



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/1984/8
27 April 1984

ORIGINAL: ENGLISH

Thirty-first session
June 1984, Geneva
Agenda item 4(a)

P O L I C Y

ANNUAL REPORT OF THE ADMINISTRATOR FOR 1983

Report of the Joint Inspection Unit on the UNDP

Office for Projects Execution (OPE)

Note by the Administrator

The Administrator submits herewith to the members of the Governing Council his comments on the report of the Joint Inspection Unit on the UNDP Office for Projects Execution (JIU/REP/83/9). This JIU report will also be submitted to the General Assembly at its thirty-ninth session under document symbol A/39/80.

Annex I

COMMENTS OF THE ADMINISTRATOR

I. GENERAL

1. The Joint Inspection Unit's report on the Office for Projects Execution (OPE) of UNDP (JIU/REP/83/9) concludes by recommending that the Governing Council provide new terms of reference for the direct execution of projects by UNDP, limiting such execution to projects which require general management and direction and to projects of a non-technical nature. The JIU also recommends that the ACC should examine the procedures of OPE that have proven their worth with a view to recommending their use by other agencies.
2. The JIU report states that its purpose is to contribute to the resolution of "the problem" of OPE caused, inter alia, by the following factors:
 - (a) Since direct execution began in 1973, OPE's operations have given rise to controversy between UNDP and the major technical agencies of the United Nations family;
 - (b) These agencies consider that OPE's activities have outgrown their original purpose and encroached increasingly upon the agencies sectors of technical competence (Paragraph 1 of the report.)
3. It is important to note that under (a), the existence of OPE is itself regarded as an issue and in addressing this aspect of the matter, JIU has reviewed the legislative basis for its existence and concludes that "no separate Council decision exists providing explicit terms of reference for UNDP's executing operations in the light of the roles and responsibilities of the participating and executing agencies" (Paragraph 9). The implication, of course, is that in some way OPE's operations and modalities, if not its existence, are irregular or are not properly covered by decisions of the Council. It should be pointed out that the Governing Council has reviewed OPE's operations on a number of occasions since the establishment of the activity was approved by the Council at its sixteenth session in June 1973.
4. Regarding the issue of OPE's growth, it will be shown that the statements in the report are inconsistent with the facts, but in the light of the comments above, it would seem that even if there had been no growth, the Inspectors would still see no place for OPE other than in the limited area of administrative services mentioned in the recommendation. The fact that the only other recommendation of the JIU report is that the rest of the system should seek to adopt those procedures employed by OPE which have proven their worth must imply that OPE has performed well in certain respects and that the main thrust of the "problem" is the existence of OPE itself.
5. If a prime part of the concern of JIU is a legislative one (should OPE exist at all or exist with limited functions only), this is a matter only intergovernmental bodies can determine. They are not administrative issues

/...

within the competence of the Administrator. The comments below will show that decisions on OPE have already been taken by such bodies and that if existing decisions are to be changed, these bodies must be provided with facts to justify such a change. It is the view of the Administrator that arguments adduced by the JIU in support of recommendation 1 are based on premises which would undermine the Administrator's responsibility to the Governing Council for the good management of the Programme and if applied in a general way, would undermine the rationale for the existence of UNDP itself.

6. Having reviewed the report, the Administrator proposes to comment first in a general way on the main issues, placing the JIU observations in the context of what he perceives to be the essence of UNDP's mandate, his accountability and authority to decide on executing modalities, the changing and diverse needs of the developing countries, and how these are reconciled in UNDP procedures with the principle of partnership, drawing on the technical resources available within the United Nations system of organizations. In Annex II, prepared for those who would wish to review the report and the Administrator's comments in greater depth, the Administrator comments in more detail on the various considerations advanced in the JIU report.

7. The report has unduly emphasized the purely organizational framework of OPE's existence and operations and correspondingly has not highlighted the most vital aspect of technical co-operation as far as the United Nations development system is concerned: that is, what is in the best interest of the developing countries themselves. The report thus appears, in effect, to be giving prime consideration to the mandates of the organizations. The Administrator finds it particularly objectionable that UNDP and the agencies are juxtaposed as the "prospective beneficiary" in the assignment of projects for execution (Paragraph 29). This perspective has seriously flawed the report since only the countries which the system serves should be regarded as "beneficiaries" of that service.

8. As a consequence of not giving first priority to the only valid yardstick for measuring the relative efficiency of different approaches and procedures, the report distorts its examination of the nature and scale of UNDP direct execution. The central issue as to whether OPE is able to respond quickly and effectively to the needs of the recipient countries is taken as a secondary matter. Yet all jurisdictional questions are subordinate to that one consideration: the possible advantage to developing countries in having at their disposal a flexible system for the delivery of projects and services is surely of greater moment than matters of organizational and sectoral claims.

9. It is the Administrator's conviction that, notwithstanding any differences which might exist on procedural matters, all elements of the United Nations development system fully subscribe to the objective set out in the last sentence of the preceding paragraph. The Administrator's approach to this report is to judge all issues in the light of this agreed standard.

/...

