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MANAGEMENT PILOT SCHEME

Note by the secretariat

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ABSTRACT

The present document describes the content and scope of a new management scheme designed to enhance the use of incentives and sanctions in the process of decision-making regarding the allocation of human and financial resources. The gist of the proposal is to give programme supervisors greater authority and flexibility to mobilize the human and financial resources at their disposal so that functions may be carried out in the most efficient and effective manner, and in return to require a stricter accounting in terms of the content, volume and quality of outputs as well as overall performance. The proposed scheme is consistent with the general thrust of the reform the entire United Nations system is undergoing.

PRESENTATION

United Nations reform means many things to different people. It includes a clear sense of mission, priority setting, the avoidance of duplication and overlapping, and sound management practices, designed to obtain the most value for any given amount of resources assigned to the Organization.

ECLAC has advanced on each and every one of these endeavors. The present document describes the general outlines of a new management scheme designed to enhance the use of incentives and sanctions in the process of decision-making regarding the allocation of human and financial resources.

1. Introduction

The Economic Commission for Latin America and the Caribbean (ECLAC) has agreed to participate in a pilot programme, which could eventually be extended to the whole Secretariat, designed to introduce a new approach to management within the United Nations system.

It is based on a straightforward proposition: clearer, enhanced accountability in exchange for greater delegation of authority and flexibility within existing rules. Under the management pilot programme, ECLAC will enhance its performance as a provider of economic analysis and advice in the region while obtaining the most value for money from the resources placed at the Commission's disposal. The Commission has agreed to develop improved performance measures to enhance accountability for delivery of programme outputs, and to step up progress on gender balance and other concerns of the Organization in exchange for greater flexibility. In turn, the Executive Secretary will delegate more responsibility and require greater accountability within the Commission.

This approach seeks greater efficiency and effectiveness in carrying out a work programme that meets the test of relevance to the ultimate beneficiaries of the Organization's work: its member governments.

The decision to seek new modalities of management is consistent with ECLAC's efforts during the past decade to adapt to changing circumstances, both within Latin America and the Caribbean and in the United Nations. Serious efforts have been undertaken in numerous fields, including strategic planning, institutional development (especially in the areas of personnel management and training), internal reorganization, programming, budgeting and priority-setting.¹ In addition, an efficiency programme has been designed, part of which is already being implemented.² The ultimate goal, in substantive terms, is to remain pertinent for the Latin American and Caribbean development experience; and, formally, to obtain the most value for any given amount of financial resources put at the Organization's disposal. The new style of management is the centerpiece of the institution's effort to maintain and possibly enhance the volume and the quality of its outputs in the face of what seems to be a dwindling base of financial resources.

The gist of the new approach that is being explored is to give managers greater authority and flexibility to mobilize the resources at their disposal —human and financial— to perform whatever functions are to be carried out in the most efficient and effective manner. Such delegation of authority would naturally be accompanied by greater levels of accountability in terms of the content, volume and quality of outputs as well as overall performance.

¹ See: ECLAC, Reform of the United Nations and its Impact on ECLAC (LC/G.1899), 26 January 1996.

² ECLAC, 1996-1997 Programme Budget Adjustment Plan, July, 1996.

Such a concept is simple to understand and to enunciate, but harder to bring about. It not only involves changes in procedures, but also in attitudes. Centralized controls give way to delegation of authority in the hands of responsible managers; on the other hand, managers are held accountable for their performance, through the periodic evaluation of some clear performance indicators. The work programme itself is subject to more rigid standards and subjected to the demands of the member Governments, which constitute the institution's ultimate "customer".

These concepts are not at all alien to ECLAC, since, in fact, the style of management has been moving in that direction over the past years. However, this movement has occurred in a context of constraints, marked by a centralized bureaucratic culture of the United Nations System as a whole. The new pilot scheme is designed to mitigate those constraints, and to move the whole Organization in the direction of greater responsibility and flexibility in management, coupled with greater accountability.

Managerial reform would occur on two fronts. First, in the delegation of greater responsibilities (and also enhanced accountability) in ECLAC as a distinct agency *vis à vis* Headquarters in New York. Second, within ECLAC itself. The scope and content of such a trend towards decentralization should be viewed as a process, which advances in a progressive manner.

