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**Working Session on the
Introduction of Quality Management
in Development Cooperation Agencies**

Vienna, 23-24 March 1995

REPORT

Prepared by
the UNIDO Secretariat

* This document has not been edited.

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Introductory Note:

The working session was convened on the premise that a management concept for development cooperation must above all respect that the various parties in the developing countries must own the development process and supportive policies programmes and projects. The clear definition of ownership and management responsibility at all levels of involved parties is the cornerstone of any approach to the management of development cooperation.

The purpose of the Working Session was to reach a common understanding on the management of development cooperation (policies, procedures, methods) by multi- and bi-lateral cooperation agencies.

Conclusions:

1. There was a common understanding of the principles inherent to the management of development co-operation model currently adopted by GTZ and UNIDO (see ANNEX 1).

PCM - Project Cycle Management - as described in the publications / manuals of several bilateral co-operation agencies, corresponded more to the application of Logical Framework through a workshop and - to some extent - participatory approach, but without making a clear distinction among the various process owners and their management responsibilities. This leads in many cases to the take-over of the development process by the external agency - often also simply because it seems more cost-efficient for the foreign expert to undertake a certain assignment rather than leaving it to staff concerned and therefore responsible groups and organizations in the developing country.

[The problem causing this situation is that the external agency did not correctly assess the existing situation of the local groups and institutions and their human and financial capacities before designing its support service].

2. The relationship with quality management - TQM, business process management, etc. - starts with the fact that development co-operation agencies also have to ensure total client satisfaction through the design and implementation of their service delivery process. The emphasis is given to the establishment of cross-functional teams which are required to tailor the proposed service to the precise requirements of the client - that is, to enable the client to overcome the constraints encountered in:

- the analysis of an existing problem situation;
- the formulation of beneficiaries-oriented development programme;
- the implementation of that development programme.

In order to do any of these, the cross-functional team is required to:

- assess the local institution: functions, objectives, programmes, constraints, etc;
- verify the existing problem situation of the parties being supported (beneficiaries) by the local institution;
- verify the relevance of the support programme being provided by the local institution and the constraints faced by it;
- define the purpose of the external agency support services; and
- formulate the external agency's support programme.

3. The Participatory Co-operation Management (PCM) concept is a specific approach supportive to the application of TQM methods. The management of the development cooperation process is, in the GTZ and UNIDO model, essentially a participatory and iterative process with the client[s] and to the extent possible, the target beneficiaries. Its essential element is the use of ZOPP / OOPP methods for securing a dialogue among all parties concerned to achieve a common understanding on the management responsibilities of each party - through visualisation and documentation during the phases of analysis and formulation.

In this context, GTZ stressed that we need to rethink our understanding: not to produce solutions, but to provide assistance to local institutions in developing their own solutions.

It was pointed out that GTZ had carried out an evaluation of ZOPP; one of the conclusions drawn was that ZOPP had wrongly been reduced to conducting a workshop. What is important is the participatory process within which a workshop can be a very good way to exchange views and to develop a consensus.

The emphasis laid on the analysis of an existing problem situation BEFORE designing a project means that there is a longer period required for identification and formulation; furthermore, in the case of GTZ there is the flexibility of having "an open orientation phase" of about 6 months up to two years during which the existing situation and involved parties are participatorily analysed, a strategy is formulated and finally the support service provided by GTZ is adjusted to the situation of the client.

The model has not been applied to any considerable extent by UNIDO. Some test cases are being undertaken: Indonesia, Nigeria and Vietnam where attempts have been made to clearly define the development project of the client and the support service provided by the external cooperation agencies.

4. The Working Session agreed to set up an informal group, with UNIDO acting as secretariat, in order to pursue its work through the exchange of information on both theory and practical aspect of the model, and to meet again when required.

The representative of DANIDA would try to discuss with DAC / OECD the possibility of working closely with its network on technical cooperation. There was agreement that there should not be any duplication of efforts between the two. Also it was pointed out that the DAC group was composed of bilateral agencies, members of OECD, and that multilaterals were invited as observers - but limited to the World Bank, IMF and UNDP.

