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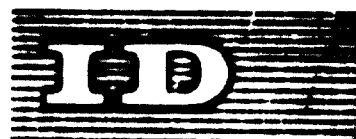
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UNDP/UNIDO AGENCY REVIEW MEETING

(Vienna, 1-2 June 1970)

SUMMARY RECORD OF THE MEETING
HELD ON MONDAY, 1 June 1970, AT 10 a.m.

GENERAL DISCUSSION

Mr. Quijano-Caballero (UNIDO) said that the present meeting was of particular interest because UNIDO was now in its third year of full activity and its operational programme had grown considerably, while UNDP was at present reviewing its whole methodology and the results of that review naturally affected UNIDO considerably also. The general discussion would begin with consideration of document DP/L.134 - a report to be presented soon by the Administrator of UNDP to the Governing Council - which would be introduced to the UNDP/UNIDO Agency Review Meeting by Mr. Myer Cohen.

Mr. COHEN (UNDP) said that the most important objective at present was to determine exactly where the various bodies connected with development stood in the present development situation. Basically, the problem all those bodies faced was that of capacity. Many donor countries, and especially the large donors, wanted to put more projects through multilateral channels, and it was therefore necessary to determine what needed to be done to the United Nations development system in order to permit it to carry a larger load. The basic assumption of the Capacity Study was that over the next five years, the resources available to the United Nations development system would increase to double those of 1970. It was well known, of course, that it was necessary to increase resources each year simply in order to remain in the same position because of inflation etc., but nevertheless the resources available for development would genuinely increase. It was necessary to be bold and to determine how to make the development system better, even if that involved abandoning some concepts which had previously been considered almost sacred. As a result of criticisms

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levelled at the United Nations development system in the past, a number of countries were finding it difficult to increase their contribution to the system because of internal opposition to such a step within their own countries. The United Nations development system must therefore show that it was effective and worthy of confidence. Document DP/L.134 was an attempt by the Administrator of UNDP to put forward some proposals for coping with the problems that had to be faced, and UNDP would welcome UNIDO's help and suggestions in dealing with those problems. The main problem was not the establishment of a new system of country programming, but the problem of how to implement the projects already approved. Document DP/L.134/Add.1 was mainly of interest to UNDP itself, for it contained suggestions for modifying Headquarters arrangements to deal with a country programming approach. It was worth noting, in that connexion, that it was not true that country programming would reduce Headquarters staff needs: more programming work would be done in the field, it was true, but the requirement for Headquarters backstopping would in turn increase. As far as UNIDO's 1969 project implementation performance was considered, it appeared to UNDP that while UNIDO had increased its project expenditures by the impressive amount of 27 per cent, compared with 20 per cent for all executing agencies; UNIDO had failed to some extent to "deliver" its projects, for of the 6.3 million dollars of expenditure on projects which had been planned, only 3.5 million dollars (45 per cent) had actually been carried out. From UNDP's point of view, it would be helpful if UNIDO could achieve better project preparation by carrying out, for example, more preparatory missions and making more use of the Senior Industrial Advisers. In that connexion, it was worth noting that the application of the joint FAO/UNIDO agreement had not been entirely satisfactory so far, and many problems had arisen. UNDP wished to stress that it regarded its operations with UNIDO as a partnership and it felt that the executing agencies should be given responsibility for the implementation of the projects with which they were concerned.

Mr. Quiroz-Caballero (UNIDO) said that it was true that UNIDO was facing problems of implementation. Until now, the whole industrial development field had been in a phase of random programming, but the situation was now becoming clearer and UNIDO was moving towards a country programming approach. He agreed that better project preparation was desirable, and UNIDO realized that there was a problem over

the actual implementation of approved projects. A serious problem encountered by UNIDO was that of finding the necessary expert personnel to man projects, but UNIDO was gradually moving its expert recruitment system from TARS in New York to UNIDO headquarters in Vienna, and that was helping to improve the situation. Great progress had been made by UNIDO in the use of consulting firms to make good to some extent the shortage of expert personnel. UNIDO agreed with UNDP that more PAC missions would help to improve project quality, and it fully agreed that the partnership approach was essential in UNDP/UNIDO activities, for it was absolutely essential that UNIDO should know where it stood from the very beginning if it was to be able to help countries to prepare projects properly. As far as proper utilization of the senior industrial adviser and the field industrial advisers was concerned, UNIDO felt that progress had been satisfactory in that respect, and all the UNIDO field industrial advisers were already closely involved in country programming activities with a view to the development of major projects.