Further, said process is itself part of an even broader effort to maintain ECLAC as a center of excellence. This effort embraces the designing of a work programme with clearly specified outputs and established lines of responsibility and performance indicators; the application of the performance appraisal system as a meaningful planning tool and mechanism to establish individual accountability; a change in administrative and monitoring procedures to support and evaluate programme implementation and a strategic vision regarding the Organization's goals.

Conceptually, it would be useful to view managerial reform as an agreement between ECLAC senior management and Headquarters, in which the latter delegates greater responsibilities in the former, coupled to certain commitments regarding performance. It is too early to make a firm proposal regarding precisely how much delegation would be involved; or how far down the line delegation would take place, or what criteria should be used to evaluate results. It should be stressed that delegation is not sought for delegation's sake, but only where it makes sense in terms of the overall functioning of the United Nations. Indeed, reaching a clear definition on such matters raises conceptual and practical difficulties which require considerable consultations between, as it were, the "delegator" and the "delegatee". The same can be said for the decentralization within ECLAC itself.

In short, only the broader outlines of a proposal are presented in the following pages; these will be developed over the next few months, as an iterative process of consultations takes place between ECLAC and United Nations Headquarters. Those broad outlines include: i) the general thrust of the process; ii) an identification of the main areas that appear to warrant delegation; and, iii) a preliminary exploration of indicators and criteria of performance; i.e., of meaningful accountability.

2. Areas to be included in the proposal

The main purpose of the management pilot is to obtain greater delegated authority to manage ECLAC's activities, within the overall parameters of United Nations policies and values, as a tool for obtaining improved performance. Not only are there important economies involved in streamlining and simplifying procedures (cutting "red tape") by delegating in a responsible manager the most efficient marshalling of

the resources at his disposal to carry out a pre-established activity, but the new system of management would have built-in incentives for improved performance (and also built-in sanctions for poor performance).

It is, of course, important to clearly specify the type of delegation of authority that is contemplated, by Headquarters to the Executive Secretary of ECLAC, and within ECLAC, to the level of Division Chiefs. The main fields susceptible to this approach fall in the management of finance and human resources. The following list illustrates the contours of a proposal, and the type of incentives and sanctions that could be built-in to promote greater efficiency and effectiveness.

2.1 Financial management

a) ECLAC proposes to move towards the idea of increased flexibility in budgetary resource expenditures; i.e., besides following the standard budgeting procedures, the Executive Secretary would have full authority to commit expenditures and move funds between items, within certain pre-established parameters, with the corresponding accountability.

b) Division chiefs would be accorded greater flexibility in the use of the resources at their disposal, again within agreed limits with the Programme, Planning and Operations Division.

c) ECLAC would have flexibility to use the resources allocated for those activities it considers of highest priority and greatest impact. In hiring, it would have the flexibility to offer work on the basis of Special Service Agreements (SSAs), and short- or fixed-term contracts, within the policy guidelines established by the General Assembly.

d) ECLAC would seek the authority to retain savings arising from efficiency improvements and revenues from the sale of goods and services in order to increase the organization's capacity for effective programme implementation. For that purpose an investment fund to receive and expend funds arising from efficiency savings and revenues would be set up. Even under the current budgetary procedures, the retention of savings arising from efficiency programmes in general operating costs would be redeployable if they relate to resources other than for salaries and common staff costs. However, the retention of revenues in the form of proceeds from sales of goods and services and the establishment of an investment fund is contrary to the provision of Financial Rule 107 and 109, and a waiver of these rules would be required.

e) ECLAC would seek the authority to negotiate with donors appropriate levels of overhead charges on extra-budgetary contributions for project execution, and, for these specific instances, to introduce more customer-oriented audit and accounting procedures in order to be able to compete successfully for extra-budgetary contributions. At present ECLAC has delegation to arrange for technical cooperation projects and establishment of technical cooperation trust funds in line with Financial Rule 106.3 and 106.4. However, with the current procedures approval to charge less than the normal percentages of programme support costs can only be approved by the Controller and if such approval is delegated to ECLAC an exception to ST/AI/286 would be needed.

f) ECLAC would seek the authority for the procurement of all goods and services. Total delegation for procurement of goods and services to ECLAC without referral to the Headquarters Committee on Contracts would require an amendment to Financial Rule 110.17 (e).

