



Evaluation of **DIRECT EXECUTION**

EVALUATION OFFICE

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FOREWORD

This Report of the Evaluation of Direct Execution (DEX) is the result of a comprehensive review of the application of the DEX modality in UNDP as requested by the UNDP Associate Administrator following Executive Board decision 98/2. The evaluation has assumed timely significance in the light of the shift in focus and the new business orientation of the organization. The Report presents a critical assessment of the UNDP experience in the implementation of the DEX policy and puts forward recommendations for improvement at two levels: firstly, under a policy reform framework; and, secondly, under existing policy with management enhancements.

The changing context — UNDP in a markedly different situation — raises the challenge for UNDP to rethink the whole issue of execution, including DEX, in the broadest sense. As a special form of execution, DEX in particular, has posed interesting challenges that require careful examination. The demand for DEX has grown considerably in recent years. At the same time, the issue of DEX and other modalities has been the subject of an on-going policy discussion within UNDP. The present evaluation should provide an objective analytical input to this policy dialogue.

The evaluation identified key issues with implications for the possible UNDP management response. The main point made in the Report is that **“it is time for change”** insofar as the current configuration and organization of execution modalities is concerned. Proceeding from that overall premise, the recommendations encourage UNDP to move forward in its process towards more effective technical assistance and policy advice.

The Report points to opportunities and challenges for UNDP, which lie in the direct delivery of services. The critical challenge, at this point, is to determine the appropriate “menu” of UNDP service delivery methods that respond to its present and future needs. However, there are also constraints and the Report identifies these as well. New thinking, outside the traditional boundaries, is necessary in order to realize the opportunities and overcome the corresponding constraints. The evaluation should provide the material and impetus for such fresh thinking, a process that we all recognize is well underway in UNDP.

A quality evaluation of this nature, assessing an important aspect of organizational effectiveness, is the collective product of a strong collaboration by the evaluation team led by Richard Flaman, Elayne Gallagher, Mary Lisbeth Gonzales, and Mari Matsumoto (OAPR), and the EO task manager, Siv Tokle,

who contributed her own expert advice and technical guidance to the team. The technical, editorial, administrative and logistic assistance provided by the research analyst, Liliana Halim, and the EO staff, Cecilia Reyes and Anish Pradhan, are also duly acknowledged. The expertise of the editor and the graphic designer likewise deserve recognition.



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EXECUTIVE SUMMARY

INTRODUCTION AND CONTEXT

Direct execution — DEX — defines the involvement of UNDP as an **executing agent**. According to Executive Board Decision 98/2, this role “shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.”

Although DEX has been a subject of debate within UNDP over the past few years, DEX activity in fact constitutes a very small proportion of UNDP business. Over the period 1995–2000, a total of 219 DEX projects have been approved, of which 188 are at the country level and 18 are at the global, regional and interregional level. The 219 projects in the UNDP DEX portfolio have a combined total value of slightly over US\$726 million, representing about five per cent of total UNDP project value. Taking out the large Iraq programme (\$472 million), the value of the DEX portfolio is reduced to about \$254 million.

An immediate question that might be asked is: *How can such a small part of UNDP project activity command such attention?* The answer does not lie so much in the low volume of DEX activity but rather in the fundamental nature of the direct delivery modality when “national execution” is the norm. At a time of major change within UNDP and in the external development assistance environment, as reflected in the Administrator’s Business Plans, other questions have been raised:

- *Does DEX lend itself to sound project performance in terms of implementation and of producing tangible results? Are such results sustainable?*
- *In particular, does DEX support the development of national ownership and national capacity building?*
- *Does DEX allow for greater accountability of the Resident Representative and the Administrator?*
- *What capacities are needed in country offices to do DEX well? Does UNDP have these capacities?*
- *In the “new” upstream and results-oriented UNDP, should UNDP abandon its management practices and modalities associated with direct execution and simply use more flexible service delivery options?*

To answer these and related questions, the UNDP Associate Administrator requested the Evaluation Office (EO), with support from the Office of Audit and Performance Review (OAPR), to conduct an evaluation of UNDP’s experience with DEX. The evaluation addresses specifically the designation

of UNDP as the executing agent. UNDP involvement under other execution modalities is beyond the scope of this specific evaluation. However, direct execution points to a larger issue of UNDP's role in programme and project management and implementation. In instances where a Country Office (CO) focuses on implementation support, DEX and "CO support to NEX" would have many similarities. Attempts to quantify the extent of such support have been difficult within the framework of this evaluation, but based on feedback from country level and Headquarters, it may be quite extensive.

The evaluation extended from October 2000 to February 2001 and included a number of country visits. The countries selected were based primarily on the authorities delegated to them for DEX, and covered Countries under Special Development Situations (CSDS). CSDS countries visited were Bosnia and Herzegovina, Guatemala and Rwanda (also referred to as the DEX "pilot countries.") To obtain a broader perspective of DEX, the evaluation team also conducted short visits to the countries of Burundi, Cambodia and Tanzania.

In order to obtain a broader understanding of the performance and issues surrounding DEX, the team carried out a qualitative analysis of a sample of project documents and surveyed staff with prior experience with DEX at the field and headquarters levels. A desk review was undertaken of all country level, Regional and Global DEX projects and programmes initiated since the mid-1990s to obtain a complete picture of DEX activity and trends. Preliminary reviews were conducted with a group of senior UNDP Headquarters managers who were also former Resident Representatives.

PERFORMANCE OF DEX PROJECTS

DEX projects were found by and large to have delivered sound results. For example, in Bosnia and Herzegovina the *Integrated Resettlement Programme* (IRP) delivered such results as the rehabilitation of damaged homes of displaced persons, provision of advice and legal services, and employment and business training. In Tanzania, the DEX-supported election project achieved its two primary expected results: the international community was assured that the *election process* was free and fair, and the National Electoral Commission had an opportunity to learn from the process.

Where good results were produced, performance was found to be a function of a number of factors. UNDP in-country presence combined with CO management and operational capacities provided needed implementation support. The participation and commitment of counterpart

organizations based on a range of implementation modalities contributed to national ownership and capacity building.

Not all DEX projects reviewed produced quality or timely results. The reasons for this varied. In some cases, capacity constraints within the Country Office delayed implementation and compromised delivery of quality results. (This was found to be the case in Rwanda in particular.) In other cases, a lack of locally available trained staff and materials impeded delivery.

SUSTAINABILITY OF RESULTS WAS MIXED

Sustainability for the most part was found to be limited, due to the short-term, crisis nature of a number of country programmes de-linked from any longer term development strategy. The projects reviewed were generally found not to be part of a broader or longer-term programme or development strategy. However, components of a number of the projects were found to have potential for sustainability. For example, in Guatemala, the five umbrella programmes reviewed were noted to be initiating a second phase. In one case, sustainability is being addressed through the development of an emergency response framework.

IN SOME CASES, DEX CONTRIBUTED TO POLICY

Contributions to policy dialogue resulted from some DEX initiatives. For example, in Bosnia and Herzegovina the team found that UNDP's high degree of involvement in project delivery allowed it to build up local capacity and credibility, combined with a sound "local intelligence network," and that an economic transition workshop with high level, key government officials helped to trigger strategic thinking. Also, the Country Office was able to develop a proposal for expanding the use of Information and Communications Technologies (ICTs) as a result of lessons learned on a DEX project, reflecting UNDP's growing corporate-wide interest in this area. In Guatemala, the five umbrella programmes implemented by UNDP incorporate three policy orientations: judicial reform, the national Maya platform and the women's sector of civil society.

DEX PROJECTS SUPPORTED NATIONAL OWNERSHIP

The majority of the DEX projects and programmes in the countries visited contributed to the sense of national ownership. One example is the Bosnia and Herzegovina *Village Employment and Environment Programme* (VEEP), in which components were implemented by local government and civil society organizations. National

ownership was more often described or evident in terms of *commitment* and *participation* of national counterparts, than in the management or control of projects or programmes by government at the central level. National ownership was fostered more often and perhaps more significantly at sub-national levels of government and within the civil and private sectors of society.

OWNERSHIP DEPENDED ON CAPACITY DEVELOPMENT AND PARTICIPATION

DEX projects examined by and large incorporated elements of national capacity building and participation. However, most of these projects were still in their early days and it was too early to determine whether the developed capacities would be sustainable. In other cases, projects reviewed were of an emergency or rehabilitation nature, dealing with areas in which it may be less important to build long-term sustainable capacities (e.g. a recent DEX project in Turkey to provide emergency shelter and sanitation relief after an earthquake.) Questions were raised as to what national capacities needed to be developed. The sense was that the substantive capacities in national organizations to handle development programmes were much more important than the capacities of such organizations to manage UNDP projects according to UNDP rules.

DEX PROJECTS DEMONSTRATED RESPONSIVENESS, FLEXIBILITY AND SPEED

DEX project experience in the countries visited supported the stated policy intent for use of the modality in situations that call for *“speed of delivery and decision-making where UNDP management is necessary for mobilizing resources.”* The team found that DEX, combined with sound project design and good Country Office support, provided an effective mechanism to meet national and donor demands for quick response and implementation. The feeling within the Country Offices visited, and supported by meetings with some donors, was that DEX projects could be formulated rapidly, decisions for the appraisal and approval of projects were relatively fast and implementation proceeded quickly.

PROJECT IMPLEMENTATION FOLLOWED DIVERSE ARRANGEMENTS

Implementation arrangements were based on a consideration of which parties could play the best roles. It was the team’s sense that limited government capacities (at the local level) were directed to more substantive project and programme issues (e.g. developing systems to determine priorities for local investment

projects, selection of beneficiaries for grant and small credit assistance, selection of and counselling for returnees to re-constructed homes.) Bosnia and Herzegovina and Guatemala demonstrated the greatest variation in terms of implementation partners, covering all levels of government, civil society and in some cases the private sector, although most projects were targeted at lower levels of government.

DEX AND DONOR RELATIONSHIPS

The UNDP-donor relationship was found to be key to both the use and the success of direct execution, if only for the fact that the majority of DEX budgets are sourced from donors through cost-sharing and trust funds. DEX was seen in part as a facility that could attract funds due to its responsiveness and speed of delivery — features that were found to be attractive to donors who demand results and quick action. Donors are increasingly being looked to not just as sources of funds for UNDP DEX projects, but also as “partners” with shared goals and objectives for funding and project initiatives, and as “clients” of UNDP.

DEX COSTS AND CAPACITY ISSUES

Where gross measures of cost data were available, the cost of support to DEX as a percentage of delivery ranged from 1.6% (Cambodia) to 6.8% (Burundi). In Guatemala, costs were recovered through a 3.5% management fee. However, the Country Office estimated its real office cost at 7.5%. Implementation costs varied significantly according to local country circumstances. Some countries have access to qualified local personnel and materials (e.g. Bosnia and Herzegovina) while other countries require more expensive recruitment of international staff and international procurement (e.g. Rwanda.) Where an office has an ongoing substantive NEX support capacity (such as Guatemala or Tanzania), the marginal increases in cost for support to DEX were reported to have been much lower than for an office that had no such pre-existing support capacity.

Country Office capacity was a significant — and perhaps the most significant — determinant of the cost-effective direct delivery of projects in Bosnia and Herzegovina and Guatemala, while an absence of sufficient capacity was found to be a major constraint in Rwanda. Many of the CO operational and administrative activities for direct execution were found to cover procurement, recruitment, logistics and other financial and administrative services — much the same as would be found in CO NEX support operations. Perhaps the most significant “core capacity” found as a determinant of successful direct execution of

projects was local CO leadership — especially in unstable and dynamic environments associated with countries under special development circumstances. The more successful DEX initiatives required strong marketing and selling skills, and an entrepreneurial management style.

DEX projects and programmes generally benefited from a range of oversight and accountability mechanisms, suggesting that the substantive accountability requirements of the Administrator were met. However, a number of weaknesses were found — through reference to separate audits and reviews — that would suggest that accountability in some instances has been compromised. Some of the DEX projects in the Country Offices visited did not appear to benefit from independent reviews and evaluations. Several of the projects reviewed were over \$1 million and completed, but some of these projects did not benefit from mandatory evaluation.

STRENGTHS OF DEX

A number of strengths are evident from the DEX project experiences. Some strengths are directly related to the modality per se, while others are seen as indirectly related.

- **Quick response.** Combined with an in-country presence and CO capacities, leadership and other strengths, DEX contributes to UNDP’s capacity for quick response to project opportunities. The DEX facility can enable UNDP to seek and quickly secure project opportunities.
- **Flexibility.** DEX can be used in a number of situations, such as those involving crisis and post conflict and upstream policy, as well as in any number of “special situations” requiring enhanced protection of the Administrator’s accountability. DEX provides considerable flexibility to the Country Office in determining the most cost-effective arrangements for implementation.
- **Environment for innovation.** The DEX modality can create an enabling environment for seeking and applying innovative solutions and approaches, with some risk taking and experimentation.
- **Clear line of accountability.** Lines of substantive and financial accountability are clear and unambiguous. When things go right, the benefit clearly accrues to UNDP (and its implementation partners.) When things go wrong, accountability clearly points to the UNDP.
- **Corruption avoidance and transparency.** The transparency of decision-making conforms to established

UNDP decision-making practices, procedures and policies. This limits the potential for corruption, rent-seeking and undue political influence.

- **UNDP commitment.** UNDP has direct control of project inputs and, combined with sound project management, can enhance the delivery of outputs and cost-effective results. This direct control generates a stronger sense of UNDP “ownership,” producing high levels of commitment from CO and project staff.

WEAKNESSES OF DEX

A number of weaknesses associated with the DEX modality and supporting systems were noted by the team, the more significant of which are:

- **Increased cost of business for DEX start-up.** DEX requires considerable country office capacities in terms of financial and human resources, procedures, supporting systems and so on. Where some country offices have established NEX support capabilities, the incremental capacities for DEX are moderate but important. For the smaller offices with limited country office operational capacity, however, DEX adds costs and increases workload, as considerable investments are needed for both project as well as country office start-up.
- **Weak financial systems.** Current systems within UNDP do not adequately support the financial management requirements of DEX projects in terms of cost accounting, income and expenditure reporting, donor reporting or programme accounting. The draft DEX guidelines may be overly flexible in allowing COs to potentially set up financial and reporting systems that may not integrate with corporate systems. DEX requires a heavier load of reporting from the CO to donors.
- **DEX approval process somewhat centralized.** While the recent delegations of authorities and new policies for DEX are a step in the right direction, current review and approval processes at Headquarters can cause delays and inefficiencies in decision-making. Restrictions on some decision-making authorities with respect to contract amounts and fees for international consultants limit local flexibility in acquiring the most cost-effective inputs in a timely manner.

OPPORTUNITIES AND CHALLENGES

Despite the relatively low volume of current DEX activity, this evaluation shows that direct execution is

very much about the way UNDP conducts its business — or at least a small but significant part of it. But this small part points to bigger picture issues surrounding both execution in the general sense and UNDP’s search for a revitalization and transformation of its business mission.

The Administrator’s Business Plans that guide UNDP’s transformation process call for, *inter alia*, a move towards more upstream policy advice and dialogue and “moving further away from small, isolated development projects....” These plans also picture an organization that is more knowledge-based and networked. The introduction of Results Based Management puts more emphasis on achieving cost-effective and measurable results with partners and programme countries rather than focusing on inputs and process. The Options Group’s report and Country Office business models envisage a dynamic and skilled UNDP CO of the future.

All this points toward a future where traditional delivery of services is expected to change. However, as the “new” UNDP moves into the future, it could be unduly constrained by policies, management practices and systems geared more to service delivery in the “old” UNDP way. The existing arrangements surrounding a small and seemingly fixed set of modalities simply may not have sufficient flexibility to meet the demands of the future (at least without “bending the rules.”) With respect to DEX, the existing policy, management and administrative support structures and systems may not be up to the challenge of meeting future opportunities for direct service delivery.

Under the existing legislation, DEX may be used in **special circumstances**, but such circumstances are not clearly defined. Based on feedback from the DEX COs surveyed for this evaluation, special circumstances were noted to cover several key areas. (See Box 1.) Other areas where the relative strengths of DEX might point toward expanded direct delivery of services include: emergency response, sensitive governance projects, provision of upstream policy advice, projects involving donor coordination and administrative support, the private sector, decentralization/local governance, and community development projects. Other areas mentioned by the COs include support to government and NGOs, human rights, projects promoting UNDP/UN advocacy, programme logistical support, anti-corruption projects, innovative and short duration projects, and catalytic projects.

Future or expanded use of the DEX modality is not without its constraints and risks. As noted, weaknesses in internal management and financial systems may be

seen as an administrative constraint. Funding shortages and the increased “cost of business” for DEX may inhibit future expansion. More significantly, the team sees a number of institutional barriers to expanded direct delivery of services.

■ **Formal policy constraints.** The expanded use of DEX is constrained first and foremost by the existing legislation that states that DEX “shall remain limited to countries in special circumstances.” The list of countries under special circumstances is limited. DEX projects, however, have been approved for other countries, including Global and Interregional programmes.

■ **Informal policy constraints and internal resistance.** While the formal policy constraints may be seen as not overly restrictive, the *informal* policy in UNDP on the use of DEX appears to be one of restrictive use, whereas NEX is the established norm. The informal message may well be one of — in the words of some — using DEX “only as a modality of last resort.” There is an incomplete understanding of what DEX is all about and this may be seen as a form of internal “cultural” resistance to its expanded use. Some see DEX as a threat to the status quo of NEX, feeling that it might undermine national ownership or crowd out other modalities or agencies. The organization seems to be polarized on the use of DEX, some staff having a “pro-DEX” stance and others a “pro-NEX” stance.

■ **External resistance to change.** In many countries there may be institutional resistance to the use of DEX at the central government levels. This may be particularly true in countries where national execution is considered the norm, and the financial resources that flow through such projects and programmes as entitlements. Furthermore, national governments may see certain aspects of DEX (e.g. procurement) in competition with government operations. The threat of competition extends as well, possibly to other UN agencies, to national civil society organizations or to the private sector.

BOX 1 POTENTIAL SITUATIONS FOR DEX

- Situations that avoid corruption
- Greater efficiency/effectiveness
- Increased accountability
- Better utilization of scarce resources
- Improved attention and focus on results

RECOMMENDATIONS

The findings uncovered in this evaluation point to important challenges for UNDP in the direct delivery of services, and indirectly to broader questions of execution in general. A general consensus has emerged from this evaluation, and from other forums, that now is the time for UNDP to carry out a fundamental re-thinking of execution in the broader sense. As part of such a re-thinking exercise, the achievement of the service delivery and operational priorities as expressed in the Administrator's Business Plans could in part be supported through the continued if not expanded use of direct service delivery mechanisms. The realization of the opportunities and overcoming of the constraints will require a "thinking out of the box," a process which is seen to be well underway in UNDP.

The following recommendations respond to the UNDP corporate-wide direct service delivery issues and constraints revealed by the evaluation. Special attention is given to strengthening the role of the COs in a number of areas so that in the future they can function as cost-effective "business platforms" for the development and direct delivery of services geared to meeting the needs of their local "markets."

POLICY REFORM AND IMPROVEMENT

The first recommendation (below) points to policy reforms for service delivery that might be considered over the short to medium term. The second and third recommendations point to changes that might be made in the short term to improve and expand the direct delivery of services under the existing legal and policy framework.

(1) **It is recommended that a broader and more flexible policy, legislative and regulatory "enabling environment" for service delivery be set up for UNDP so that it can meet emerging client demands for services and support in a wider range of circumstances.** Envisaged policy and legislative changes would likely take time as they imply major management and cultural changes. Key considerations include: (1) Decision 98/2 should be updated to highlight direct delivery of services as an important strategy for implementation of the Administrator's Business Plans; (2) the operational definition of special development circumstances should be updated; (3) there should be a broadening in the application of direct delivery; (4) the concept of national ownership should be redefined to focus more on notions of commitment and participation, rather than "control"; (5) the concept of national

capacity development should be defined explicitly to cover national substantive capacities and not be meant to describe the central government capacity to execute or implement UNDP funded projects according to UNDP rules and procedures; (6) since direct execution was not found to undermine national ownership, a simplified management language should be introduced to define service delivery (shifting away from such terms as "execution", NEX, DEX etc.) that reflects UNDP's role as a development agency and results-oriented service provider; and (7) the issue of ownership should be de-linked from the issue of compliance with UNDP financial rules and regulations.

- (2) **In the immediate term, it is recommended that the existing policy on DEX (Decision 98/2, Programming Manual) be clarified in terms of its application and conditions of use.** In particular, specific guidelines should be developed: (1) to define which types of situations call for speed of delivery and decision-making, and what sort of speed is required; (2) to define what is meant by effective programme and project delivery; (3) to define the degree of effectiveness required to safeguard the full responsibility and authority of the Administrator; and (4) to define precisely what is meant by lack of capacity on the part of national authorities to carry out DEX projects or programmes. It would seem that the potential for the direct delivery of services in countries under special circumstances, as well as other countries, would expand considerably if capacity issues on the part of national governments were to include more explicitly such aspects as corruption, political influence, or undue process such as patronage or severe weaknesses in public sector management.
- (3) **It is recommended that UNDP explore and develop over time a range of alternative service delivery methods or modalities.** A broader set of options could be considered, ranging from full direct management and implementation at one end of the spectrum to full national management and implementation at the other. This recommendation flows from the Administrator's Business Plans for a move to upstream policy advice, which calls for revisiting service delivery options and more flexibility (where DEX is seen as an approach of the past.) In some cases, a direct delivery approach may be the most cost-effective, considering all factors such as speed of delivery, national capacities, accountability and other issues. In other cases, more structured partnerships and delivery methods may make the most sense. Alternative service delivery methods would not negate the project or programme approach; indeed,

each method would be supported by flexible management methods and practices. Some types of services may be delivered through more formal projects and programmes. Other types of services and support, where structure is not quite so important, may be delivered by full-time or part-time staff engaged by UNDP (who undertake research, produce discussion papers and policy advice, support advocacy, etc.), contracting out, organization of conferences and workshops, production of publications and so on. Service or engagement agreements for short-term, quick response, upstream policy advice may take on a simpler form, while more complex development initiatives may require more substantive agreement, management and implementation instruments.

RECOMMENDATIONS ON MANAGEMENT

The following recommendations do not imply changes to existing policy on direct delivery of services. Rather, they focus on better application of existing policies and management practices, leading to more cost-effective direct service delivery and enhanced substantive accountability.

- (4) **It is recommended that UNDP formalize and strengthen the existing draft guidelines on Direct Execution.** As direct delivery requires project, programme and operational management — not just administration — formal and more complete guidelines and compliance on methodologies, standards and systems of quality assurance are required. Practical support to DEX under the current, as well as evolving or future policy frameworks, would include: (1) capacity and risk assessments of DEX initiatives; (2) internal capacity assessments and business planning of the Country Offices; (3) formal mechanisms for the involvement of national counterparts; and (4) formal project management principles, tools and techniques.
- (5) **It is recommended that UNDP substantially enhance its corporate memory on DEX (as well as other types of) projects.** This would include initially, proper electronic and paper based filing and document management systems for DEX project documents, records and all reports/deliverables from DEX projects, as well as improved integrity of DEX information data-bases (timely, complete, accurate and up-to-date.) Better information will support both the policy analysis and development activities, but will also better support programme/project planning, management and evaluation, plus the overall learning and information-sharing capacity of UNDP.
- (6) **It is recommended that core competencies for CO management and support of directly delivered services be determined.** Core competencies should focus on: (1) leadership competencies with special attention to marketing, client service and management, public relations and communications, business management, risk taking and entrepreneurship; (2) an organizational culture and climate of “getting things done”; (3) sound planning and organizing capacities to support the setting and adjusting of priorities as demands of dynamic environments shift; (4) strong formal and informal internal and external communications; (5) a high degree of personal effectiveness and flexibility including strong interpersonal skills; and (6) a results-oriented, client-serviced mentality.

RECOMMENDATIONS ON ADMINISTRATION AND SUPPORT

- (7) **It is recommended that the financial management systems be upgraded to take into full account the “delivery agency” status of the organization.** New or enhanced financial management modules are required to help COs better handle multiple currencies, sources and application of funds, donor reporting, budgeting, the preparation of “balance sheets,” and other features. Special considerations include: (1) the carrying out of a feasibility study to flush out the costs and benefits of optional financial systems solutions; (2) a formal cost accounting policy plus supporting procedures and systems to measure and report on full costs of delivery; (3) standard modules for such core functions as procurement, expenditure control and related areas identified in the main body of the report; (4) refinement of the policy on charging fees for support to directly delivered services, covering all sources of funds and full (overhead) costs; and (5) investigating the feasibility of setting up an investment or revolving fund that would facilitate the start-up of directly delivered projects/programmes, as well as beef up CO capacities to support such initiatives.
- (8) **It is recommended that the existing approval processes for the direct delivery of services be streamlined.** Even where some decision-making authority for entering into DEX projects is delegated, the reviews, concurrences and approvals within the HQ structure remain somewhat centralized. Greater authority should be given to the Country Offices to decide, based on local circumstances, and under clearer corporate guidelines, the need for direct delivery and the types of services to be delivered.

Such delegations would need to be accompanied by strengthening CO decision-making and management capacities, oversight and monitoring mechanisms, and abilities for the recruitment/training of the right people.

- (9) **It is recommended that the UNDP oversight and accountability framework be simplified and rationalized.** The accountability framework for UNDP should be presented in practical terms and incorporate the organization's increasingly decentralized style of operation and, of course, modalities of service delivery (direct and others that may be developed.) Answers would be given to such questions as "who is accountable for what" and "how is accountability achieved." Such a framework would need to link accountabilities to authorities, roles and responsibilities, and the systems of supporting control (that is, management, operational, financial and administrative capacities.)

LIST OF ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
AGEX	Agency Execution
BDP	Bureau for Development Policy (UNDP)
BOM	Bureau of Management (UNDP)
CBO	Community-based Organization
CCF	Country Cooperation Framework
CDR	Combined Delivery Reports
CMAA	Cambodia Mine Action Authority
CO	Country Office (UNDP)
COMP	Country Office Management Plan
CSO	Civil Society Organization
CSDC	Countries Under Special Development Circumstances
CTA	Chief Technical Advisor (UNDP Projects)
DEX	Direct Execution
EB	Executive Board (of UNDP)
EC	European Commission
EO	Evaluation Office (UNDP)
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FIM	Financial Information Management
GEF	Global Environment Facility
HQ	Headquarters (UNDP)
ICT	Information and Communications Technologies
ILO	International Labour Organization
LDC	Least Developed Country
MDGD	Management Development and Governance Division (UNDP)
MYFF	Multi-year Funding Framework
NEX	National Execution
NGO	Non-governmental Organization
OAPR	Office of Audit and Performance Review (UNDP)
ODA	Official Development Assistance
OG	Operations Group and Oversight Group
OPE	Office for Project Execution (UNDP, precursor to OPS)
OPS	Office for Project Services (UNDP, precursor to UNOPS)

OSG	Operations Support Group
RBM	Results-based Management
RFA	Rapid Field Assessment
RR	Resident Representative (Res Rep)
SAS	Strategic Areas of Support
SHD	Sustainable Human Development
SRF	Strategic Results Framework
SURF	Sub-regional Resource Facility (UNDP)
TPR	Tri-Partite Review
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNV	United Nations Volunteers

PARIA

Introduction and Context

INTRODUCTION

1.1 PURPOSE AND SCOPE

Direct execution — DEX — defines the involvement of UNDP as an *executing* agent. According to Executive Board Decision 98/2, this role “shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.”

In its Decision 98/2, the Executive Board requires UNDP to submit at its annual session in 2001, an evaluation of all aspects of activities funded by non-core resources, particularly the modalities applied by UNDP. Consequently, the UNDP Associate Administrator requested the Evaluation Office (EO), with support from the Office of Audit and Performance Review (OAPR), to conduct an evaluation of UNDP’s experience with DEX. The evaluation addresses specifically the designation of UNDP as the executing agent. UNDP involvement under other execution modalities is beyond the scope of this specific evaluation.

The Terms of Reference (TOR) for the DEX Evaluation are contained in Annex A. The main purpose of the evaluation is to review the experience of UNDP in DEX and recommend improvements. The scope of the evaluation is broad, covering a range of policy, management and administrative support issues. Key questions explored by the evaluation are:

- *Does DEX lend itself to sound project performance in terms of implementation and of producing tangible results? Are such results sustainable?*
- *In particular, does DEX support the development of national ownership and national capacity building?*
- *To what extent does DEX enhance resource mobilization?*
- *Does DEX allow for greater accountability of the Resident Representative and the Administrator?*
- *What are the costs for delivering and supporting DEX?*
- *What capacities are needed in country offices to do DEX well? Does UNDP have these capacities?*
- *In the “new” upstream and results-oriented UNDP, should UNDP abandon its management practices and modalities associated with direct execution and simply use more flexible service delivery options?*

The evaluation also explored process-related issues such as project management and relationships with donors. In bringing together the results of the evaluation, the evaluation team describes in **Part A** of this report the historical and legal context of DEX plus highlights of recent project activity. **Part B** presents findings and observations on a range of policy, management and administrative issues, basically answering the above-noted questions. The second part of the report closes with a presentation of lessons, strengths and weaknesses uncovered by the analysis. **Part C** presents the team's conclusions and recommendations. The annexes contain detailed supporting information.

The evaluation was carried out by a team of four external consultants and an OAPR staff member. The team would like to express its appreciation for all support received from the Evaluation Office of UNDP and all concerned staff at UNDP Headquarters and in the Country Offices.

1.2 OVERALL METHODOLOGY

The evaluation is independent and objective. Neither the terms of reference nor the evaluation team apply a bias or predisposition toward the use of DEX, or the use of DEX in comparison to other execution modalities.¹ Since DEX is one of a number of UNDP modalities of execution, aspects of other modalities do enter into the evaluation equation in several respects — the policy evolution of execution, the legal framework, country office support and a number of other areas. In this evaluation, such tangential issues are handled for the most part as they directly relate to DEX. It should be made clear at the outset that this is not an evaluation of DEX projects and programmes² per se, but rather of the DEX modality.

The evaluation is intended to inform UNDP policy by pointing to issues that are considered to merit further attention. In addition, this evaluation is expected to provide input to the separate strategic evaluation on non-core funding that will address, *inter alia*, UNDP's execution modality system in general. In early February of this year a "Task Force on Execution" was formed by the Bureau of Development Policy (BDP) with a mandate to develop a clear corporate position on execution modalities and to develop a report for submission to the Executive Board at its annual session in June 2001. The results of this evaluation will, in part, function as input to this Task Force.

In launching the evaluation, the team spent one week in New York in October 2000 for initial briefings with the UNDP Evaluation Office (EO), and for meetings with the Administrator and Associate Administrator, and with management and representatives of the concerned Headquarters units and the United Nations Office for Project Services (UNOPS). Annex B contains a list of those consulted during this evaluation.

During the time spent in New York, the team assembled and reviewed various documentation (see Annex C), discussed the evaluation framework, refined the evaluation methodology, developed the outline for the evaluation report, developed individual action plans and assigned tasks to the team members. As the team members were drawn from different countries and the evaluation activities required travel, a web site was set up by the EO for the team. The web site functioned as a working tool through which team members could circulate working papers and also had a special documents repository for electronic versions of numerous reports. During the course of the evaluation, meetings were held with the members of the concurrent "Evaluation of UNDP's Non-Core Resources" team to ensure coordination and also to share some preliminary findings.

During the course of the evaluation, a number of cross-cutting issues surfaced that related to other modalities of execution, i.e. to national execution (NEX) and UN agency execution (AGEX) in terms of performance or cost comparisons. No direct comparisons were made however between DEX and other modalities, since the team's analysis was restricted only to DEX projects and programmes.³ In any event, in view of the fact that there are many differences across projects in terms of their objectives, rationale, circumstances, scope and so on, a direct comparison between modalities may in any case be difficult and would certainly require a much larger, specific evaluation.

The evaluation focuses on UNDP's corporate-wide experience. Although considerable effort was directed at the country level, an equivalent amount of effort was directed to gathering and analysing information on the broader DEX experience, the corporate policy framework, and especially UNDP's business directions as reflected in the Administrator's Business Plans. Selected country experiences are used for the most part to illustrate specific findings and issues, and to assist in the drawing of broader conclusions.

¹ *Concurrent to the DEX Evaluation, UNDP is conducting an Evaluation of UNDP's Non-Core Resources. This latter evaluation will address the full range of modalities. The results of the DEX Evaluation will be used to complement the results of the Non-Core evaluation.*

² *In this evaluation, projects and programmes are used inter-changeably, although there is a distinction. A Programme is a time-bound intervention similar to a project, but which cuts across sectors, themes or geographic areas, uses a multi-disciplinary approach, involves more institutions and may be supported by several different funding sources. A Project, in the context of UNDP cooperation, is a separately identified development undertaking of one or more governments, assisted by UNDP. It is a time-bound intervention that consists of a set of planned, interrelated activities aimed at achieving defined objectives.*

³ *Also, the evaluation does not examine the UNDP-UNOPS relationship, since an evaluation of this relationship had recently been carried out by the UNDP. It is recognized at the outset that DEX is perceived by some to be "competitive" with UNOPS, and by others to offer potential for synergies, based on comparative advantage. This evaluation does not address UNOPS issues, although, as above, some of the findings implicitly relate to UNOPS.*

1.3 DATA COLLECTION AND ANALYSIS

COUNTRY VISITS

An important team activity involved visits to selected UNDP Country Offices (COs). It was important to the evaluation for members to gain information and insights from “on-the-ground” operational experiences of DEX projects, and to consult with those directly involved in their execution and implementation. The countries selected were based primarily on the authorities delegated to them for DEX and involved Countries in Special Development Situation (CSDS), which were at the same time Countries in Crisis and Post-Conflict (CPC): *Bosnia and Herzegovina*, *Guatemala* and *Rwanda* (also referred to as the DEX “pilot countries.”) To obtain a broader perspective of DEX, the team also conducted short visits to the countries of *Burundi*, *Cambodia* and *Tanzania*. Brief but informal discussions on DEX were held with management of the UNDP CO in Viet Nam. Annex F presents summary descriptions of DEX activity in each of the countries visited by the team.

In the main countries, the team held meetings with CO management and staff, conducted selected DEX project field site visits, and met with some representatives of government, civil society (NGOs, private sector), project beneficiaries and donors. It is important to note here that the purpose of the country visits was not to assess the performance of each CO on DEX, nor to develop CO recommendations, but rather to draw out larger issues pertinent to the overall DEX framework. Subsequent to each country visit, an internal “country report” was prepared, circulated to the CO for review and finalized. The country reports functioned as one of the major internal inputs to the preparation of the main evaluation report.

DESK RESEARCH AND OTHER SOURCES

A main task set out in the DEX Evaluation was the carrying out of a general descriptive analysis of DEX activity focusing on basic trends and typologies. From November 2000 to early January 2001 a research assistant was assigned to the team to: (1) collect basic data on DEX projects from internal UNDP Headquarters sources; (2) develop a basic database on DEX project information; and (3) from this database, carry out a series of descriptive analyses.

The major sources of data supporting the descriptive analyses included the UNDP Intranet Programme Gateway, the Project Financial Management System (PFMS) Database, OSG records and Project Documents. The primary method of analysis was through the use of

Microsoft Excel spreadsheets and supporting descriptive statistics and breakouts. Missing or supplemental data was collected through follow-up consultations with various UNDP HQ officials. The results of the desk research are contained in Annex D and summarized in Section 3 of this report.

The collection and recording of basic DEX project data to support this evaluation was a challenging task in its own right. Numerous difficulties were encountered in identifying sources of data, correcting observed inaccuracies, and in accessing DEX project data (see Annex D.) To compensate for some deficiencies in basic DEX data, the team developed and implemented a number of other data gathering tasks.

- **Qualitative DEX Project Information.** The team devised a data capture form and collected basic “qualitative” data from the project documents of a small sample of 21 DEX projects. Information generated from this source provided insights on project design, implementation modalities, oversight and accountability mechanisms, participation, and performance targets, among a number of other variables.
- **UNDP Survey.** Since considerable DEX activity occurred outside of the countries visited, a survey questionnaire was designed and sent to 58 staff at the CO and Headquarters levels who were considered to have had experience with DEX projects. The information collected from some 35 respondents to this survey was synthesized and analysed and provides useful input to many of the “softer” issues surrounding DEX. The survey also enhanced the consultative and participatory aspects of the evaluation. Results from this survey are presented throughout this report with the simple reference, “the survey.”
- **Previous Studies.** A few previous studies have been carried out by UNDP that addressed implementation modalities. The main studies made available to the team were: (1) *National Execution: Promise and Challenges*; UNDP, OESP, 1995; (2) *Review of UNDP Execution Modalities and Operational Arrangements of Other UN Funding Agencies*, Griffin, R., a report prepared for the UNDP Administrator, March 1998; and (3) *Development Effectiveness*, UNDP, Evaluation Office, September 2000. Other internal audit reviews and reports also addressed aspects of direct execution and these are listed in Annex C.
- **Other UNDP Sources.** The team accessed a number of other sources to gather information, including the UNDP “RR-Net,” web sites, the SURF, EO files and various other reports.

REVIEW AND CONSULTATION

Issues surrounding the use of DEX, as well as other modalities in UNDP, are the subject of ongoing review and considerable debate. DEX is as much a policy issue as it is a management or operational matter. As such, it generates in some instances contrary yet legitimate differences of opinion. In order to broaden input as well as to achieve consensus, the evaluation was put through a rigorous review and finalization process. Although the views expressed in this report are those of its authors and do not necessarily reflect those of the UNDP, both the team and the EO felt that it was critical to subject preliminary findings, conclusions and recommendations to a broad management audience in a step-wise fashion.

Working level reviews were conducted internally within the team and EO, mostly to validate and adjust methods of analysis, to follow-up on outstanding issues, and also to discuss early findings. **Country Office reviews** were conducted for preliminary drafts of the report to ensure that the information and findings collected from the initial country visits would be correctly and adequately reflected in this report. Preliminary reviews were conducted with a group of senior UNDP Headquarters managers who were also former Resident Representatives. A session was conducted with this “sounding board” in early January 2001 to discuss some of the major preliminary findings, and to validate the direction of the evaluation in terms of some conclusions.

CONTEXT OF THE DEX MODALITY

2

THIS SECTION EXAMINES DEX IN TERMS OF

- Historical context
 - External and internal conditions
 - Environmental factors
 - Current authority structure
-

DEX activity constitutes a very small proportion of UNDP “business.” However, despite the relatively low volume of current DEX activity, this evaluation shows that direct execution is very much about the way UNDP conducts its business — or at least a small but significant part of it. Moreover, this small part points to larger issues surrounding UNDP’s search for a revitalization and transformation of its business mission. By informing policy and supporting the implementation of the Administrator’s Business Plans, this evaluation also serves corporate learning needs. The rules, policies and procedures that may have been relevant for the more traditional UNDP role of the past may not be up to the demands of the new UNDP business directions.

To contribute to a better understanding of DEX, how it has evolved, where it is today and where it may be headed, this section of the report presents and discusses some of the broader contextual issues surrounding direct execution. The context of DEX is discussed first in terms of terminology and, by looking at the recent past, its historical evolution. Such a review requires that DEX be defined and placed within the evolution of UNDP’s approach to the funding of development on the one hand and the more direct provision of development assistance on the other (i.e. its role as a funding agency vs. a development agency.) Next, DEX is examined in the context of the current, very dynamic environment of change, external and internal to UNDP, and in light of the factors seen to be forcing some changes in the way UNDP defines and delivers its services, with emphasis on the direct delivery modality. A brief description and analysis of the current authority structure is then presented.

2.1 THE “TERMINOLOGY” CONTEXT

The terms and concepts that describe the means by which an organization delivers services or carries out its role very much define that organization. Modality is the term used by UNDP to define its service delivery mechanism or the manner in which projects and programmes are managed. The nature of the modality and how it has evolved over the years define much about the way UNDP approaches service delivery, who it considers its clients and how it

deals with them. The modality also defines the way in which UNDP perceives development cooperation. The notion of modality and its various applications has emerged as a prime *modus operandi* for UNDP — this as a consequence of shifting changes over time in the broader external development environment, as well as changes within UNDP itself.

UNDP has developed over the years a special set of terms that describes its business — in some cases, terms that are not conventionally used in the development field.

BOX 1 EXECUTION AND MODALITY

Execution is defined as the overall management, by national government authorities or by a UN agency, of the programme/project, along with the assumption of responsibility and accountability for the production of outputs, achievement of objectives and use of UNDP resources.

Modality is a term used by UNDP to define the way or manner in which projects are executed or implemented.

