

## Chapter II

## Operational activities for development

In 2002, the United Nations system continued to provide development assistance to developing countries and countries with economies in transition, primarily through the United Nations Development Programme (UNDP), the central United Nations funding body for technical assistance. UNDP's income in 2002 reached \$3,041 million, an 8 per cent increase over 2001. Total expenditure for all programme activities and support costs in 2002 was \$2,817 million as compared with \$2,725 million the previous year. Other technical cooperation included \$46.4 million provided through the programme executed by the UN Department of Economic and Social Affairs, \$69.3 million through the United Nations Fund for International Partnerships and \$22.5 million through the United Nations Capital Development Fund.

The Secretary-General reported in May on progress in implementing General Assembly resolution 56/201 on the triennial comprehensive policy review of UN operational activities for development, including the outline for planning, evaluating, implementing and reviewing those activities. Progress was assessed in the context of the world economy and the commitments and goals of the United Nations Millennium Declaration. In July, the Economic and Social Council stressed the need for UN organizations to focus on field-level activities in accordance with the Millennium Declaration Goals (MDGs). It made specific recommendations on funding operational activities for development, capacity-building, frameworks for programming, evaluation of activities, and simplification and harmonization of rules and procedures.

In 2002, UNDP focused on putting the MDGs at the centre of UN development work, particularly those relating to the reduction of poverty, democratic governance, response to special development situations such as crisis prevention and recovery, sustainable energy and the environment. The Programme introduced a number of management changes to strengthen its performance. It also approved proposals for improving its funding arrangements, especially the distribution model of resources.

The United Nations Office for Project Services, which continued to operate under the self-financing principle, had a total value of project

and loan portfolios of \$3.7 billion in 2002, roughly the same as in 2001, comprising \$1.4 billion in project value and \$2.3 billion in loans and grants it supervised. Total project delivery was \$509 million. That was achieved against a background of serious financial difficulties, requiring a major budget-reduction exercise and the development of a new planning methodology.

The United Nations Volunteers programme, administered by UNDP, expanded for the sixth consecutive year, with over 5,200 volunteers carrying out more than 5,500 assignments in 139 countries.

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## System-wide activities

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### Operational activities segment of the Economic and Social Council

The Economic and Social Council, at its 2002 substantive session (1-26 July) [A/57/3/Rev.1], considered the question of operational activities of the United Nations for international development cooperation at meetings on 5, 8, 9 and 25 July. On 5 July, the Council held a high-level meeting on operational activities and an informal dialogue with the head of the United Nations Children's Fund (UNICEF), and heard presentations from members of the panel on the implementation of General Assembly resolution 56/201 on the triennial policy review of operational activities for development [YUN 2001, p. 784] (the Deputy Executive Directors of the United Nations Population Fund (UNFPA) and the World Food Programme (WFP), the UNICEF Executive Director and the UNDP Associate Administrator). At the same meeting, the Council considered the reports of the Executive Boards of UNDP/UNFPA, UNICEF and WFP.

Among the documents before the Council were the Secretary-General's progress report on implementation of Assembly resolution 56/201 [E/2002/47]; his reports on the management process for implementing that resolution [E/2002/47/Add.2], comprehensive statistical data for the year 2000 [E/2002/47/Add.1], support for capacity-building [E/2002/58], simplification and harmonization of rules and procedures for operational ac-

tivities [E/2002/59] and assessing the effectiveness of UN system operational activities [E/2002/60]; and a consolidated list of issues related to the coordination of operational activities for development [E/2002/CRP.1]. On 9 July, the Council held an informal dialogue with the UN system country teams from Eritrea and India.

The Council, at its high-level segment from 1 to 3 July, considered the related issue of the contribution of human resources development to the process of development (see p. 1131).

#### *Implementation of resolution 56/201*

In May [E/2002/47], the Secretary-General reported on progress in implementing General Assembly resolution 56/201 [YUN 2001, p. 784] on the triennial policy review of UN operational activities for international development cooperation, in the areas of funding, strategic frameworks and programming, field-level coordination, gender mainstreaming, regional dimensions, and South-South cooperation and technical and economic cooperation among developing countries. Progress was assessed in the context of the world economy and the commitments and goals of the United Nations Millennium Declaration [YUN 2000, p. 49], with a view to establishing an overarching policy framework for UN support to national development efforts. Addenda to the report reviewed statistical data on operational activities for development for 2000 [E/2002/47/Add.1] and the management process for implementing resolution 56/201 [E/2002/47/Add.2] (see p. 856).

Reviewing funding for UN operational activities, the Secretary-General reported that the decline in official development assistance (ODA) and the share of multilateral organizations in it had affected UN system operational activities in many countries. However, there was an upturn in funding for UNDP in 2001 (see p. 862), although the core contribution to UNFPA was much lower than the \$337 million contributed in 1997. UNICEF core resources increased, as did UN system development grants in 2000. It was too early to assess the impact of the International Conference on Financing for Development (see p. 953) and the encouraging commitments made by several donors to reverse the trend in ODA and the funding of UN system operational activities for development.

Regarding the strategic frameworks for coordinating development assistance, the common country assessment (CCA) and the United Nations Development Assistance Framework (UNDAF), developed to support national development priorities and policies, 101 CCAs and 28 UNDAFs were completed, and 32 CCAs and 28 UNDAFs were in progress. A new round of UNDAFs would start in

2002 in Benin, Ecuador, Kenya, Madagascar and Pakistan. CCA and UNDAF guidelines were being revised and were expected to foster greater national ownership and participation. Training support provided to country teams focused on anti-poverty strategies, team building and the Millennium Development Goals (MDGs) [YUN 2000, p. 51]. By May, 79 country teams had been trained.

Since both CCA and UNDAF had created favourable conditions for joint development programming, the Secretary-General recommended that the Economic and Social Council encourage UN system organizations to continue creating greater synergies with recipient countries and other development partners and integrate such activities with national planning, programming, monitoring and evaluation. The Council should request UN funds, programmes and specialized agencies to ensure the integration of their operational activities for development with national development efforts that stimulated government participation and leadership at all stages of the CCA and UNDAF processes, as well as broader inclusion of other development partners.

Concerning field-level coordination, the Secretary-General discussed efforts to strengthen the resident coordinator system, pursue common premises and the sharing of administrative services, increase cooperation between the United Nations and the Bretton Woods institutions (the World Bank Group and the International Monetary Fund), and simplify and harmonize rules and procedures for operational activities for development (see p. 858). Country-level coordination improved through the use of theme groups, particularly when there was direct involvement of all development partners, including Governments, the World Bank, civil society and bilateral donors. In an effort to expand the use of information and communication technologies, the United Nations Development Group (UNDG) issued guidelines on programme issues, updated training materials and used web-based information dissemination for preparing MDG reports at the country level.

Cooperation between the United Nations and the Bretton Woods institutions had been extended in recent years through coordinating activities, through CCA, UNDAF, theme groups or poverty reduction strategy papers (PRSPs), in health, education, environment, poverty, post-conflict or peace and reconciliation, government/public sector reform and food security. Both entities focused on poverty reduction through common development goals. A review of the PRSP instrument revealed a consensus between the Bretton Woods institutions and the UN system on the importance of country ownership

and broad-based participation in formulating national poverty reduction strategies and highlighted the need for a flexible and country-driven approach. The Secretary-General proposed that the Council recommend strengthening those efforts and suggested that further efforts be made to ensure greater consistency between the CCA, UNDAF and PRSP.

As to efforts at gender mainstreaming in operational activities, UN organizations continued to ensure a gender perspective in their strategies and programmes and through capacity-building initiatives. As the UNDP executing agency on gender issues, the United Nations Development Fund for Women (UNIFEM) acted as a catalyst to promote gender equality. UNIFEM's gender adviser programme, carried out in collaboration with UNFPA, UNDP and the United Nations Volunteers in fielding gender specialists, contributed to increasing gender expertise at the country level.

Efforts were made to integrate the regional dimension of operational activities into the CCA and UNDAF processes. Regional bureaux of UN funds and programmes were being mobilized to support those efforts, including through the sharing of regional technical expertise and best practices. Orientation workshops on the CCA and UNDAF guidelines were held for staff of UN regional commission secretariats. The commissions' operations in support of operational activities included advisory services, training and other technical assistance, capacity-building initiatives, system development and institution-building.

To complement his report on operational activities (see p. 855), the Secretary-General reported on the management process for implementing resolution 56/201 [E/2002/47/Add.2]. That process was intended to assist the Economic and Social Council in fulfilling its responsibility for improving the quality and impact of UN operational activities, promoting an integrated approach and ensuring that the policy directives formulated by the Assembly were implemented system-wide. The report contained targets, benchmarks, actions and time frames for implementing resolution 56/201.

#### ECONOMIC AND SOCIAL COUNCIL ACTION

On 25 July [meeting 40], the Economic and Social Council adopted **resolution 2002/29** [draft: E/2002/L.18] without vote [agenda item 3 (a)].

#### **Progress on the implementation of General Assembly resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system**

*The Economic and Social Council,*  
Recalling General Assembly resolution 56/201 of 21 December 2001 on the triennial policy review of opera-

tional activities for development of the United Nations system,

1. *Takes note* of the reports of the Secretary-General on the progress in the implementation of General Assembly resolution 56/201, including the actions, targets, benchmarks and time frames indicated therein, on United Nations system support for capacity-building, on the simplification and harmonization of rules and procedures for operational activities for development, and on assessing the effectiveness of the operational activities for development of the United Nations system, as well as the consolidated list of issues related to the coordination of operational activities for development, 2002;

2. *Stresses* the need for all organizations of the United Nations development system, in accordance with their respective mandates, to focus their efforts at the field level in accordance with the priorities identified by recipient countries and the goals, targets and commitments set in the United Nations Millennium Declaration and by the major United Nations conferences;

3. *Reiterates* that the fundamental characteristics of the operational activities of the United Nations system should be, inter alia, their universal, voluntary and grant nature, their neutrality and their multilateralism, as well as their ability to respond to development needs in a flexible manner, and that the operational activities of the United Nations system are carried out for the benefit of recipient countries, at the request of those countries and in accordance with their own policies and priorities for development;

#### **Funding of operational activities for development of the United Nations system**

4. *Recalls* the endorsement by the General Assembly in its resolution 56/210 B of 9 July 2002 of the Monterrey Consensus of the International Conference on Financing for Development;

5. *Takes note* of the concern with respect to current estimates of shortfalls in the resources required to achieve the internationally agreed development goals, including those contained in the Millennium Declaration;

6. *Encourages* all countries to further their support for the operational activities of the United Nations through increased funding, particularly to the regular resources of the United Nations funds and programmes;

7. *Notes* the efforts of the executive boards and secretariats of the United Nations Development Programme and United Nations Population Fund and of the United Nations Children's Fund to establish multi-year funding frameworks that integrate programme objectives, resources, budgets and outcomes, with the objective of increasing core resources and enhancing their predictability, and in this regard invites them to continue to develop and refine the frameworks as a strategic resource management tool;

8. *Notes with regret* that, although significant progress has been achieved with regard to the governance and functioning of the United Nations development system, there has not been, as part of that overall process of change, a significant increase in the regular resources for operational activities for development;

9. *Stresses* that the achievement of the internationally agreed development goals, including those contained in the Millennium Declaration, requires a new partnership between donor and recipient countries, based on the recognition of national leadership and ownership of development plans, as well as sound policies and good governance at national and international levels;

10. *Also stresses* the need to strive to achieve the targets for resource mobilization identified in the relevant multi-year funding frameworks of United Nations funds and programmes;

#### **Capacity-building**

11. *Recognizes* that capacity-building is a major component of the overall efforts to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration and, in this regard, urges all Member States to devote more attention and resources to developing national capacities;

12. *Urges* Member States to pay greater attention, inter alia, to the capacity-building requirements inherent in reducing the global digital divide;

13. *Takes note with appreciation* of the report of the Secretary-General prepared in response to paragraph 28 of resolution 56/201 on United Nations system support for capacity-building and the review included therein of the efforts undertaken by United Nations system organizations in this area;

14. *Requests* all organizations of the United Nations development system at the country level, in full consultation with recipient Governments and other relevant stakeholders, to focus on capacity-building as one of their primary objectives, and to identify and focus on those areas where national capacities do not exist or are inadequate, and, in this regard, also requests all organizations of the United Nations development system to formulate explicitly the expected outcomes of their capacity-building activities, and to integrate them into the implementation and monitoring of their projects and programmes;

15. *Requests* all organizations of the United Nations development system, under the aegis of the United Nations System Chief Executives Board for Coordination, to cooperate closely in further defining and/or updating the indicators and benchmarks used to design, manage and monitor capacity-building activities in support of the efforts made by recipient countries to achieve the internationally agreed development goals and objectives, including those contained in the Millennium Declaration;

16. *Encourages* the organizations of the United Nations development system, in full collaboration with recipient Governments and other relevant stakeholders, to intensify their efforts to reflect on and analyse their knowledge of and experience with capacity-building, with a view to offering improved support to the development of national capacities and, in this context, to intensify the exchange of experience and the sharing of best practices;

17. *Requests* all organizations of the United Nations development system to further develop and implement monitoring and evaluation methodologies and mechanisms related to capacity-building outcomes;

#### **Common country assessment and the**

#### **United Nations Development Assistance Framework**

18. *Requests* United Nations funds, programmes and specialized agencies to ensure the integration of their operational activities for development with national development efforts, with active and full government participation and leadership at all stages of the common country assessment and United Nations Development Assistance Framework processes, as well as broader involvement of all relevant stakeholders;

19. *Encourages* the United Nations system organizations to continue their efforts to promote collaboration among themselves, under the leadership of the recipient Government, on the basis of frameworks for coordination, assessment and programming such as, inter alia, the common country assessment and the United Nations Development Assistance Framework, taking into account the lessons learned from the current applications;

20. *Also encourages* greater cooperation among the World Bank, the regional development banks and all funds and programmes, taking into account their respective competencies, mandates and comparative advantages, with a view to achieving increased complementarity and better division of labour, as well as enhanced coherence in their sectoral activities, building on the existing arrangements and in full accordance with the priorities of the recipient Government, and, in this regard, emphasizes the importance of ensuring, under the leadership of national Governments, greater consistency between the strategic frameworks developed by the United Nations funds, programmes and agencies and the Bretton Woods institutions, and the national poverty reduction strategies, including the Poverty Reduction Strategy Papers, where they exist;

#### **Evaluation of operational activities for development**

21. *Takes note* of the report of the Secretary-General on assessing the effectiveness of the operational activities for development of the United Nations system;

22. *Reaffirms* that the effectiveness of operational activities should be assessed by their impact on poverty eradication, economic growth and sustainable development of recipient countries as set out in the commitments, goals and targets of the Millennium Declaration and of the major United Nations conferences;

23. *Emphasizes* that the United Nations system should strive towards continuous improvement of instruments of monitoring and evaluation with a view to ensuring that evaluation results and lessons learned are taken into account in decision-making on policy and programming, bearing in mind that national ownership of operational activities and the integration with national efforts are necessary conditions for their effectiveness and sustainability;

24. *Underlines* that future assessments of the effectiveness of the operational activities for development of the United Nations system should make full use of the data and expertise available within the United Nations system and from national authorities in full collaboration with national stakeholders and United Nations entities;

#### **Simplification and harmonization of rules and procedures on operational activities**

25. *Notes with appreciation* the submission of a programme of work for the full simplification and harmo-



nization of rules and procedures in key areas by the United Nations funds and programmes as contained in the annex to the consolidated list of issues related to the coordination of operational activities for development, 2002, and requests its implementation in a timely manner;

26. *Notes* the role of the Executive Committee of the United Nations Development Group in facilitating the definition of the agenda on simplification and harmonization and its implementation, while acknowledging that the ultimate responsibility for implementing this agenda rests with the funds and programmes, and also notes, in this respect, that the United Nations funds and programmes are requested to report annually on the progress made in this area to the Economic and Social Council and the respective executive boards;

27. *Also notes* the progress made in increasing the number of United Nations Houses and the approach adopted to achieve and enhance common premises and services at the country level, particularly by members of the Executive Committee of the United Nations Development Group, in cooperation with other organizations of the system;

28. *Encourages* the United Nations funds and programmes to continue their efforts to promote collaboration among themselves through joint initiatives, including joint programming, where appropriate;

29. *Invites* the executive boards of the United Nations funds and programmes as well as the governing bodies of the specialized agencies to consider the issue of common services and take concrete steps to facilitate its implementation at the country level, inter alia, by providing financial support to the process of setting up such services;

30. *Encourages* the executive boards of the United Nations funds and programmes to consider further progress in the areas of simplification and harmonization of the rules and procedures on operational activities at an upcoming joint session of the boards before the next triennial comprehensive policy review.

