

UNITED NATIONS SYSTEM CO-OPERATION WITH
MULTILATERAL FINANCIAL INSTITUTIONS

PART I: PERFORMANCE AND INNOVATION CHALLENGES

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ABBREVIATIONS AND ACRONYMS

| | |
|------------|---|
| ACC | Administrative Committee on Co-ordination |
| AfDB | African Development Bank |
| AsDB | Asian Development Bank |
| CCAQ | Consultative Committee on Administrative Questions, of ACC |
| CCSQ (OPS) | Consultative Committee on Substantive Questions (Operational Activities), of ACC |
| DG, DIEC | Director-General for Development and International Economic Co-operation, United Nations |
| EC/EEC | European Communities/European Economic Community |
| ECA | United Nations Economic Commission for Africa |
| FAO | Food and Agriculture Organization of the United Nations |
| IDA | International Development Association, World Bank |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| INVEST | Pre-Investment and Investment Activities Unit, of ILO |
| JCGP | Joint Consultative Group on Policy |
| JIU | Joint Inspection Unit |
| NGOs | Non-governmental organizations |
| OECD | Organisation for Economic Co-operation and Development |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| UNIDO | United Nations Industrial Development Organization |
| WFC | World Food Council |
| WFP | World Food Programme |
| WHO | World Health Organization |

EXECUTIVE SUMMARY

A constant theme in the consideration of international development activities has been a perceived necessity for improved co-operation and its corollary, improved co-ordination, among the various agencies, organizations and institutions involved. Although the potential benefits of co-operation and co-ordination are thus generally acknowledged, co-operation in practice has not proceeded automatically from this perception. On the contrary, in their study of United Nations system co-operation with multilateral financial institutions, the Inspectors found after more than 100 interviews and the review of some 300 relevant reports:

(a) No instance of effective co-operation and co-ordination occurring spontaneously for their own sakes;

(b) No instance of effective co-operation and co-ordination resulting from admonitory resolutions of the competent international bodies;

(c) No instance of effective co-operation and co-ordination proceeding from high-level executive accords; and

(d) No instance of effective co-operation and co-ordination resulting from regularly scheduled meetings of Headquarters representatives.

Rather, experienced informant after informant told the Inspectors in confidence that, although everyone paid lip service to co-operation and co-ordination in theory, no one really favoured them in practice. Instead, each agency wished to be its own think tank, its own executor of programmes. In the field of technical co-operation, neither donors nor recipients nor programme managers really welcomed co-operative relationships. In the argot of bureaucracy, each agency "wanted its own kitchen". Co-operation and co-ordination were for other people. Moreover, the same expert observers counselled the Inspectors to look at the governments of Member States or to look at other United Nations system bureaucracies, e.g. refugees or peacekeeping, where the same phenomenon was evident. Why then, the Inspectors asked themselves, were instances of co-operation and co-ordination to be found in practice if the normal tendencies of bureaucracies were opposed to them?

Observation, review and analysis have convinced the Inspectors, in reply to their self-directed query, that effective co-operation and co-ordination do in fact occur in three circumstances, one general and two specific. In the general circumstance, co-operation and co-ordination occur between United Nations system organizations and multilateral financial institutions where there is mutually perceived advantage. Co-operation and co-ordination also occur in specific instances where individual participants know each other well and favourably (e.g. former World Bank employees working in other United

Nations agencies often interact successfully with their erstwhile Bank colleagues) or in field situations where the dynamics of difficult situations on the ground and a shared perception of Headquarters combine to forge strong and co-operative local alliances.

With the goal of identifying possibilities for improving co-operative relationships between United Nations system organizations and multilateral financial institutions, the Inspectors focused on the elements of mutually perceived advantage. They found that over the past decade the provision of technical co-operation expertise has become an area of intense competition. Accordingly, the Inspectors sought to isolate and define those characteristics of competitiveness which United Nations system agencies have employed successfully in practice. This pragmatic approach resulted in the identification of ten factors helpful in developing successful co-operative relationships in operational activities for development. Briefly, these are:

1. PERFORMANCE: timely, effective delivery of a needed service;
2. THE NICHE: identification or development of an area of comparative advantage;
3. VALUE-ADDED REQUIREMENT: addition of a value which others cannot match;
4. PRAGMATIC RELATIONSHIPS: concentration on meaningful co-operative contacts at appropriate levels;
5. STRATEGIC APPROACH: formulation and articulation of a soundly-conceived approach to development;
6. MARKET-ORIENTED OUTLOOK: flexible responsiveness to clientele needs;
7. ORGANIZATIONAL FLEXIBILITY: action-oriented and adjustable organizational structure;
8. FACTUAL SELF-PROMOTION: realistic publicity concerning capabilities and accomplishments;
9. COMPETITIVENESS: constant performance improvement;
10. QUALITY CONTROL: concentration on results.

Although attention to the foregoing factors will, in the opinion of the Inspectors, greatly enhance the prospects of successful co-operation between United Nations system organizations and multilateral financial institutions, it is no sure guarantee of success. In today's competitive environment, United Nations organizations will, for example, not always be able to compete successfully with certain private consulting firms or loosely controlled public bodies which are at times able to offer personal incentives to influence the decisions of officials of Member States. Such distorting and non-economic behaviour is of course not available to, nor appropriate for, United Nations bodies.

This having been said, however, the experiences of successful co-operation between United Nations system organizations, and multilateral financial institutions (from which the above ten factors have been derived) show that United Nations organizations have the possibility to be competitive in the technical co-operation field. The example of the International Labour Organisation provides an excellent guide for those organizations choosing to follow the competitive route. As in the case of the ILO, such organizations should (a) enlist the undeviating support of their top management, and (b) institutionalize liaison procedures best calculated to assure mutually beneficial interactions. But, in addition to these organizational moves by agencies seeking co-operative relationships with international financial institutions, success in this endeavour requires that each aspiring organization develop the following competitive attitudes:

1. The ability to identify areas in which it has, or can acquire, a comparative advantage relative to competing entities on the international scene.
2. The ability to organize in exploiting this niche (this comparative advantage) by adjusting to "market" demands, by providing timely and reliable service, by delivering a value-added component to the programme of the financing institutions as accepted by the recipient government and by being prepared to adapt its procedures to fit the requirements of the financing institutions.

Although these steps put the major burden of adjustment on the United Nations system organizations, and perhaps unfairly so, the overwhelming preponderance of evidence available to the Inspectors indicates that in most cases the multilateral financial institutions (and the Member States which make the final decisions) are in a position to decide on whatever co-operative relationship is most advantageous. In today's competitive world it is, therefore, up to the United Nations system organizations to adapt to this situation if they wish to build effective co-operative relationships with the multilateral financial institutions.

Accordingly, the Inspectors recommend that governing bodies and senior officials of United Nations system organizations, wishing to improve co-operative relationships with the multilateral financial institutions, increase their efforts to foster creativity, responsiveness, programme initiatives, sustained performance improvement, and other means of enhancing their competitiveness. To this end, Inspectors recommend a meaningful agency commitment to competitiveness which includes:

- (a) an adequate allocation of resources;
- (b) an explicit priority given to deploying personnel to participate in co-operative programmes;
- (c) a planning effort to identify ways to improve performance, and
- (d) a review and evaluation process to measure results accurately and feed findings back into these allocation, deployment and planning processes.

1. INTRODUCTION

1. The Joint Inspection Unit (JIU), at the request of one of its participating organizations, included in its 1988 work programme a study of technical and other co-operation between agencies of the United Nations system and multilateral financial institutions. However, since an inter-agency study of collaboration of the system organizations with the World Bank was already underway (see Chapter V), the Inspectors waited until this study was completed before beginning their own, broader, study in mid-1989.

2. The Inspectors paid several visits to the World Bank, as well as to the African, Asian, and Inter-American Development Banks. They visited many of the United Nations system agencies, primarily at headquarters but also at regional and country levels. They also asked all these agencies about their co-operation with other multilateral financial institutions. They then visited the Commission of the European Communities since a number of organizations have been increasing their operational activities with this body, although it is of course not strictly a financial institution. In the course of their work, the Inspectors gathered and reviewed some 300 policy, programme and project reports and analyses of changing patterns of development co-operation, and conducted more than 100 interviews. They wish to express their appreciation to all those officials who contributed their insights.

3. The basic objective of the JIU study was to examine the co-operative activities of United Nations system agencies with the multilateral financial institutions, which would permit both groups to provide the best possible services and programmes to developing countries. In conducting their research, the Inspectors sought to determine: which agencies are co-operating with each other in operational activities for development, and why? What joint policy, project, and programme activities exist and what are the scope, trends, constraints, and possibilities for increasing such efforts in the future? Most importantly, what significant steps are needed to improve operational co-operation between the two groups of organizations?

