Summary

The present report, which has been prepared in response to various decisions of the Governing Council, refers to subitems a, d and c of item 4 (a) (i), entitled respectively:

Programme and project quality (decision 87/13);
Project Development Facility (decision 87/25);
Proposals for standard modalities of technical co-operation (decision 87/17).

The section on programme and project quality summarizes the guidelines which have been prepared for conducting mid-term reviews of country and intercountry programmes; describes and discusses the revised procedures for monitoring, reporting and evaluation; describes the action taken in preparing new guidelines on project formulation and the new project document format; and reports on the completion of the new Programme and Projects Manual (PPM). The secretariat's position on agency accountability is set forth in an addendum to the present document.

The sections on the Project Development Facility and on proposals for standard modalities of technical co-operation are essentially progress reports.

The Council is being asked to take note of this report.
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I. PROGRAMME AND PROJECT QUALITY

Background

1. In its decision 87/13 of 18 June 1987, the Governing Council requested that the next annual report on programme quality include information on:

   (a) The procedural framework established by the Administrator for mid-term reviews of country programmes and intercountry programmes;

   (b) The outcome of initiatives to improve management information systems relating to programme activities, specifically the substantive and qualitative aspects;

   (c) Specific proposals designed to ensure agency accountability.

A. Mid-term reviews of country and intercountry programmes

2. Guidelines for conducting mid-term reviews of country and intercountry programmes were issued in April 1987 as part of the overall revised procedures for programme/project monitoring, reporting and evaluation. Normally, for all programmes over $10 million, at least one review is required. Ideally, this should take place at mid-point in the programme, i.e., in the third year of a five-year programme.

3. The purpose of programme reviews is to determine (a) whether the programme is making progress as planned; (b) whether the programme thrusts and priorities are still valid in the light of emerging economic trends and development; (c) to review the allocation of funds which were kept as programmed or unprogrammed reserves and to make recommendations thereon; and (d) to decide what changes and corrections are necessary to improve programme relevance and effectiveness. The monitoring and review of these issues will involve all partners: the Government, executing agencies, intergovernmental bodies, non-governmental organizations and bilateral agencies. However, the Resident Representative remains responsible for the quality of the output.

4. The results of the mid-term reviews of country programmes will be communicated to all the parties concerned and used for a variety of purposes at different levels of programme management. In order to facilitate comparability and synthesis, a standardized report structure is recommended, which can, of course, be modified and adapted to respond to individual programme needs. Mid-term reviews are intended to benefit primarily and directly programme management, in particular, country-level management. In addition, the regional bureaux at United Nations Development Programme (UNDP) headquarters will review the incoming reports and include relevant information thereon in their respective reports on country and intercountry programme implementation. The Programme Review Committee (PRC) will examine mid-term programme review reports together with the comments prepared thereon by the regional bureaux, the Bureau for Programme Policy and Evaluation (BPPE) and

/...
other UNDP offices concerned, such as the Planning and Co-ordination Office (PCO) or the Division of Finance (DOF). The deliberations of PRC will focus mainly on the quality and direction of programme implementation and policy issues. The Committee will (a) respond to any request for advice by a regional bureau on a particular programme or set of programmes; (b) recommend for consideration by the Executive Management Committee (EMC) policy issues which require decisions at a high management level; and (c) determine whether any programme, in view of de facto changes in its objectives or activities since its approval by the Governing Council, should be resubmitted for the Council's further consideration and approval.

5. Field offices will report on the follow-up actions resulting from the review process discussed above. Where mid-term programme reviews lead to decisions by the Administrator or the Governing Council, the regular process of reporting will be followed. This also applies to the feedback into future programming of general lessons learned from the mid-term reviews, whether they concern approaches to development, technologies, or country programming methods and management. These lessons will be communicated to programme managers at all levels through the established feedback channels of chief executive officer, such as the publication of "findings" and programme advisory notes.