From UNIDO's viewpoint, however good the model might be, it is still to be understood and accepted by developing countries on a broader basis. UNIDO experience is that technical cooperation being virtually "free of charge" to those countries. they do not always see themselves as being owners and responsible for the management of their project - the result often being insufficient relevance and sustainability of the external agency's support service.

Topics suggested for future discussion

The participants identified the topics which they would like the Working Session to discuss in the future:

- i. Strategy for introduction of quality system in organizations:
 - The quality system;
 - How to develop a learning organization?
- ii. Examples of PCM (3-layer matrix) applied throughout cycle:
 - How to ensure the right participation in participatory processes and in ZOPP workshops particularly?
 - Examples of how ownership is defined;
 - Can/should Quality Management apply to country policies, programmes and/or projects?
 - Procedures of quality system;
 - Training of quality officers (focal points);
 - Option to allocate specific functions in cycle to various donors;
 - Feedback with the client;
 - Impact assessment - what is/should be the role of the client?

- iii. To benchmark with other agencies.
- iv. Pool local consultants.
- v. How/if Quality Management has changed agency work performance?
- vi. Cost of Quality Management.

Other related issues

While the Working Session concentrated on the management of development cooperation and the model utilized by UNIDO and GTZ, there were several other issues discussed:

1. Definition of "participation" (GTZ)

- the integration of hitherto marginalized groups in decision-making which affects their lives

Although the participants reached a common understanding of the principles of the development cooperation model adopted by GTZ and UNIDO, there were, and probably remain, different interpretations of PCM, OOPP/ZOPP and Logframe.

It might also be useful in the future to **compare definitions and terminology** as the lists of definitions in the EU and FASID handbooks differ from UNIDO. This can only cause confusion, e.g. EU describes PCM as a method of managing the six project phases, FASID as a three step method.

- 2. The use of a log frame at each level is desirable - but not obligatory - since it makes for clarity with regard to the management responsibility of each party, and with regard to the critical assumptions/external factors to be monitored.
- 3. It was also recognized that in the past, there was little more than "hope" that local institutions would be sustainable whereas at present,

outside government. A key concern was the identification of new partners who genuinely reflected needs.

4. It was noted that development cooperation was negatively affected by lack of transparency: developed countries having more information and therefore the better possibility of choice; developing countries did not. Their need was therefore for an honest broker or they would be "sold" a solution. (Agencies sell what they produce.)
5. The message from "outside" (ICME) was that international organizations must be aware that they will be judged on the impact on the client and the beneficiaries. They exist to serve the client. Hence the importance of identifying the "right" partner. There are often gaps between expectations, perceptions, and interpretations of the different parties both in the national project and in the processes supporting the technical assistance project (slides showing the gap between expectation and perception and the pyramid diagram) [attached]. These can only be overcome through negotiation, specification and making results more measurable.
6. This leads to the longer preparation time which was advocated by ICME, and practised in e.g. in GTZ through the open orientation phase. Here the ICME slide showed [attached] the resources "saved" on correction/dealing with complaints.
7. On the other hand, the danger of over-preparation was brought out. It was suggested that projects should start in a smaller way as many aid projects could be said to be doing full-scale experiments.

At the same time, caution was expressed on the tendency to take the planning of a project as agreed through an OOPP/ZOPP workshop as a "bible" and not dare to change anything until the next workshop.

8. A key question of the EU was how to get enough (continuing) participation in development cooperation. One possible response seemed to be to have the "external support services" manager play a "moderator" role to organize participation as an ongoing process.

SOME BACKGROUND

The UNIDO reform process is described in GC.5/23 which was adopted by the General Conference at its fifth session. That process has two components:

(i) the objectives and priorities pursued by developing countries and which might benefit from technical support services provided by UNIDO;

(ii) the adoption of quality management by UNIDO, including for the management of technical co-operation.

