SUMMARY

The comparative advantages of the United Nations Development Programme (UNDP) are based upon international agreements and mandates and upon the resources available for administration and for technical cooperation. Derived from the agreements, mandates and resources, there follow certain characteristics of UNDP technical cooperation: impartiality; universality; multisectoral scope; and the global network of field offices. These characteristics provide the basis for the supply of products, services and relationships which are of value to recipients. The comparative advantages of UNDP can be divided into two: functional and substantive. The functional comparative advantages are the mechanisms of designing and delivering technical cooperation, the relationships of UNDP with Governments, NGOs, the United Nations system and other donors, and the methods of intervention which UNDP has developed. The substantive comparative advantages are at present potential rather than actual. In the fifth cycle country programmes they are concentrated on four major areas: economic management and public sector reform; social development and poverty alleviation; environmental sustainability; and productive capacity. The realization of the potential will involve more effective utilization of the resources of UNDP, better mobilization of the expertise of the United Nations system, more attention to linkages and complementarity with other development agencies, greater substantive in-house expertise, and more systematic application of the lessons of experience.
I. BACKGROUND

1. In its decision 91/31 of 25 June 1991, the Governing Council requested the Administrator to prepare an analytical report to identify "those specific activities and services in which the Programme has proved to be most effective in achieving development goals, recognizing the particularities of each country". This decision requires UNDP, in consultation with recipient Governments and multilateral development institutions, to analyse what have come to be referred to as the comparative advantages of the Programme.

2. In preparing the present report, the following series of steps has been undertaken. A review was conducted of 79 fifth cycle country programmes, 62 of which refer explicitly to the comparative advantages of UNDP. An analysis was made of statements made by delegations at the high-level segment of the Governing Council at its thirty-ninth session (1992). Account was also taken of the Nordic report entitled The United Nations in Development and of the study carried out by the Danish International Development Agency (DANIDA), entitled The Effectiveness of Multilateral Agencies at Country Level. On the basis of these steps, an initial list of comparative advantages was derived, which was sent to field offices for discussion with Governments and for comments. The list was sent to 39 field offices. Responses have been received from 20 field offices, and these have been taken into account in the report.

II. INTRODUCTION

3. The term comparative advantage has been borrowed from international trade theory. Two important elements of the theory of comparative advantage must be noted at the outset. First, comparative advantage is a dynamic concept; thus, potential as well as actual comparative advantages need to be considered.

4. Secondly, comparative advantage is a useful concept only in the context of the existence of markets as mechanisms for allocating resources. The market for technical cooperation services has very particular features, and is generally characterized by low substitutability and an absence of consumer sovereignty, i.e., the inability of consumers to switch among sources of technical cooperation services, because of tying by donors. The management of technical cooperation by recipients is thus very complex. A further important feature of this market is the dominance of the suppliers, who are frequently perceived to impose their priorities upon recipients.

5. There is some debate concerning the relevance of competition to the division of labour among development agencies. The view has been expressed that development agencies should become more complementary to each other and avoid duplication and overlap. The theory of comparative advantage suggests that complementarity and avoidance of duplication would lead to monopoly and hence to a supply of services that may not be optimal from the standpoint of the recipients. A degree of competition can be healthy when there are a number of actors offering effective choices to recipients.

6. For UNDP, the important issue in relation to the process of competition is the nature of the relationship with other agencies involved in the supply of
technical cooperation and how this relationship is evolving in response to changing development needs.

7. The application of the theory of comparative advantage to changing patterns of supply demand and competition in the markets for technical cooperation services is not straightforward.

8. In general, in markets for internationally traded goods and services, comparative advantage is created by natural resource endowments, technology and international preferences.

9. In the context of technical cooperation services supplied by UNDP, comparative advantage is created by: (a) international agreements and mandates, those which result from United Nations mandates applicable to all United Nations system organizations and programmes, as well as those entered into specifically by UNDP; (b) the resources available to UNDP for administration and for the technical cooperation programme and the managerial capacity to utilize these resources effectively; and (c) the development of products, expertise and relationships on the basis of the agreements, mandates and resources.