BOX 2 UNDP'S OTHER EXECUTION MODALITIES

National Execution (NEX), previously referred to as Government Execution is the arrangement whereby UNDP entrusts to a government the responsibility for the mobilization of UNDP-financed inputs and their effective application, in combination with the government's own and other available resources, towards the attainment of the project's objectives. (*Source: Programming Manual, 30503*)

Agency Execution (AGEX) is a project management arrangement whereby a United Nations agency assumes responsibility for the management of a UNDP-supported programme or project. The major UN agencies usually involved in AGEX are commonly referred to the "Big-Five" — UNDESA, FAO, ILO, UNESCO, and UNIDO — plus UNOPS.

NGO Execution, a management arrangement whereby an NGO assumes responsibility for the management of a UNDP-supported project.

Direct Execution (DEX) is a management arrangement whereby UNDP itself assumes responsibility for the management of a project or a programme and is accountable for performance and the production of results. The terms execution and implementation have been coined to distinguish responsibility for overall management as opposed to the conversion of inputs and outputs. The reader is referred to Annex E, which contains definitions of basic terms related to direct execution and used throughout this report.⁴ Various execution modalities are used by UNDP. In 1975 National Execution (NEX) was introduced, as distinct from execution by UN agencies (AGEX). NEX is the management of a programme or project in a specified programme country carried out by an eligible government entity of that country.

Under NEX, overall management is assumed by national government authorities for UNDP-funded development programmes and projects, along with the assumption of responsibility and accountability for the use of UNDP resources and for the production of outputs and the achievement of programme or project objectives. Since 1995, the vast majority (about 80 per cent) of UNDP projects and programmes have been nationally executed.⁵

The team noted that the issue of terminology and the management lexicon for describing UNDP's service delivery modalities has been an issue for some time. In developing the new UNDP Programming Manual an attempt was made to introduce a new management language, without success.⁶ New terms were suggested such as "management arrangement" (in place of execution), "manager/managing agent" (in place of executing agent) and "contractor" (in place of implementing agent.)

UNDP's seeming resistance to using new terminology may reflect an organizational inertia or cultural fixation with conventional executing and implementing arrangements. There is an opportunity to introduce not only a new management language, but also a language that reflects a new management approach to business. In the Results Based Management style, and reflected in the Administrator's Business Plans, the focus is now on results and accountability, leaving open to greater management discretion the tools, techniques and methodologies required to deliver the results.

⁴ Definitions presented are obtained from the Glossary, Programming Manual at the UNDP intranet web site, <http://intra.undp.org/losgl>. Where different sources are used, they are noted. The source for the definition of "execution" is the NEX Legislation, GC 92/22 of 26 May 1992, Para 2.

⁵ A benchmark establishing national execution as the norm can be traced back to the 1991 UNDP Governing Council Decision 91/27, stating, in part "... the need to promote ... national execution to ensure that programmes and projects are managed in an integrated manner and to promote their long-term sustainability and wider impact on the development process." In an effort to allow recipient countries to achieve self-reliance and build national capacities, the General Assembly formalized the rules and procedures to promote and maximize the utilization of national counterparts in December 1989. Subsequently, it reiterated that NEX should be the norm for programme implementation with due consideration of the needs and capacities of the recipient countries (General Assembly resolution 47/199, December 1992). UNDP implemented these resolutions, inter alia, in its Governing Council Decision 93/25 (June 1993) where it welcomed the use of national execution in UNDP assisted programmes and called upon recipient countries to assess national capacities for carrying out execution responsibilities. At the same time, it encouraged the greater use of UN specialized agencies in the design, technical appraisal and backstopping of nationally executed projects.

⁶ Recommendations to change the management terminology used in project execution were also made in the report National Execution: Promise and Challenges. OESP, 1995, pp. 66–67. Terms to better reflect the functional roles of the key players, such as "owners/shareholders," were suggested in place of executing agency.

2.2 HISTORICAL CONTEXT OF DEX

EARLY LEGAL FRAMEWORK

Since questions of “modality” are currently among the top issues on the UNDP management agenda, a review of the legal⁷ context for Direct Execution (DEX) is in order. The legal and policy evolution of DEX is interlinked with the evolution of National Execution (NEX) and to a lesser extent Agency Execution (AGEX).⁸

Historically, direct execution — in the sense that UNDP actually manages and implements development projects was not a traditional function of the organization. The formation of UNDP in 1949 by the Technical Assistance Board of the Administrative Committee on Coordination was prompted by ECOSOC’s desire to ensure coordination of activities of the UN and its specialized agencies (ECOSOC 222 IX).⁹

Over the years and for varying reasons, UNDP has been taking on an increasingly active role in the delivery of development services. As the role has changed over time, UNDP has attempted to devise and implement a number of new approaches to “execution,” with mixed results. Box 3 presents a chronology of key milestone decisions in the evolution of DEX. The early days saw agency execution and the internal Office for Project Services as the main implementing arms. Execution was then expanded to include government execution, then national execution. Some problems with national execution gave rise to increasing use of the Country Office to support NEX. These adjustments were followed by Decision 98/2 and increased use of direct execution. All of these forms of execution may be seen as “tinkering around the edges” of the fundamental problem of the UNDP role in execution in the broader sense, suggesting perhaps that now may be the time to re-think the entire issue of execution.

Because UNDP was initially set up to ensure coordination and to fund programmes of specialized agencies, one of its major roles has been to monitor the activities of agencies that execute development projects. Consequently, UNDP’s administrative systems have been established over the years to monitor project and programme activities that

are executed by other entities, as well as to maintain oversight of the development funds entrusted to UNDP.

Questions have been raised suggesting that UNDP’s fund transfer role and coordinating function may no longer constitute the essence of its existence. Specialized agencies no longer rely on UNDP as a source of funds as they have their own boards and funders. UNDP is venturing into areas where either no specialized agency exists, or agencies do not have formal mandates for activities. In some cases, such as countries under

BOX 3 CHRONOLOGY OF UNDP DEX

1949 – Establishment of the Technical Assistance Board of the Administrative Committee on Coordination

1973 – General Assembly consensus Resolution 2688 (XXV) authorizing UNDP to execute activities

1975 – Establishment of Office of Project Execution (precursor to UNOPS)

1983 – Governing Council authorizes UNDP to offer management and other support services to governments (Decision 83/5)

1992 – National Execution to be norm for programme implementation (GA Decision 47/199); UNDP issues new guidelines for agency support costs

1993 – UNDP implementation of National Execution as norm (Decision 93/25)

1994 – Acceptance of proposal that UNOPS become “a separate and identifiable entity ...that does not create a new agency and in partnership with UNDP” (Decision 94/12)

1994 – UNDP retains authority to execute projects (Decision 94/28)

1995 – OPS separates from UNDP to form UNOPS

1998 – UNDP to directly execute in countries in special circumstances and only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery (Decision 98/2)

1999 (April) – UNDP Programming Manual reflects DEX as possible execution option

2000 (August) – Draft DEX Guidelines prepared

2000 (November) – DEX authority delegated from Associate Administrator to Regional Bureaux

⁷ The use of the term “legal framework” in UNDP is meant to refer to those aspects of the institutional arrangements for direct execution by UNDP which essentially involve authority and accountability, as well as the necessary operational policies, systems and procedures to provide assurance of the same.

⁸ A related legal/contextual issue deals with the relationship of UNDP to UNOPS, as this also has a bearing on the understanding of UNDP’s approach to DEX. And modalities of “execution” — as a means of delivering development assistance — are closely tied to policies and objectives of official development assistance. It is important to note at the outset that the issue of DEX became pertinent with the UNDP preference for national execution and the establishment of UNOPS as a separate entity.

⁹ In preparing this sub-section, the evaluation team has referred in part to a brief internal report on the “Legal Framework for DEX”, prepared by Mr. Jim Provenzano, BFAS/PCU, dated 29 June 1998.

special development circumstances (CSDC), NEX is not the best choice for execution due to the instability of national governments.

UNDP EXECUTION

In order to undertake directly some development project activities, UNDP established its internal project execution instrument in 1973. The organizational entity set up for this purpose was the Projects Execution Division, subsequently called the Office for Project Execution (OPE), and then the Office for Project Services (OPS), which was the precursor to the United Nations Office for Project Services (UNOPS).¹⁰ The UNDP-OPS was responsible for the execution of UNDP funded projects that did not fall within the competence of any UN specialized agency, and for projects¹¹ that required general management and direction rather than expert sectoral guidance. Further, OPS was tasked at the time to provide non-technical implementation services and to assist in building national managerial and administrative capacities for NEX projects. OPS remained a part of UNDP until January 1995, when it became a separate and identifiable “self-funding” entity, referred to as the United Nations Office for Project Services, or UNOPS.

One of the reasons for the separation of UNOPS was concern within the UN system about the dual role of UNDP as both a funding agency and one with its own executing arm¹². With the separation of UNOPS, UNDP no longer had a formal executing arm within the organization. However, Decision 94/28 continued to allow UNDP to execute its own projects but required UNDP to inform the Executive Board (EB). The EB requested:

“that it be kept informed in the relevant financial reports on an annual basis of the number and value of projects and programmes which [UNDP] executes on its own behalf...”

(Decision 94/28, paragraph 9.) It is important to note that with the separation of OPS, UNDP had explained that retention of UNDP’s executing agency status in the regulation was required in order to maintain the

Administrator’s full accountability for implementation of the UNDP programme.

With the separation of UNOPS from UNDP, UNOPS increased its portfolio of executed projects. For all UNDP funded projects, the Country Offices increasingly undertook more administrative work, (a) on behalf of UNOPS, which they represented in the field, and (b) because the COs were better placed to undertake local activities. The Country Offices had begun to question the value and rationale of an “overhead fee” of 10 per cent to be paid for UNOPS to “execute” projects for which, as they saw it, they were doing much of the work — especially in cases where most of the project inputs were obtained locally. Other issues were being raised by some COs at the time in terms of the UNOPS role and performance (e.g. another bureaucracy, slowing things down)¹³.

CURRENT LEGAL FRAMEWORK – EXECUTIVE BOARD DECISION 98/2

In 1998 the Executive Board continued to express some concerns over UNDP’s role in directly executing its own projects, mainly in the context of increases in non-core resources and the seeming growth of UNDP execution capacity. There was less concern about the perceived conflict in the coordination role. Some members of the EB worried that UNDP might shift from its primary mandate in its activities funded by non-core resources, and that core funding would be used to subsidize non-core activities. The concern in part related to an increasing number of UNDP Country Offices expanding their role in supporting NEX¹⁴. However, in various discussions that the team had with UNDP officials, some interpreted the issue of CO support to NEX as being a form of DEX, despite the fact that in strictly legal terms, or by definition, NEX and DEX (as well as CO support to NEX) are quite separate and distinct¹⁵. To clarify UNDP’s role in the execution of projects, EB Decision 98/2 (g) stated:

“In accordance with Executive Board decision 94/2, the role of the United Nations Development Programme as executing

¹⁰ It should be noted that UNDP authority to execute projects directly preceded the drafting of the Financial Regulation and Rules, and that this was reflected in part by UNDP’s exercising this authority in establishing the OPE. Some limitations were imposed on the nature of projects that could be executed (refer to Governing Council, Sixteenth Session, Supplement 2A, paragraph 184). However, these restrictions were not subsequently reflected in Financial Regulation 2.1(h), which simply reflected UNDP as an executing agent.

¹¹ UNDP Governing Council 92/22

¹² *Ibid.*, p. 2.

¹³ Reference is made to the recent Evaluation of the Relationship Between UNDP and UNOPS, UNDP Evaluation Office, February 2000.

¹⁴ The reference is E/1998/36, para. 182, specifically, “there was concern that UNDP was becoming an executing agency for the Bretton Woods Institutions” (para. 184) and that such institutions, not UNDP, were in control. The team learned from some sources that the debate at the time was varied, as many Latin American member countries and other governments were strongly supportive of the UNDP CO role in support of NEX.

¹⁵ From the team’s discussions with UNDP officials, and a review of DEX projects and CO support in some of the offices visited — especially in COs where both the NEX and DEX modalities are used — it appeared that the distinction between these two modalities was in certain respects somewhat blurred. This was especially the case in terms of the CO role in support of both types of projects; that is, where a common set of functions and services was provided to both delivery modalities (e.g. procurement, recruiting, contracting, arranging training events and the like.)

agent shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.”

The same decision accepted CO support to NEX, with conditions. In other words, the differentiation of DEX and CO support to NEX was accepted, although perhaps not made clear enough throughout the organization¹⁶.

2.3 CURRENT ENVIRONMENTAL CONTEXT

THE CHANGING ENVIRONMENT

The Administrator’s Business Plans succinctly describe the UNDP challenge of contributing to the global development effort in light of decreasing Official Development Assistance (ODA) flows, increasing demands for development assistance, and a declining proportion of aid channelled through the UNDP. The nature of development assistance in terms of both demand and supply has been noted to be shifting as well — from traditional sectors to areas of governance¹⁷. Since governance is cross-sectoral and often addresses sensitive national issues, experience has shown that the delivery of development assistance may need to be modified, for example to more directly engage the political level and other sectors of society (civil society and the private sector), and to look at the inter-relationships among the legislative, judiciary and executive branches of government in creating an enabling environment for development.

Globalization, trade liberalization and the rapid expansion of information and communications technologies (ICTs) are among a number of key factors noted to be driving these changes. Further, governments and the publics of donor as well as recipient countries are demanding a greater degree of accountability from those who manage and fund development initiatives. Demands are for more transparency in decision-making, for the more prudent and cost-effective management of scarce funding resources, and especially for performance and the production of measurable results.

The Administrator’s Business Plans go on to say that this changing environmental context is having a direct impact on the structure and operation of development cooperation on all fronts. Development services are becoming more competitive and specialized. Such services are increasingly geared to supporting trends toward national ownership, strategic partnerships, and a greater emphasis on upstream activities such as capacity development, institution building, policy dialogue and advocacy, participatory approaches, decentralization and related areas. UNDP for the past few years has been undergoing a process of major change — both in the role towards which it is evolving and in the sorts of services it provides and how it delivers them. All of this has a direct bearing on the modalities of UNDP project and programme support, and particularly direct execution.

The evaluation team understands the current UNDP Business Plans as defining the “whats” of the new UNDP business — its vision and mission, directions, the clients and needs to be met, the services to be provided, priorities, opportunities and outcomes. Further, the Results Based Management approach, through the Strategic Results Framework, gives further definition to the “whats” in terms of the substantive development results UNDP wants to achieve — the goals, sub-goals and Strategic Areas of Support (SAS) for which COs define their intended outcomes, outputs and partnerships. In future the “whats” may be seen as a mix of development results and outcomes in focused areas, with special emphasis on the areas of governance and influencing policy.

The “hows” of the UNDP Business Plans are currently being developed and rolled out: internal re-structuring and decentralization, human resource management reforms, the building of internal communications and knowledge-based systems and networks, new Country Office operating models, inculcation of new organizational and management cultures and so on. In fact, modalities of execution — which may more appropriately be viewed as methods and systems of service delivery — may be understood as an important part of the strategy to implement the Administrator’s Business Plans. The Administrator has stated that his “... *absolute priority is to ensure that UNDP has the policy expertise, key partnerships and internal capacity to deliver its services effectively.*”¹⁸

¹⁶ Officially, “CO support to NEX” is seen to consist of only those activities related to the delivery of inputs (e.g. recruitment, procurement, etc.) while implementation refers to the conversion of inputs to outputs, and execution refers to the substantive accountability for the achievement of objectives and results. In instances where a CO does not take on the full responsibility of execution but focuses on implementation support, DEX and CO support to NEX would have many similarities.

¹⁷ A recent UNDP definition is as follows: “Governance can be seen as the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law.” Source: Governance for Sustainable Human Development: A UNDP Policy Paper. Management Development and Governance Division (MDGD). January 1997, p. 3.

¹⁸ UNDP, *The Way Forward: The Administrator’s Business Plans, 2000–2003*, p. 3.

EXTERNAL PRESSURES FOR CHANGE

The external factors influencing UNDP to seek more cost-effective delivery of services are similar to those driving most public (as well as private) sector service delivery organizations throughout the world. The following factors, synthesized from the Administrator's Business Plans and other sources, are seen to be driving UNDP's search for more cost-effective service delivery mechanisms and are seen to have a direct or indirect impact on the DEX modality:

■ **Increasing demand and complexity of services.**

The demands for UNDP services are noted to be more in the area of upstream policy advice, rather than in downstream operational project activity. Other globalization factors are seen to affect the magnitude and rapidly changing nature of services demanded by programme countries — e.g. trade liberalization, capital flows and information and communications technologies. Delivering services in these circumstances would require a good understanding of the local situation (and hence a strong local presence), objectivity and a high degree of responsiveness and sensitivity. It would seem that the direct delivery of service in these situations would be more effective in terms of UNDP preserving its independence and objectivity (strengths that would also be seen by the client organizations.)

■ **Increasing competition for funds.** Programme countries are enjoying a greater choice in terms of organizations that can help manage and implement development initiatives. Choice implies that agencies must be more competitive in performing. There are many elements that make a particular agency more competitive (or give it “comparative advantage”) including responsiveness, technical expertise and competence, speed of delivery, cost of service and objectivity. Certain capacities within UNDP, especially at the CO level, may be more aligned to the direct delivery of services, where such comparative advantages are considered essential in a competitive market.

■ **Demand for greater accountability.** Accountability at the operational level may be met through a number of mechanisms: clearly defined responsibilities, clearly defined and delegated authorities, adequate resources and operational capacities, the presence of control and oversight systems. With clearly defined authorities and a direct line of accountability, combined

with the more direct control of inputs, the direct delivery of certain services may better satisfy demands for substantive and financial accountability for the delivery of such services.

■ **Increasing conflict and crisis** in a larger number of countries. Responsiveness and speed of delivery are becoming top performance measures for support to needs in areas of conflict and post crisis, and in countries under special development circumstances. This factor alone may require the expansion and further streamlining of those service delivery modalities that lend themselves to quick response, delivery and results.

■ **Governance and democratic reforms.** In many national jurisdictions, governance reforms (decentralization, local governance, judicial reform, legislation reform and so on) are at the top of the development agenda. Good governance implies a balance among government, civil society and the private sector in achieving development goals. The direct delivery of services, or perhaps the more collaborative delivery of services, may be more appropriate for the non-state sectors of society, lower levels of government and decentralization.

■ **Decreasing ODA flows** are compelling donors, development agencies and countries alike to find more cost-effective ways to stretch the development dollar, to do more with less and to avoid situations of corruption and waste. Since the time of the decision limiting DEX to countries in special circumstances UNDP's situation has changed: it has increasingly become an organization reliant on non-core funds. The direct delivery of services may be a facilitating factor in opening up opportunities for resource mobilization on the one hand and minimizing potential for corruption in some national governments on the other.

■ **UN System change factors.** The most recent triennial review of UN system development activities was carried out in 1998 and identified a number of priorities applicable to the UNDP (as well as other UN funds, programmes and agencies) that are seen to have a bearing on the organization's service delivery modalities.¹⁹ The main focus is on the need for continuous overall improvement in the effectiveness, efficiency and impact of development assistance. Emphasis is also to be given to assisting “... national governments in creating an enabling environment in which the links between national governments, the United Nations development system, civil society, national non-governmental organizations and the private sector that are involved in the development process are strengthened, with a view to seeking new and innovative

¹⁹ Specific references are drawn from the *Triennial Policy Review of Operational Activities for Development of the United Nations System, A/RES/53/192, 15 December 1998.*

solutions to development problems in accordance with national policies and priorities” (Article 30).²⁰

INTERNAL UNDP PRESSURES FOR CHANGE

UNDP has been undergoing its own process of internal change for some time. As noted, the Administrator’s Business Plans define the future vision, mission and directions for the organization, including some major organizational and operational challenges. The business plans are being implemented across a broad front: reforms in personnel management, CO structure and operation, greater decentralization, introduction of new oversight mechanisms, recent re-structuring and downsizing of Headquarters, and greater investment in ICTs and strategic partnerships. Operational and administrative methods and processes are also under review — including the modalities of service delivery. The present evaluation of DEX is intended to contribute to these policy reviews.

A number of external factors (such as increased demands for accountability, performance and transparency) are manifest internally as well, with increased emphasis on ensuring the *accountability* of the Administrator. As more responsibilities are being decentralized to Headquarters units and especially to the Country Offices, there is an increasing need for a cascading level of corresponding authorities, capacities and controls. Some of these directly relate to the direct delivery of services.

The vision in the Administrator’s Business Plans calls for UNDP to be a policy driven, results oriented, risk taking, flexible and real time decision-making, responsive leadership management organization.²¹ This vision redefines UNDP as a “trusted and leading partner of programme countries in overcoming their development challenges through swift, high quality support in proven areas.” Further, Results Based Management (RBM) has been introduced, the objective of which is to “provide a coherent framework for strategic planning and management based on learning and accountability in a decentralized environment.”²² RBM puts pressure on UNDP to achieve results and says that results must be measurable. In addition, key factors such as partnership and

“The discussions on DEX versus NEX are just taking too much of our time.” Survey Respondent

coordination strategies that can impact outcomes and results may have a direct bearing on execution modalities.

Other pressures for change to the methods of service delivery are coming from the Resident Representatives. Some Resident Representatives have argued the need for a more flexible range of tools in order to be accountable for results. The discussion on modalities for service delivery is an active item on the RR-net (the UNDP intranet for dialogue and discussion among Resident Representatives.) A recent report stated that:

“Resident Representatives have insisted on the need for improved procedures and delegated authority to promote the effectiveness of operations. A major concern expressed has been the inability of field offices to deliver services directly in a speedy manner. As UNDP moves upstream, the timeliness of advice and policy support becomes essential to its value.”²³

UNDP is also addressing execution issues through the Country Office re-profiling exercise.²⁴ New guidelines attempt to develop a clearer vision of the COs in terms of a business model, the services to be delivered, and impacts in terms of resources, people, skills, competencies and other factors. The skills-mix is expected to change in the future, in part as a consequence of decentralization and introduction of new posts such as the one for “policy advisor.” This is expected to have an impact on the skills needed for the direct delivery of services, although it should be recognized that situations vary significantly across programme countries and UNDP Country Offices. Section 4 of this report looks at these dimensions more closely. As a part of the re-profiling efforts, in December 2000 a business model was rolled out to allow for activity based costing. It envisaged a Country Office having three lines of business: UN system coordination, knowledge based advisory and programme services, and

²⁰ *With respect to execution modalities, the Triennial Review sets out a continued direction and priorities for national execution, such as “... the United Nations system should use, to the fullest extent possible and practicable, available national expertise and indigenous technologies in the implementation of operational activities” (Article 48). Other articles stress the need to increase local procurement, the development of common guidelines for such activities as recruitment, training, and the formulation and implementation of development projects, and “... promoting, improving and expanding national execution, including through the simplification and strengthening of relevant procedures, so as to contribute to the advancement of national ownership and to enhance the absorptive capacity ...” (Article 51).*

²¹ *UNDP, The Way Forward: The Administrator’s Business Plans, 2000–2003, p. 9.*

²² *UNDP Results Framework, Technical Note, p.1.*

²³ *UNDP, Rebuilding Support for United Nations Development Cooperation, Background report for the Ministerial Meeting, 11 September 2000, p. 4.*

²⁴ *UNDP, New Horizons: Country Office 2001 Re-profiling Design Package, Draft, New York, 5 December 2000.*

²⁵ *New Horizons: Country Office 2001 Re-profiling Design Package, Draft, New York, 5 December 2000.*

²⁶ *At the Heart of the UN’s Country Presence: Report of the UNDP Options Group on the Country Office of the Future, 23 July 2000.*

operational services.²⁵ Knowledge based advisory services²⁶ are defined to include a set of activities which may not lend themselves to traditional UNDP execution modalities. (See Box 4.)

BOX 4 COUNTRY OFFICE ADVISORY SERVICES

- Policy dialogue, policy advice
- Policy advocacy
- Best practices exchange
- Comparative experience analysis
- Facilitating networking
- Methodological guidance
- Referral Service
- Development strategies, policies and plans

Continuing fiscal constraints and cutbacks in core and administrative resources are forcing the organization to look for creative and more cost-effective solutions for service delivery. As with any organization undergoing shortfalls in budgetary resources, opportunities are being sought to cut costs on the one hand, and to enhance revenue streams on the other. Increases in non-core funds present opportunities for recovering direct costs for service delivery, plus potentially some indirect or general management costs associated with DEX programme management. For example, recent guidelines identify an array of services ranging from the use of conference rooms to more complex services such as procurement and recruitment, and also support to such activities as project and programme formulation.²⁷

Faced with these new challenges, the current debate on execution modalities runs the gamut. On one side, proponents propose DEX be a routine execution option to allow UNDP to become a true development agency. On the other, opponents propose outsourcing execution and implementation out of UNDP offices so that UNDP staff can focus on more substantive and advisory functions without being bogged down by operational activities.²⁸ Responses to a survey of the Country Offices also indicated a split in terms of DEX usage. Half the respondents agreed with the statement that DEX should be used only in special circumstances or only until NEX could be applied, while half disagreed.

Effective 1 January 2001, the process for developing policy on programme and project execution was assigned to the Bureau for Development Policy. In early 2001 BDP initiated an in-house process for reviewing execution policy issues so as to develop a more coherent and forward-looking policy on execution in general.

If all of the varying internal and external factors are taken into consideration, the entire question of “how” UNDP delivers its services opens up. The organization may simply not be able to fulfil its mission and deliver its defined services through the existing set of modalities and at the same time fully meet other performance expectations associated with responsiveness, cost-effectiveness and accountability. Up until the present time, the use of DEX as a modality of service delivery has been constrained by legal and policy frameworks to a rather narrow application. The following sub-section looks at the current legal and policy context for DEX.

2.4 DISCUSSION OF POLICY ISSUES

The team’s review of the policy and legal context for DEX in light of the changing external and internal environments raises some interesting policy related issues and suggests areas for improvement. The first policy issue relates to the use of DEX under “special development circumstances.” Given the rapid changes in the external and internal environment and the new directions set out in the Administrator’s Business Plans, there may be a need to update the operational definition for countries under “special development circumstances.” The focus of “special circumstances” may remain focused on crisis, post-conflict or emergency types of situations, but may also include other special situations, e.g. a country in a major transition mode — from command to market economy or from a one-party system to a multi-party democratic system. There is a need to develop a specific set of criteria or conditions under which DEX could be selected, specifying for which situations. This would provide greater guidance to the CO in optimizing the decision to use the direct service delivery mechanism or another modality. Extending this logic, some consideration should be given to countries not considered to be under special development circumstances but in need of special

²⁷ UNDP “Guidelines For Operational Support Services,” Bureau of Management (Office of Budget, November, 1999). See specifically Annex 1 of the Guidelines document; “Categories of Services for Which Reimbursement Will Apply.” The last category covers programme and project formulation and implementation support services.

²⁸ In the survey of DEX Country Offices, about three-quarters of the respondents agreed that the use of DEX or NEX or other modalities is a major topic of discussion or debate within their COs. About a quarter of the respondents agreed with the statement that the entire issue of DEX or NEX or other modalities is an artificially created one that distracts UNDP, donors and governments from the real issues of delivering results in the most cost-effective way.

types of support or assistance (e.g. elections and referenda.) Second, and as a corollary of the above, there may be a range of other service delivery opportunities for which direct execution may be the most appropriate modality. For example, governance reform activities, the delivery of upstream policy advice and cross-sectoral or complex umbrella programmes, among others, may be more amenable to direct delivery, or to delivery based on collaborative partnerships. Many of these situations are sensitive and would require neutrality and objectivity.

Third, as UNDP moves into a more decentralized style of operation, the existing approval authorities may need to be revisited. Although some approval authorities have been delegated to the Regional Bureaux, the current system for DEX project approval (as discussed in Annex G) is seen by the team to still reflect somewhat of a centralized orientation, rather than one of meaningful delegated authorities to the field. Even where some decision-making authority for entering into DEX projects is delegated, the reviews, concurrences and approvals within the HQ structure were seen by many to remain somewhat centralized. This review/approval structure was reported by some to slow down the decision-making process. The team feels that there is an opportunity for the further streamlining of the HQ approval processes for DEX and further effective delegation to the Country Offices.

Fourth, as UNDP Headquarters has recently undergone considerable downsizing and re-organization over the past year, the team sees a possible need to update and clarify the roles of the various HQ units in respect of support to DEX, particularly with regard to the review, approval and oversight functions. Where DEX often must respond to emergency and other special development situations

calling for quick decision making and delivery, HQ units should be mandated to provide quick response support to the COs. This implies streamlining existing procedures and developing good information management systems and other resource facilities such as the SURE.

Fifth, DEX projects are subject *prima facie* to established UNDP financial rules and regulations and the Programming Manual, as noted earlier and discussed in Annex G. Existing rules were designed for UNDP as primarily a funding agency, and in the team's opinion they do not adequately reflect UNDP's role as an executing agency. The draft DEX guidelines partly address this issue. However, there is an opportunity to develop a clear and finalized set of operating procedures and management practices applicable to direct execution. This would enhance the standardization of key DEX management practices in the COs while minimizing the need for COs to continually re-invent the wheel.

Finally, there is a corresponding opportunity to develop clear guidelines, rules and procedures for the separate, but related, financial management functions of UNDP as *implementing* agent, and as *funding* agency. This would cover especially the need for the management, budgeting, accounting, reporting and control of income and sources of all funds (e.g. all UNDP core budget sources, fees for all services, interest and other charges) and their application; a balance sheet for office operation; and other features of conventionally accepted principles of accounting and financial management for similar types of operations. A new set of methodologies, standards and systems of quality assurance, plus the development of related skills, would benefit the management of DEX projects and better support substantive and financial accountability.

OVERVIEW OF DEX ACTIVITY

3

THIS SECTION PRESENTS A BRIEF OVERVIEW OF PAST AND RECENT TRENDS IN DEX ACTIVITY

Annex D contains a more detailed description of DEX project activity

Over the period 1995–2000, a total of 219 DEX projects were approved, of which 188 were at the country level and 18 at the global, regional and Interregional level. (See Figure 3.1 on the following page.) These 219 projects in the UNDP DEX Portfolio have a combined total value of slightly over US\$726 million. DEX projects represent about five per cent of all UNDP projects — a very small percentage of the total.

Figure 3.2 on the following page shows the number and value of DEX projects by country. By region (or UNDP Regional Bureau) a greater proportion of DEX projects have been found in Africa (59), followed by the Arab States (44), Europe and the Commonwealth of Independent States (35), Latin America/Caribbean (29) and Asia/Pacific (27).

The Arab States were found to have the highest total budget for DEX projects as compared to other regions — \$504 million or 71 per cent of the total UNDP DEX budget. This is due to activities in: (1) *Iraq*, with 15 high-value infrastructure projects with combined budgets of \$472 million; and (2) the *Occupied Palestinian Territory*, with 18 projects with combined budgets of \$29 million. The relative distributions show quite a different picture when the projects in Iraq and the Occupied Palestinian Territory are factored out. Without these

BOX 5 DEX SPECIAL CASES

Iraq. The DEX portfolio of 5 projects (7% of the UNDP DEX portfolio) accounts for close to 70% of the UNDP DEX budget (\$472 million of \$720 million.) All of Iraq's DEX projects were approved in 1999 and primarily carried out in the year 2000. The average Iraqi DEX project budget was \$32 million. The range was from \$2 million to \$110 million.

Occupied Palestinian Territory. DEX projects began over 20 years ago through the UNDP/PAPP (Programme of Assistance to the Palestinian People), which supported the nation-building process and was monitored directly by UNDP Headquarters. The DEX portfolio over the period 1995–2000 comprised 18 projects with a total budget of \$29 million (and no cost-sharing.) The project values ranged from \$20 thousand to \$7.5 million.

projects the total value of the DEX portfolio amounts to about \$220 million. Under this scenario, the Africa region has the highest proportion of DEX projects (by budget) with 37 per cent of the total (\$82 million), followed by Europe and the Commonwealth of Independent States (27 per cent or \$59 million), Latin America/Caribbean (16 per cent or \$34 million), Asia/Pacific (14 per cent or \$31 million) and the Arab States with one per cent (\$3 million).

DEX activity was found to be concentrated only in a few countries under special development circumstances, as per current UNDP DEX policies. A total of \$624 million or 87 per cent of the total DEX budget is allocated to countries in this category. These countries/territories include the three “pilot” countries for decentralized DEX authority (Bosnia and Herzegovina, Guatemala,

Rwanda) as well as several others in “post conflict” situations such as East Timor, Iraq and the Occupied Palestinian Territory. In terms of the number of projects, 49 per cent is concentrated in the six countries (or 107 out of the total of 219 DEX projects.)

FOCUS OF DEX PROJECTS

Based on the analysis and available data, smaller DEX projects (with budgets below \$500,000) fell into five broad groupings. **Preparatory Assistance (PA)** projects were typically for the formulation of other larger projects. **Capacity Development** projects focused on such areas as strengthening the role of NGOs, aid coordination, strengthening the role of UNDP, or developing UNDP capacity in project management. **Post Conflict** projects accounted for about half the total of smaller projects and fell into the areas of rehabilitation and reconciliation, and election support. **Emergency Assistance** projects accounted for about 30 per cent of the smaller projects, focusing on assistance for natural disaster (i.e. flood, drought, hurricane), relief and rehabilitation. Projects classed under **UNDP Major Thematic Areas** accounted for 20 per cent of the projects and were related to UNDP’s major thematic programmes such as gender in development, poverty, environment, HIV/AIDS and employment promotion, including micro-credit financing.

FIGURE 3.1 OVERALL DISTRIBUTION OF DEX PROJECTS

Country	# Projects	Total Budget*
Global and Regional	31	16,172,995
Country Level	188	709,610,846
UNDP Total	219	726,323,841

* Note: All figures hereinafter are in United States dollars

FIGURE 3.2 DISTRIBUTION OF DEX PROJECTS AND BUDGET AMOUNT BY COUNTRY

Country	# Projects	Total Budget	Country	# Projects	Total Budget	Country	# Projects	Total Budget
Afghanistan	2	3,831,310	El Salvador	4	1,031,533	Pakistan	1	100,000
Albania	3	4,282,289	Eritrea	1	1,334,661	Rwanda	31	57,671,966
Algeria	2	205,000	Ethiopia	1	250,000	Samoa	1	29,487
Angola	2	1,386,239	Guatemala	11	18,551,529	Solomon Islands	1	200,000
Bangladesh	1	4,560,328	Guinea-Bissau	2	2,827,262	Somalia	5	1,021,690
Benin	1	100,000	Guyana	1	336,267	Sri Lanka	1	320,000
Bosnia and Herzegovina	23	42,303,909	Haiti	5	3,808,230	Sudan	1	165,947
Botswana	1	124,402	India	3	475,840	Suriname	1	1,888,000
Burundi	3	7,677,089	Iran	4	2,854,584	Swaziland	1	225,000
Cambodia	1	13,238,349	Iraq	15	472,353,882	Tanzania	2	603,393
Chad	2	1,961,560	Jamaica	1	7,627	Tokalu	1	125,691
Colombia	1	1,435,152	Lebanon	2	414,500	Tunisia	1	2,748,284
Congo	1	25,000	Lithuania	1	90,000	Turkey	2	862,075
Congo PRC	2	2,028,926	Madagascar	1	200,000	Turkmenistan	1	709,673
Cook Islands	1	3,154	Mozambique	4	2,770,687	Uganda	1	155,000
Cote d'Ivoire	1	1,748,439	Niger	1	470,367	Venezuela	2	4,574,872
East Timor	8	3,981,854	Niue	1	2,628	Yugoslavia	4	8,815,022
			Occupied Palestinian Terr.	18	29,399,419	Country Total	188	709,610,846

Projects with larger budgets (over \$500,000) were found primarily to involve (a) *Post Conflict activities* (with a focus on rehabilitation, reconstruction, reintegration, de-mining, elections, logistical relief, support to peace building, community development, employment, accommodation/shelter, health and demobilization; and (b) *UNDP Thematic Areas* (e.g. environment, private sector financing, gender in development, governance, micro-credit in rural areas, and sustainable human development, including education and human resources training).³⁰ About 25 per cent of these larger projects focused on *Preparatory Assistance* and *Emergency Response*. Figure 3.3 presents the distribution of DEX projects by budget size, by year.

What can be seen from this range and variety of projects is that DEX responds to a broad spectrum of emergency, crisis and post conflict, and special development needs across a range of sectors and development situations. In fact, it may be said that DEX activity — although small in terms of the overall UNDP project portfolio — reflects UNDP's broader project activity.

From the standpoint of implementation, and from the Country Office perspective, the different types of DEX projects would require different capacities. For example, the smaller ad hoc preparatory assistance type of project would require relatively minimal support from the CO, while the larger and longer term post-conflict project would require substantive implementation and CO operational support. Section 5 of this report discusses implementation and Country Office capacities associated with DEX projects in the post-conflict countries visited by the team. Also, Annex F presents summary descriptions of DEX activity in each of the countries visited by the team.

DEX PROJECT EXPENDITURE PATTERNS

Over the three most recent biennial periods, the analysis showed that the total expenditures on DEX projects increased from about \$1 million in the 1994–95 biennium to about \$32 million in the most recent 1998–99 biennium. The analysis showed that the ratio of DEX project expenditures to non-DEX projects is small — one percent for 1998–1999.

According to available expenditure records, the analysis revealed that almost half (48 per cent) of DEX expenditure is accounted for by subcontracts — although most of these in the countries visited were for local organizations to support implementation. Recruitment of international experts (CTAs and international consultants) was found to be the second largest area of expenditure (amounting to 15 per cent of the total DEX expenditures.)

Equipment was the third highest (12 per cent), followed by Fellowships (eight per cent), which included training, seminars, workshops and conferences.

COST-SHARING OF DEX PROJECTS

Figure 3.4 presents a breakout of DEX projects by region, noting in each case, the number of DEX projects, the percentage of their total budgets that are cost-shared and the active donors. Through the analysis, Latin America/Caribbean was revealed as having the highest incidence of cost-sharing in terms of the number of donor-supported projects, followed by the Asia/Pacific and Arab regions. Guatemala was found to have the highest number of DEX projects as well as to rate highest in terms of cost-shared budget components.

In terms of cost-sharing contributions provided to DEX projects over the past five years, page 20 shows the major donors (amounts are rounded to the nearest US\$ million.)

FIGURE 3.3 NUMBER OF DEX PROJECTS BY YEAR & BUDGET RANGE (IN US\$ '000'S)

Budget Range (in US\$ '000's)	All	1995	1996	1997	1998	1999	2000
Less than 100	32	4	6	2	4	10	6
100-250	33	3	3	3	5	8	11
250-500	44	2	4	6	6	10	16
500-1,000	35	1	3	10	6	8	7
1,000-3,000	42	8	4	7	3	10	10
More than 3,000	33	2	4	7	4	13	3
TOTAL	219	20	24	35	28	59	53

Source: PFMS data, Project Documents, Programme Gateway

FIGURE 3.4 COST-SHARED DEX PROJECTS BY REGION (AS % OF EACH REGION'S TOTAL)

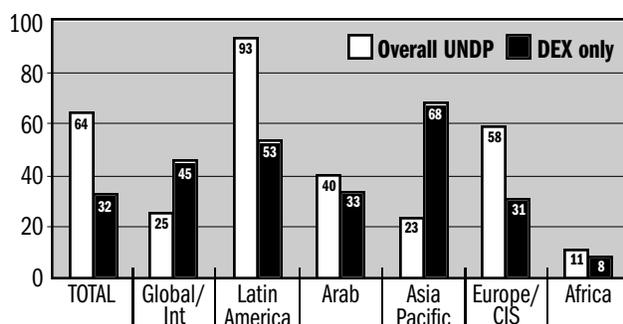
Region	# of Projects	% CS (\$)
Latin America/Caribbean	69	53
Asia/Pacific	56	68
Europe/CIS	43	31
Arab States*	55	43
Africa	27	8
Global/Interregional	28	45

*Note: Excludes Iraq & Occupied Palestinian Territory

³⁰ This grouping of projects excludes Iraq and the Occupied Palestinian Territory as they have been discussed as special cases in the preceding sub-section.

