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PROGRAMME IMPLEMENTATION

Implementation of decisions adopted by the Governing Council
at previous sessions

Management Facility

Report of the Administrator

SUMMARY

Further to Governing Council decision 87/10, the Administrator is submitting a proposal concerning the establishment of a management facility whose main objective would be to provide integrated programmes of technical co-operation support in management to countries undergoing programmes of economic reform. The Facility would assist in carrying out the policy analysis, implementation and evaluation phases of such programmes and would identify and implement areas of intervention as requested by the Government concerned.

It is proposed to finance activities under this programme from $70 million to be earmarked under the Special Programme Resources (SPR). However, project support to be provided under the Facility would be of a catalytic nature: it is anticipated that projects identified through a process of "country appraisals" would also be supported through national and intercountry indicative planning figures (IPFs) and through the Special Measures Fund for the Least Developed Countries (SMF/LDC). Equally, it is hoped that financial assistance would be made available from other multilateral as well as bilateral sources.

These two recommendations are submitted to the Governing Council for its consideration and approval.
I. BACKGROUND

1. Technical co-operation programmes, whether funded by bilateral or multilateral institutions, have long focused on the strengthening of the institutional capacity of recipient Governments in a broad variety of technical fields, and projects funded by the United Nations Development Programme (UNDP) have been no exception. In line with such approaches, some attention has been paid to strengthening the capacity of Governments to manage the development process, but the increasing complexity of the task makes it essential that a substantial additional effort be made in this area.

2. The massive problems faced by many developing countries which combine severe internal account deficits with growing external debt (amounting to in excess of $1,000 billion by the end of 1986) have been caused by a combination of factors both external and internal to the developing countries themselves. Among the former factors have been depressed commodity markets, adverse terms of trade, a proliferation of trade barriers which inhibits the exports of developing countries, and stagnant financial flows. Internal factors have included inappropriate domestic policies leading to overvalued exchange rates, substantial budget deficits, high rates of inflation and negative real interest rates. Inefficient public sectors and price distortions have also played an important role. These issues have served to raise not only the question of policy options, but also the need to strengthen the management capacity of national institutions in order to ensure the most effective implementation of the policies decided upon.

3. This situation of acute financial emergency in many cases necessitated urgent measures to adjust to both these external and internal conditions. Such measures have included massive injections of funds as well as major changes in economic policy and management. Consequently, an important change has taken place in the type of financial assistance being offered to developing countries. The emphasis has shifted from project-specific assistance to balance-of-payments support, often quick-disbursing, accompanied by programmes of policy changes or "structural adjustment". While many donors, including UNDP, have provided substantial assistance to strengthening management capabilities in national institutions as part of the structural adjustment process, in many cases such assistance has not been directed at long-term institution-strengthening, but focused rather on short-term remedial measures, particularly in the budgetary and fiscal areas.

4. A programme of technical assistance to strengthen management capacities needs to cover a wide range of policy issues following an identification of the different national institutions having a role in formulating and implementing policy decisions. Measures falling largely within the purview of government, such as pricing policies and reform of the public sector as a whole, may represent an important part of reform measures. An identification of technical co-operation requirements to assist Governments in policy analysis and policy implementation needs to focus particularly on reinforcing the management capacity of all institutions with such roles. The Governing Council may recall that, in paragraph 8 of its decision 87/10 of 18 June 1987, it requested the Administrator to pursue efforts, inter alia, to improve the capacity of Governments to carry out their programmes of economic recovery and development.

...
II. NEED FOR INCREASED TECHNICAL CO-OPERATION IN MANAGEMENT

5. As stated above, the qualitative and quantitative difference in the types of financial assistance being provided to many developing countries, with its increasing emphasis on quick disbursement, places further strains on sometimes already weak management capacities and may often lead to an underemphasis on long-term institution-building. Yet the success of the adjustment process depends not only upon the financial support provided, but also upon the institutional capacity of the concerned countries to formulate, manage and monitor the programme. However, the experience of the last few years has shown this to be a major bottle-neck. While it is indeed true that some countries have critical gaps in technical capacity in certain areas, it is also true that some countries have a more general weakness in their administrative capacity to explore policy options in terms of economic, social and political considerations and thereafter to manage and monitor the programmes to implement such policies.

