



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

Distr.
GENERAL

DP/1986/67
31 March 1986

ORIGINAL: ENGLISH

Thirty-third session
2-27 June 1986, Geneva
Item 9 (h) of the provisional agenda

S U P P O R T

OTHER MATTERS

The financial structure of the UNDP-administered system

Report of the Administrator

Summary

In decision 85/42, the Governing Council requested the Administrator to review the current organizational arrangements that characterize his management of the funds under his authority and to provide a report containing proposals whereby these arrangements may be made more effective and efficient.

This report reviews action already taken in this regard by the Administrator in a number of areas. The Administrator further proposes to report to the Governing Council at its thirty-fourth session on the measures he proposes to adopt with regard to the overall management of the funds.

REVIEW OF THE ORGANIZATIONAL STRUCTURE OF THE UNDP-ADMINISTERED SYSTEM

INTRODUCTION

1. The Administrator presented to the Governing Council at its thirty-second session in 1985 his report on the financial structure of the UNDP-administered system (DP/1985/64) pursuant to decision 84/33. The report described in some detail the different funds in existence and their major characteristics. The Administrator emphasized the point that the system comprising the UNDP-administered funds offered a range of vehicles by which to pursue a wide variety of development objectives and he took particular cognizance of the fact that the legislative mandates of a number of the funds were clearly distinct from each other. The Governing Council considered the report and, in decision 85/42, requested the Administrator to "...review the current organizational arrangements that characterize his management of the funds under his authority and to provide a report to the Governing Council at its thirty-third session containing proposals whereby the current organizational arrangements for the management of those funds may be made more effective and efficient".

2. Against this background the Associate Administrator chaired a series of meetings in UNDP in which the Assistant Administrator, Bureau for Special Activities (BSA), the Directors of the United Nations Sudano-Sahelian Office (UNSO), the United Nations Financing System for Science and Technology for Development (UNFSSTD) and the Energy Office and other senior UNDP staff participated. The United Nations Development Fund for Women (UNIFEM) was not included in this phase of discussions in view of the fact that the arrangements associating the fund with UNDP provide that UNIFEM shall be autonomous, reporting directly to the Administrator. During the course of the discussions it was concluded that the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) should also be excluded from the current review owing to its very particular characteristics; namely, the highly specialized nature of its work, the fact that it acts in a large measure as its own executing agency and the revolving nature of its financial arrangements. The Administrator has reported separately on the current situation faced by this fund in DP/1986/51. The United Nations Volunteers (UNV) programme was not included in the review owing to its particular characteristics in providing middle-level expertise. Finally consideration was not given to those funds described in DP/1985/64 whose organizational arrangements are currently integrated administratively with UNDP. The meetings therefore focused on current organizational arrangements relating to the United Nations Capital Development Fund (UNCDF), UNSO, UNFSSTD and the Energy Account.

3. A variety of organizational arrangements characterize both the internal management of the funds and the relationship of the funds to the Administrator and to UNDP. In giving consideration to these arrangements, it is important to bear in mind a number of the specific features that distinguish the activities of the funds. Firstly, UNCDF and also to a large extent UNSO are engaged in capital assistance activities. Secondly, UNSO, UNFSSTD and the Energy Office are engaged predominantly and UNCDF to a lesser extent in co-financing arrangements. The activities of these funds must therefore be responsive to the requirements of the donors whose financial support is being sought. UNCDF is the only one of the four funds in question with substantial core resources of its own. Finally, both UNCDF and UNFSSTD make extensive use of government execution.

4. The starting point for the review undertaken was an acknowledgment of already existing close co-operation between the funds and UNDP. Field offices by and large have represented a focal point for all UNDP-administered activities at the country level, and the funds pursue their activities in close co-operation with the resident representatives. Furthermore a high degree of co-financing exists between projects financed from the funds and the use of Indicative Planning Figures (IPF) resources. For example in the case of UNCDF, some 82 ongoing projects are co-financed with IPF resources and other funds while, as of end 1985, 44 projects in total have represented investment follow-up to technical assistance projects financed from IPF resources.

