

**Office for Projects Execution of the
United Nations Development Programme
(OPE)**

Prepared by

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Joint Inspection Unit



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UNITED NATIONS DEVELOPMENT PROGRAMME

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I. THE PROBLEM

1. UNDP executes technical co-operation projects. It does so through its Office for Projects Execution (OPE). Since direct execution began in 1973, OPE's operations have given rise to controversy between UNDP and the major technical agencies of the United Nations family. These agencies consider that OPE's activities have outgrown their original purpose and encroached increasingly upon the agencies' sectors of technical competence. The following views on UNDP direct execution appear in a 1979 report prepared by the UNDP Inter-agency Task Force (IATF):

- Direct execution may tend to concentrate operations within UNDP - thereby gradually reducing the role of agencies which should normally be entrusted with the execution of projects in their domains. UNDP direct execution may both attenuate or defeat the multilateral partnership concept of the UN system as well as undermine agencies' constitutional and programme mandates in their fields of competence, and lead to an under-utilization of the system's potential in terms of specialized knowledge and experience;
- heavy involvement in execution by UNDP may prejudice or diminish its decisive and unquestionable co-ordinating third-party role;
- on the operational plane, agencies felt that UNDP consultations with them over decisions concerning direct execution were inadequate and that the application of criteria governing these decisions remained somewhat unclear and, at times, inconsistent. They also questioned the proclaimed low overhead of OPE in view of the sub-contractor's ability to include its own overhead in its contract fee, and of OPE's resort to further sub-contracting for substantive back-stopping as a project rather than an overhead cost as well as to unrecorded substantive and administrative support given by the UN system (UNDP, TCD, other agencies, etc.). 1/

2. The present study, initiated by the Joint Inspection Unit, seeks to contribute to the resolution of this issue which, in the view of many, weakens trust between UNDP and its partner agencies. The study examines OPE's operations within the context of the system's technical co-operation policies and practices as well as in the light of organizational reforms that have occurred since the inception of direct execution by UNDP.

3. In carrying out this study the Inspectors sought the views of officials in UNDP/OPE and members of the IATF as well as some organizations of the United Nations system. The Inspectors also requested through correspondence the views and suggestions of a number of resident co-ordinators and governments of 21 developing countries in which OPE has been active in the last three years. OPE also provided data and background material. The Inspectors gratefully acknowledge the observations and co-operation of all concerned.

1/ Final report on Study of UNDP Direct Execution, UNDP/Inter-agency Task Force (IATF), paragraph 10, pp 6-7.

II. LEGISLATIVE CONTEXT

A. Consensus

4. The concept of UNDP direct execution can be traced back to the Capacity Study of 1969 2/, which led to the Consensus adopted by the Governing Council at its tenth session in June 1970 and by the General Assembly in resolution 2688 (XXV). The relevant paragraphs of the annex to this resolution are the following:

"38. The role of the organizations of the United Nations system in the implementation of country programmes should be that of partners, under the leadership of the Programme, in a common endeavour of the entire United Nations system. Their advice should be available to the Administrator in the implementation of all projects, as appropriate, whether executed by them or not.

39. The Administrator will consult the Government in each case on the selection of the agent by which Programme assistance to each project will be implemented.

40. The appropriate organizations of the United Nations system will, subject to this procedure, have first consideration as executing agents.

41. When necessary to ensure the maximum effectiveness of Programme assistance or to increase its capacity, and with due regard to the cost factor, increased use may appropriately be made of suitable services obtained from governmental and non-governmental institutions and firms, in agreement with the recipient Government concerned and in accordance with the principles of international competitive bidding. Maximum use should be made of national institutions and firms, if available, within the recipient countries.

42. In cases where expertise or services are required which are not adequately available in kind, quantity and quality within the United Nations system, the Administrator will, in agreement with the Government concerned, exercise his authority to obtain them, while inviting, in appropriate cases, the relevant United Nations organization to provide complementary support."

5. The Consensus emphasizes the predominant role of appropriate organizations of the system as executing agents of the Programme, as well as the need to make full use of their expertise and experience. It also gives the Administrator flexibility to enter into contractual arrangements with institutions and firms outside the United Nations system and to make "maximum use of national institutions and firms, if available, within the recipient countries".

6. The Capacity Study (DP/5) had earlier observed that "the swelling volume of activities will demand much greater use of contracting outside the UN system than has been the case up to now. While much of this will continue to be done through the medium of the Agencies, a number of circumstances can be envisaged where a direct relationship between the financing agency and the actual operator will be speedier, more economic and more efficient, than the three-cornered

2/ A Study of the Capacity of the United Nations Development System DP/5.

method adopted now. In exploring these new methods, however, care would be needed to protect the valuable element in the back-stopping process, which, at its best, means that field workers can draw on the system's resources of world-wide experience and knowledge." (Ch. IV, para. 40). The study, however, envisaged that direct execution by UNDP "would be an exceptional case", the most probable example being "multi-disciplinary projects where delays now often occur when a conflict of jurisdiction arises over the major responsibility among the specialized agencies" (Ch. V, para. 128).

7. In order to provide an institutional framework for direct project execution, the Administrator established at UNDP Headquarters, in February 1973, a Projects Execution Division which was subsequently re-named the Office of Projects Execution. In justifying this action the Administrator is reported to have explained to the Budgetary and Finance Committee of the Government Council, at its June 1973 session, that "the rapid growth of UNDP activities required an insurance factor to cover project execution requirements which might otherwise receive unsatisfactory treatment. It is intended that direct execution experience will provide a yardstick for measuring cost ratios and delivery performance guidelines throughout the system". 3/

8. Under this arrangement, the classes of projects envisaged for UNDP direct execution were to cover, inter alia, the following:

- (i) Interdisciplinary and multipurpose projects;
- (ii) Projects which did not fall within the competence of any individual agency;
- (iii) Individual projects which required general management and direction rather than expert sectoral guidance;
- (iv) Projects to which UNDP could bring special assistance in the form of particular financing or investment follow-up arrangements.

9. The Budgetary and Finance Committee of the Council generally supported the arrangement, though one member observed that all possible measures should be taken to strengthen the United Nations system before resorting to execution of projects by UNDP itself. 4/ Although UNDP's operations as an executing agency have been discussed in successive sessions of the UNDP Governing Council, no separate Council decision exists providing explicit terms of reference for UNDP's executive operations in the light of the roles and responsibilities of the participating and executing agencies of the United Nations system.

10. UNDP's fields of activity as executing agency are described in its Policies and Procedures Manual (Chapter 1433, section 18.0 Rev.1 of 1 September 1980) which states that "in a limited number of cases, UNDP directly executes technical co-operation projects" including the four types mentioned in para 8 above. The Manual further specifies that "as a general rule, special consideration is given to those projects that can best be carried out by subcontract".

3/ Quotation from the Inter-Agency Task Force Study on UNDP Direct Execution, page 5.

4/ See E/5365/Rev. 1

B. New Dimensions

11. The UNDP Governing Council decision on New Dimensions in Technical Co-operation, endorsed by General Assembly resolution 3405 (XXX) of December 1975, set forth new guidelines for the future orientation of the UNDP programme. These guidelines specified inter alia that the basic purpose of technical co-operation should be the promotion of self-reliance in developing countries by building up their productive capability and their indigenous resources and by increasing the availability of the managerial, technical, administrative and research capabilities required in the development process; that technical co-operation should be seen in terms of output or the results to be achieved, rather than in terms of input; and that governments and institutions in host countries should be increasingly entrusted with the responsibility for executing projects assisted by UNDP.