Mr. Cohen (UNDP) said that document DP/L.134 was divided into four main sections. Section I was the Introduction, section II was entitled "The Over-all Disposition and Management of UNDP Resources", section III was entitled "The Country Programming of UNDP Assistance", and section IV was entitled "Inter-country Programming".

I. INTRODUCTION

and

II. THE OVER-ALL DISPOSITION AND MANAGEMENT OF UNDP RESOURCES

Mr. Cohen (UNDP) said that, as far as the question of the level of resources which should be set aside for inter-country planning as against country planning was concerned, UNDP felt that, after deduction of about 12 per cent of total annual resources to cover administrative overhead costs for UNDP headquarters, the remaining resources (88 per cent) should be divided up by allocating 82 per cent of the remaining sum for country programming activities and 18 per cent for regional and inter-country projects. It was worth noting, however, that regional and inter-country projects were also, in a sense, country projects, as they also benefited individual countries as well as groups of countries.

Mr. Gouri (UNIDO) asked how the Governing Council of UNDP felt that problems of the implementation of projects should be dealt with.

Mr. Cohen (UNDP) said that the problem of project implementation had not yet been dealt with in depth by the Governing Council, but it would discuss the matter soon.

Mr. Ward (UNIDO) said that UNIDO envisaged more inter-country programming. The problem of regional co-operation was greater in industry than in any other field.

Mr. Cohen (UNDP) said that he hoped that the UNDP Governing Council would endorse the idea of carrying out more so-called "global" projects which were of interest to all, or at any rate a great many, developing countries.

Mr. Le Guay (UNIDO) noted that global projects were different from inter-country and regional projects not only in respect of the countries which they concerned, but also because of the way in which countries expressed interest in them. Global projects had new types of rules and regulations and a new type of flexibility which did not yet exist in regional and inter-regional projects, and he was interested to note that global projects did not cover only research activities, but also other activities.

Mr. Cohen (UNDP) said that global projects were an interesting new development, and he hoped that the interest shown in them by developing countries would persuade the UNDP Governing Council to endorse their continuance and expansion.

FULL UTILIZATION OF RESOURCES

Mr. Cohen (UNDP) explained that the Governing Council had been discussing whether UNDP should not depart from "full funding", with a view to achieving fuller utilization of resources. The intention of the section under consideration was to inform the Council that "partial funding" was already being practised and that the transition from "full funding" had gone about as far as it safely could at present. In that connexion, he appreciated that any transition to "partial funding" would entail difficulties for Participating and Executing Agencies.

Mr. Maggs (UNDP) pointed out that, if a system of "partial funding" were adopted, provision in the form of an operating reserve would have to be made to cover commitments in excess of annual allocations.

Mr. Ward (UNIDO) considered that the Revolving Fund of US\$12 million was rather small, especially in relation to the increase of resources forecast. The Revolving Fund was particularly important to UNIDO, which operated in a field where projects could emerge at short notice and which could not therefore be forecast long ahead. There had, therefore, to be an element of flexibility in the programming procedures.

Mr. Cohen (UNDP) agreed that US\$12 million was not enough and said that the idea of proposing a Revolving Fund of US\$20 million had been mooted; however, it had been felt that the Revolving Fund issue ought not to be discussed at the present stage.

Mr. Maggs (UNDP) noted that "partial funding" would require a complete revision of UNDP's financial regulations. In particular, in order to obtain allocations from the Revolving Fund, agencies would be asked to state only their expenditure requirements - and not their commitments.

Mr. Quijano-Caballero (UNIDO), referring to the discrepancy between planned and actual expenditures in the case of UNIDO, pointed out that the implementation of projects could not be judged solely in terms of the money spent up to a particular time; preparatory work took a long time and was relatively inexpensive compared with the placing of a large contract, which often represented the culmination of a project.

Mr. Cohen (UNDP) replied that, whatever the reason for the discrepancy, its effect was to immobilize funds.

Mr. Maggs (UNDP) said that in future UNDP would authorize commitments in respect of entire projects lasting several years, but would allocate funds annually.

LOCAL COSTS ASSESSMENTS

Mr. Cohen (UNDP) took it that there was general agreement on the desirability of greater flexibility, particularly in view of the need to envisage the end of the Special Fund and Technical Assistance arrangements, with their different systems of local costs assessments. As regards inter-country projects, the question of local costs assessments would have to be re-examined in the light of future changes in UNDP's mode of operation.

Mr. Quijano-Caballero (UNIDO) noted that projects were often delayed by questions relating to local costs assessments.