5. This report will briefly outline the measures taken by the Administrator as a result of the review undertaken in the areas of overall management, the country programme process, project preparation, reporting and resource mobilization. Bearing in mind the particular characteristics of the funds elaborated above, three principles emerged to guide the Administrator's review of current arrangements. The first is the need to respect the identity of the specific mandates and functions of each fund and to protect and enhance the capacity of the funds to attract additional resources according to their mandates. The second principle relates to the essential concept that the recipient country can have only one set of priorities and one programme responding to those priorities. The Administrator has a particular responsibility to assist the country to develop a single coherent programme reflecting these priorities. In this connection the Administrator is conscious of the responsibility placed on him by decision 85/3 and by the responsibility placed on UNDP for the round-table process. The third principle relates to the fact that the funds have been placed under the authority of the Administrator among other purposes as a cost-effective means of enabling them to pursue their objectives. It is therefore incumbent on the Administrator to ensure that current arrangements have enabled the most economical and efficient use of resources.

6. The Council will have before it various papers from the funds in which are summarized the main features of the funds' operational and management activities in recent years and their current financial status.

I. COUNTRY PROGRAMME

7. It should be emphasized that, over the years, significant efforts have been made by many of the funds to ensure that their activities at the country level are co-ordinated with those that are financed from IPF resources. However, the programming processes have remained separate and distinct. At present, each fund and IPF resources are programmed separately. The elaboration of a common time-frame and of common procedures would assist in the development of individual programmes which are more consciously integrated and formulated to support a common set of objectives.

8. The Administrator considers it quite conceivable that the impact of projects administered by UNDP would be increased if all were prepared as part and parcel of one programme. Accordingly, it has been agreed that the country programme should be used as the vehicle for unified programming of all relevant resources available to UNDP. The term "unified programming", in this context, is intended to convey two basic principles, namely, that (a) all the funds at the disposal of the Administrator, no matter what their source, should be considered in the country programming exercise and (b) the programming of the funds should be for activities and inputs which are consciously intended to support the objectives of the country programme.

9. It has also been determined that, where appropriate and feasible, the resident representatives and the regional bureaux should ensure that the funds be formally involved at the earlier stages of the programming process in those fields of operation and in those countries that are covered by their mandates, e.g. in general assessments of technical co-operation needs, the preparation for round-table meetings and sectoral missions.

10. In future there will be two subprogrammes in the country programme: the "fully funded programme" and the "pipeline programme". The projects of the funds could be included in either or in both, depending upon the certainty or otherwise of the available resources.

11. These decisions are already reflected in the guidelines for country programme submissions in 1986 and thereafter issued by the Administrator in December 1985 to participating and executing agencies and to UNDP field offices and headquarters staff.

II. PROJECT IDENTIFICATION, FORMULATION AND APPRAISAL

12. The Administrator has reviewed the procedures that are followed by the funds and the regional bureaux in the identification, formulation and appraisal of projects. This review has revealed that, although UNDP has not employed a uniform system-wide method in project preparation and the funds and the regional bureaux have not followed common "guidelines" in these matters, there has been a certain degree of practical commonality. The Administrator is of the opinion that the further formal harmonization of these procedures would nevertheless lead to greater efficiency within UNDP because all concerned parties both at headquarters and in field offices, as well as Governments, would be following, and be familiar with, processes and procedures that are common to the entire UNDP system. The main objective in harmonizing the project preparation processes is to have coherent and consistent procedures in responding to a Government's request for assistance. Accordingly, the Administrator has devised a common approach to project preparation and intends to implement the new procedures as soon as guidelines are issued to relevant units within the Programme.

13. It should be emphasized that what is now being put into place is a common system of project development which the Administrator considers would be the most cost-effective for UNDP as a whole. The system includes the best features of the various funds and of the IPF and incorporates additional elements into the process where it is considered that these would enhance the quality of UNDP's projects. Beyond the requirements of this common system, provision has been made for the funds to use additional procedures which might be needed to respond to their particular circumstances.