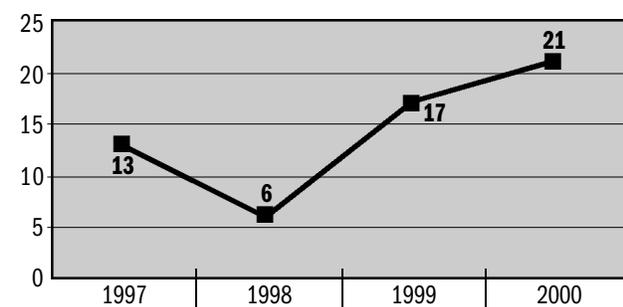
Country	Amount	Observations (countries/regions of concentration)
Japan	12	Europe/CIS and Asia/Pacific
Sweden	7	mostly used for DEX operations in Latin America/Caribbean
EU	7	Europe/CIS and Asia/Pacific
Netherlands	6	Asia/Pacific, Africa, and Latin America/Caribbean
Norway	5	Asia/Pacific, Africa, and Latin America/Caribbean
United Kingdom	4	Africa, Asia/Pacific and Latin America/Caribbean
United States	3	Arab States, Africa and Latin America/Caribbean
Denmark	3	Arab States, Africa and Latin America/Caribbean
Italy	3	Arab States and Global projects
Australia	3	Asia/Pacific

FIGURE 3.5 COMPARISON OF DEX COST-SHARING TO TOTAL UNDP COST-SHARING (IN %)



Source: PFMS data, Programme Gateway

FIGURE 3.6 NUMBER OF DEX PROJECTS WITH 50% OR MORE COST-SHARING



Source: PFMS data, Programme Gateway

Figure 3.5 presents a breakout by region of DEX cost-sharing *vis-à-vis* total UNDP cost-sharing. As can be seen, the level of cost-sharing in DEX projects is about half of the cost-sharing portion in overall UNDP projects, i.e. 32 per cent vs. 64 per cent. Only in the Asia/Pacific region is the level of cost-sharing in DEX projects higher than the cost-sharing portion in overall UNDP projects (68 per cent as compared to 23 per cent.)

The analysis revealed that for DEX projects the cost-sharing role is significant. About 60 per cent of DEX projects were found to have a cost-sharing component (128 out of 219 projects in the DEX portfolio.) In terms of budget amounts and excluding the projects in Iraq and the Occupied Palestinian Territory, it was found that about 32 per cent of the total DEX project budget (\$70 million out of \$220 million) was cost shared.

The analysis also revealed a trend of an increase in the number of DEX projects with cost-sharing over the past five years. Not surprisingly, the increases are most notable in countries in special circumstances such as Angola, Bosnia and Herzegovina, Guatemala, East Timor, Rwanda, Somalia and Suriname.

Figure 3.6 illustrates an increase over time in the number of DEX projects that have cost-sharing comprising more than 50 per cent of the project budget. For the year 1997, the analysis identified 13 projects that fell into this category (in Angola, Bosnia and Herzegovina, Guatemala and Rwanda), while for the year 2000, a total of 21 DEX projects were identified (in Bosnia and Herzegovina, Guatemala, East Timor and Somalia.)

GLOBAL AND INTERREGIONAL DEX PROJECT ACTIVITY

UNDP Headquarters has some 31 DEX projects with total budgets of \$16.7 million. The duration of HQ DEX projects ranges from 3 to 66 months and 27 per cent of the projects support UNDP programme activities. Many of these projects might arguably be covered under the UNDP administrative budget since they could be perceived as direct support to UNDP Country Offices (e. g. programme delivery.) Seventeen per cent of the HQ DEX project budgets are allocated for the Energy Fund. Twelve per cent are earmarked for support to crisis countries. Sixty-one per cent of the total budgets for these projects is funded from UNDP's own resources and trust funds while the remainder is funded through cost-sharing. The following briefly describes a few of the major project groupings.

UNDP SUPPORT TO PROGRAMME

A number of projects in this category were found to support UNDP's role in development. For example the objective of the largest project (\$2.2 million — "*Strengthening the Communication Capacity of UNDP*") is to mobilize greater public and political support for the UN system by strengthening the capacity of UNDP to partner with other actors for the achievement of development objectives, and to communicate the UN's development role. It is fully funded by the United Nations Foundation and managed by the Office of the Administrator. The DEX modality was selected because most of the activities are to be undertaken by UNDP Country Offices and Bureaux and little value would be added by having the project implemented by another executing agency.

THE ENERGY ACCOUNT

Projects under the Energy Account represent 17 per cent (or \$2.7 million) of the DEX projects at Headquarters. The Energy Account is a separate trust fund established in 1980 to undertake projects designed to help meet the energy needs of developing countries. At the time the account was established, a separate office — the Energy Office — was created to work in coordination with the Intergovernmental Committee on New and Renewable Sources of Energy in the United Nations. The Energy Office was closed in 1988 and the activities were transferred to UNDP and placed in a variety of offices until 1994, when the Energy Office became a part of the Bureau for Development Policy. DEX projects make up 59 per cent of all Energy Account projects while NEX accounts for the remainder of the project budgets.

According to a UNDP official interviewed by the team, voluntary contributions have been decreasing.

Therefore, UNDP has pushed for DEX to save on the administrative overhead that had been going to the agencies. Before DEX, agencies such as IBRD, UNDESA, UNESCO and UNIDO, as well as governments, had been executing the energy projects. A recent desk review of the Energy Account concluded that it had made significant achievements, responded to the needs of small-scale energy users, and successfully initiated and implemented projects in renewable energy, energy efficiency and rural energy development. The review also stated that the Energy Account has instituted an innovative mechanism for obtaining funding from multilateral and other donor organizations.³¹

SUPPORT TO CRISIS SITUATIONS

Projects supporting crisis situations comprise 12 per cent of DEX project budgets at Headquarters. Recently, the Italian government made a large contribution to the Trust Fund for Crisis, Post-Conflict and Recovery, and the largest DEX project at HQ will allow for efficient utilization of the funds. This project will establish a support unit in Rome to function as an operational arm of UNDP's Emergency Response Division (ERD), working with the emergency section of Italy's Co-operation for International Development agency. This unit will, *inter alia*, analyse and plan damage assessments, liaise with other donors to develop strategies for international assistance, prepare donor conferences and other initiatives, and implement public information activities. Further, according to the annex of the Trust Fund agreement, projects funded by the Trust Fund are pre-authorized for DEX, though this clause is currently being discussed at UNDP HQ.

³¹ *Energy Account: A Desk Evaluation, 23 October 2000*

PARIB

Discussion and Analysis of Main Issues

PERFORMANCE ISSUES



THIS SECTION EXAMINES DEX PERFORMANCE IN TERMS OF

- Results and sustainability, including contributions to policy
- Ownership, capacity building and participation
- Project management
- Donor perspectives

The DEX projects and programmes reviewed by the team were found by and large to have delivered sound results. Where good results were produced, performance was found to be a function of a number of factors such as in-country presence, credibility and substantive country office capacities; ongoing effective relationships with donors and national counterparts; and CO leadership. The participation and commitment of national counterpart organizations, based on a range of implementation modalities, contributed to the sense of national ownership and capacity building.

Not all DEX projects reviewed produced quality or timely results. The reasons for this varied. In some cases, capacity constraints within the Country Office delayed implementation and compromised delivery of quality results. In other cases, it was a lack of locally available trained staff and materials that impeded delivery. Often, the very unsettled and unpredictable environments associated with countries under special development circumstances contributed to project delivery problems.

The DEX modality was seen as an indirect factor contributing to performance in terms of allowing the CO more discretion to identify and negotiate implementation strategies with a broad range of national counterparts, and in allowing direct control and management of project inputs. These factors combined to help create and sustain capacities for an effective CO operational environment.

The following presents the team's findings on selected dimensions of performance — dimensions that commanded most of the attention of the UNDP CO and national counterparts, as well as donors, and which are seen to be the more important directly related determinants of performance.

4.1 OVERALL RESULTS AND SUSTAINABILITY

DEX PROJECTS GENERALLY PRODUCED POSITIVE RESULTS

DEX projects reviewed in the countries visited were found to exhibit a variety of results. For example, in Bosnia and Herzegovina the *Integrated Resettlement*

Programme (IRP) delivered such results as the rehabilitation of damaged homes of displaced persons, provision of advice and legal services, and employment and business training. In Tanzania, the DEX supported *election project* achieved the two primary results expected: the international community was ensured that the election process was free and fair, and the National Electoral Commission had an opportunity to observe and learn from the process. Donor updates on the Cambodia *de-mining project* reported that a national symposium was conducted to develop a consensus on mining action and that a Cambodia Mine Action Authority (CMAA) was established along with a restructuring plan for the Cambodia Mine Action Center, presented at the national symposium. According to a recent evaluation in Guatemala, UNDP was able to “*move the peace process along by engaging key stakeholders of the peace process and integrating the traits of the UN in its work, in terms of quality, efficiency, networking, adaptability, impartiality, accessibility, transparency, team-building, and trust.*”³²

DEX project performance in Rwanda was mixed. Although DEX has been an enabling tool in addressing the crisis situation in Rwanda, the Country Office was attempting to respond to too many issues without the benefit of a strategic or programme approach. Projects tended to be unfocused and have too many objectives across multiple sectors. While recognizing the limited capacity of the Rwanda office to effectively and efficiently manage activities, the team noted a number of achievements of DEX projects in Rwanda: e.g. the building of schools, the creation of jobs, the establishment of milk processing centres, increased health services, and improved capacity of local NGOs to actualize project activities.

At a broader level, DEX projects were found to have incorporated some aspects of Results Based Management. For example, a review of a sample of 21 reasonably complete DEX project documents from several countries revealed that most addressed some results-oriented performance aspects either in the description of the end of project situation, or in the project activity structure (performance indicators associated with immediate objectives.) Only two of the 21 project documents did not have any description of expected performance.

None of the reviewed documents or projects reviewed in the countries visited had any baselines from which

improvements or objectives could be measured, nor did they have any activities addressing the development of indicators or measurement systems. The team recognizes that the inclusion or quality of performance measures in a project document is not a function of modality per se but rather more of project design.

A combination of factors contributed to the achievement of results. The first was a focused development objective supported by a concentrated set of immediate objectives and outputs delivered over relatively short periods of time (usually responding to an immediate emergency need.) Resources were made available quickly and implementation modalities were structured according to the specific needs of each project, ranging from direct implementation, the use of national governmental and non-governmental organizations and private companies. Other critical factors such as participation, Country Office support and project management were also found to contribute to the production of results and these are discussed in more detail in later subsections.

BUT SUSTAINABILITY OF RESULTS WAS MIXED

In terms of sustainability,³³ a number of projects were targeted to basic, emergency needs — food, water, shelter, security, stabilization — and were not meant to ensure sustainability beyond the term of the project. Sustainability for the most part was found to be limited due to the short-term, crisis nature of a number of country programmes that were de-linked from any longer term development strategy. However, components of a number of the projects reviewed appeared to have potential for sustainability: viz.,

- **Cambodia:** The team found that, combined, the UNOPS executed project and the DEX trust funds were contributing to the sustainability of the de-mining process through involvement of key national and donor stakeholders and capacity building of management and technical expertise. Additionally, the National Symposium supported through the DEX managed trust funds contributed to long-term mine action planning.
- **Guatemala:** The initiation of a second phase of the ongoing five umbrella programmes was noted, as was the fact that one of these programmes is

³² *ERD/UNDP*, UNDP in Guatemala: A case study in peace building, *Guatemala City, January 2001*, p. 6.

³³ *Sustainability is defined by UNDP as “durability of positive programme or project results after the termination of the technical cooperation channelled through that programme or project.” Source: UNDP Development Effectiveness, p. 34.*

“It would be easier for all projects to come under DEX, with appropriate components being implemented through NEX procedures. However this does absolutely nothing for national capacity building and sustainability/ownership of projects and would only put additional pressure on the COs.” Survey Respondent

addressing sustainability through the development of an emergency response framework.³⁴

- **Bosnia and Herzegovina:** The recent CCF capitalizes on recent lessons learned from DEX projects by setting out strategic and sustainable reintegration programmes that feature resource mobilization, long-term integrated local planning, and *“democratic accountability that allows for consistent interaction between local authorities and their constituents through consensus and confidence building”* and *“rights-based awareness of the people to express their needs and their obligation to contribute to the development of their community.”*³⁵

In other cases, the team found that “opportunities for sustainability” risked being lost. A good example is the Bosnia and Herzegovina IRP programme noted above, which is in its third phase and likely to go to a fourth. This programme, primarily grants-based (up to about DM 20,000, equivalent to US\$9,482), provided for the construction and rehabilitation of houses to permit the return of displaced persons in the Travnik canton. While the short-term benefits of the programme in terms of resettlement and stabilization are quite compelling, without a longer-term strategy such a grants programme in a middle-income country like Bosnia and Herzegovina could have some negative impacts down the road. Capital grants programmes for housing (owner-occupant) can create distortions in the local real estate market, increase risk of turn-over for quick profit, create attitudes within the population of a rather rich welfare state mentality, and introduce the likelihood of a housing “crunch” when grant assistance dries up.

The issues of rehabilitation in Bosnia and Herzegovina may be similar in some respects to government supported housing programmes in other countries. The team noted that there could be considerable merit in a longer-term development approach, for example, in commercializing the grants programme and integrating it with housing, local construction, market economy

and rehabilitation development objectives. Such a strategy might not only support the essential elements of the IRP and related programmes but could also bring some housing, real estate and sub-national capital market and financial discipline to the process. Over time, the grants system could be replaced with a multiple range of housing and financial lending assistance programmes, some addressing the needs of the physical stock, some addressing the social needs of the population, and some addressing infrastructure needs.³⁶

While the above is but one small example of a sustainable development opportunity that may be lost, the team suggests that more effort might be taken during the project formulation and design stage to factor in longer-term sustainability potential — possible even in countries under special development circumstances. Guidelines could be developed whereby even emergency response projects could incorporate some sustainability and development policy. This would allow individual projects to be managed in a more integrated manner, and to link individual outputs and results to longer-term development goals. Further, DEX projects could benefit from a stronger results-based management approach where measurable performance indicators could be included in project design, along with activities setting baselines and continuous monitoring and measurement. Even for projects that may need to be designed or implemented quickly, a marginal input of strategic thinking in the early stages could have significant development and upstream policy impact.

IN SOME CASES, DEX CONTRIBUTED TO POLICY

Contributions to policy dialogue are considered by the team to constitute a result of DEX initiatives, even where policy may not be a direct output or result in project design. In Bosnia and Herzegovina UNDP’s high degree of involvement in project delivery allowed it to build up local capacity and credibility combined with a sound “local intelligence network.” UNDP

³⁴ The previously cited ERD study in Guatemala found that the DEX projects in part contributed to strengthening national capacity to manage peace.

³⁵ Second Country Cooperation Framework for Bosnia and Herzegovina (2001–2003), Section 25.

³⁶ This might be an example of “dynamic sustainability” where the results of the project or programme could be adapted to a different context or changing environment by the original target groups or other target groups. See also UNDP, Development Effectiveness, p. 34

“Under a sub-contracting arrangement with a national counterpart, NEX can effectively be placed under DEX. Hence, national decision making and ownership do not have to be excluded under DEX, any more than under agency execution.” Survey Respondent

contributions in small, but strategic areas have begun to contribute to policy dialogue: e.g. an economic transition workshop with high-level, key government officials helped to trigger strategic thinking. Also, the office was able to develop a proposal for expanding the use of ICTs as a result of lessons learned on a DEX project, reflecting UNDP’s growing corporate-wide interest in this area.

In the case of Cambodia, the government, through UNDP DEX support, invited all mine action partners to participate in a National Symposium with a view to enhancing partnerships with national and international NGOs as well as international organizations involved in the mine action sector. During the Symposium, presided over by the Prime Minister, the government outlined its vision and broad policy agenda for the sector, which was described as centrally important to poverty alleviation and development planning in the country over the medium term. In Guatemala, UNDP has implemented five umbrella programmes since 1997, all of which are still ongoing and/or initiating a second phase. Among them are a few projects that incorporate policy orientations: (1) Judicial Reform, (2) the National Maya Platform, and (3) the Women’s Sector of Civil Society.

Some DEX projects were found to detract from or not adequately address the needs of policy. In Burundi and Rwanda (countries only recently recovering from crisis), the evaluation team noted that projects were attempting to respond to everything without a strategic focus and with limited strategies for moving beyond the crisis orientation. This focus on

“micro-management”³⁷ of emergency related activities is not consistent with UNDP’s role to provide “greater support for policy and institutional capacities...where we can make a difference in the fight to eradicate poverty.”³⁸ On the other hand, this raises the policy question of how to combine rapid crisis response (direct assistance) with policy advice that is not the first priority in a crisis situation. Even more interesting may be the need to provide advice in anticipation of post-conflict, allowing emergency projects to evolve toward more fundamental development and carving out a relevant development support role (or exit strategy) for UNDP.³⁹

4.2 OWNERSHIP AND CAPACITY DEVELOPMENT

National ownership and capacity building have been noted as “mutually reinforcing processes”⁴⁰ and both are important to the achievement of results and sustainability. Additionally, participatory processes, at the core of UNDP’s mandate, are considered an important performance characteristic since national ownership, capacity development and broad-based participation are interrelated and central features of programme effectiveness.⁴¹ The team found that national ownership was more often defined in terms of commitment, responsibility, participation and the building of sustainable capacities within national counterpart organizations in the state, civil and private sectors of society.

DEX PROJECTS SUPPORTED NATIONAL OWNERSHIP

The team found that the majority of the DEX projects and programmes reviewed in the countries visited contributed significantly to the sense of national ownership.⁴² One example is the Bosnia and Herzegovina Village Employment and Environment Programme (VEEP) in which components were implemented by local levels of government and local civil society organizations. The VEEP Terminal Report found that the project “... increased the municipal ownership of the project and upgraded the technical, professional and managerial capacity of both the Public Utility and the Municipality’s technical unit.”⁴³

³⁷ The words of one donor describing UNDP’s focus on activities rather than strategy and policy.

³⁸ The Way Forward, The Administrator’s Business Plans, 2000–2003, p.4, #8.

³⁹ The preceding reference to commercializing and institutionalizing the housing construction grants IRP programme in Bosnia and Herzegovina is a good example of an instance where policy advice could be integrated into an otherwise emergency response project.

⁴⁰ UNDP, National Execution: Promise and Challenges; OESP, 1995, p.19.

⁴¹ Ibid, p. 21.

⁴² One of the criticisms has been the contention that DEX does not contribute to national ownership nor build capacity as well as other modalities. This view was strengthened by the 2000 UNDP study on development effectiveness linking the programme approach with NEX in contributing to national ownership and capacity building (see Development Effectiveness, UNDP Evaluation Office, September 2000, p.17.)

⁴³ Source: UNDP Bosnia and Herzegovina, VEEP (IV) Final Report, 2000, Section 3.1, p.6.

“With the current generally poor performance of UN executing agencies, DEX, NEX or NGO execution have become the most effective and efficient modalities. As for NEX, while it has developed somewhat over the years, this development has been very slow and it is still a problem that the government has to develop implementation capacities that it otherwise does not need, and in the vast majority of cases, the UNDP CO ends up doing a large amount of implementation services as if it was DEX. For really efficient programme implementation in the future, DEX and NGO implementation would be the best tools.” Survey Respondent

Another example is found in Cambodia, where the management of donors’ trust funds through direct execution allowed the UNDP Country Office to support and stabilize the Cambodia Mine Action Centre (a national organization.) Although the period following the funding crisis of 1999 had been difficult for the government, UNDP and key stakeholders, the team found that national ownership of de-mining was demonstrated through the government’s increased contribution to the trust fund, making it one of the largest donors supporting de-mining operations in the year 2000.

It was found that national ownership was fostered more often — and perhaps more significantly — at sub-national levels of government and within the civil and private sectors of society (as exemplified by the Bosnia and Herzegovina project above.)⁴⁴ Examples were found in Rwanda: (1) a community development project for reinstallation of returnees involved local authorities in the implementation process; (2) a milk collection and marketing project created a management committee inside the Koabumu cooperative; (3) the community rehabilitation project in Cyangugu was formulated in consultation with line ministries, local authorities and communities; and (4) the implementation strategy of the Cyangugu project included building the capacity of local authorities, community leaders and the community at large through both managerial and technical training.⁴⁵

National ownership was more often described or evident in terms of *commitment* and *participation* of national counterparts, rather than in the management or control of projects or programmes by the central level of government.⁴⁶ For countries in special development circumstances (e.g. Bosnia and Herzegovina, Cambodia, Rwanda), the issue of national ownership by the central government was reported not to be an issue for a number of programmes or projects. In these situations, where a fully functional central government counterpart did not exist, the DEX experience focused on the building of national ownership at lower levels of government and in the civil and private sectors of society.⁴⁷

Since the DEX experiences of supporting national ownership observed did not equate with central government control of UNDP supported projects, the team suggests that there is an opportunity to re-cast the notion of national ownership in terms not so much of control of inputs, but rather in the active participation and implementation of activities that focus on outputs and results. The team found some instances where national ownership was not being built. In the case of Burundi, the continuing instability within the national government often led to national counterparts being changed, thus eroding continuity and the quality of project processes. The development process was further eroded because trust, critical in promoting the interests of partnerships, was reported to be lacking between

⁴⁴ Another possible factor affecting DEX projects and programmes was their degree of decentralization, with most of the projects executed and implemented at lower levels of government and at the community level. The team’s findings corroborate other research that demonstrates decentralization’s direct relationship to ownership. This was noted in the World Bank 1999 Annual Review of Development Effectiveness. On the topic of ownership, this document states that “... decentralized systems create commitment to reform ... (and that this) broadens the scope for partnerships among local government institutions, civil society and grassroots communities” (p.3).

⁴⁵ RWA/97/B29/E B.L 22.08, *Community Rehabilitation Project in Cyangugu, Project Document*.

⁴⁶ The observation has been made that the concept of “ownership” for a project or programme is associated with the willingness and capacity to pay. The “cost of ownership” was described in a recent UNDP study as “... the obligation to assume the expensive and arduous administrative tasks associated with project execution.” (UNDP, National Execution: Promise and Challenges; OESP, 1995, p. 20.) The inference that may be drawn from this is that the ownership of a project or programme should be apportioned to those who have the ability to pay. Where in some situations a country is not able to contribute sufficiently to a project or programme, DEX may be the preferred approach.

⁴⁷ From the survey of DEX COs, the majority of respondents (19 of 30) felt that DEX projects are as effective as other modalities in building national ownership, although a significant minority (7 of 30) felt that DEX was less effective, and four respondents felt that DEX was more effective.

citizens and the government. A lack of communication among the actors involved at the national level resulted in the setting up of the UNDP programme unit as a quasi-separate entity.⁴⁸ As a consequence, the government felt excluded as it had not received programme or financial reports. According to a government official met during the mission, “If we do not see results and we

are not informed about projects’ impacts, this programme comes across as a business that mainly benefits international NGOs and that seeks to exclude the government and not reinforce and strengthen the capacity of local community-based organizations, as it was also agreed. You see the Ministry’s annual budget is about US\$1,000,000 and some of these projects (together amount to) US\$800,000. We are interested in knowing about their impact.”

BOX 6 EXAMPLE - IRAQ ERNP PROGRAMME

The **Electricity Network Rehabilitation Programme** is UNDP’s largest DEX initiative, focusing on the rehabilitation of major infrastructure electricity networks, electricity generation and supply. A recent report on this programme noted that although capacity building is not a mandate given under Security Council Resolution 986, the UNDP has been active in the technical training of staff on the design, installation, operation and maintenance of installed systems. UNDP is also supporting institutional reforms, including tariffs, along with new systems to support procurement, financial management, document processing and reporting.

OWNERSHIP DEPENDED ON CAPACITY DEVELOPMENT AND PARTICIPATION

An important lesson from the team’s findings is that national ownership through DEX can be fostered within a broader sense of governance⁴⁹ — that is, not simply focused on the central government but involving active involvement, commitment and implementation by lower levels of government, civil society and/or the private sector. This implies that national counterpart organizations have adequate capacities to sustain the project or programme once UNDP withdraws.

BOX 7 SUBSTANTIVE CAPACITIES - PHILIPPINES

“The UNDP Manila Business Center, established only recently, evolved from expressed desire by NEX agencies and government counterparts in the national cooperating body to be able to focus more on the more substantive programme/project management activities. To them, the principle of capacity building should really be addressed at this area rather than project staff being bogged down in administrative and financial details. This is particularly true when trying to reconcile government rules with UNDP NEX regulations. We therefore have government’s agreement to provide the usual range of services (procurement of equipment/personnel, subcontracting, etc.) and receive direct support fee against specific project budget lines.”

Source: 22 Jan. 2001, e-mail to DRR/O & Operations Managers’ Network from Manila CO

From the available evidence and visits to the selected countries, it was found that DEX projects by and large incorporated substantial elements of national capacity building and participation.⁵⁰ However, most of the DEX projects were still in their early days and it is too early to determine whether the developed capacities are sustainable. In other cases, projects reviewed were of an emergency or rehabilitation nature and concerned areas in which it may be less important to build long-term sustainable capacities (e.g. a recent DEX project in Turkey to provide emergency shelter and sanitation relief after an earthquake.) However, even some emergency or rehabilitation projects could factor in longer-term strategies for sustainable results (e.g. the Bosnia and Herzegovina housing construction example).⁵¹

From a review of a number of DEX project documents, it was found that project design — as reflected in statements of immediate objectives — included capacity

⁴⁸ Due to security reasons, the evaluation team did not visit the field (the war situation also limits the Programme Officers to scheduled visits, which must be escorted by military personnel); therefore the functioning of institutional arrangements at the local level was not analysed using first hand information.

⁴⁹ The UNDP defines “governance” as “... the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. ... Governance encompasses the state, but it transcends the state by including the private sector and civil society organizations.” *Source: Governance for Sustainable Human Development: A UNDP Policy Paper; UNDP Management Development and Governance Division (MDGD), January 1997, pp. 2–3.*

⁵⁰ The team applied the UNDP description of capacity development as “... a concept which is broader than organizational development since it includes an emphasis on the overall system, environment or context within which individuals, organizations and societies operate and interact (and not simply a single organization.)” *See: Capacity Assessment and Development: In a Systems and Strategic Management Context; UNDP, MDGD, Technical Advisory Paper No. 3, January 1998, p. 5. Capacity Building is also defined in Development Effectiveness, UNDP, Evaluation Office, September 2000, p.33.*

⁵¹ From the survey of DEX COs, the majority of respondents (19 of 30) felt that DEX projects are as effective as other modalities in building national capacities, although a significant minority (8 of 30) felt that DEX was less effective. No distinction was made between the building of national “substantive” capacities and the building of project execution and management capacities.

development in 19 of 21 cases. The section on immediate objectives was missing in one project document, while a second project focused solely on short-term emergency relief. In other cases, capacity development was targeted at the national level (e.g. *Angola — Developing Capacities for Better Communication between Government and Donors; Lithuania — National Capacities for the Assessment of Human Development Priorities and Policies.*)

In most cases, capacity development addressed needs at more local levels and covered multi-dimensional capacities: e.g. *physical* (e.g. transport, accommodation, and port/navigation facilities in Somalia); *human resources development* (e.g. training of the judiciary in Rwanda; technical and managerial capacities on a project in Guatemala); *organizational strengthening* (e.g. hospital service delivery in Eritrea; NGO development in Bosnia and Herzegovina and Columbia); and *system-wide capacities* with respect to the UNDP Global project for the Climate Change Programme.

With respect to the countries visited, capacity building was delivered through training, and by learning on the job through active *participation* during project formulation and implementation.⁵²

- In **Bosnia and Herzegovina**, representatives from civil society, the private sector and the municipal government developed strong working relationships for the IRP (Travnik) project. Moreover, through agreements with the UNDP, the municipality managed the committee that selected bidders, through the competitive process, to work on various sub-components of the project (e.g. supply of materials, building of houses.)
- The four-month DEX project in **Tanzania** provided institutional support through technical assistance to the country's electoral process in the latter months of 2000. Local officials of the National Electoral Commission (NEC) participated in this project and learned from the well-organized, UNDP-deployed election observation team.
- The country projects under the DEX-managed umbrella project in **Rwanda** focused on the crisis needs of the country rather than sustainable

development. However, the involvement of local authorities, local NGOs and communities in the implementation of small projects demonstrated the value of participatory processes to government officials.

One interesting case found by the team that combined capacity building and participation, and led to sustainable national ownership, was a small component of the above-mentioned Bosnia and Herzegovina IRP programme. It involved the micro-financing and setting up of an Internet Café in Travnik, owned and operated by young people. Establishment of the café helped to resettle and reintegrate displaced youths and provided them with a means of income, a social gathering place and a sideline gallery for the display and selling of art. It also provided Internet and computer services to small business owners and members of the public who could access the Internet facilities. The café has been such a success that current plans are to set up similar ones elsewhere and the experiences of this ICT application, in part, have helped the office advocate ICT policy for development areas throughout the country.

In a review of 18 country level DEX project documents, a total of 15 projects included organizations (other than the UNDP) as implementing agencies or agencies participating in implementation. Implementing agencies ran the full spectrum from national government ministries (e.g. Albania, Columbia, Pakistan) to sub-national levels of government (e.g. Albania, Columbia, Iraq, Pakistan, Solomon Islands); universities (Lithuania); and national and international NGOs (e.g. Columbia, Yugoslavia.)

Capacity for what? During the course of the evaluation, questions were raised as to what capacities needed to be developed: substantive capacities in national organizations to handle development programmes, or capacities of national organizations to manage UNDP projects according to UNDP rules. The question was raised as to the efficacy of developing national government capacities for certain operational functions (e.g. procurement, recruitment) especially where scarce national resources could be more effectively deployed to support core development activities.⁵³ This is seen as an especially important issue in crisis countries where most DEX activity occurs and where capacities, especially within the government sector, can be scarce.

⁵² From the broader view of "national ownership," the survey of DEX COs showed that the majority of respondents (28 of 30) felt that DEX projects are equally (11) or more (17) effective than other modalities in securing participation of national counterparts from civil society and the private sector.

⁵³ The norm for execution of UNDP projects is NEX, based on the premise that this modality encourages the development of national capacities for government management of development projects and programmes. This was stated in the UNDP report, National Execution: Promise and Challenges, OESP, 1995, p. 21.

“DEX would enable us to get on with the job, after consultations with government and donors, especially when they expect fast results and do not want to be bothered by UNDP procedures.” Survey Respondent

A number of staff interviewed suggested that the development of national capacities for project management (execution) according to UNDP or any other donor procedures may not be the best interpretation of national capacity building.⁵⁴ Some interviewees mentioned that where national (government) management capacities may be limited, scarce managerial and professional resources would be better utilized in managing national development programmes, rather than in operational management according to UNDP rules — that is, focusing on outputs and results rather than on inputs and processes. In fact, overall public sector management capacities may be weakened where scarce government management and professional

resources are deployed to manage UNDP and other donor supported projects.⁵⁵ As a corollary of national ownerships, the team suggests that the notion of national capacity building is better viewed in terms of building substantive capacities for programme and development management, especially at lower levels of government, civil society and the private sector.

4.3 PROJECT MANAGEMENT

Among the many dimensions of performance that can be addressed under the heading of project management, the team focused its review on a few key characteristics: (1) responsiveness, flexibility and speed of delivery, and (2) project formulation and design. It was this set of characteristics that appeared to be the most important in terms of project management performance from the UNDP CO perspective as well as from the standpoint of national counterparts and donors.

BOX 8 BOSNIA AND HERZEGOVINA CASE - POSAVINA LOCAL ACTION PROGRAMME

In early 2000, the UNDP had prepared a proposal for submission to the European Community for additional funding assistance for reconstruction and resettlement programmes incorporating a labour-intensive methodology. This proposal was not accepted by the EC but the UNDP learned in mid-2000 that the Dutch had just allocated an emergency funding window for minority return and urgent winterization in Bosnia and Herzegovina and were actively looking for partners that could implement before the start of winter. When the Dutch person in charge contacted the UNDP office, the existing proposal was revamped in a couple of days and subsequently submitted and technically approved within the span of one week. Although the formal signing of the agreement with the Dutch took another 1.5 months (with funding of about one million Euros, which is equivalent to about US\$1.1m), the UNDP Country Office is convinced that the DEX modality combined with substantive “in-country presence and capacity” were critical to securing the funding for this project.

DEX PROJECTS DEMONSTRATED RESPONSIVENESS, FLEXIBILITY AND SPEED

The team found that DEX project experience in the countries visited supported the stated policy intent for use of the modality in situations that call for “... *speed of delivery and decision-making where UNDP management is necessary for mobilizing resources.*” DEX, combined with sound project design and good country office support, provided an effective mechanism to meet national and donor demands for quick response and implementation.

In the three DEX pilot countries visited, speed of delivery and responsiveness were important criteria for the selection of DEX as a modality of service delivery. The team was not able to obtain any statistics or baselines

⁵⁴ The team notes that many public sector organizations in developed and developing countries are increasingly looking to the private and non-governmental sectors to find more cost-effective alternative methods of service delivery and for carrying out certain functions not considered “core” to government. For example, such administrative functions as procurement and material management, facilities management, recruitment, ICT support and so on are contracted out or outsourced. Traditional government services such as health, public works and infrastructure may be delivered through alternatives ranging from a complete in-source solution, to public-private partnerships and joint ventures, to full privatization. For specific examples, the reader is referred to the report, “Public Sector Management Reform in Asia and the Pacific: Selected Experiences from Seven Countries,” UNDP, September 1998.

⁵⁵ National management capacity can be further depleted through multiple “nationally executed” projects initiated by UNDP and other UN agencies and donors, each with its own set of procedures, rules and systems of reporting and accountability. At a recent Consultative Group meeting in Paris, the Government of Cambodia presented a proposal whereby multiple donor-funded projects and programmes could be better managed through an “operating partnership” structure, perhaps based on the World Bank Sector-Wide Approach to Programming (SWAP) notion. Such a service delivery option would be neither NEX nor DEX, but a working partnership, based on each partner’s comparative advantages and strengths, and on a singular, harmonized set of operational procedures, systems and rules.

to measure responsiveness but the feeling within the Country Offices visited was that: (1) DEX projects could be formulated quickly; (2) decisions for the appraisal and approval of projects were faster; and (3) the implementation of DEX projects proceeded rapidly, again due to the elimination of steps in the decision-making processes. CO staff reported that the delegated authorities for DEX project approvals have sped up the approval processes, although some CO staff mentioned that there remains some slowness at Headquarters.

The Bosnia and Herzegovina project described in Box 8 demonstrated one case where DEX was reported to have quickly responded to a project opportunity. Projects reviewed in Bosnia and Herzegovina also demonstrated a quick processing of payments, resulting in speeding up delivery and implementation (especially important with respect to quick payment of local contractors and suppliers.) Another case is Guatemala, where the Country Office was in a position to identify and effectively seek project opportunities subsequent to the signing of the peace accords. The CO noted the dimensions of this “rapid response” capacity as the credibility of the UN and UNDP, the quality of local office staff, the decentralized nature of the operation and the DEX modality, among other factors. The funding donors of the de-mining project in Cambodia preferred direct execution with UNDP due to the organization’s ability to more quickly respond to budget revisions and expenditures.

Once projects were approved, the speed of implementation was enhanced though built-in and relatively expedient project management decision-making combined with the availability of Country Office management and operational support. For example, in the dynamic and rapidly changing environment of Bosnia and Herzegovina, decisions on procurement, the selection and recruitment of project staff and the quick processing of payments all contributed to efficient delivery. Major contributing factors to this experience were reported as the availability of locally qualified personnel and supplies (e.g. for housing and construction.) On the other hand, in Rwanda, where qualified staff and a local supply of materials were limited, speed of implementation was slowed by the lengthy and more time consuming international recruitment and procurement processes.

Many of the DEX projects were designed and delivered in very dynamic environments, where priorities change quickly — this is the more typical setting of countries under special circumstances, as noted in the *Guatemala* example in Box 9.⁵⁶

⁵⁶ *ERD/UNDP, UNDP in Guatemala: A case study in peace building, UNDP, Guatemala City, January 2001, p. 38.*

PROJECT FORMULATION AND DESIGN CONTRIBUTED TO PERFORMANCE

As noted in Section 3 of this report, the team had difficulty in acquiring copies of some project documents, and among those acquired, some had missing information or sections. Nonetheless, the team found that the design of a number of the DEX projects conformed to established UNDP standards for project preparation and contributed to performance. In other cases, information in project documents was missing, and a number of project documents could not be found at all. To be sure, good project design in and of itself does not dictate good project performance, as many other factors are involved; project formulation and design was but one factor examined by the team.

One important aspect of project design, as contained in project documents and influencing project performance, is the degree to which needs are understood (through a needs or capacity assessment.) Evidence that capacity assessments are needed to support project formulation and design includes the following:

- A number of DEX projects were classed as *Preparatory Assistance* (PA) (as noted in Section 2.3.2 of this report.) These typically supported the formulation of other larger projects, such as those for Early Warning Systems (crisis-handling projects), Rehabilitation and Post-conflict (e.g. BIH/99/016 — PA for an Early Warning System, and RWA/98/B10 — PA Study on Causes of Conflicts.)
- Also noted in Section 2.3.2, a number of projects were classed as capacity development, supporting areas such as Aid coordination, strengthening the role of NGOs or UNDP, or developing UNDP capacity in project management (e.g. SOM/00/001 – Strengthening the SACB Secretariat for Aid Coordination; and INT/96/503 – Campaigning: UNDP’s Role.) Implicit in these projects are initial activities that focus on capacity assessments or a more detailed determination of needs.

BOX 9 FLEXIBILITY OF DEX IN GUATEMALA

The DEX modality, combined with access to TRAC 1.1.3 funds, was found to: “...provide a level of flexibility needed to manage projects in the context of fluid, unstable environments that are highly politicized in post-conflict settings. The more options the country office managers have at their disposal to move funds quickly and access needed resources the easier it is for them to become responsive and credible partners.”

“...when justifying a DEX approval not long ago, we analysed the administrative steps necessary to get a local sub-contract going, from drawing up a TOR to making the first payment. In my example, it would involve 12 steps (inside the CO) with OPS execution, but only six steps with DEX.” Quote from a recent e-mail on the UNDP RR-NET

- In a review of 21 DEX projects from a number of countries, the sections covering the “problems to be addressed” were completed, some more thoroughly than others were. This would indicate that initial analyses had been undertaken and/or the needs understood.

It must also be pointed out that DEX projects formulated in quick response to a crisis situation do not generally have the benefit of extended periods for preparatory assistance and capacity assessments. Nonetheless, as reported in the preceding sections, this was not seen to adversely affect the delivery of results that were focused on more narrowly defined emergency and rehabilitation issues. This is consistent with the September 2000 report, *Development Effectiveness* that not surprisingly found “a strong positive correlation between high-quality project design and the achievement of immediate objectives.”⁵⁷

In the countries visited, the team found, in the project documents reviewed, that the objectives were clear and relevant to the countries’ CCFs. However, the team noted that there were often too many immediate objectives without adequately factoring in a longer-term development strategy or programme approach.⁵⁸ Additionally, while many indicators were described in terms of quantity of outputs (e.g. number of houses built) there was little attention to establishing indicators for outcomes or development results. As one CO explained, “under the circumstances, all we could do was alleviate immediate suffering.”

During the field visits, some staff commented that the flexible DEX Guidelines were a welcome addition in that they allowed the Country Office to adapt project management and implementation practices and procedures to local conditions. The case of Guatemala is noted, where even before the draft DEX Guidelines were produced, the office claims to have put in place a comprehensive approach to DEX management. The opposing concerns expressed by some were that the Guidelines were too general and did not offer enough

detail in terms of operating procedures. Headquarters staff stated that the DEX Guidelines were just that: guidelines. While there is merit to the argument that “managers should be left to manage,” the team suggests that some balance must be struck between the need for management flexibility and corporate guidance on the one hand, and the need for integrity, standardization and consistency in certain key corporate-wide functions such as financial management on the other.

PROJECT IMPLEMENTATION FOLLOWED DIVERSE ARRANGEMENTS

In the countries visited, it was found that implementation arrangements were based on a consideration of which parties could play the best roles. It was the team’s sense that limited government capacities (at the local level) were directed to more substantive project and programme issues (e.g. developing systems to determine priorities for local investment projects, selection of beneficiaries for grant and small credit assistance, selection and counselling for returnees to re-constructed homes.) *Bosnia and Herzegovina* is a case where most of the possible execution modalities have been applied by the UNDP country office. A recent review mission of the CCF found generally that the DEX modality produced positive results and made the following observation with respect to building national capacities:

“The mission does recognize the seemingly inherent contradiction of utilizing DEX while at the same time professing — as an organization and within the CCF — the aim of building national capacity. In the case of (Bosnia and Herzegovina) and more generally, however, the review mission sees no contradiction. In particular, the review mission feels that national execution (NEX) “...the preferred modality for empowering citizens to manage their own affairs and build capacity — places an unwarranted burden on national counterparts by asking them to meet (UNDP) administrative requirements that do not, in effect, build useful transferable capacity.”⁵⁹

⁵⁷ *Ibid*, Development Effectiveness, UNDP/EO, September 2000, p.11.

⁵⁸ The Team also found a major anomaly in one DEX project design. The DEX project in Cambodia is described by the Country Office as a funding mechanism for donor trust funds rather than a project, with trust funds supporting activities outlined in the UNOPS executed project. The DEX project document, which simply states budget line items to be supported through the trust funds, was found to have created a grey area between the UNOPS executed project and the DEX project. This ambiguity would make it difficult to assess the performance of DEX.

⁵⁹ CCF Review Report – Bosnia and Herzegovina, UNDP, Sarajevo, April 2000, paragraph 65, p. 13.