4. The Inspectors found that there is still not much operational co-operation between United Nations system organizations and the multilateral financial institutions at present. The situation is starting to change, as some significant collaborative initiatives and processes get underway, and as a variety of co-operative operational programmes emerge. However, officials who have participated in successful collaborative efforts and those who have suffered through failures stressed repeatedly that the usual liaison and co-ordination mechanisms are not the key. What does succeed in building solid co-operation is joint efforts applied effectively to a priority need. When two organizations

- (a) work together on a well-defined project or programme;
- (b) provide complementary expertise or other resources;
- (c) perform well and in a timely fashion;

- (d) and achieve both their mutual and individual policy, programme and administrative objectives and requirements,

the co-operative arrangement is likely to be repeated and expanded in the future.

5. As the study progressed, it became clear that what really builds better co-operation in operational activities for development is results. Co-ordination mechanisms, liaison efforts, and policy statements all play a part. But the proof is in the performance. Organizations that are known for innovative and effective performance will attract partners for co-operative work, while those whose performance is erratic will have difficulties establishing co-operation no matter how extensive their co-ordination mechanisms may be. What is more, an organization cannot rest on past successes: it must steadily adapt and innovate its development services to meet changing conditions and needs.

6. This performance imperative is increasingly being emphasized in all aspects of operational activities for development, as discussed in the following Chapters.

(a) The multilateral banks and many other development institutions have become much more active and competent competitors, who are eager to provide the technical co-operation and field programme expertise which the United Nations system organizations formerly dominated. This has called into question established technical co-operation patterns and habits (Chapter II).

(b) Policymakers and analysts, from both inside and outside the United Nations system, have recently exhorted all development organizations to work together to establish much more coherent programmes, and to provide more co-operative, participative and high-quality development services (Chapter III).

(c) Stubborn, long-standing problems inevitably hamper better development co-operation, both in general and for United Nations system organizations (Chapter IV).

(d) None the less, there have recently been a number of collaborative initiatives which seek to enhance co-operative opportunities (Chapter V).

(e) Yet discussions with operational officials consistently emphasized certain operational factors that build effective development co-operation, beginning with the sine qua non of high-quality performance (Chapter VI).

(f) The Inspectors believe that ILO's liaison efforts with the World Bank illustrate the pragmatic, performance-oriented approach to operational liaison which is most likely to lead to significant co-operative relationships (Chapter VII).

(g) Finally, the Inspectors offer certain recommendations to encourage senior operational officials and the appropriate governing bodies of the organizations to foster the continuous creativity, programme initiatives, and sustained performance improvement which will be required to expand United Nations system operational roles in the future (Chapter VIII).

7. General analysis is always more useful when combined with specific examples. There is no magic formula to ensure successful multilateral co-operation in operational activities. Each organization must respond to the opportunities that its policies, mandates and activities offer. Nevertheless, in Part II of this report the Inspectors present 22 examples of recent programme initiatives, operational reviews, and investment and project preparation activities in United Nations system organizations. They believe that these efforts illustrate new approaches and ideas that other organizations might also wish to consider.

II. CHANGING PATTERNS OF INTERNATIONAL DEVELOPMENT CO-OPERATION

8. The 1980s were a time of rapid and significant change in international development co-operation and in that category - technical co-operation - where most United Nations system activity is centred. These major changes involved financial flows, strategies, and basic modes of development activity.

9. The following table from the Organisation for Economic Co-operation and Development summarizes total net resource flows over the last decade. The situation, of course, varies widely in individual developing countries and regions. Overall, however, after falling sharply during the mid-1980s, total resource flows have now stabilized, but at only about half the 1981 level when measured at constant prices and exchange ratios. The pattern has also changed dramatically: official development finance disbursements have risen from only 33 per cent to more than 60 per cent of total net resource flows, while bank lending and export credits dropped very sharply.

10. Multilateral flows have changed as well. In 1970 the United Nations system organizations were the dominant donors of multilateral official development assistance, with the World Bank trailing and the regional development banks playing a small role. In recent years, however, the banks' combined disbursements have been almost double those of the United Nations system organizations 1/.

TOTAL NET RESOURCE FLOWS TO DEVELOPING COUNTRIES 1981-1989, alternate years current \$US, billions

| | <u>1981</u> | <u>1983</u> | <u>1985</u> | <u>1987</u> | <u>1989</u> |
|--|--------------|-------------|-------------|-------------|--------------|
| Official Development Finance, disbursements | | | | | |
| Bilateral | 31.9 | 27.6 | 32.5 | 44.8 | 49.5 |
| Multilateral | 13.6 | 14.8 | 16.4 | 16.8 | 19.5 |
| Total Export Credits | 17.6 | 4.6 | 4.0 | -2.6 | 1.2 |
| Private Direct Invest- ment (OECD) | 17.2 | 9.3 | 6.6 | 21.0 | 22.0 |
| Intrntl. Bank lending, bond lending, other | 55.1 | 36.3 | 21.9 | 10.0 | 14.0 |
| Grants by Non-governmental Organizations | 2.0 | 2.3 | 2.9 | 3.5 | 4.2 |
| | <u>137.4</u> | <u>94.9</u> | <u>84.3</u> | <u>93.5</u> | <u>110.4</u> |
| | ===== | ===== | ===== | ===== | ===== |

Source: OECD 2/

11. Patterns of technical co-operation financing have also changed dramatically over the same period of the 1980s, as shown by the following table from the United Nations. The World Bank has become the most important single source of multilateral technical co-operation, even though this amounts to only about 6 to 8 per cent of its total annual lending. World Bank technical co-operation commitments from loans and credits more than doubled during the 1980s, while operational expenditures for development of United Nations agencies (excepting WFP and UNICEF) scarcely grew at all. The amounts provided by the World Bank rose as a proportion of the technical co-operation expenditures of all the United Nations agencies (excluding WFP and UNICEF) from 33 per cent in 1981 to 52 per cent in 1989. This does not include additional Bank technical assistance through free-standing technical assistance loans (\$US 95 million in fiscal year 1988), its administrative budget (\$US 29 million), project preparation facilities (\$US 75 million, see Chapter IV.E of Part II of this report), and technical assistance financed by others (\$US 117 million).

EXPENDITURES ON OPERATIONAL ACTIVITIES FOR DEVELOPMENT
OF THE UNITED NATIONS SYSTEM; OVERVIEW
1981-1989, alternate years
current \$US billion

| | <u>1981</u> | <u>1983</u> | <u>1985</u> | <u>1987</u> | <u>1989</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Development Grants: | | | | | |
| Financed by UNDP, UNFPA, UNDP-administered funds | 0.9 | 0.7 | 0.8 | 0.9 | 1.1 |
| Financed by UNICEF and WFP | 0.8 | 0.9 | 1.1 | 1.1 | 1.3 |
| Financed by regular budgets | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 |
| Financed by other extrabudgetary resources (includes 0.1 in 1987 and 0.2 in 1989 from WFP) | 0.4 | 0.4 | 0.4 | 0.6 | 0.8 |
| Sub-total | 2.3 | 2.3 | 2.6 | 2.9 | 3.4 |
| World Bank/IDA technical co-operation disburse- ments in loans and credits | 0.5 | 0.9 | 0.9 | 1.2 | 1.1 |

NOTE: For comparison purposes, bilateral technical co-operation grants from DAC countries (see footnote 1/, Table 21 of 1990 report) amounted to \$US 5.5 billion in 1980 and \$US 10.6 billion in 1989. NGO grants also rose sharply, from 2.0 billion in 1981 to 4.2 billion in 1989 (see preceding table).

Source: United Nations 3/.

12. United Nations agencies have been involved in only a very small part of the Bank's loan- and credit-financed technical assistance, rising to about 5 per cent in 1987. For instance, during 1985-1987, the Bank disbursed \$US 113 million to United Nations system agencies from the proceeds of Bank loans and credits. The vast majority went to the United Nations Development Programme (UNDP) (\$US 41 million), the Food and Agriculture Organization (FAO) (\$US 33 million), the International Labour Organisation (ILO) (\$US 15 million), and the United Nations Children's Fund (UNICEF) (\$US 10 million). No other organization had more than about \$US 1 million a year, and many had much less. On the other hand, the World Bank has emerged as an important executing agency for UNDP projects: it administered \$US 48 million of UNDP-funded projects in fiscal year 1988 alone.