10. In these respects, the arguments advanced in the JIU report are, in the judgement of the Administrator, neither valid nor relevant. The report claims that the restructuring resolution (General Assembly resolution 32/197) has closed any gaps that might have existed at the time of the Consensus as regards the mandates and sectoral areas of competence of the specialized agencies. This may in fact be so, but whatever interpretation is given to the provisions of that resolution, they do not alter the Administrator's responsibilities and authority to select and determine, after consultation with agencies, and giving due weight to their views, and in agreement with the Government concerned, the appropriate arrangements for implementing UNDP-assisted projects. It is untenable to assert, as does JIU, that the restructuring has in effect made it mandatory on the Administrator to assign to any pre-designated agency executing responsibilities for a project on the sole basis that the project fell within that agency's field of competence. Yet this would be the practical result were the JIU recommendations to be followed.

11. To insist that the sectoral mandate of a given agency automatically entitles it to be designated as executing agency is to misunderstand the nature of the responsibility with which the Administrator has been entrusted. It would mean that in this matter, regardless of the views or preferences expressed by the recipient Government, regardless of the effectiveness of the proposed arrangement or of the performance of a particular agency, the Administrator would have no discretion, but would have to assign a project to that agency for execution. It will readily be accepted that accountability cannot be exercised under such constraints. In this context, the charge that the Administrator is both "judge and party" is meaningless. He is not adjudicating between litigants. He is deciding, after consultation with the developing country concerned, what the best way is of assisting that country in the particular circumstances.

12. On the point of the Administrator's accountability, the arguments of JIU cannot be understood. It is a matter of common sense that the greater the control exercised by any authority in the execution of projects, or any other activity, the more direct the authority's accountability for its effectiveness. By a remarkable type of reasoning, JIU has managed to argue the very opposite, to the effect that direct execution impairs UNDP's ability to discharge its basic functions and weakens the Administrator's accountability.

13. The Administrator must draw attention to another fundamental weakness in the report in that it takes little account of the changing needs of the developing countries, or of the diversity of these needs as reflected in the development situation in each country. The JIU report ignores the fact that there can be no single approach, for all countries and in all situations, as to how the development process can best be furthered in each case.

14. Instead, JIU has judged the role and functions of OPE on the basis of only one of the several models or concepts of "project execution": namely, the case where a country needs and requests a full range of technical, management,

/...

and administrative services. It is important to have a realistic appreciation of what actually is involved. In such instances, the recipient Government has delegated a rather complete series of tasks to an outside party. With the advent of "new dimensions"^{1/} and government execution of projects, however, it is obvious that the extent of that delegation is not preordained nor need it follow a set pattern. In a large number of cases, the role of OPE is not so much that of an executing agency as an agent performing a limited range of services, tailored to the Government's priorities and own capabilities; they can be technical, managerial or logistic, simple or sophisticated.

15. Increasingly, as institutions in developing countries build up their productive capacities and indigenous human resources, the United Nations system will find itself delivering services that fall short of the full execution of projects as traditionally understood. Whether such services are technical or non-technical, services of this kind are fully consonant with the development reality that prompted the policies of the "new dimensions", and should be interpreted as a sign that recipient countries are gaining greater ability to administer their own development and are moving closer to full self-reliance.

16. It follows that Governments will make their own judgements as to the capacities of individual international organizations, as well as institutions in the public and private sector, to respond to what is needed in each situation. There is no room for patronage in this regard, and it would certainly be inappropriate for the United Nations system or any other organization or group of organizations to impose on developing countries any particular solution for the delivery of project services where project viability, efficiency, or economy in delivery are not at issue.

17. It is by no means an established fact, as JIU implies, that UNDP's twin role of ruling on the modalities for implementing projects and of itself acting as executing agent "diminishes its ability" to raise funds and to maintain, review and develop operational policies and guidelines, and, therefore, is "undesirable." In organizational terms, OPE is a separate entity within UNDP and its operations do not impinge on UNDP's resource mobilization and policy-making functions. There is no element in OPE's execution of projects that would tend to diminish UNDP's ability to perform effectively any other function with which it is entrusted. It reflects poorly on the report that this charge is made without offering a shred of evidence that UNDP's primary tasks have, in fact, been neglected. The Administrator cannot but take exception to the implied allegation that his primary responsibilities are not being effectively discharged.

18. On the contrary, it may equally well be argued that the direct implementation of projects enriches UNDP's development experience and better enables it to improve on operational policies and methods to the benefit of the Programme as a whole. Implicitly, JIU has reached this same conclusion when making its second recommendation to the effect that other organizations in the United Nations system should attempt to learn from the positive aspects of OPE practices. Indeed, the second recommendation of the report raises reasonable doubt as to the validity of the first.

/...