12. The injunction contained in the New Dimensions resolution to encourage self-reliance in technical co-operation by placing the responsibility for project execution and management more and more with host governments bears directly on UNDP's project execution activities. UNDP, unlike other executing agencies of the system, was not constituted as a technical, specialized agency and, as a consequence, has little in-house technical expertise to draw on in its support of the projects which it executes. The absence of this expertise reduces UNDP's ability to monitor the performance of its subcontractors. The onus is entirely on them to transfer to the host country whatever knowledge is required. In this regard, the common experience of the system is that the main objective of subcontractors is to get the immediate task in hand done rather than to transfer knowledge over time. To some extent, therefore, the policy thrust of New Dimensions, to the effect that host governments should be encouraged to learn by doing, is probably not being fully accommodated.

C. Restructuring

13. General Assembly resolution 32/197 of December 1977 on the restructuring of the economic and social sectors of the United Nations system also introduced reforms carrying implications for UNDP direct execution. First, the resolution led to the establishment of the United Nations Department of Technical Co-operation for Development (DTCD) which is charged with the execution and management of technical co-operation activities "not covered by other United Nations organs, programmes or specialized agencies" (para. 61(c) and (d)). Second, the resolution provided that the regional commissions should be enabled to function as executing agencies for "intersectoral, subregional, regional and inter-regional projects" in areas not falling within the sectoral responsibilities of specialized agencies and other United Nations bodies (para. 23).

14. Thus, the restructuring resolution conferred on DTCD and the regional commissions a legislative mandate to implement the first two types of project originally defined for UNDP execution, namely (i) interdisciplinary and multi-purpose projects, and (ii) projects which do not fall within the technical competence of any individual agency (see para. 8 above).

15. Table 3 (page 15) on the sectoral distribution of technical projects implemented by UNDP shows that these measures have led to little change in the nature and pattern of UNDP's operations. For example, in the sectors of natural resources and economic and social policies and planning, which are spheres of competence of DTCD and the regional commissions, OPE expenditure

from 1979 to 1981 amounted to US\$ 42 million (or 30 percent of OPE's total expenditure on technical operations) although DTCD's technical expertise and administrative infrastructure make it suitable for much of these technical co-operation activities.

16. Admittedly, the restructuring measures discussed in the preceding paragraphs do not explicitly impinge upon the Administrator's authority to designate an appropriate agency for individual projects, after consultation with the host government; nevertheless, the Inspectors are of the view that successive legislative mandates over the last decade have in effect removed whatever institutional limitations in the United Nations system might have justified the creation of OPE in the early 70s. From a strictly legislative standpoint, the rationale for UNDP direct execution has, in their view, been eroded to a considerable extent. But justification is claimed for OPE's continued operations on other grounds also. This is discussed in the next chapter.

III. RATIONALE AND PROCEDURES FOR PROJECT SELECTION AND EXECUTION

A. Rationale

17. UNDP's activities respond to a rather wider range of considerations than the four main criteria stated by the Administrator in 1973 (see paragraph 8). UNDP stated in a document of March 1977 that "the Administrator must use OPE in a pragmatic manner, rather than in a formal defined way, if it is to fulfill its purpose of meeting deficiencies, which would otherwise be encountered by the system and if the wishes of recipient governments are to be fully satisfied". 5/
18. According to the same document, the projects executed by UNDP fall into two categories: a) Non-technical projects: Projects which entail only financial and administrative management without meaningful technical inputs by the executing agency. Programme and administrative support projects, emergency assistance, co-ordination of relief activities, study tours, logistic support, institutional support (ILPES, CEPAL, etc.), emergency reconstruction and similar activities are included under this heading; b) Technical projects: These projects have important technical aspects but their nature or the conditions surrounding them indicate that direct execution by UNDP would have the highest possibility of success in the circumstances. 6/
19. The same UNDP document concluded by saying that OPE activities would be confined to areas which could be shown to benefit from direct action by UNDP and which did not require the involvement of a technical agency. It stated that there was every indication that OPE's future work would be concentrated more and more on activities outside the core programme and that increasing attention would be given to problems of general management, such as exploring opportunities for the utilization of accumulated currencies; experimentation with various types of procurement services; direct assistance to governments on contracting matters; assistance to multi-bi operations; involvement in Technical Co-operation among Developing Countries (TCDC); and building up relationships with the international business community and with governmental representatives in the interest of the public relations of the Programme.
20. Only limited progress has been made in these new directions, as will be shown in greater detail in Chapter IV on Operational Activities. For example, OPE has continued to concentrate on the core UNDP programme, although its share of that programme declined slightly from 8.1 per cent in 1979 to 7.1 per cent in 1981 (see table 1A on page 11). Moreover, between 1979 and 1981, OPE technical projects expenditure financed from the core programme remained on average 16 per cent higher than expenditure related to projects of "general management" (see Figure 1, page 14). There is therefore some divergence between UNDP forecasts regarding the scope and orientation of OPE's operations and the actual evolution of these operations.
21. According to the Inter-agency Task Force study mentioned earlier, OPE was indeed established for "pragmatic reasons" stemming from "UNDP's perception of some of the problems the United Nations system was (and still is) experiencing in technical co-operation". These pragmatic reasons, as listed by the study, were the following:-

5/ DP/PWG/90 of 15 March 1977, page 2.

6/ Ibidem, pp. 2-3.

(a) There was growing evidence that some governments were disappointed with slow agency implementation of some projects;

(b) Agencies' demands for overhead costs were rising while their substantive backstopping was uneven;

(c) Jurisdictional disputes on projects of a multidisciplinary nature, including multi-purpose river-basin development, made the choice of agencies difficult;

(d) Sub-contracting, which should enable the Programme to obtain the services of homogeneous groups of professionals working together effectively, rapidly and at lower cost than direct recruitment, was not being practised to an adequate extent by all of the executing agencies;

(e) UNDP's own growing requirements for programme support activities called for centrally managed measures to meet new needs at the field level;

(f) Non-agency executed operations, under direct UNDP supervision, could serve as an impartial mode of measuring the above assertions.

22. The foregoing points seem to suggest that UNDP has been constrained to a direct executing role by the failure of the United Nations system in certain cases to deal with development problems effectively. The Inspectors are not convinced that the best way for UNDP to help redress the operational shortcomings of the United Nations system is by curtailing the role of the agencies through direct assumption of operations. It is preferable to confront the system squarely with its shortcomings in order to press through corrective measures.

23. Efficiency and effectiveness have been the constant theme of inter-governmental policy prescriptions for the system's operational activities since the Consensus and should be the hallmark of the system's technical co-operation effort. In view of the Administrator's accountability, and of UNDP's central programme management roles which include performance monitoring and evaluation, UNDP has a share in the responsibility for the quality of performance of the executing agencies in programme implementation.

24. A 1982 UNDP policy document 7/ states that UNDP strongly relies on the integral nature of the United Nations development system and on the concept of partnership and complementarity with the agencies, and that "any solution for the improvement of programme delivery can only come about if fully supported by all partners and after open and frank discussions between UNDP and the agencies". This view the Inspectors support.

B. Procedures

25. In 1974 UNDP set out procedures 8/ for the selection of projects for direct execution. These included the following stages:

(a) Field offices and regional bureaux, in agreement with governments, identify projects for which UNDP direct execution might be desirable;

7/ DP/1982/5, paragraph 60.

8/ UNDP/ADM/HQTRS/103 of February 1974.

(b) Projects proposed for direct execution are evaluated by OPE from the standpoint of feasibility and methods of execution, and consultations are held with the bureaux, field offices and other participating organizations as appropriate;

(c) OPE assumes full administrative control (including budgetary and financial monitoring). Substantive monitoring is ensured under the joint responsibility of the regional bureaux and OPE;

(d) Project implementation follows "normal procedures";

(e) The relationship between the regional bureaux and OPE is the same as that between the bureaux and any other executing agency;

(f) OPE advises interested agencies of individual projects approved for direct execution by UNDP. These procedures also delineated the separate roles of host governments, resident representatives, UNDP regional bureaux, participating organizations and OPE itself in the selection of projects for UNDP direct execution.