The team observed that in formulating a DEX project, the CO is not obligated to deal with a pre-agreed national government authority (as executing or implementing agent), but nonetheless deals with a central government coordinating authority. The CO was found in practice to have had greater flexibility in identifying and negotiating a project with national “partner/counterparts” at various levels of government or society (NGOs, private companies.)⁶⁰ This more flexible and open negotiation and formulation process is seen as lending itself to partners arriving at mutually agreed stronger working relationships. Where there is this freedom to choose, partners or project participants would tend to have better working relationships.

Bosnia and Herzegovina and Guatemala demonstrated the greatest variation in terms of implementation partners, covering all levels of government, civil society and in some cases the private sector, although most projects were targeted at lower levels of government. In Rwanda, DEX projects used a wide variety of both local and international NGOs to support implementation. CO staff reported that the international NGOs by and large carried out their implementation activities in a cost-effective manner — this being attributable to their adequate management and operational capacities. On the other hand, the performance of local NGOs in Rwanda was sub-optimal, with reported delivery of results of low quality. One factor reported to be responsible for this was the negotiation of agreements with NGOs without benefit of either competitive bidding⁶¹ or a capacity assessment of the implementing partner (even though DEX project experiences show that the capacities of implementing partners are key to the delivery of quality results.) Greater attention to the assessment of capacities of prospective implementing partners could result in COs developing a better appreciation of both their capacities and risks that working with them would present.

DEX experience shows that the more successful projects have included the active involvement of national organizations in implementation. Implementation partners were selected through both competitive and non-competitive means. COs would benefit from improved selection of implementing partners and the negotiation of agreements with these partners. The team also sees some potential in the setting up of time-bound “implementation or development partnerships”

“DEX is simply a modality that allows UNDP to look for the best suited implementing partner available, using competition to contract value for scarce resources.” Survey Respondent

along the lines of legal public-private partnerships. A development partnership would be focused along sectoral lines (i.e. take a broader programme approach) and have a long-term development perspective. It would require a tight collaborative arrangement among partners, comprising national implementation organizations, donors and UNDP. The partnership would feature a common vision and shared objectives, agreed governance and accountability structures, matched strategic management and oversight capacities, harmonized operational procedures and systems, as well as learning and adaptation capacities. Individual projects would be designed and implemented by the partnership on a case-by-case basis, provided they fit within the development and implementation strategy.

4.4 DONOR PERSPECTIVES

As noted previously in this report (Section 3), the UNDP-donor relationship is key to both the use and the performance of direct execution, if only for the fact that the majority of DEX budgets are sourced from donors through cost-sharing and trust funds.⁶² In the survey of DEX COs, three quarters of the respondents felt that donors were unaware, confused or did not care about the different execution modalities. However, in the countries visited where there is significant DEX activity, the donors were found to be generally aware of UNDP’s direct execution modality and UNDP performance, with some donors quite knowledgeable.

RESOURCE MOBILIZATION

The nature of the relationship that UNDP has with donors on DEX projects was found by the team to be multi-faceted. As presented in preceding sections of this report, DEX was seen *in part* as a facility that could attract funds due to its responsiveness and speed of

⁶⁰ In a review of 18 country level DEX projects, 12 had identified a range of entities as “cooperating agencies” in the project design. Cooperating agencies included community organizations on a project in Afghanistan; a combination of UN agencies, national and local governments and NGOs on a project in Columbia; and national government ministries and provincial governments on a project in the Solomon Islands.

⁶¹ Griffin, *ibid*, p. 19.

⁶² Concurrent to this evaluation, UNDP is conducting an independent evaluation of UNDP’s Non-Core Resources, and issues of resource mobilization are to be addressed. It is not the intent of the present DEX evaluation to go into details of non-core resources, resource mobilization and donor relationships that will be covered by the other evaluation. The issue of non-core resources and donor relationships applies to all UNDP modalities of service delivery, and to a much more significant extent in projects that are nationally executed.

“DEX could be a great leverage of resource mobilization and partner building.” Survey Respondent

delivery — features that were found to be attractive to donors who demand results and quick action. In the survey of DEX COs, the majority (75 per cent) of respondents agreed with the statement that DEX was attractive to donors in terms of resource mobilization (while only two of the 32 respondents disagreed.) Box 10 lists in decreasing order of importance the reasons for donor attraction to DEX, based on the CO survey. To another question on the survey, 22 of 29 respondents agreed (with nine “strongly agreeing”) that UNDP implementation of DEX projects should be pursued to help the CO attract donor funding as well as to generate income to cover CO costs.

DEX was also found in another study to be a magnet for cost-sharing since there is strong demand for neutral, local implementation capacity for donor-funded programmes,

BOX 10 REASONS FOR DONOR ATTRACTION

1. Speed of response
2. Greater accountability
3. More cost-effective implementation
4. More transparency
5. UNDP neutrality
6. Less chance for corruption
7. More likelihood of quality results

especially in emergencies.⁶³ Further study would be necessary to validate this claim. In some cases, the donor can also have a major influence in determining method of implementation. For example, in Bosnia and Herzegovina the EU would not have allowed UNDP to give the project to another agency to implement, thus requiring UNDP to select both direct execution and direct implementation in order to acquire EU funding.⁶⁴

Figure 4.1 summarizes the findings on the main reasons why donors participated in DEX projects, based on findings from the countries visited. While donors have not explicitly stated that DEX is an incentive for resource mobilization, they have expressed the needs for speed of delivery, the production of measurable results or impacts, and transparent and accountable reporting. The comment has been made by some of those interviewed that most donors do not generally see execution modality as a relevant issue, although there are some exceptions to this (e.g. the cases of the EU in Bosnia and Herzegovina and Sweden in Guatemala.) Nonetheless, some have indirectly encouraged the use of DEX.

FROM FUNDER TO PARTNER AND CLIENT

Based on the few discussions that the team had with donors in the countries visited, and with CO staff, it would seem that the relationships between donors and the UNDP are varied and changing. Firstly, donors are increasingly being looked to not just as sources of funds for UNDP DEX projects, but also as “partners” with shared goals and objectives for funding and project initiatives. In some cases, as noted, donors are active in project oversight and actively seek their own implementation partners — UNDP being part of the community of prospective partners for donor funded initiatives.

FIGURE 4.1 MAIN REASONS FOR DONOR PARTICIPATION IN DEX PROJECTS

Country	Main reason for participation	Donor(s)
Bosnia & Herzegovina	UNDP won competitive exercise	EU
Burundi	Recognized UNDP's capacity to facilitate and mobilize resources and implement a reconstruction and peace-making programme	Canada, Japan, Netherlands, Sweden, Switzerland
Cambodia	Transparency, control of corruption	Australia, France, Japan, Sweden, US
Guatemala	UNDP to channel aid without exposure (compared to bilateral assistance); economies of scale by having UNDP coordinate	Canada, Netherlands, Norway, Spain, Sweden
Tanzania	UN independence and neutrality	EU
Rwanda	Little confidence in government ability to engage in project activities	Netherlands, Japan, Switzerland

⁶³ UNDP, Review of UNDP Execution Modalities and Operational Arrangements of Other UN Funding Agencies, Griffin, R., March 1998, p. 4.

⁶⁴ The Bosnia and Herzegovina situation raises an interesting issue since UNDP is not legally allowed to openly bid on competitive development projects. In Bosnia and Herzegovina there were considerable demands for the building and rehabilitation of houses and there was limited local capacity to respond to this demand. In this situation, UNDP was able to supplement this capacity.

CAPACITY AND COST RELATED ISSUES

5

THIS SECTION EXAMINES DEX PERFORMANCE RELATED ISSUES IN TERMS OF

- Country Office capacity
- Costs of DEX delivery

The issue of capacity — especially at the CO level — is particularly relevant since a range of capacities are required to ensure cost-effective delivery of DEX projects and programmes on the one hand, and to assure the financial and substantive accountability of the Administrator for DEX initiatives on the other. Capacity is also critical from a third perspective: to permit UNDP at both HQ — and especially CO — levels to be an effective platform for the implementation of the Administrator’s Business Plans.

The determination of costs associated with the direct delivery of services was found to be elusive primarily due to the fact that UNDP does not have adequate cost-accounting systems to track and measure costs. Nonetheless, the team was able to look at DEX costs from a number of perspectives and to develop some broad measure of cost performance. The findings on DEX costs may allow comparisons to other modalities of project execution and inform policies on cost recovery.

5.1 COUNTRY OFFICE CAPACITY

Although the team was not expected to evaluate capacities of the Country Offices per se, a number of observations were made on this issue. In fact, a number of those interviewed suggested that CO capacity issues were among the more important factors of project and programme performance.⁶⁵ The team found, indirectly through reviews of DEX projects and various reports,⁶⁶ that Country Office capacity was a significant — and perhaps the most significant — factor of the cost-effective direct delivery of projects in Guatemala and Bosnia and Herzegovina, while an absence of sufficient capacity was found to be a major constraint in Rwanda. The degree to which

⁶⁵ *The implementation of the new vision for UNDP also entails a substantial shift in the profile of country offices and their capacity to respond to the demands placed on them, including those that may apply to DEX.*

⁶⁶ *An audit report was available for Rwanda. No audit reports were available for Bosnia and Herzegovina and Guatemala. The report for Bosnia and Herzegovina was done by the UN Board of Auditors, and the report for Guatemala was done by an independent accounting firm.*

“DEX is easier to manage if CO is located in the country where DEX project(s) is implemented but becomes more difficult to monitor and control once it is some distance from the CO.” Survey respondent

Country Offices using DEX have overcome capacity constraints is generally observed to be due largely to their preparatory work and what might be called “the emergency effect,” whereby shortfalls are overcome by the hard work and long hours put in by dedicated staff directly confronted with a crisis situation.⁶⁷

Many of the CO operational and administrative activities for direct execution were found to cover procurement, recruitment, logistics and other financial and administrative services — much the same as would be found in CO NEX support operations. The effectiveness of these activities was observed to rely heavily on the capacity of the CO as well as on the CO strategy or approach to project implementation (e.g. experience and qualifications of staff, existence of supporting information and administrative systems, quality of management or programme oversight and monitoring.) Most of the countries visited were in crisis or post conflict situations; thus access to national qualified staff and systems of supply were also found to influence CO capacity, as noted previously.

BOX 11 COMMENTS FROM ANOTHER REVIEW

“The main lesson of the DEX experience for Country Office capacity is that Country Offices need strengthening across the board: in programming, management and operations. ... Country Office personnel . . . must either have the competence in the relevant technical areas and in programming or be able to access such competence quickly. Country Office personnel then must manage directly or supervise the management of programme implementation. The competencies required here are not entirely unrelated to existing country office functions, but they may require further skill development or more staff.”

Source: UNDP, Review of UNDP Execution Modalities and Operational Arrangements of Other UN Funding Agencies, pp. 14–15.

It is difficult to generalize about the capacity needs of Country Offices to support direct execution since each country situation is different. Country Office capacity needs in the first instance stem from the scope of projects and programmes and secondly are a function of the implementation strategies or models that may be devised. In cases where the Country Office carries out most or all of the implementation activities (as in some projects in Bosnia and Herzegovina), providing the office with adequate internal direct execution support capacities would require emphasis on the development and sustainability of input mobilization skills and in-house capacities for project management, e.g., personnel recruitment, procurement and so on.

BOX 12 CAPACITY NEEDS – FROM CO SURVEY

- Flexible guidelines and suggestions
- Greater delegated authorities
- Detailed procedures in the Programming Manual
- Revised financial systems
- More financial resources
- Advice on cost recovery
- Ad-hoc support from HQ
- Training on implementation
- Additional or different human resources
- Advice and support on substantive areas
- Procurement
- Guidelines on equipment management
- Guidelines on liabilities
- Guidelines on audit processes

In the survey of DEX COs, 25 out of 30 respondents agreed with the statement that a CO can under normal circumstances take on the management of a few DEX projects within its existing resources. In the same survey the question was asked as to what additional resources, authorities or support would be required to support DEX. Box 12 lists, in decreasing order of number of responses, the different needs expressed. This should be considered only a rough measure as individual requirements would vary significantly by Country Office.

The team also discussed capacity issues with management and staff of the Country Offices. The major capacity issues in respect of support to DEX fell into the categories of

⁶⁷ From the survey of DEX COs, responses to the statement that “UNDP implementation of DEX programmes and projects should be pursued to help the CO develop and maintain a reasonable physical country presence and response capacity” were split, with 15 respondents agreeing or strongly agreeing, and 11 respondents disagreeing or strongly disagreeing.

core leadership and management capacities, financial management, human resources management and procurement, discussed below. The team's general observations on country office capacity corroborate the findings from the 1998 review of the direct execution modality.

THE ISSUE OF CORE CAPACITIES

In looking at country office capacities, the issue of “core capacities” was raised. In terms of Country Office support to DEX as well as the management of DEX projects, it was the team's sense that leadership and management capacities were critical to the success of direct project delivery. Other core capacities in respect of the direct delivery of services were seen to comprise financial management, human resources management and some operational support capacities such as in procurement.

Leadership and Management Capacities

Perhaps the most significant core capacity as a determinant of successful direct execution of projects and programmes is local CO leadership — especially in unstable and dynamic environments associated with countries under special development circumstances. As noted in the case of Guatemala and Bosnia and Herzegovina, it is the quality of local leadership that determined the magnitude and success of the direct delivery of services (as well as other types of) initiatives. DEX required a high level of marketing and selling skills, an entrepreneurial management style and risk taking since direct execution is, quite simply, not the norm for UNDP. This was found especially to be the case in Bosnia and Herzegovina, where UNDP had to compete with NGOs and companies for EU business.

The team suggests that perhaps one of the greatest challenges for UNDP is to ensure that office leadership is appropriate for the challenges of the direct execution and management of projects. Further, the team finds generally that the success of DEX would require a solid balance between leadership (vision, mission, identifying and seizing business opportunities) and operational management (organizing, planning, controlling, setting standards and producing results.)

In addition to leadership, a number of other competencies were evident within those Country Offices supporting successful direct execution programmes. First, there appeared to be a sense of “action management,” that is, an organizational culture and climate of “getting things done.” This reflected sound planning and organizing capacities, and the setting and adjusting of priorities as

demands of the dynamic environment shifted. Second, internal and external communications were seen to be working well — in terms of regular and ad hoc internal management and staff meetings (formal and informal), project level meetings, general flow of information and “open door policies” of CO senior management.

Third, the interpersonal skills of both management and staff were seen to reflect a high degree of openness, respect and professionalism. This appeared to foster a good sense of teamwork and the flexible delegation of responsibility to individual staff to do particular tasks. Fourth, there appeared to be a stronger client service orientation in terms of identifying and responding to client needs. Clients were seen to be not only national counterpart organizations (implementation partners or beneficiaries) but also donors. Fifth, there seemed to be a higher willingness to learn, to experiment and to be open to new ideas — on the part of both management and staff. The team sensed that management and staff were motivated to achieve project or service delivery goals, CO goals and personal development goals. Guiding possible future expansion in direct service delivery, it would be helpful from a recruiting and CO capacity building exercise to determine and publish the core competencies needed for this type of business.

Financial Management Capacities

UNDP financial systems, as noted in Section 2, were designed for a funding agency, not an executing agency. Since the systems for managing projects are not inherently in place, each CO has had to establish its own system and this was found to have led to some inefficiencies (e.g. many systems that are manually labour intensive, the use of different systems in each office, non-standardization with its potential dangers.)

While the team was informed that UNDP has a FIM for Country Offices that can link project expenditures to the payment system, it was observed that not all the countries visited were using this system. Also, the FIM transaction mode was reported to be not working, and the system does not have the capacity to easily record income from a variety of sources or control and track project expenditures. Some offices reported that they had difficulty installing key modules, and other offices did not see the FIM system as a useful tool due to limitations in the recording of different currencies. In these cases expenditure information needed to be manually entered in order to record expenditures against budgets. Further, the team was informed that the FIM system was incompatible with UNDP Headquarters payment systems thereby requiring double entry of expenditure data for Headquarters

DEX projects. Transactions do not move seamlessly from one system to another and the team found that managing separate, non-integrated systems results in an inefficient use of staff resources and also increases risk for error.

BOX 13 POTENTIAL FINANCIAL MANAGEMENT ENHANCEMENTS TO SUPPORT DEX

- Flexible guidelines and suggestions
- The capture and reporting of project expenditures specifically related to DEX.
- Project accounting, providing timely and up-to-date information budget balances (linking contract information.)
- The capture and recording of outstanding obligations, and cash flow forecasting.
- The capture and recording of all sources of income and revenue (including interest earned on trust funds and cost-share advances.)
- The recording and reporting of information of donor contributions to projects and programmes on both cost-sharing and trust fund sources.
- The capture and reporting of all cost information (cost accounting.)
- The preparation of routine financial statements at the project level, at the programme level (e.g. multiple projects in a single programme) and at the CO level.
- Donor financial reporting modules, with flexible coding structures to report in formats and standards required by donors.
- Standard balance sheet information (assets, liabilities, depreciation factors. (While this factor and the factors below are conventional business practices, as an organization, the UN does not depreciate or record assets as part of its financial statements. Further, it does not cost time or "bill" for time worked against a fee schedule.)
- A time recording system to support billing and the charging of fees for both direct administrative costs and office overhead costs.
- Recording, accounting and reporting the share of fees apportioned to the Country Office, Regional Bureaux and Headquarters.

BOX 14 REQUIRED SKILL SETS (FROM CO SURVEY)

- Operational management
- Monitoring and performance management
- Financial management
- Client management and relations
- Resource mobilization
- Procurement and competitive bidding
- Strategic management / planning
- Marketing and selling
- Interpersonal and presentation
- Communications and public relations
- Recruitment and personnel management
- Policy analysis and advice
- Reporting and speedy delivery

As noted in Section 2 of this report, there is a need to upgrade the financial management systems within UNDP to reflect the organization's execution status. New modules would be required to help COs better handle multiple currencies, sources and application of funds, donor reporting, budgeting, the preparation of balance sheets and other features. As UNDP moves forward with the implementation of the Administrator's Business Plans, it may be a good time to determine the needs for enhanced financial management systems. Box 13 lists some of the requirements mentioned by CO staff.

This evaluation has also shown that costs for DEX vary according to: (1) the type, scope and complexity of projects; (2) the implementation modality; and (3) Country Office capacities. It would be useful to develop norms for the costing and cost recovery of direct service delivery according to broad types of projects, implementation modality and, perhaps, other dimensions. There is also an opportunity to develop and implement a standard cost accounting module for use at the CO level, and to support consolidated reporting at the HQ level.

Human Resources Management Capacities

Outside of ongoing leadership and core managerial skills as noted above, UNDP is often in need of specialized project, programme, technical, professional and other categories of skills to execute and implement projects. When UN agencies execute projects, UNDP in principle relies on the specialized expertise of the agency for the necessary experience and qualifications in the relevant area. When UNDP executes a project, it is UNDP that must ensure that it has qualified staff. For example, in Rwanda, officials noted that CO staff were not technically competent to monitor infrastructure works such as the installation of water systems or to assess whether a particular design of a road would enhance community development. On the other hand, in Bosnia and Herzegovina, construction engineers were hired as part of the UNDP project team to monitor housing reconstruction.

Responses to the survey of DEX COs showed that the skill requirements for support to DEX related primarily to management skills. Box 14 lists in descending order of relative importance the various skills needs according to the CO survey response. In addition to the skills listed, a good knowledge of UNDP procedures would also be needed to ensure speed of delivery and accountability and/or oversight. (Poor knowledge of procedures was one of the deficiencies reported in the Rwanda audit.)

Depending on the DEX local or country situation, recruitment may be difficult. A recent audit of the DEX

project in Iraq noted difficulty in recruiting and retaining staff due to perceived hardships in Iraq. In Rwanda an audit noted that the administrative section appeared overstuffed, but not competent. Most staff had been employed by UNDP for a maximum of three years. The audit questioned the wisdom of the authorization granted by HQ for DEX, given such low capacity, and noted high turnover and little institutional knowledge.

The team noted that in Bosnia and Herzegovina there has been a trend to replace international staff with local staff: a) because there is good local capacity; and b) to drive down costs. The team and some staff noted that there is also a potential downside to this policy. With insufficient (or an absence of) international inputs, the office (and projects and programmes) could lose out on the transfer of international know-how, and that the expressed comparative advantage of UNDP's international network could be downgraded. On the other hand, some offices may have good local staff. A balance would need to be struck between national and international staff, based on local staff and skills availability, and the need for the transfer of international know-how.

The team was informed that UNDP has recently overhauled its staff appraisal system. The new Results Competency Framework asks specific questions on leadership, entrepreneurial skills, managing partnerships and so on. Desirable qualities for management of DEX could be established to appropriately staff DEX operations, which may require a different set of competencies than usual UNDP activities.

This evaluation has shown that a different set of staff skills is required to support and sustain the direct delivery of services. The country re-profiling activities might benefit from looking at the sorts of skills requirements needed for the direct delivery of services. This would guide human resources management practices in the areas of recruitment, training, career development, performance management, and reward and incentive programmes.

Procurement Management Capacities

In the countries visited, the team noted a variety of competencies in procurement. For example, Bosnia and Herzegovina had developed a procurement system that generated positive commentary from the Board of Auditors, the CCF Review as well as the 1998 review of execution modalities (see Box 15). In Guatemala, procurement advisors were hired to help the office develop expertise. In Tanzania, standard UNDP operating procedures were expedited to meet the urgent needs of

the situation. Due to the local availability of supplies, however, some procurement actions did not meet the client needs despite the CO's efforts. Similarly, in Rwanda, the availability of supplies was noted as poor, resulting in costly and often delayed international procurement.

An audit of the Rwanda office noted that some contracts with NGOs did not allow for project termination due to poor performance. In such cases, local access to legal advice or local training in contract management could enhance the effectiveness of procurement. Also, there could be greater compliance on the part of the CO to use standard NGO contracts as contained in the UNDP NGO execution procedures.

With respect to procurement, operational support services and other operational services (e.g. contracting, recruitment, material management, fleet management, managing workshops and conferences, asset management, etc.), the team sees an opportunity to develop an ongoing operations services partnership whereby the UNDP and key national organizations might participate in the delivery of such project support services. UNDP is currently envisaging the provision of such services through the "business center" concept. However, a UNDP business center could be seen as detracting from national ownership and participation in the delivery of these services. The business center concept could be expanded into an ongoing legal operational partnership (or joint venture) in which national government and private sector organizations would participate. UNDP could still charge a fee for certain management services and the UNDP role would ensure high accountability in the provision of operation services.

BOX 15 GOOD PRACTICE: BOSNIA AND HERZEGOVINA PROCUREMENT

The CO has created an electronic procurement system that can process procurement actions from inception to payment. This system, named Geronimo, was created by local and international procurement staff at the inception of the DEX operation. The system is capable of producing requests for quotation or invitation to bid documents, evaluation reports on returned quotations or bids, purchase orders, delivery notes and various analytical reports on procurement actions.

Because of the specific nature of activities in Bosnia and Herzegovina, contracts have been signed for the provision of construction materials. Blanket agreements have been approved by UNDP Headquarters and implemented by experienced staff (mainly UNDP hired engineers who can assess the quality of goods.)

Decision Making Authorities and Capacities

Some concerns were expressed by the COs that the delegated authorities for certain types of decision-making are not appropriate to the management demands of DEX initiatives. It has been noted that a considerable proportion of DEX expenditures are for sub-contracts, procurement and in some cases the recruitment of international experts. Many of the current DEX projects were noted to be quite large, some calling for sub-contracts in excess of \$100,000 (and thus, under present limits, requiring the COs to seek approvals from Headquarters for decisions on sub-contracts, procurement and the recruitment of international experts.) It is noted that these present “caps” were set at a time when the COs did not do much local procurement, sub-contracting or international recruitment (or that this was done by UNOPS.) As many market conditions have changed, it is perhaps time to revisit delegated signing authorities to ensure that the CO has sufficient local decision-making capacity to meet the demands of DEX delivery.

CO Self-Assessment of Capacities

The case has been demonstrated that Country Office capacity is a critical factor in the successful support and delivery of DEX projects. While the preceding major dimensions of capacity are common to all offices supporting DEX (as well as CO support to NEX), the precise nature of capacity would depend on the nature of DEX projects and the selection of implementation modalities. One key dimension of capacity not raised explicitly by the COs was the capacity to undertake internal capacity assessments (or self-assessment of capacities) — to determine what capacities are needed to support DEX projects, to determine capacity gaps, and then to develop plans for internal capacity development. The carrying out of such internal capacity assessments was not seen by the team to be a prominent practice within the COs visited, nor did most appear to have the capacity for such assessments. Current activities on CO re-profiling supported by business planning methodologies

might be introduced as a management tool to help COs carry out such capacity self-assessments, and to develop internal capacity development business plans to meet DEX performance expectations (especially in the areas of staffing, training, internal systems, oversight and so on.)

5.2 COSTS OF DEX

The issue of costs is particularly problematic as there does not exist within UNDP any system or source of data that would allow for the capture and reporting of direct and indirect costs for DEX delivery and support.⁶⁸ This is due in part to UNDP’s initial role as a funding agency, and the systems that were set up to support that role, rather than those of execution and implementation.⁶⁹ This section addresses costs related to Country Office support to direct execution and not the actual cost of project activities.⁷⁰ The team’s findings on costs are organized into: (1) cost calculation and cost recovery issues, including some evidence in terms of calculated costs for a range of DEX projects; (2) cost comparisons for the start-up of DEX projects based on the country visits; and (3) costs for DEX implementation, recognizing that there are different modalities for implementation.

COST RECOVERY - COUNTRY OFFICE SUPPORT

According to UNDP financial rules, regular administrative budget sources do not cover Country Office administrative support costs for the direct execution or implementation of projects. Administrative costs can be recovered depending on the source of funds: (1) from TRAC sources, the costs would be recovered and noted through the project budget; and (2) for trust fund or cost-shared projects, costs would also be recovered through charges to the appropriate project budget line. The DEX Guidelines recommend that “... a minimum of three per cent of direct programme inputs be allocated to cover additional country office costs, with a higher allocation subject to determination of actual costs.”⁷¹

⁶⁸ However, the team makes note of the UNDP “Guidelines For Operational Support Services” prepared by the Bureau of Management (Office of Budget, November 1999.) These guidelines define the types of cost-recoverable services UNDP provides and methodologies for how costs can be calculated. The guidelines contain a complex array of services ranging from the use of conference rooms to more complex services such as procurement and recruitment, and also support to such activities as project and programme formulation.

⁶⁹ The team notes that efforts are being applied by UNDP to address financial and budgeting issues of the CO through the recently prepared “Resource Strategy Table”. The “Resource Strategy Table” is a report that is meant to cover the financial dimension of Country Office management planning by reflecting at a glance, a) all available office budget resources (including international staff); b) the planned use of these resources for the year to come, according to main functions; and c) the context of using budget resources. The overall objective is to foster a country office organizational culture that prioritizes the use of resources and time, and raises awareness.” Source: RST, Release 1.0, Quick User Reference, Bureau of Management (BOM), Office of Budget, September 2000.

⁷⁰ It is assumed that there would be little difference between UNOPS projects and UNDP projects (outside the UNOPS administrative support costs) in terms of project design since UNDP generally designs UNOPS executed projects.

⁷¹ Source: UNDP, Draft DEX Guidelines, p. 9. However, a recent internal document, “Keeping a Place at the Table – How Other Resources Can Enhance UNDP’s Capacity,” 6 July 2000, addresses cost-recovery issues and makes a number of proposals on the charging of fees, cost recovery and the source and apportionment of income. The proposals also list a number of CO direct execution services including supervisory services, day-to-day project management services, and administrative and financial support services.

For the countries visited and where some cost data were available, the team determined that the cost of support to DEX as a percentage of delivery ranged from 1.6 per cent (Cambodia) to 6.8 per cent (Burundi).⁷² In Bosnia and Herzegovina, for 1999, the cost of DEX calculated by the Country Office was US\$ 690,000 (or 2.7 per cent of total delivery of DEX projects), compared with income of US\$416,000 received for direct execution activities. In Guatemala, costs were recovered by the country office through a 3.5 per cent management fee. However, the country office estimated its real office cost at 7.5 per cent and it is attempting to recover the full overhead rate from donors to improve sustainability of non-core operations.⁷³

On the other hand, Cambodia reported that it had charged a 6.0 per cent execution fee compared to costs of 1.6 per cent, resulting in a net gain of about \$200,000.⁷⁴ Similarly, Tanzania was found to have possibly benefited from charging execution fees that may have been in excess of direct costs incurred by the CO for administrative overhead. The precise basis for costing could not be determined by the team. The estimated costs for DEX do not include support that may have been provided by Headquarters (e.g. Cambodia, Rwanda and Bosnia and Herzegovina.)

The costs for DEX were found to depend on the type of project and the activities carried out. In Cambodia, staff time spent on DEX activities was reported to vary from 5–40 per cent since the level of CO involvement was largely limited to fund transfer to CMAC for project activities (this excludes the UNV Programme Officer who spends 90 per cent of the time on this project.) In Bosnia and Herzegovina, where the CO is more heavily involved in day to day DEX project operations, 50–100 per cent of CO staff time was reported to have been spent on DEX support. While the costs for Rwanda DEX were not explicitly calculated, 21 CO staff were reported to be funded by DEX projects.

In a recent 1998 review of execution modalities, difficulties were noted in obtaining data on costs, specifically due to: (1) widely varying operational conditions and resource availability at the country level; (2) wide variation in the pre-existing capacity of Country Offices; (3) how or whether start up costs are taken into account; and (4) the fungibility of operational and administrative budgets.⁷⁵

COSTS OF DEX START-UP

The team notes that start-up costs must be considered in pursuing DEX initiatives. For those offices that do not have substantial capacities (e.g. do not provide NEX support services), gearing up for direct execution would require a front-end investment to develop Country Office capacity. Such investments were reported to have been substantial for all of the cases reviewed except Guatemala. Access to financial resources to invest in initial capacity building was reported to be problematic, however. For example, trust fund and cost-sharing overheads were noted to be received on a “pay as you earn” basis. TRAC 1.1.3 funds were reported to be used for the recovery of some start-up costs. This funding source appears to be the only one readily available for this purpose. (It should be noted, however, that start-up costs are not unique to DEX and would quite likely be necessary to deal with large new programmes regardless of execution modality.)⁷⁶

According to the aforementioned report on execution modalities, corroborated by the team’s own review, the case of Bosnia and Herzegovina is one where qualified local personnel were readily available to work in the Country Office or as project personnel. On the other hand in Rwanda, devastated by the armed conflict, the Country Office experienced initial difficulty in recruiting qualified local staff and large temporary investments were required to recruit international personnel to re-establish operations. Also in Rwanda, there were and continue to be few local suppliers of goods and services necessitating a larger proportion of more cumbersome

BOX 16 EU-FUNDED PROJECTS: A SPECIAL CASE

Some difficulties have been found with certain donors (EU) who require different reporting formats and have strict rules on project expenditures. Also, the Board of Auditors has pointed out that the EU funding practice of paying after delivery is incompatible with UNDP’s standard practice of not incurring expenditure in advance of payment being achieved. These differences, compounded with exchange rate fluctuations, have led to a reported estimated loss of \$1.6 million in Bosnia and Herzegovina alone. The DEX project in Tanzania has also advanced funds for the EU funded project, and might also experience a loss.

⁷² *Iraq, East Timor and the Programme of Assistance to the Palestinian People (PAPP) are reported to have better cost data but the team did not visit these places.*

⁷³ *Source: DRR E-mail 1/09/01. Additionally, according to the CO, the office is currently preparing a report on cost recovery.*

⁷⁴ *This calculation is based on delivery of US \$4.9 million as reported on CDR.*

⁷⁵ *UNDP, “Review of UNDP Execution Modalities and Operational Arrangements of Other UN Funding Agencies,” Griffin, R., a report prepared for the UNDP Administrator, March 1998, Griffin, p.24.*

⁷⁶ *Ibid, p. 23.*

and costly international procurement. In Bosnia and Herzegovina, local suppliers were plentiful, resulting in more cost-effective acquisition of inputs. In the case of Guatemala, it was reported that the Country Office was already quite strong and could absorb DEX work without major capacity changes or improvements.⁷⁷

COSTS OF DEX PROJECT IMPLEMENTATION

Costs related to actual project implementation were found to vary according to a number of factors. First, costs can vary depending on the mode of implementation. In Rwanda, where some of the implementation was done through international NGOs, a number of costs would be absorbed by the implementing partners (e.g. an international NGO that would have its own procurement and recruitment support operations.) However, where some local NGOs with limited capacities function as implementing partners (also the case in Rwanda), corresponding support costs on the office were noted to have increased substantially.⁷⁸ In cases where UNOPS was engaged to implement certain components the standard agency costs of 10 per cent applied. In cases where UNDP

performed much of the implementation itself, the associated direct administrative support costs were reported to be lower.

Second, implementation costs were noted by the team to vary significantly according to local country circumstances. As noted previously, some countries have cost-effective access to local qualified local personnel and supply (e.g. Bosnia and Herzegovina) while other countries require more expensive recruitment of international staff and international procurement (e.g. Rwanda). Third, the local capacity of the Country Office was found to be a significant determinant of project delivery and support. The differences in start-up and capacity between the Rwanda and Guatemala offices have been noted. Where an office has an ongoing substantive NEX support capacity (such as in Tanzania), the marginal increase in costs for support to DEX would be much lower than for an office that has no such pre-existing support capacity. There were noted differences in the skill sets and competencies of local management, professional and administrative staff, which also affect cost of delivery (as observed in a number of audit reports of the Country Offices.)

⁷⁷ UNDP, "Review of UNDP Execution Modalities and Operational Arrangements of Other UN Funding Agencies," Griffin, R., a report prepared for the UNDP Administrator, March 1998, Griffin, p.24.

⁷⁸ In one subcontract to an NGO in Rwanda, the costs for expatriate staff managing the project were reported to represent 33 per cent of the total budget. Similarly in Burundi, an NGO's project personnel, equipment and administrative costs were reported to represent 54 per cent of the subcontract.

OVERSIGHT AND ACCOUNTABILITY ISSUES

6

THIS SECTION PRESENTS OBSERVATIONS ON

- Oversight and accountability frameworks applicable to DEX
- Performance of DEX in meeting oversight and accountability requirements
- Opportunities for improvement

The Team generally found that DEX projects and programmes have benefited from a range of oversight and accountability mechanisms, suggesting that these projects were executed in a prudent and proper manner, supporting the substantive accountability requirements of the Administrator. However, a number of weaknesses were found — through reference to separate audits and reviews — that would suggest that accountability in some instances has been compromised.

In reviewing the DEX project experiences, the team found that oversight did not generally lend itself to the production of better programme results. Rather, the varying levels of oversight were found to have improved transparency and to have facilitated adjustments and improvements in projects to adapt to changes.

6.1 OVERSIGHT

In the broader UNDP picture, various reports including the Administrator's Business Plans describe a picture of increasing demands for higher standards of accountability.⁷⁹ The different forms of service delivery involving multiple execution, implementation, funding and other classes of partner are seen by the team to be demanding new forms of multi-level governance, producing potentially complex webs of oversight and accountability. The team understands that the systems of oversight and accountability within the UNDP are undergoing change in order to support decentralization and greater delegations of decision-making, and to support changing ways of doing business.)

⁷⁹ According to UNDP, oversight “... is generally considered to include the independent functions of internal audit, evaluation, investigation, inspection and management review. In UNDP (it) ... has come to include almost any assessment or monitoring activity carried out by units or managers on any aspect of operations ...” Corporate oversight is “... the independent and objective review and assessment of activities, methods, processes, outputs or results.” Source: UNDP Paper on Oversight, 12 November 2000, pp. 1–2

An initiative was recently launched within UNDP to strengthen the oversight function,⁸⁰ and a Management Review and Oversight Committee has been established to provide the Administrator with assurances that UNDP's accountability framework is operating effectively. Such mechanisms are applicable to DEX, as they are to all aspects of the UNDP operation.

Where UNDP acts as both “executing” agent and “implementing” agent, one potential problem with the direct execution modality is that it may not readily lend itself to an independent oversight mechanism — that is distinct from the direct implementation function.⁸¹ The team notes that a similar concern was raised with NEX, where the government is responsible for both the oversight of programmes or projects as well as for their direct implementation. But as has been pointed out for NEX and which is applicable to DEX, both

governments and UNDP have internal checks and balances, as well as strategies for the separation of “execution” (substantive responsibility for results and performance) and “implementation” (that range of operational activities that translates inputs to outputs.)⁸²

UNDP direct execution states that UNDP is able to implement projects, or that it is making key management decisions.⁸³ Consequently, DEX could be seen to compromise UNDP's ability to independently oversee projects. However, as summarized in Figure 6.1, the team found that varying levels of corporate oversight were applied to DEX projects in the countries visited. The levels were: (1) the CO itself; (2) national counterpart organizations (government and civil society); (3) donors; and (4) UNDP HQ. The level of oversight was also found to be related to the method of project implementation.

FIGURE 6.1 LEVELS OF CORPORATE OVERSIGHT EVIDENT IN THE COUNTRIES VISITED

Country	Level of Oversight			
	UNDP Country Office	UNDP HQ	National Organizations	Donor
Bosnia & Herzegovina	Project Unit outside of CO structure	Ad hoc monitoring by Bureau and various HQ units	Municipal & national government NGO implementation	Strict transaction level reporting to EC; monitoring and evaluation missions by donor
Burundi	Project Unit outside of CO structure	Routine monitoring by Headquarters	Participates in monitoring and evaluation; ensures beneficiary needs are being met	N/a
Cambodia	Implemented by CMAC	Routine monitoring by Headquarters	Govt.oversight; monthly financial audits by KPMG	Periodic donor meetings and reporting to donors
Guatemala	Various implementing agents: UN agencies,NGOs; Civil Society Orgs.	Routine monitoring by Headquarters	Government Peace Commissions	Donor group which requires UNDP reporting
Rwanda	Implemented by NGOs and local government	Bureau and UNDP evaluation missions & audits	Government counterpart informed	Donors informed via infrequent reporting
Tanzania	Separate Project Unit	No specific oversight on this one DEX project	Participation and oversight by government	Joint Committee with EU; monitoring and reporting by EU

⁸⁰ A special Oversight Group, chaired by the Associate Administrator, was set up in 2000. A discussion paper on Oversight was prepared in November 2000 and a work plan was prepared in December 2000. Activities of the Group over the current year will focus on the development of an Oversight Policy Framework, the carrying out of quality assurance functions and overseeing country reviews, among a number of other activities.

⁸¹ This weakness is also mentioned in the DEX Guidelines (Section II, p. 4): “... Where the government is unable to play its normal role in execution, monitoring or oversight, DEX may also threaten transparency and accountability.” The team is of the view that the opposite may more likely be the case.

⁸² Mechanisms may be more formally addressed in NEX or agency executed projects through Tri-Partite Reviews (which commonly involve the government coordinating authority, the government executing agent and UNDP, and sometimes a third party such as a UN agency that may be involved in implementation.) As UNDP does not in principle actively implement projects under the NEX and AGEX modalities, it is able to independently monitor project execution and implementation. This issue is described in National Execution: Promise and Challenges, OESP, 1995, p. 31–32.

⁸³ On the other hand under NEX or agency execution, the relevant executing agent assumes overall management of a programme or project, along with the assumption of responsibility and accountability for the production of outputs, the achievement of programme/project objectives and the use of UNDP resources. In principle, since UNDP is outside the overall management of NEX project activities, it is in a position to independently oversee the project. Source: Revision of the financial rules and regulations (DP/1994/34/Add.4).

PROJECT OVERSIGHT BY THE COUNTRY OFFICE

The team found that methods of corporate oversight for DEX projects provided by the CO depended very much on the method of implementation. In some cases, UNDP directly implemented projects (i.e. formed and managed the project team, provided all operational support.) In other cases projects were implemented by a combination of organizations: e.g. NGOs, national and local government entities, special purpose parastatal organizations, UN agencies and private sector companies.

In the case of *Rwanda*, many of the implementation activities were sub-contracted to NGOs. UNDP project officers were found to have independently monitored project activities as they were in a position to objectively measure performance of the NGO. The team also noted that the Rwanda Operations Manual requires that project officers assess achievement of activities by NGOs. On the other hand, the team found in *Bosnia and Herzegovina* that UNDP project officers were heavily involved in project operational activities in the field. CO management expressed some concerns that they were no longer able to effectively provide independent oversight of the project. The Bosnia and Herzegovina CO recently introduced some organizational changes allowing greater separation of project operations from programme management and this is expected to enhance the oversight and programme management functions.