In general, it should be pointed out that, at present, considerable restrictions are in force which would not allow programme managers to commit and charge expenditures against certain budget lines which are not reflected in the financial rules and/or in the budgetary policy instructions issued by the Controller. Therefore, an agreement would be necessary to implement flexibility which currently is not envisaged in Financial Rule 110.2 (d).

2.2 Human resource management

a) ECLAC would seek authority to promote professional staff up to an agreed level. At present the Executive Secretary has no authority to promote professional staff outside the framework of ST/AI/413, and in conjunction with recently amended Staff Rule 104.14(h). The latter, promulgated in ST/SGB/284 of 14 October 1996, would need to be adjusted in order to provide for an additional delegation which would enable the Executive Secretary to approve recommendations for promotion up to the P-4 level on behalf of the Secretary General. This would help to shorten the promotion process.

b) The local post classification committee for general service staff should have delegated authority to classify all GS posts, subject to final approval by the Executive Secretary. An increased delegation to enable ECLAC to classify posts at all levels in the GS category would require a change in the provisions of ST/AI/410, which currently provides for classification to the highest GS level (G-7) to be referred to OHRM.

c) In the area of personnel administration there would be further delegation of certain approvals and procedures—for example, selection and recruitment—would be streamlined and simplified. A streamlining of the staff selection process, including recruitment as well as placement and promotion, would require a modification of ST/AI/413. Other delegations of authority would require approvals by OHRM only.

d) In the area of training, ECLAC would seek full authority for the utilization of funds, including those for training in the area of leadership skills and the strengthening of managerial capacity at all levels, which currently is decided upon by Headquarters. This would allow ECLAC to make optimum use of available resources, to adjust its training needs to its specific institutional and individual requirements and to profit from locally available consultancy services and training facilities.

2.3 Management of outputs

There is a third area of management where efficiency and effectiveness can be improved, which consists not only of the substantive improvement in the quantity and quality of outputs, but also in their dissemination and impact. Most of the improvements do not require additional delegation above and beyond the measures previously proposed. Such improvements have been brought about in the past—and can continue to be brought about in the future—through internal efforts. There are some areas, however, where an enhanced delegation of authority would make a difference, as occurs, for example, with the sales of publications. Further efforts to improve the content and the presentation of publications, and of developing channels for their dissemination, are often thwarted by outdated norms (which are, however, gradually being revised in the right direction at Headquarters).

3. Accountability

More delegation of authority and greater flexibility in management would change the nature of the activities of Administration and Programming. The former would be more service oriented, moving away from centralized control; the latter would monitor performance, promote information sharing and coordination, and measure impact of the over-all work programme. Both the content and the form of assessing financial and substantive performance would change considerably, but presumably be more effective. The design of the work programme and the codification of its contents into measurable units would also be the object of improvement.

In this respect, ECLAC would introduce updated management information and control systems to ensure accountability both to United Nations Headquarters and within ECLAC for the economic, efficient and effective use of resources and delivery of outputs.

A first important element to insure greater accountability refers to the integrity and relevance of the work programme; i.e., that any output can be justified in terms of its benefits to the member governments, and based on ECLAC's comparative advantages, within and outside of the United Nations system. If elements of the work programme are not considered useful, even their efficient execution would, in the final analysis, not meet the test of relevance.

An important step has already been taken in the direction of insuring relevance, with the creation of an ad hoc working group whose mandate is to define priorities for ECLAC's work programme and recommend to the Commission strategic directions for its future activities.³ In other words, the "customer" is asked to participate actively in the design of the institution's activities.