26. As a result of increased uneasiness in the system about the rapid expansion of OPE's activities, the Administrator in 1977 established new procedures for the designation of OPE as executing agency for UNDP-funded projects. The new procedures offered more consultations with executing agencies, including opportunities for agency comments on proposed UNDP direct execution arrangements and for the description of any "special technical contribution which the agency considers it could make to the formulation and/or implementation of the project". This consultative process was to be applied in all cases "unless urgent and exceptional circumstances prevail".

27. In addition to these new procedures, UNDP established in 1978 an in-house Projects Acceptance Committee, chaired by the Senior Director of OPE and responsible for the review of all projects proposed for OPE execution. An internal OPE memorandum (OPE/79/PAC) dated June 1979 listed some 20 projects rejected by the Committee and referred to appropriate sectoral agencies for execution.

28. Although the new arrangements appeared to take fully into account the sectoral interests and responsibilities of the executing agencies, the latter continued to express dissatisfaction with the alleged lack of balance in the consultative procedures, since UNDP was both judge and party to the selection process, as seemed to be borne out by the continued increase of UNDP-executed technical projects. As a result, UNDP issued in August 1982 a further set of revised "Guidelines for Direct Execution" following consultations with the Inter-Agency Task Force at UNDP Headquarters. These latest guidelines appear as an annex to this report.

29. The latest guidelines, though not yet sufficiently tested in practice, certainly represent an improvement over the 1974 procedures. They underline "the ultimate authority of the Administrator" for the choice of an executing agency, but they also stress for the first time the fundamental concept of a UN development system and the concomitant concept of partnership amongst all parts of the system. They further emphasize the need to make maximum use of "the considerable accumulated technical experience of the system", and to have first recourse to that experience. They do not, however, remove what the agencies consider to be the ambivalent position of UNDP as both judge and prospective beneficiary in the selection process.

30. One other aspect of the procedures has given the Inspectors some ground for thought, namely the extent to which UNDP's role in direct execution might have affected the Administrator's accountability. Where UNDP directly executes a project, the tripartite convergence of responsibility (government, executing agency, UNDP) is reduced to two parties (government and UNDP) with the Administrator, as Executive Head of UNDP, being in effect responsible to himself for the efficacy with which any particular project or the UNDP-executed programme as a whole is conducted. The Inspectors of course recognize that the Administrator is ultimately responsible to the Governing Council but this does not remove what appears to be a weakening of his accountability in the first place.

IV. OPERATIONAL ACTIVITIES

A. Patterns and Trends

1. General

31. Table 1 (A and B) on page 11 compares the evolution of OPE's activities funded by UNDP with those of five major agencies of the system. It shows OPE's proportion of total UNDP-funded project expenditures expanding from 1.4 per cent in 1973 to 8.3 percent in 1978, and then declining to 7.1 percent in 1981, while the percentages of the five major agencies shown in the table have, on the whole, been declining since 1973. This decline was, however, due less to OPE's rapidly rising percentage than to the still greater increase in the share of other executing agencies, whose number increased from 17 in 1976 to 26 in 1981. Section B of the table shows that, with the exception of 1976, OPE's expenditure financed by UNDP between 1973-1978 increased sharply each year compared with the growth rates registered by the other major agencies (except for ILO in 1978), and also in relation to the annual growth of total UNDP programme expenditures. Since 1979 the OPE growth rate has, on average, been even with that of the other major agencies and has tended to follow the UNDP programme growth pattern. Overall, therefore, the figures in table 1 go some way to confirm the major agencies' concern about the volume and growth of UNDP direct execution, particularly prior to 1979.

32. It is, however, the view of UNDP that to understand the true relationship of OPE to the rest of the system in the field of projects execution, it is necessary to restrict the comparison to technical projects only. Non-technical projects, in UNDP's view, are nothing more than administrative and payment activities, many of which could just as easily have been done by UNDP's Treasury Division and should in no sense be regarded as project execution. When payments for non-technical projects are removed from the OPE figures, according to UNDP, OPE reached its peak share of UNDP-financed expenditures of 5.1% in 1978 and this share has consistently declined each year reaching 4.1% in 1981 and, on the basis of UNDP's best estimate, 3.6% in 1982. UNDP concludes that OPE's declining share of total UNDP-financed technical projects executed by the system does not endanger the concept of partnership with the agencies and that agency concerns are consequently groundless.

33. This view is not entirely borne out by the figures supplied in table 2. These figures present OPE's total operational activities (technical as well as non-technical) financed from all sources of funds between 1979-1981. The table indicates that aggregate expenditure rose from US\$ 57 million to US\$ 79 million, a 38 per cent increase. It also reveals that while OPE's activities financed from UNDP's core programme fell in percentage terms from 77 in 1979 to 66 in 1981, substitute sources of funding have emerged which not only offset the decline in percentage terms but have contributed to the absolute rise in expenditure from US\$ 57 million to US\$ 79 million. Among these newly-tapped sources of funding (which pertain to the several Funds placed under the responsibility of the Administrator) is the Capital Development Fund, whose operational expenditure through OPE increased from US\$ 4 million in 1979 to US\$ 18 million in 1981 (also see paragraphs 35-37 below).

34. While it may be argued that the executing agencies of the system have no reason to be concerned about the rise in OPE-executed projects financed from UNDP-administered Trust Funds since these are not strictly part of the UNDP

TABLE 1 : UNDP-FUNDED PROJECTS EXPENDITURE DELIVERED BY SIX MAJOR EXECUTING AGENCIES BETWEEN 1973-1981*

1A. Annual shares

	Percentage								
	1973	1974	1975	1976	1977	1978	1979	1980	1981
UN	16.3	15.4	15.0	14.8	15.1	14.6	11.9	12.3	12.5
ILO	10.0	9.5	9.0	8.4	7.6	8.7	8.4	8.3	7.4
FAO	28.7	26.6	28.0	28.8	26.2	25.5	24.0	24.7	25.0
UNESCO	13.3	11.6	10.3	9.8	8.7	7.6	8.4	7.9	7.1
WHO	5.1	5.4	5.4	5.1	4.4	3.3	3.0	3.3	3.2
UNDP/OPE	1.4	4.8	6.8	5.2	7.6	8.3	8.1	7.6	7.1
Other executing agencies	25.2	26.7	25.5	27.9	30.4	31.1	36.2	35.9	37.7
No. of ** executing agencies	17	17	17	17	21	22	26	26	25

1B. Annual increase (decrease) in expenditure

	Base year: 1973		Percentage					
	1974	1975	1976	1977	1978	1979	1980	1981
UN	1.6	40.9	(7.8)	(13.7)	24.5	2.5	28.4	9.4
ILO	2.2	37.1	(12.8)	(23.)	46.9	21.4	22.2	(3.9)
FAO	(0.6)	52.7	(3.7)	(23.3)	25.7	18.3	27.2	9.2
UNESCO	(6.8)	29.0	(10.9)	(24.7)	12.5	38.2	17.4	(3.1)
WHO	12.8	44.0	(9.6)	(28.)	(4.0)	13.3	40.1	4.0
UNDP/OPE	275.7	106.5	(29.6)	23.8	41.6	24.3	22.3	(2.6)
Other executing agencies	12.5	41.9	4.2	(9.1)	38.0	40.0	21.0	11.5
Total **	7.2	44.6	(6)	(15.6)	28.9	25.7	23.7	8.0

* Computed from data in DP/1982/6/Add.1 of 5 May 1982, page ii.

** Excluding government execution and United Nations Volunteers

programme, the Inspectors subscribe to the view that these UNDP-administered Trust Fund projects should benefit from the sectoral experience and institutional capability of the executing agencies.

2. Technical and Non-Technical Projects

35. Figure 1 on page 17 shows OPE-delivered technical and non-technical projects expenditure in 1979-1981. It also distinguishes between projects financed from all sources and those financed by UNDP alone.