Steering committees per se were not found by the team to have been established for those projects reviewed in the countries visited.⁸⁴ There were some instances of routine project management meetings and reviews that included representation from some of the major implementing partners (e.g. some of the DEX projects in Bosnia and Herzegovina.) On the issue of project steering committees, the current draft DEX guidelines encourage the formation of these mechanisms for DEX projects. Substantive accountability and project performance could be strengthened if this “guideline” were more of a “standard.” While steering committees could become overly bureaucratic and terms of reference would need to be developed for each project situation, their main roles would be to support coordination, provide direction and guidance, resolve disputes and conflicts, and serve as a forum for review and approval of major project outputs. Such committees could serve

the purpose of the traditional TPRs, and should include representation from project management, the UNDP, donors and national counterpart organizations involved in implementation. Complementary councils or advisory groups could be formed to ensure that the views and opinions of beneficiaries or other impacted groups (e.g. private businesses) are considered.

The team was able to obtain copies of a number of formal reports that support the management oversight functions. However, the team had difficulty in obtaining evaluation reports for the projects reviewed, which may indicate that CO corporate oversight of the projects was sub-optimal. As noted in Section 2 of this report, a considerable number of DEX projects were in excess of \$1 million, thus requiring mandatory evaluation. Several of the projects reviewed in the countries visited were also over \$1 million, and completed, and some of them had not been subjected to the mandatory evaluation. The team suggests that greater compliance is required, in particular in carrying out mid-term and terminal evaluations of major projects. Evaluations should also be mandatory on smaller projects (especially if they are in effect phases of longer term programmes and could produce important lessons and innovations for application elsewhere.)

CORPORATE OVERSIGHT - HEADQUARTERS LEVEL

Currently, for DEX, the team noted that there is no cohesive or strategic oversight plan for DEX as compared to, for example, AGEX, where UNDP relies on agencies to provide such oversight, or for NEX where there are guidelines. While audits, reviews and limited project evaluations were found to have been carried out in some cases, they were ad-hoc in nature and not part of an overall review strategy. There is an opportunity to develop comprehensive review and evaluation plans for DEX projects and programmes, which would factor in all such activity at the CO and HQ levels.

At the corporate-wide level, some measures to effect oversight were found to include a DEX Working Group, the Operations Group, as well as a number of HQ sponsored reviews and evaluations of major DEX programmes. The team found that there is no strategy for carrying out oversight functions in UNDP. Various groups are

⁸⁴ *The draft DEX guidelines recommend the establishment of a DEX steering committee at the country level comprising members of the government, NGOs, donors, UN agencies, project beneficiaries and UNDP, with functions that would include: participating in all stages of project process (design and formulation, Local Programme Advisory Committee (LPAC) and appraisal, implementation, evaluation, etc.); building consensus and compromise around the project's strategies and planned results; providing advice when substantive changes are needed in the project's planned results or strategies; and monitoring progress, participating in field visits to project sites, consulting with beneficiaries, and ensuring that potential opportunities and risks, including lessons learned from experience, are taken into account by project management.*

involved in different ways, as noted below, but it would seem that roles and responsibilities could be more clearly defined, including the relationships between HQ and the COs.

The DEX Working Group. In mid-1998 a Headquarters DEX Working Group was set up at the request of the Associate Administrator. The basic objective of the Group was to review the development and implementation of the DEX modality, and to advise on how all aspects of the modality could be improved (policy, operational, administrative.) As far as the team could ascertain, the Group was able during its short life to produce a number of policy and discussion papers (e.g. a legal framework, screening and approval procedures and papers on cost recovery and conditions for DEX.) It also produced a couple of status reports, collected statistical information on DEX, initiated the development of DEX procedures and acted as a sort of clearing house for information concerning DEX. From discussions with some former members of this Group, the team understands that the major challenge at the time was not so much in developing procedures and supporting systems, but rather to develop a coherent policy for DEX. Whatever the reason for the Group's disbanding, the team feels that an opportunity was lost in terms of UNDP addressing and resolving some quite polarized and polarizing issues that still seem to prevail today.

Operations Group (OG). The OG comprises all of the operational units at Headquarters and the Country Offices. From a recent UNDP intranet notice, the OG serves as the senior management forum for discussing and resolving operational issues, and this would include operational issues on DEX. When necessary, it will refer problems or opportunities that have strategic or UNDP-wide implications to the Executive Team. The OG is chaired by the Associate Administrator.

Oversight Group (OG). The Oversight Group was recently set up to ensure the coordination of efforts by various units in UNDP that have oversight responsibilities. The OG provides assurance to the Administrator, the Associate Administrator and Senior Management on a range of operational and management activities, including DEX. Such assurance applies inter alia to desired results being achieved and relevant to UNDP's mandates and objectives; to the establishment and effective operation of an Accountability Framework and relevant management controls; to operations being aligned with strategic goals and conducted within the established norms and guidelines; and to policies and procedures being up-to-date, consistent and reflecting lessons from experience.

Operations Support Group (OSG). The Operations Support Group under the Associate Administrator has

responsibility for oversight and RBM. It had previously served as a clearinghouse for DEX projects with specific attention to DEX. The current role vis-à-vis DEX, under the recent re-organization, was not ascertained by the team.

OVERSIGHT BY GOVERNMENT AND CIVIL SOCIETY

Implementation of projects by local governments allowed the UNDP CO to oversee DEX activities. One example of this was found in Bosnia and Herzegovina where the Municipal government provided project oversight and was involved in project design, delivery and implementation. Bimonthly meetings were noted to have been held by the government, the Office of the High Representative, donors and implementing partners to ensure information and coordination. At the project level and as noted in the preceding section on performance, the Bosnia and Herzegovina IRP project activities were noted to have been implemented in partnership with local government and Civil Society Organizations whose representatives, through participatory processes, exercised a certain degree of oversight on these projects.

DONOR OVERSIGHT

Since a large proportion of the projects in the countries the team visited were funded by non-core funds (65–100 per cent), DEX projects were found to have benefited from donor oversight. For example, in Tanzania and Bosnia and Herzegovina the donor conducted reviews of the projects. In terms of detailed reporting, the team found in Bosnia and Herzegovina and Tanzania that donors (primarily the EU) required detailed financial reporting on the DEX projects they supported, and that they have also funded their own monitoring missions. In Cambodia, the CO disseminated periodic donor update reports and the donors and UNDP met periodically to discuss management of the Cambodia Mine Action Center. In other countries, donors have paid special attention to the DEX projects and were found to have served on project review meetings.

6.2 ACCOUNTABILITY

UNDP ACCOUNTABILITY FRAMEWORK

The accountability for DEX is stated in the Executive Board Decision 98/2 (g), in particular "... *when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.*" The above clause combines responsibility with accountability, and accountability is related to both programme and project delivery.

In many public sector organizations the issue of accountability is both important and not always well understood.⁸⁵ The team found that notions of especially substantive accountability in UNDP, as elsewhere, are closely related to issues of responsibility, authority, financial resources, and other dimensions of capacity including processes and controls. It was at times difficult to discuss accountability without also having to discuss those mechanisms required to support and assure accountability, or to coherently interrelate or integrate these different concepts. Findings on process and capacity issues, for example, relate to all aspects of operations, management and performance as well as to accountability and were discussed in Section 4 of this report.

Outside of current initiatives to define and put in place oversight mechanisms, the UNDP had previously defined a “UNDP Accountability Framework.”⁸⁶ The purpose of the framework was to “... reinforce the optimum utilization of UNDP resources through organizational and individual accountability,” and it was also intended to support institutional governance and governance reforms.⁸⁶ The framework describes UNDP accountability in terms of a culture of accountability, financial accountability and managerial accountability along with various supporting sub-systems, mechanisms, tools and organizational entities such as the Management Review and Oversight Committee and the now defunct Programme Management Oversight Committee.⁸⁸

A recent UNDP report commented on the fact that there does not exist within UNDP any comprehensive framework for ensuring multi-level substantive accountability. However, the team notes that the RBM approach, the DEX guidelines, UNDP financial rules, the existing accountability⁸⁹ framework document, the programming manual, and the monitoring of evaluation compliance, along with a number of other internal management reforms — when combined with the oversight measures discussed in the preceding subsection — are seen by the team to constitute a broad policy framework and set of tools that contribute to the support of substantive and financial accountability.

However, the team suggests that the accountability framework for the UNDP could be updated and simplified, presented in practical terms, incorporating the organization’s increasingly decentralized style of operation and, of course, modalities of service delivery (DEX and others that may be developed). Such seemingly simple questions as “who is accountable for what” and “how is accountability achieved” would be answered in such streamlined guidelines. Such a framework would need to clearly link accountabilities to authorities, roles and responsibilities, and the systems of supporting control (that is, management, operational, financial and administrative capacities).

FINDINGS ON ACCOUNTABILITY

The team found that the mechanisms found to be supportive of the oversight of DEX projects are for the most part the same as those needed to assure substantive accountability for project performance. For example, the team’s findings on the selection of a range of national and international organizations as “implementing” partners (discussed in Section 5.1), combined with the active participation of counterpart organizations in project delivery (discussed in Section 5.2) were found to contribute to substantive accountability. Further, the recent introduction of the Strategic Results Frameworks (SRFs) is noted to improve UNDP substantive accountability to the national governments of Programme countries and to the Executive Board.⁹⁰

As also previously noted, the team found that the DEX projects in the country offices visited did not appear to benefit from independent reviews and evaluations. The team also found that many of the DEX projects reviewed did not appear to have benefited from formal Steering Committees. None of the offices visited appeared to have in place comprehensive evaluation plans, a mechanism intended to support compliance for substantive accountability.

⁸⁶ “Accountability is the obligation to demonstrate and take responsibility for performance in light of agreed expectations. It can take place in relationships other than the hierarchical, even when there is no actual ‘conferring’ of responsibility. With a move toward a partnership model of programming and delivery, this model allows for mutual accountability, and thus a more mature relationship... In order for such a definition to be effective, partners must jointly clarify and set goals and responsibilities; performance expectations that are balanced by the commensurate resources of each party; credible reporting mechanisms to demonstrate performance achieved and what has been learned; and reasonable review and adjustment systems to ensure that feedback on the performance achieved and difficulties encountered can be recognized and corrected as necessary.” *Source: World Bank, 1999 Annual Review of Development Effectiveness*

⁸⁷ *Ibid.*, pp. 1–4 (also refers to Executive Board Decision 96/36.)

⁸⁸ *The Accountability Framework goes on to describe a rather broad and diverse set of issues directly and indirectly related to accountability: UNDP mandate mission and goals; shared values and codes of conduct; competencies; the learning organization; rewards and sanctions; and assurance systems to mention some of the major ones. As a general observation, the team found such a framework to be very broad and comprehensive — so broad as to make it difficult to put into practice and still maintain coherence.*

⁸⁹ Development Effectiveness, UNDP, Evaluation Office, September 2000, p.14.

⁹⁰ See Development Effectiveness: Review of Evaluative Findings, UNDP, September, 2000, p. 24.

With respect to ongoing monitoring of DEX projects and programmes, the team examined recent findings on audits and reviews of both Country Offices as well as of a number of DEX projects. The findings of audits do not paint a promising picture of some office operations. For example, a major audit of the Rwanda Country Office in 1998 rated the office as deficient, with findings that would point to a number of serious weaknesses putting substantive accountability (of DEX projects) at risk. The major concerns at that time were the weak management, staff and process related capacities of the Country Office. Furthermore, the audit noted that audits of projects had not been undertaken, nor was there any effective local monitoring of the projects. Measures have since been undertaken to improve office capacities and carry out some audits (e.g. projects were audited by contract auditors, an operations manual was developed and staff trained).

Audits carried out last year of two major DEX projects in Iraq revealed significant deficiencies in such areas as: recruitment and retention of qualified personnel, heavy involvement of Programme staff in operations, procurement, and some aspects of financial management. However, audits of several DEX projects in Guatemala revealed satisfactory ratings.

In the countries visited, the team found that the DEX modality lent itself to greater control over financial resources with less chance for corruption or government conflicts of interests. This is well accepted as a feature of direct execution (as well as CO support to NEX) where transparency in administrative and financial management is considered to be high, and where decisions on procurement, contracting, expenditure and revenue management, etc. are subject to UNDP rules and procedures. In the words of one donor, DEX provided assurance to donors that their funds would be channelled to beneficiaries outside the control or management of the government, where there was seen to be a problem with rent-seeking and conflict of interest. As a further demonstration of trust in UNDP's transparency, the Government of Cambodia requested UNDP to manage the trust funds following the mismanagement of funds by CMAC.

The main tools to assure financial accountability are the internal and external audits. The reporting of financial performance to donors on cost-shared projects is also a major tool to assure financial accountability.⁹¹ As shown in Figure 6.2, the team found that all the six countries visited carried out internal and external audits.⁹² Only four of the six countries were found to have submitted financial reports to donors and only one country (Guatemala) had negotiated with donors a single and unique financial reporting system.⁹³

FIGURE 6.2 FINANCIAL ACCOUNTABILITY IN THE COUNTRIES VISITED

	Bosnia and Herzegovina	Burundi	Cambodia	Guatemala	Rwanda	Tanzania
Financial Accountability						
Internal Audits	No	Yes	Yes	Yes	Yes	Yes
External Audits	Yes	No	Yes	Yes	Yes	Yes
Financial Reporting to Donors	Yes	No	Yes	Yes	No	Yes

⁹¹ Substantive or financial accountability at whatever level for whatever function is clearly directly related to the authorities that are delegated (to an organizational level, for a particular function), the resources and other capacities needed to support those authorities, and the systems of control and assurance that the accountability expectations are being met.

⁹² Also included would be the balanced score card (for both financial and managerial accountability), although this is currently only in the pilot stage.

⁹³ Administrative tools to promote financial performance such as budgeting and accounting are discussed in Chapter 5.

LESSONS, STRENGTHS AND WEAKNESSES

BASED ON THE FINDINGS AND ANALYSIS CONTAINED IN THIS PART OF THE REPORT, THIS SECTION PRESENTS DEX RELATED

- Lessons learned
- Strengths
- Weaknesses

An important part of this evaluation process is to uncover lessons learned, and to identify the strengths and weaknesses of DEX so that appropriate management strategies can be devised to respond to the many factors forcing change on the direct delivery of services. Strengths associated with direct service delivery can be mapped for application to future opportunities for new business, or to opportunities for doing existing business better. The realization of opportunities, however, depends on tackling observed weaknesses and an honest reckoning of risks.

As a general finding, DEX experience shows that the value of UNDP is in its ability to quickly respond to project needs, its country presence and on-the-ground capacity, its objectivity and impartiality in selecting implementation partners, its neutrality, and its ability to transfer international know-how and expertise. Where UNDP does not have these additional supporting capacities, then the value of UNDP and the effectiveness of DEX projects diminish.

This section synthesizes the results of the analysis and findings on the DEX policy framework and experiences generated from performance, management and capacity issues. It serves as the springboard to Part C of the report, where the team presents its conclusions and recommendations.

7.1 LESSONS AND GOOD PRACTICES⁹⁴

- **National Ownership and Capacity Development.** DEX has shown that national ownership and national capacity are developed through the

⁹⁴ *What is a "Lesson Learned?"* "... learning from experience that is applicable to a generic situation rather than to a specific situation. Example: A strong information center is essential to an institution dealing with research and development (R&D) as a channel for disseminating results of its research programme to target groups and generating feedback from target groups on the usefulness of its R&D results." (from UNDP – Results Oriented Monitoring and Evaluation, *ESP Handbook Series, OESP, 1997, p. 112.*)

active participation and commitment of national organizations. Ownership and national capacity do not mean, nor should they necessarily mean, the development of project execution or project management capacities within government according to UNDP rules. DEX has also shown that the supporting of national ownership and capacity are more a function of sound project and programme design and management than they are of execution modality.

BOX 17 SOME GOOD PRACTICES RELATED TO DEX

- **DEX – A Good Practice Itself.** The aforementioned report identified DEX (combined with access to TRAC 1.1.3 funds) as a good practice: “... *The DEX modality and TRAC 1.1.3 funds provide a level of flexibility needed to manage projects in the context of fluid, unstable environments that are highly politicized in post-conflict settings. The more options country office managers have at their disposal to move funds quickly and access needed resources the easier it is for them to become responsive and credible partners.*”
- **Procurement.** The “Geronimo” system used in Bosnia and Herzegovina has been identified by a couple of sources as an example of a best practice for procurement that could be adapted to other Country Offices. This best practice also demonstrates how advances in information and communications technologies are transforming the management of such functions as procurement. Local and smaller operations can implement systems enabling, in this case, instantaneous, low cost electronic global access to products, costs, suppliers and ordering (electronic commerce.)
- **ICTs, innovation and development.** The micro-financing and setting up of an Internet Café in Bosnia and Herzegovina (IRP Programme, Travnik) is seen as a good practice to resettle and reintegrate displaced youths in a post conflict setting. This particular initiative involved active participation from a younger segment of the population and will likely lead to sustainable national ownership. The café is also a case of entrepreneurship and innovation: it provided some employment, created a social gathering place and a gallery for the display/selling of art, and provided internet/computer services to small business owners and members of the public who could access the Internet facilities.
- **Harmonized Donor Reporting.** Guatemala has developed a harmonized and single reporting system that can satisfy the information needs of all donors contributing to DEX projects. Such a system saves time and money and relieves CO management and staff of what would otherwise be an onerous task.
- **Fleet/Logistics Management.** Bosnia and Herzegovina presents another case where the CO has acquired from a number of DEX projects a significant capacity in terms of vehicles, furniture and other moveable assets. This capacity has allowed the office to quickly respond to project opportunities and to quickly start up projects in relatively inaccessible project locations.

- **DEX depends on leadership and risk taking.** Success of project and programme delivery depends to a very large extent on the leadership and risk taking capacities of CO management. In the typically dynamic countries and special situations where DEX has been pursued, success has been shown to be related to vision, entrepreneurship and innovation — the willingness to “break out of the box” and to experiment, try new things and learn from mistakes.

- **Successful delivery requires “action” management.** Direct execution and implementation of projects require substantive management and operational capacities within the Country Office. Action management defines an organizational culture and climate of “getting things done,” of sound planning and organizing capacity, and of setting and adjusting priorities as demands of the dynamic environment shift.

- **Creating operational-policy linkages.** DEX projects that are downstream and heavily operational in nature can contribute substantively to the development and provision of upstream policy advice. DEX projects have shown that a reasonable base of operational experience can lend substance and credibility to the UNDP role in the upstream policy domain.

- **Donors are clients and partners.** Cost-sharing and trust fund arrangements with donors in DEX projects are enhanced through better understanding and performance on the part of UNDP in terms of treating donors not only as funders of UNDP projects but also as development partners and clients.

- **Access to technical expertise improves quality.** The quality and cost-effectiveness of DEX depends on access to and/or availability of local technical expertise at the project implementation level. Where local expertise cannot be acquired, then international expertise must be applied to ensure quality management and monitoring of project technical components.

A recent review of the Guatemala Country Office programme raises the interesting viewpoint that DEX itself is an example of a “good practice.” Indeed, direct execution as a method of service delivery is seen as a higher-level business practice or way of doing business. Such service delivery business practices can also generate — or create the environment for — other types of business practices. A number of what are considered to be best or good practices were uncovered by this evaluation, but it should be made clear that such practices do not depend solely on DEX, as they could

well have resulted from other factors or from being combined with other factors. Given the recentness of DEX experiences, and the limited scope of the DEX evaluation, only a few practices that might be considered “best” were identified. These are noted in Box 17.

7.2 DEX STRENGTHS

The lessons learned point to a number of strengths⁹⁵ associated with the DEX modality. Some of the strengths are inherent in the legislative base for DEX — the main reason it was set up in the first place. Observed strengths directly and indirectly related to DEX are:

- **Performance 1 — responsiveness and speed of delivery.** Combined with an in-country presence and CO capacities, leadership and other strengths, DEX contributes to UNDP’s capacity for quick response to project opportunities. The DEX facility can enable UNDP to seek and quickly secure project opportunities. DEX likewise contributes to UNDP’s capacity for speed of delivery in terms of quick decision-making, the processing of transactions and implementation. The CO and DEX project management are able to respond to changing circumstances and conditions, and can quickly reflect such changes in project design and implementation.
- **Performance 2 — flexibility and adaptability.** DEX can be used in a number of situations, from those involving crisis and post conflict or upstream policy, to any number of special situations requiring enhanced protection of the Administrator’s accountability. DEX provides considerable flexibility to the Country Office in determining the most cost-effective arrangements for implementation. Under DEX, the CO has considerable flexibility in identifying partners and counterpart organizations, and in negotiating levels of participation and implementation responsibilities (where the CO may otherwise be obliged through pre-existing and possibly restrictive alternate execution modalities to work with pre-selected implementation partners).
- **Performance 3 — environment for innovation.** Flowing from the above strengths, the DEX modality can create the enabling environment for seeking and applying innovative solutions and approaches (requiring the taking of some risk and experimentation).
- **Performance 4 — cost-effectiveness.** Although explicit comparisons on the cost of DEX implementation were not made with other modalities, the general view is that DEX is a relatively low-cost modality and is more effective in terms of focus on results rather than process.
- **Clear line of accountability.** Lines of substantive and financial accountability are clear and unambiguous. When things go right, the benefit clearly accrues to UNDP (and its implementation partner). When things go wrong, accountability clearly points to the UNDP.
- **Corruption avoidance and transparency.** The transparency of decision-making conforms to established UNDP decision-making practices, procedures and policies. This limits the potential for corruption, rent-seeking and undue political influence.
- **Corporate authority and decision making.** DEX provides the discretion and authority to the Administrator to respond to needs and execute projects that satisfy set conditions. A number of decision-making authorities are delegated to lower levels of management and decentralized. DEX projects can benefit from relatively quick decision-making structures and processes.
- **UNDP commitment and direct control of inputs.** Under DEX, UNDP has direct control of the project inputs and, in combination with sound project management, can enhance the delivery of outputs, results and overall cost-effective performance. This direct control generates a stronger sense of UNDP “ownership,” producing high levels of commitment from COs and project staff.
- **Focus on results and national ownership.** When DEX is combined with the flexibility to select cooperating partners and build in participatory mechanisms — and where DEX does not get involved with building national project execution capacity (per UNDP rules) — the focus can be on meaningful development and the building of other national capacities, and enhance the sense of ownership of the more substantive dimensions of projects and programmes and the delivery of results. DEX does not impose on national partners a regime of UNDP dictated project and financial management rules and procedures. It relieves national organizations of responsibility for non-core capacities that may be

⁹⁵ Note: from the survey of DEX Country Offices, most respondents indicated that the first seven factors listed below were highly important advantages of DEX.

better assumed by UNDP and/or sub-contracted or outsourced to implementation partners.

- **Donor participation and resource mobilization.** DEX, combined with other UNDP capacities and strengths, contributes to getting donors involved in projects and in the mobilization of resources.

7.3 DEX WEAKNESSES

Offsetting the noted strengths, a number of weaknesses or constraints associated with the DEX modality were uncovered.

- **Increased cost of business.** DEX adds costs and increases workloads. DEX requires considerable CO capacities in terms of financial and human resources, procedures, supporting systems and so on. Where some COs have an established NEX support capability, the incremental capacities for DEX are moderate but important. But for the smaller offices with limited CO operational capacity, considerable investments are needed for both project as well as CO start-up.
- **Potential diversion from main UNDP role.** DEX project or programme activity that is heavily oriented to reconstruction, rehabilitation and other types of emergency or special situations, *in the absence* of a broader development strategy, can divert UNDP from its main development role and the provision of upstream policy advice. When DEX projects require substantive CO operational support, the image and business orientation of the CO can shift from programme and upstream policy areas to transaction processing and implementation.
- **Weak financial management framework and systems.** Current systems within UNDP do not adequately

support the financial management requirements of DEX projects in terms of cost accounting, income and expenditure reporting, donor reporting, or programme accounting. The draft DEX guidelines may be overly flexible in potentially allowing COs to set up financial and reporting systems that could fail to integrate with corporate systems. DEX requires a heavier load of reporting from the CO to donors.

- **DEX approval process somewhat centralized.** While the recent delegations of authorities and new policies for DEX are a step in the right direction, the review and approval processes at Headquarters can cause some delays and inefficiencies in decision-making.
- **Potential for detracting from national ownership.** DEX can create the potential for projects to inadequately address national ownership and capacity building needs. Furthermore, building CO capacities in such areas as procurement, fleet management, etc. may detract from building these capacities nationally (e.g. in the private sector and civil society.)
- **Potential for reduced oversight.** Related to the above, there is a potential for reduced oversight in terms of DEX projects not being required to set up Steering Committees and other mechanisms for participation and oversight from national organizations.
- **Inadequate delegated authorities.** Restrictions on some decision-making authorities with respect to procurement, sub-contract amounts and fees for international consultants limit local flexibility in acquiring the most cost-effective inputs in a timely manner.

PARIC

Conclusions and Recommendations

CONCLUSIONS

8

THIS SECTION SYNTHESIZES THE RESULTS OF THE EVALUATION IN TERMS OF FUTURE OPPORTUNITIES FOR DEX AND THE CHALLENGES THAT WOULD NEED TO BE OVERCOME

DEX experience presents a complex picture of performance, potential and opportunity, along with some constraints and risks. The Administrator's Business Plans that guide UNDP's transformation process call for, *inter alia*, a move towards more upstream policy advice and dialogue and "*moving further away from small, isolated development projects.*" They also picture an organization that is more knowledge-based and networked. The introduction of RBM puts more emphasis on achieving cost-effective and measurable results with partners and programme countries rather than focusing on inputs and process. The Options Group's report envisages a dynamic and skilled UNDP Country Office of the future. The report recommends that DEX be "*added to the tool kit of all Resident Representatives.*"

All this points toward a future where traditional delivery of services is expected to change. However, as the "new" UNDP moves into the future, it could be unduly constrained by policies, management practices and systems geared more to support service delivery in the "old" UNDP way. The existing arrangements surrounding a small and seemingly fixed set of modalities simply may not have sufficient flexibility to meet the demands of the future (at least, without breaking the rules.) With respect to DEX, the existing policy, management and administrative support structures and systems may not be up to the challenge of meeting future opportunities for direct service delivery.

In this section the team presents its main conclusions from the evaluation in the form of future opportunities for the direct delivery of services, and in the form of challenges or risks to realizing these opportunities. Opportunities and risks are synthesized from the analyses of DEX performance, the surveys of the Country Offices, extensive discussion and consultation with UNDP staff at Headquarters and in the field, and document research. The following conclusions are not meant to be definitive, as more analysis (especially market analysis) would be required.

8.1 OPPORTUNITIES

As a way of doing business, DEX is seen by the team to present expanded potential for the direct delivery of services to clients to meet an array of

“Since UNDP aims to be the coordinating agency, it should favor either NEX or execution by UN agencies and avoid pushing a role exclusively for itself.” Survey respondent

needs, from downstream operational support in *special circumstances* (as per the current 98/2 EB Decision) to the provision of upstream policy advice where flexibility, speed of response and delivery are major considerations — while preserving the Administrator’s substantive and financial accountability for the delivery of results.

From the survey of DEX country offices, a significant majority of respondents (23 of 30) felt that the opportunities for DEX would expand over the next few years. However, without the benefit of a market study — especially at the country level — it is not possible to say where this growth might be. Under the existing legislation, DEX may be used in special circumstances, but such circumstances are not clearly defined. Based on the feedback from the DEX COs surveyed for this evaluation, special circumstances were noted to cover (in decreasing order of frequency of response):

- Situations that avoid corruption/political influence [23]
- Greater efficiency/effectiveness [17]
- Increased Res Rep/Administrator accountability [15]
- Better utilization of scarce resources [13]
- Improved attention and focus on results [11]
- Others [5]

The first situation (corruption avoidance) received the highest number of responses, closely followed by the need to improve efficiency and effectiveness in project delivery or implementation. Other situations mentioned by the COs included: government unable to have full control of project under NEX, unclear institutional set-up, and situations of decreasing core resources to generate income. This clearly points to opportunities for resource mobilization. The comment has been made by a number of UNDP officials that if the use of DEX were expanded in many sub-Saharan African countries, project opportunities would open up and donor resources would be mobilized. Conversely, others have mentioned that the capacity in some of the Country Offices in this region is limited, donors are more limited and there are fewer World Bank loans to implement.

DEX projects might meet emergency or development needs of programme countries in a number of programme or thematic areas. Results of the DEX survey of UNDP staff lists the following areas in decreasing order of frequency of response:

- Emergency response projects [25]
- Sensitive governance projects [22]
- Provision of upstream policy advice [16]
- Projects involving donor coordination [14]
- Projects mainly providing administrative support [13]
- Projects targeted at the private sector [12]
- Decentralization/local governance projects [7]
- All types of projects [5]
- Community development projects [4]
- Others [7]

Other areas mentioned by the COs include support to government and NGOs, human rights, projects promoting UNDP/UN advocacy, programme logistical support, anti-corruption projects, innovative and short duration projects, and catalytic projects. Clearly, the demands will be specific to each country and related to UNDP’s emerging thematic areas of democratic governance, poverty alleviation, post-conflict, sustainable energy, environment, HIV/AIDS and ICTs for development.⁹⁶ Many of these thematic areas (such as post-conflict and ICTs) require rapid response capabilities, along with upstream policy expertise that is implicit in governance. DEX experience in the crisis and post-conflict situations shows future potential, as noted in a recent review: *“In creating TRAC 1.1.3 in 1997 and allowing the flexibility of direct execution in crisis situations through its Decision 98/2, UNDP has the latitude it requires to deliver the necessary results. Significantly, the potential of direct execution has not been maximized.”*⁹⁷

8.2 CONSTRAINTS AND CHALLENGES

A number of identified risks, constraints or challenges could inhibit any expansion in the use of DEX. Many of the identified constraints are in the area of CO capacity limitations. Others are more system-wide in nature.

⁹⁶ Note: These emerging thematic areas were highlighted by the Administrator in his recent statement to the Executive Board, “Report on Implementation of the Business Plans and Follow-up to the Ministerial Meeting,” 30 January 2001.

⁹⁷ Source, UNDP, “Role of UNDP in crisis and post-conflict situations,” Report to the Executive Board of the United Nations Development Programme, First regular session 2001, 29 January–6 February 2001, New York, Item 2 of the provisional agenda, DP/2001/4, UNDP Business Plans 2000–2003, paragraph 61, p. 24.

POLICY AND SYSTEMIC CHALLENGES

Executive Board Decision 98/2 states that DEX “shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.” This is seen as the major constraint to the expanded use of DEX. The list of countries under special circumstances is limited at present. DEX projects, however, have been approved for other countries, including Global and Interregional programmes. Given the directions of the Administrator’s Business Plans, it would appear that the potential application for the direct delivery of services could be expanded to a broader group of programme countries or situations. These might include, for example, responses to urgent policy or governance reform issues, elections, or competing — possibly against other agencies — in responding to needs, particularly in the rapidly evolving area of ICTs.

The existing rules noted in Section 2 and Annex G of this report also state that direct execution may be considered only when “National authorities lack the capacity to carry out the project.”⁹⁸ Such situations could be seen to include concerns over corruption or undue political influence in decision-making, thus creating a “capacity” concern calling for the use of DEX. The clause in the decision to safeguard the Administrator’s accountability for “effective programme and project delivery” would also seem to open up possibilities for DEX, especially where alternative modalities may be shown to be less (cost) effective.

While the formal policy constraints may be seen as not overly restrictive, the team sensed that the *informal* policy in UNDP on the use of DEX is to severely restrict its use where NEX is the established norm. Any breaking away from the norm through centralized approval procedures, the requirement to develop submissions for DEX usage, and the perception that DEX detracts from national ownership may be seen to be a form of internal institutional resistance to the use of DEX. The informal message within UNDP may well be one of — in the words of some — “using DEX only as a modality of last resort.”

There also exist some external development policy constraints. As noted in this evaluation, there is the

“Let’s throw out the whole business of NEX, AEX, DEX, NGOEX, etc. and establish principles for what someone calls ‘responsible execution.’” Survey respondent

view in much policy and documentation that national ownership and capacity building is tied to the direct management and ownership of donor funded development projects. While the world is changing and certain functions associated with procurement, project management (implementation) and so on are being seen less as core functions of government, the view within the ODA community is that such functions are still tied to notions of national ownership and capacity. Although in some cases this association may be valid, the continuing generalization of this view may hinder any expanded use of direct delivery of services.

Internal resistance. The team developed the impression that in some quarters there is a general lack of understanding of what DEX is all about, and that this lack of understanding may be seen as a form of internal cultural resistance to the expanded use of DEX. Some see DEX as a threat to the status quo of NEX, feeling that it might undermine national ownership, or crowd out other modalities or agencies. The organization seems to be polarized on the use of DEX, many with a pro-DEX stance and others with a pro-NEX stance. Many opinions have been forwarded on the future course of execution and the current Task Force on Execution is sure to result in the development of some consensus on direction and, at the least, agreement on the issues.⁹⁹ Further, as noted in Section 2 of this report, the lexicon and language used in describing UNDP’s delivery of services and technical assistance seem to reflect an impoverishment in management language.

External resistance. In many countries there may be institutional resistance to the use of DEX at the central government levels. This may be particularly true in countries where national execution is considered the norm, and the financial resources that flow through such projects and programmes as entitlements.¹⁰⁰ Furthermore, national governments may see certain aspects of DEX (e.g. procurement) in competition with government operations. The threat of competition

⁹⁸ Source: UNDP Programming Manual, Section 6.2.5.

⁹⁹ The divide of opinion on the use of DEX in UNDP was reflected in an answer to a question in the Survey of DEX CO’s. Of those responding to the statement “DEX should be used in special circumstances only or only until NEX can be applied,” half agreed and half disagreed.

¹⁰⁰ However, in the Survey of DEX COs, 22 of 30 respondents agreed with the statement that the government of their country of assignment would be open to the expanded use of DEX under certain circumstances. Only four respondents disagreed with that view.

possibly extends as well to other UN agencies, national civil society organizations, or the private sector. As the development environment is becoming increasingly competitive, more and more organizations are emerging with qualifications and capacity to execute and implement projects and programmes. The relationship with UNOPS (an agency specifically set up to execute projects) could be particularly problematic, with actual or perceived competition to execute (as well as implement) DEX projects threatening to erode the credibility of the UN system (i.e. members competing against one another rather than working together.)

MANAGEMENT CHALLENGES

UNDP, as noted, has developed and put in place a number of management structures and practices to better support project and programme delivery and overall performance. These include the RBM approach, new business models for the Country Offices, greater decentralization of operations, re-structuring of the Headquarters units and so on. As in any large organization, time is required for new management structures and practices to take effect. Just as Rome was not built in a day, UNDP cannot expect to implement its many management reforms in a short period of time.

However, where opportunities for the direct delivery of services are expected to expand, requiring rapid response and quick delivery, the speed of roll-out of management reforms in UNDP may lag behind the need to quickly respond to emerging opportunities for direct service delivery. It is one thing to set up a new management approach (whether RBM, or evaluation plans), and another to ensure that it works in practice. Already noted are weaknesses in the application of the RBM approach and strategic management at the project and programme level for DEX projects. Capacity and needs assessments are still done mainly in an ad hoc manner and there does not seem to be much management compliance with project evaluations. Responding to pressures for change and service delivery outside of supporting management and operational frameworks can induce Country Office operations units to bend the rules to get the job done, or simply to survive, while at the same time risking criticism from audit units for non-compliance with existing rules.

At a broader level, as management reforms are being devised to improve UNDP performance, little has been done in terms of looking at strategies for service delivery. To be sure, there has been an active discussion and debate in the organization on modalities. But there has been a slow response in terms of seriously looking into

alternative methods of service delivery (often referred to in part as a need for a “toolbox” for the Country Offices).

The Strategic Results Framework for Management — since 2000 the CO Management Plan — addresses sub-goals for managing a results- and resource-based organizational strategy, and for promoting responsive leadership and becoming a client organization, among other internal issues. Nowhere in the expected outcomes or indicators of the SRF for Management is there mention of the need to seek, let alone develop, better service delivery modalities or methods. Rather, attention is focused on improving existing frameworks (e.g. NEX) of service delivery — “tinkering around the edges” in the words of some of those interviewed. The recently launched BDP Task Force on execution modalities is intended to tackle these issues, as is this evaluation and the concurrent evaluation on non-core resources. Ideas discussed in Sections 4 and 5 of this report on sector-based development partnerships and operations service delivery partnerships could be considered as options among an expanded set of alternative service delivery methods.

Finally, good management depends on good information and decision-support systems. It has been noted that weaknesses in financial and operational information constrain planning, management and learning. The UNDP SRF for Management, the CO Management Plan and other sources note initiatives to improve the SURF, to expand knowledge management, and to promote UNDP as a learning organization. But this evaluation has shown that even rudimentary information on projects, and project documents themselves, are poorly managed and maintained. It does not take advanced computer systems or rocket science to ensure adequate paper-based filing and records’ management. Without such basic information management disciplines in place and embedded within the management culture, it is not likely that more sophisticated ICT based systems will produce much improvement.

ADMINISTRATIVE SUPPORT CHALLENGES

The above points to the need to clearly define what core capacities are required in the organization to support the direct delivery of services. The team noted the importance of entrepreneurial and pro-active leadership and action-oriented operational management as key core capacities for success in this type of business. Other capacities include marketing, client management, organizational and individual flexibility (teaming) and a range of operational/organizational support capacities. The cost-effective and successful direct delivery of services — if expanded in the future — may well depend on a Country Office “business

platform” and HQ support system that is based on a business-like set of management principles, practices and systems. Again, the SRF for Management (which in 2000 became the COMP — Country Office Management Plan) touches upon some of these aspects, but misses others. Without an integrated strategy, future performance is likely continue to be “hit and miss” — good in some cases, and sub-optimal in others.

A number of other administrative and support constraints were found by the team that, if not addressed, will constrain future direct service delivery, compromising quality, overall performance and the Administrator’s associated accountability. The existing financial management systems are designed to support the “old” UNDP as a funding agency. New (or enhanced) financial management systems will be required to support the “new” UNDP as a development agency and upstream policy service provider. Of special note are the limitations on cost-accounting: there are neither adequate policies nor systems in place that can tell UNDP how much it costs to directly deliver services. This could compromise the UNDP’s ability to recover full costs or to negotiate reasonable fees with clients/funders. It could also compromise the need to demonstrate substantive accountability.

The DEX guidelines are still in draft form and although useful to some offices, they have been noted by others to be weak. In particular, the absence of adequate project and contract management methodologies and supporting systems can compromise performance. To be sure, the functions of project or contract management could be contracted out (for larger projects), but in many crisis and emergency situations, UNDP must have these tools with staff skilled in their use to support direct implementation. Limited delegations of authority to the country office level — including limited signing authorities for contracts — can slow the local decision making processes. If COs are to be held accountable for the delivery of results, then they will need formal guidelines, management tools, supporting systems and authorities in order to let the managers manage.

As a closing note, the achievement of the service delivery and operational priorities expressed in the Administrator’s Business Plans could in part be supported through the continued if not expanded direct delivery of services. The realization of opportunities and overcoming of constraints will require “thinking out of the box,” a process which is seen to be well underway in UNDP.

RECOMMENDATIONS

9

THIS SECTION PRESENTS RECOMMENDATIONS ON POLICY, MANAGEMENT, AND ADMINISTRATION & SUPPORT TO DIRECT DELIVERY OF SERVICES

The findings uncovered in this evaluation point to important challenges for UNDP in the direct delivery of services, and indirectly, to broader questions of execution in general. A general consensus has emerged from this evaluation and from other forums that now is the time for UNDP to carry out a fundamental re-thinking of execution in the broader sense. As part of such a re-thinking exercise, the achievement of the service delivery and operational priorities as expressed in the Administrator's Business Plans could in part be supported through the continued if not expanded use of direct service delivery mechanisms. The team's recommendations respond to UNDP's corporate-wide direct service delivery issues and constraints revealed by the evaluation. Special attention is given to strengthening the role of the COs in a number of areas so that in the future they can function as cost-effective "business platforms" for the development and direct delivery of services geared to meeting the needs of their local markets.

The team's **nine** recommendations are grouped into three areas covering policy, management, and administrative support. The recommendations are interrelated. For example, recommendations on greater delegation of authority are supported by recommendations to improve management capacities and systems of oversight and control. Some recommendations point to future envisaged policy changes while others focus on more immediate and practical management and support actions.

RECOMMENDATIONS ON POLICY

The first recommendation (below) points to policy reforms for service delivery that might be considered over the short to medium term. The second and third recommendations point to changes that might be made in the short term to improve and expand the direct delivery of services under the existing legal and policy framework.