AGENCY OVERHEAD COSTS

Mr. Cohen (UNDP) pointed out that the question of agency overhead costs was linked with that of implementation, which had not yet been discussed by the Council. Implicit in the recommendations of the Capacity Study was the proposal that UNDP conclude contracts with agencies in the same way as with private companies. If that proposal was accepted (which he doubted), it would necessitate a new form of reimbursement to contractors. In that connexion, the idea of paying agencies for advisory services as well as for work directly associated with project execution was introduced in paragraph 38.

He felt that it was essential that agencies state clearly how they utilized Agency overhead payments made to them by UNDP.

III. THE COUNTRY PROGRAMMING OF UNDP ASSISTANCE

Definitions and concepts

Mr. Cohen (UNDP) said that it was not yet known what the Council would want to approve itself and what it would leave for approval of the Administrator.

Mr. Polit (UNIDO) pointed out that for a variety of reasons, including differences in the standing of Resident Representatives and in the calibre of field advisers in different countries, country programming would be possible only for a minority of countries.

Mr. Cohen (UNDP) replied that the problem was one of deciding what "country programming" really meant. In a sense country programming had existed since the inception of UNDP, but not on a systematic basis. Given the differences between different countries, it was as yet impossible to predict whether a high degree of uniformity could be achieved in country programming exercises.

A misunderstanding which should be removed consisted in the belief that country programming meant the planning of a country's entire economy; in fact it meant the planning of the contribution to be made by the United Nations system.

Mr. Saenger (UNIDO) asked whether agencies would have an opportunity of studying and commenting on country programmes before they were submitted to the Council.

Mr. Cohen (UNDP) said that, while the Council's own views were not yet known, it was felt that the Council should approve the system for establishing indicative planning figures and that the Administrator should be left to establish those figures and communicate them without negotiation to Governments; there would be no provision for review by individual agencies.

Mr. Lurie (UNIDO) drew attention to the fact that indicative planning figures would be extrapolations of figures for a statistical universe to which UNIDO, as a new agency, had not belonged. Many of the available resources would be taken up by continuing projects, and UNIDO would be at a disadvantage. Moreover, the older agencies would probably be unwilling to relinquish any part of their existing share of the resources being provided for development projects.

In establishing indicative planning figures account should also be taken of the fact that many countries had developed to the point where they could often benefit more from industrial development projects than from projects in other fields.

Mr. Quijano-Caballero (UNIDO) pointed out that UNIDO had embarked on country programming in the industrial field. In this task it was at a disadvantage because older agencies had better contacts with national planning authorities and because in many countries the private sector of industry was poorly represented in official circles. He hoped that UNIDO's country programmes in the industrial field would receive adequate consideration in the establishment of overall UNDP programmes, thereby avoiding duplication, and that UNIDO would be given clear guidance on the contribution it was to make.

Mr. Cohen (UNDP) said that there were no objections to sectoral planning by agencies, but the country programmes of individual agencies would have to be reconciled at the country level.

Mr. Quijano-Caballero (UNIDO) said that UNIDO's country programmes would fit into the overall country programmes established by UNDP. However, UNIDO was encountering difficulties in its programming activities because in some countries Resident Representatives failed to furnish the necessary contacts with local

authorities, referring requests instead to New York on the grounds that UNDP was operating globally rather than by sectors.

Mr. Cohen (UNDP) said that UNIDO should persevere with its efforts as long as its country programmes could be fitted into the overall UNDP country programmes. Replying to a comment from Mr. Stepanek (UNIDO) he noted that one drawback of the indicative planning figures system was the tendency of Governments to regard such figures as targets or commitments. It would be necessary to make frequent adjustment in the figures to bring them into line with the actual development programmes of the individual countries and he therefore hoped that the Council would be content to approve and maintain a check on the system as a whole and not want to enter into the details of the figures.

The meeting adjourned at 11.40 a.m. and resumed at 12 p.m.

GENERAL DISCUSSION (cont'd)

New Developments in Programming

Mr. Cohen (UNDP) referring to document DP/L.134, section (i) The planning of assistance said that this section gave an idealized version of the country programming exercise. It pointed out the essential need for the Government to define its objectives, strategy and priorities in order for the scale of UNDP assistance to the country to be determined. It might not be possible for all countries to make available all the information detailed in paragraph 70, as the facilities for so doing might not exist at the outset in many countries. He pointed out that they were not starting from "scratch", however, since experience existed already and much knowledge was known, if not documented. Paragraph 75 listed the elements of information required for eventual submission to UNDP and IACB to the Governing Council for approval. In reply to a query by Mr. Ward (UNIDO), he said that the list in paragraph 75 was an indication of the type of assistance activities in the country programme. He feared that a certain amount of paper work would be involved in the exercise.