19. Regarding the issue of the alleged growth of OPE's activities, the figures in the report show that agencies continue to execute 92-93 per cent of the UNDP-financed programme; hardly an indication that operations are being "concentrated" within UNDP. Whether one looks at OPE's core resources, or only at technical projects, the facts simply do not support the report's contention that OPE exhibits a continuous growth pattern at the expense of any other organization in the United Nations development system.
20. The implication in the report, that it is inappropriate for a funding organization to engage even in minimum project execution, would, if valid, also have to be applied to the reciprocal case where an executing agency also becomes a funding agency. As is known, within the United Nations development system, agency funding of technical co-operation projects (executed by the same agencies) from regular budgets and funds-in-trust is not, in the aggregate, much less than UNDP-provided funds. The Administrator has never challenged the right of agencies, acting under the decisions of their intergovernmental bodies, to both fund and execute projects. It would not be logical, therefore, for this issue to be raised in connexion with UNDP alone; again, this must be a matter for intergovernmental bodies to decide.
21. OPE operations have stabilized at between 7 and 8 per cent of programme disbursements since 1977, with a downward trend for all UNDP-financed and cost-sharing projects, technical and non-technical, declining from 8.3 per cent of UNDP's programme expenditure in 1978 to 7.6 per cent in 1980 and 7.1 per cent in 1981 (table 1 of the JIU report). The JIU report cites the volume of technical projects as being a source of particular concern. Depending on where the line is drawn between technical and non-technical work, projects with a technical content and where OPE plays a technical role may be defined at any point between 3.5 and 5 per cent of the total UNDP programme. It is difficult to see how this modest scale of operation can warrant the notion that the Administrator has departed from the practice of giving first consideration to the specialized agencies in selecting executing agents.
22. The Administrator is sensitive to the issue that whatever may be his right and responsibility to determine the executing arrangements for projects, he is bound to undertake meaningful consultations in good faith with agencies of the system before taking a decision. Following the inception of OPE, guidelines were issued to ensure such consultations and these guidelines have gone through a continuous evolutionary process culminating in the guidelines issued in August 1982 and reproduced as an annex to the JIU report. Even a casual reading of these latest guidelines, worked out in consultation with the UNDP Inter-Agency Task Force, will show the care which has been taken at every stage to ensure that the general precept in the Consensus that agencies be given first consideration is respected. The JIU report confirms that these guidelines represent an improvement over past procedures. In essence, they represent an effort at reconciling the partnership principle with what is, in the final, analysis, the overriding consideration: i.e., the specific needs of

/...

the recipient country. The guidelines are, however, not immutable and UNDP stands ready to have further discussions with any interested parties provided the basic requirement set out in paragraph 1 of the guidelines is fully respected.

23. The legislative basis for OPE's activities appears indisputable, resting as it does on the Consensus itself, supplemented by the thorough review that was made in 1977 by the Budget and Finance Committee of the Governing Council regarding the operation of OPE. In consideration of the issues raised in the JIU report, however, the Administrator sees some merit in putting the legislative issue out of contention by the Governing Council if it so decides, consolidating in one decision all matters relating to OPE's establishment, and operational modalities.

24. The Administrator welcomes the recommendation that the ACC should examine the working practices of OPE that have proven their worth with a view to proposing their use by other agencies in the system. Methodological analysis and studies of this kind should furthermore take into account the changing developmental environment which is the backdrop to all technical co-operation and the fact that, as institutions in developing countries move forward towards self-reliance, the United Nations system must adapt itself to assist in meeting new needs with new modalities.

25. In conclusion, the Administrator reaffirms once more his faith in the principle of partnership which will continue to inspire all guidelines and operating procedures as far as UNDP is concerned. The spirit of partnership will continue to guide the Administrator's actions, whether in giving first consideration to the specialized agencies in project execution, at the operational level where OPE is concerned, or in the field offices of the UNDP's resident representatives, under the overall and paramount imperative of providing the best possible service to developing countries.

Notes

1/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A (E/5703/Rev.1) para. 54.

Annex II

COMMENTS ON SPECIFIC POINTS IN THE REPORT OF THE JOINT INSPECTION UNIT ON OPE

1. JIU, in paragraph 1 of its report, selects three specific passages from the 1979 Inter-Agency Task Force (IATF) report, highlighting agencies' views on the negative effects direct execution may have.

UNDP comments

2. None of the points mentioned here other than the issue of consultations has ever been substantiated. UNDP feels that they are unfounded as both the overall comments in annex I and the specific comments below will demonstrate. As JIU has not said to the contrary, it must be assumed that they have adopted without reservations or qualifications unsubstantiated views which is hardly a proper basis for acting, and on which to draw conclusions. The issue of consultations has been fully addressed in the guidelines issued in August 1982. OPE's overheads have been the subject of exhaustive study, and comments are offered under later headings on the issue of the cost of backstopping.

3. JIU, in paragraph 6 of its report, quotes paragraph 40, chapter IV, of the Capacity Study (DP/5).

UNDP comments

4. The preceding paragraph 39, chapter IV, of the Capacity Study provides even more cogent reasons for focusing on the best possible assistance to the developing countries. It reads as follows:

"The policies of the early years of UN technical co-operation decreed that execution should be the exclusive prerogative of the Specialized Agencies. There were good reasons why this should be done, especially when the programme was small, and their contribution in many cases has been considerable. Now, however, that the programme has grown proportionately very much larger, and the ever-extending dimensions and complexities of development have been more fully revealed, the UN development system clearly cannot make an effective contribution unless it adopts a true universality mobilizing the best brains, knowledge and facilities wherever these can be found, whether within or without the system or in the public or the private sector. (Emphasis added.) This is the true meaning of the 'international' character of the UN programmes. Unless the world-wide scourge of under-development is attacked on a world-wide front, the developing countries will once more wait in vain for those fresh horizons so often and so vainly promised in the past."