B. Programme management information

6. The revised procedures for monitoring, reporting and evaluation issued in April 1987 include formats for project performance evaluation reports from project management (i.e., the national project co-ordinator and the international project co-ordinator) and for the Resident Representative to report on project tripartite reviews. Both of these report formats contain elements for qualitative assessments of projects. UNDP will monitor the extent to which the revised monitoring procedures produce the qualitative assessments of projects that are needed by UNDP for management purposes, as well as information end-use, feedback and follow-up action by headquarters units. A computerized system will be introduced which links planned management actions with receipt of reports. This will enable headquarters to monitor compliance with project reporting requirements.

7. A comprehensive review has been undertaken of the Country Programme Management Plan (CPMP) mechanism, with particular regard to information content and end-use of CPMPs by field offices and headquarters units. A revised CPMP format will be issued shortly to field offices, with guidelines indicating the types of qualitative information to be provided in the Resident Representative's letter transmitting the CPMP to headquarters. Work is now proceeding to develop a computerized system to capture information/data on fourth cycle programmes (country, intercountry and global) in order to facilitate monitoring of programme implementation.
C. New guidelines on project formulation and the project document format

8. Important improvements are being made in UNDP's methodology for project formulation and in the project document format. The new Programme and Projects Manual (PPM) issued in February 1988 (see paras. 10-13) contains completely revised guidelines on project formulation based on our experience and painstakingly developed in consultation with agencies, field offices and others over the last year. These new guidelines explicitly emphasize the importance of undertaking basic preliminary investigations before embarking on project formulation. The guidelines require all parties involved in the formulation of a project to consider and agree on the key questions which must be answered before writing a project document. Thus project formulators will henceforth be required to use a project formulation framework (PFF) which leads one logically from an analysis of the development problems, through identification of the target beneficiaries, and an assessment of the pre- and post-project situation, to the proposed objectives. Further, the PFF requires a careful analysis, in advance, of the role of women and other special considerations, the linkage of the project to those of other donors, as well as to the UNDP country programme, the host country commitment to the project, and project risks. This analysis will be mandatory for all UNDP projects prior to the writing of the project document. In addition, for large-scale projects, a PFF is to be submitted in advance to UNDP headquarters.

9. Further improvements introduced by the new guidelines include a clearer and more logical project document format which replaces the two formats currently in parallel use, plus a check-list for use in project appraisal which is to be signed by those responsible for the appraisal. Simultaneous with these new guidelines, all the other procedures and policies regarding the project cycle have been reviewed and tightened up as part of the comprehensive revision of the PPM. Particularly noteworthy in this regard is the increased attention paid to field office appraisal procedures and to the renewed emphasis on the fact that delegation of approval authority to resident representatives carries with it a commensurate responsibility for the accountability of UNDP for the funds put at its disposal.

D. Programme and Projects Manual

10. The new Programme and Projects Manual (PPM) was completed on schedule and distributed in February 1988.

11. Two companion manuals dealing with programme and project matters are also to be distributed. These are the Basic Documents Manual, which is a compendium of legislative documents, standard agreements, forms, etc., and the Technical Notes Manual, comprising programme and technical advisory notes as well as detailed descriptions of the field of activities of the executing agencies.

12. The process of translating the PPM into French and Spanish language versions began on 1 February 1988 and will be given priority attention until its completion.

13. As a follow-up to the issuance of the new PPM, revisions reflecting...
adjustments in UNDP programme and project policies and procedures will be distributed in a systematic and timely fashion to ensure that users have available the most current information.

II. PROJECT DEVELOPMENT FACILITY

14. This section presents a review of the operations of the Project Development Facility (PDF) since its inception, in response to Governing Council decision 87/25 of 19 June 1987.

A. Purpose

15. At its thirty-second session the Governing Council, in decision 85/4 of 29 June 1985, approved the establishment of a project development facility on an experimental basis until the end of the third programming cycle. The Council took this decision in support of the efforts undertaken by the Administrator to improve the quality and effectiveness of programmes and projects financed by UNDP, in particular those measures aimed at strengthening the technical capability and role of UNDP in project development.