6. UNDP has also noted that the identification and formulation of even the more traditional project-related financial assistance would greatly benefit from a more sustained effort to enhance the capacities of recipient Governments to play an active role in feasibility studies and pre-investment activities. Equally, free-standing (i.e., non-investment-related) technical co-operation programmes also depend for their success upon sufficient absorptive capacity being available for the recipient Government to be able to take over fully the activities established during the life of the project. While a failure to do so may be due to a variety of causes, there is little doubt that a lack of managerial capacity often figures prominently.

7. Thus the combination of experience gained with virtually all types of assistance, together with the increasing number of countries embarking upon "crash" economic reform measures, has led to a need for technical co-operation which qualitatively and quantitatively goes beyond past efforts. Technical co-operation programmes designed to enhance the management capacity of Governments should contain the following characteristics. First, the assistance should be on grant terms, considering the difficult financial situation faced and non-revenue-generating nature of the activity, at least in the short term. Secondly, the strengthening of management capacities needs to be coherent: management needs will affect, and be affected by, the policies adopted. Equally, management issues are an integral part of development activities, and thus cannot be considered in a conceptual or operational vacuum. Thirdly, it is desirable that this type of technical assistance should come from a neutral source, as Governments tend to prefer advice on sensitive policy issues from a multilateral, rather than a single bilateral, source. As management issues feature so prominently in economic adjustment programmes, it would also be desirable that technical assistance for management purposes not be directly linked to a source that is among the financial supporters of the economic adjustment programmes.

III. NEED FOR A MANAGEMENT FACILITY

8. The concept of a management facility to provide such assistance under UNDP auspices was first elaborated by the Administrator in his address to the
26th high-level meeting of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), which was held in December 1987. Further consultations with both donor and recipient Governments, as well as within UNDP, have subsequently taken place. It has been noted that the evolving situation of the developing countries has led to a broadening of UNDP activities and the mechanisms used by UNDP to implement these activities. Among these mechanisms have been the establishment of National Technical Co-operation Assessment and Programmes (NaTCAPs) and enhancement of the round-table mechanisms, greater UNDP participation in the preparation for consultative group meetings, the increased emphasis within the Special Measures Fund for the Least Developed Countries (SMF/LDC) upon management issues, including support to government efforts at aid co-ordination, and similar activities being supported through the Special Programme Resources (SPR). Additionally, projects funded under both the country and intercountry indicative planning figures (IPFs) are being related increasingly to the building up of the management capacity of Governments. Regional activities are playing an increasingly important role in this area. Among these are the Special Action Programme for Administration and Management (SAPAM) and the Structural Adjustment Advisory Teams for Africa (SAATA); and UNDP support to the Special Programme of Co-operation for Central America and the Consultative Group for Co-operation and Economic Development for the Caribbean subregion; and the Arab States Gulf Co-operation Council.

9. These efforts have been initiated in response to perceived needs of developing countries and they in turn have led to an increase in demand by recipient countries. In many cases, such additional requirements cannot be met from within country IPFs or other readily identifiable sources. For example, the activities of SAPAM have led to the identification of projects totalling $40 million over the next three years in nine sub-Saharan African countries. However, only $12 million for support to these projects can be provided from country IPFs and the Netherlands Trust Fund for Public Administration.

10. The issue of managerial capacity within Governments needs to be examined in a holistic manner. As stated above, it affects, and is affected by, policies and therefore has to figure heavily in policy analysis. It is critical in matters affecting foreign aid and its co-ordination. It is an inherent part of economic reform packages. Consequently, a review of the management strengthening of national institutions cannot be undertaken in isolation from these activities. Similarly, the formulation of a programme to assist in strengthening this capacity not only has to be internally cohesive, but also to be part and parcel of the co-ordination of foreign aid or the formulation and implementation of structural adjustment programmes. It therefore follows that UNDP's own efforts in supporting this variety of activities need to be cohesive and systematically developed.