5. JIU, in paragraph 12 of its report, states that "the absence of this /in-house technical/ expertise reduces UNDP's ability to monitor the

performance of its subcontractors" and that the "common experience of the system" is that subcontractors do not concern themselves with the transfer of knowledge over time.

UNDP comments

6. Statistics show otherwise; of the 15 Programme Management Officers in OPE at the time when the JIU study was made, 10 have technical background as follows:

- One chemical engineer with PhDs in both petro-chemical construction and analytical chemistry;
- Six civil engineers of whom two have additional specialities in transportation and hydrology;
- One mechanical engineer;
- One electro-mechanical engineer; and
- One architect.

In addition, the Bureau for Programme Policy and Evaluation of UNDP has several technical advisers who assist OPE as and when needed. Furthermore, the funding agencies associated with UNDP, the Capital Development Fund (UNCDF), the United Nations Sudano-Sahelian Office (UNSO), the Revolving Fund for Natural Resources Exploration (RFNRE), the Energy Account, to mention the most important, all have technical officers able to ensure that technical aspects receive adequate treatment. Finally, where no in-house expertise exists, OPE hires specialists or firms, charging its administrative budget, to assist it.

7. The conclusion derived in the JIU report conflicts with the conclusions reached by the agencies at the last meeting of the Consultative Committee on Substantive Questions (Operational Activities) held 3-6 October 1983. The report of that meeting stated:

"On the basis of the information available, the Committee agreed that it was not possible to arrive at a clear and definitive assessment of the utilization of subcontracting by the executing agencies. Reliable data was scarce on the cost-effectiveness of subcontracting compared with other modalities of project execution and particular care was necessary in assessing the cost-effectiveness of subcontracting in respect of training. The degree to which a technical backstopping capability was a factor in overseeing subcontractors varied widely from project to project and agency to agency, and monitoring, evaluation and follow-up were not being carried out in a consistent or uniform manner. In this regard, it was however necessary to distinguish between commercial and institutional forms of subcontracting which called for different approaches. The Committee was of the view that insufficient information on the transfer of technology, the promotion of self-reliance, or the effectiveness of monitoring, precluded an assessment of the use of subcontracting in

project execution." (Section II.B. paragraph 2.) In addition, "the Committee did not feel that there was any prima facie reason in economic, social or technological terms for preferring subcontracting in project implementation. On the other hand, subcontracting was clearly an appropriate and effective modality of implementation in various cases." (Section II.B. paragraph 3.)

8. JIU, in paragraph 13 of its report, states that the restructuring resolution (General Assembly resolution 32/197) charged the Department of Technical Co-operation for Development (DTCD) with "the execution and management of technical co-operation activities 'not covered by other United Nations organs, programmes or specialized agencies'", and "that the regional commissions should be enabled to function as executing agencies for 'intersectoral, subregional, regional and inter-regional projects' in areas not falling within the sectoral responsibilities of specialized agencies and other United Nations bodies".

UNDP comments

9. The report neither correctly quotes General Assembly resolution 32/197, nor gives a generally accepted interpretation of it. The relevant paragraphs of the annex to the restructuring resolution are as follows:

"61.(c) Substantive support for technical co-operation activities in economic and social sectors which are not covered by other United Nations organs, programmes or specialized agencies; this function would include, inter alia, the provision of technical expertise in the formulation, implementation and evaluation of country and intercountry programmes and of specific projects, the provision of direct advisory assistance to Governments, the development of training materials and support of training institutions;

"(d) Management of technical co-operation activities carried out by the United Nations in respect of:

"(i) Projects under the regular programme of technical assistance;

"(ii) Projects of the United Nations Development Programme for which the United Nations is the executing agency.

"(iii) Projects financed by voluntary contributions from Governments and other external donors including funds in trust."

"23. Relations between regional commissions and the organizations of the United Nations system should be strengthened. Close co-operation with the United Nations Development Programme should be established and appropriate arrangements made to enable the regional commissions to participate actively in operational activities carried out through the United Nations

system, including the preparation of intercountry programmes, as may be required, in their respective regions. Without prejudice to the special needs and conditions of each region, and taking into account the plans and priorities of the Governments concerned, the General Assembly and the Economic and Social Council should take measures to enable them to function expeditiously as executing agencies for intersectoral, subregional, and interregional projects and, in areas which do not fall within the purview of the sectoral responsibilities of specialized agencies and other United Nations bodies, for other subregional, regional and interregional projects."

10. It is quite clear that the resolution provides only for "substantive support" from DTCD for technical co-operation activities in economic and social sectors which are not covered by others, and DTCD's "management" of technical co-operation activities financed by UNDP is limited to projects for which the Administrator designates the United Nations as the executing agency. The Consensus has not been repealed or amended by the restructuring resolution and there is no legislation making it mandatory for the Administrator to assign certain projects to DTCD, regional commissions or any other organization.