36. As regards projects funded from all sources in 1979-1981, technical projects made up 67 percent (by cost) and non-technical projects 33 percent, a ratio which hardly changed during the three years considered. As for projects financed by UNDP only, technical projects came to just under 60 percent and non-technical projects to just over 40 percent. Here too the ratio remained virtually constant from year to year. These figures do not fully bear out the expectation expressed in 1977 (para. 19 above) that OPE's work on core-programme activities would decline relatively to general purpose and management work.

47. It appears that OPE's operations in the last three years show a preponderance of projects with technical aspects over those in the general management area. UNDP argues that OPE-executed projects funded by the Capital Development Fund and the United Nations Sudano-Sahelian Office involve mainly equipment purchases and should therefore be classified as "non-technical". If the data in Figure 1A are adjusted to remove equipment purchases, the share of technical projects in total OPE delivery will decline from 55 percent in 1979 to 52 percent in 1980 and to 46 percent in 1981, with a provisional estimate of 41 percent in 1982. The Inspectors do not consider that projects with large equipment components should necessarily be considered "non-technical" and they note that equipment projects are not included expressly in UNDP's definition of non-technical activities recorded in paragraph 18 above.

3. Sectoral Distribution

38. Notwithstanding the general intention set out in 1973 (see para. 8 (ii)) that UNDP would not itself execute projects that fell within the competence of any individual agency, a proportion of OPE-executed projects do in fact fall within those sectors, as appears from table 3 on page 15.

39. OPE's technical operations have touched practically all the fields in which the United Nations family is active. Though they span fourteen sectors and subsectors, they are concentrated in six major areas, viz., in decreasing order: Transport and Communications: 28 per cent; Natural Resources: 22 percent; Agriculture/Forestry and Fisheries: 12 percent; Economic and Social Policies and Planning: 9 percent; Science and Technology: 8.7 percent; and Social Conditions and Equity: 8 percent. The "multidisciplinary, multi-sectoral" projects shown in the table appear few when compared to the sector-specific activities. Even so, many of the projects classified as multidisciplinary and multisectoral, such as international trade and development finance, human settlements, education, employment, etc. appear to fall within the sectoral competence of specific agencies or the mandate of the regional commissions. In order to ensure that the future concentration of activities announced in 1977 (see para.19) is translated into practice the Inspectors recommend that, as a general rule, OPE's operations should be confined to those activities described as non-technical in paragraph 18 above, irrespective of source of funds.

TABLE 2:
OPE-DELIVERED EXPENDITURE FINANCED FROM ALL SOURCES OF FUNDS.
(US\$ Thousand)

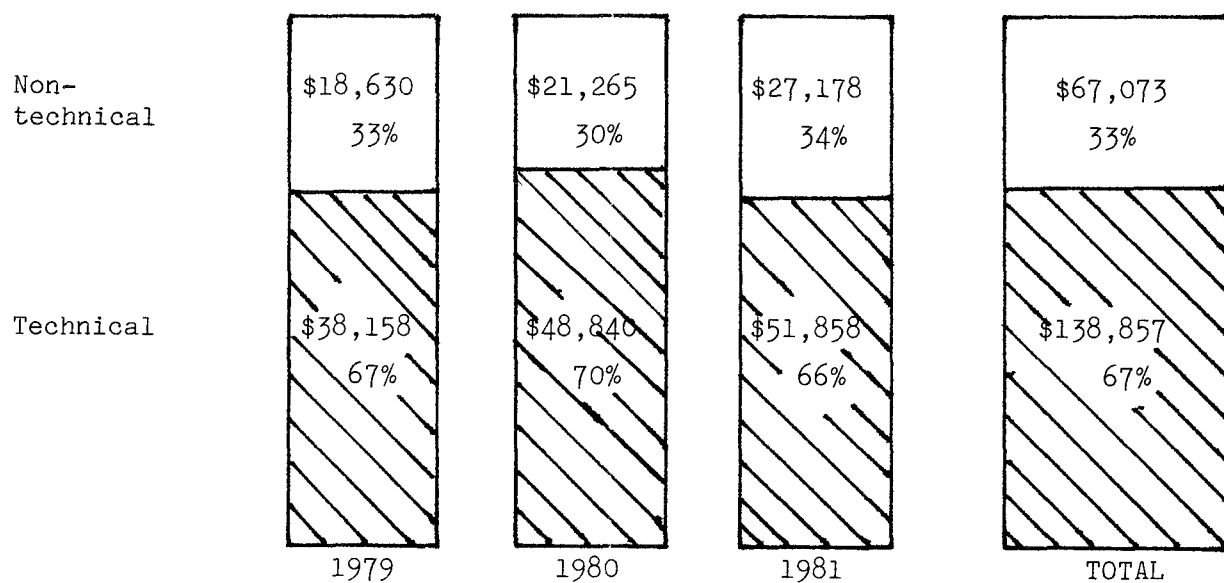
Sources of Funds	1979		1980		1981	
	Amount	%	Amount	%	Amount	%
UNDP Core Resources*	43,845	77.2	52,092	74.3	52,350	66.2
United Nations Sudano-Sahelian Office (UNSO)	8,854	15.6	5,666	8.1	6,482	8.2
Capital Development Fund (CDF)	3,740	6.6	10,617	15.1	17,584	22.3
United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE)	227	0.4	985	1.4	498	0.6
Assistance to Colonial Countries and Peoples and other trust funds	121	0.2	-	-	11	0.01
United Nations Fund for Drug Abuse Control (UNFDAC)	-	-	745	1.1	1,612	2.1
Energy Fund	-	-	-	-	150	0.2
United Nations Financing System for Science and Technology for Development (UNFSSTD)	-	-	-	-	94	0.1
Supplementary Trust Fund - United Nations Decade for Women	-	-	-	-	256	0.3
TOTAL	56,787	100.0	70,105	100.0	79,037	100.0

* Including IPF, Programme Reserve, Special Measures Fund for Least Developed Countries, and cost sharing.

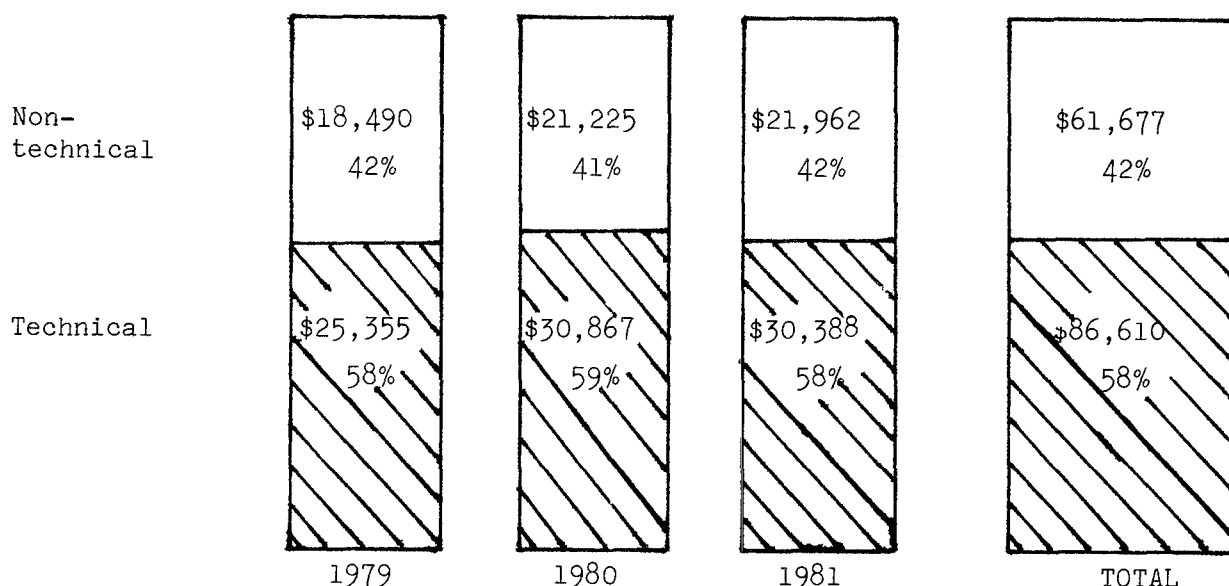
FIGURE 1: OPE-DELIVERED TECHNICAL AND NON-TECHNICAL PROJECTS EXPENDITURE

(US\$ Thousand)