- 1. It is recommended that a broader and more flexible policy, legislative and regulatory "enabling environment" for service delivery be set up for UNDP so that it can meet emerging client demands for services and support in a wider range of circumstances. Envisaged policy and**

legislative changes would likely take time as they imply major management and cultural changes. Key considerations include:

- Decision 98/2 should be updated to highlight direct delivery of services as an important strategy for implementation of the Administrator's Business Plans.
- The operational definition of **special development circumstances** should be updated. Given the rapid changes in the external and internal environment and the new directions set out in the Administrator's Business Plans, the current operational definition for CSDS could be broadened to include a specific set of *criteria* or *conditions* under which the DEX modality could be selected, thus providing better guidance to the CO in optimizing the decision to use DEX or another modality. For example, corruption and human rights abuses might specifically be given prominence as criteria for classification under CSDS. Furthermore, broader consideration could be given to applying DEX in countries that are not classified as being under special development circumstances. These might include countries in need of one-off support in elections and referenda, or requiring major country reviews and evaluations (i.e. engaging UNDP as a "consultant"), among other areas.
- **Broadening the application** of direct delivery. There may be a range of other service delivery opportunities for which direct execution could be the most appropriate modality. These include governance reform, the provision of upstream policy advice, and cross-sectoral or complex umbrella programmes, among others that may be more amenable to direct delivery or delivery based on more collaborative partnerships.
- The concept of **national ownership** should be redefined to focus more on notions of commitment and participation, rather than of "control," and such ownership should be broadened beyond central governments to include lower levels of government, the private sector and civil society. If ownership were to focus more on commitment and participation, national counterparts would be likely to focus more on outputs and results than on inputs and process.
- Since direct execution was not found to undermine national ownership, a **new management language** should be introduced to simplify and re-define

the notion of service delivery. Notions of DEX, NEX, execution, etc. should be abandoned. Terminology should be introduced that better reflects UNDP's revitalized approach to business and role as a development agency and results-oriented service provider. In the RBM style of management, and reflected in the Administrator's Business Plans, the focus is on results and accountability, leaving open to greater management discretion the tools, techniques and methodologies required to deliver the results.

- The **issue of ownership** should be de-linked from the issue of compliance with UNDP financial rules and regulations.
 - The concept of national **capacity development** should be defined explicitly to cover national substantive development capacities and the management of national development programmes. National capacity development should not be meant to describe central government capacity to execute or implement UNDP funded projects according to UNDP rules and procedures. National capacities should be extended to include capacities within the private sector and civil society as increasingly important sectors in national development.
2. In the immediate term or until such time that the broader enabling policy/legislative environment is changed, **it is recommended that the existing policy on DEX (Decision 98/2, Programming Manual) be clarified in terms of its application and conditions of use.** In particular, specific guidelines should be developed:
- To define which types of situations call for **speed of delivery** and decision-making, and what sort of speed is required. Situations other than for emergencies can call for quick response and speedy delivery: e.g. response to an urgent policy or governance reform issue, an election, competing — possibly against other agencies — in responding to a need, particularly in the rapidly evolving area of ICTs.
 - To define what is meant by **effective programme and project delivery**, and to define the degree of effectiveness required to safeguard the full responsibility and authority of the Administrator. For example, risk assessments of envisaged projects could be carried out for different modalities of service delivery, with probabilities of meeting defined objectives within defined time periods

and costs. The approach with the least risk would then be selected.

- To define precisely what is meant by **lack the capacity** on the part of national authorities when it comes to carrying out DEX projects or programmes. It would seem that the potential for the direct delivery of services in countries under special circumstances, as well as in other countries, would expand considerably if capacity issues on the part of national governments were to include more explicitly such aspects as corruption, political influence, or undue process (e.g. patronage or severe weaknesses in public sector management.)

- **Direct contracting of services** could also be expanded at the HQ level where certain Global programmes might be more cost-effectively managed by the concerned HQ units, supported by a central UNDP contracting authority.

3. **It is recommended that UNDP explore and develop a range of alternative service delivery methods or modalities.** Considerations could include the following:

- **A broader range of options** from full direct management and implementation at one end of the spectrum to full national management and implementation at the other. This recommendation flows from the Administrator's Business Plans, with a move to upstream policy advice calling for revisiting service delivery options as well as more flexibility (where DEX is seen as an approach of the past.) In some cases, a direct delivery approach may be the most cost-effective, considering all factors such as speed of delivery, national capacities and other issues. In other cases, more structured partnerships and delivery methods may make the most sense. Country Offices or Headquarters could then determine and select the most cost-effective delivery method, based on established criteria (e.g. business case or cost-benefit analysis.) Special attention should be given to the use of sector based development partnerships, and to ongoing operational services partnerships (along models of public-private sector partnerships, as discussed in the report.)

- Alternative service delivery methods would not negate the project or programme approach — indeed, each method would be supported by **flexible management methods** and practices.

Some types of services may be delivered through more formal projects and programmes. Other types of services and support, where structure is not quite so important, may be delivered by full-time or part-time staff engaged by UNDP (who undertake research, produce discussion papers and policy advice, support advocacy etc.), by contracting out, setting up conferences and workshops, producing publications and so on. Service or engagement agreements for short-term, quick response, upstream policy advice may take on a simpler form, while more complex development initiatives may require more substantive agreement, management and implementation instruments.

RECOMMENDATIONS ON MANAGEMENT

The following recommendations do not imply changes to existing policy on direct delivery of services. Rather, they focus on better application of existing policies and management practices, leading to more cost-effective direct service delivery and enhanced substantive accountability.

4. **It is recommended that UNDP formalize and strengthen the existing draft guidelines on Direct Execution.** As direct delivery requires project, programme and operational management — not just administration — formal and more complete guidelines and compliance on methodologies, standards and systems of quality assurance are required. Strengthened guidelines would provide practical support to DEX under the current policy/legal framework, as well as support future reforms in service delivery, especially in the following areas:

- **Capacity and risk assessments** to better guide the selection, management and/or oversight of implementation partners. Also, greater attention should be given to the internal assessment of Country Office capacities for the management, implementation and operational support of DEX activity (whether in the form of direct advice, staff, projects or programmes.) Capacity assessments could be carried out by the CO or HQ or contracted out. UNDP COs should be encouraged to apply or adapt the capacity development and assessment guidelines that have been developed by UNDP. Such guidelines are a variant of strategic and business planning. Special guidelines should be developed for emergency or quick response situations where there may not be sufficient time (or resources) to

carry out more formal capacity assessments, and such guidelines should focus on risks.

- Formal mechanisms for the **involvement of national counterparts**, to be more stringently applied at the project formulation and implementation phases of service delivery initiatives, and in monitoring and oversight. Although the current draft DEX guidelines encourage the formation of steering committees for DEX projects, substantive accountability and project performance could be strengthened if this “guideline” were more of a “standard.” While steering committees could become overly bureaucratic and terms of reference would need to be developed for each project situation, the main roles of such committees would be to support coordination, provide direction and guidance and resolve disputes and conflicts. They would also serve as forums for the review and approval of major project outputs. Complementary councils or advisory groups could be formed to ensure that the views and opinions of beneficiaries or other impacted groups (e.g. private businesses) are considered.
- The need for **technical expertise** to be more formally assessed and factored into project formulation and implementation. Such expertise would be specific to the technical needs of the project, and would support the cost-effective delivery of services and enhance substantive accountability. Projects could incorporate a technical quality assurance function whereby technical inputs and outputs could be vetted by a technical authority to validate quality. Such experts could assist in resolving disputes and support negotiation with implementation partners.
- **Project management** principles, tools and techniques, to enhance the CO quality assurance, monitoring and oversight functions. UNDP CO staff involved in project and programme management should also be familiarized with contract management methodologies, including some training in related skills such as negotiation, risk assessment and contingency planning.
- **Strategic management** methodologies, tools and techniques, to enhance the linkage of individual direct service delivery initiatives to broader development programmes, goals and objectives. This would require more effective application of and compliance with the RBM approach to individual service delivery initiatives.

Also, clear standards and systems for measuring performance should be part of service delivery guidelines (i.e. CO performance in conjunction with indicators on COMP, score card and other performance measurement systems.)

5. **It is recommended that UNDP substantially enhance its corporate memory on DEX (as well as other types of) projects.** This would include initially, proper electronic and paper based filing and document management systems for DEX project documents, records and all reports/deliverables from DEX projects, as well as improving the integrity of DEX information data-bases to make them timely, complete, accurate and up-to-date. Better information will support both the policy analysis and development activities, but will also better support programme/project planning, management and evaluation, plus the overall learning and information-sharing capacity of UNDP.
6. **It is recommended that core competencies for CO management and support of directly delivered services be determined.** Core competencies should focus on:
 - **Leadership competencies** with special attention to marketing, client service and management, public relations and communications, business management, risk taking and entrepreneurship. This applies especially to the senior management levels of the Country Office and is more important for those COs that have larger portfolios and greater potential for the direct delivery of services.
 - **Organizational culture** and a climate of “getting things done”: sound planning and organizing capacities; the setting and adjusting of priorities as demands of the dynamic environment shift; strong formal and informal internal and external communications; a high degree of personal effectiveness and flexibility, including strong interpersonal skills and a results-oriented, client-service mentality.
 - **Staff skills profiles** for the direct delivery of services, and human resources management plans to support this type of service delivery. The country re-profiling and business models would benefit from looking at the sorts of skills requirements needed for the direct delivery of services. This would guide human resources management practices in the areas of recruitment, training, career development, performance management, and reward and incentive programmes.

RECOMMENDATIONS ON ADMINISTRATION AND SUPPORT

7. It is recommended that the financial management systems be upgraded to take into full account the “delivery agency” status of the organization.

New or enhanced financial management modules are required to help COs better handle multiple currencies, sources and application of funds, donor reporting, budgeting, the preparation of “balance sheets” and other features. Special considerations include the following:

- A **feasibility study** to flush out the costs and benefits of optional financial systems solutions. Financial systems in UNDP should feature not only line item or object accounting, but also cost/responsibility center and accrual accounting (e.g. HQ units, the CO as well as the “business center”) and programme accounting (i.e. programme outputs and results.) The UNDP financial systems should link the organization’s development priorities and objectives (anticipated results) to budgets and to expenditures.
- As part of the above point, a formal **cost accounting** policy, plus supporting procedures and systems to measure and report on full costs of delivery. Costs would not only include those for the direct implementation of initiatives, but also for related planning, programme and strategic management. This implies that some costs for direct delivery would need to be apportioned to ongoing CO management and operations, perhaps based on time recording or some other measure. Costs for DEX should reflect: (1) the type, scope and complexity of projects; (2) implementation modality; and (3) Country Office capacities. It would be useful to develop norms for the costing and cost recovery of direct service delivery according to broad types of projects, implementation modality and, perhaps, other dimensions.
- **Standard modules** for such core functions as procurement, expenditure control and related areas identified in Section 5 of this report. There should be a standard corporate chart of accounts that would facilitate the roll-up and reporting of information at the CO level, the Bureau level and the corporate level.
- Formalizing and staffing a **Senior Financial Officer** position for the larger COs.

- Refinement of the policy on **charging fees** for support to directly delivered services, covering all sources of funds. Fee schedules should be flexible to take into account country level variances in costs and country specific market conditions. Fees charged for support to directly delivered projects should reflect the full (overhead) costs.

- Investigate the feasibility of setting up an **investment or revolving fund** that would facilitate the start-up of directly delivered projects/programmes, as well as beef up CO capacities to support such initiatives. The costs would be determined at the outset of such initiatives and any drawdown from such funds would be repaid through fees collected from delivery.

8. It is recommended that the existing approval processes for the direct delivery of services be streamlined.

Even where some decision-making authority for entering into DEX projects is delegated, the reviews, concurrences and approvals within the HQ structure remain somewhat centralized. It is recommended that greater authority be given to the Country Offices to decide, based on local circumstances and under clearer corporate guidelines, the needs for direct delivery and the types of services to be delivered. Such delegations would need to be accompanied by strengthening CO decision-making and management capacities, oversight and monitoring mechanisms, and abilities for the recruitment/training of the right people. Other considerations include:

- **Role and responsibility of HQ units** in respect of support to DEX and review/approval of DEX projects and programmes be clarified and streamlined. Where DEX often must respond to emergency and other special development situations calling for quick decision-making and delivery, HQ units should be mandated to provide quick response support to the COs. This implies streamlining existing procedures, and enhancing information management and executive decision-support systems and other resource facilities such as the SURF.
- Greater authority be delegated to the Country Offices in terms of **signing authorities** for contracts and rates for international and local professional services. Further, such authorities and limits should be based on local market conditions, perhaps incorporating different fee

schedules, and measures to encourage the international transfer of experience, lessons and know-how. Authorities could be delegated to COs to locally approve larger sized projects and contracts, and to provide higher local approval authority for daily fees for international consultants, based on market and/or competitive situations, and on the decision-making and management capacity of the CO.

9. It is recommended that the UNDP oversight and accountability framework be simplified and rationalized. The team recommends that the accountability framework for UNDP be presented in practical terms and incorporate the organization's increasingly decentralized style of operation and, of course, modalities of service delivery (DEX and others that may be developed). Specific considerations include:

- Answers to the questions of “**who is accountable for what**” and “**how is accountability achieved.**” Such a framework would need to link accountabilities to authorities, roles and responsibilities, and the systems of supporting control (that is, management, operational, financial and administrative capacities.)
- **Comprehensive review and evaluation plans** for DEX projects and programmes should be developed, factoring in all such activity at the CO and HQ levels, including audit and monitoring. Greater compliance is required in particular in carrying out mid-term and terminal evaluations of major projects. Evaluations should also be mandatory on smaller projects, especially if they are in effect phases of longer term programmes or if important lessons are learned.

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Annexes

Direct Execution Terms of Reference for Evaluation



I. JUSTIFICATION AND BACKGROUND FOR THE EVALUATION

The UNDP Associate Administrator has requested the Evaluation Office (EO) with support from the Office of Audit and Performance Review (OAPR) to conduct an evaluation of UNDP's experience with Direct Execution (DEX) to date.

DEX implies the involvement of UNDP as an executing agent. According to the Executive Board Decision 98/2, this role "shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery." The evaluation would thus address the designation of UNDP as the executing agent; cases of UNDP involvement under other execution modalities is beyond the scope of this specific evaluation.

Subsequently, the Board approved new Financial Rules and Regulations, which allow such use of direct execution and provides the Associate Administrator with the authority to approve DEX and issue guidelines and criteria for the use of execution modalities. The DEX evaluation will help the Associate Administrator in the exercise of these duties and provide input to future guidelines on the subject.

Since the Executive Board debate on this issue, UNDP has experienced significant changes. The Administrator's Business Plans, which guide UNDP's transformation process, call for, inter alia, a move towards more upstream policy advice and dialogue and "moving further away from small, isolated development projects." They also picture an organization that is more knowledge-based and networked. The introduction of Results-based Management (RBM) in UNDP puts more stress on achieving strategic results with partners rather than a traditional process orientation. The Options Group's report envisages a dynamic and skilled UNDP Country Office of the future. The report recommends that DEX be "added to the tool kit of all Resident Representatives" and that transactions costs are further reduced by, for example, using lump sum modality for programme implementation. All this points towards a future where the demand for traditional delivery of project implementation will change, and hence execution modalities and required capacities.

Linked to the above, the demand for DEX has increased significantly in recent years. The issue of direct execution and other execution modalities has been the

object of debate in UNDP with both strong proponents and equally strong detractors. The evaluation will support this policy dialogue in UNDP by pointing to issues that merit further attention by the organization.

In its Decision 98/2, the Executive Board requires UNDP to submit at its annual session in 2001, an evaluation of all aspects of activities funded by non-core resources, particularly the modalities applied by UNDP. The evaluation on direct execution is expected to provide input to the strategic evaluation on non-core funding which will address, *inter alia*, UNDP's execution modality system in general.

II. PURPOSE OF THE EVALUATION

The purpose of the evaluation is to review the experience of UNDP in Direct Execution and recommend improvements. The evaluation will:

- Highlight the lessons learnt;
- Demonstrate the strengths and weaknesses of the DEX modality and identify the contributing factors;
- Identify the constraints which need to be addressed to improve the application and use of the modality, including possible changes in procedures and systems;
- Identify issues to resolve to help UNDP develop a systematic approach for the future utilization of DEX within the existing accountability structures and organizational framework.

III. SCOPE OF THE EVALUATION

The evaluation mission will undertake a comprehensive review of the application of DEX in UNDP, i.e. a management arrangement in which UNDP designates itself as the executing agent. This review will address managerial and other issues of DEX as an execution modality, and provide operational recommendations based on past experience. The mission will address the following:

- a. Background on the development of DEX: trends; growth in the use of the modality; geographical concentration; typology of countries using the modality and analysis of their particular strategy; special patterns in the types of DEX projects and use of the budgets (for equipment, international/national consultants, etc.); and use at global, regional or country specific level.

- b. Analysis of key issues related to the use of direct execution and extraction of lessons learned:

- **Oversight and accountability issues.** This may include analysis of the arrangements in place for financial accountability and how the requirements for financial accountability are met (audit, accounting and reporting systems); review of programme accountability and transparency through participatory and effective monitoring and evaluation mechanisms in DEX programmes/projects; assess the roles played by different UNDP units in terms of oversight; identification of improvements in terms of capacity, training, change in policies, systems and procedures; advice on workload implications for the volume and nature of the tasks conducted; proposals on the office capacity needed to effectively undertake direct execution functions/tasks.

- **Strengths and weaknesses.** This may include assessing the contribution of DEX to organizational substantive results, programme quality, effectiveness and efficiency; identifying the reasons for demand for DEX; providing findings and underlying reasons.

- **Transaction costs and process issues.** Linked to accountability issues, this may include reviewing aspects related to procedures and processes for DEX, such as the internal arrangements for direct execution; establishing what practices influenced the performance of DEX; providing suggestions for an effective and fair approval process; identifying how administrative systems and approaches can be made more useful for DEX as a management arrangement and possible consequences thereof (in terms of systems, staffing, finances.)

- c. Findings and recommendations on direct execution on the issues mentioned above: to point out key changes in UNDP operations which would be required for the implementation of the recommendations; provide findings and suggestions on the effective functioning of DEX to achieve intended programme results.

IV. METHODOLOGY

The evaluation will be carried out in three phases:

Phase 1 – Headquarters based. Briefing of the team. Desk review of a selection of the programmes/projects under the DEX modality. Review of all available assessments on the modality. Interviews with relevant staff. Preparation of a detailed framework for the evaluation.

Phase 2 – Country visits. The team will undertake country visits to 2–3 selected countries with large DEX portfolios and a country with a smaller DEX portfolio.

Phase 3 – Debriefing and presentation of preliminary findings.

Phase 4 – Final draft report and debriefing of relevant stakeholders in New York.

V. COMPOSITION OF THE TEAM

The evaluation team will consist of four members; three consultants including the Team Leader and a UNDP (OAPR) staff member.

VI. TIMETABLE

The evaluation is scheduled to start in mid-October 2000 and the final report of the team is expected by the end of February 2001.

VII. IMPLEMENTATION ARRANGEMENTS

The EO will manage the evaluation, and OAPR will collaborate by providing one staff person as a team member. The Bureau of Management (BOM) and the Operations Support Group (OSG) will act as a main resource for the evaluation team and will make available to the team all the materials they have available.

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List of Documents Reviewed



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- *Governing Council* Decision 91/27; UNDP Governing Council 92/22; Governing Council, Sixteenth Session, Supplement 2A
- UNDP Programming Manual, Manual of Operations Management, Financial Rules and Regulations
- *NEX Legislation.* GC 92/22 of 26 May 1992
- DEX Project Documents from a sample of 20 DEX Country Offices, including DEX project documents on the countries visited
- DEX project reports from the countries visited (e.g. terminal reports, reviews, evaluations)
- OAPR audits and audit summaries
- Internal working papers, files, the RR-Net
- Legal documents in terms of EB Decisions, management circulars

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Recent Trends in DEX Activity



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 - D.3** DEX Project by Budget Activity
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D.1 INTRODUCTION AND METHOD OF ANALYSIS

A main task set out in the DEX Evaluation Terms of Reference (TOR) was to carry out a general descriptive analysis of DEX activity focusing on basic trends and typologies (TORs, Clause III (a).) This annex presents the findings of the descriptive analysis of DEX project activity. The first sub-section below presents a general overview of DEX activity in terms of numbers, regional and country distributions, and other breakouts. Subsequent sections look at DEX financial activity in terms of budgets, expenditure patterns and sources of funds. The final sub-sections examine DEX activity in terms of donor involvement (cost-sharing, trust funds) and implementation activities. But first, a brief note on the data collection and method of analysis.

Over the period November 2000 to early January 2001, a research assistant was assigned to the team to: (1) collect basic data on DEX projects from internal UNDP headquarters sources; (2) develop a basic database on DEX project information; and (3) from this database, carry out a series of descriptive analyses. Unless otherwise noted in this section, the major sources of data to support the descriptive analyses include the UNDP Intranet Programme Gateway, the PFMS Database, OSG records and Project Documents. The primary method of analysis was through the use of Microsoft Excel spreadsheets and supporting descriptive statistics and breakouts. Missing or supplemental data were collected through follow-up consultations with various UNDP HQ officials. The collected data have been entered into a series of Microsoft Excel spreadsheets, now available in the UNDP Evaluation Office.

The collection and recording of basic DEX project data to support this evaluation was a challenging task in its own right. Numerous difficulties were encountered in identifying sources of data, correcting observed inaccuracies and accessing DEX project data, *viz.*:

- DEX project data from the Combined Delivery Reports (CDR) were found in a number of cases to be inconsistent with project data from the UNDP Intranet database (Programme Gateway) in terms of

the coding and capture of execution modality, numbers of projects and budget amounts.

- A number of projects (a significant 50 per cent of the total) were not included in the OSG records and the availability of DEX project documents at Headquarters (in Regional Bureaux) was found to be incomplete (35 per cent of project documents were simply not available.)
- The team found that some of the project records had incomplete or inaccurately coded DEX project information in terms of such issues as mis-recorded and mis-coded modalities (e.g. NEX, UNOPS and others), lack of clarity on some project documents in terms of the implementing agency and executing agency, and so on.

Other constraints and caveats associated with the data analysis of DEX projects are described in the final subsection of this annex. Notwithstanding these data collection constraints, the team is confident that the analyses presented in this annex fairly present DEX activity over the period 1995–2000, the period during which most of the DEX projects have been approved. However, a more rigorous attention to developing and maintaining a “corporate memory” on DEX (or any other type of project) will assure the integrity of future analysis.

FIGURE D.1(A) GEOGRAPHIC DISTRIBUTION OF DEX PROJECTS

Country	# Projects	Total Budget *
Global	18	7,747,663
Interregional	8	3,326,056
Regional		
- Africa	1	1,200,739
- Asia/Pacific	1	1,396,000
- Europe/CIS	1	635,500
- Latin America/Caribbean	2	2,407,037
Country Level	188	709,610,846
UNDP TOTAL	219	726,323,841

* Note: All figures hereinafter are in United States dollars

FIGURE D.1(B) DISTRIBUTION OF DEX PROJECTS AND BUDGET AMOUNT BY COUNTRY

Country	# Projects	Total Budget	Country	# Projects	Total Budget	Country	# Projects	Total Budget
Afghanistan	2	3,831,310	El Salvador	4	1,031,533	Pakistan	1	100,000
Albania	3	4,282,289	Eritrea	1	1,334,661	Rwanda	31	57,671,966
Algeria	2	205,000	Ethiopia	1	250,000	Samoa	1	29,487
Angola	2	1,386,239	Guatemala	11	18,551,529	Solomon Islands	1	200,000
Bangladesh	1	4,560,328	Guinea-Bissau	2	2,827,262	Somalia	5	1,021,690
Benin	1	100,000	Guyana	1	336,267	Sri Lanka	1	320,000
Bosnia and Herzegovina	23	42,303,909	Haiti	5	3,808,230	Sudan	1	165,947
Botswana	1	124,402	India	3	475,840	Suriname	1	1,888,000
Burundi	3	7,677,089	Iran	4	2,854,584	Swaziland	1	225,000
Cambodia	1	13,238,349	Iraq	15	472,353,882	Tanzania	2	603,393
Chad	2	1,961,560	Jamaica	1	7,627	Tokalu	1	125,691
Colombia	1	1,435,152	Lebanon	2	414,500	Tunisia	1	2,748,284
Congo	1	25,000	Lithuania	1	90,000	Turkey	2	862,075
Congo PRC	2	2,028,926	Madagascar	1	200,000	Turkmenistan	1	709,673
Cook Islands	1	3,154	Mozambique	4	2,770,687	Uganda	1	155,000
Cote d'Ivoire	1	1,748,439	Niger	1	470,367	Venezuela	2	4,574,872
East Timor	8	3,981,854	Niue	1	2,628	Yugoslavia	4	8,815,022
			Occupied Palestinian Terr.	18	29,399,419	Country Total	188	709,610,846

D.2 OVERVIEW OF DEX PROJECT ACTIVITY

In terms of the big picture, Figure D.1(A) illustrates the distribution of DEX projects by major geographic breakout. Over the period 1995–2000, a total of 219 DEX projects were approved, of which 188 are at the country level. The greatest number of DEX projects was found to be in the Africa region (59, or about 27 per cent of the total DEX portfolio)¹⁰¹ with the fewest in Asia/Pacific (27, or about 12 per cent of the total portfolio.)

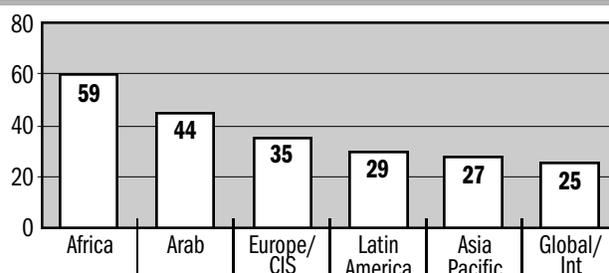
Figure D.1 (B) on page 82 presents an alphabetical country list of DEX projects underway or closed over the period 1995–2000. According to the most recent UNDP financial records, 193 DEX projects have been defined as “ongoing.” (They are either operationally active or have been operationally closed but not closed according to their financial status.) The total of 219 projects in the UNDP DEX Portfolio have a combined total value of slightly over \$723 million. A total of 31 *Regional, Interregional and Global* projects have been approved, with a combined value of about \$16.6 million, equivalent to about 1.9 per cent of the total DEX portfolio. Figure D.2 at right graphically illustrates the distribution of DEX projects by region, showing that the Africa region has the highest proportion of DEX activity.

Compared to the total UNDP project portfolio, the number of projects delivered through the DEX modality was found to be relatively small. As can be seen in Figure D.3 at right, DEX project activity represents about five per cent of total UNDP projects. DEX activity in the Arab States, and in Europe and the Commonwealth of Independent States (CIS) is somewhat greater than in other regions, while DEX activity in Global and Interregional projects is a bit higher, due to the relatively small number of UNDP Global and Interregional projects overall.

Figure D.4 at right illustrates that the Arab region has the highest total DEX budget as compared to other regions — \$504 million or 71 per cent of the total UNDP DEX budget. This is due to activities in: (1) *Iraq*: 15 high-value infrastructure projects with a combined budget of \$472 million; and (2) the *Occupied Palestinian Territory*: 18 projects with a combined budget of \$29 million. The relative distributions take on quite another picture when the Iraq and Occupied Palestinian Territory projects are taken out, and this is illustrated in Figure D.5 (see next page). According to available data,

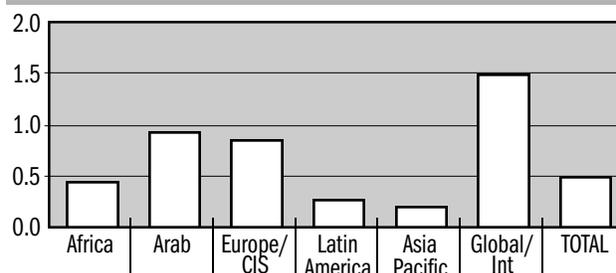
the total value of the DEX portfolio (excluding Iraq and the Occupied Palestinian Territory) amounts to about \$220 million. Consequently, the Africa region experiences the highest proportion of DEX projects by budget, with 37 per cent of the total (\$ 82 million), followed by Europe and the CIS (27 per cent or \$59

FIGURE D.2 NUMBER OF DEX PROJECTS BY REGION



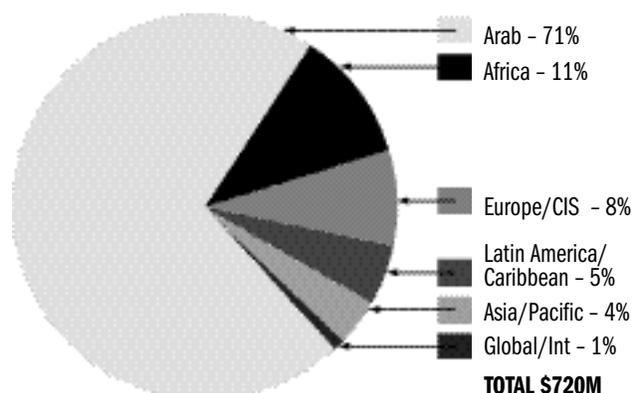
Source: PFMS data, Project Documents, Programme Gateway

FIGURE D.3 NUMBER OF DEX PROJECTS BY REGION (DEX AS % OF TOTAL UNDP PROJECTS)



Source: PFMS data, Project Documents, Programme Gateway

FIGURE D.4 DEX PROJECTS: TOTAL BUDGET BY REGION



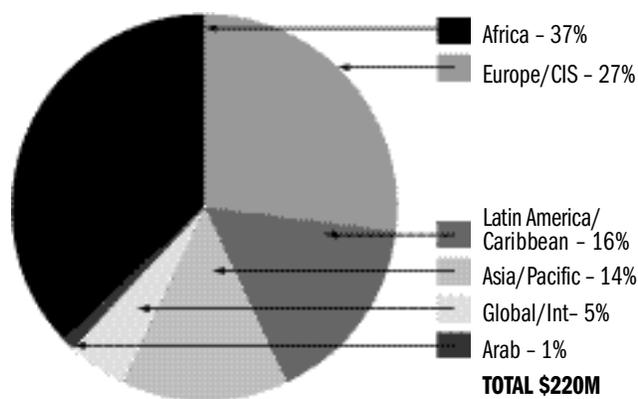
Source: PFMS data, Project Documents, Programme Gateway

¹⁰¹ In calculating the total number of DEX projects, the following comments and sources should be noted: (1) from OSG, 114 DEX projects were not listed; (2) from the CDR, 62 DEX projects were not on the initial DEX list; and (3) from Programme Gateway, 220 DEX projects were listed.

million), Latin America and the Caribbean (16 per cent or \$ 34 million), Asia/Pacific (14 per cent or \$31 million) and the Arab region (one per cent or \$ 3 million.)

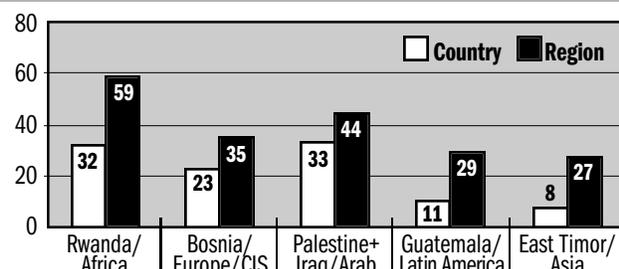
As can be seen in Figure D.1(B), DEX activity is concentrated in only a few countries “under special circumstances” as per the current UNDP DEX

FIGURE D.5 DEX PROJECTS: TOTAL BUDGET BY REGION (EXCL. IRAQ & OCCUPIED PALESTINIAN TERRITORY)



Source: PFMS data, Project Documents, Programme Gateway

FIGURE D.6 DEX PROJECTS: COUNTRY CONCENTRATION IN NUMBER OF PROJECTS



Source: PFMS data, Project Documents, Programme Gateway

FIGURE D.7 NUMBER OF DEX PROJECTS BY YEAR, BUDGET RANGE (IN US\$ '000'S)

Budget Ranges	All	1995	1996	1997	1998	1999	2000
Less than 100	32	4	6	2	4	10	6
100-250	33	3	3	3	5	8	11
250-500	44	2	4	6	6	10	16
500-1,000	35	1	3	10	6	8	7
1,000-3,000	42	8	4	7	3	10	10
More than 3,000	33	2	4	7	4	13	3
TOTAL	219	20	24	35	28	59	53

Source: PFMS data, Project Documents, Programme Gateway

policies. These countries/territories include the “pilot” countries for decentralized DEX authority (Bosnia and Herzegovina, Guatemala, Rwanda) as well as several others in “post conflict” (East Timor, Iraq, and the Occupied Palestinian Territory are cases in point.) A total of \$624 million or 87 per cent of the total DEX budget is allocated to this category of countries.

In terms of the number of projects, 49 per cent are concentrated in the above-mentioned six countries (107 out of a total of 219 DEX projects.) A total of 30 DEX projects are managed by Headquarters (Global, Interregional and Regional projects), while the remaining 82 projects reside in 48 countries with less than five DEX projects each.

Figure D.6 at left illustrates the number of DEX projects in high volume countries as a proportion of total projects in their respective regions. For example, while 20 countries in Africa have DEX projects, Rwanda alone accounts for 55 per cent of the total number of DEX projects in that region (32 out of 59.) Bosnia and Herzegovina has 23 DEX projects out of a total of 35 in the Europe/CIS region.

Iraq is a special case where the DEX portfolio of five projects (seven per cent of the UNDP DEX portfolio) accounts for close to 70 per cent of the UNDP DEX budget (\$472 million of \$720 million.) All of Iraq’s DEX projects were approved in 1999 and primarily carried out in the year 2000. The average Iraq DEX project is \$32 million, ranging from \$2 million to \$110 million. There is no direct cost-sharing for Iraq projects as these projects are financed through a UNDP Trust Fund for Iraq (code item 6X.) Most of the budgets are allocated to subcontracts for the rebuilding of the energy infrastructure.

The Occupied Palestinian Territory is another special case. DEX projects in the Occupied Palestinian Territory began over twenty years ago through the UNDP/PAPP (Programme of Assistance to the Palestinian People.) The PAPP supported the nation-building process, was managed outside of the CCF and was monitored directly by UNDP Headquarters. The DEX portfolio over the period 1995–2000 comprised 18 projects with a total budget of \$29 million and no cost-sharing. The project values range from \$20 thousand to \$7.5 million. Half of the projects are \$1 million and support primarily the rehabilitation of schools, water supply, roads and infrastructure through labour-intensive methods. The balance of DEX projects (below \$1 million) support primarily preparatory assistance (PA) initiatives (an infrastructure master plan and advocacy for democracy, gender and environment.)

D.3 DEX PROJECT BY BUDGET ACTIVITY

The number of DEX projects has more than doubled, from 20 in 1995 to 53 in 2000, as illustrated in Figure D.7. The greatest increase over this period appears to be for those projects with budgets ranging from \$250,000 to \$500,000, and for those projects ranging from \$100,000 to \$250,000. The number of larger projects, with budgets over \$1 million, have not increased noticeably over this period, ranging from a total of 10 in 1995 to a total of 13 in 2000.

Figure D.8 presents the distribution of the total number of projects in the UNDP DEX portfolio by budget range. Generally, the distribution can be seen to be fairly even, with a slightly greater number of projects in the \$250,000–\$500,000 range (20 per cent, or 44 projects out of 219), and for those in the \$1 million – \$3 million range (about 19 per cent or 42 projects of the total 219.) Not including projects in Iraq and the Occupied Palestinian Territory, large projects with budgets of over \$3 million account for only about nine per cent of the total portfolio. This is due to the fact that the budget amounts for the majority of Iraq’s DEX projects are in the \$2 million to \$110 million range.

D.4 PROJECT TYPOLOGY

In analysing the available data, there appears to be a relationship between the magnitude of the project budget and type of project. Not surprisingly, preparatory assistance (PA) projects are generally smaller, usually below \$100,000. Projects in CSDS countries generally range from \$100,000 to \$500,000 or are over \$1 million. Projects were also identified by various UNDP thematic areas that were not considered to be emergency or post-conflict in nature. Such projects generally have budgets below \$100,000 or ranging from \$500,000 to \$1 million.

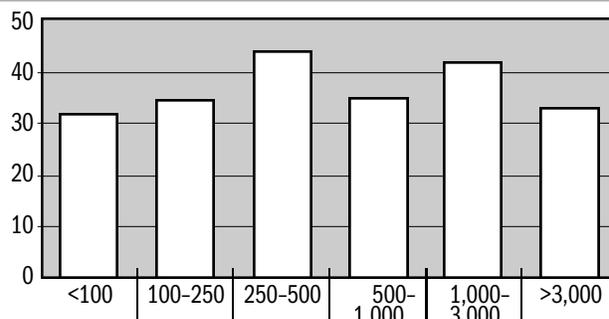
Based on the analysis and available data, smaller DEX projects, or those with *budgets below \$500,000*, can be grouped in five types:

- 1) **Preparatory Assistance (PA):** projects typically for formulation of other larger projects, such as those for Early Warning Systems (crisis-handling projects), rehabilitation and post-conflict (e.g. BIH/99/016 – *PA for Early Warning System*, and RWA/98/B10 – *PA study on causes of conflicts*.)
- 2) **Capacity Development:** projects for such areas as strengthening the role of NGOs, Aid coordination, strengthening the role of UNDP, or developing UNDP capacity in project management (e.g. SOM/00/001 –

Strengthening SACB Secretariat for Aid Coordination, and INT/96/503 – Campaigning UNDP’s role.)

- 3) **Post Conflict:** almost half of the projects in the areas of rehabilitation and reconciliation, and elections. Examples include projects in El Salvador and East Timor (e.g. ELS/96/025 – *Peace/reconciliation of Displaced People*, and TIM/00/004 *Emergency Assistance for Post-conflict Situation*.)
- 4) **Emergency Assistance:** about 30 per cent of projects were identified as emergency assistance for natural disaster (flood, drought, hurricane.) An example is PAK/00/003 – *Relief Assistance to Drought in Pakistan*.
- 5) **UNDP Major Thematic Areas:** 20 per cent of the projects analysed are related to UNDP’s major thematic programmes such as gender in development, poverty, environment, HIV/AIDS and employment promotion, including micro-credit financing. Examples of such projects include ANG/97/007 – *Gender Focal Point in Angola*, and ALG/99/G41 – *Biodiversity of National Park*.

FIGURE D.8 NUMBER OF DEX PROJECTS BY BUDGET SIZE (US\$ ‘000’S)



Source: PFMS data, Project Documents, Programme Gateway

DEX SPECIAL CASES

Iraq: the DEX portfolio of 5 projects (7% of the UNDP DEX portfolio) accounts for close to 70% of the UNDP DEX budget (\$472 million of \$720 million.) All of Iraq’s DEX projects were approved in 1999 and mainly carried out in the year 2000. The average Iraq DEX project budget is \$32 million, ranging from \$2 million to \$110 million.

Occupied Palestinian Territory: DEX projects began over twenty years ago through the UNDP/PAPP (Programme of Assistance to the Palestinian People.) The programme supported the nation-building process and was monitored directly by UNDP Headquarters. The DEX portfolio over the period 1995–2000 comprised 18 projects with a total budget of \$29 million and no cost-sharing. The project values ranged from \$20 thousand to \$7.5 million.

Projects with budgets *greater than \$500,000* were found to fall into the following four broad types:¹⁰²

1) Post Conflict: 25 per cent of projects from \$500,000 to \$1 million were related to direct support in post-conflict situations (rehabilitation, reintegration of returnees, de-mining activities, elections, logistical relief.) Sixty per cent of projects with budgets over \$1 million were found to generally support peace building, community development, rehabilitation, reconstruction, reintegration, employment, accommodation/shelter, de-mining activities, health and demobilization of ex-combatants. Examples of these projects are dominant in Bosnia and Herzegovina and Rwanda.

2) Preparatory Assistance: 15 per cent of projects over \$500 thousand were identified as being PA for governance, local capacity, UN reform, regional human development and the justice sector.

3) Emergency Response: Only 10 per cent of projects were identified for emergency response to natural disaster, such as drought and flood relief, and post-earthquake rehabilitation.

4) UNDP Thematic Areas: 60 per cent of projects in the \$500,000 – \$1 million budget range related to various UNDP thematic areas — mostly in the context of post-conflict countries — such as environment, the private sector and the finance sector. For those projects costing over \$1 million, 30 per cent were identified as being in the areas of gender in development, governance (justice system, public administration, local capacity), micro-credit in rural areas, and sustainable human development (education, human resources training.)

