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SUMMARY RECORD OF THE 30th MEETING

Held at Headquarters, New York,  
on Tuesday, 20 June 1989, at 3 p.m.

President: Mr. PIBULSONGGRAM (Thailand)

CONTENTS

Financial, budgetary and administrative matters (continued)

(e) Other matters (continued)

Programme implementation (continued)

(b) Implementation of decisions adopted by the Governing Council at previous sessions

(vii) Expert group on agency support cost

(i) Agency accountability

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The meeting was called to order at 3.10 p.m.

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS (continued)

(e) OTHER MATTERS (continued) (DP/1989/56 and 75)

1. The PRESIDENT invited the Council to resume its consideration of the report of the Administrator on the role and functions of the Office for Project Services (DP/1989/75).
2. Mr. KELLAND (Observer for Denmark), speaking on behalf of the Nordic countries, stressed the need to distinguish between three main areas: the Office for Project Services as an executing agent for UNDP and its trust funds, the management services agreements and other functions. Although the principles underlying the division of labour among the various parts of the United Nations system remained valid to a large extent, it must be recognized that the distinction was increasingly being blurred. A good deal of the funding for agency-executed projects was provided directly, not through UNDP. Furthermore, some competition for executing tasks might promote efficiency and increase the impact of assistance. The extensive use of subcontracting by OPS might in some cases be an example of such competition.
3. The OPS share of IPF-funded projects had not changed significantly over the past decade. That was important when considering whether OPS was taking on projects which ought to be executed by the specialized agencies. In that regard, he stressed the need to strike a balance between the need to maintain the important role assigned to the agencies and the desirability of alternative means of execution and of a certain amount of competition. In any event, any proposed changes in the Programme's executing role should be given careful consideration.
4. The Nordic countries shared the concern that, if the sharp increase in the volume of bilateral aid channelled through management services agreements (MSAs) continued, it might affect the multilateral character of UNDP assistance. Although UNDP's principal task must continue to be the provision of UNDP assistance proper, it should be recognized that the administration of bilateral funds by UNDP would probably ensure greater coherence of total aid efforts. The administrative costs of such services should not, however, be covered by the UNDP administrative budget. With limitations along the lines of those suggested by ACABQ, an optimum solution could be reached, maintaining the advantages of MSAs and preserving the multilateral character of the Programme. The Administrator should submit specific proposals on limitations at the Council's next session.
5. With regard to other tasks, including management functions for other multilateral programmes, he said that, although there was a danger that attention might be diverted from UNDP activities proper, the multilateral character of the Programme and the multilateral programmes that used OPS through various other executing agents would not be affected. Unless such tasks increased unduly, that role of OPS should be welcomed.

(Mr. Kelland, Observer, Denmark)

6. The procurement functions performed by OPS for certain developing countries must go hand in hand with the development of national procurement capacities. If procurement services became a sizeable part of OPS activities, that function should be given further consideration. Lastly, the question of merging OPS and DTCD should be considered.

7. Ms. BOURGAULT (Canada) said that her delegation was not opposed to the growth of OPS operations. The Office's flexibility was a major asset. It was surprising that UNDP had not defined the guidelines for making better use of the skills and experience of the agencies.

8. Canada had its own means of executing its bilateral programme, and viewed its multilateral programme as a demonstration of its solidarity and neutrality as well as a supplement to its bilateral programme. However, there were agencies which were relatively new in the field of co-operation and did not have the same organizational and logistical base. For them, management services provided an opportunity for offering additional and non-reimbursable assistance. Certain countries made extensive use of management services. Nevertheless, her delegation was not totally convinced that UNDP and OPS had a major impact on the amount of resources thus provided to developing countries.

9. Her delegation would appreciate an explanation of the statement in paragraph 40 of the Advisory Committee's report (DP/1989/56), that UNDP could not turn down requests for management services agreements. Canada could not support that position. Although recipient and donor countries should compare the advantages of UNDP service with those of other organizations, UNDP must also carry out an analysis based on strict criteria concerning the neutrality of the projects served and the supply sources considered. Although her delegation did not favour a mechanical approach to limiting the number of management services agreements, it would support the adoption by UNDP of guidelines to safeguard the neutrality, efficiency and overall quality. UNDP should recover the cost of the services provided by OPS to other organizations. The organizational restructuring of OPS should make it possible to ensure greater productivity in terms of staff size and administrative costs.