11. JIU, in paragraph 15 of its report, states that table 3 (page 15) of the report represents the sectoral distribution of technical projects. Based on the figures therein it concludes that the restructuring resolution has led to little change in the nature and pattern of UNDP's operations and that 30 per cent of OPE's total expenditures is in the sphere of competence of DTCD.

UNDP comments

12. The substantive response to the implication of these figures is dealt with in paragraphs 10 and 14 below; but the figures used need further explanation. The delivered expenditures for 1979, 1980, and 1981 on technical projects broken down by sector in table 3 are based on all sources of funds: UNDP, CDF, UNSO, etc. They should be based on UNDP core funds to make the figures comparable with the JIU's analysis on agency execution of UNDP projects. Table 3 of the JIU report also contains an error in classification. The arrangement of the last six categories under the heading "multidisciplinary/multisectoral" is not correct. These projects are not all multidisciplinary or multisectoral and the error may have arisen from the inaccurate arrangement of a table provided by UNDP. Table 2(A, B, and C) of this annex gives a breakdown of technical and non-technical projects executed by OPE showing separately those financed by UNDP and those financed from other sources.

13. JIU, in paragraph 16 of its report, states that "successive legislative mandates over the last decade have in effect removed whatever institutional limitations in the United Nations system might have justified the creation of

OPE in the early 1970s. From a strictly legislative standpoint, the rationale for UNDP direct execution has, in their view, been eroded to a considerable extent..."

UNDP comments

14. In dwelling upon the restructuring resolution, the report not only creates a fictitious conflict between this resolution and the Consensus which squarely authorizes the Administrator, in consultation with Governments, to decide on the agent for execution of projects, but also concentrates on considerations irrelevant to the creation of OPE. OPE was not created to fill any sectoral gaps; it was set up for operational reasons which were clearly summarized in the report of the Inter-Agency Task Force and referred to in paragraph 21 of the JIU report:

"...OPE was indeed established for 'pragmatic reasons' stemming from 'UNDP's perception of some of the problems the United Nations system was (and still is) experiencing in technical cooperation'. These pragmatic reasons, as listed by the [IATF] study, were the following:

- (a) There was growing evidence that some governments were disappointed with slow agency implementation of some projects;
- (b) Agencies' demands for overhead costs were rising while their substantive backstopping was uneven;
- (c) Jurisdictional disputes on projects of a multi-disciplinary nature, including multi-purpose river-basin development, made the choice of agencies difficult;
- (d) Sub-contracting, which should enable the Programme to obtain the services of homogenous groups of professionals working together effectively, rapidly and at lower cost than direct recruitment of teams, was not being practised to an adequate extent by all of the executing agencies;
- (e) UNDP's own growing requirements for programme support activities called for centrally managed measures to meet new needs at the field level;
- (f) Non-agency executed operations, under direct UNDP supervision, could serve as an impartial mode of measuring the above assertions."

/...

This was the basis for OPE's creation. Much of this is still valid today but other reasons have been given in the main comments and in this annex.

15. JIU, in paragraph 20 of its report, concludes, based on an interpretation of table 1A on page 11 that "...OPE has continued to concentrate on the core UNDP programme, although its share has declined slightly from 8.1 per cent in 1979 to 7.1 per cent in 1981..." (emphasis added). The table also compares total OPE expenditure figures (both technical and non-technical) with those of the other agencies.

UNDP comments

16. The reference to a "slight" decline in IPF-funded, technical projects executed by OPE from 8.1 to 7.1 per cent between 1979 and 1981 is, in fact, a drop of 12.5 per cent. Table 1 below shows a more complete and accurate picture of "scope and orientation" of OPE operations.

Annex table 1. OPE project expenditures from UNDP core resources^{a/}
(Thousand US dollars)

A. Project expenditures showing OPE's share of projects executed

<u>Year</u>	<u>Total programme</u>	<u>OPE-executed amount</u>	<u>Percentage</u>
1973	274 700	3 781	1.38
1974	294 378	14 186	4.82
1975	425 758	29 061	6.83
1976	400 222	20 624	5.15
1977	373 947	25 760	6.89
1978	435 599	36 130	8.29
1979	547 600	43 845	8.01
1980	677 633	52 092	7.69
1981	731 604	52 350	7.16
1982	660 581	46 626	7.06

/...

B. Breakdown of OPE expenditures on technical and non-technical projects

<u>Year</u>	<u>Technical projects</u>			<u>Non-technical projects</u>		
	<u>Amount</u>	<u>% of OPE programme</u>	<u>% of total programme</u>	<u>Amount</u>	<u>% of OPE programme</u>	<u>% of total programme</u>
1977	13 060	50	3.49	12 700	50	3.40
1978	22 077	61	5.07	14 053	39	3.23
1979	25 355	58	4.63	18 490	42	3.38
1980	30 867	59	4.56	21 225	41	3.13
1981	30 388	58	4.15	21 962	42	3.00
1982	21 921	47	3.32	24 705	53	3.74

a/ Value of projects financed from IPFs, cost sharing, Special Measures Fund, Programme Reserve, Special Industrial Services, and Government Counterpart Cash Contribution .