### *Assessing operational activities*

In May [E/2002/60], the Secretary-General issued a report assessing the effectiveness of the UN system operational activities for development. The main purpose of the assessment was to provide policy analysis support to the General Assembly and the Economic and Social Council, and to recipient and donor countries, other organizations and inter-agency mechanisms in their consideration of operational activities for development.

The experience of the previous 12 years in assessing operational activities and the two series of impact evaluations undertaken in response to Assembly resolutions 50/120 [YUN 1995, p. 883] and 53/192 [YUN 1998, p. 802] had shown that future assessments might benefit, both methodologically and operationally, from the lessons learned and insights gained. The Secretary-General's last three reports for the triennial review made considerable progress in suggesting criteria for mak-

ing judgements about the effectiveness of operational activities. They also brought to light some methodological and organizational difficulties that were intrinsic in evaluation efforts in that area. One of the major obstacles faced by an overall assessment of operational activities was the breadth and complexity addressed in order to identify the impact of the UN system. There was also little agreement on common standards to identify achievements or a universally accepted methodology for system-wide country-level evaluations, making it difficult to compare performance across regions and countries.

The methodology for conducting overall assessments of operational activities was based on a multiplicity of analytical tools and approaches, including desk reviews, universal collection of information and extensive consultations from UN organizations, Member States and other sources. Future evaluations needed to ensure that the conditions of independence and impartiality were met; the assessments used a fully participatory approach; they were prepared and conducted according to rigorous methodological standards; the functional capacity to undertake those tasks was strengthened; and adequate financial resources were made available for the assessment.

The Secretary-General outlined an indicative work programme for the overall assessment of UN system operational activities for development, the thematic focuses of which were grouped into three clusters: integration of operational activities with national development; rationalization and enhanced functioning of the UN development system at the country level; and global and regional dimensions of operational activities.

### *Simplification and harmonization of rules and procedures*

The Secretary-General also reported in May [E/2002/59] on steps taken by UN system organizations, in particular funds and programmes, to simplify and harmonize their rules and procedures for operational activities for development. The report found that the introduction of new mechanisms, such as CCA and UNDAF, revealed that the existing level of harmonization and simplification of rules and procedures was insufficient. Individual agencies had taken action in that area. UNDP and UNICEF had developed a revised programming manual to simplify the process of country programme development, and all funds and programmes had made changes in their country programme approval processes. In 2001, the UNDP/UNFPA Executive Board harmonized the programming process of the two organizations by outlining new procedures based on

national priorities [YUN 2001, p. 799]. In January 2002, (see p. 1191), the UNICEF Executive Board modified its process for the preparation, consideration and approval of country programmes, reducing the time and workload involved, eliminating overlaps and reducing duplication.

CCA and UNDAF were expected to produce a “replacement effect” and/or a “simplification effect” on the procedural requirements for the individual country programming of the funds and programmes. Since the 2001 triennial review, some progress had been made in that regard, especially by the UNDG Executive Committee member organizations. A number of UN organizations had started delegating authority at the country level in order to bring development assistance closer to their beneficiaries. WFP had been one of the most noticeable examples of that trend. Some specialized agencies had also introduced measures to decentralize certain functions. Progress continued in harmonizing programming cycles. As at April 2002, 89 countries had harmonized programming cycles and another two were near completion.

A common format for joint programmes, outlines and documents was developed as part of an inter-agency initiative. The annual reports of the resident coordinators increasingly offered examples of joint programmes involving several UN agencies, particularly in cross-sectoral areas. However, joint programming still posed a challenge to country-level coordination.

In terms of the preparation of the programme of work of UN funds and programmes, the UNDG Executive Committee had agreed on a process of simplification and harmonization in the areas of remuneration of national project personnel, programme and project implementation, monitoring and reporting, financial regulations and common information and technology platforms. The Secretary-General recommended that the Council consider the proposed measures to simplify and harmonize programmes of work submitted by funds and programmes in those areas, and for decentralization and delegation of authority, common shared services in country offices and recruitment and training. The Council should invite the executive boards of funds and programmes, at a joint session, to launch a programme of action based on the proposed reform measures, containing clear guidelines, targets, benchmarks and time frames with the aim of ensuring implementation by 2004.

A related issue was rationalizing the structure of country offices through common premises and shared administrative services among funds and programmes. Several measures had been taken to increase efficiency through the UN

house programme and common services initiatives. A model with standard documents to assist country teams in establishing new UN houses and common premises was developed, and a common services pilot programme was initiated in 2001 to test the guidelines and develop a plan on shared services. As at December 2001, 46 UN houses had been inaugurated and others were under consideration. UNDP, UNFPA and UNICEF were exploring the feasibility of establishing a joint office in countries where their presence was small, with a single representative.

Through UNDG’s experience, a number of lessons were learned: existing premises in many countries were insufficient to accommodate staff; moving one agency to a UN house might result in an additional financial burden to the organizations; harmonization of terms and conditions of the basic cooperation agreements with Governments for office space was necessary; and the harmonization of administrative services and related training would facilitate common services at the country level.

#### *Support for capacity-building*

The Secretary-General, in another May report [E/2002/58] submitted in response to resolution 56/201, described efforts by UN organizations to support capacity-building. He stated that the renewed emphasis on national ownership of development confirmed the need for human resources with the capacity to design development strategies and policies that could translate those strategies into practice in a country-owned process. Development cooperation frameworks and other coordination tools, such as CCA, UNDAF and PRSPs, and the New Partnership for Africa’s Development (see p. 907), could succeed only if they were nationally owned.

Overall, the UN system was making progress in making capacity-building an essential part of all relevant programmes. An annex to the report provided examples of the support for and commitment of various UN organizations to capacity-building. However, the notion of a system-wide approach to capacity-building would require additional work before the concept became central to UN system operational activities.

Among his recommendations to the Economic and Social Council, the Secretary-General urged the UN system to expand support for national capacities, and Member States to recognize that capacity-building was a major component of efforts to achieve poverty eradication, economic growth and sustainable development, and to create, maintain and strengthen national capacities to provide greater welfare and make progress towards the achievement of the MDGs [YUN 2000,

p. 51]. The UN system was called on to formulate benchmarks and indicators for capacity-building linked to the MDGs. UN organizations, in cooperation with partners, should conduct a systematic sharing of case studies, technical reviews and evaluations of experience in capacity-building. The Secretary-General also recommended that the Council request all funds, programmes and specialized and technical agencies to focus on explicit capacity-building strategies in their own evaluation mechanisms, strengthening their monitoring and evaluation work with specific and realistic objectives and indicators related to capacity-building outcomes.

#### *Delivery of advisory services*

The Secretary-General, in response to General Assembly resolution 56/253 [YUN 2001, p. 1297], reported in September [A/57/363] on the delivery of advisory services to Member States. The report covered the purpose and scope of advisory services, the criteria for the selection of beneficiaries, the types of advisory services provided, their coordination and reporting arrangements at the intergovernmental and Secretariat levels, and the experience of the UN Department of Economic and Social Affairs in its delivery of advisory services.

Advisory services were a specific modality of technical cooperation provided by a UN entity to developing countries and countries in transition. They represented an essential operational bridge between the knowledge and expertise available in the United Nations and the capacity-building needs of developing countries, which had been stressed in intergovernmental bodies as a key priority of Member States and an essential guiding principle for the operational work of the United Nations. Through advisory services, the United Nations assisted Member States in implementing the outcomes of the major UN conferences dealing with economic and social development. The outcomes of the Millennium Summit [YUN 2000, p. 47], including the MDGs, would serve as a framework to guide future advisory services in economic and social affairs. To avoid duplication and achieve optimum resource use, advisory services were guided, at the intergovernmental level, by the operational activities for international development cooperation segment of the substantive session of the Economic and Social Council, and the Assembly, particularly in the context of the triennial policy review of UN operational activities for development.

The main coordination mechanisms at the Secretariat level for achieving that objective were UNDG and the Executive Committee on Economic and Social Affairs, and at the country level

the resident coordinator system and UNDAF. Advisory services were also guided by the planning and coordination mechanisms of national Governments that requested such services and that were interested in avoiding duplication and achieving optimum and effective use of development resources, including advisory services.

On 20 December, the General Assembly took note of the conclusions contained in the Secretary-General's report (**decision 57/563**).

#### *Cooperation with civil society organizations*

The Secretary-General transmitted to the General Assembly, in June [A/57/118], a Joint Inspection Unit (JIU) report on the involvement of civil society organizations (CSOs) other than non-governmental organizations (NGOs) and the private sector in technical cooperation activities: experiences and prospects of the UN system.

Among its recommendations, JIU affirmed that CSOs should be involved in technical cooperation activities during all stages of programme planning, implementation and follow-up. A standard framework could be established to be adapted to the different situations and needs of UN organizations, including the assessment of the legitimacy of representation by any CSO. Accountability and reporting procedures should be taken into account in the partnership between UN system organizations and CSOs. Legislative organs should develop a set of principles to guide UN system engagement with CSOs. The United Nations System Chief Executives Board for Coordination (CEB) should institutionalize such cooperation to be reflected permanently in its work agenda, with periodical reports to the Economic and Social Council. To help national CSOs increase their role as UN system partners, each organization should provide training, empower them and strengthen their organizational structures. UN organizations should assist women with training and resource mobilization to enhance their organizational and managerial skills. The prevailing informal cooperation with CSOs should be better structured by defining policy guidelines, supported by policy actions by legislative organs. The financial autonomy of CSOs should be encouraged to reduce their dependence on sporadic donations and contributions that undermined their potential effectiveness. Specific staff training was required in development programmes to allow staff to respond to the evolving changes of dealing with CSOs. To improve coordination of programme activities within the UN system, the existing mechanism at the country level (CCA and UNDAF) should be revised to involve CSOs during the planning and execution of technical cooperation activities. UN or-

ganizations dealing with economic and social development should include in their web sites information on CSOs engaged in technical co-operation activities.

The Secretary-General and CEB, in August [A/57/118/Add.1], generally supported the JIU conclusions and recommendations. In their view, however, CSOs included NGOs and popular organizations (formal and informal) and other categories, such as the mass media, local authorities, business leaders and the research community. They also believed that approaches to furthering collaboration with CSOs should focus on operational and programmatic objectives and not be process-oriented.

The General Assembly, by **decision 57/545** of 20 December, took note of the JIU report.

#### *Funding mechanisms*

The Secretary-General, in response to resolution 56/201 [YUN 2001, p. 784], reported in August [A/57/332] on pledging mechanisms to fund operational activities for development of the UN system, presenting options to the current method of the annual United Nations Pledging Conference for Development Activities. The Pledging Conference, introduced in 1979 as the sole mechanism for the simultaneous announcement of pledges for a large number of UN funds and programmes, was intended to increase resources for operational activities on a predictable, continuous and assured basis. However, its performance had not met those expectations, either globally or for individual organizations, and the long-term stagnation of funding in the 1990s had made it ineffective. Between 1992 and 2000, UNDP core resources fell by 40 per cent (from a peak of \$1,074 million to \$634 million), UNFPA by 24 per cent and UNICEF by 20 per cent. The Pledging Conference had also become marginal, accounting for only between 0.7 and 0.9 per cent of total funding raised by UNFPA, compared to between 20 and 30 per cent before 1999. The expected peer pressure effect for encouraging donors to make pledges turned out to be a non-factor, and the Pledging Conference had recently lost the support and meaningful participation of most major donors. Its format was outdated, its modalities too rigid and its timing inconvenient or incompatible with the budgetary cycles of major donors.

The multi-year funding framework (MYFF), introduced on a pilot basis, in late 1999 and in 2000, as an alternative resource mobilization mechanism, had the same objective of increasing resources and enhancing the predictability of funding by seeking to integrate programme objectives, resources, budgets and results. However,

although the MYFF annual funding meeting did not have the prominence of the annual Pledging Conference, its introduction in UNDP, UNICEF and UNFPA appeared to have prevented a further slide in regular resources in 2001. It had also proved to be a dynamic mechanism, attracting a considerable number of donors.

Nevertheless, MYFF pledges were far below the targets set by the Executive Boards, and it was possibly too early to make any conclusive judgement on their effectiveness in raising resources. Moreover, they had not been adopted by all UN funds and programmes and, since their pledging events were for one organization, they did not allow for a comprehensive policy exchange on funding for operational activities for the UN system as a whole.

The Secretary-General proposed, as one alternative, a series of separate sequential pledging sessions under the MYFFs for UNDP, UNFPA, and UNICEF in a single time frame and organized either in the context of a joint meeting of their Executive Boards or individually within a harmonized time frame. A fourth session could be organized for those funds and programmes that did not yet have MYFFs. Other alternatives were: a session of the high-level meeting of the operational activities segment of the Economic and Social Council on funding for operational activities; the creation of a high-level event under the aegis of the Assembly, held in conjunction with the triennial comprehensive policy review of operational activities; or a high-level event in conjunction with the biennial high-level dialogue on strengthening international economic cooperation for development through partnerships of the Assembly. Funding for operational activities could also be discussed during the Assembly's consideration of the Secretary-General's report on the implementation of the United Nations Millennium Declaration. The Secretary-General stated that his proposals were not mutually exclusive and the Assembly could select one or more of them with a view to agreeing on an effective approach as an alternative to the existing pledging mechanism.

On 20 December, the Assembly took note of the Secretary-General's report and decided to review the pledging mechanisms and resource mobilization at its fifty-ninth (2004) session, in the context of the triennial comprehensive policy review of operational activities (**decision 57/548**).