10. Ms. LONGINOTTI (Italy) said that her country's financing of specific projects in developing countries through multilateral organizations such as UNDP was based on the belief that in some cases the multilateral approach ensured better performance in the interest of the developing countries. Non-core financing had the advantage of additionality. If UNDP did not respond to specific requests from developing countries through non-core activities, those resources would be utilized in the trust funds of other United Nations organs. Italy had tried to maintain an appropriate balance between its core and non-core financing in UNDP. Her Government had increased its pledge to the Programme in 1989 by approximately 43 per cent because UNDP was a development co-operation instrument with a unique mandate and flexible modalities. In selecting projects to be entrusted to UNDP and OPS with non-core financing, Italy funded projects for which an integrated approach was advisable. The multidisciplinary character of UNDP and its field network in

(Ms. Longinotti, Italy)

developing countries guaranteed a good performance. Italy was financing a programme to assist refugees and displaced persons in Central America, which had a number of components that needed to be integrated. Her Government and the recipient countries had jointly concluded that UNDP was the most suitable instrument for that purpose. UNDP was also effectively promoting participation by international organizations. The need to strengthen the Programme's co-ordinating capacity should always be kept in mind.

11. The Advisory Committee's report contained a number of discrepancies concerning OPS. Instead of examining the reasons for OPS multilateral/bilateral activities and suggesting ways to strengthen the co-ordinating role of UNDP, ACABQ simply expressed the fear that UNDP's multilateral character might be diminished. An effort should be made first of all to identify the issues and discuss them in their proper context. Her delegation had distributed a paper on the funding strategy for UNDP in the 1990s and hoped to have a chance to exchange views on it. At that stage, the discussion of funding for the fifth cycle should also focus on the relationship between core and non-core resources. The whole matter should be dealt with in a report and submitted to the Governing Council in June 1990. The proper context for that discussion was the fifth programming cycle.

12. Delegations had repeatedly voiced concern that UNDP might be subsidizing management services contracts by using core resources. That question should be clarified once and for all by examining carefully the criteria followed by UNDP in the costing of the services rendered under management services agreements. Her delegation would express its views on the work-load of OPS staff and its organizational structure in the Budgetary and Finance Committee. It felt that the post of Director should be confirmed at the Assistant Secretary-General level and that the remaining proposals for the higher echelon of OPS staff seemed justified. The flexibility requested by the Administrator to expand or reduce the size of OPS according to needs should not lead to a permanent growth of the Programme's regular budget and staffing. Consideration should be given to the different components of non-core activities carried out by OPS in order to understand more clearly how management services operated, what impact they had on UNDP and how they affected UNDP's multilateral nature.

13. An open discussion of the matter would show that the issue of the management services agreements had been blown up out of proportion. Her delegation was not opposed to discussing the question of management services again, as long as it was done in a constructive manner and provided that those who used OPS services received clear indications from the Council as to whether they could continue to plan multilateral/bilateral co-operation with UNDP or whether they should use other United Nations agencies for that purpose. The current critical economic situation of developing countries required concrete action. In that connection, she underscored the need to strengthen the core-financing of UNDP in order to safeguard its multilateral nature and at the same time ensure that the Programme could mobilize the largest possible amount of available resources for developing countries.