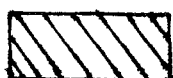
1A. Financed from all sources



1B. UNDP-financed



Non-technical Projects expenditure



Technical Projects expenditure

TABLE 3: SECTORAL DISTRIBUTION OF OPE-DELIVERED TECHNICAL PROJECTS EXPENDITURE
ALL SOURCES OF FUNDS

(US\$ Thousand)

Sector	1979	1980	1981	Total	%
Natural Resources	8,553	10,938	10,532	30,023	21.6
Economic and Social Policies and Planning	4,201	3,558	4,867	12,626	9.1
Industry	902	1,697	991	3,590	2.6
Agriculture/Forestry Fisheries	1,462	5,871	9,385	16,718	12.0
Health	5,101	2,597	702	8,400	6.0
Transport and Communications	11,787	10,572	16,474	38,833	28.0
Disaster and Emergency-Related Projects	-	608	386	994	0.7
<u>Multidisciplinary/Multisectoral</u>					
International Trade and Development Finance	16	-	-	16	0.01
Human Settlements	104	1,847	1,170	3,121	2.6
Education	152	320	55	527	0.4
Employment	39	282	98	419	0.3
Social Conditions and Equity	1,128	5,218	4,988	11,434	8.2
Science and Technology	4,613	5,333	2,210	12,156	8.7
Total	38,158	48,841	51,858	138,857	100.00

* Including CDF and UNSO equipment projects

4. Sub-Contract Awards

40. Figure 2 on page 17 shows the geographic distribution in monetary value of sub-contracts awarded to firms and institutions based in the various regions. With the exception of the Arab States and Eastern Europe the figure indicates a progressive improvement especially in 1981 in the geographic spread of sub-contract awards during the three years. The data for Arab States and Eastern Europe suggest that there is still considerable scope for expanding subcontracting in those regions in order, among other things, to make use of accumulated non-convertible currencies, as forecast by UNDP in 1977 (para. 19), although UNDP considers, with some justification, that the problem of non-convertible currencies can be solved only by an effort involving the whole United Nations system. With regard to the establishment of short lists and selection of sub-contractors, some host governments have complained that there is not enough diversification.

B. Implementation and Management

1. Backstopping

a) Administrative

41. OPE's total budgeted staff posts for 1982 were 67, of which 28 were professional and 39 general service. These posts are financed from support costs earned from executing projects funded from IPFs and from the CDF, UNSO and other Trust Funds.

42. There are about fifteen Project Management Officers (PMOs) who control all OPE-executed projects. They take decisions on project management and implementation. A high proportion of them are engineers, though their functions are managerial, not technical. The number of projects managed by each officer varies between 20-44 at any time, depending on the experience of the officer and the complexity of the projects.

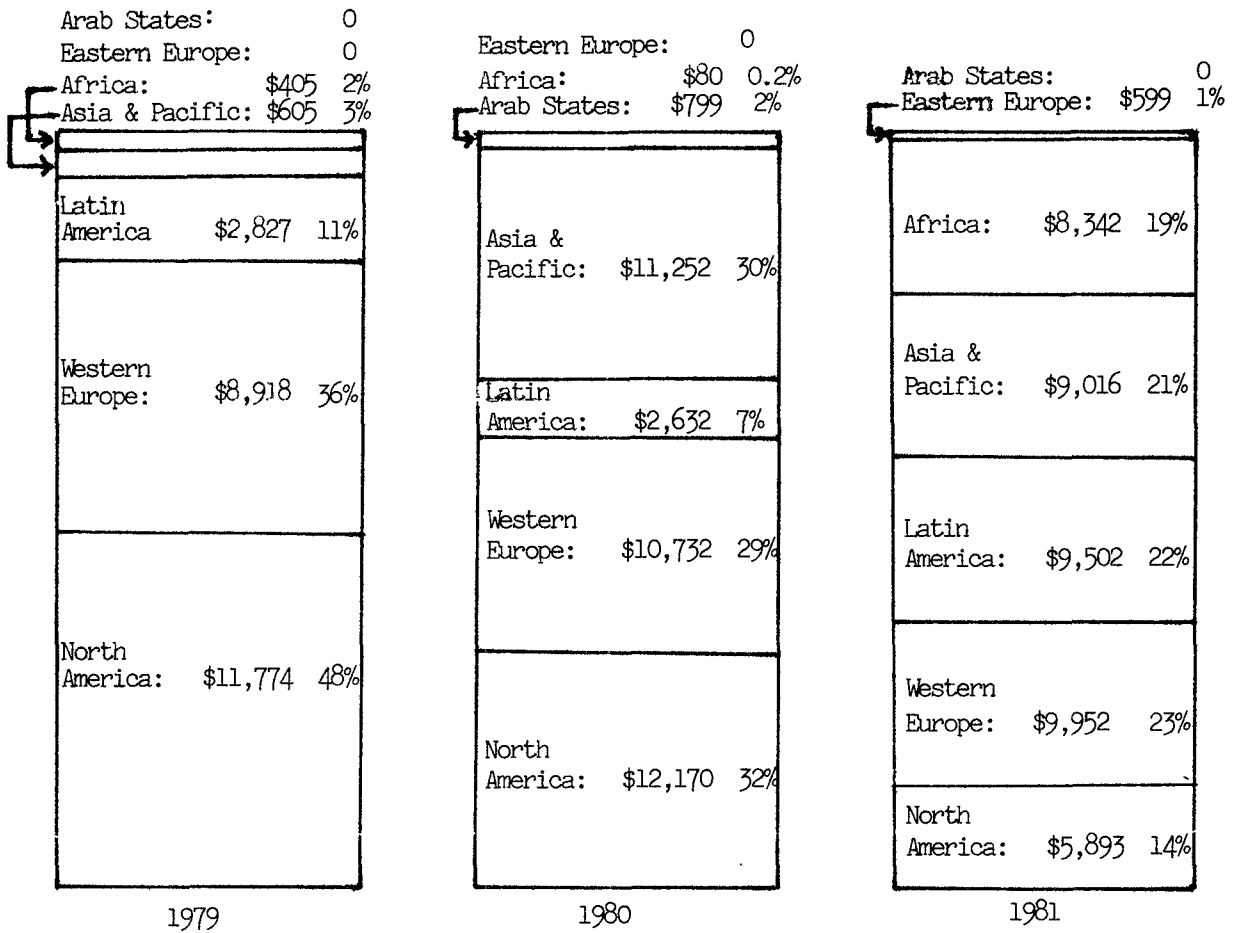
43. The PMOs are responsible for the full range of administrative backstopping, including (a) pre-project work: assessing project proposals, revising project documents, preparations for the Projects Acceptance Committee, approving terms of reference and short-listed firms, writing and negotiating contracts, etc., and (b) in-project or monitoring activities which include co-ordination with various UNDP Divisions, the Resident Representatives and Governments, and travel in connection with projects.

44. Information from the field gave the PMOs very high marks for their expeditious processing of project requests and their speedy delivery of services with minimal paper work. These assets were considered particularly constant in small-scale non-controversial projects. On the other hand, some aspects of administrative backstopping were considered deficient, with speed tending to override the need for proper financial and budgetary monitoring. Some of the criticisms related to: unsatisfactory preparation of project budgets, untidy and untimely keeping of accounts, and disregard of recommendations from the field.