13. Development thinking has changed just as significantly as have resource flows. According to one overview 4/, an initial "brave new world" following World War II and on into the 1960s emphasized economic growth, capital formation, planning models, industrialization, and foreign aid which would bring economic "take off". A subsequent "golden age" shifted priorities to "growth with redistribution of income", skills training, the market mechanism, agriculture, and emerging scepticism about foreign aid effectiveness. The "rude awakening" came much more recently, with doubts about achieving growth with or without restructuring, new emphasis on "human resources", popular participation instead of state or market dominance, and turbulence in development finance and the international economy as marked by the "debt crisis" and rising trade barriers.

14. The annual report of the World Bank for 1991 synthesizes these lessons of the past 40 years of development experience and provides a comprehensive view of the current development agenda. The report places central emphasis on development as the most important challenge facing the human race, and on the interaction between governments and markets in a time of radical change in the world economy. It also urges a higher quantity and quality of development assistance from industrial countries and multilateral agencies combined with investment in people, policy reforms, and increasing self-reliance in the developing countries 5/.

15. The past five years have also seen much reassessment of technical co-operation work. The old expert- and training-oriented "technical assistance" process has shifted to a multi-dimensional "technical co-operation" process to build human and institutional capabilities to meet constantly changing development situations. Yet this institutional development process, particularly in times of economic adversity and political stress, is complex and still not well-understood. Preparing and delivering appropriate, useful and long-lasting technical co-operation is still in many ways an unsatisfactory process 6/. A 1991 UNDP report and Governing Council decision illustrate the issues and challenges that all United Nations system agencies face in this area. They discuss, among other things, a programme to strengthen technical co-operation and related institutions in more than 30 African countries, and the need to integrate new development and capacity building concerns into regular operations 7/.

16. Other dramatic changes have emerged in development co-operation. One is "globalization". The United Nations system no longer stands alone as the "world organization". Multinational corporations, service firms and research organizations and universities increasingly operate worldwide or participate in networks which span the globe. Modern air travel, instantaneous telecommunications systems, and international media make the entire world readily accessible. All types of organizations now have an international perspective and staff composed of many nationalities.

17. Globalization has contributed to much greater competition for technical co-operation staff and work. International newspapers and journals increasingly contain very similar advertisements seeking highly-qualified professionals for work in developing countries in many specialized fields. The advertisements are placed by international management consulting, legal, and accounting firms, by bilateral aid agencies, regional development banks, inter- and non-governmental organizations, research institutes, international corporations, and banks, as well as by some United Nations system agencies. Recently, they also include developing country governments as they shift gradually to "national execution" of development projects. And most of these organizations are also in competition with each other, often very aggressively, for contracts and assignments to provide the billions of dollars worth of development advisory services required worldwide each year.

18. Although a large global pool of skilled and experienced development advisers has evolved, with new people being added all the time, this competition for the best people puts extreme pressure on United Nations system recruitment and staffing systems. A detailed 1989 analysis concluded that the system was no longer competitive in staff recruitment or retention, particularly in field positions but also for many occupations, grade levels, and nationalities. Increasingly, technically qualified and motivated staff were recruited by (or have left the United Nations system for) development banks, consulting firms, national aid agencies, or other aid organizations which offer more attractive conditions of employment 8/. Whether recruitment and retention problems stem from salary structure or, more likely, from politicized and otherwise unsatisfactory working conditions cannot be addressed in this study. It is sufficient to note that although some modest corrective measures have been taken, the basic problem continues.

19. The ever more crowded development field has also led to more and more joint operations and co-financing. "Funding" agencies now also implement projects, while "executing" agencies have added their own funding arrangements. Development organizations of all types are expanding greatly their "co-financing" work, in which they join with other organizations to provide parallel or joint financing for a particular project or programme: the World Bank reported in 1989 that, for the first time ever, more than half its assisted projects or programmes involved some form of co-financing. All development organizations must thus consider new relationships, capabilities, administrative procedures, and options.

20. The past decade has also seen a rapid increase in the role of non-governmental organizations (NGOs) in development. As development programmes have concentrated more on poverty issues, "grassroots" action, and popular participation, recognition of the NGO role has been heightened. Developed country NGOs raise some \$US 3 billion for development activities each year, and channel a further \$US 1.5 billion of funds received from official aid agencies. The financial and human resources provided by developing country national and local NGOs are difficult to quantify, but far exceed this volume. Even more importantly, however, official development agencies have greatly increased their co-operative work with NGOs, in recognition of their ability to highlight emerging policy issues, provide field implementation networks, and mobilize support for human resource development efforts.

21. Although the vast majority of foreign direct investment flows are still between the largest developed countries, a still small proportion - but a much larger absolute amount than in the past - flows to developing nations 9/. Many developing countries are actively seeking investors to help reduce debt burdens and strengthen local economies, and corporations have responded, with resultant changes in local technology, productivity, wages and employment levels. Recent estimates are that about \$US 35 billion a year of foreign direct investment flows to developing countries, and that multinational corporations now employ some seven million people in these countries.

22. No one can know what the 1990s will bring. But it is already evident that there will be new and severe demands on already limited development resources. The changes in Eastern Europe will attract a considerable volume of development and investment resources, as shown by the creation of the new European Bank for Reconstruction and Development. Military conflicts continue in many areas around the globe. The worldwide flood of refugees has not diminished: it requires \$US 8 billion of donor country funds each year. Drought and famine threats continue in Africa. Natural disasters around the world continue to place very disruptive pressure on development resources, capacities and priorities. An international economic recession could damage hard-pressed developing countries even further, and constrict donor country resources for development. And the Gulf crisis of 1990-1991 led to billions of dollars in support payments to "front-line states", with billions more required for re-construction efforts.

23. These challenges all make it much more difficult for United Nations system agencies to successfully fulfil their development roles. The following Chapters discuss ways in which they have begun to address these matters, and to prepare themselves for the wrenching further changes which the 1990s will undoubtedly bring.

III. RECENT POLICY AND PROGRAMME REASSESSMENTS

24. The substantial changes of the 1980s in international development patterns have been accompanied - and often driven - by increasing frustrations at the slow pace of progress after some 35 years of international effort. This has led in turn to various attempts by United Nations system and other development institutions to reassess the current situation and create more effective policies, strategies, and programmes. These policy reconsiderations have recently increased, and have particularly stressed the need for development agencies to sharply improve the quality, responsiveness, and co-operative character of their programmes.

25. The Inspectors wish first to note two relevant JIU reporting efforts from the past. In 1977 the Governing Council of UNDP requested that JIU study alternative approaches to the use of ever more costly UNDP financed expert services. The resulting JIU report 10/ was based on more than 400 detailed responses from recipient governments, project leaders, UNDP field representatives, and development organizations worldwide. Its central recommendation was that host governments should exercise management authority over all project inputs and activities, mixing modes of project execution as circumstances permit. The alternatives included government execution, reduced long-term expert assignments, more use of high-level short-term consultants and local consulting institutions, and expanded co-operative arrangements and subcontracting between institutions. The Governing Council urged full support for and fuller application of government management 11/, and UNDP and the agencies prepared follow-up reports which also foreshadowed many of the issues now under discussion 12/.

26. JIU has also prepared a series of reports on evaluation systems since 1978. Of particular relevance are a 1982 report which urged joint actions by governments and aid organizations to establish and strengthen evaluation systems, data, expertise, and co-ordination as integral elements of development management 13/. A 1985 JIU report on internal evaluation systems of United Nations system organizations also stressed the need to ensure that these systems become streamlined, responsive, performance-oriented information systems used to continuously improve the quality of development co-operation 14/.

27. In 1986 a unique, broad scale consultants' study entitled Does aid work? 15/ surveyed a worldwide set of aid activities, evaluations, country case studies and past analyses of aid and its institutions. The study was prepared for a task force established by the Development Committee, which is a Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund. The report concluded that most aid did indeed "work", but it also detailed many reasons for aid failures and suggestions for improvement.

28. Among other things, the report found that multilateral development banks were being increasingly drawn into technical co-operation planning, leadership, and operations, while United Nations system resources

stagnated and NGOs were supplying most technical co-operation aid to poor communities. The report analyzed the comparative advantages of the many multilateral and bilateral aid channels. It argued that while the multilateral technical co-operation system required adequate resources, it also needed streamlining, strengthening of monitoring and evaluation processes, and "determined efforts to remedy its well-documented defects."

29. Another in-depth assessment, by the Overseas Development Institute (United Kingdom) in 1987, traced the fundamental ethical and theoretical questions underlying official development assistance, the evidence of what has been achieved in practice, and the arguments of aid supporters and critics from the left and right wings of the political spectrum 16/. Although it concluded that there is a good case for governments to provide aid, it acknowledged the many inadequacies that exist and urged more honesty in the aid debate.