14. Mr. OGAWA (Japan) said his delegation agreed with the general rationale for the existence and growth of OPS set forth in the Administrator's report. However, the weak point of the report was the reliance on the demand-driven factor as a justification for OPS activities. A clear and positive vision of the role and functions of OPS in the context of the future direction of UNDP activities was needed.
15. His delegation continued to support the activities of OPS, as they met the need for flexible and efficient machinery to deliver projects. In the face of the increasingly divergent and complex needs of recipients, UNDP required an instrument such as OPS to seek the best services and expertise available outside the United Nations system. OPS also met the increasing demand for interdisciplinary or intersectoral programmes and projects and provided an increasing number of services outside traditional project assistance, such as short-term advisory services and aid co-ordination activities. It likewise met the growing need for timely delivery of assistance, such as emergency assistance in the event of natural disasters. OPS could also be useful in facilitating multilateral and bilateral co-operation so as to increase UNDP visibility within the donor community.
16. Japan believed that the rigid dichotomy between funding and executing agencies was no longer tenable, that a more flexible approach to project delivery was called for, and that OPS had an important role to play in that connection. It further believed that direct execution of projects by UNDP through OPS did not necessarily erode the co-ordinating role of UNDP in the operational activities of the United Nations system.
17. Referring to the Administrator's report, he emphasized that flexibility was the key element for the proper functioning of OPS within UNDP, not only in terms of its size, but also with regard to the nature and area of its activities. OPS should adapt to changing needs and seek innovative approaches to project delivery. Stricter standards for efficiency and quality of project execution should be applied in the evaluation of OPS-executed projects than in the case of other modalities of project execution. While he agreed with the consultants' findings that OPS administrative functions relating to project management decisions should be decentralized, he felt that OPS operations should continue to be closely monitored by the central administration and that close co-ordination between OPS and programming units should continue. He welcomed the consultants' recommendation for the establishment of an advisory group on OPS.
18. He requested further clarification of the administration's perception of the role of government execution in the future activities of OPS, and its views on the long-term need for substantive or technical capacity for OPS. The justification given by the administration for the dramatic growth in OPS activities in recent years had been the increasing demand for OPS services, but he would welcome a more positive justification for OPS functions within the context of the future direction of UNDP for the 1990s.

19. Mrs. BERNAL (Colombia) expressed her delegation's support for OPS. Decentralization was urgently needed, and greater field office participation would relieve the excessive burden on headquarters staff.
20. Mr. EL-ZUBEIR (Sudan) supported the recommendations in the Administrator's report relating to the structure, staff increases and budget estimates proposed for the 1990-1991 biennium. The financial rules governing OPS operations should permit decentralization, and direct execution of projects should be maintained for the benefit of the recipient countries.
21. Mr. YENEL (Turkey) said that since OPS had the distinction of being self-financing, it did not create a significant financial burden for UNDP. Commenting on paragraphs 41 and 42 of the ACABQ report (DP/1989/56), he said his delegation agreed with the Administrator's view that there was no evidence to support the assessment that OPS operations adversely affected the multilateral character of UNDP due to increasing use of the management services modality. The limitations on OPS operations proposed by ACABQ such as the ceiling on the amount of management services agreements to be accepted, would be detrimental to the momentum acquired by OPS. However, he supported some of the findings and recommendations of the consultants set forth in the Administrator's report and hoped they would be put into practice. He expressed support for the Administrator's proposal to confirm the upgrading of the post of Director of OPS to the Assistant Administrator level.
22. Mr. CHAUDOUET (France) said that since he was still unable to form a clear picture of OPS functions and activities it was difficult for him to evaluate its work. Owing to its rapid growth, OPS appeared to be an almost autonomous body within UNDP, and he requested clarification of the rules governing the type of projects it undertook. He believed OPS activities should be more limited.
23. Mr. SAHLMANN (Federal Republic of Germany) recalled that during the high-level debate, his delegation had advocated a clearer focus on priority areas in which UNDP had comparative advantages. That general policy direction should also guide OPS activities, which should focus on human resource development and national capacity-building.
24. A clearer and more focused profile for UNDP would also help to develop a more effective funding strategy. Referring to the statement of the representative of Italy, he said that donor countries in particular must ponder the question why they did not concentrate more of their resources on the core resources of UNDP, since that would provide a constructive answer to many problems arising in connection with United Nations operational activities. He again urged that special funds and special accounts should be avoided, and resources devoted to core financing.
25. The rapid growth of OPS raised a number of questions. For example, his delegation noted with concern that the multilateral character of OPS and that of UNDP itself were affected when OPS expenditures on management services agreements - the vast majority with developed countries - surpassed expenditures of UNDP-administered funds. His delegation would also like to obtain clarification

(Mr. Sahlmann, Federal  
Republic of Germany)

concerning the division of labour between the Department of Technical Co-operation For Development and OPS, which had similar mandates; their resources might, perhaps, be combined for greater efficiency. He inquired how UNDP ensured full cost recovery for OPS expenditures in the absence of cost-accounting and cost-calculation system. It was necessary to distinguish between services for developing countries in support of government execution and services for developed countries.