#### *Internal oversight mechanisms*

In February [A/56/823], the Secretary-General, as requested by the General Assembly in resolution 55/259 [YUN 2001, p. 1282], reported that the majority of UN funds and programmes had im-



plemented the recommendations contained in his 2001 report on enhancing internal oversight mechanisms [ibid., p. 790] through the signing of memorandums of understanding with the Office of Internal Oversight Services (OIOS) to reimburse it for its investigation services, spelling out the level of services rendered and the nature of the reimbursement. They had also established oversight committees or intended to do so in the near future, or had enhanced existing committees to include those responsibilities. For entities for which it did not provide audit coverage, OIOS was seeking representation on their audit committees. In that regard, it appreciated the invitation by the United Nations Relief and Works Agency for Palestine Refugees in the Near East to participate in the first meeting of its Audit and Inspection Committee and intended to explore similar arrangements with UNICEF and WFP. OIOS was also establishing client profiles for all funds and programmes and would include information thereon in its annual reports to the Assembly.

On 20 December, the Assembly, in **resolution 57/287 B** (see p. 1360), took note of the Secretary-General's 2001 recommendations and reaffirmed the prerogatives of the funds and programmes to decide their own oversight mechanisms and relationship with OIOS.

#### Financing of operational activities in 2001

Expenditure of the UN system on operational activities, excluding loans and grants through the World Bank Group, totalled \$7.1 billion in 2001 [E/2003/57], the most recent year for which figures were available, as compared to \$6.5 billion in 2000. Of the 2001 amount, \$2,027 million was distributed in development grants by UNDP and UNDP-administered funds, \$1,744 million by WFP, \$1,612 million by specialized agencies and other organizations from extrabudgetary sources, \$1,012 million by UNICEF, \$424 million by specialized agencies and other organizations from regular budgets (mostly the World Health Organization) and \$314 million by UNFPA.

The UNDP Administrator, in an August report on UN system technical cooperation expenditures [DP/2002/26 & Add.1], stated that the delivery of \$7.1 billion in technical cooperation in 2001 was an all-time high, up by some 17 per cent from 2000, due to the positive expansion of the specialized agencies, funds and programmes. UNFPA registered the highest growth (133.9 per cent), followed by WFP (50.6 per cent) and UNICEF (14.3 per cent). UNDP and other specialized agencies, funds and programmes made notable gains.

By region, Africa continued to receive the highest share of technical cooperation, receiving

\$1,895 million in 2001, an increase of 12.1 per cent over 2000. The Asia and Pacific region received \$1,543 million, a 25 per cent increase compared to 2000, while Latin America and the Caribbean received \$1,407 million, the Arab States, \$1,100 million, and Europe and the Commonwealth of Independent States (CIS), \$467 million. Other global and interregional programmes received \$680 million, an increase of 41 per cent over the previous year.

In terms of sector distribution, humanitarian assistance and health accounted for 46 per cent of UN expenditure (\$2.02 billion for humanitarian assistance and \$1.26 billion for health).

On 27 September [E/2002/35 (dec. 2002/28)], the UNDP/UNFPA Executive Board took note of the Administrator's report on technical cooperation expenditures for 2001.

At the 2002 United Nations Pledging Conference for Development Activities (New York, 5 November) [A/CONF.200/3], Governments made pledges to UN programmes and funds concerned with development. The Conference noted that several Governments were not in a position to announce their contributions but proposed to communicate such contributions when they were able to do so.

The Secretary-General provided a statement of contributions pledged or paid at the 2001 Pledging Conference, as at 30 June 2002, to 20 funds and programmes [A/CONF.196/2/Add.1]. The total amounted to some \$1.42 billion.

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#### Technical cooperation through UNDP

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The UNDP Administrator, in his annual report for 2002 [DP/2003/11 & Add. 2], said that the United Nations Millennium Declaration and the MDGs embodied therein [YUN 2000, p. 51] provided a powerful unifying force for the work of UNDP, which, through its Administrator, who was also the UN system MDG coordinator, played a key role in putting MDGs at the centre of UN development work. UNDP assisted countries in preparing their MDG country reports, the number of which rose steadily during 2002. In tracking progress towards the fulfilment of the MDGs, there was clear evidence in 2002 that the work of UNDP and its UN partners had made a real impact at the country level. A strong commitment was made in numerous countries to synchronizing MDGs with the poverty reduction strategy papers (PRSPs), with notable progress in Albania, Azerbaijan, Benin, Bolivia, Ethiopia, the Gambia, Malawi and Paki-

stan, among others. The Millennium Project, led by the Special Adviser to the Secretary-General, was launched in August to generate fresh thinking and identify options for achieving the MDGs. The United Nations Expert Group for the Millennium Project held its first meeting in New York on 17 September. The United Nations Development Group (UNDG), chaired by UNDP, worked intensively to shift the focus of operational work to the MDGs. Its key achievements included preparation of the integrated guidelines for the common country assessment (CCA) and the United Nations Development Assistance Framework (UNDAF); agreement on and initial implementation of a decentralized system of quality assurance; ongoing discussions with the World Bank on the relationship between the MDGs and PRSPs; and work on a training programme covering elements of the UN core MDG strategy.

The Administrator stated in his report to the Economic and Social Council [DP/2003/5] that UNDP had analysed and assessed the policy dimensions of achieving the MDGs based on a consensus among partners on policy and institutional reforms and investments, financing options and strategies through implementation of the Millennium Project. UNDP sought collaboration with a wide range of partners in order to build awareness and public opinion in support of action on priorities, policies and resource allocations. Assistance was provided to address constraints to progress on the MDGs at the country level.

The Millennium Trust Fund was established as the principal financing vehicle for the support programme, and almost two thirds of planned expenditure for 2002/03 was funded by late 2002. The Millennium Project central office was set up in New York. The first meeting of all coordinators took place in October and the Secretary-General's Executive Coordinator for the Millennium Campaign was appointed in November. Task forces would contribute input for the *Human Development Report 2003*, which would focus on the MDGs.

Led by resident coordinators and country teams, 16 MDG reports were published by the end of the year and 50 were under preparation. A regional MDG report was issued for Africa in June. Some 36 country offices in Africa, the Arab States, Asia and the Pacific, Europe and CIS and Latin America and the Caribbean received funding to initiate or expand advocacy and awareness-raising activities on the MDGs in collaboration with UN country teams. A UNDP-supported workshop on the MDGs for 12 UN country teams in Asia and the Pacific was held with UNDG in

October in the Lao People's Democratic Republic and included participants from civil society, the World Bank and the Economic and Social Commission for Asia and the Pacific. Similar workshops were organized in Ethiopia for Central and East Africa and in Yemen for the Arab States.

### UNDP/UNFPA Executive Board

In 2002, the UNDP/UNFPA Executive Board held two regular sessions (28 January–8 February and 23–27 September, both in New York) and an annual session (17–28 June, Geneva) [E/2002/35].

At the first regular session, the Board adopted four decisions, including one that gave an overview of the Board's action taken at that session [E/2002/35 (dec. 2002/4)]. Other decisions dealt with UNDP's contribution to the UN system strategic plan for HIV/AIDS for 2001–2005 (see p. 1220), the relationship between UNDP and the United Nations Office for Project Services (UNOPS) (see p. 877) and future arrangements for the UNFPA Technical Advisory Programme (see p. 1083).

The Executive Board, at its annual session, adopted 11 decisions. In addition to an overview decision that summarized the action taken at that session [dec. 2002/15], the Board adopted decisions on the UNFPA annual report and funding commitments (see p. 1082); UNFPA and sector-wide approaches (see p. 1079); internal audit and oversight for UNDP and UNFPA (see p. 1082); the Administrator's 2001 annual report, including the results-oriented annual report [YUN 2001, p. 792] (see p. 864); the UNDP core funding strategy (see p. 872); programming arrangements (see p. 870); a request by Argentina for reclassifying its financial status (see p. 864); the United Nations Volunteers (see p. 880); UNOPS (see pp. 877, 879); and the Brussels Programme of Action for the Least Developed Countries (see p. 844).

At its second regular session, the Board adopted 13 decisions, including an overview decision [dec. 2002/28]. The other decisions concerned UNDP's financial situation (see p. 872); UNOPS matters (see p. 878); programming arrangements for 2004–2007 (see p. 870); the Administrator's report on evaluation (see p. 871); the UN Development Fund for Women (see p. 1164); field visits (see p. 865); the UNFPA budget for 2002–2003 (see p. 1081); the Brussels Programme of Action (see p. 1078); the United Nations Capital Development Fund (see p. 884); and the joint Executive Board meeting to be held in January 2003 (see p. 864).

During its first regular session, the Executive Boards of UNDP/UNFPA and UNICEF held a joint meeting, with the participation of WFP, on UNDG priorities for 2002 and beyond: a response to the

triennial policy review of operational activities for development of the UN system. The UNDP/UNFPA Executive Board, on 27 September [dec. 2002/27], proposed a two-day meeting in January 2003 of the Executive Boards of UNDP/UNFPA, WFP and UNICEF, and requested that an agenda be finalized by 1 December 2002.

The Economic and Social Council, by **decision 2002/290** of 25 July, took note of the Board's reports on its 2001 second regular session, and its first regular and annual sessions in 2002.

### UNDP/UNFPA reports

In June [dec. 2002/8], the UNDP/UNFPA Executive Board expressed appreciation for the Administrator's 2001 annual report [YUN 2001, p. 792], including the results-oriented annual report (ROAR). It encouraged the sharing of UNDP experience in results-based management with the UN system and programme countries. The Board recognized the important role of UNDP in implementing the MDGs and encouraged UNDP to incorporate in the ROAR, among other things, information on its methodology for and measurement of its role in progress towards achieving the MDGs. The Board suggested that the ROAR, as an outcome report of the multi-year funding framework (MYFF), could be an advocacy tool for demonstrating the importance of UNDP's work and a stimulus for increasing core resources. UNDP was encouraged to initiate development of the next MYFF, taking into account the Millennium Declaration, the outcomes of major UN conferences and experiences gained in implementing the current MYFF. The Board requested the Administrator to follow up on the JIU reports highlighting recommendations of relevance to UNDP [DP/2002/15/Add.1].

The Economic and Social Council, in **decision 2002/290** of 25 July, took note of the annual reports of the UNDP Administrator and the UNFPA Executive Director to the Economic and Social Council [E/2002/11].

## UNDP operational activities

### Country programmes

The UNDP/UNFPA Executive Board, at its first regular session in February [dec. 2002/4], approved the first country cooperation framework (CCF) for the Federal Republic of Yugoslavia and an independence bonus [DP/2002/9], and second CCFs for Albania, Angola, Bulgaria, Eritrea, Gabon, Ghana, Guinea, Guyana, Haiti, Jamaica, Kuwait, the Lao People's Democratic Republic, Morocco, Namibia, Paraguay, the Philippines, the Republic of Korea, Rwanda, Sao Tome and Principe,

South Africa, the Syrian Arab Republic, Tunisia, Ukraine, the United Arab Emirates and Yemen. Second regional cooperation frameworks were approved for Africa, the Arab States and Latin America and the Caribbean. It took note of CCFs for Bahrain, Cameroon, Cape Verde, the Central African Republic, the Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Djibouti, the Dominican Republic, the Libyan Arab Jamahiriya, Malaysia, the Niger, Nigeria and Seychelles [DP/2002/8].

At its annual session in June [dec. 2002/15], the Board approved second CCFs for Algeria, Belize, Ethiopia, Honduras and Lebanon and took note of the extensions of CCFs for Cuba and Thailand [DP/2002/22]. The Board also approved the second regional cooperation framework for Europe and CIS. The Board took note of first country programme outlines and comments thereon for Bolivia, Botswana, Cameroon, the Comoros, Côte d'Ivoire, Cuba, the Dominican Republic, Equatorial Guinea, Guinea-Bissau, India, Liberia, Malaysia, Mali, Mauritania, Nigeria, Panama, Papua New Guinea, Seychelles and Venezuela. The Board considered a May report [DP/2002/CRP.6] on a field visit to Senegal by Board members from 25 February to 1 March.

In response to a request by Argentina [DP/2002/CRP.9], it decided, on 27 June [dec. 2002/11] to suspend provisionally, on an exceptional basis, that country's status as a net contributor country and the financial obligations that entailed, with immediate effect, pending certification by the World Bank of the gross national income (GNI) per capita for 2002. The Board requested UNDP to set up a special trust fund so that Argentina could benefit from its technical assistance and upstream policy advice, and the Administrator to propose possible recalculations of the target for resource assignment from core 1.1.1 earmarkings in the four-year framework period and an arrangement to recalculate such earmarkings for countries that had seen a significant change in their GNI per capita, as well as benchmarks to define such a change as significant.

At its second regular session in September [dec. 2002/28], the Board took note of the UNDP report on assistance to Somalia for 2002-2004 [DP/2002/29], the extension of the CCF for Sierra Leone [DP/2002/37] and an oral report on assistance to Myanmar. It approved second CCFs for Argentina, Colombia, Costa Rica, Egypt, El Salvador, Mexico, Nicaragua, the Sudan, Suriname and Trinidad and Tobago. It took note of first country programme outlines and comments thereon for Bahrain, Cape Verde, the Democratic Republic of the Congo, East Timor (Timor-

Leste), Jordan, the Libyan Arab Jamahiriya, Maldives and Samoa, and first multi-country programme outlines for the Cook Islands, Niue and Tokelau, as well as for the Pacific island countries. The Board considered a report [DP/2002/CRP.7] on the field visit to Viet Nam by the Bureaux of the Executive Boards of UNDP/UNFPA and UNICEF (16-25 April).

On 27 September [dec. 2002/23], the Board thanked Viet Nam for hosting the field visit. It requested the Administrator to discuss, within UNDG, the possibility of an integrated field visit in 2003 and to report on those discussions and on ways in which the Board and representatives of UNDP, UNFPA, the United Nations Development Fund for Women, the United Nations Capital Development Fund and the United Nations Volunteers (UNV) in the UN country teams could deepen their understanding of how UN operational activities could respond to development challenges and possible funding modalities.

## UNDP programme results

### *Democratic governance*

Democratic governance accounted for the largest number of requests for government support in 2002 and for the greatest expenditure. UNDP provided support in strengthening legislatures in over 40 countries. In the Niger, it helped to train legislators and their staff to communicate more effectively with constituents, involving civil society in public hearings and radio debates on a draft decentralization bill. At the global level, in cooperation with Belgium, it held the second Policy Dialogue on Legislative Development (Brussels, 20-22 November), bringing nearly 50 international and Southern-based legislative development practitioners and donors together with UNDP governance staff to advance policy and practice.

UNDP helped to enhance electoral systems and processes in 23 countries. In Lesotho, it brokered a meeting of all party leaders before the general election on 25 May.

UNDP supported 90 countries in 2002 in decentralization and local governance, including support for national decentralization strategies, local planning and budgetary mechanisms, strengthening the capacity of citizens' groups and local authorities, promoting urban development and building rural-urban relations. UNDP also supported the implementation of the local governance process in the former Yugoslav Republic of Macedonia, agreed upon in 2001 [YUN 2001, p. 371], and, as a result of its support to Cambodia in preparing commune development

plans, the decentralization approach reached 80 per cent of communes. It assisted the Lao People's Democratic Republic in drafting the legal framework for the creation of municipal governments and decentralized planning and budgeting.

In an effort to improve access to information, UNDP helped to build capacity and foster strengthened policy and practice in 35 countries in support of an independent media and access to information on citizens' participation in governance, especially in Mozambique, where, in partnership with the United Nations Educational, Scientific and Cultural Organization (UNESCO), it helped to strengthen the capacity of independent media actors, including the expansion of community radio networks throughout the country.