30. The report stressed the need for recipient governments to draw up consistent and co-ordinated policies and identify key constraints to aid effectiveness, rather than the current hit or miss process. Bilateral and multilateral agencies, for their part, should become true "development agencies" rather than "aid giving agencies", analyzing critical development needs in a particular country much more carefully before intervention, and evaluating and learning from the effects of the assistance they provide.

31. The annual reports of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) for 1986 and 1987 highlighted the changing role of multilateral aid agencies, and the "growing dissatisfaction" with the fragmented operations of the United Nations development system, including its governing bodies, executing agencies, and field representation 17/. The reports concluded that the agencies needed to improve their operational capacity and project quality immediately, and to work in a much more complementary, collaborative way with the World Bank and bilateral donors, within the broader policy framework of the recipient country.

32. The Committee stressed that agencies should go beyond the "shopping list approach" of possible individual projects to a strategic approach concentrating on policy improvement, programmes with agreed public investment priorities, and support for institution-building 18/. In its 1989 report, the Committee presented orientations for the 1990s which expanded further on these themes: more emphasis on human resources and participatory development, higher aid quality, co-ordinated country and sectoral aid approaches, more support to enhance recipient government leadership, and strengthened multilateral system co-operation 19/.

33. In 1987 the Nonaligned Movement established the South Commission to study development issues and promote self-reliant development and improved North-South relations. In August 1990 the Commission published a major report 20/ which emphasized that people are both the purpose and the means of development. It urged developing countries to use their human, natural and structural resources to build national self-reliance as rapidly as possible, with external resources sought only as a supplement to maximum national effort. The report went deeply into the question of how to pull the Third World out of poverty, despite static or

even declining development aid levels. While it criticized the insignificant attention the North pays to the South and the vulnerabilities of its peoples, it also criticized the lack of democracy and accountability in many third world countries. The report concluded that the countries of the South need to evolve a value system stressing participation, creativity, innovation and enterprise but also concern for the underprivileged and unfortunate.

34. Criticism has also come from outside the official development community. During 1990 the Lords of Poverty 21/ attracted considerable public attention with its sharp critique of official development aid agencies, both bilateral and multilateral. It used extensive documentation and concrete examples to argue that for decades the middlemen of "Development Incorporated" had been providing inappropriate capital projects and dubious expert services from developed country taxpayers to developing countries, emphasizing merely the amount of funds being transferred instead of accountability for tangible results achieved, and benefiting aid bureaucrats, corporations and recipient country officials rather than the poor. The author concluded bluntly that the present self-obsessed official development aid system stifles rather than encourages the hard tasks of wealth creation and self-help, and should be abandoned in favour of new ways to allow people to help each other directly (as through non-governmental organizations) and in line with their own priorities.

35. Development reassessments have been made at regional and grassroots levels as well. For instance, in 1990 the United Nations Economic Commission for Africa (ECA) and a group of citizens' associations sponsored an international conference in Tanzania with more than 400 participants. The conference adopted a Charter which stressed human centred development, and cited the lack of popular participation as the major cause of Africa's crisis 22/. It called on African peoples, governments, the international community, African and non-African NGOs and other groups to undertake far-reaching changes at all levels of African society to create the conditions for effective popular participation by people and their organizations and associations. The international community in particular was urged to support African initiatives for endogenously designed development programmes, to help strengthen national development management capabilities, and to foster the democratization of development and consensus building processes.

36. During 1991 two in-depth reports underscored and expanded on many of the above issues. A final report of the Nordic UN Project 23/, based on 18 earlier reports, observed that United Nations system operational activities had evolved in an ad hoc and piecemeal fashion out of the basic "political assembly" functions of the organizations. Such activities had, however, become increasingly important in their own right, and presently employ more than two-thirds of the system's total resources. The report concluded that operational activities are now ripe for thorough analysis and reform.

37. The Nordic report recommended actions to strengthen United Nations system operational quality and impact, provide more effective and continuous governing body support and policy guidance, and establish more

dynamic leadership and human resource management within secretariats. It also urged the agencies to respond to the growing involvement of the multilateral financial institutions in technical co-operation matters by improving their own performance, better defining their roles, concentrating more on those areas where they have a comparative advantage, and strengthening their advisory and analytical functions as "centres of excellence".

38. A second set of 11 reports was prepared for the Danish Government on the effectiveness of multilateral agencies at the country level 24/. The study sought to enable Danish development assistance programmes (and perhaps other organizations) to more systematically analyze and monitor the performance of multilateral agencies, and to improve their country-level effectiveness in co-operation with recipient governments. It examined the performance of 11 multilateral agencies in four countries and organized into six groupings: United Nations system funds and programmes, specialized agencies, and humanitarian programmes, plus the World Bank, regional development banks, and the European Communities.

39. The study focused on whether the 11 agencies fully use their comparative advantages in their assistance to developing countries. The study team identified certain key areas in which the agencies could better utilize those advantages to achieve a more clear-cut division of responsibilities and increase programme transparency, cost-effectiveness and impact. The areas include the following: each agency should concentrate on what it does best (despite many counter-pressures); UNDP and the specialized agencies should move from "projectitis" to sustained institutional support; and more emphasis should be given to country strategies, appropriate field staffing, and open policy dialogue to ensure more effective co-operation in the 1990s.

40. Governments and secretariats have also undertaken a major internal collective reassessment of United Nations system development work over the past five years. A 1986 policy review by the Director-General for Development and International Economic Co-operation (DG, DIEC) and a resultant General Assembly resolution in 1986 led to a series of case studies of the system's operational activities in 1987. These studies reviewed organization, programming, co-ordination and implementation processes and problems in selected countries.

41. After intensive debate, the General Assembly adopted a "benchmark" resolution on operational improvements in 1987 25/, followed by reviews by governing bodies of many of the system's organizations, further studies for the Director-General by independent consultants, and technical reviews by secretariats. In his 1989 report, the Director-General summarized progress in these efforts, and also analyzed major operational challenges for the 1990s and initiatives to make the United Nations development system more effective 26/.

42. In a detailed, future oriented resolution of December 1989, the General Assembly reaffirmed the guiding developmental role of recipient countries, and the need for United Nations system organizations to respond more flexibly and coherently to their particular needs. The General Assembly stressed the need to strengthen national administrative capacities, human resources, and self-reliance, and to maximize participation in development. It urged system agencies to restructure

and improve country level operations, shift from project to coherent programme approaches, and to improve and ensure full accountability for development activities, especially in the re-orientation towards national execution and a more programme-oriented approach. It also requested the Director-General, together with all elements of the United Nations development system, to prepare a series of analytical, follow-up reports on these matters 27/.

43. In recent years the UNDP Governing Council has strongly emphasized programme and project quality and UNDP and agency accountability 28/, and in 1988 it requested the Administrator to prepare a comprehensive report on UNDP's capacity to respond to the changing world development challenges of the 1990s. The resulting report 29/, based on extensive consultations, assessed UNDP's available capacities; outlined new ways and programme directions through which UNDP could better help to strengthen the abilities of governments to manage development; and identified key funding and organizational issues.

44. The report concluded that UNDP and United Nations system agencies should help developing countries take the lead by providing more catalytic, responsive, and high-quality services to assist capacity-building within governments and in nations as a whole. In a 1989 decision 30/, the Governing Council endorsed the general theme of national capacity-building for self-reliance, and stressed policy directions and actions which have led to further significant operational reassessments and decisions in 1990 and 1991 (see Part II, Chapter III.A).

IV. INHERENT CO-OPERATION DIFFICULTIES

45. Over the past few decades, there has been wide recognition that serious co-operative and co-ordinative problems diminish the effectiveness of international development programmes. A great deal of attention has been devoted to the need to improve operational co-operation among bilateral, multilateral, and host development institutions, but despite some instances of productive joint work the problems have proven to be very intractable. Recently, however, economic and development funding pressures have forced renewed analysis of co-operation issues, barriers, and possibilities, both as they relate to the United Nations system 31/ and to the overall international development community 32/.

46. The critical need is to have strong central aid co-ordinating units in recipient governments which have a complete overview of the aid process. Multilateral organizations are making much greater efforts to encourage and support such units. Other significant co-ordination mechanisms are Consortia and Consultative Groups (usually led by the World Bank) and UNDP round tables, all of which attempt to assemble resources, provide analytical information, and encourage policy dialogue for aid programmes in particular countries. At the same time, there remains an important need for better co-operation among donors for sectoral and multi-sectoral programmes and at the regional and headquarters levels, especially since many donors still make most of their major programming decisions at headquarters.