17. A comparison of growth of total expenditure and growth of technical project expenditures makes it clear that in both aspects OPE operations are not growing. Total expenditures reached a peak of 8.3 per cent of aggregate UNDP programme expenditures in 1978 and then stabilized; they stood at 7.1 per cent in 1982. OPE's share of technical projects, the chief target of JIU's criticism, has decreased from 5.1 per cent in 1978 to 3.3 per cent in 1982. OPE's actual expenditures for UNDP's core-funded (as defined above) technical projects fell approximately \$8.5 million in 1982 compared with 1981; i.e., some 28 per cent compared with a decline of 11 per cent in the same period in UNDP's total core programme. Total expenditures for both technical and non-technical projects executed by all agencies and funded by the core programme decreased by about \$6 million in 1982 compared with 1981 or about 13 per cent. This shows at least that when the programme declined, UNDP took no steps to shelter OPE as against the use of agency execution.

18. JIU, in paragraph 30 of its report, states that "where UNDP directly executes a project, the tripartite convergence of responsibility (government, executing agency, UNDP) is reduced to two parties (government and UNDP)" which puts into question the "Administrator's accountability."

UNDP comments

19. The reasoning behind this conclusion is difficult to understand. If the Administrator or anyone else assumes direct responsibility for some act or action, it would seem that that party's accountability becomes greater.

20. JIU, in paragraph 31 of its report, concludes that "...the figures in table 1 go some way to confirm the major agencies' concern about the volume and growth of UNDP direct execution, particularly prior to 1979."

UNDP comments

21. The JIU here uses PED's (Project Execution Division) inception year of 1973 as the base for assessing OPE's yearly growth and for supporting the claim that this rate of growth has been disproportionate. This is an unrepresentative figure for comparison purposes because of OPE's very small start-up expenditure of \$3.8 million for all projects in that initial year. It is commonplace that valid statistical comparisons cannot be made between two points in time by comparing the rates of growth of an ongoing organization and a new organization using its first year of operation as a base. It would have been more relevant if an ongoing operational year of 1975 or 1976 were used (\$29 million and \$20 million respectively); this would have avoided the gross distortion (table 1.A, page 6).

22. The major agencies' share in executing UNDP-funded projects declined from 73.4 per cent in 1973 to 55.2 per cent in 1981. To highlight this decline in juxtaposition with OPE's entry cannot be regarded as helpful in any attempt to properly understand OPE's relative position. Even though the implication of the decline is subsequently corrected, there is no logical reason for separating major agencies from all other executing agencies. Each is entitled to equal consideration for designation as an executing agency depending on the factors already mentioned. The fact is if OPE's start up year of 1973 is ignored, small agencies increased their share of execution from 26.7 per cent to 37.7 per cent in 1981 or 11 percentage points and OPE by about 2.3 percentage points. The concern of the major agencies about the fall in the proportion of projects executed by them, as alleged in the report, cannot for the most part be attributed to OPE. The same table shows that the OPE share has been dropping since 1978 and the 1982 figures now available confirm that this trend is continuing (Table 1.A, page 6). Furthermore, JIU admits in this same paragraph that the decrease in the major agencies' shares of UNDP-financed projects was due largely to the increase in the number of agencies.

23. JIU, in paragraph 33 of its report, takes issue with UNDP's contention that only technical projects should be taken into account when comparing the volume of OPE versus agency execution by giving figures for OPE's total operational activities, technical as well as non-technical financed from all sources.

UNDP comments

24. UNDP maintains that non-technical projects are basically administrative and service activities and cannot be regarded as project execution of the type normally assigned to a specialized agency. Furthermore, it distorts the

picture to include other sources of funds since their choice of co-operating agency is governed by other considerations, such as support cost claims, and government preference.

25. JIU, in paragraph 34 of its report, states that "...the Inspectors subscribe to the view that these UNDP-administered Trust Fund projects should benefit from the sectoral experience and institutional capability of the executing agencies."

UNDP comments

26. Many projects under the UNDP-administered trust funds are indeed being designated to sectoral agencies as appropriate. The fact remains, however, that many of these projects with OPE participation are either government executed and/or non-technical in nature.

27. JIU, in paragraphs 35, 36, and 37 of its report, makes an analysis of the technical versus non-technical projects from both "projects financed from all sources and those financed by UNDP alone" (paragraph 35) "executed by OPE, based on the figures 1A and 1B on page 14 of the report. JIU does not consider CDF and UNSO projects with large equipment components to be non-technical and it concludes that "OPE's operations in the last three years show a preponderance of projects with technical aspects over those in the general management area" (paragraph 37).

UNDP comments

28. Figure 1A is misleading, since UNCDF and UNSO equipment projects should not be considered as technical. In distinguishing between technical and non-technical projects, the report does not accept UNDP's view that projects with large equipment components, funded by UNCDF and UNSO, should be considered non-technical and they note that equipment projects are not expressly included in UNDP's definition of non-technical activities. What is at issue is not the activity as such but the role played by OPE. UNCDF and UNSO projects with large equipment components are certainly technical by the standards commonly applied. OPE's function, however, is not to prepare the specifications for such equipment; in most of these instances, the Government determines the equipment composition and technical specifications, and OPE merely provides a non-technical procurement service. In reference to trust fund projects executed by OPE, these are again, in most cases, non-technical services provided under specific arrangements with the special funding unit or organization. The detailed terms of reference for project formulation or appraisal missions are prepared by UNCDF, UNSO, or UNFSSTD, as the case may be, and not by OPE.