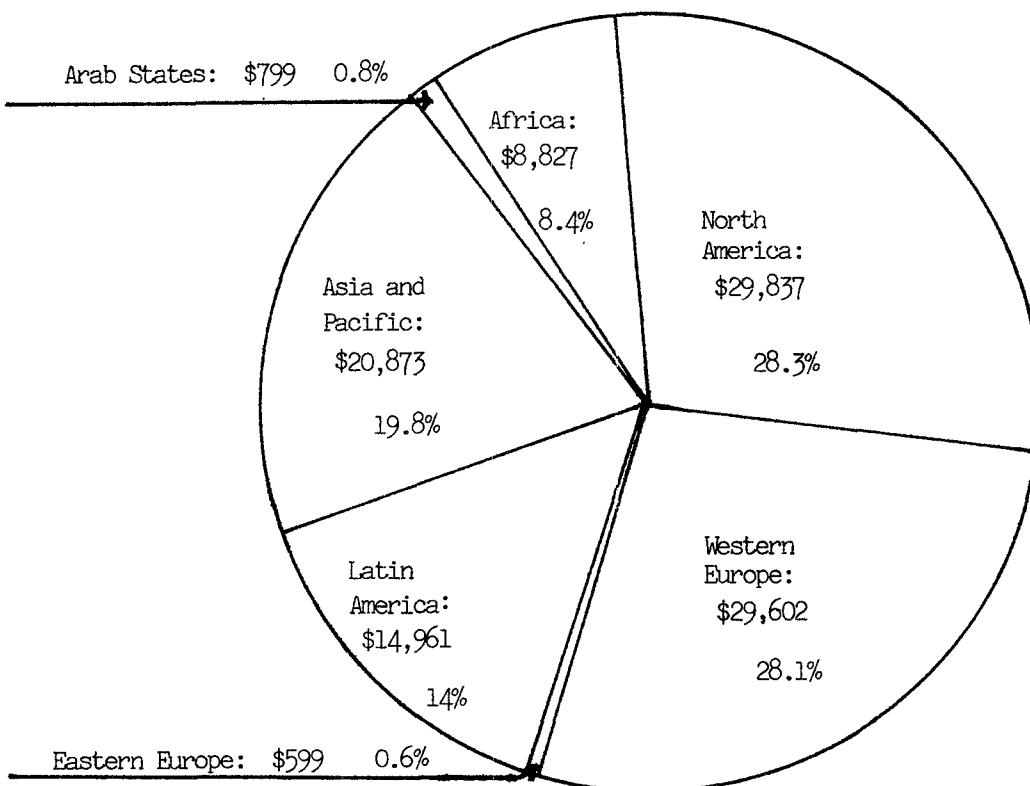
45. Similar deficiencies were also mentioned in a 1981 study on OPE; conducted by the UNDP Headquarters Review Team, which found that most PMOs did not consider financial and budgetary monitoring of projects to be part of their responsibilities, and that their knowledge of UNDP policies and procedures was doubtful. The Review Team also identified other operating problems including:

FIGURE 2: OPE SUBCONTRACT AWARDS: REGIONAL DISTRIBUTION (US\$ Thousand)

2A. Annual Awards



2B. Total Awards: 1979-1981



- Lack of understanding by OPE management and PMOs of the operations required to run the programme;
- Lack of an integrated computerized data management system, poor control of accounts and duplicative labour-intensive procedures carried on by hand while the programme grows and demands increase.

46. These inadequacies were considered to reflect some weaknesses in internal management. However, UNDP assured the Inspectors that these problems had since been addressed by management: the financial and budgetary staff had been strengthened in accordance with the Review Team's recommendations, and the major parts of the computerized information system were expected to be operational by August 1983.

47. Taking a general view of OPE performance and particularly its recognized ability to deliver certain projects in timely fashion, the Inspectors recommend that the Administrative Committee on Co-ordination (ACC) should, through the Inter-Agency Task Force, examine the procedures used by OPE with a view to recommending for use by the other organizations those working practices that have proven their worth in the provision of the services required by governments, keeping in mind the need to encourage management and execution of projects by governments. Such an examination would also put into effect UNDP's reported original intent to use OPE experience as a yardstick for measuring cost ratios and delivery performance guidelines throughout the system (paragraph 7). The Director-General for Development and International Economic Co-operation, whose responsibilities include "ensuring the provision of effective leadership to the various components of the United Nations system in the field of development and international economic co-operation and in exercising overall co-ordination within the system in order to ensure a multidisciplinary approach to the problems of development on a system-wide basis" ^{9/} might assist UNDP in obtaining the necessary co-operation from and among the executing agencies if necessary.

b) Technical

48. UNDP is the only major executing agent of the system without an institutionalized technical brain to guide and support its field operations. As a result, technical backstopping is the most vulnerable aspect of OPE-executed projects. Comments from the field indicate that OPE execution of administrative support projects with no technical aspects has been excellent. But for other types of projects, most of which are subcontracted, PMOs are generally unable to monitor what goes on with a technical eye and consequently rely almost inevitably on the subcontractors (subcontracting is discussed further below). On a few occasions OPE has hired consultants for a week or two to provide technical monitoring but consultants hired for this purpose add to expenditures and their contribution cannot be considered equivalent to that of a specialized agency which is closer to the development problems being tackled and often has the expertise required.

49. The approach to project delivery practised by OPE of necessity emphasizes inputs, and there is a concomitant risk that not enough heed will be paid to broader development goals, especially the need to transfer skills to nationals.

^{9/} General Assembly resolution 32/197, para. 64(a) of the annex.

50. On the other hand, it must be stated that the technical backstopping provided by some United Nations executing agencies at times leaves something to be desired. The 1977 JIU report on Some Aspects of Backstopping of Technical Co-operation Activities of the United Nations System (JIU/REP/77/6) found this to be the case, and discussions by Inspectors in the field still indicate serious shortcomings. Had technical backstopping by the United Nations system improved significantly, UNDP might not have felt it necessary to expand OPE. The answer to the problem is not, however, to underplay the value of technical support to projects but for UNDP in its co-ordinating role to work with the agencies to improve this vital aspect.

2. Sub-contracting

51. The vast majority of large-scale technical projects undertaken by OPE are subcontracted through international bidding procedures, on the basis of a short list approved by the host government. "Technical excellence" is the principal criterion for evaluating bids. At present OPE has a roster of 1500 subcontracting firms and it also uses the World Bank's roster.

52. Information available to the Inspectors on the results of some projects subcontracted by OPE suggests a mixed performance. The strong points are:

- Timely delivery of services;
- High professional competence in the case of certain project types, such as pre-investment studies and other projects with tightly defined tasks and objectives;
- Willingness and ability of OPE to propose, in some cases, alternative modalities for project execution when the performance of a United Nations executing agency does not satisfy the government and/or UNDP;

53. The weak points are:

- Lack of adequate technical monitoring of the work of subcontractors;
- The subcontractors sometimes have insufficient knowledge of the host country, of UNDP rules and of the system's technical co-operation policies;
- Insufficient emphasis on the need to transfer skills to nationals and consequently only modest emphasis on training;
- Preponderant reliance on external inputs in project implementation and little on domestic organizations, institutions, consultants and material resources;
- Subcontracting can be expensive, though in view of the many unquantifiable factors involved there is disagreement about the extent to which it is more expensive than direct expert recruitment.

54. A serious disadvantage in the view of the Inspectors is that OPE makes insufficient use of the technical competence of specialized agencies in their particular fields - competence acquired over many years and at great cost. While subcontracting is expedient and useful under specific circumstances (see paras. 261 and 262 of the JIU report on the Role of Experts in Development Co-operation (JIU/REP/78/3)), the presence of a technical intelligence to back up the subcontract effort is a distinct advantage which OPE normally misses.