26. His delegation cautioned against continued expansion of OPS without adequate consultations with executing agencies and Governments to ensure co-ordination and co-operation rather than possible duplication and conflict. Furthermore, his delegation, like those of the Nordic countries, wished to request the Administrator to develop guidelines to govern the future growth of OPS, including the suggestions of ACABQ in paragraphs 41 and 45 of document DP/1989/56 and taking into account the expert group report on the support cost issue and other studies under way.

27. Mr. ZANELS (Argentina) said that since the adoption of the Consensus of 1970 OPS had assumed increasing importance, because the constant expansion of activities had made it necessary to turn to contractors outside the United Nations system to facilitate project implementation. However, it should be made clear that OPS was not a programming body or a technical body, but rather a back-up body, which in the words of document DP/PWG/90 must be used by the Administrator in a pragmatic manner if it was to fulfil its purpose of meeting deficiencies which would otherwise be encountered by the system and if the wishes of recipient Governments were to be fully satisfied. His delegation felt that it was not detrimental to call on outside contractors after the internal capabilities of the system had been exhausted.

28. Argentina had received administrative support from OPS for a number of projects financed with loans from the World Bank and the Inter-American Development Bank. In each case OPS had left the technical decisions entirely in the hands of the Government. His delegation nevertheless shared some of the concerns expressed regarding the change in the work of OPS from its original mandate as a support office. The work of OPS could perhaps be improved by the use of better information systems. Activities should be co-ordinated so as to avoid duplication, and staff increases should be directly linked to increases in the work-load and the needs of recipient countries.

29. Mr. KRSTAJIC (Yugoslavia) said that the growth of OPS from its modest beginnings to its current status as an important service offered by UNDP deserved careful analysis and assessment, a process which was of particular relevance to the consideration of UNDP's role in the 1990s. The expanding role of OPS necessitated the examination of some novel features of overall development co-operation trends, for changing development needs presented new challenges to UNDP. A shift in development priorities to more sophisticated and complex areas, often cross-sectoral, such as planning, management and the environment, had occurred in recent years. That shift in emphasis had led to a greater role for OPS, and its structure and staffing should be adjusted to respond to those needs.

(Mr. Krstajic, Yugoslavia)

30. Concerns had also been expressed regarding the future role of UNDP and whether it should continue to favour cross-sectoral activities. He did not question the main thrust of the Administrator's recommendations. Rather, he believed that they reflected the constraints and bottle-necks noted by the management study. In that connection, he would appreciate hearing the views of the specialized agencies.

31. Mr. VARADACHARY (India) said that, as a recipient of UNDP assistance, his country had welcomed the statement in paragraph 55 of the report that OPS should remain in place to allow UNDP to exercise the direct execution option. OPS should be continued and strengthened, although with possible changes.

32. Mr. LICHTINGER (Observer for Mexico) said that OPS provided for greater flexibility and a broader range of options in the execution of certain kinds of projects. OPS must dedicate itself to multisectoral projects and ensure their execution by Governments.

33. Mr. GRAHAM (United States of America) said that the growth of OPS operations, particularly management services agreements (MSAs), had had a serious impact on the work-load of the Programme's regional bureaux and field offices. Accordingly, the role and functions of OPS should be considered within the framework of current efforts to improve the coherence and effectiveness of the UNDP development system.

34. His delegation was concerned with ensuring that projects executed by OPS should retain a multilateral character, i.e., that UNDP should not become simply an executor of bilateral assistance, although he could envision a limited role for UNDP in that capacity. The report of the Advisory Committee (DP/1989/56) raised a number of issues to which UNDP should respond in order to ensure that its attention remained focused on core programmes. He believed that the Council should establish guidelines allowing UNDP to refuse requests for management services agreements where necessary.