Once a work programme is agreed to, it will have to be codified in such a manner as to be able to monitor performance not only in terms of volume, but also in terms of timeliness, quality and impact, as well as unit cost. This is not always easy, especially with the analytical work involved in research and publications. The key to greater accountability consists of managing all activities on a project basis. This is current practice for most ECLAC activities funded by extra-budgetary contributions, since donors generally expect detailed accountability for the substantive and financial results of projects funded through donations. Conceptually, the key is to ensure that every activity is demonstrably linked to an output, which in turn clearly contributes to an overall project purpose and from that to the overall goal of the organization. At each step, empirical indicators of achievement can be identified; the risks and assumptions involved must also be made clear. This must be done at the outset of each activity, in order to justify the inputs (financial and in human resources) that are required for delivery.

ECLAC has already built up a considerable body of experience for moving towards such a scheme, based on its management of extrabudgetary activities.⁴ The fundamental notion for the implementation

³ Resolution 553(XXVI) of ECLAC. The working group met for the first time in Santiago, Chile, on 29-31 July, 1996. The Report of the proceedings can be consulted as LC/G.1942, 13 September, 1996.

⁴ For example, all ECLAC projects financed by the German Government are subject to this type of exercise which is implemented at different stages of project execution. Based on the Logical Framework approach, GTZ developed its ZOPP methodology. Its most important feature is its participatory character. All actors involved in the project, actively or passively, as beneficiaries or project

of the monitoring/accountability system in the pilot scheme is that ex-ante controls will be minimized in favor of ex post reviews of results achieved.

The monitoring of ECLAC Programmes will utilize the following instruments: i) the planning matrix which is based on the logical structure of the project/programme (overall goal, purposes, results/outputs, activities, verifiable indicators, means/sources of verification, major assumptions); ii) the input/activities matrix which allows for matching each activity with its required inputs; and iii) the work plan which is basically the deployment of activities along time.

Monitoring instruments will be put to work in predetermined events/instances with the involvement of programme managers and their substantive teams during the programme biennial cycle: i) the monitoring meeting as a result of which "early warning" types of agreements are reached to identify changes in the relationships between activities and inputs and the proper corrective measures to be adopted in the work plan; ii) the overall implementation meeting aimed at reaching agreements on changes in the logical structure of the programme (planning matrix) and on impact assessment instruments that could be introduced in the ongoing work plan; iii) the self-assessment report (so far, prepared according to different formats acceptable to donors) in a common format that will be established; iv) programme evaluation processes that will be scheduled by the top management of ECLAC (these processes will make use of all the monitoring results, self-assessment report, ongoing impact assessment measurements produced by the programme, and peer reviews when necessary).

Increased coordination will be needed as a precondition for the successful implementation of the monitoring/evaluation instruments and processes. The top management of ECLAC will work out the basic operative guidelines for achieving maximum coordination. To that end an effort will be made to identify and eliminate all points where there is a risk of redundancy. All the information and discrete data that will be fed into the monitoring matrices and work plan will be accessible on line (via Intranet) by programme managers and their staff. Each monitoring event/instance will produce the corresponding update of the information.

Perhaps the most difficult indicator of some of ECLAC's activities, particularly those in the analytical area, is its tangible impact. How influential are the Organization's policy proposals? To what extent does the Organization shape the region's development agenda? It is admittedly hard to tell. Still, there are some useful tools that can be implemented to measure impact. These include surveys among users (Governments), peer-review of research activities, benchmarking to compare ECLAC outputs with "best practices" in comparable institutions, and keeping statistics on certain quantitative indicators (number of invitations to conferences, number of times ECLAC studies are mentioned in the media, etc.)

All these assessments of outputs complement the individual performance of staff members through the new appraisal system mentioned above. Some specific proposals that come to mind are the following:

3.1 Accountability to United Nations Headquarters

a) ECLAC would continue to provide reports of expenditure in accordance with United Nations accounting standards.

staff, are included in the planning workshops, providing from the outset a client oriented approach.

b) ECLAC would identify savings arising from implementation of the pilot scheme and would report on how these have been invested for improving the future performance and capacity of ECLAC.

c) ECLAC would report on programme performance on the basis of costs incurred and targets—including quality targets—met. This will be supported by systems—to be developed—for "early warning" in order to take corrective action as necessary, and improved evaluation instruments (e.g., external comparisons, quantitative indicators, customer feedback, peer review and impact assessment).

d) ECLAC would expose itself to the ultimate ex post sanction of lessened delegation of authority or even diminished resources in subsequent periods if performance in any given period is not up to pre-determined agreements with Headquarters or up to the standards expected by Governments.