16. The PDF is a financing mechanism the purpose of which is to reinforce UNDP's technical capacity in the identification, formulation and appraisal of projects. More specifically, it meets the costs of technical missions which may be required for these purposes.

17. The PDF is financed from the Special Programme Resources (SPR). It is reimbursed for the costs of such missions when these missions lead to a project financed from the indicative planning figure (IPF). The reimbursement to the PDF is made from the project's budget when it is approved. If a project does not result from the use of the PDF, then the costs remain chargeable against SPR.

B. Operations

18. The PDF began its operations on 4 December 1985. The financial resources of $1 million which were initially made available to it were increased by the Governing Council to $2 million in 1986.

19. The field missions financed by the PDF consist of specialized consultants and/or UNDP technical staff. These missions, which take place prior to project approval, are used selectively for:

(a) Project identification during the programming exercise, or shortly following approval of country programmes or where a review of a project proposal indicates the need for further information;
(b) Project formulation, especially for complex projects and for those involving difficult technical issues;

(c) Project appraisal, especially for innovative or controversial projects.

20. The missions for project identification and formulation are undertaken at the request of the Governments concerned; appraisal missions are undertaken with the concurrence of the Governments.

21. An analysis of the 153 missions approved from the start of the PDF operation until 30 December 1987 indicates that only two missions were cancelled. The regional bureaux of UNDP, with the associated administrative services, organized and mounted 119 missions. The remaining 32 missions were assigned as follows: the Office for Projects Execution (OPE) (10), the Food and Agriculture Organization of the United Nations (FAO) (8), the United Nations Industrial Development Organization (UNIDO) (4), the International Labour Organisation (ILO) (3), the United Nations Educational, Scientific and Cultural Organization (UNESCO) (2) and the Department of Technical Co-operation for Development of the United Nations Secretariat (2), and one mission each for the World Bank, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Centre on Transnational Corporations (UNCTC). The missions were distributed among the different regions as follows: Africa, 76 missions; Asia, 49 missions; Arab States and European region, 15 missions; and Latin America and the Caribbean region, 11 missions.

22. The use of the PDF has been largest in the Africa region where 33 countries have been served, with Burundi, Ethiopia, Mali, Mozambique and the United Republic of Tanzania receiving four to five missions each as the largest users. The Asia region has been served with missions to 10 countries, of which India and the Republic of Korea have been the largest users with 13 to 14 missions each. The Arab States and European region has served seven countries, with Tunisia and Turkey receiving three to four missions. The Latin America and Caribbean region has served 10 countries with one mission each.

23. Twenty-five missions were for project identification, 100 for project formulation and 26 for project appraisal. The duration of the three different types of missions was not significantly different, being an average of 24 days for identification, 21 days for formulation and 20 days for appraisal.

24. The time required for the administrative processing of requests for missions ranged from 1 day to 30 days for approval action to take place from the time that a Government requests the use of the PDF.

25. The management records of the PDF show that 10 missions (6.5 per cent of the total) implemented by UNDP and 22 missions (14.3 per cent) implemented by agencies have not as yet begun their work after an average lapse of 8 months and 8.1 months, respectively. This apparent anomaly must be carefully considered because it may reflect, more than anything, delays in submission of claims by consultants or contractors, or delays in the reporting of financial accounting data on PDF activity which is recognized to represent a minuscule item of the accounting...
responsibilities on the major part of programme implementation of the agencies concerned. Furthermore, more than half of the missions implemented by agencies which show this anomaly is for a single country (12 missions for project formulation). Therefore the remaining small portion of the number of PDF missions (13 per cent of the total number) may indicate the slowness of the financial accounting systems to reflect the operational actions which may be under way. The Administrator has already taken action to improve on the reporting of financial accounts for the PDF.

