors in some countries that the UNOPS fee structure is excessive, resulting in false expectations relative to the quantity and quality of the services provided. The lack of UNOPS representation in most countries - other than through staff involved in project implementation - exacerbates this perception.
- Many UNOPS clients expressed greater satisfaction when UNOPS was able to respond more rapidly through decentralized structures.
- Many clients have indicated that they would like to see more synergies between UNOPS and UNDP during the project design/formulation phase, thereby avoiding problems/tension/conflict during the implementation phase.

## ANNEX 4

### PROJECT MANAGEMENT MATRIX

The matrix listed below represents the responsibilities of UNDP and UNOPS in the management of the UNDP funded project “\_\_\_\_\_.”

In the tables enclosed the following signs are used:

X Primary Responsibility  
(X) Secondary Responsibility

#### A. PROJECT DESIGN AND APPROVAL

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Formulation
				Review/analysis of Project document
				Negotiations on design/budget/roles and responsibilities
				Letter of Agreement (LoA) (under NEX)
				PAC approval
				Obtaining Government Signature of Project Document

#### B. PROJECT START-UP

##### B.1 International Project Management Team

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of draft Terms of Reference
				Review/revision of Terms of Reference
				Preparation of shortlist of candidates
				Selection of candidates
				Obtaining Government's clearance for selected candidates
				Negotiation and signing of contracts
				Contract administration, including travel authorization/arrangements
				Technical supervision of project manager
				Technical supervision of other management staff
				Performance Evaluation Report

## B.2 Setting the Project Office (PO)

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Selection of location, rental agreement
				Selection and purchase of project equipment (vehicles, office equipment, communications...)
				Communication and other logistics arrangements (local PTT, with UN mission, fuel.)

## B.3 Project Work-Plan

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of Work-Plan
				Approval of Work-Plan

## C. ENGAGING AND ADMINISTERING PROJECT PERSONNEL

### C.1 International Consultants

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of Terms of Reference
				Review of Terms of Reference
				Preparation of shortlist of candidates
				Selection of consultants
				Negotiation and signing of contracts
				Contract administration, including travel authorization/arrangements
				Technical supervision of consultants
				Evaluation of work-progress
				Review/approval of final report
				Payment

## C.2 National Personnel

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of Terms of Reference
				Preparation of shortlist of candidates
				Selection of national personnel
				Negotiation and signing of contracts
				Contract administration, including travel authorization/arrangements
				Technical supervision of consultants
				Evaluation of work-progress
				Review/approval of final report
				Payment

## D. PROJECT PROCUREMENT

### D.1 Contracting for Services & Works

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of TOR/Tender Documents
				Review of TOR/Tender Documents
				Pre-qualification and short-listing
				Concurrence with shortlist
				Obtain government clearance on shortlist
				Preparation and issuance of RFP/Tender
				Evaluation of proposals
				Recommendation for award of contract
				Drafting, negotiation and signing of contract and authorization to proceed
				Contract administration
				Technical monitoring and evaluation
				Certification of Completion of Work
				Payment to consultant/contractor

### D.2 Procurement of Equipment and Supplies

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of equipment list
				Preparation of detailed specifications
				Advertising (if required)
				Pre-qualification and short-listing
				Concurrence with shortlist
				Obtaining Government's clearance for short-lists
				Issuing Invitation to Bid
				Evaluation of bids
				Recommendation for award of purchase order
				Placing purchase order
				Inspection and shipment
				Customs clearance
				Delivery to final user
				Receipt and acceptance of equipment
				Payment to supplier

E. Management, Administration and Finance

UNDP HQ/Div. CO		UNOPS HQ PO		Activity
				Delegation of Authority to CTA/Manager
				Establishment of Imprest account
				Transfer of funds
				Financial administration
				Financial reporting to external donors
				Audit
				Periodic Progress and Financial reports
				Review of progress against workplan and budget revisions
				Management of Imprest account
				Replenishment of Imprest account
				Preparation of revised workplan
				Approval of revised workplan
				Backstopping/Trouble shooting
				Project Monitoring
				Preparation of TPR/Midterm review
				TPR/Midterm review meeting

F. Consultation with the Government and the international community

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Resource Mobilization
				Support to RM-Marketing /Communications
				Interagency consultations (UNDAF, Sectoral Group, Security, Emergency Disaster Management Issues)
				Informal consultations on on-going project related issues and donor briefing.