10. Derived from UNDP international agreements and mandates, there follows a series of characteristics of UNDP technical cooperation. These are:

   (a) Ideological and commercial neutrality and impartiality in sensitive areas;

   (b) Multilateralism and universality;

   (c) The multisectoral nature of UNDP technical cooperation;

   (d) The UNDP network of field offices, with the Resident Representative in most cases playing the role of United Nations Resident Coordinator.

While some of these characteristics are unique to UNDP and others are shared with other multilateral agencies, the combination of characteristics is unique to UNDP.

11. These characteristics are not in themselves the comparative advantages of UNDP. They are the basis for comparative advantage only if they result in the supply of particular types of products, services and relationships that are valued by the recipient or partner and that are unavailable elsewhere or are preferred to products, services and relationships available from other sources.

12. It is also important to consider the demand-side for technical cooperation since it is not sufficient for recipients to accept, more or less passively, the products and services which UNDP makes available. It is necessary to examine whether or not these products and services meet priority national needs in the most cost-effective manner possible. In determining the degree to which technical cooperation meets priority national needs, it is important to examine the process by which demand for technical cooperation arises.

13. In order to analyse the comparative advantages of UNDP, therefore, it is essential to investigate how the characteristics of UNDP technical cooperation...
plus the resources available have been utilized to develop products, services and relationships demanded by recipients and to discuss ways in which these characteristics could be used as a basis for developing more effective products and services in the future.

III. CHARACTERISTICS OF UNDP TECHNICAL COOPERATION

14. As stated above, UNDP technical cooperation has certain characteristics that are an important basis for the supply of effective services to recipient countries but that are not in themselves comparative advantages, since the latter depend upon the ways in which the characteristics are applied to development problems. The most important characteristics are as follows:

(a) Neutrality and impartiality. Neutrality and impartiality refer to the absence of ideological bias, commercial interests or political influence that characterizes UNDP. UNDP neutrality has been questioned by the DANIDA study as a consequence of the introduction of advocacy themes, but this does not seem to have led recipient countries to regard the themes as political directives or conditions. Neutrality, impartiality and independence are thought to be important in the exercise of functions such as aid coordination and policy dialogue, where UNDP is trusted to play a mediating role among donors and between donors and recipients. Neutrality and impartiality are also thought to be crucial in UNDP support for activities in sensitive areas such as structural adjustment, in particular the social aspects of economic transitions, the socio-economic aspects of the HIV/AIDS pandemic, gender and development, environmental management, and in the area of governance, including support for democratization, electoral processes and the promotion of human rights;

(b) Universality and multilateralism. Universality enables UNDP to provide partners with access to international sources of information, knowledge and expertise, especially via the relationship of UNDP to the rest of the United Nations system. One key aspect of this has been the development of mechanisms through which developing countries can learn from one other and through which South-South cooperation can be enhanced. Universality has also enabled UNDP to play a role at the global and interregional levels in sponsoring programmes designed to promote the sharing of experience, to draw international attention to issues of global concern and to support the search for solutions to problems that may be beyond the existing capacities of individual countries or even regions. Universality also enables UNDP to work at the regional or intercountry levels in sensitive areas such as the management of common resources;

(c) Multisectoral technical cooperation. Several key advantages are thought to follow from the multisectoral nature of UNDP, including an interdisciplinary approach to capacity-building and the flexibility to allocate resources according to national priorities and to reallocate them in response to changing needs;