Mr. Quijano-Caballero (UNIDO) said that, from experience, countries asking for long-range programmes usually provided lists of priorities. It was very important that they should be able to activate projects as soon as possible. They needed the machinery for quick assessment and quick approval of projects. UNIDO had found that visits to Headquarters by representatives of requesting countries, accompanied by Resident Representatives expedited matters. He said that project documentation should not only be limited, but kept short and concise. Adequate utilizable data covering financing, funding and management were also essential. In any case, as there was an annual review, documents had to be altered annually, although this posed a problem for 5-year projects.

Mr. Cohen (UNDP) said that, with reference to the suggestion in the Jackson Report that Resident Representatives should approve certain projects at country level, he had serious reservations. But he did feel that much of the appraisal work on smaller projects could be carried out by the Resident Representative, for formal approval by Headquarters. It was the responsibility of the Governing Council to decide on which projects to delegate authority to the Administration and up to him to decide to whom to delegate authority on his behalf. He mentioned that within the next 3 years there would be 150 new posts in the field.

Mr. Quijano-Caballero (UNIDO) agreed that it might be difficult for a Resident Representative to approve all projects, but that the power of approval should be possible under certain conditions. Flexibility was important.

Mr. Polit (UNIDO) said that UNIDO was beset by special problems, since many of the decisions they had to reach cut across other United Nations agencies fields of activity and agreements between the agencies were by no means clear cut. He thought that the Resident Representative could co-ordinate all United Nations activities if they were to be given the authority suggested in the Jackson Report. He added that UNIDO as a new agency faced new problems.

Mr. Cohen (UNDP) after stating that Resident Representatives would not be given such authority, said that special problems would be solved on an individual basis when they arose. There had been 1,100 Special Fund projects over the past 10 years. He would be surprised if there had been errors of judgement in more than 25 cases. He pointed out that many problems, specially of a regional nature, such as the

water field could not be solved by agreement. Turning to Timing and Transitional measures, page 34 of document DP/L.134, he said that these effected all operations as to procedure. Since there were still many projects in the pipeline it had been decided that the old and the new system of programming should co-exist. They would deal with pipeline projects while the country programming exercise was taking place - although this did not always mean that there would be a mission in the field. They continued to receive new official as well as unofficial, but just as serious requests, at the rate of more than one per day. The substance of the matter was the seriousness of the Government as regards its request. UNDP would continue to process projects for the January programme as in the past and would continue with the TA programme on 1971. The aim was to begin in 1971 to produce indicative planning figures for country programmes of UNDP assistance starting in 1972. It was important that the Resident Representatives should have the indicative planning figures in mind when foretelling government requests and that they should relate pipeline projects to the indicative planning figures. The new system would come into effect in January 1973. In reply to a question by Mr. Quijano-Caballero (UNIDO) he said that these figures would take into account the merger of Technical Assistance and Special Fund, and that regional and inter-regional Technical Assistance would end and be merged into the new country programming procedure.

Mr. Gouri (UNIDO) noted that there were no relative new internal indicative programme figures for agencies, and whether they would be still able to come up with the \$800,000 regional programme next year, on the merit of projects.

Mr. Cohen (UNDP) said this had been carried out before with SF projects and that no problem was involved. They would not keep national agency check sums and projects as such, would stand on their merits. Approval would be given by Headquarters after consultations with the Agency dealing with the projects. He said that he hoped that the foregoing had given them some insight as to UNDP approach to the question of country programming and said it was essential for them to know UNIDO's views when discussing matters with Governing Council.

In reply to a question by Mr. Gouri (UNIDO) as to the role of the Industrial Development Field Advisor in the country programming exercise, he said that he would play a key role in the programming exercise, as an adviser to the Resident Representative and also play an important part in appraisal. He added that it was their aim to put

out more work to the requesting countries and queried the wisdom of representatives from requesting countries visiting Headquarters. He thought better results would be achieved in the country itself.