47. The basic problems which hamper better development efforts involve not only the general "co-operation" focus of this study, but the many significant "co..." subcategories, including "consultation", "collaboration", "convergence", "complementarity", "competition", and the one that has always received the most attention - "co-ordination". Before addressing recent multilateral co-operation initiatives, essential elements, and positive examples in the rest of this report, the Inspectors wish to note, from the recent analyses cited above, some of the basic co-operative/co-ordinative factors which are so hard to overcome.

(a) In almost every country there are many haphazard individual projects, often duplicative and conflicting, which overwhelm the administrative capacity of the recipient government and diminish overall aid impact.

(b) Donors resist serious co-operation and co-ordination because it hampers their freedom to pursue their own interests, can produce serious policy conflicts, and can demand a great deal of administrative time and expense. Scepticism about these issues weakens the attempts of multilateral organizations to play their key co-ordinative roles.

(c) Recipient governments, for their part, also dislike the administrative burdens of co-ordination, worry about heavy pressure from co-ordinated donors for difficult policy reforms, and would prefer to pick and choose among competing donors.

(d) Recipient country aid planning and co-ordination offices are often understaffed and ill-equipped, and are not able to participate fully in joint project planning, implementation, monitoring and especially evaluation activities.

(e) Donor aid organizations provide few incentives for their staff to work hard at co-operation efforts. Many officials are suspicious that if they did take the initiative, other officials would not co-operate anyway or might even steal the ideas or the credit.

(f) Many donors call rhetorically for co-ordination, but do not really mean it, since they believe that their programmes are effective but others are not.

(g) Donors do have significant differences in development philosophy, commercial interests, and bureaucratic approaches, all of which hamper or discourage co-operation.

(h) Co-ordination requires discipline, but the critical question is who is to impose it on whom.

(i) Governments and donors make commitments on programme content, funding, and priorities, but these are often not firm or specific enough.

(j) Harmonization of aid procedures is an old and very difficult problem, because donors have different public accountability requirements firmly established by national or governing body directives.

(k) There has been little practical thinking about how to develop data requirements and decision support systems for effective aid co-ordination within limited time and staff resources.

(l) Senior managers in aid organizations too often concentrate on "delivering" their aid allocations and give co-operation and co-ordination a low priority.

48. There is no simple way to solve all these problems. But the researchers (and governments and governing bodies) stress that the potential benefits require determined efforts to improve operational co-operation and co-ordination. The most important need is for further decentralization of programmes and staff to the country level, to obtain more direct contact with each other and an increased understanding of conditions, policies, and priorities of the recipient government. This does not mean blind acceptance of the host government's wishes, but a much greater attempt to understand and discuss the complex development factors and constraints faced by the country, and to then agree on realistic, achievable aid goals. Secondly, development organizations need to clarify their own policies and internal support for co-operation activities with other organizations; develop practical co-operative mechanisms; and pursue basic aid effectiveness through increased institutional learning and information sharing within their organization and with other organizations.

49. Development officials inside and outside the United Nations system confirmed these co-operation problems, doubts, and possibilities in their discussions with the Inspectors. There were some successes. One positive pattern, unfortunately not yet very common, occurs when staff move from one development organization to another and then use their knowledge of, and personal contacts in, the two organizations to develop productive joint activities. Ironically, however, it appears that the organizations usually take an unco-ordinated approach to operational co-operation and co-ordination matters.

(a) Individual staff members or units make too many ad hoc visits to other organizations with very modest results.

(b) Much data is already available from other organizations, but it is not properly analyzed and used.

(c) Knowledge of how other organizations operate is often very limited.

(d) Organizations lack explicit policy directives and incentives for co-operation.

(e) There has been little thought given to developing specific, systematic, and practical co-operation and co-ordination approaches.

50. There is presently much emphasis on improving development co-ordination at the country level, and a variety of new initiatives are underway. Several joint efforts between United Nations system agencies and the World Bank Group are mentioned in the following Chapter, and a particularly interesting joint programme involving training for management of system co-ordination activities at the field level is discussed in Chapter II.L. of Part II of this report. The JIU, for its part, has included studies in its 1991-1992 work programme concerning (a) the revised UNDP round table process; (b) decentralization (as a follow-up to JIU reports on this issue in the mid-1970s and on field offices in 1986), and (c) United Nations system operational co-operation with NGOs.

V. RECENT MULTILATERAL CO-OPERATION INITIATIVES

51. The Inspectors found during the course of their study that operational co-operation between United Nations system agencies and the multilateral financial institutions is still rather infrequent. The participation of system organizations in World Bank loan- and credit-financed technical assistance has been quite modest (see paragraph 12). There have been some direct activities with the African Development Bank, but joint efforts with the Asian and Inter-American Development Banks and with the EEC have been limited. Recently, however, a series of promising initiatives have been launched from both groups, which could lead to much closer operational collaboration in the future.

52. In 1988 the Consultative Committee on Substantive Questions (Operational Activities) of ACC reviewed collaboration with the World Bank. Sixteen agencies responded to a questionnaire on their co-operative work with the Bank, and the United Nations Industrial Development Organization (UNIDO) prepared an analysis of the Bank's dominance in overall technical co-operation expenditures, collaborative activities underway, and possibilities for more co-operation in research and data exchange, policy analysis, and technical co-operation activities. The Committee's discussions noted growing instances of joint activities, as well as the need for United Nations system executing agencies to deal directly with borrower governments, who are the responsible parties for implementing projects funded by the Bank 33/.

53. During 1988 UNDP reported to its Governing Council on co-operation with the World Bank 34/. It analyzed the Bank's small but growing role in executing UNDP projects, the various means the two organizations have used to improve technical assistance in partnership with recipient governments, and the Bank's role as the most important source of follow-up investment for UNDP pre-investment projects. It also outlined steps that the Joint UNDP/World Bank Task Force planned to take to further review and enhance overall technical assistance design, management, co-ordination, policy frameworks, and procedures.

54. As part of its strong encouragement of greater collaboration and co-ordination in operational activities, the Governing Council noted the existing arrangements, and considered that UNDP should be particularly responsive to governments seeking support for improved economic management. The Council also stated, however, that collaboration with the international financial institutions should take into account the special character, mandates and policies of the institutions involved and respect their differences 35/.

55. UNDP has subsequently increased its linkages with the World Bank and the regional development banks, particularly in Africa. UNDP, the African Development Bank and the World Bank currently have collaborative initiatives underway on such efforts as the Africa Project Development Facility, a Social Dimensions of Adjustment Programme, national long-term perspective studies and programmes, and the Africa Capacity Building initiative.

56. For its part, the World Bank includes often extensive sections in its annual reports on inter-agency co-operation, technical assistance, its research programme, co-financing, and aid co-ordination meetings 36/. It has held several seminars on its collaboration with United Nations system agencies, most recently in late 1988. In 1990 the Bank also published a handbook 37/ to help Bank staff advise borrowers how to arrange to use United Nations system services in Bank-financed consultancies, and also to inform the agencies of the Bank procedures applicable in such situations.

57. The World Bank considers its collaboration with borrowers and the rest of the United Nations system as a useful way to facilitate international co-operation and economic development, and to improve the quality of technical assistance services. At the same time, it has emphasized that such collaboration must depend on the agencies providing quality performance and timely and cost-efficient delivery of services for borrower governments on a case-by-case basis.

58. The International Fund for Agricultural Development (IFAD) is a United Nations system specialized agency with a unique and broad co-operative role. Its basic Agreement requires that its loans for poverty alleviation be administered by competent international institutions. Of 292 projects that IFAD financed between 1978 and 1990 (with a total cost of some \$US 11.8 billion), most were supervised and co-financed by the World Bank (131 projects), the regional development banks (61), and UNDP (60). During the past decade, the proportion of co-financing by other institutions and recipient governments of IFAD-initiated projects has risen sharply from only 9 per cent in 1978-1983 to 80 per cent in 1990. IFAD co-operates very actively not only with other specialized agencies such as FAO and WFP, but also with subregional development banks, other multilateral bodies, bilateral donors, and both international and indigenous NGOs.

59. The United Nations system also has a Joint Consultative Group on Policy (JCGP), comprising five operational funds and programmes which account for the majority of development assistance that the system provides. (The five members are UNDP, UNICEF, the United Nations Population Fund (UNFPA), WFP and IFAD). In 1990, the JCGP Adjustment Subgroup initiated a dialogue with the IMF on ways to incorporate poverty related concerns in adjustment programmes. The Subgroup intends to explore complementarities between the JCGP and the IMF in adjustment, defining areas of operational collaboration on the donor approach to structural adjustment, and laying out a scheme for effective monitoring and evaluation of adjustment processes.