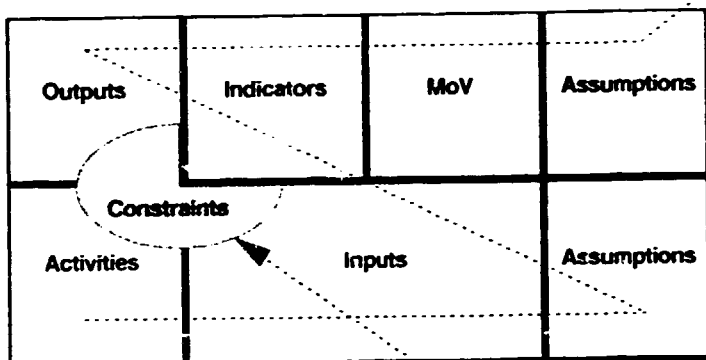
The principles of development co-operation are contained in the UNIDO Constitution emphasising that the industrial development process is the responsibility of developing countries and that the role of UNIDO is to promote their accelerated industrialization. Similar principles are contained in the Constitution or terms of reference of other development cooperation agencies.

UNIDO, in collaboration with GTZ, has further developed the OOPP methodology in order to take these principles into account. The management of development co-operation must above all respect that it is the authorities in the developing countries which own the development process. The definition of ownership and management responsibility is the cornerstone of both UNIDO and GTZ approaches to the management of development co-operation, as well as the participatory approach used in OOPP/ZOPP.

The following diagram illustrates the GTZ/UNIDO "model" with regard to the responsibilities of: people/enterprises; local institutions within the developing country; and external development co-operation agencies.

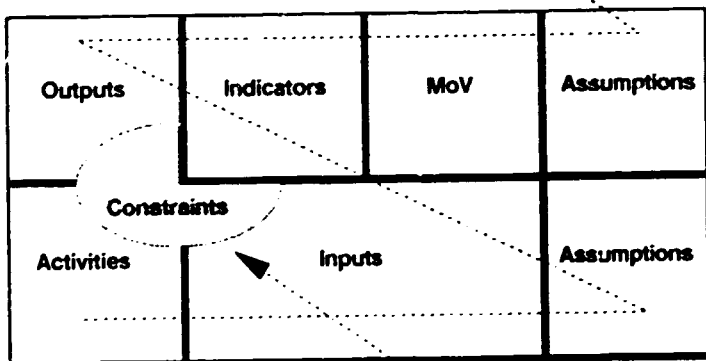
PRINCIPLES

MANAGEMENT OF DEVELOPMENT COOPERATION



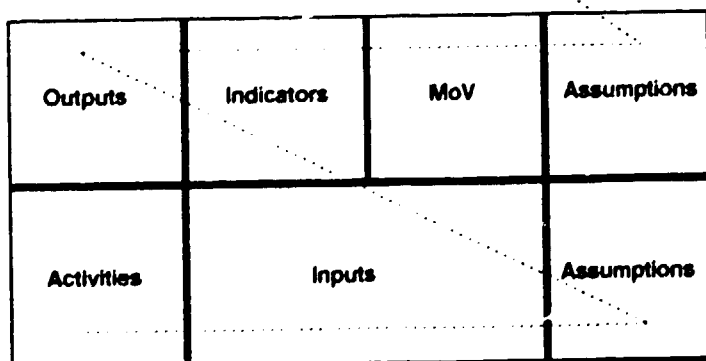
TARGET BENEFICIARIES' PROGRAMME

Purpose of client programme: The constraints of the beneficiaries are overcome



LOCAL INSTITUTION'S PROGRAMME

Purpose of the UNIDO Service: The constraints of the client are overcome



UNIDO SUPPORT SERVICE

Working session on the introduction of Quality Management
in development cooperation agencies
Vienna, 23-24 March 1995

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WORKING SESSION ON THE INTRODUCTION OF QUALITY MANAGEMENT
IN DEVELOPMENT COOPERATION AGENCIES