35. Reviewing the history of direct project execution by OPS, he recalled that an earlier report of the Joint Inspection Unit (JIU) had indicated that the Office for Projects Execution, while adept at handling administrative support projects with non-technical aspects, lacked the capacity to adequately monitor the implementation of technical projects by its subcontractors.

36. Notwithstanding the Council's rejection of the main recommendation of the JIU report, the problems it identified had still not been addressed, and they remained a source of friction between the sectoral agencies and UNDP.

37. He was particularly concerned at the lack of technical backstopping from the appropriate specialized agencies for projects executed by OPS and at the Office's continuing need to rely on consultants to monitor the work of subcontractors, particularly in the management development area.



(Mr. Graham, United States)

38. Whatever the merits of competition between OPS and the executing agencies in improving the efficiency of project implementation, such competition did have a negative effect on efforts to strengthen the leadership and co-ordinating role of UNDP within the United Nations development system.

39. At the same time, his delegation did not agree with those who entirely opposed the existence of OPS. The time had come to move beyond the competing roles of OPS and agency execution to a country-based, tripartite system of project implementation in which the recipient Government had the primary responsibility for project management.

40. Under such a revitalized tripartite system, technical, management and administrative support services would be decentralized as much as possible so as to build up the recipient Government's management capacity.

41. To the extent that management and administrative support staff must be increased at the regional bureau and field office level to handle the additional work generated by direct project execution, such staff increases should be funded from support cost earnings from OPS operations. The same rule should apply to field support costs for MSAs.

42. More importantly, the Council should ensure that resident representatives and their staff were not being diverted from their primary function of managing the expenditure of UNDP core funds to the provision of management services to multilateral and bilateral donors.

43. He regretted that the management study commissioned by UNDP had not taken broader systematic issues into consideration. In particular, he questioned the consultants' assumption that the mission and mode of operation of OPS would remain unchanged for the foreseeable future.

44. His delegation opposed any major reorganization of OPS until such time as the issues related to the co-operation and division of labour between UNDP and the sectoral agencies, which were being examined by the expert group on agency support costs, had been resolved within the framework of an integrated response to General Assembly resolution 42/196, and the issues raised by OPS and proposals to address them had been analysed by the Secretariat and decided upon by the Council.

45. Mr. LEENSTRA (Netherlands) said that his delegation had never had any difficulty with the OPS mandate for the implementation of IPF-funded programmes or other non-core programmes. OPS did not strive to compete with the specialized agencies or build up its own technical in-house capacity except in certain areas of management support. Rather, it provided for a flexible mode of implementation and engaged in activities which did not necessarily fall within the mandate of any other organization.

(Mr. Leenstra, Netherlands)

46. On the other hand, the selection criteria must be reviewed from time to time in order to determine whether they were being strictly adhered to by OPS and whether they required sharpening. As mentioned by the previous speaker, the outcome of the study by the expert group on agency support costs would have a bearing on the role of OPS,

47. MSAs were undoubtedly the cause of the debate as to whether the multilateral character of UNDP was being eroded, an issue straightforwardly addressed in document DP/1989/56. As the reasons for the conclusion reached by ACABQ in paragraph 41 of its report were unclear, it might be worthwhile inviting the Chairman of ACABQ to address the Council.

48. He associated himself with the comments by the representatives of the Federal Republic of Germany and the Nordic countries concerning the need to consider under what circumstances it might be possible to limit the number of MSAs accepted by UNDP. One possible solution might be to make OPS a separate institution at the service of developing countries. Another might be for UNDP not to enter into management services agreements with donor countries, but to suggest that they discuss programmes with developing countries and invite those countries to request the services of UNDP.

49. Mr. BERNANDER (Assistant Administrator and Director, Office for Project Services) replying to comments, drew attention, in connection with suggestions that the number of management services agreements be limited, to Governing Council resolution 88/54, which reflected the concern that the management services modality might affect core contributions to programmes, but added that the Council had subsequently decided that it would not. Relevant trends would, however, be kept under review. He noted that the principle of multilateralism had not yet been affected by that modality.