Access to justice and human rights was supported by 67 UNDP country offices, and assistance was provided to 55 countries in instituting public administration reform. In East Timor, help was given for developing a new Public Service Act. The UNDP Oslo Governance Centre (Norway), which was opened in March to promote poverty eradication through democratic governance, concentrated on support to country practice, knowledge development and practical learning on democratic governance programming.

### *Poverty reduction*

UNDP's commitment to the MDG core strategy was central to its work on poverty in 2002, and included working through policy and institutional change, advocacy, capacity development and operational support. Mindful of the link between the MDGs and PRSPs, UNDP supported poverty reduction strategy processes, focusing on capacity development, monitoring, the participation of civil society and the analysis of pro-poor policy options.

Other work in reducing poverty was in the areas of pro-poor economic policy reforms, trade and globalization, poverty monitoring and analysis and microfinance. Case studies to link economic policies better to poverty reduction were carried out in Armenia, Bangladesh, Cambodia, China, Indonesia, Kyrgyzstan, Mongolia, Nepal, Uzbekistan and Viet Nam. UNDP sponsored a two-year study on how the global trading system could foster human development and the MDGs, "Making Global Trade Work for People". As part of poverty monitoring and analysis efforts, support was provided to poverty observatories, especially in sub-Saharan Africa. Community-based monitoring and analysis in the PRSP process were supported in Zambia and other countries.



Support to policy analysis on microcredit operations focused on the financial, regulatory and legal framework, procedures and practices.

#### *Crisis prevention and recovery*

During 2002, UNDP's efforts to prevent crisis situations and promote recovery focused on strengthening cooperation between UNDP and other relevant UN organizations, and developing the services of the Bureau for Crisis Prevention and Recovery in support of country operations. The overall objective was to deliver outputs reflecting better-targeted assistance in countries and regions affected by the risk, or the reality, of violent conflict or natural disasters. UNDP strengthened partnerships with the UN organizations working on conflict prevention and peace-building and worked within UNDG to ensure clear guidance on strategic planning and resource mobilization during the recovery phase. During the reporting period, 65 country offices reported on crisis prevention and/or recovery initiatives.

UNDP worked with the UN Departments of Peacekeeping Operations (DPKO), and Political Affairs, the World Bank and others in the peacekeeping operations in Angola, the Democratic Republic of the Congo and Sierra Leone to address security and development, mine-action needs, sustainable development initiatives growing out of quick-impact projects, early recovery planning and a smooth transition to peace-building and recovery. UNDP and the United Nations Mission in Bosnia and Herzegovina established a recovery programme for the Srebrenica region. UNDP consolidated its capacity to provide support in conflict prevention and peace-building; small arms, disarmament and demobilization; mine action; natural disaster reduction; and special initiatives for countries in transition.

In Guatemala, Guinea-Bissau, Nepal and Tajikistan, programmes were reviewed to ensure that social and economic inequalities liable to spark conflict would not be fuelled. In Kyrgyzstan and Tajikistan, that resulted in a cross-border programme focusing on access to water and basic services through participatory community development involving different ethnic groups. Within the peace process in Sri Lanka, UNDP, as part of an inter-agency mission, addressed the challenge of helping communities prepare for the return of internally displaced persons through assistance programmes and integrated mine-action activities. Assistance was provided to a community-policing programme in the Kosovo province of the Federal Republic of Yugoslavia, to the Judicial Commission in Af-

ghanistan, and for the evaluation of judicial operations and reform of Haiti's penal code. UNDP helped to implement disarmament and demobilization programmes in Chad, the Congo, Niger and the Solomon Islands. UNDP's mine-action portfolio encompassed 20 countries in 2002, ranging from re-launched projects in post-conflict countries, such as Angola and Sri Lanka, to mature programmes, such as those in Bosnia and Herzegovina, the Lao People's Democratic Republic and Mozambique. UNDP also implemented mine-action management training courses for some 300 national senior and mid-level programme managers from a dozen countries.

Reducing the effects of natural disasters and promoting recovery was the aim of a five-year, \$20 million programme in India. UNDP shared the costs of developing a regional disaster management strategy for the Caribbean and strengthening the Caribbean Disaster Emergency Response Agency. It supported efforts to increase the capacity, especially within small island developing States, to address the accumulation of natural hazard and environmental risks connected with climate change and social vulnerability. As a special initiative for countries in transition, UNDP supported the payment of public salaries in Afghanistan and the convening of the Emergency Loya Jirga (traditional Afghan Grand Council). A larger programme portfolio was developed to include judicial reform, mine action, community-based planning for recovery through economic revitalization, and employment generation through labour-intensive rehabilitation projects.

The crisis prevention and recovery practice network, launched in September, grew to 450 members sharing best practices, referrals, technical expertise, digests, consolidated replies, a newsletter, workshops and knowledge-based advisory services.

In view of the increasing demands for assistance in crisis and post-conflict situations, the Administrator proposed upgrading the organization's Emergency Response Division (see p. 869).

#### *Environment and energy*

UNDP's support in environment and energy management was in great demand in 2002, underscoring the importance of the environment in the poverty reduction efforts, which was reinforced at the World Summit on Sustainable Development (see p. 821). In preparing for the Summit, UNDP participated in efforts to develop water and sanitation, energy, health, agriculture and biodiversity priorities and supported countries in developing their national assessments of the implementation of Agenda 21, adopted by the United Nations Conference on Environment and

Development [YUN 1992, p. 672]. UNDP was active in 90 countries through its water resources management and water supply and sanitation programmes and led a new initiative, Dialogue on Effective Water Governance, which brought together stakeholders from over 30 countries.

UNDP worked towards providing affordable, reliable and environmentally sustainable energy services to people without access to electricity, as well as cleaner fuels for cooking and heating. In 2002, the thematic trust fund on energy became operational and 30 projects covering five regions were approved. UNDP released a publication entitled "Energy for sustainable development: a policy action agenda". With partners in the donor, civil society and business communities, it launched two partnerships: the Global Village Energy Partnership, designed to expand energy services for productive uses in off-grid areas, and the Liquefied Petroleum Gas Challenge, which would work with industry to extend the availability of clean fuels in rural areas.

Another area of UNDP attention was agriculture in drylands. UNDP and other partners implemented a farmer innovation programme in Kenya, Uganda and the United Republic of Tanzania to empower local farmers, especially women, to test their own ideas for improved soil, water and environmental management. The approach was incorporated into the national agricultural extension system in Kenya and the modernization of agriculture programmes in Uganda. Sixteen countries in Africa and the Arab States benefited under Drylands Development Centre programmes focused on mainstreaming drylands issues into macroeconomic frameworks; reducing vulnerability to climatic shocks and improving adaptation to climate change; and enhancing local governance for natural resource management.

In biodiversity and ecosystem management, UNDP worked with partners on local programmes to help preserve the environment, provide steady incomes to local populations, and maintain traditional ways of life. Under the Global Environment Facility (GEF) (see p. 1039), UNDP secured \$104 million in project approvals in biodiversity, climate change, international waters, persistent organic pollutants and other areas. Under the Montreal Protocol on Substances that Deplete the Ozone Layer [YUN 1987, p. 686], UNDP had 20 projects aimed at strengthening the capacity of national ozone units and providing support to national policy makers.

The UNDP/UNFPA Executive Board, at its January/February session, considered a report on UNDP activities financed by GEF and the Montreal Protocol [DP/2002/4], the two largest UNDP trust funds. The cumulative UNDP-GEF portfolio for

1991-2001 amounted to \$1.23 billion, with a further \$2 billion secured in co-financing, which represented 34 per cent of the total GEF allocation.

UNDP hoped that the replenishment of GEF for 2003-2006 would be in the range of \$2.5 billion to \$3.5 billion, and that the replenishment of the Multilateral Fund for 2003-2005 would include concessional loans in addition to grants. On 5 February [E/2002/35 (dec. 2002/4)], the Board took note of the report.

#### *Gender equality and advancement of women*

UNDP assisted countries embarked on gender-sensitive budgeting initiatives as they incorporated a gender perspective into investment policies, including commitments to poverty reduction and the MDGs. More than 40 countries initiated gender-sensitive budgeting with UNDP support. UNDP focused its support on building national capacities, with particular emphasis on municipal and local budget planning. In Cambodia, Morocco, Nepal, Turkey and Viet Nam, UNDP supported the integration of gender into macroeconomic policies; in Viet Nam, gender was mainstreamed into 10-year sectoral strategies and 5-year action plans. More than one third of UNDP country offices supported the collection of data disaggregated by gender, a major contribution to the development of gender-responsive reporting.

UNDP efforts to foster a gender-sensitive approach to democratic governance encompassed legal reform, implementation of the Convention on the Elimination of All Forms of Discrimination against Women [YUN 1979, p. 895], capacity development of parliamentarians, women's human rights and violence against women. It supported the publication of a review of common laws protecting women in Bangladesh, a national social audit on abuse against women in Pakistan, and a programme to combat violence against women in Mexico. In crisis and post-conflict countries, such as Afghanistan, UNDP promoted institutional capacities for the advancement of women. In post-crisis reconstruction, UNDP assessed lessons learned in mainstreaming gender equality and empowering women in Afghanistan, Bosnia and Herzegovina, Mozambique and Sierra Leone.

In the area of HIV/AIDS, UNDP supported the development of multisectoral poverty reduction strategies to address the economic and social impact of HIV/AIDS at the individual, community and national levels from a gender perspective. It responded to the crisis by addressing women's vulnerabilities and the difficulty of replacing failing social services. In Ethiopia, UNDP sup-

ported the integration of HIV/AIDS into the development planning process, including poverty reduction strategies, with a view to both mitigation and prevention. With other partners, it supported a television series in Botswana to increase teachers' comfort levels in addressing related issues.

#### *Information and communications technology*

In 2002, UNDP brought a strategic, holistic approach to information and communications technology (ICT) for development policy and implementation that helped developing countries maximize ICT opportunities. Policy and strategy innovations were evident in countries such as Mozambique, where UNDP support in prioritizing, costing and enhancing sustainability through the adoption of an integrated approach expedited resource mobilization and implementation.

The use of ICT was visible in a number of projects covering health, education and delivery of public services. At the national level, UNDP supported measures to link ICT more effectively with development policies and strategies and strengthen upstream-downstream links in strategies that would both prioritize programmes and increase their sustainability. In Asia and the Pacific, the UNDP regional ICT for development programme launched a major review of countries to determine good practices and policy lessons in order to use ICT more effectively in achieving the MDGs. A similar initiative was under way for African countries.

UNDP also focused on assisting countries in special circumstances and post-conflict situations where ICT could facilitate reconstruction, aid coordination and development activities, strengthening human capacities in civil service and public service delivery.

#### *Response to HIV/AIDS*

In 2002, UNDP helped to create an enabling legislative, policy and resource environment for an effective multisectoral response to the HIV/AIDS epidemic, integrating a human rights framework and gender perspective into all its aspects. In a number of countries, it worked in partnership with the Global Fund to Fight AIDS, Tuberculosis and Malaria to help prepare nationwide responses to the epidemic. UNDP and UNV fostered community participation through HIV/AIDS mitigation projects in Botswana, Kenya, Malawi, Rwanda, Zambia and Zimbabwe. Sustainable models of community-oriented prevention were developed, as were care and support systems for people affected by the epidemic, en-

abling people living with HIV/AIDS to play an active role in their societies.

UNDP worked with the Government of Sri Lanka to strengthen the HIV/AIDS component in the training provided to migrants, especially women, before departure. In China, it helped to raise the awareness of officials and the general public on the epidemic and to alert the country's leadership to the threat of its social and economic impact. In Ethiopia, UNDP challenged artists and writers to reflect on their role in addressing the epidemic and develop creative ways of responding.

The UNDP/UNFPA Executive Board considered the Administrator's report on the UNDP contribution towards reversing the HIV/AIDS epidemic (see p. 1220) in the context of the UN system strategic plan for HIV/AIDS for 2001-2005.

On 1 February [dec. 2002/1], the Board endorsed the UNDP overall approach to its role as coordinator of the UN system activities at the country level in response to the HIV/AIDS crisis.

### **Programme planning and management**

#### **Management reform**

The year 2002 saw a number of management changes at UNDP. With headquarters staff reduced to 929, as opposed to 1,160 in 2000, UNDP was progressively becoming a field-oriented, decentralized, networked and service-focused organization. The change in the staff of the Bureau for Development Policy had been particularly significant. Of the original 100 headquarters policy specialist positions, 50 were relocated from headquarters to nine subregional resource facilities (in Addis Ababa, Ethiopia; Bangkok, Thailand; Beirut, Lebanon; Bratislava, Slovakia; Dakar, Senegal; Pretoria, South Africa; Kathmandu, Nepal; Panama City; and Port of Spain, Trinidad and Tobago), where they provided demand-driven support to country offices.

Changes were made in human resources to align the profiles and competencies with organizational needs. In 2002, the staff ceiling at headquarters was maintained, and openings, resulting from a 22 per cent reduction in core country office staff following the re-profiling exercise, were used to bring in a new generation of policy specialists and national staff. Efforts were made to strengthen the regional and gender balance of staff, especially with regard to the resident coordinator/resident representative function and senior headquarters positions.

To strengthen performance and accountability, the 360-degree feedback programme was de-

signed to give staff a formal mechanism to channel feedback to their supervisors. A Management Development Centre was being designed and a Learning Advisory Board was in place to support middle-level managers in their own development.

### **UNDP Business Plans, 2000-2003**

At its January/February session [E/2002/35], the UNDP/UNFPA Executive Board considered the update on the UNDP Business Plans for 2000-2003 [YUN 2001, p. 800], which covered results achieved in 2001.

On 5 February, the Board took note of the update [dec. 2002/4].

### **UNDP role in crisis and post-conflict situations**

As part of its consideration of the UNDP Business Plans, 2002-2003, the UNDP/UNFPA Executive Board had before it an update on the role of UNDP in crisis and post-conflict situations: organizational changes [DP/2002/CRP.3]. Recognizing that the stature, profile and leadership of the Emergency Response Division needed to be adjusted to meet adequately the ever-increasing demands on UNDP in that area, the Administrator proposed elevating the Division to the level of a Bureau and to establish strong leadership by creating a post of Director of the Bureau at the Assistant Secretary-General level. The Advisory Committee on Administrative and Budgetary Questions (ACABQ), in comments that were annexed to the report, expressed its reservations on the proposal, but acknowledged that the Administrator needed to be able to obtain appropriate advice in the subject area under his own prerogative. In the light of those comments and to get UNDP properly equipped to respond to the increasing crisis prevention and recovery demands, the Administrator had decided to implement his proposal for a two-year period, effective 1 November 2001, with funds from extrabudgetary resources. On the basis of experience gained from the arrangement, he would decide whether to continue the post at that level and, if so, to include it in the 2004-2005 budget estimates, as requested by ACABQ.

On 5 February, the Board took note of the update [dec. 2002/4].