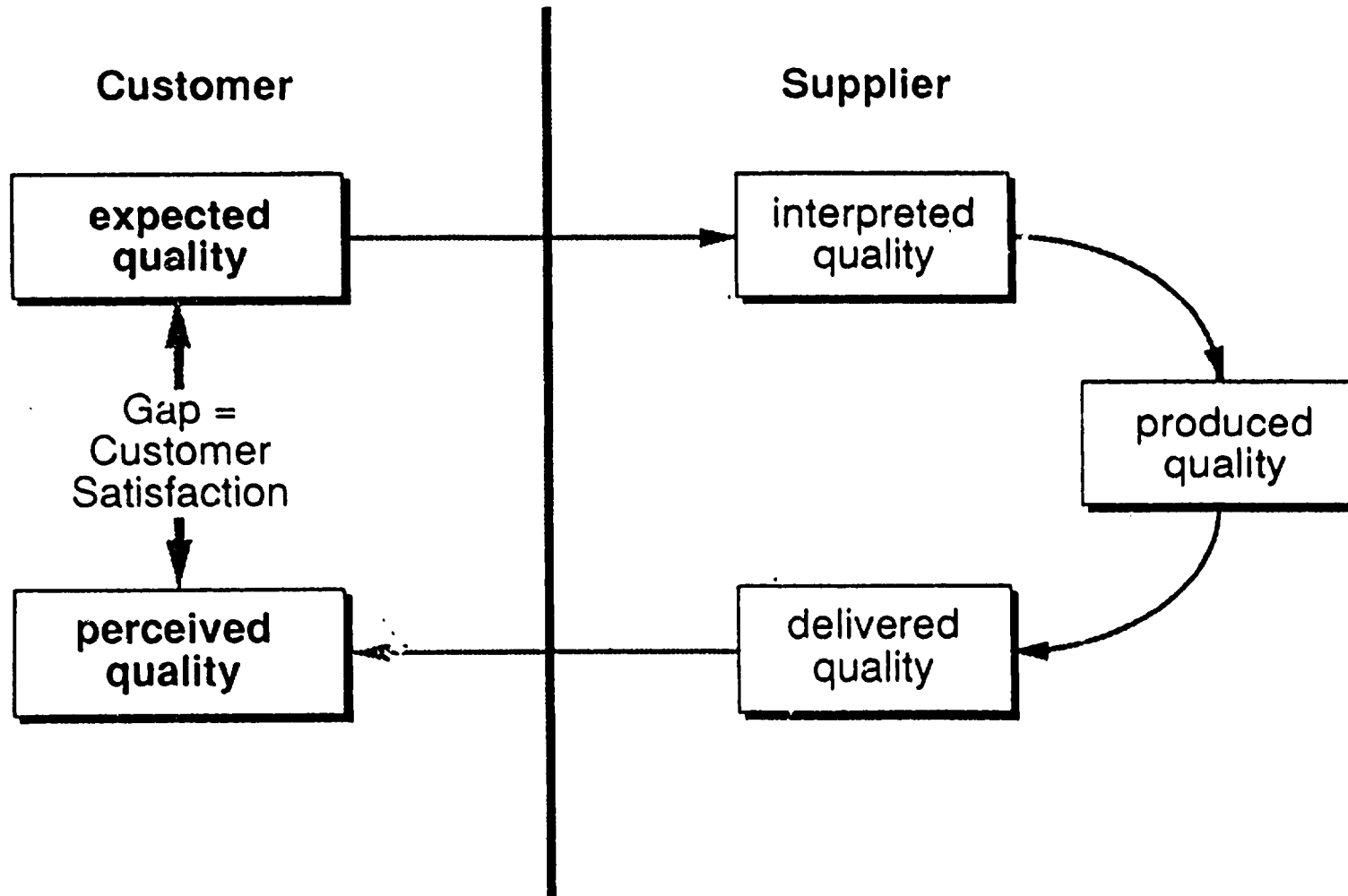
(Vienna, 23 - 24 March 1995, Room C0343)