50. In respect of cost recovery, he said that OPS made sure that management services agreements were concluded at the request of recipient Governments. It did not negotiate with those Governments until agreements had been reached between them and the donor. Management services agreements were therefore concluded only with the recipient Government and not with the donor. There was no scientifically accepted or accurate way of determining whether all costs were recovered because services might also be used for other projects, but OPS used cross-checks to make sure that it was reasonably successful in recovering its fees for management services. It had achieved a recovery rate of 28 per cent of overall revenue, with 20.3 per cent for special fund activities and 51 per cent for core-funded activities. Thirty per cent of its staff was involved in management services activities.

51. As for the distribution of fees in UNDP he said that part of the funds had been earmarked for the central services of OPS and part for the field offices involved in those services, with a recovery rate of approximately 15 per cent for each.

(Mr. Bernander)

52. Referring to the Bolivia project, he drew attention to paragraph 31 of the report and said that the project would not undermine capacity-building since it was considered only a stopgap measure. Many countries had procurement difficulties, as the World Bank had stressed.

53. In the matter of subcontracting with international research institutions, referred to in paragraph 17 of the report, he said that it was done directly without using any specialized agency as intermediary.

54. In connection with the study of the organization and management of OPS referred to in paragraph 37 of the report, he said that the consultants had taken up the narrow issue of its mandate rather than any wider issue. As to the possibility of OPS growth affecting controls and accountability he said that without appropriate adjustment there would be some deterioration but that decentralization of working procedures would not lead to organizational decentralization. The fact that OPS paid UNDP 20 per cent of the administrative costs of central services showed the inseparable link between OPS and UNDP.

55. As for the lack of technical capacity to monitor subcontractors, he drew attention to paragraph 23 of the report, which dealt with methods to ensure adequate technical oversight. UNDP had an administrative function in respect of the funding agency. Drawing attention to annex I of the report he noted that OPS had a wide range of multisectoral projects and said that the Regional Bureaux took a very active interest in them. He further drew attention to paragraph 18 in that connection.

56. As for the criteria for subcontracting with agencies, he drew attention to part II of the report, noting that OPS first asked an agency whether it was prepared to execute part of a project and that sometimes the decision to subcontract was made at the very outset. Certain projects lent themselves very readily to subcontracting to agencies.

57. Mr. BROWN (Associate Administrator) said that OPS had been subject to much scrutiny and inquiry by JIU and its basic role had been explored. The consensus had been that the Administrator should seek the best means for accomplishing his task within or outside the system and with due regard for cost-effectiveness. ACABQ had criticized both management services and the basic mandate of OPS. The number of traditional OPS operations had increased because UNDP delivery had increased, but no monetary cap had ever been set. If its mandate was to be changed, OPS must be duly informed because it could not operate in a climate of uncertainty.

58. In connection with management services he drew attention to Governing Council decision 83/5, which reflected concern that UNDP funds were not increasing. An alternative method of financing had therefore been examined by a special committee and the Administrator had developed management services as an alternative to core resources, which were not increasing. Bilateral services still accounted for 70 per cent of UNDP delivery, which seemed to be a reasonable interpretation of Governing Council decision 83/5.

/...

(Mr. Brown)

59. He asked whether it was the Governing Council's wish that no further projects be undertaken until June 1990 when the Administrator was scheduled to report on the status of management services provided by him.

60. Mr. CHAUDOUET (France), thanking the Associate Administrator for his fine historical summary, said that his delegation had merely wanted to underscore the need for more openness. It would look forward to the 1990 report on the item.

61. Mr. SAHLMANN (Federal Republic of Germany) said that he still hoped to have an answer to his question about the relationship between DTCD and OPS. He would also like to know if his understanding was correct that 28 per cent of OPS cost recovery had been in the area of management services and that 33 per cent of its expenditures, as outlined in table 4, had been in that same area.

62. Mr. BERNANDER (Assistant Administrator and Director, Office for Project Services) said that the representative of the Federal Republic of Germany was correct in his understanding that 33 per cent of OPS expenditures had gone into management services fees. The allocations to the management services projects were very large but the projects themselves represented only a fraction - less than 33 per cent - of projects from other sources of funds. Consequently, an element of economy of scale entered in.