### **Programming arrangements**

As requested by the Executive Board [YUN 1999, p. 808], the Administrator reported in June on issues and principles for improving current UNDP programming arrangements [DP/2002/17]. The report covered proposals for possible improvements in the distribution model for resources un-

der the target for resource assignment from the core (TRAC), including a review of thresholds, based on a February working paper on the subject [DP/2002/WP.1] and the results of informal consultations with the Board on the proposals. The recommended options for change covered the overall principles and financial parameters, possible changes in the TRAC distribution model, and possible changes in the programming arrangements for specific programme lines other than TRAC line 1.1.1. Concerning the principles and financial parameters, the Administrator proposed that the Board consider moving from a three-year (2004-2006) to a four-year (2004-2007) regular resources programming framework to coincide with the MYFF. As to the current TRAC-1 distribution model proposed in the working paper, changes were identified in the net contributor country (NCC) threshold and the introduction of some flexibility in the share of total TRAC resources going to low- and middle-income countries, a ceiling for individual TRAC resource earmarkings, minimum TRAC-1 earmarkings and additional or alternative TRAC-1 distribution criteria. The Administrator proposed no change in the NCC threshold, and the postponement of any decision on the establishment of a ceiling for individual TRAC resource earmarkings until preliminary TRAC-1 earmarkings were presented to the Board on the basis of GNI per capita data for 2001. He also proposed that the current three-year grace period for first-time NCCs be extended to four years, if the Board agreed to move to a four-year financial framework. Noting the lack of support for introducing a ceiling on TRAC-1 earmarkings, the Administrator recommended no changes in the use of existing distribution criteria, but suggested that the matter should be kept under review. He also proposed combining the introduction of some flexibility in the share of total TRAC resources going to low-income countries with the introduction of minimum TRAC-1 earmarkings so as to maintain their share of TRAC-1 resources.

As to the changes proposed for specific programme lines, the Administrator reported that agreement had been reached on simplifying current arrangements for policy and programme development/support for technical services, financed under line 2.2 of the current financial framework. With regard to the proposal to establish fixed absolute amounts for selected programme lines/components, the Administrator recommended the following for the 2004 allocations: for the two components currently financed under line 1.3 global programme (the Human Development Report Office and the Office of Development Studies) and the Economist Programme, previously financed under the biennial



budget, the fixed allocations, to become effective in 2004, would be set at \$5.3 million, \$1.1 million and \$4.5 million, respectively.

On 27 June [dec. 2002/10], the Executive Board, taking note of the above report, requested the Administrator to clarify further, at its September session, questions raised by Board members. It endorsed the proposal to move from a three-year to a four-year programme financial framework (2004-2007), and asked the Administrator to submit a proposal for synchronizing the MYFF and programme financial framework processes and to propose recalculations of TRAC 1.1.1 earmarkings during the four-year framework period and the arrangements for doing so for countries with a significant change in their GNI per capita, as well as benchmarks to define such a change as significant.

In response to that request, the Administrator, in an August report on programming arrangements [DP/2002/28], provided additional information related to recommended changes in the TRAC-1 distribution model and to the proposed changes in the programming arrangements for specific programme lines/components other than the three TRAC lines. He also proposed arrangements for recalculating TRAC-1 earmarkings to reflect changes in GNI and population data, in the form of two options: an annual recalculation based on the latest World Bank data in GNI per capita and population, or a midterm recalculation before the end of the third year of the four-year period based on World Bank data for the previous year. The Administrator recommended the midterm recalculation of TRAC-1 earmarkings, but stated that if the Board decided on the desirability of annual recalculations, it should also confirm that the current floor arrangements would continue to apply for the duration of the four-year period.

On 27 September [dec. 2002/18], the Board reconfirmed the annual funding target of \$1.1 billion and encouraged countries to contribute towards that goal. It decided that, in allocating regular resources, provision would be made for fixed amounts for specific programmes, with the balance being allocated between variable country, global and regional programmes, and to reallocate the resources of the previous support for policy and programme development and support for technical services programme to both TRAC lines 1.1.1 and 1.1.2. The Board endorsed the Administrator's proposal to ensure regular resource financing by establishing fixed absolute amounts for selected programme lines/components of the programme financial framework as outlined in the report and decided that after deduction of those amounts, the allocation of the remaining

resources for programming would be 78.8 per cent for TRAC 1.1.1 and 1.1.2; 7.2 per cent for TRAC 1.1.3; regional programmes, 9 per cent; and global programmes, 5 per cent. If total regular resources fell below \$450 million, all fixed allocations would be reduced in direct proportion to the shortfall.

The Board also decided that current programming arrangements would continue to be applied during 2004-2007, subject to certain changes in the distribution methodology for TRAC line 1.1.1, including a range of 85 to 91 per cent of total TRAC line 1.1.1 and 1.1.2 resources for low-income countries, a minimum allocation of \$350,000 for all non-NCC countries, and a midterm recalculation of TRAC line 1.1.1 earmarkings on the basis of the agreed distribution model. The recalculated TRAC line 1.1.1 would replace the initial TRAC line 1.1.1 earmarkings for the remaining two years of the programming period. The Board also decided to introduce, effective 1 January 2004, a special arrangement for the recalculation of TRAC line 1.1.1 earmarkings for NCCs experiencing a drop of at least 25 per cent in the GNI per capita figure, to be financed from the unallocated programme reserve. The grace period for new NCCs that continued to receive a TRAC line 1.1.1 earmarking would be four years.

The Board requested the Administrator to submit, in the framework of the results-oriented annual report, supplementary chapters on activities undertaken and results achieved under the regional and global programmes and other related programmes.

### **Monitoring and evaluation**

The UNDP Administrator, in his annual report on evaluation covering the period July 2001 to June 2002 [DP/2002/27], detailed the progress made by the Programme in the areas of effectiveness, performance and substantive accountability. The report provided key performance results from UNDP corporate-level evaluations and completed evaluations from its associated funds and programmes. It also framed future strategic directions for the evaluation functions to meet the challenges of the MDGs and the International Conference on Financing for Development (see p. 953).

The emphasis for UNDP in the past few years had been on introducing, aligning, internalizing and simplifying results-based management, with a focus on enhancing performance and development effectiveness. The MDGs, however, and the post-Monterrey context presented new challenges, which called for greater framing, measuring and evaluation of results.

The report raised four key elements: the need to reinforce development effectiveness, which demanded greater emphasis on measuring performance, enhancing performance and sharing accountability; the need to strengthen national evaluation capacities in the light of the MDGs; the need to strengthen, in an integrated fashion, the culture of managing for results within UNDP; and the need to ensure the organization's continuing commitment to lessons learned in line with its vision of connecting countries to knowledge and experience.

In a December report on reform efforts [DP/2003/5], the Administrator stated that, in September, in partnership with the World Bank, UNDP had launched the International Development Evaluation Association. Initially based in South Africa, it would focus on capacity development and advocate development evaluation as an essential aspect of transparency and good governance.

On 5 February [dec. 2002/4], the Executive Board took note of the Administrator's annual report on evaluation for 2000 and the reports on the evaluation of non-core funding resources and of direct execution [YUN 2001, p. 803]. On 27 September [dec. 2002/19], the Board, taking note of the Administrator's 2002 report on evaluation (above), reaffirmed the need to strengthen the "culture of managing for results" within UNDP. It requested UNDP to ensure transparency, impartiality and professionalism in conducting evaluations, and encouraged it to make use of the findings of the Evaluation Office to strengthen the organization's comparative advantages at the global, regional and country levels and to ensure, in all country-level evaluation exercises, the full participation of national authorities. The Evaluation Office should conduct strategic evaluations on high-priority corporate issues, taking into consideration the Administrator's Business Plans, 2000-2003, and inform the Board in 2003 of possible subjects for such evaluations. It should also explore the possibilities of participation with other relevant partners, including joint strategic evaluations.

### Financing

The Administrator, in his annual review of the financial situation [DP/2003/27 & Add.1], reported that UNDP's total funding reached its highest level ever, \$2.9 billion, in 2002, an 11 per cent increase over the previous year's figure of \$2.6 billion, due to increases in both regular (core) and other (non-core) resources. Compared to 2001, regular resources increased by 4 per cent to \$693 million, while total expenditure decreased

by 5 per cent to \$666 million. The resource balance, exclusive of operational reserves, increased by 66 per cent. Voluntary contributions to regular resources increased by 2 per cent to \$670 million. Contributions received from the top 15 non-programme country donors (Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States) increased by 2 per cent.

Expenditure under regular resources fell to \$666 million. Programme expenditure, including programme support costs, also decreased by 5 per cent, from \$366 million to \$357 million. By appropriation group, 59 per cent of the expenditure went to programme support activities, 21 per cent to management and administration and 20 per cent to support UN system operational activities. In terms of percentage share of programme expenditure among regions, Latin America and the Caribbean continued to record the highest share of programme delivery, accounting for 48 per cent or \$1.1 billion of aggregate figures; Asia and the Pacific, \$341 million or 15 per cent; Africa, \$306 million or 14 per cent; the Arab States, \$274 million or 12 per cent; and Europe and CIS, \$148 million or 7 per cent.

The percentage share for execution modalities showed that national execution represented 68 per cent of the overall UNDP figure, followed by direct execution, 15 per cent, the United Nations Office for Project Services, 11 per cent, other agencies, 3 per cent, the "big five" agencies (Department of Economic and Social Affairs, the Food and Agriculture Organization of the United Nations, the International Labour Organization, UNESCO, the United Nations Industrial Development Organization), 2 per cent, and NGOs, 1 per cent. The growth of direct execution was mainly in crisis countries, representing 86 per cent of the total direct execution delivered.

As at 31 December, the balance of unexpended resources for regular resources activities stood at \$83.3 million, an increase of 83.9 per cent from the 2001 figure of \$45.3 million. UNDP held cash and investments for regular resources totalling \$150 million, excluding the operational reserve.

For the other resources activities, which comprised local resources (government cost-sharing and cash-counterpart contributions), donor cost-sharing, trust funds, management services agreements (MSAs), the Junior Professional Officer programme and the reserve for field accommodation, overall income increased from \$2.1 billion to \$2.3 billion. Overall expenditure increased by 7 per cent (\$128 million) to \$2.1 billion. Contributions received totalled \$2.2 billion, of which 46 per cent accounted for programme country

cost-sharing. Donor cost-sharing, MSAs and trust fund contributions increased by 41 per cent, from \$781 million in 2001 to \$1.1 billion in 2002.

In September [dec. 2002/16], the Executive Board took note of the annual review report on the financial situation in 2001 [YUN 2001, p. 805]. It welcomed the upward trend in regular resources, while recognizing that the growth trend remained modest in relation to the MYFF targets set by the Board. It urged countries in a position to do so to contribute to regular resources, and encouraged them to make contributions early in the year and to make multi-year pledges. It requested UNDP to provide the Board with a more transparent overview of country-level contributions, particularly for multisource-financed programmes. Noting with concern that only half of the regular resources income was used for programmes in 2001, the Board asked the Administrator to propose ways of increasing the share of other resources contributions in the support budget and costs of the organization. UNDP should initiate the development of the next (2004-2007) MYFF, taking into account the Board's decision [dec. 2002/8] (see p. 864) on the ROAR, and include a proactive resource mobilization strategy, from all sources, particularly for the regular resources base.

#### **Regular funding commitments to UNDP**

In May [DP/2002/16], UNDP submitted a report on the status of regular funding commitments to the organization and its associated funds for 2002 and onward. According to the provisional data for 2001, total net income reached \$652 million, a 3 per cent (\$18 million) increase over the \$634 million achieved in 2000. Current projections for gross contributions to regular resources for 2002, using the UN official exchange rate as at 1 April 2002, were \$658 million. The 2001 figure came about as a result of increased contributions by 13 members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) in local currency, 3 of them by 34 per cent. Three others (Finland, Italy and the United Kingdom) announced additional contributions to 2001 regular resources over and above their original pledge for the year. All but two paid their contributions in full in 2001. Some 44 programme countries made contributions to the regular resource base, including 10 that increased their net core contributions from the previous year and 13 that commenced or resumed payments. The turnaround in contributions was also influenced by the exchange rate, particularly the continued strength of the United States dollar.

The payments performance improved considerably in 2001. A total of 17 OECD/DAC donor countries provided fixed payment schedules, covering 80 per cent of total OECD/DAC pledges. While not all payment schedules were adhered to completely, they did facilitate financial management. Early payment was a positive factor also, with over 70 per cent of pledged contributions received by July, including by a major donor, compared to 55 per cent in 2000. As a result, the organization's cash-flow and liquidity position improved significantly, thus avoiding the use of operational reserves for most of 2001.

In a June update [DP/2002/CRP.8] to the May report (above), UNDP reported estimates for gross contributions to its regular resources for 2002, using the UN official exchange rate as at 1 June 2002, of \$672 million, a projected increase of 1.7 per cent over the 2001 level. It was estimated that 11 OECD/DAC countries would increase their contributions, 3 of them by over 10 per cent, 1 by over 44 per cent and another resuming its contribution. At least 13 programme countries were expected to increase their contributions to regular resources, including 6 resuming contributions. Four of them had announced contributions above \$1 million.

Twelve OECD/DAC countries had announced payment schedules for 2002. By June, four donors had paid in full and five had paid half of their contribution. As at 31 May 2002, contributions totalling \$241 million had been received, the same amount as in 2001. It was estimated that the top 10 donors to UNDP would provide 80 per cent of the organization's total 2002 resources.

In June [dec. 2002/9], the Executive Board welcomed the increase in overall resources recorded in 2001, while reiterating that regular resources were essential to maintaining the multilateral and universal nature of UNDP's work. It recognized that, in the light of the Monterrey Consensus, adopted at the International Conference on Financing for Development (see p. 953), a unique opportunity existed to examine, in a comprehensive and holistic manner, the future funding of the multilateral organizations working in development.

#### **Audit reports**

The Executive Board, at its January/February session, considered the Administrator's report [DP/2002/5] on implementation of the recommendations of the Board of Auditors for the 1998-1999 biennium [YUN 2000, p. 1316]. The report, prepared in response to General Assembly resolution 52/212 B [YUN 1998, p. 1288], contained an update of the actions taken by UNDP on the

outstanding recommendations of the Board of Auditors, including target dates for completion. The Administrator said that progress had been achieved in most areas and the few remaining issues were being addressed. On 5 February [dec. 2002/4], the Executive Board took note of the report.

In April [DP/2002/12] the Administrator submitted a report on UNDP internal oversight services provided by its Office of Audit and Performance Review (OAPR).

In 2001, OAPR issued 37 internal audit reports and six special reports of country offices. The 37 audit reports contained 1,705 recommendations, of which 1,587 (94 per cent) were accepted by auditees and had been implemented. The remaining 6 per cent were being reviewed by OAPR. A public accounting firm was contracted to conduct limited-scope audits, focusing on compliance with UNDP policies and procedures in procurement, recruitment and finance. A total of 16 control self-assessment workshops were held, five at headquarters, five in Europe, three in the Africa region, two in the Asia and Pacific region, and one in the Latin America and Caribbean region. The most significant concerns included risk assessment, solving conflicts between the teams' objectives and those of their partners, information, inadequate resources and recognition, especially in the form of monetary compensation. During the year, OAPR reviewed 1,626 project audit reports of national execution and NGO expenditures in 110 country offices. Of those, only 12 were assessed as deficient. Many of the audit findings concerned lack of competitive recruitment and procurement, poor record-keeping and non-compliance with mandatory monitoring requirements. For only three projects did auditors raise concerns as to possible fraud or mismanagement. Some 55 investigation cases were worked on during the year, including 34 new cases; 28 of those cases involved fraud or financial mismanagement and 11 abuse of authority.