11. It also follows that UNDP's own efforts must be very closely co-ordinated with those of other donors, and that the total programme must be entirely consistent with the Government's policy decisions. It is clear that a methodology is required which assists in obtaining the greatest possible cohesion between the activities supported through the various resources under which UNDP assistance may be provided for economic management activities. It is also important to bring to bear such aid co-ordination exercises so as to enhance the prospects of assistance in management which is internally cohesive, which is an integral part of economic reform...
asures, and which has been the subject of agreement between the host Government and the donors.

While it is recognized that the need for strengthening the management capacities of national institutions has not been exclusively caused by the programmes of economic reform being implemented in many developing countries, the institutional breadth of such reforms, combined with the fact that management issues are almost invariably included in the policy analysis leading to economic reform measures, makes the economic reform process an ideal vehicle for implementing measures to strengthen the management capacity of national institutions. Accordingly, the economic reform process will be the vehicle for identifying and implementing UNDP support under the Facility.

The proposed Management Facility, therefore, would have several broad but complementary objectives:

(a) Helping developing countries define a comprehensive programme to strengthen their long-term management capacity;

(b) Assisting in relating the improvement of management capacity to the formulation and management of economic reform programmes;

(c) Bringing about a greater degree of cohesion in UNDP project support to management strengthening, whether this support comes from funds from the Facility, from IPFs or from SMF/LDC;

(d) By expanding UNDP support to government aid co-ordination activities, both to strengthen government management capacity in this area, as well as to provide an enhanced mechanism for agreements between recipient Governments and donors regarding the requirements for technical co-operation in this area; and thus

(e) Acting as a catalyst for parallel financing by other donors of an integrated programme for assistance in this area.

In view of the need for an integrated approach, it has become increasingly apparent that the identification and formulation of projects, which together make up an integrated package of support to the management process, need to be undertaken through a cohesive programming exercise. The first prerequisite of such an exercise is that project identification for all aspects of management (including its links to policy analysis in general, and, specifically, to economic reform measures) should be undertaken simultaneously. Project formulation should proceed subsequently on the same basis. However, it is recognized that individual projects within such a programme of assistance may need to be initiated at different points within a multi-year time-frame. Furthermore, there needs to be a specific focus on the process of policy analysis which links management issues to other aspects of economic reform and precedes the implementation of economic reform measures.

6. NaTCAPs, as exercises in assessing overall national requirements for technical co-operation, represent an important basis for programme formulation, particularly for those countries which have already embarked on a programme of economic reform,
including those currently in receipt of structural adjustment loans. In general, in countries where NaTCAPs will be undertaken, measures will be taken to ensure that the needs of the economic management sector will be analysed early in the NaTCAP cycle.

IV. FUNCTION OF THE FACILITY

A. Country appraisals

16. Given the need for an overall national approach to the multifaceted aspects of economic policy analysis management, the Facility would need to undertake a series of country appraisals and inventories to examine the institutional strengthening requirements of relevant government institutions; ongoing and projected assistance; and thence to determine gaps and linkages needing to be filled or created. In order to be realistic and effective, it is essential that these activities encompass all projects related to the restructuring process, irrespective of their source of funding. An integrated programme of proposed assistance would then be developed on this basis. Naturally, therefore, the appraisals would be conducted in close consultation with bilateral donors and international finance institutions. It is hoped that this co-ordinated approach will also have the effect of attracting financial support from other donors for such programmes of technical co-operation for economic management.