(d) Field office network. The global network of field offices constitutes a major resource for the entire United Nations system. Many studies have been conducted of the functions and performance of the field offices. For example, in the DANIDA study it is suggested that the network of field offices is not optimally used because of the overburdening of field offices with unintelligent
questionnaires and wooden circulars and by "the projectitis disease characterizing UNDP country operations: the preoccupation of its staff with project cycle management ... of countless small projects" (DANIDA, Effectiveness of Multilateral Agencies at Country Level: UNDP in Kenya, Nepal, Sudan and Thailand, p. iii). Nevertheless, the field office work is an extremely important asset that provides UNDP with a basis for greater understanding of the situation prevailing locally and for responsiveness and sensitivity to local problems. This is especially valuable in view of the degree to which decision-making authority has been decentralized in UNDP and in view of the importance of national ownership of UNDP-funded activities. The field office structure and capacity is analysed in some detail in the report of the Administrator on revised budget estimates for 1992-1993 and budget estimates for 1994-1995 (DP/1993/45).

IV. RESOURCES

15. Along with the characteristics of UNDP, the resources available constitute another basis for its comparative advantages. Aside from the funds for the technical cooperation programme, the resources include UNDP administrative resources to manage the programme. The funds for the programme are grant-based and access to them is relatively quick and flexible. Resources can also be provided in small amounts, unlike resources available from other sources. The programme funds include the country, regional and interregional indicative planning figures (IPFs) plus the Special Programme Resources (SPR).

16. In addition, UNDP administers funds such as the United Nations Capital Development Fund (UNCDF), the United Nations Sudano-Sahelian Office (UNSO), the United Nations Fund for Science and Technology (UNFSTD), and, with the World Bank and the United Nations Environment Programme (UNEP), is jointly responsible for the administration of the Global Environment Facility (GEF). Furthermore, by means of arrangements such as cost-sharing, UNDP is able to mobilize resources from other donors in support of technical cooperation activities.

17. An extremely important element of UNDP human resources is the professional staff, which has very considerable expertise in development administration, in particular in the programming, monitoring and administration of technical cooperation. The majority of the professional staff have spent most of their careers living and working in developing countries.

V. COMPARATIVE ADVANTAGES

18. Sustainable human development is the aim of all activities undertaken by development agencies and UNDP efforts have been more sharply focused towards this end since the launching of the annual Human Development Reports in 1990. Although sustainable human development provides the overall direction for UNDP technical cooperation, it does not in itself indicate the specific comparative advantages of UNDP or of any other development agency.

19. In identifying the comparative advantages of UNDP, it is also important to stress their country specificity. The characteristics of UNDP remain valid in all circumstances but their relative importance varies from country to country.
The comparative advantage of UNDP varies with the demand situation in the country and with the donor profile in that country. For example, in those countries where donors are supportive of community participation in development, UNDP can play a coordination role and can provide key policy inputs. In such cases, it is the neutrality of UNDP that is the characteristic of most importance.

20. In the more developed developing countries, in which access to high-technology inputs and international exchanges of experience are felt to be more important, it is the universality of UNDP that is of greater significance. Thus, the comparative advantage of UNDP is not based on one characteristic but on many and the relative importance of the factors varies from country to country.

21. It is necessary, therefore, for UNDP to work with national authorities to determine the precise balance of activities for UNDP, based on the specific conditions prevailing.

22. The comparative advantages of UNDP may be identified as resulting from a combination of the characteristics and the resources available and how UNDP makes use of them in addressing development problems. In the past, the overall objective of UNDP activities has been institution-building, which has been regarded as the major outcome sought by the application of the comparative advantages of the organization. More recently the broad definition of this objective has shifted to capacity-building.

23. Institution-building and capacity-building do not refer to identical activities; however, there is considerable overlap between them. Institution-building refers to the development of particular institutions, their human resources, equipment, organization, management and administration. Capacity-building is concerned with a broader set of activities, involving support for human resource development, organizational strengthening and the emergence of an overall policy environment that is conducive to development. Capacity-building should be seen as a process with three components: the education and training of managers, professional, administrative and technical personnel; the use of these trained people in public and private sector organizations aimed at achieving a development impact; and the "development culture", that is, the rules, norms and expectations governing the transactions and relations among people and among organizations.