DOCUMENTS LIST

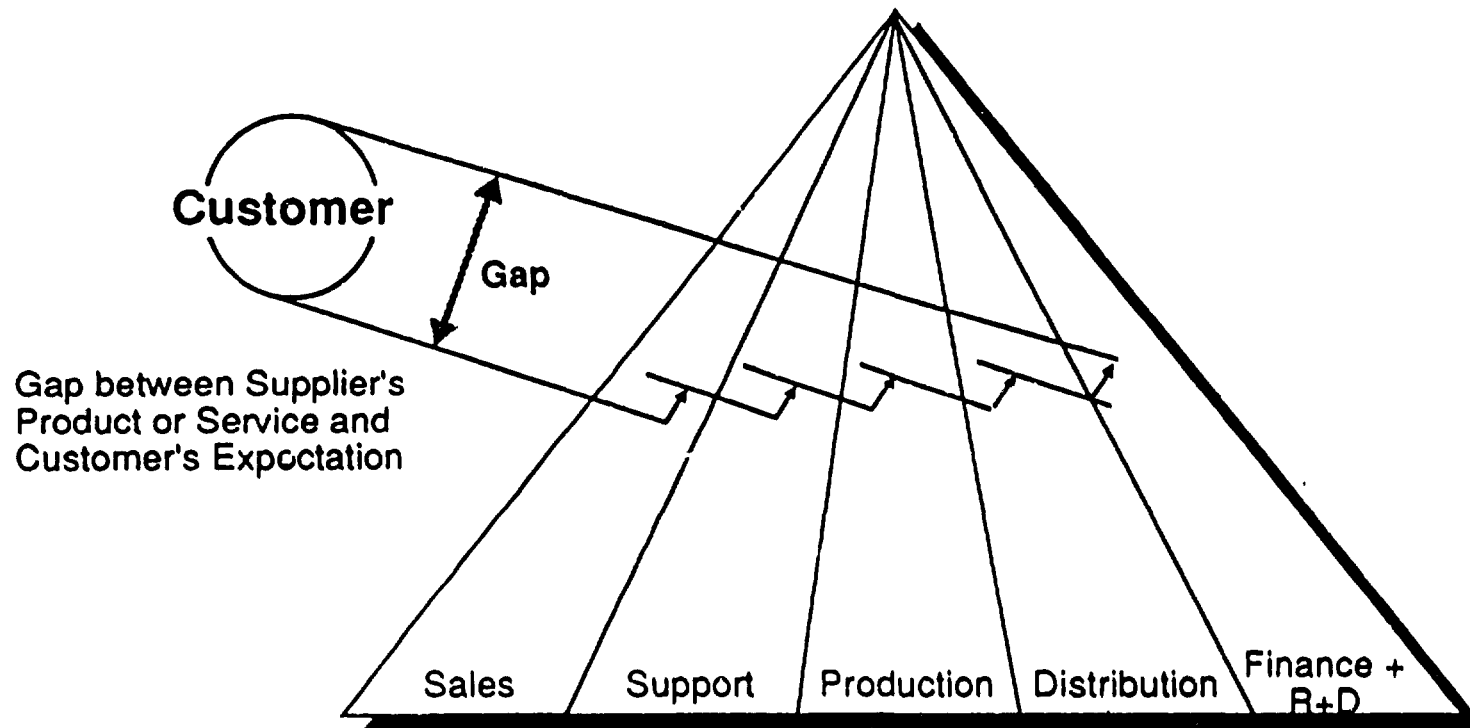
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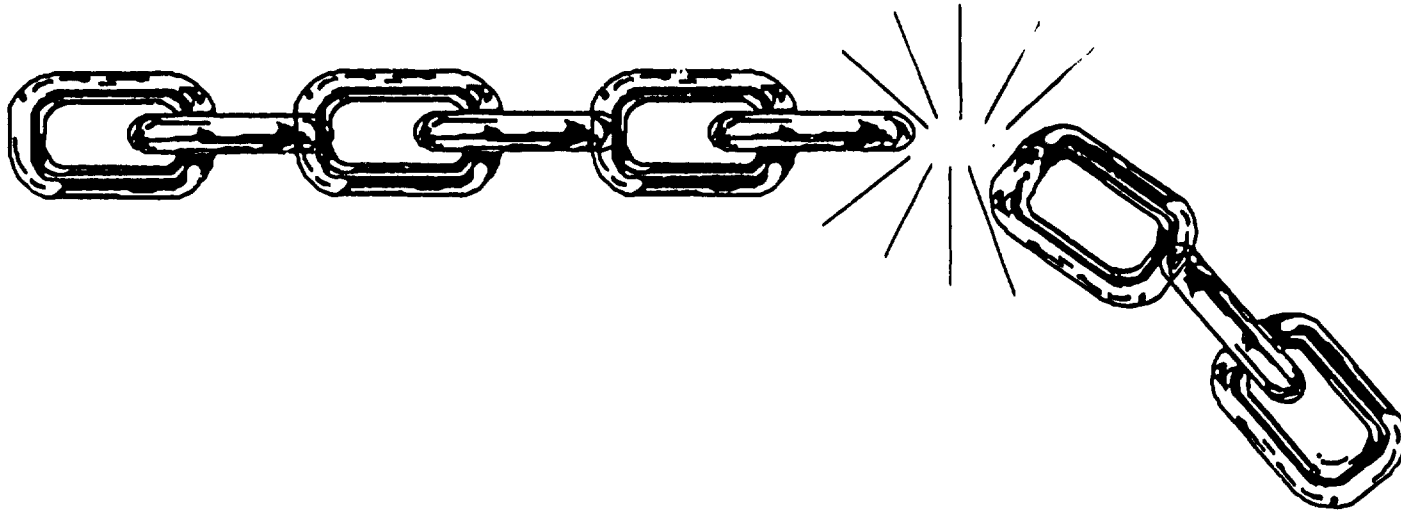
Customer Satisfaction - The Gap between Expectation and Perception?