B. Project financing

17. The Facility would provide financial support to projects in the following substantive areas:

(a) Policy analysis: consisting of the analysis of options by the Government to enable economic reform measures to be implemented with the minimum interruption of the achievement of goals for economic, and particularly social, development;

(b) Civil service reform: including a re-examination of the conditions of service of civil servants, the administrative structure of the civil service, and the budgetary implications of the foregoing;

(c) Impact monitoring of economic reform measures: such a process would focus particularly upon the achievement of the Government's economic and social development objectives, and specifically upon vulnerable groups of the population;

(d) Public investment plan management: the productivity of the public and para-statal sector, budgeting, taxation, reform of financial markets and credit, external sector and debt management. These pragmatic measures for macro-economic management have tended to receive less attention than traditional approaches towards national and sectoral planning;

(e) Statistics gathering and analysis: an effective system of statistics gathering and analysis is an essential prerequisite for effective action in all of the above-listed areas.
The country appraisal process, whether conducted through the NaTCAP system or other methods, would lead to an identification of needs which may be far beyond what can be met through heavily-committed country IPFs. While the catalytic nature of UNDP project financing is emphasized, it is felt desirable that a facility be established which is capable of providing financial support in addition to what can be made available through country IPFs, thus enabling UNDP-supported technical-operation efforts to cover a significant part of the needs as identified.

While the Facility would itself provide project financing, existing alternative sources from among UNDP-administered resources would also be utilized (such as IPFs and SMF/LDC). Other donors would be invited to co-finance national needs as identified through the country appraisal processes. Additionally, the Administrator would hold consultations with recipient and donor Governments regarding the feasibility and desirability of establishing a trust fund to minister general contributions to the Facility.

V. OPERATIONAL AND TECHNICAL BACKSTOPPING

With regard to operational support, the Administrator intends to establish an inter-bureau steering committee whose principal purposes would be to:

(a) Review proposals for assistance from this source and make recommendations for selection;

(b) Monitor specific country experience to ensure that there is a cross-fertilization of ideas throughout the organization;

(c) Monitor the progress of the Facility, including the prospects for a greater managerial integration of the various funds under the Administrator's authority which are available for economic management assistance.

Similarly, it is recognized that technical support would be required to support these activities. While it is anticipated that the proposed strengthening of the staff for UNDP African programmes would provide some field-level UNDP technical expertise required for that region, this would not provide the necessary technical support for operations in other regions. In all regions, the Facility would provide funding for the fielding of consultants in the various skills required to undertake country appraisals. To the maximum extent possible, existing UNDP staff would also be used for the country appraisals and project formulation exercises. Nevertheless, it is proposed to recruit, with funding from the Facility, professional staff with expertise in specific areas to provide technical backstopping for all the activities, irrespective of their location.
23. It is anticipated that the first year of operation of the Facility would best demonstrate what other measures would be required to enable both field offices and UNDP headquarters adequately to backstop the Facility's operations. The Administrator will continue to keep the Governing Council informed of further progress in this regard.

VI. OPERATING PRINCIPLES OF THE FACILITY

24. A certain number of countries would be identified for initial country appraisals and possible support. The criteria for the selection of such countries would include:

(a) The Government concerned has requested assistance for a programme of policy reform, including its management aspects, inside or outside the scope of World Bank or International Monetary Fund (IMF) assistance, rather than ad hoc projects addressing only part of the issue;

(b) The Government has decided to elaborate a programme for institutional strengthening in management and to solicit external assistance within such a programme.

25. The long-term objective of all activities funded under the Facility would be the strengthening of national institutional capabilities, rather than short-term measures.

VII. RECOMMENDATION

26. In making the recommendations set forth below, the Administrator believes that UNDP is well placed to initiate programmes of the type outlined in the preceding paragraphs. In addition to the factors discussed in paragraph 7, UNDP's network of 112 field offices provides a viable mechanism for initiating, developing and monitoring technical co-operation programmes in support of management activities.

27. The Administrator recommends the establishment of a Management Facility which would provide a technical and operational "umbrella" under which the various resources under his authority would combine to provide integrated and cohesive assistance to countries in management.

28. He also recommends the approval, under a separate head in SPR, of $70 million to finance the preparation of country appraisals and the funding of projects following such appraisals. Other resources, according to the mandates of the funds and programmes from which they would be drawn, would also be utilized (for example, SMF/LDC) for the financing of management projects.