14. The new procedures call for more emphasis to be placed on project identification and project screening; for more rigorous internal analyses of project proposals; and for the establishment for all the funds and for the regional bureaux of project appraisal committees. These would be comprised of relevant representatives of the funds, the regional bureaux and the technical units of UNDP. In other words, not only are the procedures harmonized but the appraisal becomes a matter that is not exclusively for a particular fund or a particular regional bureau, but for UNDP as a whole.

III. MANAGEMENT

15. Consideration was given to the organizational structures which currently characterize the management of the funds. A variety of arrangements are in place. For example while the Executive Secretary of UNCDF reports to the Assistant Administrator BSA, the Director of the Energy Office reports to the Associate Administrator and the Directors of UNSO and UNFSSD, in accordance with the arrangements envisaged by the United Nations General Assembly, report directly to the Administrator.

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16. The general management aspects of the funds are geared to their particular needs and are therefore to some extent distinct from the functions performed by the regional bureaux or by other funds. Discussions to date have focused on the possibility of substantial organizational rationalization without harming the distinctive identity of the funds and their ability to attract additional resources. The starting point for this discussion has been the considerable degree of administrative integration that has already taken place. Personnel management, including appointments, promotions and transfers, overall financial management, including accounting, budgetary and treasury functions, and other administrative matters are all handled centrally by UNDP.

17. Against this background, further consideration has been given to the possibility of both a rationalization and pooling of resources between the funds and a limited reallocation of certain functions between the funds and UNDP. No specific measures are, however, being proposed at this time. The Administrator will report to the Council at its next meeting on the measures he proposes to adopt to rationalize the management of the funds.

18. Regarding financial management in the funds, there is a clear distinction between the project management and line functions performed by funds and the management of aggregate financial information performed by the Division of Finance. It would therefore not be feasible for the financial functions being performed in the funds to be amalgamated into the Division of Finance. Certain economies might be possible if certain functions discharged in each fund were performed in a more consolidated manner for a group of funds together. The current organizational arrangements make this unpracticable at this time.

IV. REPORTING

19. An analysis was undertaken of the extent to which the funds use a set of common reporting procedures. A preliminary review indicates that the funds requirements are similar to and consistent with the requirements of the main programme of UNDP. However the practical arrangements made by the funds for the generation and distribution of the reports differs from UNDP, to some extent because of the particular needs of the funds.

20. The following list represents the major substantive reporting requirements of the funds:

- (a) Project progress reports;
- (b) Technical project review reports;
- (c) Evaluation reports;
- (d) Terminal reports;
- (e) Management reports.

The specific formats and contents of these reports tend to differ from one fund to another as well as from UNDP's monitoring, evaluation and reporting system requirements which are currently being tested.

21. A number of elements are involved. The report concerned may be prepared by a variety of drafters, including, depending on implementation arrangements, the project manager or co-ordinator, the Government, the monitoring agency, the co-operating agency and staff or consultants from the fund. Field office involvement may include specific supervisory and monitoring functions, broad consultation or performing little more than a post office function. Once prepared, the reports are circulated to a variety of parties which may include the Government, the donor, the executing and associated agencies, the resident representative, the UNDP regional bureau and the headquarters of the fund. Finally the periodicity, specific contents and overall format of reports differ from fund to fund and from report to report. In addition the headquarters of the funds must respond to a variety of demands from specific donors on projects that are being co-financed. These reports are essentially ad hoc in nature and do not follow any particular format.

22. Against this background the funds are working out detailed reporting requirements tailor-made to their needs. Taking into account the needs of each fund, an attempt will be made to establish a set of common core requirements for reporting, including the formats of the reports. In addition to the core requirements established, supplementary information may be needed by each fund for reasons particular to its activities and mandate.