26. The average authorization for a PDF assignment is $14,000 and ranges from a minimum of $540 to a maximum of $79,550. The distribution of the range of authorized budgets is as follows:

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<tr>
<td>Less than $5,000</td>
<td>10</td>
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<tr>
<td>$10,000</td>
<td>56</td>
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<tr>
<td>$20,000</td>
<td>17</td>
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<td>$30,000</td>
<td>10</td>
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<tr>
<td>$40,000</td>
<td>3</td>
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<tr>
<td>Between $50,000 and $80,000</td>
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C. Reimbursements

27. Because about 70 per cent of missions are for formulation purposes, a minimum of 70 per cent of the PDF resources should be of a reimbursable nature plus some significant fraction (50 per cent of the remainder) of the funds allocated for project identification and appraisal. The problem with respect to actual reimbursement is the time required for the funds to be transferred to the PDF. It is evident that the whole process of undertaking a mission normally takes three months. If the mission is successful, between three and six months more are required for decision-making and processing and approval of the resulting project by the tripartite system. The reporting of financial expenditure, which is a parallel action, requires similar time scales. Therefore, it can be estimated that reimbursements may be made only after one year. On this basis, the PDF at the end of 1987 could have expected a refunding of $620,000 for 1986 operations and about $230,000 for the 1987 operations to date, making a total estimated reimbursement of approximately $850,000. The actual reimbursements amount to $297,079.70.

28. The financial operation of the PDF indicates that for the 151 projects approved since its inception until 30 December 1987, the authorized budget amounted to $2,145,444.70. The reimbursement to the PDF in 1986 was for 15 missions amounting to $142,994.70. In 1987, the identified reimbursements are for 15 missions in an amount of $154,085. The total reimbursement is $297,079.70. The availability as of 1 January 1988 for the continuing operation of the PDF is $119,859. It is estimated that in 1988 the outstanding $500,000 would be reimbursed to the PDF. Moreover, it is expected that an additional $250,000 would be collected from 1988 disbursements towards the end of the year.
D. Conclusions

29. The PDF has been widely used by many countries in all regions. There has also been intensive use of the facility to identify and appraise very complex projects. This has been the case, particularly in Asia, where some countries have utilized this mechanism for a relatively large number of missions. The operation of the PDF has responded to country needs in a manner not possible by the use of other mechanisms, such as preparatory assistance.

30. The PDF as an instrument to improve the quality of projects has permitted UNDP to prepare and to scrutinize more purposefully the terms of reference of missions for critical projects, itself to select consultants, and most importantly to review the results of missions.

31. The PDF needs no further replenishment at this time, since its experimental operation until the end of the cycle can be expected to continue on the basis of reimbursements permitting the fielding of about 15 missions per quarter.

III. PROPOSALS FOR STANDARD MODALITIES OF TECHNICAL CO-OPERATION

32. In paragraph 7 of its decision 87/17 of 18 June 1987, the Governing Council noted the Administrator's initiative "to present proposals on the possible rationalization of the terms and conditions of technical co-operation with a view to encouraging donors to adopt, as far as possible, standard modalities for technical co-operation, and that in this regard, he will hold a series of bilateral discussions with both donors and recipient countries" and requested the Administrator "to submit those proposals to the Council at its thirty-fifth session (1988)".

33. UNDP is undertaking this study in two phases. The first phase, which is already in progress, consists of gathering information from all major donors on the terms, procedures and modalities under which technical co-operation is provided by them. This information would be used to make up an inventory of practices and a comparative analysis could be undertaken. Requests for relevant information have already been sent to donors. Although the response so far has been disappointing, analyses are being undertaken of the material already published on technical co-operation procedures.

34. In the second phase, detailed consultations will take place with both donor and recipient Governments. Areas of common concern and interest would be identified with a view to overcoming the main difficulties that recipient Governments face in co-ordinating and programming technical co-operation inputs from different sources. These discussions would hopefully lead to recommendations for harmonizing and standardizing basic core procedures and modalities in the technical co-operation process.

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