60. In October 1990, for the first time ever, the International Monetary Fund (IMF) convened a meeting with the non-Bretton Woods agencies of the United Nations system in Washington. Over a three-day period senior staff from FAO, IFAD, ILO, UNESCO, UNFPA, UNICEF, the United Nations, WFC, WFP and WHO, as well as World Bank representatives, discussed how co-operation between the IMF and other United Nations systems agencies could be strengthened and made more systematic in the context of structural adjustment programmes. Stress was placed on the need for "high quality" growth with equity, sustainability, and greater attention to poverty and environmental issues. A start towards new

operational relationships was encouraged, especially at the field level, through increased communication, open dialogue and improved technical contacts. Co-operation between the IMF, the World Bank, and the UNDP in technical co-operation activities has already increased significantly during the past few years: an example is co-ordinated activities at the country level in Namibia and Angola.

61. The Consultative Committee on Administrative Questions (CCAQ) of the ACC is also currently engaged in inter-agency discussions. Several United Nations system agencies have encountered procedural difficulties in trust fund arrangements for their activities which are financed by the European Economic Community. Efforts are underway to develop arrangements with the EEC that are more simple, workable and compatible with the financial regulations and procedures of both partners. The organizations also hope to work out trust fund financing arrangements with the new European Bank for Reconstruction and Development at an early date 38/.

62. In addition to these broader initiatives and consultations between the United Nations system agencies and the multilateral financial institutions, there have been a variety of new operational programmes and approaches by individual agencies which illustrate the potentials for much increased co-operation in the future. Twelve of these actions are discussed in Chapter II of Part II of this report.

VI. VIEWS ON IMPROVING CO-OPERATION: THE PERFORMANCE IMPERATIVE

63. As the UNDP Governing Council has emphasized, differences among development institutions must be recognized and respected. The World Bank and the regional banks are banks, which entails a special set of responsibilities, expertise, perspectives and approaches. Similarly, other multilateral institutions, bilateral donors, NGOs and research and consulting organizations all have their own priorities, interests, skills, constraints, and modes of operation.

64. The United Nations system, for its part, has particular strengths: relatively unbiased advice on development problems in all sectors; aid provided on a grant basis; long-standing relations with governments; and years of hard-earned technical co-operation experience. It also has weaknesses: limited leverage because of its small projects and modest funds; criticisms that its approaches are unco-ordinated and overly bureaucratic; and concentration in the particularly complex and stubborn areas of human resources and social development.

65. Nevertheless, the different development institutions can work more closely together, and their leaders and funding sources have long stressed that they must do so. The preceding chapters have identified some of the policy pressures for greater co-operation, the considerable constraints which exist in practice, and recent initiatives to improve general operational collaboration. This Chapter addresses the underlying factors which are essential to improve operational co-operation in specific situations.

66. During their more than 100 interviews, the Inspectors sought the views of officials from United Nations system agencies, the development banks and other development institutions on the current co-operation situation and how to improve it. Discouragingly, many of the prescriptions are well known: several of the studies cited in Chapter III analyse them very well, and JIU's own report on United Nations technical co-operation activities in Sri Lanka made many of the same points back in 1979 39/.

67. The Inspectors did have the opportunity, however, to talk with people who are directly and currently involved in joint operational activities, both successes and failures. Their views yield the following set of ten important factors - sometimes overlapping, sometimes even apparently conflicting - for establishing more effective operational co-operation between United Nations system organizations and other development institutions.

68. The essential requirement, emphasized over and over again, is performance. An organization must deliver a service which meets the recipient's and the partner's needs, in a timely and efficient way, and with positive results. Effective performance builds a reputation for competence and professionalism which encourages further collaboration. But even occasional mediocre performance can undermine this reputation, and poor performance can negate the effects of all the other factors which follow.

69. United Nations system organizations must work harder to identify a development niche and thereby maximize their impact. There are many new opportunities in the rapidly changing global environment, but the resources available have scarcely grown and there are many more competing suppliers of technical assistance. The organizations have traditionally tried to cover all aspects of their fields, but their staffs and outputs are often very thinly stretched. They need to focus much more sharply on those areas where they have or can develop a true comparative advantage, and can provide high-quality, catalytic services.

70. The agencies also need to ensure a value-added approach. Many officials criticized an old United Nations system habit of merely hiring an expert or buying equipment for a project and then charging an administrative support fee. But the development banks, particularly with their superior financial resources, will subsequently hire the (good) experts and buy the equipment themselves to eliminate the United Nations system "middlemen". Instead, the agencies must add special and clear value which others cannot provide: a good field network and local contacts, a co-ordinated programme, training materials and information resources, long-standing experience and a strategy effectively applied to the situation, and/or professional support services and oversight.

71. Officials from all types of development organizations stressed the need for pragmatic co-operation. Contacts with other development partners must be kept open, but generalized and ritualized visits, missions, data exchange, and official co-operation agreements often yield small benefits for the effort invested in them. Each organization must seek out its major partners at the global, regional and country levels and concentrate on the hard work of building and sustaining personal rapport and efficient operational relationships with them, rather than dispersing its efforts across a broad spectrum of many minor co-ordinative relationships. What is needed is working level contacts which are:

- (a) prepared in an efficient way;
- (b) based on a solid knowledge of the partner's capabilities, priorities, administrative requirements and co-operation procedures;
- (c) concerned with meaningful actions in specific situations; and
- (d) require a minimum amount of each participant's time.

72. Many of the policy reassessments outlined in Chapter III highlight the need for the organizations to take more strategic approaches to their development programmes and sectors. Instead of merely "delivering" individual technical co-operation projects, the organizations need to place them firmly in the broader context of the recipient country's programme, their own programmes, and those of partner organizations. Such programming efforts give the organizations a very important opportunity to apply their human resource concerns and priorities in broader development policy actions, if the organization works closely with the other partners to establish an integrated approach, and if it develops its own well-defined and articulated operational strategy.

73. To bring their strategies to life and meet the new competitive pressures, the organizations must also be much more responsive to their development environments. They must listen more carefully to developing countries' expressions of their changing needs and then establish and provide appropriate projects and programmes. They must seek out new co-operative arrangements, partners, and co-financing possibilities in a more creative, open-minded way. More explicit research, policy analysis, and field office input are also required to identify and react quickly to emerging development issues and needs.

74. These steps must be accompanied by more flexible organizations. Officials stated that most of the co-operative efforts that failed did so because the United Nations system organizations involved were painfully slow, bureaucratic, and rigid. Governments and other partners will be ever more insistent that the organizations provide timely services, not something available two years in the future. Instead of heavy administrative hierarchies, the organizations' technical co-operation activities need simpler structures and task-oriented teams which can adapt quickly to changing needs. This would allow use of more specialists for specific short-term assignments, middle- and senior-level staff who are engaged in operations rather than administrative review, and outstanding young professionals attracted by opportunities for challenging assignments and meaningful experience. It also demands much greater organizational teamwork in order to link research more closely with operations, cut across organizational units, and streamline administrative support processes.

75. The organizations also badly need to provide more publicity about their technical co-operation work. Many headquarters and field officials in other development organizations know very little about what United Nations system organizations have to offer. Several stressed that the organizations presently do a poor job of marketing their services and displaying their capabilities. What is needed is not self-serving propaganda or a flood of generalized data, but solid, straightforward brochures which are targeted to potential partners and describe the particular services of the organization, the results that these services have achieved, and how to get additional information.

76. Implicit in each of these factors is the need for the United Nations system organizations to become more competitive if they are to prosper or even to survive in their development co-operation work. Some system officials strongly resist this idea, but the financial dominance and influence of the banks and bilateral donor agencies and the aggressive marketing by private consultants and institutions will not disappear. The organizations have always had to "sell" their projects and programmes, and they must perform well or governments will simply turn to the many other suppliers of development services. The organizations should not engage in cut-throat, "us versus them", commercialized competition for dominance. Instead, they should compete shrewdly by enhancing their own performance and by seeking new, mutually beneficial strategic alliances with other development co-operation organizations inside and outside the United Nations system.

77. Finally, all these factors can only be realized through quality control. Many technical co-operation units have emphasized quantity in the past (number of projects, dollar value of inputs "delivered", support costs "earned"), but without quality performance these quantities will inevitably decrease. To maintain quality, the organizations must develop and use better performance information, data banks and analysis to highlight lessons learned, improve monitoring and evaluation systems, and follow-up with clientele to determine their satisfaction. In addition, secretariats and governing bodies need to ensure accountability through regular reviews of policies, strategies, initiatives, and results of their operational activities.