23. Regarding financial reporting, a particular burden has been placed on the funds to assume an active role in the collection and consolidation of financial data. In the first place this is due to the fact that, in particular for UNCDF and UNFSSD, a large number of projects are Government-executed. In addition fund projects are often implemented by a number of dispersing agents and consequently there is often a need for the fund to consolidate data reported by the various agents so as to obtain a project-wide view of the activities. With these constraints in mind an effort is currently being made to bring the financial reporting requirements of the funds in line with those of UNDP. In this connection it should be noted that success has already been achieved in establishing common budget and resource planning tables.

V. RESOURCE MOBILIZATION

24. Consideration regarding any overall strategy for resource mobilization in the funds in the future must take into account the twin objectives to be pursued by the Administrator. These relate firstly and critically to the growth of UNDP central resources and secondly to the development of additional resources through the funds. The funds provide important and attractive means

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of mobilizing and channelling additional resources to recipient countries. In the case of UNCDF, and to some extent UNSO, these resources are for capital assistance. In the case of UNFSSITD, the Energy Account and also to some extent UNSO, these resources are for special purpose or geographically defined technical co-operation activities.

25. The starting point for a review is provided in the annex. As noted above, UNCDF is the only fund with sizeable core resources. UNFSSITD, the Energy Account and UNSO are at this time primarily engaged in co-financing activities. Consequently, the Administrator considers that the measures considered in sections I, II and IV above are critical to the further development of these co-financing resources. Regarding the relationship of resource mobilization with the country programming process, the projects for which financing is being sought by the funds must relate to the priority programme developed by the country. Project preparation will be considerably facilitated by the development of a set of core principles with which the recipient, donor and resident representative are all familiar. Finally, the implementation and management of the projects and the search for further supplementary project financing will be assisted and enhanced by the formulation of a set of common reporting requirements.

26. It would appear that the implementation of a more effective long-term resource mobilization strategy for the funds is related to the wider issue of further developing the complementary nature of the funds activities with IPF-financed activities within the framework of a single priority programme. Against this background, the Resource Mobilization Unit in the Office of the Administrator has been requested to co-ordinate further all resource mobilization efforts with respect to both the core resources and project co-financing of the funds.

VI. CONCLUSION

27. Decision 85/42 requested proposals whereby the current organizational arrangements for the management of the funds may be made more effective and efficient.

28. This report provides information on specific measures being taken with respect to the country programme process, project preparation and reporting. It is expected that these measures will have a positive impact on the development of a more co-ordinated approach to resource mobilization, and arrangements have been made for the Resource Mobilization Unit to play a more effective role in this regard. In all these respects the Administrator considers that substantial progress has been made in providing a more coherent framework in which to respond to the priority programmes of recipient countries.

29. Regarding specifically the management of the funds, the Administrator is still in the process of reviewing current organizational arrangements and in regard to this item would wish to consider this an interim report. Further consideration of this matter will have to take into account the conclusion of current negotiations regarding the future of UNFSSITD. The Administrator would like to emphasize that, while no conclusions have been reached, the options to be reviewed by him later in the year include the possibility of pooling the resources of all the funds; or among some of them; a rationalization under a single administrative structure; and effecting a limited reallocation of certain functions between the funds and UNDP.

Annex

TABLE 1

1984

(In millions of \$US)

	Administrative expenditure	Voluntary contrib. income	Cost-sharing contrib. income	Trust funds contrib. income	Total prog. expenditure 1984
UNDP	3.65 <u>a/</u>	21.16	0.50	0.12	30
UNEO	1.95 <u>b/</u>	0.57	6.53	9.83	15.4
UNESSID	1.47	0.35	0.01	4.74	6.6
Energy Account	.25 <u>c/</u>	.07	3.66	-	3.5

a/ Includes posts financed from extrabudgetary resources.

b/ The 1986/87 biennial budget includes provisions for expected extrabudgetary resources.

c/ Includes post financed from extrabudgetary resources. It is estimated that 50 per cent of the costs associated with the Energy Office relate to activities financed by the Energy Account.

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