During 2001 UNDP initiated a comprehensive proposal for a new approach to audit, which included improved transparency of audit criteria and methodology for calculating overall ratings; a more balanced assessment of performance; multidisciplinary audit teams; and raising awareness of risk and internal control issues. UNDP completed improvements to its internal justice system with regard to its management and procedural aspects.

In June [dec. 2002/7], the Executive Board encouraged the Administrator to address the issues contained in the report on internal audit and oversight and to report in 2003.

## Procurement

In 2001, total procurement for goods and services under UNDP funding was \$949 million, of which the share from developing countries was 56 per cent. For the UN system in general, total procurement under all sources of funding during 2001 was \$4.6 billion, of which the share from developing countries was 38 per cent, according to the 2001 annual statistical report on procurement [DP/2002/32].

The Administrator, in his update of the activities of the Inter-Agency Procurement Services Office (IAPSO) from June 2000 to June 2002 [DP/2002/31], reported that the volume of procurement handled by IAPSO grew from \$88 million in 2000 to \$97.6 million in 2001, a 34 per cent increase over the 1998-1999 biennium. UNDP represented 47 per cent of IAPSO's client share as opposed to 6 per cent in the previous biennium, due mainly to a large procurement handling volume under the oil-for-food programme in northern Iraq (see p. 303). During the year, IAPSO introduced a self-financing arrangement by charging a service fee of less than 4 per cent over the procurement handling volume, thereby obviating the need for UNDP budget support. Its total revenue increased by 8 per cent from \$3.9 million in 2000 to \$4.2 million in 2001, while its fixed-term staff costs were reduced by 15 per cent due to a 23 per cent reduction in staff, resulting in a net operating surplus of \$100,000, excluding the final installments of UNDP support. UNDP delegated full procurement authority to IAPSO. In 2000, UNDP/IAPSO introduced a web-based procurement system, which formed the basis of its e-procurement platform. A new and enhanced version was launched in May 2002.

On 27 September [dec. 2002/28], the Board took note of the report on IAPSO activities and the annual statistical report.

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## Other technical cooperation

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### UN activities

#### Department of Economic and Social Affairs

During 2002, the Department of Economic and Social Affairs (DESA) had more than 900 technical cooperation projects under execution in a dozen substantive sectors, with a total project expenditure of some \$46.4 million. Projects financed by UNDP represented \$16.7 million; those by trust funds, \$28.2 million; and those by UNFPA, \$1.5 million.



On a geographical basis, the DESA-executed programme included expenditures of \$27.5 million in interregional and global programmes; \$8.7 million in Africa; \$5.1 million in Asia and the Pacific; \$3.4 million in the Middle East; \$0.9 million in Europe; and \$0.8 million in the Americas.

Distribution of expenditures by substantive sectors was as follows: Associate Expert Programme, \$17.9 million; Socio-Economic Branch, \$9.4 million; governance and public administration, \$7.5 million; energy, \$3.5 million; water, \$2.7 million; statistics, \$1.5 million; programme support, \$0.8 million; infrastructure, \$0.8 million; Economic and Social Council support and coordination, \$0.7 million; minerals, \$0.5 million; Gender Advisory Services Unit, \$0.4 million; public policies and analysis development, \$0.3 million; Social Integration Branch, \$0.3 million; and public finance and private sector, \$0.08 million. Of the total delivery of \$46.4 million, the Associate Expert Programme comprised 39 per cent; the Socio-Economic Branch, 20 per cent; and governance and public administration, 16 per cent.

On a component basis, DESA delivery in 2002 included \$36.1 million for project personnel; \$3.9 million for subcontracts; \$3.7 million for training; \$1.8 million for equipment; and \$0.9 million for miscellaneous expenses.

#### Development Account

The Secretary-General, in response to General Assembly resolution 56/237 [YUN 2001, p. 810], reported in August [A/57/360] on the implementation of projects financed from the Development Account, which was funded through savings derived from efficiencies in the regular programme budget. Since the Account's establishment by the Assembly by resolution 52/12 B [YUN 1997, p. 1392], 43 projects had been approved (7 under the first tranche financed in the 1998-1999 programme budget, 16 under the second tranche in the 2000-2001 programme budget and 20 under the third tranche in the 2002-2003 programme budget) at a total cost of \$39.2 million. Of that amount, only \$17 million, or 69.6, 55.9 and 4.9 per cent under the respective tranches, had been spent.

The projects, aimed at capacity-building, focused on the promotion of information technology and related networks in the first tranche, on strengthening networks of expertise at the regional and subregional levels in the second and on capacity-building for managing globalization in the third. The start-up to the first two tranches was generally slow, with the majority of projects becoming operational only in 2000. All projects under the first tranche were expected to be com-

pleted by early 2003. Projects under the third tranche were launched in the first half of 2002. The delay in launching the projects was due to the need to identify the modalities for project activities on capacity-building to comply with programme planning regulations and rules, unrealistic programming and the multi-country nature of the projects.

ACABQ, in October [A/57/7/Add.5], stated that the report on the Development Account should be submitted in the context of the presentation of the proposed programme budget.

By **decision 57/571** of 20 December, the Assembly took note of the Secretary-General's report and concurred with ACABQ's recommendations. It requested the Secretary-General to indicate clearly the role of projects funded from the Development Account vis-à-vis those funded from the regular programme of technical cooperation.

#### UN Fund for International Partnerships

The Secretary-General, in his report on the 2002 activities of the United Nations Fund for International Partnerships (UNFIP) [A/58/173], established in 1998 [YUN 1998, p. 1297] to manage the process of grant allocations through the United Nations Foundation (UNF), a public charity founded by Robert E. Turner to channel a gift to the United Nations of 18 million shares of Time Warner stock valued at some \$1 billion, provided data on the eleventh and twelfth funding rounds. During the year, the UNF Board of Directors approved 29 new projects in the amount of \$69 million. By sector, \$33.1 million was for projects relating to children's health; \$20.6 million for the environment; \$10.3 million for population and women; \$3.1 million for peace, security and human rights; and \$2.2 million for institutional capacity-building. Total funding since the inception of the UNFIP/UNF partnership, which was entering its fifth year, amounted to \$489 million, involving activities in 120 countries.

UNFIP expanded collaboration with a number of foundations. It was also actively developing partnerships to implement the MDGs [YUN 2000, p. 51] with a number of institutions, foundations and corporations.

ACABQ, in November [A/57/7/Add.6], reviewed the Secretary-General's July report on UNFIP activities for 2001 [YUN 2001, p. 811]. It found that the current process of reporting, monitoring and evaluation of the projects was onerous and bureaucratic and needed to be streamlined. It welcomed the focus in 2002 on evaluating clusters of projects designed to address a significant issue within a programme area and the

utilization of a systems application to enhance UNFIP's capacity to track project implementation and fund flows, thus streamlining the financial reporting modalities of its implementing partners. Concerning the effect of the recent stock market volatility on the donation, ACABQ was informed that the donor's original pledge remained firm and that UNF was considering how to strengthen its support to the United Nations.

The General Assembly, by **decision 57/566** of 20 December, took note of the Secretary-General's report on UNFIP and concurred with ACABQ's observations.

### UN Office for Project Services

The United Nations Office for Project Services (UNOPS), established in 1995 as a separate and self-financing entity to act as a service provider to organizations of the UN system, offered a broad range of services, from overall project management to the provision of single inputs.

### 2002 activities

The UNOPS Executive Director stated in his annual report on UNOPS activities in 2002 [DP/2002/19 & Corr.1] that the total value of the UNOPS project and loan portfolio for 2002 amounted to \$3.7 billion, comprising \$1.4 billion in project value, and \$2.3 billion in loan value. Project delivery totalled \$485.1 million, compared to an original target of \$503 million, as a result of the unexpected freezing of \$18 million worth of procurement activity by one client.

Total UNOPS income was \$43.7 million, slightly less than the approved revised estimate of \$44.3 million. Of that total, \$35.4 million was generated from project income, including \$27.9 million from UNDP sources, \$7.5 million from project supervision and loan administration and \$0.8 million from miscellaneous sources.

Administrative expenditures totalled \$43.5 million, which was \$0.5 million or 19 per cent less than the approved budget amount of \$44 million. Of that total, \$30.1 million, or 70 per cent, was for staff costs, \$8 million, or 18 per cent, was for contractual services, equipment, communications, travel and operating expenses, and \$5.4 million or 12 per cent went to reimbursements to UNDP and the United Nations for support services at the country level. As at 31 December, the operational reserve amounted to \$4.2 million. Staff separation costs (see p. 878) were charged to a newly established special reserve of \$1.5 million, and savings from cancelling prior-year unliquidated obligations of \$0.7 mil-

lion were credited to the reserve, as approved by the Executive Board in September [dec. 2002/17] (see p. 878).

The Executive Director reported that, after two years of shortfalls and despite a projected \$10 million deficit at the beginning of the year, UNOPS was able in 2002 to achieve a turnaround in its finances and bring the level of the operational reserve to \$4.2 million as against the approved level of \$3.3 million. That performance was the result of a major budget-reduction exercise, involving a 23 per cent reduction in staffing costs and a \$9.3 million reduction in recurring administrative expenditures.

Operational activities in 2002 included a new \$9 million UNICEF project in Afghanistan and services for UNDP support to the newly created African Union (AU). UNOPS services would contribute to the effective operation of the AU's conflict prevention, management and resolution mechanism through human resources development and strengthened information systems. The World Bank invited UNOPS to work with UNDP and the Nile Basin Initiative secretariat on a programme in the Nile river basin with initial funding of \$40 million. Six other projects totalling \$80 million were being finalized, for which implementation would be entrusted to UNOPS. Under management services agreements between UNDP and Japan, UNOPS continued its long-standing service as one of the three procurement agents of the non-project grant aid programme of Japan. In addition to countries where it had previously been providing procurement services, UNOPS procured and delivered agricultural goods and equipment for Tajikistan.

UNOPS continued to support mine-action programmes in 18 countries, with increased activities in northern Iraq, Afghanistan, the Democratic Republic of the Congo and the Sudan. The International Telecommunication Union became a new client and received assistance in organizing the World Summit on the Information Society (see p. 836). UNOPS served as one of four local fund agents designated to supervise the implementation of nationally executed programmes financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria. It agreed to be the agent for China, India, Mongolia, the Federal Republic of Yugoslavia (FRY), and Timor-Leste.

UNOPS continued to provide project execution services to UNDP in Myanmar for a number of grass roots-based projects under the Human Development Initiative. For the HIV/AIDS project in Myanmar, UNOPS facilitated the use of local capacities at the community and national levels and the involvement of local and national NGOs. It

was also involved in extending microcredit to over 60,000 poor households and, in the area of rural development, introduced appropriate technologies that were sustained by community organizations.

Working with the Joint United Nations Programme on HIV/AIDS, UNOPS implemented a project to respond to the AIDS epidemic in Africa, which was funded and developed with the oil company Shell/UK. UNOPS entered into a contract with UNFPA to provide a range of services, mainly in the area of human resources and the organization of workshops and training seminars. Similarly, UNOPS was retained by the United Nations Environment Programme to provide contracting services for an evaluation of the environmental impact of major projects prior to their implementation. In the FRY province of Kosovo, UNOPS supported a housing programme by administering contracts for international and national staff.

#### **UNDP/UNOPS relationship**

In January [DP/2002/CRP.4], UNDP and UNOPS submitted to the UNDP/UNFPA Executive Board a conference room paper on the UNDP/UNOPS relationship, reflecting developments since the Board discussed the issues affecting that relationship in 2000 [YUN 2000, p. 840].

The paper addressed four key issues that were at the centre of the relationship: UNOPS status and the roles and responsibilities of UNDP and UNOPS; UNOPS representation and field presence; resource mobilization; and execution modalities. Proposals relating to the governance of UNOPS, including the role and composition of the Management Coordination Committee (MCC) and the accountability of the Executive Board, were addressed in a separate note of the Secretary-General (see below).

Both organizations were in agreement with the fundamental principles upon which UNOPS was established—that it was a self-financing, separate entity in partnership with UNDP, with administrative support being provided by UNDP. The UNOPS Executive Director suggested that the complexity, diversification and volume of UNOPS business made a case for more extensive dialogue between UNOPS and the Executive Board, and the Administrator agreed with his request that the Board consider UNOPS business as a separate segment at its sessions. The two organizations agreed to take measures to avoid replication or duplication of their respective roles, expertise and costs. While they both considered that the arrangements for their administrative services had been largely successful, it was incumbent upon them to continue to assess the cost-effectiveness

and operational implications of the modalities of both organizations.

The representation of UNOPS at the country level was provided for under the resident coordinator system. However, where the scope of UNOPS activities required a physical presence at the country level, UNOPS might establish such a presence within the context of its biennial budget process, which included the concurrence of MCC and review by ACABQ. Although UNDP was responsible for resource mobilization, UNOPS would lend support to those efforts and those of other funding organizations.

Most UNDP-funded programmes would be implemented through national execution. However, UNDP would execute projects directly under certain circumstances in countries in crisis and post-conflict situations. Increasingly, UNDP had provided policy advisory services, as part of the UNDP Business Plans, 2000-2003, to requesting countries.

UNOPS continued to be a service provider to UNDP-funded programmes, projects and activities. UNDP intended, in line with the proposals of the Secretary-General (see below), to encourage the use of UNOPS services in support of implementation of UN country programmes on a cost-effective and competitive basis. In addition to procurement and management of a range of project inputs, UNDP would use UNOPS services in other areas where they added value to the programme countries. In that respect, the two organizations would explore issues and opportunities involving IAPSO.

**Note of Secretary-General.** The Secretary-General, in a January note [DP/2002/CRP.5], discussed the governance aspects of the UNDP/UNOPS relationship. He said that the responsibility and accountability for the achievement of programme and project objectives should rest with those UN organizations from which UNOPS received business. UNOPS should limit itself to providing services to or through UN clients. If UNOPS was to continue to be self-financing, it would have to receive sufficient business from UN organizations. The Secretary-General therefore encouraged all UN entities to avail themselves of UNOPS services as long as that option remained cost-effective.

The Secretary-General did not recommend pursuing an OIOS recommendation that MCC, established to assist in the management and supervision of UNOPS, be replaced by a management board, as it would compromise client representation and have an impact on the authority of the UNDP/UNFPA Executive Board and his own responsibility. He proposed that MCC continue its current responsibilities but that its composition

be expanded to include some major clients (such as the International Fund for Agricultural Development and DPKO), and be made flexible to reflect the fluctuation in business volume with its UN system clients. In addition, the Secretary-General directed MCC to establish a working group, co-chaired by the UNDP Administrator and the UNOPS Executive Director, to prepare issues to be submitted to MCC and to follow up on MCC and Board decisions.

The Secretary-General also recommended that: UN agencies using UNOPS services should include it in the early planning process; UNOPS clients should develop formal and detailed project documents; UNOPS should improve its financial reporting systems to address concerns over timeliness and accuracy; UNOPS should design a system of performance indicators such as cost-effectiveness, timeliness and quality of service; and UNOPS should establish a quality assurance function. Consideration should be given also to the OIOS recommendation that UNOPS be delegated the authority to process its own financial and administrative transactions. The Secretary-General affirmed that UNOPS should seek MCC approval before embarking on new strategies.