63. Mr. BROWN (Associate Administrator) explained that in the case of management services, recipient countries and donors were offered a range of possible choices. It could happen that OPS would be asked to provide only one service, such as procurement. The situation was not comparable to IPF-funded projects, which invariably provided a number of services.

64. The administration could provide the delegation of France and any other interested delegation with two or three detailed past reports, and he and any other representative could be invited to visit OPS to observe its operation.

65. The relationship between OPS and DTCD was the same as with any other agency in whose field OPS was executing projects. OPS involvement started with a request by a Government for its services and a judgement by the administration that OPS execution was the best way to deal with it. Of necessity, OPS did work that could have been done by other agencies, for the reasons set out in the Consensus.

66. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to request the Budgetary and Finance Committee to begin its consideration of the role and functions of OPS, keeping in mind the viewpoints put forward by the Council when it addressed the financial and budgetary aspects of document DP/1989/75.

67. It was so decided.

PROGRAMME IMPLEMENTATION (continued)

## (b) IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT PREVIOUS SESSIONS

## (vii) EXPERT GROUP ON AGENCY SUPPORT COSTS

68. The PRESIDENT recalled that the Governing Council had taken a decision, at its special session in February, on the composition of the expert group on agency support costs established in accordance with Council decision 88/50. Subsequently, the members of the Council had concurred in the designation of Mr. Muhith of Bangladesh to replace a member of the expert group who was no longer available. He would take it that the Council wished to take note of the final composition of the expert group.

69. It was so decided.

70. Mr. BROWN (Associate Administrator) reported that the expert group had begun its work, devoting April and the first week of May to preparing its work plan, reviewing the issues and holding discussions with officials of United Nations agencies and with representatives of donor and recipient Governments of the World Bank and the International Civil Aviation Organization, and of the Governments of the United States and Canada. It had also consulted with the two bodies specifically set up to assist it. It should be noted that it was UNDP's policy that the expert group should act totally independently, with its own secretariat and its own office space.

71. To ensure complementarity and co-ordination, the expert group had also established contacts with the consultants conducting the study on central funding, through the Office of the Director-General for Development and International Economic Co-operation. They had discussed substantive issues and the terms of reference, work plan and overall expectations for the support cost study.

72. The expert group had also undertaken field visits, which would eventually take them to some 16 countries and four regional commissions.

73. The PRESIDENT, replying to a question from Mr. GRAHAM (United States of America), said that an informal exchange of views between the expert group and members of the Council could be arranged, although the substantive aspects of the item were scheduled to be taken up only in 1990.

74. Mr. SALAZAR-SANCISI (Ecuador) underscored the importance of a careful selection of the countries to be visited by the expert group, to cover all subregions. The results of certain other studies had been vitiated because they had not taken all regions into account.

(i) AGENCY ACCOUNTABILITY (DP/1989/17)

75. Mr. KING (Deputy Director, Bureau for Programme Policy and Evaluation), introducing the report of the Administrator on agency accountability (DP/1989/17), said that, as indicated in section II of the report, 11 of the 31 organizations that were executing agencies for UNDP had signed a standard basic agreement with UNDP and four regional commissions and the United Nations Centre for Human Settlements had agreed in an exchange of letters to be guided by its terms. Fifteen executing agencies, including most of the larger ones, had not signed such an agreement. However, 11 of the larger agencies had signed earlier agreements with the Special Fund, UNDP's predecessor. Thus, four agencies were not covered either by a UNDP standard basic agreement or by a Special Fund executing agency agreement.

76. He reviewed the provisions of the UNDP Standard Basic Agreement which, as indicated in section III of the report, differed from those of the earlier Special Fund agreements: they sought to reflect the respective roles of UNDP and the executing agencies as defined in the Consensus of 1970, to strike a balance between the concept of partnership and that of UNDP's leadership within the United Nations system in technical co-operation activities, and to establish recognition of the UNDP Resident Representative as the central co-ordinating authority for all technical co-operation programmes.