### G. Training Activities

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Preparation of training plan
				Designing requirements for specific training
				Obtaining Government's clearance for candidates
				Identification of appropriate programs
				Placement
				Travel arrangements
				Financial arrangements for trainees and institutions
				Monitoring of performance
				Logistical support and insurance

### H. Project Closure

UNDP HQ/Div. CO		UNOPS HQ/Div. PO		Activity
				Financial and terminal reports
				Closure of accounts and return of unspent balance
				Transfer of equipment
				Final evaluation

## ANNEX 5

### LIST OF ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
ACC	Administrative Committee on Coordination
AOS	Administrative and Operational Services
ARR	Assistant Resident Representative
CCPOQ	Consultative Committee for Programme and Operational Questions
CPC	Crisis and Post-conflict
CPCJD	Crime Prevention and Criminal Justice Division (Vienna)
CTA	Chief Technical Adviser
DAMR	Division for Audit and Management Review (UNDP)
DDSMS	UN Department for Development Support and Management Services of the United Nations Secretariat
DESA	Department for Economic and Social Affairs of the United Nations Secretariat
DEX	direct execution (by the UNDP country office)
DPA	Department of Political Affairs of the United Nations Secretariat
DPKOUN	Department of Peace-keeping Operations of the United Nations Secretariat
DRR	Deputy Resident Representative
DTCD	Department of Technical Cooperation for Development
EAD	Electoral Assistance Division (part of DPA)
ERD	Emergency Response Division (UNDP)
EVALNET	a network of UNDP country office staff focusing on evaluation issues.
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GLOC	Government contributions to local office costs
IAPSO	Inter-Agency Procurement Organization (UNDP, Copenhagen)
IDNDR	International Decade for Natural Disaster Reduction
IFAD	International Fund for Agricultural Development
IFI	international financial institution
ILO	International Labour Organization
IMIS	Integrated Management Information System
IOM	International Office of Migration
JIU	Joint Inspection Unit (UN)
MCC	Management Coordination Committee
MINUGUA	Mission in Guatemala (for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights)
MOU	memorandum of understanding
MSA	Management Services Agreement
NEX	national execution
OPE	Office for Project Execution (UNDP)
OPS	Office for Project Services (UNDP)

PMO	Programme Management Officer
PSIS	Programme for Strategic and International Security Studies (DPA)
RESS	Division for Rehabilitation and Social Sustainability (UNOPS, Geneva)
RSA	Reimbursable Services Agreement
STA	Senior Technical Adviser
UAG	Users Advisory Group (UNOPS)
UNAIDS	Joint and co-sponsored United Nations Programme on HIV/AIDS
UNDCP	International Drug Control Programme
UNDP	Development Programme
UNESCO	Educational, Scientific and Cultural Organization
UNFPA	Population Fund
UNHCHR	Office of the United Nations High Commissioner for Human Rights
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNOCHA	United Nations Office of the Commissioner for Humanitarian Affairs
UNOIP	United Nations Office of the Iraq Programme
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

## ANNEX 6

### EVALUATION TEAM

**Sam (Nancy) Barnes.** United States national. Born in 1946. Consultant. Worked in Mozambique for UNDP during the period 1987-1994. Since then, consultant for UNDP and UNOPS in programme design, reformulation and evaluation in conflict and post-conflict situations (Angola, Bosnia and Herzegovina, Liberia, Somalia, and).

**Hasso Molineus.** German national. Born in 1941. Consultant. Has served with the World Bank most of his career, most recently as Chief of the World Bank Resident Mission in Uzbekistan and as Deputy Director of the World Bank Resident Mission in Russia. His previous experience was as principal operations/country officer in the North Africa, Europe and West Africa Regions of the Bank. He also participated in a number of World Bank organizational task forces.

**Farid Siddiqui.** Canadian national. Born in 1942. Consultant. Has served as a senior official in the Government of Ontario, Canada for over a decade (1972-1984); as a senior consultant with SRI International, a multinational management consulting firm with headquarters at Menlo Park, California (1984-1991), and since 1991, has worked as an adviser/consultant for various United Nations system agencies.

**Pierre Vinde.** Swedish national. Born in 1931. Consultant. Former Under-Secretary of State at Swedish Ministry of Finance. Assistant Administrator for Finance and Administration, UNDP, 1980-1985. Deputy Secretary-General of the Organisation for Economic Co-operation and Development (OECD), 1985-1996. Advisor to the Swedish Ministry of Finance, 1996-1997.