The Executive Board, on 1 February [dec. 2002/2], encouraged UNDP and UNOPS to work in the spirit of partnership as spelled out in the joint report, and endorsed the Secretary-General's proposals. It stressed that UNOPS should not enter into fund-raising activities and that it was a service provider. The Board urged the Administrator and the Executive Director to ensure that the Secretary-General's recommendations for operational improvements be implemented without delay and requested them to report on progress at the Board's 2002 annual session, including on the functioning of MCC and the working group. The two organizations were requested to explore issues and opportunities involving IAPSO and to report on that issue (see p. 873).

In response, the UNDP Administrator and the UNOPS Executive Director issued a June report on progress achieved in implementing the Board's February decision (above) on the UNDP/UNOPS relationship [DP/2002/CRP.11]. They stated that the membership of MCC had been expanded, the MCC Working Group on UNOPS (see above) was established, other action was taken to implement recommendations to improve the operational effectiveness of UNOPS, and measures had been taken to enhance cooperation between UNOPS and IAPSO.

On 27 June [dec. 2002/13], the Executive Board took note of the establishment of the expanded MCC.

## Budget estimates

### *Revised 2002 budget estimates*

Following an income shortfall of \$5.6 million at the end of 2001, and the consequent drawdown in the operational reserve, which was reduced to \$5 million, compared to the \$12 million projected, UNOPS presented to the Executive Board, in June [DP/2002/CRP. 10], revised budget estimates for 2002. Total income was forecast to be \$44.3 million compared to the approved budget forecast of \$58.1 million, while administrative expenses were revised downwards from the approved budget of \$56.5 million to \$44 million. To achieve those reductions, staff costs were cut back from the approved level of \$27.2 million to \$23.6 million. Some 59 persons were affected by the cuts, with 37 actual projected separations.

The Executive Board, on 27 June [dec. 2002/13], expressed concern over the 2001 deficit and the resulting level of the operational reserve, which was below that required. It approved the revised budget estimates for 2002 and requested UNOPS to report in September on its implementation and on revisions for 2003. The Board invited ACABQ to submit in September its comments on the UNOPS reports, and encouraged MCC, its working group and UNOPS to continue to monitor implementation of the revised budget. It asked UNOPS to present in September an action plan on savings derived from the projected staff cuts; to prepare for approval a contingency plan on measures to be taken in the event that the operational reserve would be unable to absorb possible deficits; to review the basis and calculation of the cost of its services with a view to ensuring that all costs were identified and recovered; and to further diversify its client portfolio. It requested MCC and UNOPS to submit in September the draft terms of reference and a timetable for an external, independent review of the UNOPS business model (see p. 878), its cost-effectiveness and the scope for further expanding its business opportunities within the UN system so as to establish a framework for making UNOPS sustainable.

### *Follow-up to Executive Board's June decision*

In September [DP/2002/35/Add.1], the Executive Director, in response to the Board's request (see above), submitted his action plan on savings from the projected staff cuts implemented during the budget reduction exercise. After a review of personnel needs, 75.5 posts against the administrative budget were abolished; the actual number of staff members affected totalled 44. The resulting savings were estimated at \$2.1 million as at 1 July and \$4.2 million for the entire year, excluding



savings from the non-renewal of 27 special service agreements. For staff holding UNDP contracts but whose services were not limited to UNOPS, the two organizations reported, also in September [DP/2002/CRP.16], that they had reached agreement on apportioning the potential displacement or separation costs. For UNDP, that cost was estimated at \$1.2 million, for which it requested the Board's agreement to establish a special reserve of \$1.5 million by a charge against the general balance of UNDP resources. The UNDP Administrator would report back to the Board when the extent of those liabilities affecting UNDP became clearer.

In another September report [DP/2002/35/Add.2], UNOPS presented the contingency plan with regard to the operational reserve as the Board had requested in June. The plan's objective was to ensure a sufficient working environment for UNOPS, through receipt of income and/or reduction in expenditure, so that it could continue to deliver uninterrupted service and rebuild for the future. In line with the plan, whenever the Executive Director identified that the level of the reserve could go below \$2 million by the year-end closure of accounts, he would inform the Board through MCC. A determination would be made of the extent of the actual or expected deficit, the prospects and timing for recovery, and cash requirements during the relevant time period until the deficit was eliminated. In particular, it would have to be determined whether the problem was one of cash flow or of a more serious structural nature. Once that had been done, steps would be taken with respect to increases of income or cash, and/or reduction in administrative expenses, as appropriate.

Also before the Board were the terms of reference for an independent review of the UNOPS business model, jointly submitted by MCC and UNOPS [DP/2002/36]. The purpose of the review was to formulate a forward-looking strategy for the long-term growth and sustainability of UNOPS to enable it to evolve within the evolving market of the UN system. The review, which was expected to take 90 days and cost an estimated \$200,000, would result in recommendations for aligning cost and revenue structures and identifying areas of business expansion with cost-effective operating margins. Board members were asked to consider making voluntary contributions to finance the review.

ACABQ, in September [DP/2002/34], welcomed the scope of the proposed independent review of UNOPS and trusted that it would include a re-examination of UNOPS contracts for personnel services to give management the flexibility to expand and contract its capacity in response to

changes in demand and project delivery and income. In ACABQ's opinion, the steps proposed in the contingency plan for the operational reserve to increase cash and reduce administrative expenditure were already within the Executive Director's authority. Moreover, some of the actions proposed, such as the question of UNOPS rights and obligations and those of its clients pursuant to contractual arrangements for project delivery, should be closely examined in the proposed internal review of UNOPS.

On 27 September [dec. 2002/17], the Executive Board authorized the establishment of the special reserve of \$1.5 million for separations relating to UNOPS, to be reported in the 2002-2003 UNDP-audited financial statements, and requested the Administrator to report in 2003 on those liabilities affecting UNDP. It also approved the UNOPS contingency plan 2002-2003 for the operational reserve [dec. 2002/21].

By another decision of the same date [dec. 2002/22], the Board decided to organize an independent review of the UNOPS business model and amended the terms of reference, which it attached to the decision. It requested MCC and the Executive Director to submit a detailed budget, including relevant contractual and financial matters, and called on countries to contribute towards the review's cost. The Board decided to review the status of the voluntary contributions towards the budget and the timing of the independent review in 2003.

#### *Revised 2002 budget and forecast for 2003*

The Executive Director, reporting to the Executive Board in September [DP/2002/33 & Add.1] on the implementation of decision 2002/13 (see p. 877), stated that total income forecast and administrative expenditure remained at the levels approved by the Board in June. At the end of July, income generated by project delivery totalled \$22.5 million, or 64 per cent of the target of \$44.3 million. Other service income, except rental income, was also on target, bringing total income as at the end of July to \$26.9 million. UNOPS expenditure for 2002 was forecast to be \$44.25 million, or 1 per cent above the approved budget. The organization was making every effort to defer and reduce expenditure and to generate additional income to accommodate the projected additional expenditure. As to the operational reserve, the direct charge to cover estimated separation costs in 2002 had reduced it to \$2 million.

For 2003, total income was expected to rise to \$44.7 million, while administrative requirements were projected to be \$43.9 million. The \$0.8 million projected excess of income over expenditure

for 2003 would bring the operational reserve to \$4.1 million at the end of the 2002-2003 biennium.

ACABQ, in September [DP/2002/34], recommended approval of the budget proposal for 2003. Noting that MCC had revised the approved budget from \$56.5 million to \$44 million, it reiterated that the budget preparation process needed to be streamlined and recommended that the role of MCC in setting a budgetary ceiling should be reconsidered with a view to conforming the UNOPS budget procedure to that of UN funds and programmes. ACABQ was concerned that, through no fault of its own, UNOPS was unable to recover fully from UNDP the costs of approved activities that were subsequently delayed, modified or cancelled. It recommended that the UNDP Administrator review the issue so as to reimburse UNOPS in an equitable manner for costs incurred.

By a 20 September note [DP/2002/CRP.15], MCC provided corrections to information provided by the Executive Director to ACABQ. Remarking that the Executive Director had attributed nearly all of the financial difficulties of UNOPS to the uncertainty over its future and other business uncertainties, MCC said that the shortfall in income in 2000 and 2001 was a result of a fall in delivery of approved budgets and not a dearth of business volume. That was made worse by the fact that financial planning was based on grossly unrealistic assumptions of implementation rates in 2001. MCC defended its decision to set a budget ceiling of \$44 million for 2002 as necessary in the light of projected income and to avoid further depleting the operational reserve. It noted that, when requested to do so, UNOPS was unable to substantiate its claim that during 2001 UNDP-funded projects in the amount of \$42 million were cancelled or delayed and that UNOPS had not secured reimbursement for the costs of activities already carried out in relation to those projects.

The Executive Board, on 27 September [dec. 2002/21], approved the revised budget estimates for 2002-2003. It requested the Executive Director, through MCC, to report by 15 November on implementation of the 2002 revised budget, including changes in the level of the operational reserve. Welcoming the development of new executing partnerships with UN organizations, the Board encouraged the Executive Director to develop partnership arrangements further with other UN entities. It urged UNOPS to evaluate the basis and calculation of the costs of its services with a view to ensuring that all costs were identified and recovered and, in that regard, to review with clients the feasibility of possible adjustments.

### Audit reports

The Executive Director submitted to the Executive Board's February session a report [DP/2002/6] on implementation of the recommendations by the Board of Auditors for the 1998-1999 biennium [YUN 2000, p. 1317]. He stated that UNOPS had complied with all the recommendations, including the outstanding one relating to the preparation of a full inventory of non-expendable equipment. On 5 February, the Board took note of the report [dec. 2002/4].

In May [DP/2002/13 & Add.1], the Executive Director submitted his annual report on UNOPS internal audit and oversight activities carried out by UNDP/OAPR. OAPR conducted internal audits of both headquarters and field activities. In 2001, 18 audit assignments were conducted for which reports were issued; of those, 8 were either functional or financial audits relating to the provision of UNOPS services under project activities; 3 were management audits of UNOPS operating divisions or units; 3 were follow-up audits relating to implementation of recommendations of previous audits; and 1 was a special audit of a UNOPS-executed project. The reports contained 121 recommendations in the areas of finance, personnel, administration (including contracts and procurement), programme management, and policy. UNOPS provided comments and additional information on 118 of them.

In June [dec. 2002/15], the Executive Board took note of the report on internal audit and oversight.

Also in June [DP/2002/CRP.13], the Executive Board had before it the report of the Board of Auditors on UNOPS accounts for the biennium ended 31 December 2001.

On 27 June [dec. 2002/13], the Executive Board noted with concern that the opinion of the Board of Auditors on the UNOPS accounts for the biennium ended 31 December 2001 was modified due to an emphasis on the risks regarding the future of UNOPS and the past and projected financial situation, including the substantial unfunded liabilities regarding end-of-service benefits, which were not included in the financial statements. It also noted that the Board had qualified its opinion on UNOPS non-compliance with Executive Board decision 2001/14 [YUN 2001, p. 813] on the operational reserve. The Board requested UNOPS to implement the recommendations of the Board of Auditors and to report on progress in that regard at its September session.

Responding to the Board's request, the Executive Director reported in September [DP/2002/35] on the implementation of the recommendations of the Board of Auditors for the 2000-2001 biennium. Of the 18 specific recommendations made

by the Auditors, 15 concerned financial issues and 3 management issues. UNOPS agreed with 16 of them and disagreed with 2. UNOPS had so far completed implementation of 10 of the 16 agreed recommendations.

On 27 September [dec. 2002/21], the Executive Board took note of the Executive Director's report on the implementation of the recommendation of the Board of Auditors and requested him, through MCC, to submit a follow-up report on the implementation of the recommendations in 2003.

### **UN Volunteers**

In 2002, the number of volunteers working for the United Nations Volunteers (UNV) programme—administered by UNDP—grew to 5,234 from 5,090 in 2001. The volunteers, from 158 countries, carried out 5,554 assignments in 139 nations. Seventy per cent of them came from developing countries and served in either their home countries or abroad. Working with virtually all UN specialized agencies, funds and programmes, the volunteers served in such areas as humanitarian relief, peace-building, human rights verification, electoral supervision, HIV/AIDS, education, information and communication technology, income generation, gender mainstreaming, environmental management and urban development. In 2002, over a third of UNV activities were in the areas of decentralization of government, the promotion of human rights, and support to electoral operations. The largest operation in 2002 was the 14 April East Timorese presidential election, with 150 national and 180 international volunteers. Some 20 per cent of all UNV assignments were carried out in support of UNDP and other programmes targeting poverty reduction. During the year, volunteers supported eight peace missions under the auspices of DPKO in Angola, Bosnia and Herzegovina, the Democratic Republic of the Congo, Eritrea, Guatemala, the Kosovo province of FRY, Sierra Leone and Timor-Leste.

Helping to promote volunteerism globally remained part of UNV's mission and, as a follow-up to the 2001 International Year of Volunteers (see below), it continued to work with Governments, NGOs and communities to advocate voluntary action worldwide.

The UNDP Executive Board, at its June session, considered the Administrator's report on UNV activities during 2000-2001 [YUN 2001, p. 814], including the role of UNV as focal point for the 2001 International Year of Volunteers. On 27 June [dec. 2002/12], the Executive Board, expressing appreciation for the achievement for the first time

of over 5,000 serving volunteers in 2001, its thirtieth anniversary year, welcomed the contribution of the UNV programme to raising awareness among the international community and within the UN system of the importance of volunteerism in addressing development challenges. The Board recognized the role of the UNV programme as a facilitator of South-South exchange. It reaffirmed the importance of the Special Voluntary Fund in enabling the UNV programme to continue its work. Commending the UNV programme on its work as focal point for the International Year of Volunteers, the Board encouraged its continued support for the promotion of volunteering.

### **International Year of Volunteers (2001)**

In response to General Assembly resolution 56/38 [YUN 2001, p. 815], the Secretary-General submitted a September report [A/57/352] on the outcomes and future perspectives of the International Year of Volunteers (2001) [YUN 2001, p. 814]. He stated that the Year was successful, although it was still premature to assess its overall impact, with 123 national committees and scores of local, regional and state committees having been formed. A heightened recognition of the role of volunteerism in development resulted from the wide range of activities, including efforts to measure the contributions of volunteers, in all parts of the world. Marked improvements took place in legislative frameworks and national and local infrastructure for voluntary action, and networks were established among stakeholders from Governments, the UN system, civil society, the private sector and elsewhere, which should help to sustain many of the advances resulting from the Year.

Since the Year was organized, the concept of volunteerism was better understood. A major outcome had been a collective recognition by Governments of the role and contribution of voluntary action and of the need to adopt strategic approaches to enhancing the environment for action to flourish. The Secretary-General proposed three areas of follow-up: to continue advocacy with Governments and the UN system wherever volunteerism had a role; to promote citizens' engagement in voluntary action and organizations' effectiveness in capitalizing on volunteer potential; and to provide technical cooperation in fields identified during the Year that would lay the basis for a strengthened volunteer movement. The General Assembly, on 18 December, took note of the Secretary-General's report on outcomes and future perspectives of the Year (**decision 57/527**).

## GENERAL ASSEMBLY ACTION

On 26 November [meeting 61], the General Assembly, having rescheduled to 26 November from 5 December (**decision 56/473**), at the suggestion of Japan [A/56/985], its two plenary meetings devoted to the outcome of the International Year of Volunteers and its follow-up, adopted **resolution 57/106** [draft: A/57/L.8 & Add.1] without vote [agenda item 98].