29. The following tables correspond to figures 1A and 1B, separating out the technical and non-technical projects according to UNDP's definitions:

/...

Annex table 2. OPE delivered technical and non-technical project expenditures
(Thousand US dollars)

A. <u>Financed from all sources</u>				
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Non-technical</u>	25 355 45%	33 512 48%	42 715 54%	38 444 56%
<u>Technical</u>	31 432 55%	36 593 52%	36 321 46%	30 212 44%
<u>Total</u>	<u>56 787</u>	<u>70 105</u>	<u>79 036</u>	<u>68 656</u>
B. <u>UNDP financed</u>				
<u>Non-Technical</u>	18 490 42%	21 225 41%	21 962 42%	24 705 53%
<u>Technical</u>	25 355 58%	30 867 59%	30 388 58%	21 921 47%
<u>Total</u>	<u>43 845</u>	<u>52 092</u>	<u>52 350</u>	<u>46 626</u>
C. <u>Trust Fund Financed</u>				
<u>Non-Technical</u>	6 865 53%	12 287 68%	20 753 78%	13 739 62%
<u>Technical</u>	6 077 47%	5 726 32%	5 933 22%	8 291 38%
<u>Total</u>	<u>12 942</u>	<u>18 013</u>	<u>26 686</u>	<u>22 030</u>

30. JIU, in paragraphs 38 and 39 of its report, states, based on the figures in table 3 page 15, that a proportion of OPE-executed projects fall within the competence of agencies citing the percentage in each sector.

UNDP comments

31. UNDP at no time has stated, nor is it possible to do so under the Consensus, that because a project falls within the field of competence of an agency that such a project must be assigned to that agency for execution.

/...

32. JIU, in paragraph 44 of its report, states that information from the field gives high marks to PMOs "for their expeditious processing of project requests and their speedy delivery of services with minimal paper work. These assets were considered particularly constant in implementation of small-scale, non-controversial projects" not involving technical issues.

UNDP comments

33. This statement indicates a serious misunderstanding of the PMO's functions. Except for UNCDF-funded projects, the PMOs handle only technical projects, which of course also have the usual administrative and financial components. All non-technical, UNDP-funded projects are handled by the Administrative-Financial section, which has no PMOs. The statement also seems to some extent to contradict the statement in paragraph 52 of the report, which gives OPE high marks for "high professional competence in the case of certain project types such as pre-investment studies and other projects with highly defined tasks and objectives."

34. JIU, in paragraph 48 of its report, states that "UNDP is the only major executing agent of the system without an institutionalized technical brain" and that "PMOs are generally unable to monitor what goes on with a technical eye." It also states that consultants hired for technical monitoring "add to expenditures" and that their "contribution cannot be considered equivalent to that of a specialized agency which is closer to the development problems being tackled."

UNDP comments

35. Contrary to the JIU claim, there is quite a substantial "technical brain" within UNDP as commented on in paragraph 6 above and PMOs do have the ability to monitor projects with a "technical eye". This is not to suggest that there cannot be improvements in monitoring and backstopping or that UNDP, including OPE, has all the expertise needed to monitor all projects which are directly executed. But this is a system-wide issue not restricted to direct execution only. JIU, in paragraph 50 of its report, as well as in other reports, has noted that the problem exists throughout the system. Regarding the statement that consultants hired by OPE for technical monitoring "add to expenditures," it has already been pointed out that such costs are charged to OPE's overheads; i.e., they are part of the 11 per cent support costs and not additional to project costs. In any case, consultants who are hired because of their technical competence and development experience in the opinion of UNDP do make important contributions to development. Developing countries, when spending their own money, have used such consultants in a large number of cases. Most consulting firms have established reputations to protect and closely follow the work of staff they send out on missions. They know that poor performance on one job rules them out for other jobs. They have no security of tenure. In practice, UNDP has found that links between the home-based principals of sub-contracted entities and their field staff are, for the reasons set out above, very strong.

/...

36. JIU, in paragraph 49 of its report, claims that "the approach to project delivery practiced by OPE of necessity emphasizes inputs", and that it does not concern itself sufficiently with "the need to transfer skills to nationals".

UNDP comments

37. There is no evidence of this. Though training does not appear under a separate budget line as is the case with agency-executed direct-hire projects, it is part and parcel of most subcontracts. OPE has demonstrated that training can very successfully be implemented by subcontract to public or private organizations. Some examples, among many, can be cited:

(a) The Poland National Highway Network project, which incidentally received the second prize of excellence awarded by the New York Society of Civil Engineering, trained over 100 civil engineers in 12 countries;

(b) Over 60 Chinese nationals were trained in computer science, hardware, software and basic English;

(c) Bhutanese engineers were trained in the United States and on construction projects in Nigeria and Singapore;

(d) Training of nationals in petroleum technology and legislation has been going on in Guatemala for over four years.