VII. THE ILO APPROACH TO OPERATIONAL LIAISON

78. Chapter IV discussed the central importance of better co-operative and co-ordinative activities at the country level, and noted that much attention is currently being devoted to improving this situation. In this study the Inspectors concentrated on co-operative mechanisms at the headquarters and regional levels. They believe that one particular operational liaison arrangement, that of the ILO with the World Bank, provides a very constructive example of an effective approach to inter-organizational co-operation between United Nations system agencies and the multilateral financial institutions at these levels.

79. During the late 1960s and the 1970s co-operative programmes were established between the World Bank and FAO, UNESCO, WHO and UNIDO. In the mid-1980s, however, all except the FAO programme (see Chapter IV.A of Part II) were phased out because of a feeling that they were rather inflexible and not very productive.

80. The ILO recognized, however, that the World Bank was an important prospective partner because of its dominance in project lending; its influence in development research and policy; its leadership role in co-ordination through Consortia, Consultative Groups and its sectoral lending programmes; and its emergence as the largest single provider of technical assistance. In 1982 the Pre-Investment and Investment Activities Unit (INVEST) was established in the Department of Technical Co-operation at ILO headquarters and a member of its staff, an international labour economist, was attached to the ILO Branch Office in Washington DC to develop a new operational relationship with the Bank on a full-time basis.

81. From the beginning the emphasis was on a flexible and personal approach. The ILO liaison officer gradually built up substantive contacts with programme managers and officials throughout the Bank. This was a two-way process, with the liaison officer developing a thorough knowledge of how the Bank's far-flung and large-scale operations are actually conducted, while at the same time informing Bank officials of ILO capacities. The process was also one of self-interest: seeking operational areas (whether programming missions, consultation, information sharing, project preparation, co-financing possibilities, or project execution) where both parties' interests would be served by a joint effort. The liaison officer was able to reinforce this process by also facilitating the development of a broad range of contacts between the staff of the ILO and the Bank at technical and policy levels.

82. Particularly during the first few years, the establishment of the relationship required a great deal of effort. It required many technical arrangements and adjustments where the two organizations had dissimilar procedures, and harmonizing differing operating styles and processes. However, the concentration was not on establishing elaborate formal arrangements (which would block needed flexibility), but on identifying areas for joint efforts and then taking action.

83. ILO recognized this need for flexibility and timely response in its own participation. Rather than a small group of people dedicated to Bank work as in the old co-operative programmes, the ILO liaison officer, with the support of INVEST, was able to seek out, sometimes only after considerable effort and juggling of schedules, staff from almost anywhere in the ILO who could provide solid expertise and a significant contribution to the joint efforts on a prompt short-term basis. If ILO could not respond properly to a particular request, it was passed by rather than performed poorly or mechanically.

84. In turn, Bank officials gradually came to contact the ILO liaison officer when an appropriate opportunity arose. These opportunities were enhanced as a record of successful joint efforts was gradually built up, and as the Bank officials became more knowledgeable about ILO's long-standing training and vocational education experience worldwide; its experience with employment and labour market issues; its special services such as EQUIPRO (see Part II, Chapter II.A); its international labour conventions, norms, and standards; the credibility of its tripartite structure (not just labour but employers and governments as well); and its labour research and statistical services. Joint action was facilitated by Bank efforts in the early 1980s to actively improve its relations with United Nations system agencies through more participation in inter-agency efforts, the development of new co-financing arrangements incorporating technical co-operation, and expanded information exchanges.

85. The operational arrangement is a multi-dimensional one, not just or even primarily a search for project funding. It includes information exchanges, meetings, mission contacts, and joint missions. ILO and Bank staff in particular programmes get to know one another and consult or exchange ideas when needed. Through such exchanges ILO has the opportunity to relate its concerns for international labour standards, employment, and human resources development and training to the Bank's structural adjustment and sectoral programmes and broader development policy work, and to participate in the Bank's considerable training programmes. Joint mission and planning activities also give ILO substantial contacts and information for its future project and programme work.

86. The ILO liaison officer is a pivotal figure in the operational relationship, but nothing would happen without strong senior management support and active participation from ILO units throughout ILO (as discussed further in Part II, Chapter IV.D). Internal assessments of ILO relations with the Bank and suggestions for improvement were made at ILO Headquarters in 1984 and 1986. Several former Bank staff have also recently joined the ILO in senior programme positions, further strengthening the bond. And although quantitative measures are only part of the story, ILO has become one of the largest co-operative partners with the Bank among United Nations system agencies.

87. In the late 1980s, an associate expert was added in Washington to help the liaison officer carry on the overall work. The original liaison officer returned to Geneva in 1989 and at present two staff are working in Washington with the Bank approximately full-time.

88. There are currently two new emphases in the liaison work. First, the liaison people, together with ILO technical and policy staff, are attempting to get more involved in policy dialogue with Bank teams on social aspects and human resource requirements in structural adjustment programmes. This follows ILO initiatives to commence a dialogue with its partners and the international development agencies by organizing a High-level Meeting on Employment and Structural Adjustment in Geneva in 1987, and a Tripartite Symposium on Structural Adjustment and Employment in Africa in Nairobi in 1989.

89. Second, the Washington staff, together with INVEST (which also maintains data concerning the regional banks), have been systematizing and computerizing information on relevant Bank projects and their status, country-by-country. The data now covers some 100 projects which the Bank is preparing or implementing. ILO then needs to select those priority projects where it can show the Bank that it has solid expertise and can help significantly in planning and implementation. These procedures will hopefully ensure that when Washington liaison staff change again, the ILO will still have a strong process in place for operational collaboration with the World Bank.

90. The ILO is not the only organization to have developed such a relationship with the World Bank. Some bilateral and private development organization officials have done extensive operational liaison work with the Bank in the past. UNIDO's Second General Conference requested its Director-General to increase co-operation with international financing institutions, in particular the World Bank, to promote the mobilization of financial resources for industrial development: an internal UNIDO working group has been assessing the relationship. Several other United Nations system organizations have contacted ILO informally to learn about its Washington liaison function. And ILO itself has taken steps towards extending this approach more fully to the European Communities in Brussels and to the African and Asian Development Banks in Abidjan and Manila.

91. Clearly, each organization must decide which organizations it wants to have major operational relations with and the degree of intensity of such relationships. The Inspectors believe, however, that the ILO experience over the past decade with the World Bank illustrates some useful principles for such operational liaison. To summarize:

(a) the liaison officer should be an experienced development professional who concentrates on operational matters.

(b) The liaison officer must be willing to expend a lot of effort to build up extensive personal contacts, trust, and substantive knowledge of the other organization.

(c) He or she must have strong backing from senior officials of their organization, with a willingness to make staff available from anywhere in the organization to provide high-quality services for those joint activities that the organization decides it wants to participate in.

(d) The organization must realize that it is the self-interest of both partners and an emphasis on performance that count, not an effort to force joint activities where either or both partners do not really want them.

(e) The arrangement must be flexible, both in finding modes of co-operation on a case by case basis, and in understanding the other organization's capacities, ways of operating, and priorities.

(f) The co-operation should be strategic and purposeful, fitting activities into larger organizational objectives to maximize the benefits of collaboration, rather than just striving for a large volume of individual projects.

(g) It is very beneficial if an existing office can provide the needed administrative support to the operational liaison officer.

VIII. CONCLUSIONS AND RECOMMENDATIONS

92. The organizations of the United Nations system face enormous challenges in the 1990s in conducting their operational activities for development. The technical co-operation field which they dominated for so long is now crowded with other, very active and competent participants: expanding multilateral financial institutions, aggressive development consulting firms, many national research institutions, vigorous non-governmental organizations, more active foreign direct investors and corporations, and more critical and demanding donor and recipient governments.

93. The organizations have also been pressed, from inside and outside the system, to adapt their operations to rapid changes and dynamic new factors in development: "human resources development", "structural adjustment", "institution building", "sustainability", "national execution", "democratization", "popular participation", "privatization", new technologies, major political and economic shifts, tight resource constraints, and urgent new refugee and humanitarian needs.

94. The Inspectors' objectives in this study were to examine the possibilities and key factors involved in co-operation between the United Nations system agencies and the multilateral financial institutions, in the light of the above drastic changes. They found that operational co-operation is presently quite modest, although some significant collaborative efforts and operational programmes are now emerging, as discussed in the preceding chapters and in Part II of this report.