The Service Chain Customer-Supplier



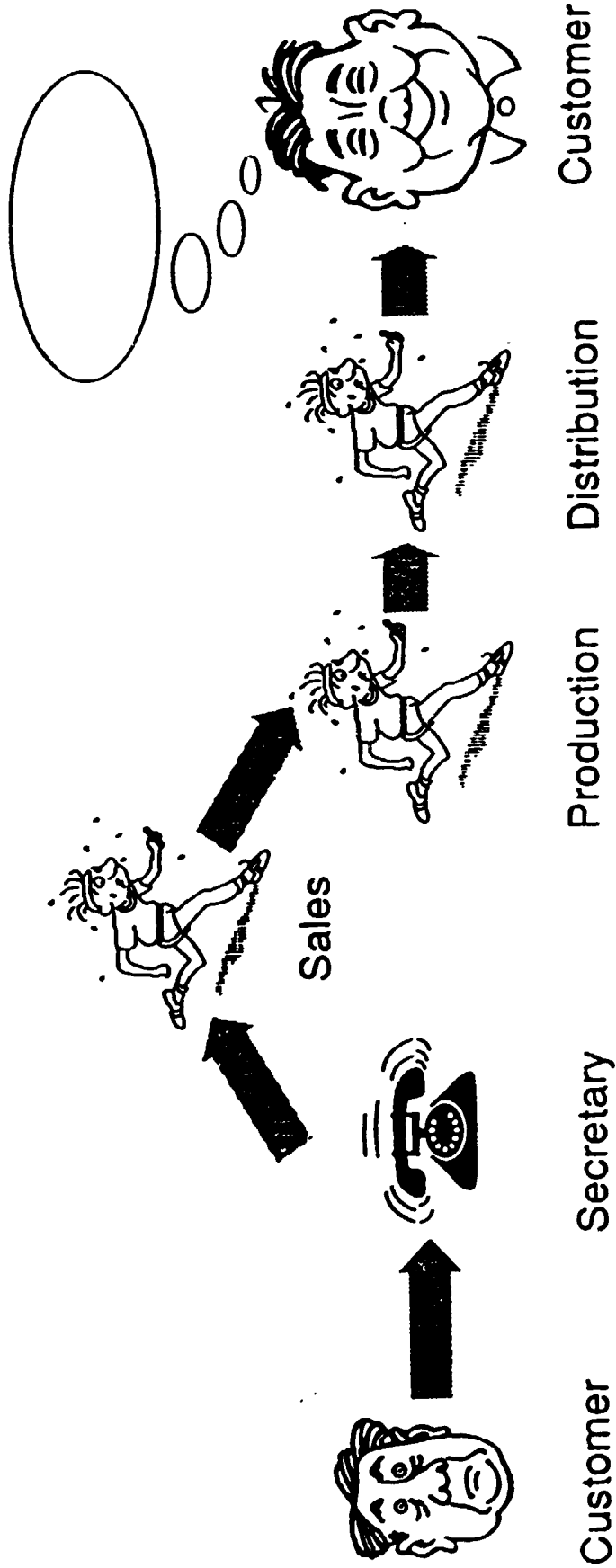
The Relation Customer - Supplier is the Key to Quality