55. The Inspectors therefore conclude that the sub-contracting modality as used by OPE tends to run counter to the policy principles of New Dimensions. In addition, while the real cost implications of subcontracting are difficult to grasp in view of the many variables involved, such as the costing practices of the parent firm, the country of origin of the contractor, the functional type of project involved, social costs, overseas allowances, the support costs charged by the parent firm and its margin of profit, subcontracting is expensive. OPE points out that it always deals in terms of "net man/ month cost", which includes all the components mentioned above, with no other costs added to the man/month rate specified by a contract. These net man/month rates range from US\$ 2,700 to US\$ 14,500, the average being about US\$ 7,000.

3. Working relationships

a) Within UNDP

56. Institutionally and administratively, OPE is part of UNDP which provides it with a home at Headquarters and uses it as its operational arm for direct project execution. This arrangement has benefited OPE-executed projects in that relations between the field and UNDP Headquarters with regard to these projects are reported to be generally smooth, which in turn contributes to timely implementation. This intimate relationship may also have encouraged the rapid growth of OPE's activities, a large majority of which are financed from various funds under the UNDP umbrella. In contrast UNFPA, which is not administered by UNDP, has hardly financed any OPE-executed projects.

57. Within the framework of UNDP, OPE appears to operate with considerable independence and does not always seem to follow UNDP procedures. For instance, OPE's PMOs travel frequently to follow up on projects and negotiate with recipient governments although UNDP has a network of field offices and Resident Representatives who might be expected to represent OPE in the field with respect to project implementation. This is particularly true since the purpose of travel is not generally to deal with technical matters. At one stage OPE assigned highly-graded Resident Officers to support its operations in three countries. The Inspectors understand that this arrangement is being phased out.

b) Host governments

58. While OPE has generally responded promptly to government requests, it does not seem to have always sufficiently applied the basic policy injunctions practised in the United Nations system. Some governments of developing countries, for instance, have criticised OPE for a certain unwillingness to utilize available domestic technical and material resources in project implementation, as well as some complaisance towards contractors and a tendency to put the latter's views above those of the government. Opportunities for fostering self-reliance as urged by the Governing Council in its decision on new dimensions have therefore sometimes been missed.

c) Executing agencies

59. OPE has co-operated with United Nations executing agencies in the implementation of a small number of projects. This co-operative approach responds to the provision in the Consensus that the technical expertise of United Nations agencies should be brought to bear on all projects whether directly executed by them or not. However, the number of OPE-executed technical projects in which

agencies participated was on average only 13 percent of the total number undertaken by OPE between 1979-1981. Following recurrent agency complaints about OPE activities, new revised guidelines have been established for OPE-execution (paras. 28 - 30 above). These new guidelines should go some way to meet agency concerns but their full effect cannot yet be known. The Inspectors however believe that OPE is to some extent duplicating the delivery capacity available within the United Nations system and that its operational activities constitute an unwelcome precedent for other United Nations funding organizations such as UNEP and UNFPA.

60. OPE is, not unnaturally, especially at the present time of economic crisis, perceived by the agencies as competing for scarce resources. In the Inspectors' view, this perception would hardly have mattered if there had been a sounder rationale for OPE's existence. While OPE has demonstrated a capacity to deliver some technical co-operation projects with promptness and minimum paper work, its acting on behalf of UNDP as an executing agency without specialized expertise of its own is difficult to justify. The Inspectors accordingly have arrived at the conclusions and recommendations below.

V. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

61. In 1973 the UNDP Administrator advised the Governing Council that in accordance with the spirit of the Consensus, UNDP would itself execute technical co-operation projects. A Projects Execution Division was established for that purpose. The Division was subsequently renamed the Office for Projects Execution (OPE). The projects OPE executes are financed principally from UNDP's core resources as well as from UNDP-administered Trust Funds. In 1981 OPE-delivered expenditures financed from UNDP's core-resources amounted to US\$ 52 million and from all sources of funds to 79 million. It ranked fifth of 26 executing agencies of UNDP.

62. OPE's execution of technical projects has from the start provoked some anxiety among the established executing agencies. Those who have expressed concern over UNDP direct execution hold the view that UNDP's principal rôle, deriving from its primary function as a source of finance, is to maintain, review and develop the operational policies and guidelines, under which this complex programme functions; to ensure that it has a solid resource base; and to act as an impartial arbitrator in conflicts arising during the conduct of operations financed by it. Those who hold this view believe that UNDP's decision to execute projects itself diminishes its ability effectively to perform these basic functions, which are of overriding importance to the success of the Programme. They argue that UNDP needs to devote full attention to these fundamental responsibilities.

63. The critics of UNDP direct execution make two more points. First, they claim that UNDP should not be both judge and party in the designation of implementation modalities, a dual role which is undesirable in itself but which becomes inevitable since the Administrator holds the ultimate responsibility for the designation of executing agencies. Second, the Administrator's accountability seems weakened in the process. Under direct execution, the tripartite convergence of responsibility (government, executing agency, UNDP) is reduced to two parties (government and UNDP) with the Administrator, as Executive Head of UNDP, in effect being responsible to himself for the efficacy with which any particular project or the UNDP-executed programme as a whole is conducted. One recognises, of course, the Administrator's ultimate responsibility to the Governing Council.

64. The foregoing deals with questions of principle. As to actual operations, the findings of this study in some degree support UNDP's critics, including some host governments, who maintain that UNDP is not fully equipped in comparison with the established sectoral agencies to provide technical backstopping to the projects which it executes, and that it cannot adequately supervise its subcontractors, who normally do not pay enough attention to the transfer of skills to nationals. This shortcoming is disadvantageous to host governments because the transfer of skills and knowledge is one of the principal aims of technical co-operation and a key to self-reliance.

65. The Inspectors have noted the views of UNDP on these matters. First, the Governing Council supported the Administrator's decision to execute certain types of projects directly, in the spirit of the Consensus. Second, when the Administrator informed the Council of the types of project which he intended to carry out, these were merely indicative and not exclusive fields. Third, there are manifest shortcomings in agency performance which need to be balanced by countervailing approaches. Fourth, the latest procedures for the selection and implementation of UNDP-executed projects, which were developed in consultation

with the executing agencies of the United Nations system, contain, together with the various monitoring and audit procedures, sufficient checks and balances to keep UNDP impartial. Fifth, UNDP believes that first-class technical support is not the exclusive preserve of the technical agencies nor does it need to be on tap in-house: it can be procured from outside the system as and when needed, with the advantage of bringing a fresh insight to problems. Sixth, subcontracting arrangements in UNDP's view are no more costly than the time-honoured way of executing projects by the United Nations system and the often-mentioned indifference of subcontractors to the transfer of skills and knowledge is, according to UNDP, overstated.

66. The mere fact that this issue has persisted for close to a decade suggests that matters of principle are involved, over and above the monetary value of individual projects, important as this may be.

67. A word on the legislative context within which UNDP has undertaken direct execution. Two years after the establishment of institutional arrangements for UNDP direct execution, the Governing Council's decision on New Dimensions set forth new guidelines for the future orientation of the whole UNDP Programme, on the basis that the fundamental purpose of technical co-operation should be the promotion of self-reliance in developing countries by building up their productive capability and their indigenous resources and by increasing the availability of the managerial, technical, administrative and research capabilities required in the development process. Three years later, the General Assembly adopted the restructuring resolution (32/197) which, among other things, led to the creation of the United Nations Department of Technical Co-operation for Development (DTCD). DTCD's mandate includes the execution and management of technical co-operation activities not covered by other United Nations organs, programmes or specialized agencies. The resolution also provided that the regional commissions should be enabled to function expeditiously as executing agencies for inter-sectoral, subregional, regional and interregional projects. This latter piece of legislation, in the Inspectors' view, removed any gaps in sectoral responsibilities which might have existed at the time of the creation of institutional arrangements for direct execution by UNDP, and opened the way for the designation of DTCD and the appropriate regional commissions as executing agencies in their competent areas.