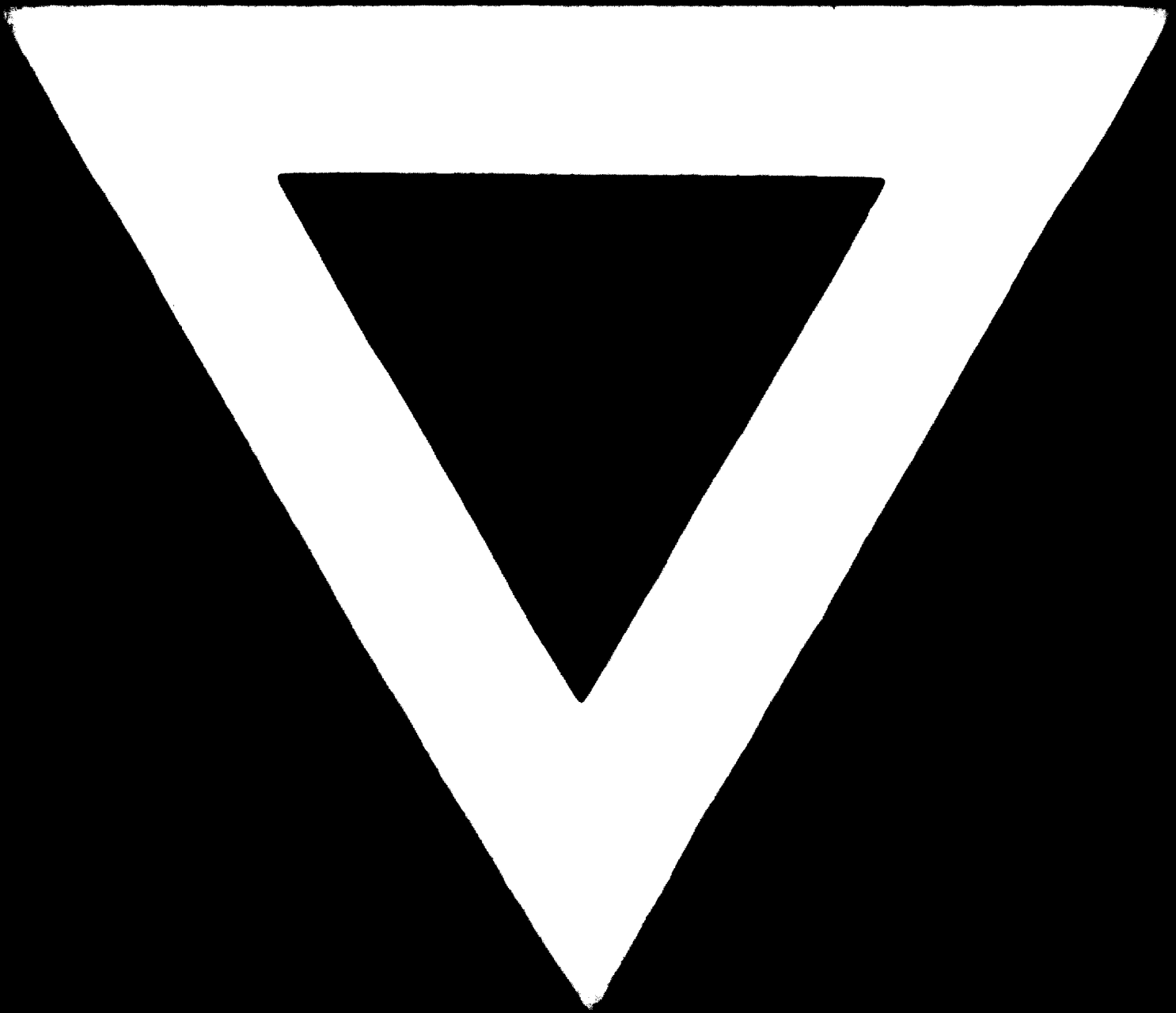
In reply, Mr. Quijano-Caballero (UNIDO) said that depended on the particular country and its degree of preparedness. Such visits afforded a field of wide discussion in the "house". He felt that experience so far had yielded positive results and, moreover, no commitments were made without prior consultation with UNDP in New York, by telex or telephone. He also hoped that their new methodology would not affect SIS projects and that the share of industrial development projects would be properly reflected in the distribution of projects among the various United Nations agencies, and that the global approach to projects would result in an analysis of the needs of inter-country projects. He was glad to hear the statement on planning.

Mr. Lurie (UNIDO) stressed the need for the strengthening of the regional establishment of UNIDO, through more regional advisers, covering small areas, in order to work closer to the country level.

Mr. Cohen (UNDP) said that speaking from experience this might cause serious problems and advised working through the Resident Representatives. He concluded by saying that he wanted to ensure that work in the industrial field had a place in the country programming. He was aware of the importance of the SIS programme to UNIDO and assured that the present arrangements for funding under the revolving trust would remain unchanged.

The meeting rose at 12.50 p.m.





74.10.18