95. The Inspectors believe that there are many further possibilities for co-operative work which could better achieve the development aims of both donor and recipient Member States of the organizations. But these opportunities cannot be realized through the usual abstract and generalized liaison contacts, official missions, co-operative agreements, data exchanges, and seminars. While some such activities are needed, they risk becoming empty rituals which only distract attention from the real issues.

96. The key to more and better co-operative activities with the multilateral financial institutions and other potential development partners is performance. A senior agency official with a great deal of experience in assessing possible operational partners stated succinctly that all that really counts is "impact and delivery": i.e. does the other organization have a high-quality programme that will make a difference, and can it implement it promptly and efficiently? If these two criteria are met, a mutually beneficial collaboration can begin and continue. If not, the partnership will end.

97. The many officials and analyses that JIU consulted identified a set of essential factors which the organizations must master to achieve more effective operational co-operation. These sources also underscored the urgency of the performance challenge posed to United Nations system development programmes by the changed conditions outlined above. Whatever

the causes, the pressures are real. In the blunt words of another senior official, the system's operational activities must "change or die". Moreover, the changes must occur throughout the organizations, and the process must be continuous.

98. The vast majority of the officials of the 27 organizations (from inside and outside the system) who commented on the Inspectors' assessment of this situation in a final draft of this report agreed with their findings and conclusions and accepted the operational challenges posed. Just as importantly, they provided information on additional co-operative initiatives and actions beyond those already included in the report.

99. A few officials, however, were rather dismissive of the issues that JIU raised. The Inspectors believe that these dissents should be noted and commented on, to address the complacency that must be overcome before the organizations become fully capable of the responsive, dynamic operational activities that the current development environment demands.

(a) Dissent: the JIU report describes "very well-known matters" and makes some "unacceptable" criticisms. JIU comment: feedback on performance problems and needs is a critically important stimulus to improve future programmes, and everyone can always learn something new. System operational officials are responsible for addressing and resolving such problems, not for providing world-weary dismissals or flat denials.

(b) Dissent: the organizations have "already formulated new policies and decisions on these matters". JIU comment: new policy guidance is necessary, welcome and underway. What really counts, however, is not words but actions.

(c) Dissent: the organizations are "already in the process of taking actions". JIU comment: they are, and Part II of this report identifies more than 20 innovative actions. But the hard reality is that there must be many more such actions from all the agencies on a continuous process if the organizations are to build and maintain reputations as dynamic performers.

(d) Dissent: the governing bodies of the organizations "by their very nature" spend "a considerable amount of time" in "initiating and launching new initiatives". JIU comment: Governing bodies indeed have a critical leadership and oversight role in strengthening operational performance, but two recent in-depth studies have questioned their present capacities to exercise these roles effectively (see paragraphs 102 and 107 below).

(e) Dissent: The report does not provide "specific, concrete steps or methods" to improve co-operation. JIU comment: an old aphorism states that "for any complex problem there are always solutions that are simple, appealing and wrong". The solutions required here are programmatic, not procedural.

100. The Inspectors would very much like to provide quick and easy formulae which would enhance the organizations' co-operative work with the multilateral financial institutions and with other development

organizations. But the firm message received from those deeply involved in such work is that better operational performance is the sine qua non. (The one liaison process that this report does commend - that of the ILO with the World Bank - succeeds precisely because it emphasizes a pragmatic, operational, performance-oriented approach.)

101. Unfortunately, while the overall action needed is simple to state - redoubled leadership, innovation and follow-through from the agencies' top management and governing bodies - it is certainly not appealing, quick or easy. It will require a great deal of determined, creative and sustained work in a very competitive environment with many built-in constraints. The Inspectors have reached this conclusion, which is contested by the dissents referred to above, despite the encouraging actions cited in Part II of this report.

102. The key focal point for action in each organization must be the governing body or committee responsible for technical co-operation and/or operational activities for development. It is there that Secretariat proposals, strategies and performance assessments come before Member State representatives for their deliberations, review, and policy guidance. The joint responsibility of senior managers and governing bodies is now more important than ever, not only to respond to the multiple recent development changes and challenges but also because operational activities have come to consume the majority of the system's (and many individual agencies') total resources. They thus deserve very close scrutiny. Action by senior managers and governing bodies is critical to improve operational performance because it must provide:

(a) the leadership, policy guidance and firm support needed to ensure sustained organizational improvement;

(b) the programme planning and strategic thinking required to provide well-targeted services which meet rapidly changing development circumstances, emerging trends, and changing clientele needs;

(c) the encouragement, recognition, and support needed to stimulate creativity and new approaches throughout the organization;

(d) solid monitoring, evaluation and follow-up processes to ensure efficient and effective programmes; and

(e) assurance to all Member States of the organization that they are getting the highest-quality, most efficient development services that the organization can possibly provide.

103. During the final stages of preparing this report, the Inspectors became aware of two new in-depth reports which strongly support and supplement the assessments made here. They wish to note three particular conclusions drawn from the final report of the Nordic UN Project and a report for the Danish Government on the effectiveness of multilateral assistance 40/.

104. First, the Nordic report observed that the multilateral financial institutions have become much more prominent in technical assistance work, partly because of insufficiencies of the United Nations system. It

warned (as did many officials whom the Inspectors interviewed) that the system agencies are losing ground and risk becoming "increasingly marginalized", which would be a "great loss" of development expertise, field networks, and industrial/developing country partnership in global development.

105. Second, to counter this negative trend, the Nordic report concluded that United Nations system agencies must improve their operational performance. This requires thorough reform to make programmes more focused, responsive and accountable. It also requires reducing their emphasis on the administration of development projects in order to revitalize agency analytical and advisory roles as "centres of excellence" in their fields, and to provide effective alternatives and complements to the programmes of the multilateral financial institutions.

106. The Danish study also urged giving priority to sustained institution building rather than "projectitis". It made an extensive analysis of the under-utilization of the comparative advantages which all the multilateral agencies possess, based on their various mandates, functions, structures and modes of operation. It urged action in seven key areas to obtain a more clear-cut division of development responsibilities, not so much to avoid duplication and overlap but to allow each agency to concentrate on what it does best.

107. Third and finally, the Nordic study discussed, in considerable detail and as a main issue, the inability of many present United Nations system governing bodies to provide the "executive governance" that complex and dynamic operational programmes require. It urged the establishment of smaller bodies, meeting more frequently to critically review and guide programmes on a continuous basis, improve their impact, and foster the joint responsibilities of the development partners. The Danish study, for its part, acknowledged that concentration of multilateral agencies on their areas of comparative advantage is a difficult process that must contend with many vested interests and legitimate concerns, both within the agencies and among their member states. Nevertheless, the study also proposed steps to encourage the agencies to concentrate and focus their operational programmes to best employ their resources and comparative advantages.

108. Those agencies which are perhaps concerned at the challenge of performing the searching reviews needed to become competitive can take heart at the success which five agencies have already had in carrying out in-depth operational reviews in the past few years, as discussed in Part II, Chapter III, of this report.

RECOMMENDATION 1: Wherever United Nations system organizations desire to enhance co-operative relationships with the multilateral financial institutions, their executive heads and the governing bodies responsible for operational activities for development should make a meaningful commitment to increase the competitiveness of their programmes. To foster creativity, responsiveness, sustained performance improvement, and other elements of a competitive posture, competent authorities should ensure:

- (a) an adequate allocation of resources;
- (b) an explicit priority given to deploying personnel to participate in co-operative programmes;
- (c) a planning effort to identify ways to improve performance, and
- (d) a review and evaluation process to measure results accurately and feed findings back into these allocation, deployment and planning processes.

RECOMMENDATION 2: If agencies decide to follow the competitive path presented above, the Inspectors also recommend that executive heads and governing bodies sustain this process by including as many as possible of the following topics in their periodic deliberations on technical co-operation activities, concentrating on results achieved, lessons learned, changing circumstances, emerging trends, and proposals for future strategies and initiatives:

- (a) significant co-operative actions, programmes, or funding or liaison arrangements with multilateral financial or other development institutions;
- (b) organizational reviews to consider operational improvements such as new efficiency measures, streamlined support services, or special task force structures;
- (c) significantly improved or new developmental strategies, services, or programmes underway;
- (d) new techniques or technologies being successfully applied to enhance development;
- (e) possibilities for better employing the advocacy, normative, standard-setting, advisory, analytical and/or research roles of the organization to strengthen its operational activities, with support from other parts of the organization;
- (f) most difficult but perhaps most important of all, tightening the focus of the overall programme by identifying and further developing successful services and activities (i.e. what the organization "does best"), while also eliminating those that are obsolete, irrelevant or unsuccessful.

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