68. Having studied the various facets of UNDP execution and taken note of the many views expressed for and against it, the Inspectors have concluded that the growth of OPE as an executing agency approaching the large specialized agencies in the scale of its project operations but lacking their technical expertise, has had an adverse effect on the relationship between UNDP and the agencies. Whatever shortcomings in agency performance may have prompted UNDP to enter into the direct execution of projects should be tackled at source and UNDP should continue to use its prestige and influence to bring the performance of the executing agencies to a more acceptable level where this is necessary.

69. Given the trend of events over the past decade and the matters of principle which appear to be at issue, the Inspectors consider some changes should be made more consistent with the spirit of partnership which should prevail. In this light the Inspectors make the following recommendations.

RECOMMENDATION 1

The Governing Council of UNDP should provide new terms of reference for UNDP direct execution, limiting such execution to projects which require general management and direction and to projects of a non-technical nature. The staff and other resources of OPE would be correspondingly reduced over a three-year transitional period.

RECOMMENDATION 2

ACC, assisted by the Interagency Task Force at UNDP Headquarters, should examine the procedures used by OPE with a view to recommending for use by all organizations those that have proven their worth in the delivery of technical co-operation to governments.

UNITED NATIONS DEVELOPMENT PROGRAMME

A N N E X



UNDP

UNDP/PROG/64/Rev.1
UNDP/PROG/FIELD/95/Rev.1
UNDP/PROG/HQTRS/109/Rev.1

6 August 1982

To: Participating and Executing Agencies of UNDP, Field Offices of UNDP and UNDP Headquarters Staff

From: G. Arthur Brown
Deputy Administrator

Subject: Guidelines for Direct Execution

1. The ultimate authority for the choice of an executing agency for the implementation of UNDP assistance lies with the Administrator. The purpose of this circular is to revise procedures which will assist him in the discharge of this responsibility for the designation of the UNDP Office for Projects Execution (OPE) as the executing agency for projects financed from IPF resources (including cost-sharing), the UNDP Special Programme Resources (previously "Programme Reserve") and the Special Measures Fund for Least Developed Countries.

2. This revision has been carried out in consultation with the Inter-Agency Task Force (IATF) at UNDP headquarters, following the consideration of the Task Force study on UNDP direct execution by the December 1980 Inter-Agency Consultative Meeting. It is based on the fundamental notion of a United Nations development system and the inherent concept of partnership, in which spirit the guidelines must also be applied. It is, furthermore, based on the recognition of UNDP's central role as an essential catalyst and co-ordinator, and on the premise that maximum use should be made of the considerable accumulated technical experience of the system and therefore first recourse should be had to that experience. Moreover, while direct execution should only be considered and/or proposed where there is a clear indication that it will be more effective than any other in the interest of the developing country involved, this should not preclude appropriate use of the technical agency (agencies) concerned.

3. In accordance with the relevant provisions of the UNDP Policies and Procedures Manual (see PPM section 3433), a resident representative, having taken all necessary steps to ensure the technical soundness of the project, has the responsibility to propose an executing agency to the regional bureau in each case. For this purpose, the resident representative will consult with the Government and the field-level agency representative, or agency headquarters as appropriate, on the nature, scope and desirable method of execution of the proposed project.

4. If, on the basis of these consultations, the resident representative concludes that direct execution of the proposed project by UNDP would be appropriate, he/she informs the regional bureau of the reason(s) why the execution of the project should be entrusted to UNDP. The resident representative should detail those aspects of the execution arrangements which

would facilitate a considered decision by the Administrator, or the assistant administrator concerned, as the case may be. In the Summary of Project Proposals attached to the Country Programme Management Plan, the designation of an executing agency should be left open, pending a decision by the Administrator or the assistant administrator, as appropriate.

5. At the same time, the resident representative will send to the agency (agencies) concerned the draft project document or, if not available, appropriate and adequate information on the project, with the request that the comments of the agency be sent to the regional bureau as early as possible, preferably by cable, but in any case within four (4) weeks after receipt of the communication. The agency comments should include:

- (i) Its technical appraisal, if appropriate, of the proposal and information on any related activities;
- (ii) Comments on the proposed execution arrangements, including suggestions on alternative execution arrangements, if deemed appropriate;
- (iii) A description of any special technical contribution which the agency considers it could make to the formulation and/or implementation of the project.

6. In those instances where the Government has formally requested UNDP execution, either by stating this in the draft project document or in a letter, the regional bureau and the agency (agencies) concerned should be specifically advised to this effect by the resident representative.

7. Where the decision by the resident representative not to propose an agency for the execution of a project is based on dissatisfaction of the Government or of the resident representative with the performance of the agency, the agency concerned should be informed immediately, by the regional bureau, and the reasons for such dissatisfaction should be given to enable the agency to include its observations thereon with the comments referred to in paragraph 5 above.

8. Such information should also be transmitted to the agency (agencies) concerned during the execution of the project as soon as it becomes known to UNDP, so as to permit corrective action by the agency (agencies).

9. The comments made by the agency (agencies) will be taken into account fully in deciding on the designation of the executing agency, and, after such further consultations as may be deemed necessary with the agency (agencies) concerned, the regional bureau will consider whether the proposal for direct execution by UNDP should be maintained, or whether alternative execution arrangements should be made. The regional bureau may consult, where appropriate, the Bureau for Programme Policy and Evaluation prior to a decision being taken on the execution arrangements. In all cases, the primary consideration shall be the selection of the execution arrangement which will ensure the maximum benefit from the project to the developing country.

10. If the regional bureau does not endorse the resident representative's proposal for UNDP execution, or where it has been ascertained that OPE is not in a position to execute the project, the regional bureau will propose an alternative executing agency (see PPM section 3433, paragraph 3.3), and the agency concerned will be notified immediately, with a copy to the resident representative.

11. Where agency concurrence is obtained, the decision to approve direct execution by UNDP will rest with the assistant administrator and the regional director, acting on behalf of the Administrator. If the proposal for direct execution is maintained, and the concurrence of the agency (agencies) concerned cannot be obtained, the final decision on the designation of the executing agency will be taken by the Administrator.

12. When execution by UNDP is approved, the resident representative will be so informed. The regional bureau will also inform each agency consulted of this decision and, if applicable, of the proposed arrangements for its association with the proposed project. The resident representative will confirm to the Government the designation of UNDP as executing agency and any proposed arrangements for the association of any other agency (agencies) concerned.

13. UNDP-executed projects will be subject to the same monitoring and evaluation procedures as exercised over all UNDP-financed projects.

14. The regional bureau will, as in other projects proposed for UNDP execution, ensure that the agencies are consulted prior to the designation of UNDP as the executing agency of a proposed regional or interregional project, when such a proposal is first considered.

15. UNDP will circulate annually a report informing the agencies of projects which have been designated for direct execution by UNDP during the past calendar year.

16. The procedures for consultation outlined above will be applied in all cases unless, in the Administrator's opinion, urgent and exceptional circumstances prevail to the point where he would wish to supersede these arrangements. In such cases, the agency concerned will be informed.

17. Governments should be made fully aware of the provisions contained in these guidelines.

18. The procedures outlined in this circular supersede those set out for the designation of UNDP as an executing agency in UNDP/PROG/64, UNDP/PROG/FIELD/95, UNDP/PROG/HQTRS/109 of 26 August 1977 and supplement the instructions in the Policies and Procedures Manual on the selection of an executing agency (PPM 3433). In due course, the present procedures will be incorporated into the relevant PPM section which will also undergo a revision, including the criteria for direct execution.