24. In supporting the process of capacity-building, UNDP has developed a variety of products, services and relationships that can be considered as the areas of the comparative advantage of UNDP. An overall feature of the UNDP approach to capacity-building is the emphasis on national ownership and hence the importance of assistance to countries to enable them to manage their own development process as soon as possible.

25. The comparative advantages of UNDP can be divided into two broad categories: functional and substantive.

(a) Functional comparative advantages. Functional comparative advantages refer to the mechanisms of designing and delivering technical cooperation, the relationships of UNDP with Governments, the United Nations specialized agencies,
non-governmental organizations (NGOs), research institutions, etc., and the methods of working and levels of intervention that UNDP has developed. These can be grouped into the following five areas:

(i) Donor coordination and resource mobilization, including the role of the Resident Representative as the United Nations Resident Coordinator. These two areas can be seen as complementary, involving support for national authorities in their negotiations with the donor community to ensure that national needs are most effectively met. Examples are the round-table process, and cost-sharing arrangements;

(ii) The catalytic quality that UNDP support provides to regional and global activities, bringing countries together to work towards joint objectives. Although many donors provide support for particular regional and global institutions, none have integrated regional programmes. In some cases, the activities supported by UNDP are in politically sensitive areas that require the characteristics of neutrality and impartiality. Examples are the Tumen River and Mekong Delta schemes, and the Africa Capacity-Building Initiative;

(iii) The development of cost-effective, innovative and flexible methods of delivering technical cooperation, including the Transfer of Knowledge through Expatriate Nationals (TOKTEN), the United Nations International Short-Term Advisory Resources (UNISTAR) and the United Nations Volunteers Programme (UNV) as well as the use of national expertise. This is of particular importance in countries where the IPFs are very small and where the conditions exist for successful use of these modalities, such as Poland;

(iv) The approach to technical cooperation based on multisectoral/cross-sectoral capacity-building supported by the development of the programme approach, involving emphasis on national programmes and sustainability. The multisectoral, interdisciplinary nature of UNDP activities enables coherent support to be provided in complex areas such as the environment, the coordination of humanitarian programmes, and the rehabilitation, resettlement and reintegration of refugees and returnees;

(v) Promotion of forms of international interaction not available elsewhere, for example, the emphasis on South-South cooperation, including technical cooperation among developing countries, support for regional integration, global initiatives and opportunities for developing new forms of international relationships with Eastern Europe and the countries of the Commonwealth of Independent States;

(b) Substantive comparative advantages. It has been argued that greatest effectiveness in terms of impact on development can be achieved by the upstream shift of significant proportions of UNDP activities towards the policy level. This shift has already begun in the formulation of the fifth cycle programmes, which have followed the requirement to give greater focus to the use of UNDP-administered resources. The areas of focus as well as the levels of intervention are an indication of how Governments see the emerging substantive
comparative advantages of UNDP and the United Nations system. There is a high degree of concentration on four major multisectoral-multidisciplinary areas:

(i) Economic management and public sector reform;
(ii) Social development, poverty alleviation and community participation in development;
(iii) Environmental protection and sustainable natural resource management;
(iv) Productive capacity, involving technology transfer and support for the development of the private sector.

There are also important cross-sectoral themes being incorporated into the programmes, most notably in the area of gender in development and HIV/AIDS and development.

26. The substantive capacities identified are not yet comparative advantages, but should be seen as potential comparative advantages. In realizing this potential, there will be a need for greater convergence between the substantive and the functional comparative advantages. This will involve the increasing use of the products and services of UNDP and the United Nations system to attain the substantive objectives.

VI. THE REALIZATION OF POTENTIAL COMPARATIVE ADVANTAGES

27. UNDP has been extremely effective in the areas identified as functional comparative advantages, particularly in relation to multisectoral and cross-sectoral activities, donor coordination, promotion of regional integration and South-South cooperation, global initiatives on issues of major significance, and the development of innovative approaches to the design and delivery of technical cooperation.