3.2 Accountability within ECLAC

a) There would be a strategic planning process to set short, medium and long-term targets to be discussed and agreed at regular intervals with Member Governments. Two consultations with Member Governments have already taken place, in April and July 1996.

b) The strategic planning process will drive the development of an overall operational work programme, and in turn, work programmes for each division. During the pilot scheme, ECLAC would develop appropriate performance indicators to measure the delivery and impact of its products. During the pilot scheme, PAS will be used more efficiently and actively as a tool for assessing the individuals contribution to the operational work programme.

c) A simple but integrated information system, along the lines of ECLAC's current monitoring system for extrabudgetary projects, will provide top management and programme managers with a small number of key indicators—including expenditure—of performance against plans, in order to take early corrective action when necessary.

d) Evaluation would be an integrated part of the planning and execution process. Evaluation measures would be agreed with the programme manager at the inception of the programme and these will be the basis on which the programmes' performance would subsequently be assessed by ECLAC's top management.

e) Audit bodies would conform, in their examination of ECLAC's activities, to the pilot scheme agreement, within the general auditing practices established by intergovernmental bodies.

4. United Nations reform and the management pilot scheme

It should be made clear that the proposed management pilot scheme should not be confused with the current "downsizing" of the Secretariat as a result of financial or budgetary constraints. Good, effective management should be at the core of any reform process. The key element is to get the most value for any given mass of resources, regardless whether the Secretariat will dispose of more, less or the same amount of financial contributions in the next biennial budget.

By definition, however, the new management scheme should generate important savings. First, by streamlining controls, presumably reducing the number of person/months that the Organization as a whole dedicates to a less efficient management system than the one contemplated. Second, by building in incentives for greater efficiency and sanctions for non-compliance, more outputs will be generated for a given amount of resources. Admittedly, it is difficult to quantify these savings, but they can be extremely significant. The application of a pilot programme will throw light on this question, showing on an empirical basis just how large those savings could be.

In that respect, member Governments will presumably support this initiative, which is designed either to provide them with more outputs for less resources, or much more outputs for the same resources.

5. Time frame

As stated, this brief document represents the core of a proposal that must be developed and given specific content. It is estimated that a complete proposal could be prepared within a period of three months, and partial and progressive implementation could begin during 1997, with an eye to introducing the new system of management in the 1998-1999 biennium. Even then, implementation should be viewed as a long-term process, subject to adaptation as circumstances should warrant.

Further, the basic principles and concepts which are behind the idea of increased flexibility in budgetary resource expenditures should already be incorporated, to the maximum extent possible, in the Programme Budget for 1998-1999 now in preparation. This would facilitate a timely introduction of the new management scheme.

Many of the proposals contained in this presentation could be implemented within existing rules and regulations. For those that require specific legislative or administrative authority—for instance, in the area of greater flexibility in allocation of resources within the approved budgets—the corresponding annotations have been made in preceding paragraphs.

6. Institutional arrangements

ECLAC will make the necessary institutional and operational arrangements to insure an integrated and coherent approach for the introduction of the new management scheme.

The overall guidance and leadership will be exercised directly by ECLAC's Executive Secretary, supported by the Programme Planning and Management Division and its Unit for Institutional Development. This arrangement would provide for the necessary coordination among the Executive Secretary and the substantive and administrative Units in ECLAC and insures the necessary liaison with Headquarters and the other participating departments. At the same time, it would enable ECLAC to strengthen its own internal management capacity and to become increasingly independent from external expertise in this area.

The successful implementation of the scheme and its eventual adaptation on a systemwide level, will require close cooperation between ECLAC and the relevant Departments at Headquarters (DAM, OHRM, Budget Division). An increased involvement of the participating departments is considered

essential, not only at the operational level but also in the initial phase of system design, in order to address their specific characteristics and needs. This would, at the same time, promote a sort of ownership feeling with regard to the proposed measures. Participating Departments should maintain close contact to facilitate the exchange of information and experiences.