Moreover, OPE has conducted literally hundreds of seminars and study tours and arranged for well over a 1,000 fellowships.

38. Furthermore, OPE has constantly encouraged association of local talent with international consultants, and the use of local firms whenever possible.

The following cases will illustrate OPE's efforts on the subject:

(a) THA/78/019 - Management Information Services: prime contractor Berenschot-Moret-Bosboom of the Netherlands works jointly with Thai consulting company;

(b) THA/80/014 - Regional Cities Development; (i) Engineering Feasibility Studies: Sinclair-Knight Pty Ltd of Australia used a consortium of three Thai consulting companies; and (ii) Municipal Administration and Finance Study: Hong Kong consultancy firm made use of Multinational Management Ltd. of Thailand;

(c) BGD/75/008 - Study of Iron and Steel Sector of Bangladesh: W.S. Atkins and Partners of the United Kingdom made use of national consultancy firms;

(d) EGY/76/001 - Suez Canal Feasibility and Design Studies: This project brought into association six national consultancy companies with prime contractors.

OPE has negotiated contracts for projects in Nepal which uses national consultancy firms; and in India, the Resident Representative (from whom a reply was sent to JIU) states that "OPE is responsible for the implementation of 3 small-scale and 7 large-scale projects, ranging in cost from \$59,000 to \$4.8 million," and all the projects are managed by national project directors/co-ordinators.

39. JIU, in paragraph 50 of its report, implies that UNDP has avoided its responsibility to the agencies by expanding OPE.

UNDP comments

40. On the contrary, UNDP is constantly addressing issues of shortcomings in the system with the agencies either through the inter-agency Task Force, inter-agency consultative meetings or informally as a problem is identified.

41. JIU, in paragraph 51 of its report, states that "'technical excellence' is the principal criterion for evaluating bids."

UNDP comments

42. Cost and experience in the host country and similar situations are also principal criteria for evaluating bids.

43. JIU, in paragraphs 52 and 53 of its report, states that "information available to the Inspectors" indicates the weak points of subcontracting to be:

- (a) lack of technical monitoring;
- (b) insufficient knowledge of host country, of UNDP rules and of the system's technical co-operation policies;
- (c) insufficient emphasis on the need to transfer skills to nationals and training;
- (d) little use of domestic inputs;
- (e) expensive.

UNDP comments

44. The issue of technical monitoring has been covered by the comments under paragraphs 7 and 34 above. As mentioned in paragraph 41 above, experience in the host country is a criterion for evaluation of subcontract proposals. It is very rare that a subcontract is awarded to a firm lacking knowledge of local conditions. Furthermore, consultants are briefed and provided with guidelines on UNDP rules and the system's technical co-operative policies before entering into their assignments. As shown in our comments under paragraphs 37 and 38, above subcontracting does emphasize training, transfer of skills and use of domestic inputs wherever possible and called for. Finally the evidence is inconclusive as to whether subcontracting is or is not in

effect more expensive than direct expert recruitment as commented on in paragraph 7 above.

45. JIU, in paragraph 54 of its report, states that "OPE makes insufficient use of the technical competence of specialized agencies in their particular fields."

UNDP comments

46. For its part, OPE is perfectly ready to expand collaborative arrangements with the specialized agencies at the operational level, as is witnessed by the significant number of inter-agency agreements concluded by OPE in the past two years to assist in the implementation of specific project components. At the time of writing this paper, these agreements number over 30 involving 16 specialized agencies.

47. JIU, in paragraph 57 of its report, states that "PMOs travel extensively to follow-up on projects and negotiate with recipient governments in spite of UNDP's network of field offices" which should "represent OPE in the field with respect to all matters concerning project implementation". It states further that "at one stage OPE assigned highly-graded Resident Officers to support its operations in three countries" but that it is "being phased out."

UNDP comments

48. The relationship between OPE and the Resident Representative is no different from that of any other agency. PMOs travel is for the purpose of monitoring activities and resolving problems since field offices are not equipped to do the full work required of an executing agency. UNDP considers this constant follow-up at the field level as an important part of backstopping and one of the strong points of OPE execution. OPE Resident Officers were not fielded so much at "one stage" as in three different cases. They are not being "phased out", but withdrawn as the projects have been completed.

49. JIU, in paragraph 58 of its report, claims that "some governments of developing countries, for instance, have criticized OPE for a certain unwillingness to utilize available domestic technical and material resources in project implementation, as well as some complaisance towards contractors and a tendency to put the latter's views above those of the government."

UNDP comments

50. Very few Governments have responded to JIU's queries on OPE. In the absence of any information as to what JIU report may have in the way of supporting evidence for these charges, it is very difficult to make any substantive comments. Such grave charges should perhaps not be made without substantiation. Furthermore, it has been shown in paragraph 38 above that OPE

uses domestic, technical and material resources as far as possible. It must be remembered, however, that OPE is bound by the Financial Rules and Regulations of UNDP, and, as was reconfirmed at the thirtieth session of the Governing Council held in June 1983, international competitive bidding must be followed for all procurement and subcontracts. The fact that OPE does indeed contribute towards the fostering of self-reliance has also been covered in the comments in paragraphs 37 and 38 above.

- - - - -