"A chain is not stronger than the weakest part"



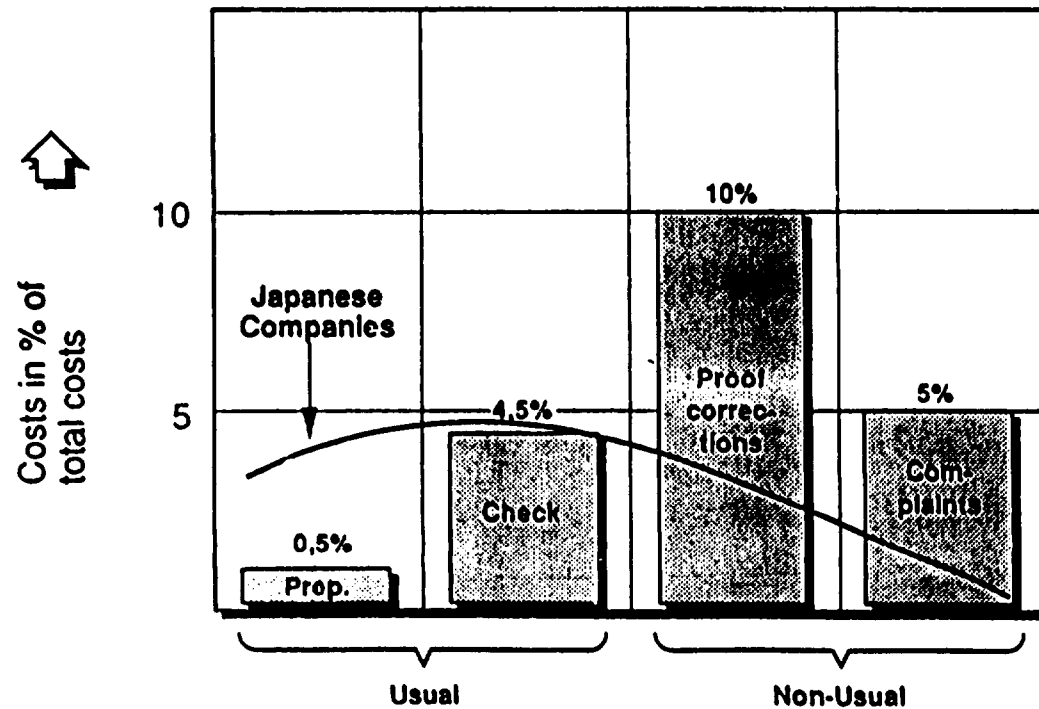
Quality depends on the Teamwork



A Study about preventive Working



A study about 500 European and American industrial companies:





Preventive Working

Each activity can be structured as follows:

1. Preparation
2. Add Value
3. Check
4. Proof Corrections
5. Complaints

All steps cost:

1. + 2. + 3.	=	"Usual" Costs
4. + 5.	=	"Non-usual" Cost