**Follow-up to the International Year of Volunteers**

*The General Assembly,*

*Recalling* its resolution 40/212 of 17 December 1985, in which it invited Governments to observe annually, on 5 December, an International Volunteer Day for Economic and Social Development,

*Recalling also* its resolution 52/17 of 20 November 1997, in which it proclaimed the year 2001 as the International Year of Volunteers, and its resolution 55/57 of 4 December 2000 on the observance of the International Year of Volunteers,

*Recalling further and reaffirming* its resolution 56/38 of 5 December 2001, which lays down recommendations for ways in which Governments and the United Nations system could support volunteering,

*Recognizing* the valuable contribution of volunteering, including traditional forms of mutual aid and self-help, formal service delivery and other forms of civic participation, to economic and social development, benefiting society at large, communities and the individual volunteer,

*Recognizing also* that volunteerism is an important component of any strategy aimed at, inter alia, such areas as poverty reduction, sustainable development, health, disaster prevention and management and social integration and, in particular, overcoming social exclusion and discrimination,

*Recognizing further* that volunteering, particularly at the community level, will help to achieve the development goals and objectives set out in the United Nations Millennium Declaration and at other major United Nations conferences, summits, special sessions and their follow-up meetings,

*Noting with appreciation* the efforts to increase awareness of volunteerism through global information sharing and education, including efforts to develop an effective network for volunteers through, inter alia, the International Year of Volunteers web site and linked national sites,

*Acknowledging* the existing contribution of the organizations of the United Nations system to supporting volunteering, including the work of United Nations Volunteers around the world,

*Bearing in mind* the need for an integrated and coordinated follow-up to the International Year of Volunteers to be pursued in the relevant parts of the United Nations system,

1. *Welcomes* the report of the Secretary-General on the outcome of and follow-up to the International Year of Volunteers, 2001;

2. *Welcomes also* the successful observance of the International Year of Volunteers, 2001, with the support of one hundred and twenty-three national International Year of Volunteers committees and the many regional and city International Year of Volunteers com-

mittees with broad representation from Governments, international organizations, civil society, including non-governmental organizations, as well as the private sector, recognizes the contribution of States and civil society organizations and alliances at the international, regional, national and local levels to such a success, and encourages this network to be maintained and expanded, as appropriate, with a view to further engaging all stakeholders, undertaking volunteer-related research, disseminating information and experiences, providing preparation and training to volunteers, particularly from developing countries, and forging new partnerships at all levels;

3. *Welcomes further* the various developments of policies and the enactment of legislations for the growth and development of volunteerism taken up as a result of the international year, and recommends that Governments continue to acknowledge the valuable role of volunteers and further support voluntary activities, including through appropriate policies and enabling legislation;

4. *Calls upon* Governments and the United Nations system to implement further the recommendations contained in the annex to its resolution 56/38, bearing in mind the economic significance of volunteering;

5. *Calls upon* Governments, with the active support of the media, civil society and the private sector, to observe 5 December, International Volunteer Day for Economic and Social Development, and to include activities focused on following up on the achievements of the International Year of Volunteers in its public awareness-raising campaigns;

6. *Reaffirms* the need to recognize and promote all forms of volunteerism as an issue that involves and benefits all segments of society, including children, young persons, older persons, persons with disabilities, minorities and immigrants and those who remain excluded for social or economic reasons;

7. *Invites* all stakeholders, especially from the private sector community and from private foundations, to support volunteerism as a strategic tool to enhance economic and social development, including by expanding corporate volunteering;

8. *Welcomes* the work of the United Nations Volunteers, as the focal point for the International Year of Volunteers, as well as their role in the preparations and implementation of the Year, and requests them to continue their efforts, together with other stakeholders, to raise awareness of volunteerism, increase reference and networking resources available and provide technical cooperation to developing countries, upon their request, in the field of volunteerism;

9. *Invites* the United Nations Volunteers to develop a global Internet volunteer resource based on the International Year of Volunteers web site and on national web sites with a view to enhancing network capabilities and to expanding information, knowledge and resource management, and encourages Governments and all stakeholders, in particular the private sector, to contribute on a voluntary basis to this initiative;

10. *Calls* for the relevant organizations and bodies of the United Nations system to integrate volunteerism in its various forms into their policies, programmes and reports, and encourages the recognition and inclusion of volunteer contributions in future United Nations and other relevant international con-



ferences, such as the World Summit on the Information Society;

11. *Requests* the Secretary-General to factor such contributions made by volunteers in his reports on the implementation of the Millennium Declaration and of other major United Nations conferences, summits, special sessions and their follow-up meetings;

12. *Also requests* the Secretary-General to take measures, in particular within the mandates and the existing resources of the United Nations Volunteers and the Department of Public Information of the Secretariat, to ensure that the potential of the International Volunteer Day for Economic and Social Development in follow-up to the International Year of Volunteers is fully realized;

13. *Further requests* the Secretary-General to report to the General Assembly at its sixtieth session on the implementation of the present resolution under the item entitled "Social development, including questions relating to the world social situation and to youth, ageing, disabled persons and the family".

### **Economic and technical cooperation among developing countries**

The Secretary-General, in response to General Assembly resolution 56/202 [YUN 2001, p. 820], submitted a July report on measures to promote and facilitate South-South cooperation [A/57/155]. He reviewed the major policy documents issued by ministerial meetings of the Group of 77 developing countries and described the evolution of the agenda for South-South cooperation, beginning with the 1978 United Nations Conference on Technical Cooperation among Developing Countries [YUN 1978, p. 467]. The report described in general terms what had been achieved, and what could be done to consolidate, update and revitalize the agenda for South-South cooperation in the context of major transformations in the world.

Rapid globalization had added new imperatives to cooperation among developing countries, which was critical to their own welfare and a necessary supplement to their cooperation with developed countries. The strategic objectives of collective self-reliance and capacity for greater participation in the world economy had not been realized by most developing countries. As cooperative effort had been envisaged almost exclusively as economic and technical, such issues as the environment, human rights, governance and corruption had been considered too sensitive for joint action. Areas of particular importance that had been ignored in major South-South policy pronouncements included the international flow of small arms and light weapons and its relationship to the illicit drug trade and money-laundering. Obstacles to progress in South-South cooperation had been the lack of adequate

information, inefficient or underdeveloped infrastructure, weak financial support and lack of a concerted effort to implement remedies outlined in a large number of unheeded action plans. Over the years, developing countries had succeeded in setting an agenda for South-South cooperation but its implementation remained sluggish. Analysis showed that the institutions and mechanisms that acted on the South-South agenda needed strengthening, adequate funding, increased information flows, and widespread understanding of the potential benefits of South-South cooperation.

The Secretary-General proposed that a high-level group of experts be convened to align the South-South cooperation agenda with the MDGs and to make recommendations on strengthening the development institutions and mechanisms of the South. The coordination of South-South cooperation by the UNDP Special Unit for Technical Cooperation among Developing Countries should be focused more on catalysing and monitoring South-South efforts to meet the MDGs and should report biennially on action taken in that regard. UNDP, UNICEF and UNESCO should collaborate in promoting peace education as an element in school curricula. A South-South research capacity should be established with assistance from the Special Unit by identifying universities and research centres that could play a role in researching policy options on each MDG. UNDP should, through the Special Unit, build partnerships with the private sector and centres of excellence in the South, donors, and institutions in the North by recognizing their contribution through annual awards. In regard to the proposed decade for South-South cooperation, the Special Unit would need reinforcement in human and financial resources and should be renamed the Special Unit for South-South Cooperation. National focal points for technical cooperation among developing countries (TCDC) should be transformed into national committees for South-South cooperation in order to strengthen institutional mechanisms for coordinating cooperation among developing countries. The Special Unit should link the national committees through its Internet-based information system, the Web of Information for Development (WIDE), to create a global networked community of practice on South-South cooperation. The High-level Committee on the Review of TCDC should review all aspects of South-South cooperation and its membership should be expanded to include regional and subregional groupings. Another proposal was for the Trust Fund for South-South Cooperation to be included in the United Nations pledging conference. Efforts should also be made to

raise public awareness of South-South activities and to revitalize such cooperation, including recommendations on action for launching the UN decade on South-South cooperation and a UN day for South-South cooperation.

The Foreign Ministers of the Group of 77, in a declaration adopted at their meeting in New York on 19 September [A/57/444], recognized the increased relevance and importance of South-South cooperation in the current international economic climate, and invited the UNDP Administrator and the Executive Board to strengthen the Special Unit as the focal point for South-South cooperation.

On 27 September [dec. 2002/18], the UNDP/UNFPA Executive Board, in the context of its programming arrangements for 2004-2007, decided on a fixed annual allocation of \$3.5 million for TCDC.

On 20 December (**decision 57/549**), the General Assembly took note of the Secretary-General's report on measures to promote and facilitate South-South cooperation.

#### GENERAL ASSEMBLY ACTION

On 20 December [meeting 78], the General Assembly, on the recommendation of the Second (Economic and Financial) Committee [A/57/533], adopted **resolution 57/263** without vote [agenda item 88].

#### Economic and technical cooperation among developing countries

*The General Assembly,*

*Stressing* that South-South cooperation, as an important element of international cooperation for development, offers viable opportunities for developing countries in their individual and collective pursuit of sustained economic growth and sustainable development,

*Recognizing* that developing countries have the primary responsibility for promoting and implementing South-South cooperation, not as a substitute for but rather as a complement to North-South cooperation, and in this context reiterating the need for the international community to support the efforts of the developing countries to expand South-South cooperation,

*Taking note* of the Ministerial Declaration adopted by the Ministers for Foreign Affairs of the States members of the Group of 77 at their twenty-sixth annual meeting, held in New York on 19 September 2002, in which the increased importance and relevance of South-South cooperation were re-emphasized,

1. *Takes note* of the report of the Secretary-General on measures to promote and facilitate South-South cooperation;

2. *Notes with satisfaction* that developing countries have succeeded in setting elaborate action plans for South-South cooperation, and urges developing countries and their partners to intensify South-South and triangular initiatives contributing to the achievement of the internationally agreed development goals, in-

cluding those contained in the United Nations Millennium Declaration;

3. *Encourages* developing countries to strengthen their national coordination mechanisms in order to improve the effectiveness of South-South and triangular cooperation, and in this connection also encourages other bilateral and multilateral development partners to do the same, as appropriate;

4. *Reiterates* the urgent need to help to strengthen institutions and centres of excellence in the South, especially at the regional and interregional levels, with a view to making more effective use of such entities towards improved South-South knowledge-sharing, networking, capacity-building, information exchange, policy analysis and coordinated action among developing countries on major issues of common concern;

5. *Recommends* that the High-level Committee on the Review of Technical Cooperation among Developing Countries review all aspects of South-South cooperation relevant to development;

6. *Requests* the Secretary-General, through coordination of the Special Unit for Technical Cooperation among Developing Countries of the United Nations Development Programme, and in consultation with Member States and relevant organizations and agencies, to carry out a study, within existing resources, with a view to promoting public awareness of the importance and contribution of South-South and triangular cooperation with respect to achieving the internationally agreed development goals, including those contained in the Millennium Declaration and, in this context, to make concrete proposals to promote and facilitate South-South cooperation and to raise such public awareness, inter alia, on the value added and implications of the proposed international decade on South-South cooperation and the United Nations day for South-South cooperation, and to submit the findings and recommendations thereon to the General Assembly at its fifty-eighth session;

7. *Reiterates* the emphasis placed in the Monterrey Consensus of the International Conference on Financing for Development on the need for multilateral and bilateral financial and development institutions to intensify efforts, inter alia, to strengthen South-South and triangular cooperation as delivery tools for assistance to developing countries and countries with economies in transition;

8. *Takes note* of decision 2002/18 of 27 September 2002, taken by the Executive Board of the United Nations Development Programme and of the United Nations Population Fund, in which the Board decided to allocate a fixed annual amount of 3.5 million dollars to the Special Unit for Technical Cooperation among Developing Countries;

9. *Calls upon* all relevant United Nations organizations and multilateral institutions to intensify their efforts to effectively mainstream the use of South-South cooperation in the design, formulation and implementation of their regular programmes, and to consider increasing allocations of human, technical and financial resources for South-South cooperation;

10. *Recognizes* the need to mobilize additional resources for enhancing South-South cooperation, and, in this context, invites all countries, in particular developed countries, to contribute in support of such cooperation through, inter alia, the Pérez-Guerrero

Trust Fund for Economic and Technical Cooperation among Developing Countries and the Voluntary Trust Fund for the Promotion of South-South Cooperation, bearing in mind the need for these Funds to continue to use such resources in an effective manner, and decides to include the latter fund in the United Nations Pledging Conference for Development Activities, as long as it exists;

11. *Requests* the Secretary-General to include in the agenda of the thirteenth session of the High-level Committee on the Review of Technical Cooperation among Developing Countries a special segment to commemorate the twenty-fifth anniversary of the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries.

### **UN Capital Development Fund**

Contributions to the United Nations Capital Development Fund (UNCDF) regular resources fell to \$22.2 million in 2002, from \$24.3 million in 2001 [DP/2003/27], far short of the mobilization target of \$30 million. Programme expenditure against regular resources was therefore reduced to \$22.5 million. Although programme expenditures for regular resources declined by \$9.7 million, or 30 per cent, compared to 2001, programme expenditures for trust funds and cost-sharing increased by \$0.6 million or 38 per cent from \$1.6 million to \$2.2 million in 2002. Unexpended resources as at 31 December 2002 amounted to \$53.2 million, including an operational reserve of \$33 million. That reserve decreased by \$5 million from a year earlier.

UNCDF presented to the UNDP/UNFPA Executive Board its second results-oriented annual report (ROAR) in June [DP/2002/14], covering activities in 2001. The report analysed performance and assessed results against the strategic results framework for 2000-2003. Overall, performance

analysis revealed a year of consolidation of gains achieved in 2000, resulting not necessarily in significant increases in output but in improved quality of project management and outputs. Work was focused on two areas—local governance and microfinance. UNCDF made progress in follow-up to the recommendations of a 1999 external evaluation [YUN 1999, p. 821], in particular the formalizing of partnership arrangements with UNDP in microfinance. In resource mobilization, voluntary contributions displayed a slightly positive trend, increasing by 1 per cent in 2001; efforts to increase non-core resources resulted in non-core contributions of \$5.5 million, an increase of 145 per cent over 2000. Despite those figures, total core resources declined and the level of UNCDF resources fell far short of the demand for its investment and capacity-building services by programme countries.

The UNDP/UNFPA Executive Board, on 27 September [dec. 2002/26], took note of the ROAR and reaffirmed the role of UNCDF as a small-scale multilateral investment organization mandated to support the development of least developed countries in the areas of microfinance and public investments/local governance. The Board recognized that the UNCDF mission was consistent with the main objective of poverty reduction of the Millennium Declaration [YUN 2000, p. 49] and relevant to implementation of the 2001 Brussels Programme of Action for the Least Developed Countries [YUN 2001, p. 770]. Noting that the regular resources fell far below the demand of programme countries, the Board invited the international community to help to achieve the UNCDF regular resources mobilization target of \$30 million annually and called on development partners, the UN system and other organizations to collaborate with UNCDF in fulfilling its mandate.