77. Section IV of the report gave the legal reasoning on the basis of which UNDP had decided not to pursue the matter with those larger agencies that had refused to accept the provisions of the Standard Basic Agreement, the conclusion having been that the concept of accountability became binding on all agencies when they signed UNDP project documents. However, the issue of how accountability was to be discharged in practice was still unresolved, although it was being addressed by the expert group on agency support costs. On the basis of its findings, UNDP would draw up a new agreement which it hoped all agencies would find it possible to sign.

78. Mrs. DUDIK-GAYOSO (United States of America), noting that the large agencies unwilling to sign a standard basic agreement together executed most of the UNDP programmes, expressed the earnest hope that the issue could be resolved as a result of the support cost study.

79. It should be noted that many members of the Council had called attention to implementation problems relating to the performance of the executing agencies. Audit reports had produced interesting findings regarding two agencies in particular, and BFC had acknowledged problems with others as well. It had often been noted by the secretariat that there was not the same contractual relationship between UNDP and its executing agencies as would exist in the commercial world. UNDP could not, for example, withhold payment for inadequate services rendered, especially if the agencies involved had not signed a standard basic agreement.

80. The United States had inquired of some agencies as to the status of their negotiations with UNDP, and the inconsistent answers had led it to conclude that

(Mrs. Dudik-Gayoso, United States)

agencies remained reluctant to change the status quo and that they perceived a substantial difference between the provisions of the UNDP Standard Basic Agreement and the Special Fund executing agency agreements.

81. Furthermore, at the November 1988 meeting of the Food and Agriculture Organization (FAO) Council, the United States delegation had called attention to the work being done on the support cost issue and had asked about the status of FAO negotiations on the signing of a UNDP standard basic agreement, while emphasizing the importance of agency accountability for performance quality. It was significant that the FAO secretariat had qualified its initial acknowledgement of an existing contractual relationship with UNDP by a later reference in writing to the tripartite project agreement, which UNDP considered inadequate for the purpose of accountability. In the process, the United States delegation had learned some other interesting facts: except for one donor delegation, delegations did not know what government execution was, what support costs meant, and what accountability for project execution was supposed to be.

82. Mr. SAHLMANN (Federal Republic of Germany) said that his Government's fears had been confirmed. Document DP/1989/17 showed that the vast bulk of UNDP expenditure was being made without proper legal safeguards against poor performance or late or improper delivery. That was clearly not in the interest of either recipient countries or the donor community.

83. His delegation had noted with surprise that UNDP had decided many years earlier to let the matter of agreements between UNDP and executing agencies stand as it was. It was not clear if the Council had been consulted before the decision was taken. Had the Council been involved at that earlier stage it could have strengthened the hand of the Administrator in dealing with the agencies.

84. The conclusions in paragraphs 12 and 13 of the report were not convincing: were the Administrator to hold an agency responsible based on the reasoning of those two paragraphs, he might face some unpleasant reactions.

85. His Government found it difficult to accept a situation in which thousands of projects would be entrusted to executing agencies that could not be held accountable until the successor arrangements for the current support cost régime came into force in 1992. It would favour a Governing Council decision requesting the Administrator to sign standard basic agreements with all agencies before the end of the year, with a view to safeguarding performance in the interim. At the very least, the agencies should be requested to agree to an exchange of letters of the kind mentioned in paragraph 3 of the report. It was, moreover, most astonishing to find, among the 15 executing agencies unwilling to sign a standard basic agreement, two subsidiary organs of the United Nations and two units of the United Nations Secretariat, namely DTCD and the United Nations Centre for Transnational Corporations; there was no reason whatsoever that should prevent the latter two offices from adhering to the letter and the spirit of the Consensus of 1970.

(Mr. Sahlmann, Federal  
Republic of Germany)

86. Perhaps the representatives of the agencies present at the Governing Council meeting could explain why they were unwilling to sign agreements with UNDP.

87. Mr. SOUTTER (Canada) said that it was troubling that so many agencies had not signed a standard basic agreement. Formalization of agency accountability was crucial to improving the quality of UNDP's programmes and projects. His delegation looked forward to the conclusions of the expert group, which would lead to the formulation of a fully adequate agreement that all agencies could sign.

The meeting rose at 6.10 p.m.