FIGURE D.9 DEX – TRENDS FOR MAJOR TRUST FUNDS

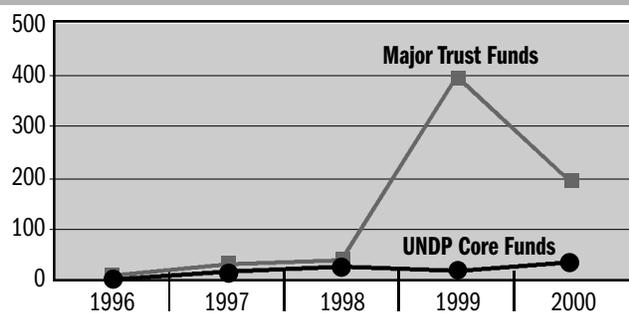
Major Source of Funds	1996	1997	1998	1999	2000
Trust Fund for Iraq	-	-	15	286	172
Trust Fund for Rwanda	-	24	3	-	14
Trust Fund for Occupied Palestinian Territory	3	4	3	8	9
Trust Fund for Cambodia	-	-	13	-	-
SUB-TOTAL TRUST	3	28	34	294	195
UNDP-TRAC (Line 1.1.3 – countries in special situations)	2	9	4	5	2
UNDP-IPF Core (Line 1.1, 1.2, 1.3 – country, Regional and Global programme)	1	7	20	12	32
SUB-TOTAL UNDP	3	16	24	17	34
TOTAL	6	44	58	311	229

Source: PFMS data

D.5 DEX PROJECT ACTIVITY BY SOURCE OF FUNDS

According to UNDP coding structures, sources of funds under DEX can be identified under 42 categories.¹⁰³ Figure D.9 identifies the major sources of funds for DEX projects over the period 1995–2000. The Trust Fund for Iraq is the highest single source of funding, at \$472 million (or 65 per cent of the total), followed by IPF (UNDP core) funds, and the Trust Funds for Rwanda, the Occupied Palestinian Territory, TRAC and Cambodia. The total amount of cost-sharing is \$70 million, with the highest volume under IPF, followed by the volume for the Trust Fund for Cambodia. The Trust Fund for Cambodia is based on contributions from 13 donors and supports a single project for de-mining activities. Exhibit D-‘A’ at the end of this annex presents a more detailed listing of sources of funds by all of the coded UNDP categories.

FIGURE D.10 GROWTH OF TRUST FUNDS AND UNDP CORE FUNDS



Source: PFMS data

SOURCES OF FUNDS FOR DEX PROJECTS BY YEAR

Figure D.10 presents the budget growth in DEX projects by source of funds over the period 1996–2000. As can be seen, the increase has been significant over this period, rising from \$6 million in 1996 to \$229 million in 2000.

¹⁰² This grouping of projects excludes Iraq and Occupied Palestinian Territory as they have been discussed in the preceding sub-section as special-case countries/territories.

¹⁰³ Sources of Funds identified under DEX projects (42 types) are listed as follows: 11, 14, 65, 01, 03, 07, 08, 09, 12, 13, 15, 1G, 1V, 2G, 3B, 3R, 4N, 4R, 5A, 5H, 5P, 5T, 5X, 64, 6X, 6Y, 72, 73, 7L, 8N, 9U, FK, GC, GU, HL, HM, HN, HP, HV, HW, HX, IZ. A complete coding of sources of funds can be found on the UNDP intranet at <http://bfas.undp.org/codebook/table10.html>

The major increase from 1998 to 1999 is due to the initiation of the Iraq DEX projects. At the time this analysis was carried out, the financial reports for the last quarter of the year 2000 were not available. It is expected that the budget value of DEX Projects in 2000 will be higher than in 1999.

Figure D.10 also illustrates the sub-totaled trends for trust funds and for UNDP. In 1998, IPF expenditures for DEX projects totalled \$20 million in Bangladesh, Bosnia and Herzegovina and Guatemala. In 2000, IPF expenditures increased to \$32 million to finance DEX projects in Bosnia and Herzegovina, Guatemala, East Timor, Jamaica, Lebanon, Rwanda, Somalia and Yugoslavia. Figure D.10 graphically illustrates the trends of increasing trust funds over this period. Please note that the year 2000 figures are incomplete, due to the non-availability of information for the last quarter of 2000. It is expected that the 2000 figures will be higher than those of 1999, showing a continued upward trend.

As has been noted, total UNDP expenditures for DEX projects have increased steadily since 1997. The cost-sharing component has also increased over this period, from \$2 million during the 1994–95 biennium, to \$28 million in the 1996–97 biennium and about the same level in 1998–99. The total amount of *cost-sharing* was found to be \$70 million. A total of 128 DEX projects were identified to have a cost-sharing component, with the average per project cost-sharing amount of \$550,000 (ranging from a low of \$1,117 to a high of \$1,321,247.) This absolute amount and increases in the cost-sharing component for DEX projects are low as compared to the cost-sharing components of all UNDP projects, as illustrated in Figure D.11.

Figure D.12 presents a breakout by region of the DEX cost-sharing portion as compared to total UNDP cost-sharing. As can be seen, the level of cost-sharing in DEX projects is about half of the cost-sharing portion in UNDP projects overall, i.e. 32 per cent vs. 64 per cent. Only in the Asia/Pacific region is the level of cost-sharing in DEX higher than the cost-sharing portion in UNDP projects overall (68 per cent as compared to 23 per cent.)

The analysis revealed that for DEX projects the role of cost-sharing of funds is significant. About 60 per cent of the DEX projects were found to have a cost-sharing component (128 out of 219 projects in the DEX portfolio.) In terms of budget amounts — and excluding the Iraq and Occupied Palestinian Territory projects — it was found that about 32 per cent of the total DEX project budget (\$70 million out of \$220 million) was cost-shared.

The analysis also revealed a trend of an increase in the number of cost-sharing DEX projects over the past five

years. Not surprisingly, the increases are most notable in countries in special circumstances such as Angola, Bosnia and Herzegovina, Guatemala, East Timor, Rwanda, Somalia and Suriname.

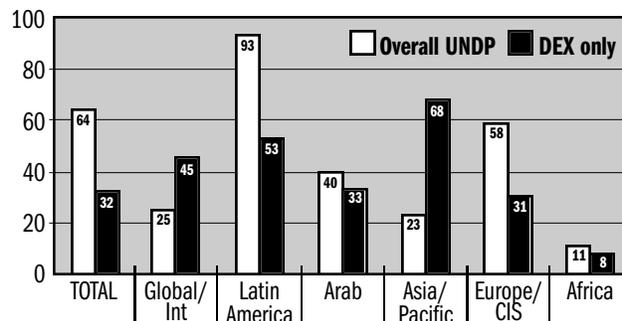
Figure D.13 illustrates an increase over time in the number of DEX projects that have cost-sharing, comprising more

FIGURE D.11 COMPARISON OF COST-SHARING AMOUNTS, BY BIENNIUM

(in US\$ millions)	DEX Projects CS Amount	All UNDP Projects CS Amount	DEX as a % of all UNDP Projects
Biennium 1994–1995	2	978	0.20 %
Biennium 1996–1997	28	1,517	1.85 %
Biennium 1998–1999	28	2,270	1.23 %
TOTAL	58	4,765	1.22 %

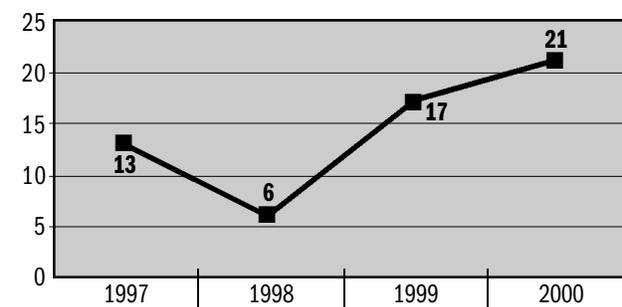
Source: CS to DEX (from CDR); Overall CS from UNDP Financial Statements

FIGURE D.12 COMPARISON OF DEX COST-SHARING TO TOTAL UNDP COST-SHARING (IN %)



Source: PFMS data, Programme Gateway

FIGURE D.13 NUMBER OF DEX PROJECTS WITH 50% OR MORE COST-SHARING



Source: PFMS data, Programme Gateway

than 50 per cent of project budgets. For the year 1997, the analysis identified 13 projects that fell into this category (Angola, Bosnia and Herzegovina, Guatemala, Rwanda), while for the year 2000, a total of 21 DEX projects were identified (Bosnia and Herzegovina, Guatemala, East Timor and Somalia.)

D.6 DONOR ACTIVITY IN DEX PROJECTS

This sub-section examines donor activity in DEX projects from a number of different perspectives. The analysis of the available data on UNDP HQ systems reveals that there is some relationship between the type of DEX project and donor interest. Exhibit D-‘B’ at the end of this annex lists all donors and their level of contributions to DEX projects over the period 1995–2000.

Figure D.14 presents a breakout of DEX projects by region, noting the number of projects in each region, the percentage of total budgets that are cost-shared, and the active donors. Also shown is major donor activity in each region. Latin America/Caribbean was revealed

FIGURE D.14 COST-SHARED DEX PROJECTS BY REGION (IN % TO EACH REGION TOTAL)

Region	# of Projects	% CS (\$)	Major Donors
Latin America/Caribbean	69	53	Denmark, EU, Netherlands, Norway, Sweden
Asia/Pacific	56	68	Australia, Japan, Netherlands, Norway, United Kingdom
Europe/CIS	43	31	EU, Finland, Germany, Japan
Arab States*	55	43	Denmark, Italy, USA
Africa	27	8	Denmark, Italy, Netherlands, USA
Global/Int	28	45	Denmark, Italy, Japan, NGO

* Excludes Iraq & Occupied Palestinian Territory
Source: Programme Gateway, Project Documents

FIGURE D.15 COST-SHARED DEX PROJECTS BY COUNTRY CONCENTRATION (AS A % OF TOTAL)

Country	# of Projects	% CS (\$)	Major Donors
Bosnia and Herzegovina	43	34	EU, Finland, Germany, Japan
Guatemala	73	74	Denmark, Netherlands, Norway, Sweden
Rwanda	19	3	GTZ, Italy
East Timor	75	58	Australia, New Zealand, Norway, Portugal

Source: Project Documents, Programme Gateway

through the analysis as having the highest incidence of cost-sharing in terms of number of donor supported projects, followed by Asia/Pacific and the Arab States.

Figure D.15 identifies those countries with the largest numbers of DEX projects and the most active donors. As can be seen, Guatemala was found to have the highest number of DEX projects and was also the highest in terms of cost-shared budget components.

Information on donor contributions to trust funds could not be extracted from the UNDP HQ systems.

In terms of cost-sharing contributions to DEX projects over the past five years, the following are the major donors (amounts are rounded to the nearest US\$ million.)

Country	Amount	Observations (countries/regions of concentration)
Japan	12	Europe/CIS and Asia/Pacific
Sweden	7	mostly used for DEX operations in Latin America/Caribbean
EU	7	Europe/CIS and Asia/Pacific
Netherlands	6	Asia/Pacific, Africa, and Latin America/Caribbean
Norway	5	Asia/Pacific, Africa, and Latin America/Caribbean
United Kingdom	4	Africa, Asia/Pacific and Latin America/Caribbean
United States	3	Arab States, Africa and Latin America/Caribbean
Denmark	3	Arab States, Africa and Latin America/Caribbean
Italy	3	Arab States and Global projects
Australia	3	Asia/Pacific

D.7 DEX PROJECT EXPENDITURE PATTERNS

Over the three most recent biennial periods, the analysis showed that the total expenditure on DEX projects has experienced an increase from about \$1 million in the 1994–95 biennium to about \$32 million in the most recent 1998–99 biennium (see Figure D.16.) The analysis showed that the ratio of DEX project expenditures to non-DEX projects is small — 0.05 per cent for the 94–95 period; 0.5 per cent for 96–97; and one per cent for 98–99. DEX expenditures for the six-year period were calculated at \$47 million.

This slow delivery rate can in large part be explained by: (1) the Iraq projects (totalling \$470 million) which were mostly approved in 1999 and were being carried out in 2000; and (2) the recent Occupied Palestinian Territory projects (totalling \$30 million.) By excluding expenditure information on the Iraq and Occupied Palestinian Territory projects, the analysis found the expenditure or delivery rate of DEX projects to be about 20 per cent (\$47 million of a \$220 million budget.)

Figure D.17 presents information over the period 1995–1999 on the total expenditures of different execution modalities. The very bottom line in Figure D.17 presents the expenditure levels for DEX projects over this period. The trend in DEX expenditures was upward, with amounts spent rising from about \$8 million in 1997 to about \$9 million in 1999. The NEX modality continues to be the more dominant, followed by UNOPS (as an AGEX modality), the other UN agencies (FAO, ILO, UNDESA, UNESCO, UNIDO) and NGO execution.¹⁰⁴

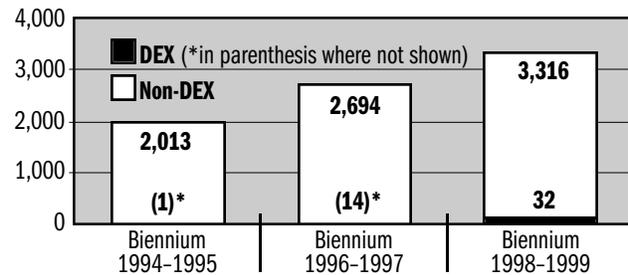
According to available expenditure records, the analysis revealed that almost half (48 per cent) of DEX expenditure activity is subcontracted (see Figure D.18). Recruiting of international experts (CTAs and international consultants) was found to be the second largest in terms of expenditure activity (amounting to 15 per cent of the total DEX expenditures.) Equipment was the third highest (12 per cent), followed by Fellowships (which includes training, seminars, workshops and conferences.) Expenditures associated with the recruitment of administrative staff were found to be four per cent, while a range of other activities (missions, recruitment of national experts, travel expenses and UNV stipends) account for about two per cent each.

D.8 GLOBAL AND INTERREGIONAL DEX PROJECT ACTIVITY

UNDP Headquarters has some 30 DEX projects with budgets totalling \$16.7 million. The duration of HQ DEX projects ranges from three to 66 months, and 27 per cent of the projects are those that support UNDP programme activities. Exhibit D.'D' at the end of this annex presents a list of the HQ DEX projects. Many of these projects may be perceived as direct support to UNDP Country Offices (e. g. programme delivery.) Figure D.19 illustrates the relative proportion of budget by DEX HQ project type. Seventeen per cent of the HQ DEX projects' budgets are those for the Energy Fund. Twelve per cent of the projects' budgets are to support crisis countries. Sixty-one per cent of the total

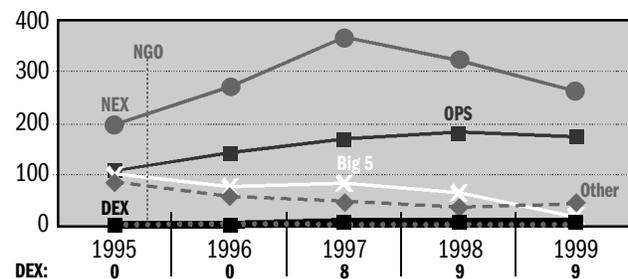
budget comes from UNDP's own resources and trust funds, while the remainder is funded through cost-sharing. The following briefly describes a few of the major project groupings.

FIGURE D.16 DEX TO TOTAL UNDP EXPENDITURES (IN US \$MILLION)



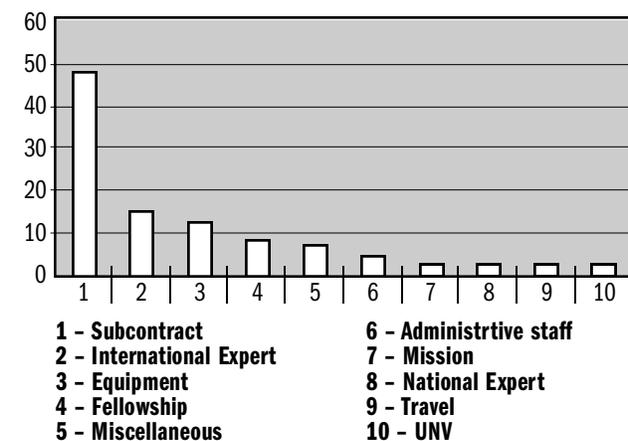
Source: UNDP Financial Biennium Reports

FIGURE D.17 EXPENDITURE BY EXECUTION MODALITY (REGULAR RESOURCES; IN US \$MILLION)



Source: UNDP Executive Board, DP/2000/29, 30 June 2000

FIGURE D.18 DEX ACTIVITIES BY BUDGETLINE IN % TO TOTAL (W/O IRQ)



Source: PFMS data, Project Documents, Programme Gateway

¹⁰⁴ Expenditure for NGO execution was zero from 1995–1999.

UNDP SUPPORT TO PROGRAMME

A number of projects in this category were found to support UNDP's role in development. For example the objective of the largest project (\$2.2 million – “*Strengthening the Communication Capacity of UNDP*”) is to mobilize greater public and political support for the UN system by strengthening the capacity of UNDP to partner with other actors in development objectives and to communicate the UN's development role. It is fully funded by the United Nations Foundation and managed by the Office of the Administrator. The DEX modality was selected because most of the activities are to be undertaken by UNDP Country Offices and Bureaux and little value would be added by having the project implemented by another executing agency.

THE ENERGY ACCOUNT

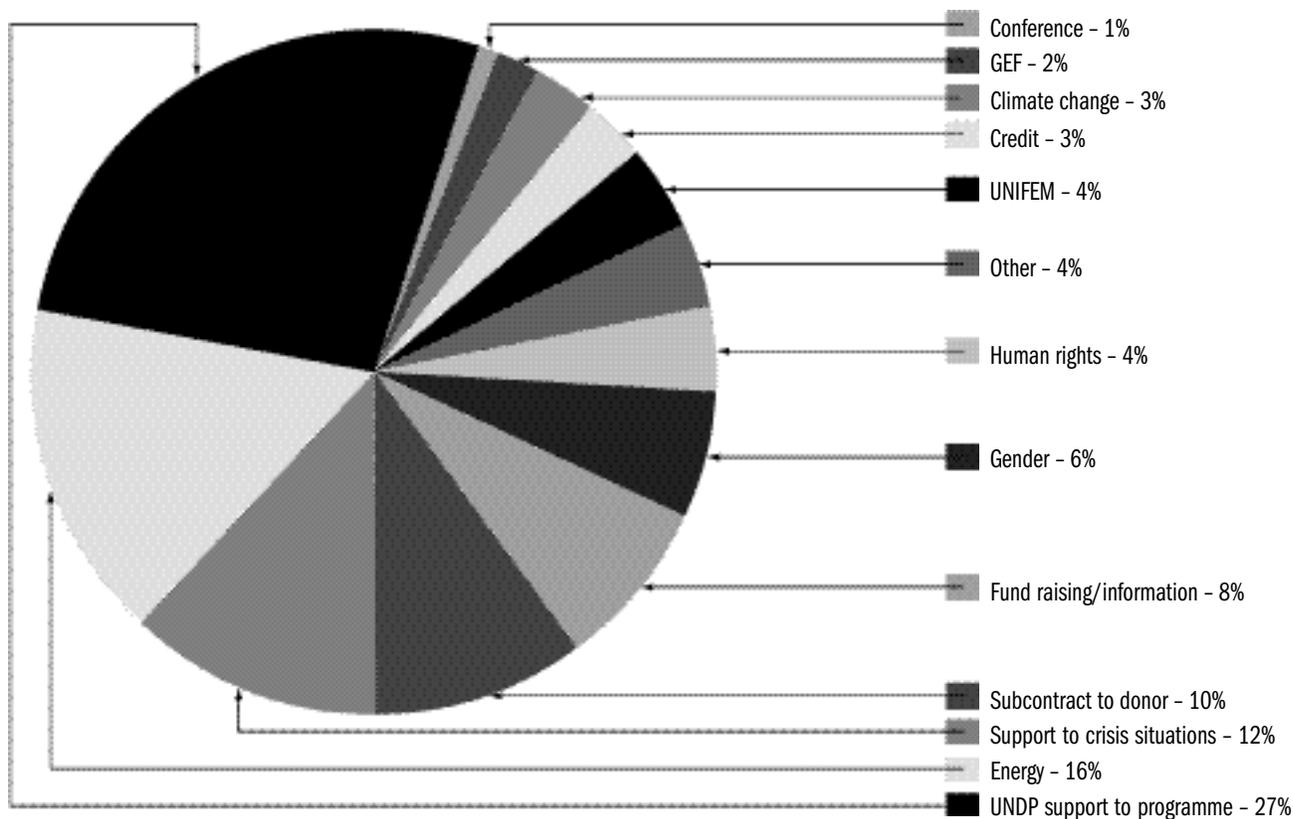
Projects under the Energy Account represent 17 per cent (or \$2.7 million) of the DEX projects at Headquarters. The Energy Account is a separate trust fund established in 1980 to undertake projects designed to help meet the energy needs of developing countries. At the time the account was established, a separate office — the

Energy Office — was established to work in coordination with the Intergovernmental Committee on New and Renewable Sources of Energy in the United Nations. The Energy Office was closed in 1988 and the activities were transferred to UNDP and placed in a variety of offices until 1994, when they were incorporated within the Bureau for Development Policy.

DEX projects make up 59 per cent of all Energy Account projects while NEX accounts for the remainder of the budgets of these projects. According to a UNDP official interviewed by the team, voluntary contributions have been decreasing. Therefore, UNDP has pushed for DEX to save on the administrative overhead that had been going to the agencies. Before DEX, agencies such as IBRD, UNDESA, UNESCO, and UNIDO, and national government agencies, were executing these projects. Projects in the Energy Account are administered by the fund manager and administrative assistant. A BDP finance officer provides financial administrative support.

A recent desk review of the Energy Account concluded that it had made significant achievements, responding to the needs of small-scale energy users and successfully initiating and implementing projects in renewable energy,

FIGURE D.19 BUDGETS OF HEADQUARTERS DEX PROJECTS (TOTAL VALUE: 16 MILLION)



Source: PFMS data, Project Documents, Programme Gateway

energy efficiency and rural energy development. It also stated that the Energy Account has instituted an innovative mechanism for obtaining funding from multilateral and other donor organizations.¹⁰⁵

SUPPORT TO CRISIS SITUATIONS

Projects supporting crisis situations comprise 12 per cent of DEX project budgets at Headquarters. Recently, the Italian government made a large contribution to the Trust Fund for Crisis, Post-Conflict and Recovery, and the largest HQ project will allow for efficient utilization of the fund. The purpose of the project is to establish a support unit in Rome that would function as the operational arm of ERD, working with the emergency section of the Italian Co-operation for International Development agency. This unit will, inter alia, analyse and plan the damage assessments, liaise with other donors for strategies for international assistance, prepare donor conferences and other initiatives, and implement public information activities. Further, according to the annex of the Trust Fund agreement, projects funded by the Trust Fund are pre-authorized for DEX, though this clause is currently being discussed at UNDP HQ.

D.9 ANOMALIES IN THE RECORDING OF DEX PROJECT INFORMATION

The collection and classification of information on DEX projects was not an easy task. Considerable difficulties were encountered, as noted in Chapter 1 of this report. During data collection, a number of anomalies were found in data records and existing databases. Such anomalies included projects with combined or different recorded execution modality, errors in data recording (such as entry of incorrect codes), missing data where information on projects was simply not recorded, and cases of “non-UNDP” DEX projects.

DOUBLE-ENTRY OF DEX PROJECT BUDGET INFORMATION

During the data collection stage, a total of 38 projects was identified as having a combination of DEX and other execution modalities (whereas a single project can only, by definition, have one execution modality.) The change or combination of execution modality was traced to the fact that the initial stages of a project may have been recorded as DEX, and then through a subsequent revision, the data entry was changed to

record execution by NEX or by UNOPS or another agency (UNDESA, UNESCO, UNIFEM.) In other cases, the reverse situation was noted. Exhibit D-‘C’ presented at the end of this annex lists those projects with an altered execution modality.

The evaluation team suggests that the altered modality of execution should be recorded more accurately or with some explanation, since there will otherwise be a potential for duplication. The data analysis found the value of the project budget for this multiple execution was duplicated (calculated from the financial records of the project’s database.) This double entry was found to cause a double counting of the budget amounts for the concerned projects. An example of this is Project BGD/97/014, for which the financial amount is recorded in the Programme Gateway records. The initial budget for this project was entered as \$ 2.3 million and the total budget amount was recorded twice in the budget amount field. Given the relatively low value of the DEX portfolio (in terms of budget amounts) as compared to non-DEX projects (less than 1.0 per cent), it is safe to assume that the effect of the double counting does not overly distort the overall picture. However, as the relative proportion of DEX projects may increase in the future, it will be increasingly important to ensure the accurate recording and updating of the financial records to avoid double counting.

MISSING DEX PROJECT INFORMATION

The evaluation team found that about 50 per cent of the projects identified as DEX (114 out of 219) were not listed in the UNDP Headquarters OSG records. Some explanations were obtained from OSG: (1) the record of DEX approvals has been maintained only since 1996; (2) the ERD Italian Trust Fund projects were accepted assuming DEX modality; (3) East Timor assumed it had received authorization from ERD for direct execution; (4) a project that did not receive DEX approval from the Associate Administrator (Energy Account) had nevertheless been recorded as a DEX project for some time; (5) DEX pilot countries such as Bosnia and Herzegovina, Guatemala and Rwanda have had broader DEX delegated authorizations.

MIS-CODING OF DEX PROJECTS

The evaluation team found 10 projects that were mis-coded either on hard copy project documents, or on electronic reports within the central database. Two projects were found to be incorrectly coded: the project documents were coded as “34” (DEX) but in reality

¹⁰⁵ Energy Account: A Desk Evaluation, 23 October 2000

were executed by UNIFEM and NGOs (i.e. Project BEN/99/W01 and SIL/00/H01.) Eight projects were coded “99” on the hard copy project documents (NEX) but

recorded as DEX when electronic data was entered in the central system. This mis-coding of projects was found to have affected recording of expenditures for these projects. A partial list of these projects is contained in Figure D.20.

FIGURE D.20 “MIS-CODED” PROJECTS

Hard-Copy Coded	Electronic Coded	Actual	Project Number	Project Title
DEX	DEX	UNIFEM	BEN99W01	Project Karité du Benin
DEX	DEX	NGO	SIL00H01	Reintegration of Child Ex-combatants and Other War-affected Children in Sierra Leone
NEX	DEX	NEX	ERI00004	Shelter for Displaced People
NEX	DEX	NEX	CHD91X01	La Gestion Rationelle de Terroirs Villageois
NEX	DEX	NEX	RWA96B03	L'integration Sociale des Jeunes
NEX	DEX	NEX	RWA96002	Enhancing Gov't and NGO Collaboration in Rwanda
NEX	DEX	NEX	RWA95009	Appui _ la Relance des Principales Facultés de l'UNR
NEX	DEX	NEX	NER99002	Processus Electoral
NEX	DEX	NEX	RAF95G42	Regional Africa
NEX	DEX	NEX	RAF95G44	Regional Africa

Source: PFMS data, Project Documents, Programme Gateway

PROJECTS INCORRECTLY CODED AS UNDP

The evaluation team found four projects that had been recorded as DEX but were subsequently found to belong to “sub-organizations of UNDP,” i.e. GEF and UNIFEM (see Figure D.21, below.) Both GEF and UNIFEM have separate administrative arrangements, especially financial ones, despite the fact that they are under the UNDP umbrella. The team suggests that there may be some benefit in creating a separate but related system for capturing information on these types of projects.

FIGURE D.21 INCORRECTLY CODED DEX PROJECTS (NON-UNDP)

Ownership	Executing Agency	Project #	Project Title
GEF	DEX	TUN98G35	Certification of Refrigerators
GEF	OPS/NEX	INT98G53/52	Small Grants Programme
GEF	OPS/NEX	INT95G53/52	Small Grants Programme
UNIFEM	UNIFEM	BEN99W01	Project Karité du Benin

Source: PFMS data, Project Documents, Programme Gateway

EXHIBIT D-'A'

LIST OF SOURCES OF FUNDS FOR DEX PROJECTS (IN US\$ MILLIONS)

Code	Project Title	Cost-Sharing	Net UNDP	Total Budget
01	UNDP-IPF (Core)	35,566,483	23,975,691	59,542,174
02	UNDP Add-on Fund	-	5,000	5,000
03	UNDP AOS	-	36,372	36,372
07	UNDP-TRAC (Core)	1,517,546	16,083,657	17,601,203
11	UNDP Global/INT	550,000	1,631,900	2,181,900
13	UNDP-SPR Natural Disasters	-	-	-
14	UNDP-SPR TCDC	571,042	-	571,042
16	UNDP-SPR Occupied Palestinian Territory	-	258,404	258,404
1Q	Trust Fund for Baltic Republics	-	-	-
1V	Trust Fund for Bosnia and Herzegovina	-	595,238	595,238
2G	Trust Fund for Montreal Protocol	-	335,000	335,000
3B	UNDP/Sweden TF for Guinea-Bissau	-	1,990,000	1,990,000
3R	Trust Fund for Bosnia and Herzegovina	-	6,930,538	6,930,538
4K	Trust Fund for Guatemala	13,852,631	4,698,898	18,551,529
4N	Trust Fund for Burundi	-	9,219,792	9,219,792
53	Trust Fund for Occupied Palestinian Territory	-	29,399,419	29,399,419
5A	Trust Fund for Cambodia	13,238,349	-	13,238,349
5H	Trust Fund for Sustainable Development	-	2,448,872	2,448,872
5P	UNDP/EEC for Bosnia and Herzegovina	-	2,185,225	2,185,225
5T	UNDP/EEC for Bosnia and Herzegovina	-	3,890,344	3,890,344
5X	Trust Fund for Bosnia and Herzegovina	-	1,043,332	1,043,332
64	Trust Fund for Sudan	-	1,029,880	1,029,880
65	United Nations Volunteers	13,921	110,481	124,402
6X	Trust Fund for Iraq	-	472,353,882	472,353,882
6Y	Trust Fund for Rwanda	1,911,451	56,260,515	58,171,966
73	UN Energy Account	1,102,745	-	1,102,745
7L	UNDP/Spain for Central America	-	1,723,317	1,723,317
9U	Trust Fund for Bosnia and Herzegovina	-	2,866,499	2,866,499
FK	Trust Fund for Yugoslavia	-	4,195,819	4,195,819
GU	Trust Fund for Lithuania	-	90,000	90,000
HL	Trust Fund for Suriname	1,888,000	-	1,888,000
HM	Trust Fund for Iran & Sudan	-	1,935,531	1,935,531
HN	Trust Fund for Bosnia and Herzegovina	-	251,423	251,423
HP	Trust Fund for Turkey	-	398,375	398,375
HV	Trust Fund for Turkey	-	676,668	676,668
HW	Trust Fund for Yugoslavia	-	1,187,050	1,187,050
HX	Trust Fund for Côte d'Ivoire	-	1,748,439	1,748,439
IZ	Trust Fund for Bosnia and Herzegovina	-	2,183,599	2,183,599
	TOTAL	70,212,168	651,739,160	721,951,328

Source: PFMS data, Project Documents, Programme Gateway

EXHIBIT D-‘B’

RANK ORDER OF DONORS SUPPORTING DEX COST-SHARING

Country	Total US \$	# Projects	Average (US\$)
Japan	12,234,945	12	1,019,579
Sweden	7,204,921	10	720,492
EU	6,606,236	5	1,321,247
Netherlands	6,142,724	7	877,532
Norway	5,336,714	10	533,671
United Kingdom	3,680,137	9	408,904
United States	3,409,184	7	487,026
Denmark	3,365,615	9	373,957
UN Foundation	3,242,929	9	360,325
Government(s)	3,238,159	7	462,594
Italy	2,911,220	5	582,244
Australia	2,582,033	2	1,291,017
IBRD	2,214,430	2	1,107,215
Germany	1,298,267	3	432,756
Finland	1,007,010	3	335,670
Switzerland	1,000,458	6	166,743
Belgium	975,158	1	975,158
NGO	821,004	4	205,251
Canada	774,761	4	193,690
New Zealand	642,701	2	321,351
France	471,155	2	235,578
Portugal	218,430	1	218,430
Asian Development Bank	136,924	1	136,924
Private Sector	96,618	1	96,618
Republic of Korea	95,712	1	95,712
Spain	39,613	2	19,807
Malaysia	4,831	1	4,831
OAU	1,222	1	1,222
Ireland	1,117	1	1,117
TOTAL	69,754,228	128	544,955

Source: PFMS data, Project Documents, Programme Gateway

EXHIBIT D-‘C’

CHANGED MODALITY: DEX COMBINED EXECUTED PROJECTS

Initial Exec.	Current Exec.	Project Number	Project Title
DESA	DEX	URT00002	Electoral Assistance Secretariat
DEX	NEX	BGD97014	Community Empowerment
DEX	NEX	IRA99032	National Disaster Response
DEX	NEX	IRA97G31	Biodiversity Strategy & Action Plan
DEX	NEX	SAM00004	Project Monitoring
DEX	NEX	SOI99001	Humanitarian Assistance
DEX	NEX	RWA98B09	Appui à la Coordination de la Ré installation
DEX	NEX	RWA97014	BAD au Rwanda
DEX	NEX	RWA96003	Appui à l'Integration Sociale des Jeunes
DEX	NEX	RWA96002	Reconstruction and Rehabilitation
DEX	NEX	RWA95009	Appui à la Relance de l'UNR
DEX	NEX	SWA00001	Multisectoral Response to HIV/AIDS
DEX	NEX	ARG00005	Políticas Sociales Misiones
DEX	NEX	COL98003	Atencion à Poblacion Desplazada
DEX	NEX	RLA00007	Preparacion del Proyecto Regional D. Humano
DEX	NEX	TUK94001	Umbrella Project
DEX	NEX	INT98922	Credit Analysis
DEX	OPS	AFG96002	Strategy Dev./National Recovery
DEX	OPS	MOZ87002	Rehabilitation & Reconstruction of Maputo
DEX	OPS	PAL96J09	TOKTEN
DEX	OPS	PAL96J08	Strengthening Gov't Computer Center
DEX	OPS	PAL96J03	Development of Water Resources
DEX	OPS	PAL96015	Promotion of Women in Palestinian Society
DEX	OPS	PAL95J34	Palestinian Women Empowerment Project
DEX	OPS	PAL95J31	Upgrading of Roads in the Gaza Strip
DEX	OPS	PAL95J23	Upgrading of Hebron Water Supply
DEX	OPS	PAL95J21	Upgrading of Water Resources
DEX	OPS	PAL95J19	Rehab.Of Small Scale Infrastructure in Gaza
DEX	OPS	PAL95J18	Rehab.Of Infrastructure in Gaza
DEX	OPS	PAL95J17	Improvement of Schools in West Bank
DEX	OPS	PAL95J16	Waste Water Management - Gaza
DEX	OPS	PAL95J12	Ramallah Management Master Plan
DEX	OPS	PAL95033	Agricultural Exchange Programme
DEX	OPS	PAL95026	PA for Infrastructure Projects
DEX	OPS	PAL95020	PA for Public Admin.Development
DEX	UNESCO	ELS96025	Fortalecimiento Entidades Locales Desarrollo
DEX	UNIFEM	RER99W03	Facilitating Beijing+5
DEX	UNIFEM	BEN99W01	Project Karité du Benin

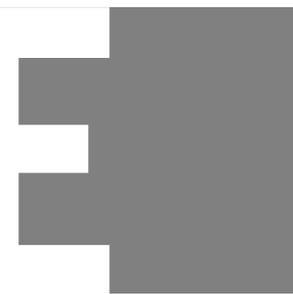
Source: PFMS data, Project Documents, Programme Gateway

EXHIBIT D-‘D’

LIST OF HQ DEX PROJECTS BY MAJOR TYPE OF PROJECT

Project Type	Project Number	Project Title	Project Description	Gross Budget
UNDP support to Programme	GLO00H08	Strengthening the Communication Capacity of the UNDP	Strengthening UNDP role	2,000,000
	GLO96450	Programme Quality and Delivery	Strengthening UNDP's programming	1,540,643
	GLO97451	Classification of Projects	Initial classifications of approved projects 1992-1997	170,000
	GLO97452	Media Support	Campaigning UNDP's role to countries in crisis	95,000
	GLO98451	Review of Execution Modalities	UNDP's execution modalities	35,300
	INT98G01	Pilot Programme on Capacity Development Assistance	Pilot projects by Eval.Office for UNDP's capacity in 5 countries	510,000
Energy	INT98E01	Technical Support for UNISE	Micro-credit financing for renewable energy	130,795
	RAF95E01	FINESSE Activities in the SADC Region	Energy	1,200,739
	RAS99E01	FINESSE	Build local capacity towards using renewable energy	1,396,000
Support to crisis situations	GLO97456	Support to CO – special development circumstances	Establish a Special Unit within the Africa Bureau for Countries in Special Circumstances	322,343
	GLO99452	Enhancing UNDP's capacity in countries in Special Development Situations	UNDP's role in handling crisis countries	335,000
	INT00H01	Italian Emergency Cooperation	Enhance UNDP's capacity in emergency response	1,350,000
Fund raising/ Information	GLO97454	Global Sustainable Development Fund	Engaging private sector: designing unit of the GSDF (Global Sustainable Development Fund), a joint UNDP & private sector enterprise	850,000
	GLO98118	New Approaches for Resource Management	Finding new approach for resource mobilization	144,211
	GLO98454	UNDP Poster Series	Posters promoting UNDP's missions	73,600
	INT96503	Capacity Building in Development Broadcasting & Public Awareness of Development Issues	Campaigning UNDP's role	75,000
	INT97E01	Seminar on Cooperation with Japan Gov't	Resource mobilization: targeting Japan	270,270
Subcontract to donor Gender Human rights	RLA97L01	Capacitacion Jueces, Magistrados Y Fiscales	Training judges, magistrates	1,723,317
	GLO96455	Gender Facility	UNDP's programming in Gender	1,000,000
	RLA00007	Preparacion Del Proyecto Regional D.Humano	PA for Regional Human Development	683,720
Other	GLO96503	Development Broadcasting	No ProDoc available	75,000
	GLO96509	LEAP (Learning Network on Empowerment and Participation)	OPS, combined exec, IBRD \$6,000	175,916
	INT99705	Vocational Training	Vocational training	374,300
	INT99706	NGOs Capacity Building	Strengthening NGOs	44,649
UNIFEM	RER99W03	Facilitating Beijing+5	Strengthening partnerships & awareness for UNIFEM's activities	635,500
Credit	INT98922	Credit Analysis	Africa: Finance sector development: credit analysis	571,042
Climate change	GLO98450	Global Climate Change	Convening a meeting of Sr. Advisors on Sustainable Development	15,650
	GLO98453	Implementation of the UNDP Climate Change	Follow up activities to 1998 Climate Change Convention in Kyoto	470,000
GEF	GLO98G61	Phasing out of Methyl Bromide	Demonstration projects on how to phase out the use of methyl bromide	305,000
Conference	GLO97453	International Development Conference	To finance a global conference	140,000

Basic Definitions



Definitions presented here are obtained from the Glossary in the Programming Manual on the UNDP internet web site, <http://intra.undp.org/osg/>. Where different sources are used, they are noted.

EXECUTION, IMPLEMENTATION AND MODALITIES

Two terms describe the fundamental way in which UNDP approaches the delivery of its services: execution and implementation. These terms are associated with a number of other terms that identify different types of execution.

Execution is defined as the overall management, by national government authorities or by a UN agency, of the programme/project, along with the assumption of responsibility and accountability for the production of outputs, achievement of objectives and for the use of UNDP resources. (*Source: NEX Legislation, GC 92/22 of 26 May 1992, Para 2.*) Execution is the management of a specific UNDP-supported programme or project, which includes accountability for the effective use of UNDP resources.

Implementation is defined as the procurement and delivery of all programme/project inputs and their conversion into programme/project outputs. (*Source: NEX Legislation, GC 92/22 of 26 May 1992, Para 2.*)

Modality is a term used by UNDP to define the way or manner in which projects are executed or implemented.

Execution Modality. Various execution modalities are used by UNDP. Prior to 1995, Direct Execution and Agency Execution were the major modalities for the delivery of UNDP services. Since 1995, national execution has been the norm for the vast majority of UNDP projects and programmes, and to a much lesser extent, direct execution. (*Source: e-Learning UNDP intranet.*) The different modalities of service delivery are:

Direct Execution (DEX) is a management arrangement whereby UNDP itself assumes responsibility for the management of a project or a programme and is accountable for performance and production of results.

National Execution (NEX), previously referred to as Government Execution¹⁰⁶ is the arrangement whereby UNDP entrusts to a government the responsibility for the mobilization of UNDP-financed inputs and their effective application, in combination with the government's own and other available resources, towards the attainment of the project's objectives.

¹⁰⁶ Note: "Government execution is the arrangement whereby UNDP entrusts to a government the responsibility for the mobilization of UNDP-financed inputs and their effective application, in combination with the government's own and other available resources, towards the attainment of the project's objectives." PPM 30503

(Source: *Programming Manual*, 30503). In 1975 National Execution (NEX) was introduced, as distinct from execution by UN agencies (AGEX). NEX is the management of a programme or project in a specified programme country, carried out by an eligible government entity of that country. Under NEX, overall management of UNDP-funded development programmes and projects is implemented by national government authorities, who also assume responsibility and accountability for the use of UNDP resources, for the production of outputs, and for the achievement of programme or project objectives. (Source: *e-Learning of UNDP intranet*.)