28. There is now a major opportunity for UNDP to develop further its comparative advantages to support capacity-building in the four substantive areas that are emerging at national level as key priorities. In order to realize this opportunity, it will be necessary for UNDP to develop sharper in-house substantive capacity in the four areas listed above. The ability of UNDP to provide expertise to recipients is itself dependent upon its own in-house expertise in these areas, as well as on its ability to mobilize and coordinate the expertise of the United Nations specialized agencies.

29. The full realization of UNDP comparative advantages will involve a better utilization of the field office network, more effective mobilization of the expertise of the United Nations system, more effective networking with research institutions, NGOs and other sources of expertise, recruitment of more specialized and technically qualified staff, and staff training geared towards the areas of focus identified above. At present, not all field offices have professional staff with substantive development experience.

30. Within each of the four substantive areas, it will be necessary to identify more sharply an effective and efficient role for UNDP. At present the
31. It will also be necessary to refine continuously the relationships of UNDP with other agencies involved in similar fields, including the United Nations system, the Bretton Woods institutions, other multilateral institutions such as the regional development banks, and bilateral donors. For example, in the context of macroeconomic management, it is not intended to offer to recipients similar services to those available from the World Bank, whose analytical capacity will remain stronger than that of UNDP in this area. The activities of UNDP will, instead, focus on the strengthening of national capacity to analyse, formulate and implement macroeconomic policy reform, and to engage in dialogue with the Bretton Woods institutions. A discussion of the evolving roles and relationships between UNDP and the multilateral financial institutions, in particular the World Bank, is provided in document DP/1993/25.

32. In defining the relationships with other agencies, it will be of vital importance to maximize the linkages and complementarities in specific fields. For example, in the area of HIV/AIDS, it will continue to be necessary to ensure that UNDP and the World Health Organization (WHO), as well as other agencies, contribute as far as possible in areas of their respective strengths and to ensure complementarity among themselves.

33. The relationship between UNDP and the United Nations specialized agencies is an important basis for comparative advantage, which should be exploited more systematically and coordinated more coherently in support of multisectoral activities. The facilities TSS-1 and TSS-2 will help to promote this in the case of the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organisation (ILO), the United Nations Industrial Development Organization (UNIDO), WHO and the Department for Economic and Social Development, by promoting the revitalization of the specialized agencies as centres of excellence.

34. The realization of the comparative advantages of UNDP will also involve activities concerned with the demand side. It will be important to assist national authorities to identify more precisely their technical cooperation needs and priorities and to better align technical cooperation from all sources with genuine national priorities. This will also enable the market for technical cooperation services to function more effectively by enabling national authorities to identify their demands and choose from alternative sources of supply.

35. As indicated in document DP/1993/25, the market for technical cooperation services is at present very imperfect, with costs and prices playing a very limited role, and with buyers having limited rights to choose the quality and mix of inputs they want. UNDP can play an important role in enabling the market to function more effectively, in particular by strengthening the capacity of Governments to make rational choices among alternatives.

36. There is, in addition, a need for greater dynamism in terms of the capacity to realign resources to address new and emerging problems, to reformulate objectives, and reshape the institution. There is also a need to ensure excellent quality of service.
37. As always, there are many constraints and limitations, beyond the control of the institution, on the ability of UNDP to realize its potential. The political context in which capacity-building activities have been undertaken has not always been conducive to the achievement of sustainable human development.

38. The realization of potential comparative advantages will involve the further development and implementation of the UNDP human resource management strategy. It might also involve the development of a world class "repository of development experience", distilling the terminal reports and evaluations produced by UNDP, extracting and analysing their outcomes and implications for future technical cooperation design and delivery, and assembling them in a form usable by development practitioners. This would make a major contribution to an understanding of the development process, by examining what UNDP has done and the lessons of this experience. It would also enable UNDP to work more effectively at the country level in applying and adapting this experience to the particular circumstances of each country, to bring to bear both general lessons and country specificity to the emerging challenges of development.