Agency Execution (AGEX) is a project management arrangement whereby a United Nations agency assumes responsibility for the management of a UNDP-supported programme or project. The major UN agencies usually involved in AGEX are commonly referred to as the “Big-Five”: UNDESA, FAO, ILO, UNESCO, and UNIDO. Other UN agencies include ECA, ECLAC, ESCAP, ESCWA, ECE, UNCTAD, UNCHS, ICAO, WHO, IBRD, IFC, UPU, ITU, WMO, IMO, WIPO, IAEA, ITC, WTO, AfDB, AsDB, IMF, AFESD, UNITAR, EBRD, UNV, and UNOPS.

NGO Execution. A management arrangement whereby an NGO assumes responsibility for the management of a UNDP-supported project.

Executing Agency. Executing Agency is the UN agency that executes the management of a UNDP programme/project. The executing agency is responsible for the overall management, along with assumption of responsibility and accountability. In Direct Execution, UNDP is the Executing Agency.

Implementing Agency. Implementing Agency is the UN agency that participates in implementation of the programme/project, including the procurement and delivery of all inputs and their conversion into programme/project outputs. (Source: *NEX Legislation, GC 92/22 of 26 May 1992, Para 2.*)

Cooperating Agency. This term was previously used in the same sense as Implementing Agency. (Source: *Standard Letter of Agreement between the Executing Agency and the Implementing Agency, Programming Manual.*)

UNDP SOURCES OF FUNDS AND FUNDING ARRANGEMENTS

The execution and implementation of UNDP initiatives is dependent on budgets and funding. There exist a range of funding modalities for UNDP projects and special terms have come into common use within UNDP to describe the financial and budgeting aspects of UNDP projects.

Cost-sharing. A co-financing modality under which contributions from other resources can be received as a supplement to regular resources for specific UNDP programme activities. Such activities must be consistent with the mandate of UNDP.

Co-financing. A generic term covering cost-sharing arrangements, trust funds and parallel financing arrangements.

Country Cooperation Framework (CCF). A document that outlines UNDP cooperation in a country. The framework identifies the objectives for UNDP support to national plans and programmes that are consistent with the poverty-elimination goals of UNDP. It highlights the programme areas, the intended strategies and results, the management arrangements and the financial scope.

Indicative Planning Figure (IPF). Until 1996, the IPF referred to the regular (core) resources available from UNDP during a specified period for financing assistance to country and inter-country programmes and projects. The IPF was replaced by the TRAC system, commencing January 1997.

Parallel Financing. This term is used when a donor joins UNDP in a common programme but administers its resources separately. The donor’s resources do not enter UNDP accounts.

TRAC. Target for Resource Assignments from Core (TRAC) is a three-tier budgeting system for UNDP’s programmes and projects. The Three-Tier TRAC System is composed of: TRAC-1, earmarked for the three-year planning framework in accordance with the actual funds pledged; TRAC-2, released providing that TRAC-1 is successfully implemented; and TRAC-3, available exclusively for projects in countries in special development situations, complex development situations, sudden crises, or disasters, and for durations not exceeding twelve months.

Trust Fund. A separate accounting entity established by the Administrator under which UNDP receives contributions in addition to the regular (core) resources to finance UNDP programme activities agreed with the contributor.

UNDP Budget. The UNDP Budget consists of Core Resources (Regular Resources) and Non-Core Resources.

UNDP Core (also termed Regular) resources refer to voluntary contributions by member countries or other contributors to the central resources of UNDP, which are further allocated for various purposes among broad programme areas: country level TRAC, Regional, Global and TCDC activities; and various support costs that serve as provisioning budgets such as Administrative and Operational Services (AOS), Support Services for Policy and Programme Development (SPPD), Support for Technical Services at the Project Level (STS), Support to Resident Coordinator (SRC), and Development Support Services (DSS).

UNDP Non-Core (also termed Other) resources refer to external modalities and encompass a range of contributions by various parties for specific purposes rather than to the core resources of UNDP. These include programme cost-sharing and trust funds (see above).

Summaries of the Country Reports



The team visited six countries with DEX projects in November and December 2000. Three of the countries – Bosnia and Herzegovina, Guatemala, Rwanda – were DEX “pilot” countries, with a significant number of DEX projects. The remaining countries – Burundi, Cambodia and Tanzania – had at least one DEX project, but these projects were not considered the bulk of the country’s project portfolio. Burundi and Tanzania were selected for visits due to their proximity to Rwanda as well as the nature of their DEX projects, which could be seen as new opportunities for direct execution. Team members spent at least five days in the pilot countries and from two to three days in the others.

DEX in Bosnia and Herzegovina

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DEX in Burundi

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DEX in Cambodia

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DEX in Guatemala

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DEX in Rwanda

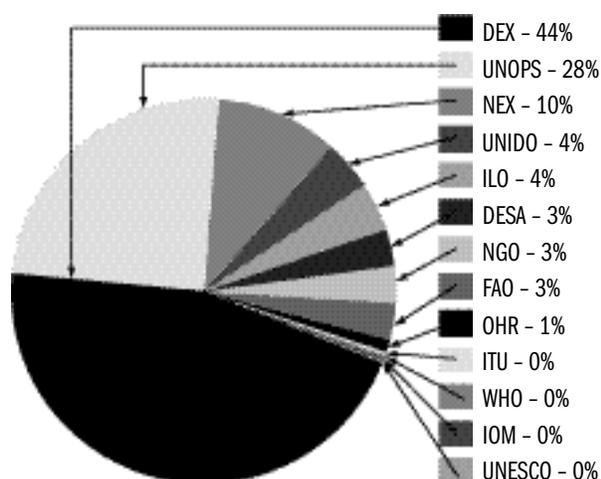
Quantitative Aspects of DEX
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DEX in Tanzania

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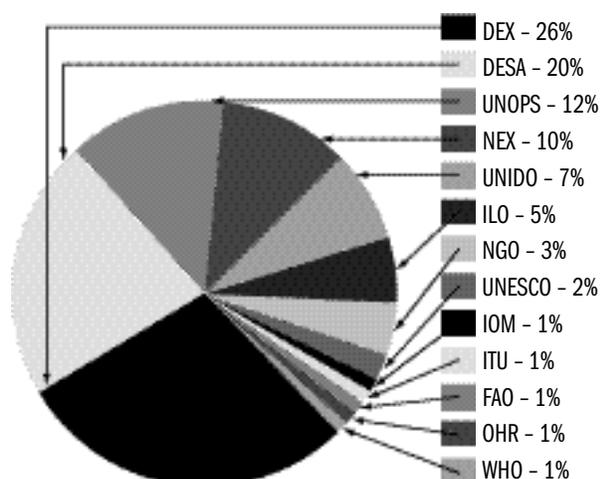
BOSNIA AND HERZEGOVINA

FIGURE F.1 BUDGETS OF APPROVED PROJECTS IN BIH 1994-PRESENT (TOTAL VALUE : US\$97 MILLION)



Source: CO Finance Unit

FIGURE F.2 APPROVED PROJECTS FOR BIH, 1994-PRESENT (111 PROJECTS)



Source: CO Finance Unit

DEX IN BOSNIA AND HERZEGOVINA

DEX in Bosnia and Herzegovina falls within the context of a post-conflict country with demands for reconstruction and rehabilitation. After four years of hostilities, Bosnia and Herzegovina was established as a recognized country in late 1995. It does not yet have the national development goals and strategies that exist in countries in normal circumstances. The authority of the national State Government is constitutionally limited. In terms of a field presence, UNDP is a relative latecomer to Bosnia

and Herzegovina; its first programming mission took place in March 1996. The UNDP Country Office (CO) was established in Sarajevo in July 1996. With the approval of the Country Cooperation Framework (CCF) in March 1997, US\$77.6 million was budgeted for programmes in the country.

QUANTITATIVE ASPECTS OF DEX

Since 1994, 111 projects with total budgets of US\$97 million have been approved in Bosnia and Herzegovina. Of these, 27 per cent are directly executed by UNDP, representing 44 per cent of the value of all projects. Since the approval of DEX in Bosnia and Herzegovina in 1996, the largest proportion of project budgets has been directly executed by UNDP.

QUALITATIVE ASPECTS OF DEX

UNDP's major activities using the direct execution modality (representing about 50 per cent of the budgets of projects approved in Bosnia and Herzegovina from 1994–1998) include: rehabilitation of damaged homes of displaced persons in central Bosnia; providing information and advice; legal services; training for employment; business training; access to credit; small financial grants for the most needy; and assisting municipalities in carrying out labour-intensive works in order to generate employment and improve seriously deteriorating infrastructure. Specific activities of the programmes include:

- provision of temporary employment through labour-intensive public works rehabilitation sub-projects
- technical support to municipalities to assist them in applying participatory methods in the implementation of projects
- reconstruction of houses through contract labour
- provision of advice and information on public services, as well as legal advice, training, and micro-grants
- provision of logistical support to the above (procurement, staff recruitment, etc.)

In addition to the above, other DEX projects include support to the Mine Action Programme, Early Warning Systems in Bosnia and Herzegovina, and Local Action Programmes.

IMPLEMENTATION ARRANGEMENTS

DEX projects in Bosnia and Herzegovina are implemented by UNDP itself, but with the use of a range of implementing partners consisting of NGOs, lower levels of government and private companies. Projects are managed from field offices where most of the key implementation decisions are made. They are headed

by the Project Manager and have a mini-administrative unit as well as project staff who address specific project needs, such as engineers. These staff hold UNDP contracts (e.g., ALD, SSA.) The Project Units are supported by the UNDP CO in Sarajevo through a Portfolio Management Officer who serves as a liaison between the project and UNDP administrative units. Officers located in the Programme Unit of UNDP also monitor project activities.

OVERSIGHT AND ACCOUNTABILITY

The main implementing agent is the UNDP field office and oversight is exercised by a variety of partners including the UNDP CO in Sarajevo, UNDP Headquarters, local governments and donors. In Bosnia and Herzegovina, donors (mainly the EU) have played a key role in project oversight, even sponsoring monitoring missions, and they require detailed financial statements. While the main entity to provide oversight is the UNDP CO in Sarajevo, because of its involvement in operational activities, it has not always been monitoring activities in an objective and independent manner.

In terms of financial accountability, the UNDP offices are responsible for keeping accurate financial records. Field offices have their own accounting units, which report transactions to the UNDP CO in Sarajevo for recording and reporting. A UN Board of Audit mission made no comments on the propriety of expenditures, which indicates satisfactory controls. Nonetheless, difficulties have been posed by EU funding requiring the CO to make advance payments, which contravenes UN financial rules and regulations and has resulted in financial loss due to unfavorable currency fluctuations.

As for substantive accountability, again the burden falls upon the project offices to ensure the achievement of objectives, and on the UNDP CO in Sarajevo to monitor and review projects. The government and donors also have a stake in ensuring results are achieved. In discussions with the team, both government and donors have indicated satisfactory performance. Reviews and evaluation reports have been prepared.

GENERAL PERFORMANCE OF DEX

Generally, review and evaluation reports and meetings with donors and governments were positive about UNDP project activities. Projects generally achieved their stated objectives in an efficient manner and local government officials expressed appreciation for UNDP's role in developing local capacity. CO staff demonstrated a good level of competence and

enthusiasm for their work, much of which could be attributed to the immediate feedback provided by the visible actualization of results.

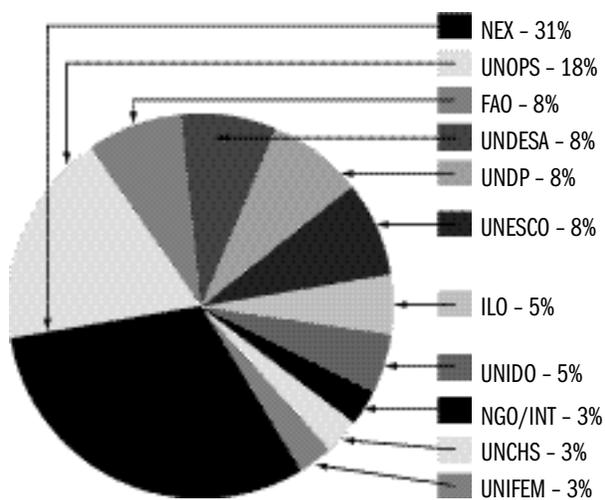
Due to the short-term nature of the rehabilitation and reconstruction activities, as well as funding available, a longer term UNDP country strategy had not been fully developed. The most serious area of concern, however, is that of advance payment for EU funded projects, which has resulted in financial loss to UNDP.

BURUNDI

DEX IN BURUNDI

Burundi has been categorized as one of the poorest African countries, with dire humanitarian needs due mainly to insecurity and armed conflict, which continued to persist during the team's visit in November 2000. The governmental institutional arrangements are weak and the political situation is unstable. Political

FIGURE F.3 ONGOING PROJECTS IN BURUNDI (38 PROJECTS)



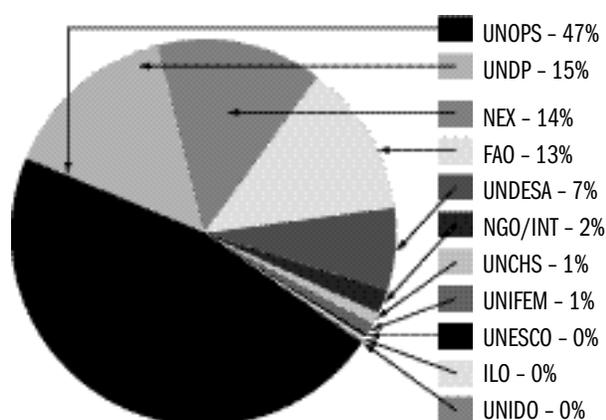
Source: Programme Gateway

appointees and national counterparts are often changed, which affects the continuity of international donors' projects. Institutional weaknesses and armed conflict have created a governance problem, which is not only reflected in the lack of capacity to implement public policies, and to execute development projects, but also in the mutual lack of trust between citizens and the government. As a result, DEX has been authorized for one umbrella programme for community assistance.

QUANTITATIVE ASPECTS OF DEX

According to UNDP HQ sources,¹⁰⁷ there are currently 38 ongoing projects with a total budget value of US\$50 million in Burundi. Of these, eight per cent are directly executed by UNDP. While the number of projects represents eight per cent of the total number of projects,

FIGURE F.4 ON-GOING PROJECTS IN BURUNDI (TOTAL VALUE: US\$50 MILLION)



Source: Programme Gateway

they represent 15 per cent of the total project budgets. The *Burundi Community Assistance Umbrella Programme* (BDI/99/001) is the only operational activity that is being implemented using the DEX modality. While the number of DEX projects remains small, the proportion of the budget used for DEX projects grew to more than half of the total budgets approved in 1999.

QUALITATIVE ASPECTS OF DEX

The objectives of the Umbrella Programme are to: (a) enable members of rural communities to recover their livelihoods; (b) increase access to and use of basic social services in rural communities; (c) strengthen efforts of rural communities to fully absorb their returned members; (d) revive and strengthen rural community decision-making; (e) foster reconciliation and peace building in rural communities; and (f) enhance the capacity of national civil society organizations to manage projects.

The main sectors are food security and social infrastructure. The latter involves housing, water, sanitation, schools, health centres and hydraulic projects to support agricultural production.

IMPLEMENTATION ARRANGEMENTS

This DEX operational activity is managed by an Umbrella Programme Unit, which is physically separated from the UNDP CO. It is responsible for administering the programme and achieving the proposed objectives in close coordination with the UNDP CO. International NGOs such as the International Rescue Committee, Norwegian Council for Refugees, and OXFAM/Quebec execute the community projects. These projects require community participatory approaches to involve direct beneficiaries in project implementation.

OVERSIGHT AND ACCOUNTABILITY

In Burundi, DEX operational activities are managed by the Umbrella Programme Unit, which is physically separate from UNDP. Therefore, the UNDP CO is in a position to independently monitor and assess project activities. Further, since much of the programme is implemented by NGOs, UNDP is in a position to oversee activities. In principle, the government's role is to review projects to determine that they meet the people's needs and to ensure participatory approaches. The team was told, however, that the government felt excluded from some UNDP activities.

While the CO's organization implies built-in oversight structures, the team noted a feeling that lines of authority, guidelines and procedures were unclear. CO staff were unsure of their accountability vis-à-vis Headquarters and the team found a lack of communication between the CO and the Programme Unit with a lack of clarity over authority and decision making.

In terms of financial accountability, the CO is responsible for ensuring accurate and complete financial records. According to an audit conducted in 1999, the office operations were "marginally deficient," indicating that general controls were in place, but that some areas needed improvement.

As for substantive accountability, standard UNDP monitoring procedures apply. Nonetheless, a monitoring and evaluation strategy had not been prepared, nor had indicators to measure impact or assess project implementation been identified. Further, the team did not see any evidence of reporting on the quality of the infrastructure built, the efficacy of the participatory process, the extent to which participation had been taken into account, nor how the project contributed to achieving its key objectives of reinsertion of displaced communities and peace building.

GENERAL PERFORMANCE OF DEX

Since a project evaluation had not yet been done, the team could not assess the performance of this project. Generally, the team found a certain level of confusion at the CO regarding its accountability for the performance of the project. Discussion with the government revealed some dissatisfaction on its participation, as well as on the use of international NGOs. According to a government official, *“If we do not see the results and we are not informed about projects’ impacts, this programme comes across as a business that mainly benefits international NGOs and that seeks to exclude the government and not reinforce and strengthen the capacity of local community based organizations.”*

CAMBODIA

DEX IN CAMBODIA

Although Cambodia is beginning to establish conditions for long-term development, the country experiences severe weaknesses in its institutions and human resource capacities. Periods of insecurity, along with heavily mined areas continue to threaten people’s lives and the country’s development progress. Thus, demining is a development priority. DEX was approved for UNDP/Cambodia to administer trust fund resources to finance the Cambodia Mine Action Center’s (CMAC) core operations, and to strengthen CMAC’s capacity to eliminate the country’s mines and unexploded ordnance. One of the main reasons for UNDP execution (over UNOPS execution) was that donors made frequent, short-term contributions to the project, which led to delays in project delivery.

QUANTITATIVE ASPECTS OF DEX

According to UNDP HQ sources there are currently 71 on-going projects in Cambodia with total budget values of US\$198 million. Of these, only three projects are UNDP executed (including the previous UNOPS executed project.) DEX projects represent one per cent of all projects in the country and eight per cent of total budget volume.

QUALITATIVE ASPECTS OF DEX

Most of the activities are sub-contracted to CMAC for implementation. In addition, UNDP manages the contracts of international advisors who support CMAC activities.

IMPLEMENTATION ARRANGEMENTS

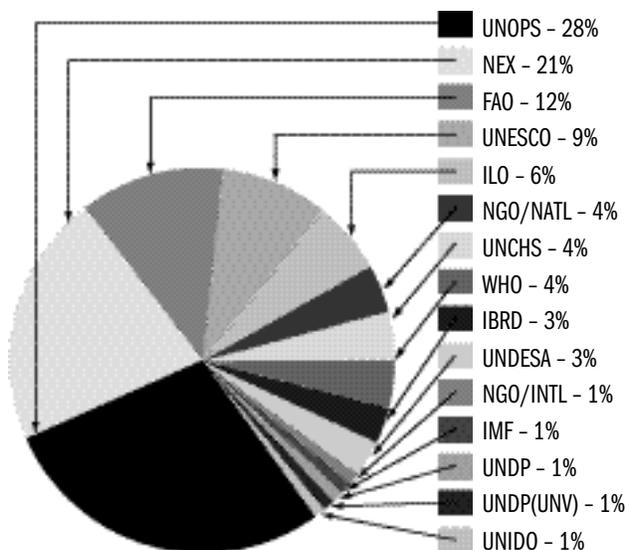
CMAC implements project activities. A UNDP programme manager, the focal point for CMAC, is

responsible for the overall substantive programme management including budget and work plan monitoring, reporting and coordinating activities with CMAC and donors, and ensuring that all stakeholders are included in regular meetings and kept informed of trust fund activities and issues.

OVERSIGHT AND ACCOUNTABILITY

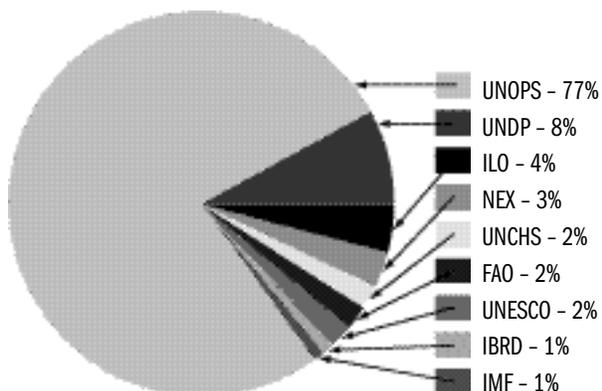
Oversight is carried out by UNDP, which is in a position to independently monitor CMAC’s activities. Reporting and monitoring are carried out by the CO and, due to a financial crisis resulting from financial mismanagement

FIGURE F.5 ON-GOING PROJECTS IN CAMBODIA (71 PROJECTS)



Source: Programme Gateway

FIGURE F.6 BUDGETS OF APPROVED PROJECTS IN CAMBODIA (TOTAL VALUE: US\$198 MILLION)



Source: Programme Gateway

detected in 1999, Price Waterhouse has been contracted to provide monthly audits.

Quarterly payments are made to CMAC based on budgets provided and reviewed by UNDP. Some payments, such as those for international staff contracted by CMAC, are disbursed through the UNDP CO. Because of the financial crisis, CMAC management was replaced by a new team and its internal financial management system has been strengthened. Work plans and budgets are reviewed by the Governing Council and the Steering Committee prior to submission to UNDP for payment. An independent assessment of CMAC in May 2000 concluded that the Center had made significant improvements in its financial management systems. Now, CMAC management is considered one of the most transparent in the country.

Substantive accountability is enhanced by periodic reporting and participation of the Steering Committee.

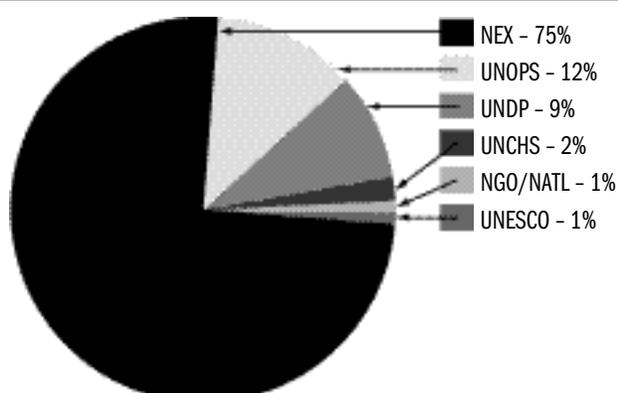
Periodic activity progress reports are prepared and work plans are presented prior to the disbursement of quarterly payments to CMAC.

GENERAL PERFORMANCE OF DEX

An update to donors presented in November 2000 outlined a number of achievements including, *inter alia*, creation of CMAC's planning department and initiation of a national plan; enhanced technical capacity; improved management; and systems introduced to address land use issues. In addition, the National Mine Action Symposium was convened in mid-November 2000 with broad participation among the highest levels of government, donors, national and international NGOs and UN agencies.

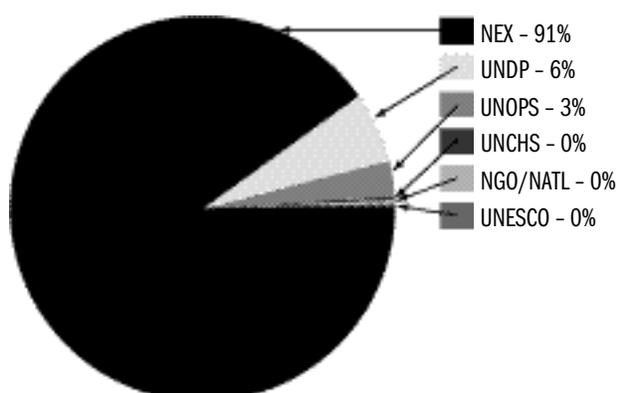
Donors indicated that UNDP was the logical focal point to manage funds and that UNDP can ensure security and transparency of funds and access to specialized technical expertise through the UN system. Nonetheless, while recognizing that UNDP has had to handle additional demands resulting from the financial management, donors stated their dissatisfaction with UNDP management and coordination, mainly its failure to be proactive with regard to CMAC's strategic planning.

FIGURE F.7 ON-GOING PROJECTS IN GUATEMALA (107 PROJECTS)



Source: Programme Gateway

FIGURE F.8 BUDGETS OF ON-GOING PROJECTS IN GUATEMALA (TOTAL VALUE: US\$288 MILLION)



Source: Programme Gateway

GUATEMALA

DEX IN GUATEMALA

For 36 years, Guatemala faced an internal armed conflict that brought about a separation of civil society, practically destroying its democratic participation in national politics. Since 1987, with the peace negotiations and the signing of the Esquipulas Agreement by all Central American presidents, countries in the region, including Guatemala, entered into a complicated political process with the objective of reaching peace and democracy. The Guatemala Country Office has been actively involved in the whole peace making process, including the negotiation and pre-signing phase (1987–1995), the signing of the peace agreements (1995–1996) and the implementation of the reconciliation and peace-making process (1997 to the present.) The DEX modality has been used for projects of a politically sensitive nature within a post-war context, such as the demobilization of ex-combatants.

QUANTITATIVE ASPECTS OF DEX

According to UNDP HQ sources, Guatemala currently has 107 projects with total budgets of US\$288 million. Of these, nine per cent are UNDP executed, representing six per cent of the budgets.

QUALITATIVE ASPECTS OF DEX

Since 1997 UNDP has implemented five umbrella programmes, all of which are still ongoing and/or initiating a second phase. These include: (1) *Demobilization of URNG*; (2) *Resettlement of Uprooted Populations*; (3) *Judicial Reform*; (4) *National Maya Platform*; and (5) *Women's Sector of the Civil Society*. In addition, the Resident Coordinator Programme is also managed by UNDP.

IMPLEMENTATION ARRANGEMENTS

UNDP Guatemala's approach to DEX is to delegate the implementation of the project activities to national entities and keep its own participation in execution to a minimum. Thus, it contracted with local and international NGOs for the implementation of activities. The UNDP CO in Guatemala is responsible for monitoring project activities, reviews, and ensuring audit and evaluation compliance.

OVERSIGHT AND ACCOUNTABILITY

Since much of the implementation is carried out by other entities, UNDP is in a position to independently oversee project activities. Further, bilateral donors, international NGOs, the government and civil society organizations all had an interest in project results.

Financial accountability and oversight mechanisms are in line with UNDP overall financial processes and controls. DEX projects were audited by a private accounting firm in line with procedures usually used for national execution. The audit reports did not reveal any major control weaknesses. Substantive accountability was assured through regular monitoring reports and evaluations. Programme evaluations were commissioned by the office.

GENERAL PERFORMANCE OF DEX

In terms of performance, the flexibility of the DEX modality allowed for the quick deployment of funds in a politically sensitive situation. In addition, capacity building and national ownership were built into the project design to ensure constituent participation. According to a recent evaluation, UNDP was able to “*move the peace process along by engaging key stakeholders of the peace process and integrating the traits of the UN in its work, in terms of quality, efficiency, networking, adaptability, impartiality, accessibility, transparency, teambuilding, and trust.*”¹⁰⁸ Further, a 1999 evaluation of the Demobilization Programme noted that the objectives were generally met.

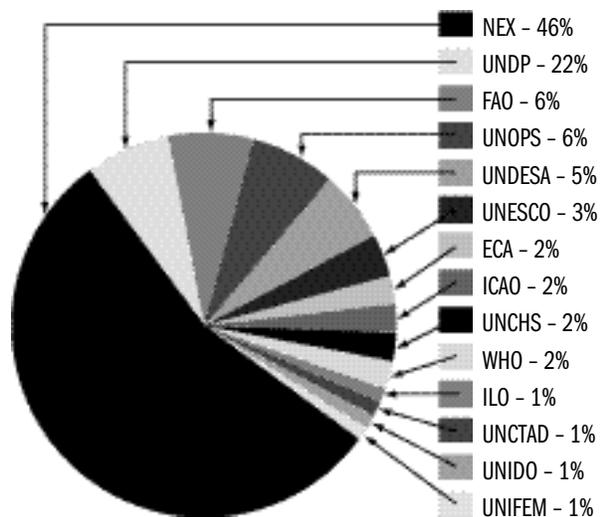
It also noted that the CO was able to effectively and efficiently respond to the situation and define short, mid-term and long-term goals, and to turn those into workable programmes and projects. The CO was able to provide technically sound assistance in a timely fashion, and was able to integrate relief and rehabilitation as part of a long-term development process.

RWANDA

DEX IN RWANDA

The crisis situation in Rwanda resulting from the ethnic conflict in 1994 required the capacity to respond quickly to population displacement and the return of one million refugees. Following the Arusha Accord in 1995, the Government's Plan of Action included “rural and urban settlement, social infrastructure, reinstallation and economic development; credit and support to small and medium sized enterprises, and support to local and central government for planning and implementation; and natural resources and the environment.”¹⁰⁹ Although a Government of Rwanda Action Plan was formulated, the new government lacked the social infrastructure and capacity to operate under NEX. Trust funds initially programmed for both NEX and agency execution were not being utilized. Donors were

FIGURE F.9 ON-GOING PROJECTS IN RWANDA (101 PROJECTS)



Source: Programme Gateway

¹⁰⁸ ERD/UNDP, UNDP in Guatemala: A case study in peace building, Guatemala City, January 2001, p. 6.

¹⁰⁹ Rwanda Reintegration Umbrella Project Document, 27 May 1997

interested in providing assistance but reluctant to work directly with the new government.

QUANTITATIVE ASPECTS OF DEX

According to the information available at UNDP Headquarters, DEX projects represent 22 per cent of the number of ongoing projects (22 projects) and 33 per cent (\$53 million) of the financial value.

QUALITATIVE ASPECTS OF DEX

Several umbrella projects are included in the DEX portfolio, for example, Rural Rehabilitation and Promotion of Sustainable Livelihoods, and the

IMPLEMENTATION ARRANGEMENTS

Local and international NGOs are sub-contracted to carry out project activities. The Country Office is responsible for the management of DEX projects. However the role of the CO is limited to monitoring and oversight. A Project Management Support Unit (PMSU), with four international staff, provides operational support. Programme Units, staffed with international professional staff, oversee their respective sectors, as follows: (i) Justice and Human Rights Unit; (ii) Governance Unit; (iii) Reinstallation and Development Unit; (iv) Reintegration Unit.

OVERSIGHT AND ACCOUNTABILITY

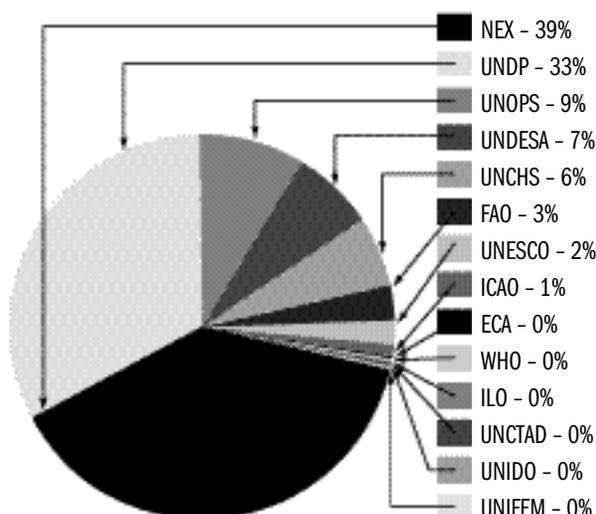
The first line of oversight is provided by the CO. UNDP programme staff monitor activities carried out by NGOs and require periodic reporting from them. The team found that project activities were regularly monitored by UNDP staff. Some staff noted frustration in not having the necessary technical skills to most effectively ensure substantive accountability. For example, while CO staff can check the existence of a water pump, and whether it is being used by the community and contributing to local development, they would not be able to determine if the number of times it breaks down is acceptable. Evaluations for some of the projects have been conducted.

Regarding financial accountability and oversight, several audit and assessment missions had been sent from the Regional Bureau for Africa and the Office of Audit and Performance Review. The CO itself also engaged a private accounting firm to audit DEX projects. A 1999 audit report rated the office as deficient and in need of significant improvements in controls. One major factor was the absence of experienced and competent staff. The report concluded, *“In light of the weak capacity of the UNDP Rwanda staff ...the decision to grant the use of DEX may not have been judicious.”*¹¹¹

GENERAL PERFORMANCE OF DEX

While recognizing the limited capacity of the Rwanda office to effectively and efficiently manage activities, the team nevertheless noted a number of strengths and achievements of the UNDP programme in Rwanda: programme objectives that are relevant to the national context; evidence of good participatory processes

FIGURE F.10 BUDGETS OF ON-GOING PROJECTS IN RWANDA (TOTAL VALUE: US\$161 MILLION)



Source: Programme Gateway

Umbrella Project on Reintegration. During the initial period of DEX, projects were designed for the short term, and for immediate response to specific government requests for meeting the basic needs of a displaced population.¹¹⁰ Although the projects were short-term, capacity building and sustainability at the local level were built into the strategy through involvement of local authorities and creation of management committees. Examples of project activities include provision of access to drinking water for 7,000 households in three districts; and milk collection and marketing in Umutara Prefecture to increase milk production and distribution capacity and income generation.

¹¹⁰ Falavigna, Michele and Schumann, Peter, Preliminary Report, UNDP Evaluation Mission on DEX in Rwanda (Kigali, 12-17 January 1998) RBA, DOPP/OSG, 27 January 1998

¹¹¹ OAPR/UNDP, Management Audit of the Country Office in Kigali, Rwanda, Kigali, April 1999, p.37.

among local authorities and other stakeholders in the implementation process, leading to sustainable development; and local capacity building.

In addition, the projects under DEX have addressed many critical and basic needs of Rwanda following the conflict. Some of these accomplishments include the building of schools, the creation of jobs, provision of access to drinking water, establishment of milk processing centres, an increase in health services, increased capacity of local NGOs to actualize project activities, and the construction of houses.

Further, although DEX has been an enabling tool in addressing the crisis situation in Rwanda, the evaluation team found that the country office was attempting to respond to everything without a strategic, programme approach. Projects are unfocused and have too many objectives across sectors. While these projects were appropriate immediately following the crisis, there is a need for the CO to narrow its scope and to move further upstream in line with the Administrator's Business Plans.

TANZANIA

DEX IN TANZANIA

In 2000, there was only one DEX project in Tanzania — *Support to the Joint UN/EU Electoral Assistance Secretariat in Tanzania* — to monitor the electoral process. The National Electoral Commission invited international observers for the 2000 elections, using the services of UNDP and EU to ensure an independent and neutral electoral process. A Secretariat to provide logistical support and coordination to international observers was jointly established by the EU and UNDP. UNDP's coordinating role allowed for the participation of EU, OAU and SADC in election monitoring. Groups such as SADC and OAU might have been excluded had the activity been solely executed by the EU.

QUANTITATIVE ASPECTS OF DEX

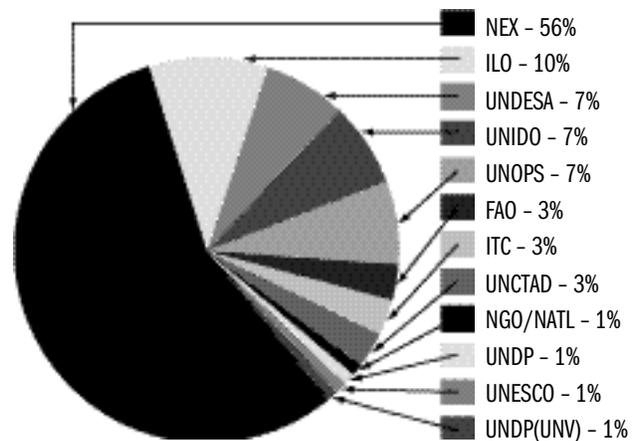
Most of the projects in Tanzania are NEX, representing 56 per cent of on-going projects and 72 per cent of the total budgets. Agency execution is also used. DEX was used only in this one project, *Support to the Joint UN/EU Electoral Assistance Secretariat in Tanzania* (URT/00/002), where speed of response and UN neutrality were essential in carrying out the activities.

QUALITATIVE ASPECTS OF DEX

Project activities were to provide logistical support to the Joint UN/EU Electoral Assistance Secretariat (JEAS)

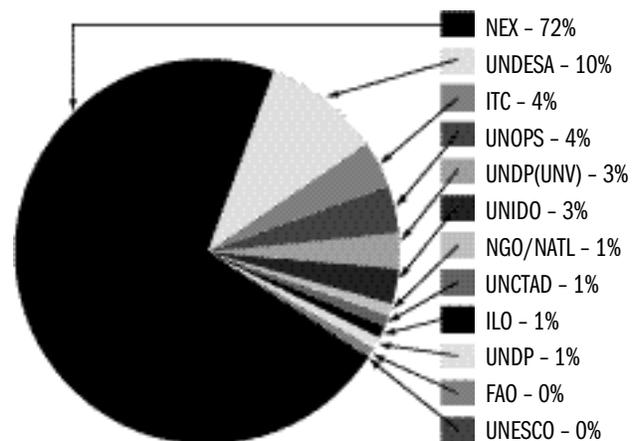
during Tanzania's second multi-party presidential, parliamentary, and local government elections in October 2000. The project duration was four months and the budget was \$446,346. Most of the budget (\$388,236) was from cost-sharing from the EU and other donors, with a UNDP contribution of \$72,110 from TRAC funding. UNDP provided administrative backstopping

FIGURE F.11 ON-GOING PROJECTS FOR TANZANIA (69 PROJECTS)



Source: Programme Gateway

FIGURE F.12 BUDGETS OF ON-GOING PROJECTS IN TANZANIA (TOTAL VALUE: US\$82 MILLION)



Source: Programme Gateway

services (budget monitoring, payments, procurement, recruitment) to the JEAS. The JEAS was tasked to support both long-term and short-term observers by facilitating observers' accreditation; providing logistical support (transport, communication, accommodation, medical assistance, security, equipment, etc.); providing briefing and debriefing; designing a reporting system; and establishing a deployment plan.

IMPLEMENTATION ARRANGEMENTS

UNDP Tanzania itself undertook the additional work for the DEX activities using its already existing Programme Support Unit and related systems. The JEAS was housed in the UNDP office but worked independently of that office. It had administrative support staff to handle project accounting and logistics. The UNDP CO supported these activities by, for example, making project payments and procuring supplies, using its contracts committee when needed. While activities under this project were performed much more quickly than is typical for UNDP processing, the final report noted that some administrative activities took longer than required to most effectively achieve project objectives.

OVERSIGHT AND ACCOUNTABILITY

The EU, the Joint Secretariat and the government all provided oversight to this project. Since the EU provided 84 per cent of the funds, as well as human resources, it had a vested interest in fully participating in the process. The EU prepared a final report of the project activities.

Since this was a single, relatively small DEX project, special provisions for financial or substantive accountability were not made. The project operated within the context of the already existing CO structure. A 1999 audit report rated the CO as marginally deficient, indicating that there were no serious weaknesses in internal controls.

GENERAL PERFORMANCE OF DEX

Generally, the project produced the expected results and was able to adequately monitor the elections. Some donors criticized UNDP's limited experience in designing election projects and organizing the needed institutional structure for monitoring elections. The UNDP CO itself commented that standard operational procedures may not be appropriate for time critical procurement actions, and that extra efforts were made by the CO staff to efficiently respond to project needs, and to financially control expenditures. Nonetheless, the team had overall, a positive impression of the project, as did the government counterpart.

Current Legal and Policy Framework



The first sub-section below discusses the current legal and policy framework for DEX projects, which is defined in the existing UNDP financial rules and regulations and the programming manual. In addition, recent legislation has established a decision-making and authority structure directly applicable to the direct execution of projects. These UNDP “rules” documents govern the use and operation of DEX. The second sub-section discusses current DEX approval authorities. The third sub-section discusses some aspects of the existing draft DEX guidelines.

1 LEGAL AND POLICY FRAMEWORK

EXECUTIVE BOARD DECISION 98/2

In 1998 the Executive Board continued to express some concerns over UNDP’s role in directly executing its own projects, mainly in the context of increases in non-core resources and the seeming growth of UNDP execution capacity. There was less concern about perceived conflict in the coordination role. Some members of the EB were concerned that UNDP might shift from its primary mandate in its activities funded by non-core resources, and that core funding would be used to subsidize non-core activities. This concern in part related to an increasing number of UNDP Country Offices expanding their roles in supporting NEX.¹¹² However, in various discussions that the team had with UNDP officials, some interpreted the issue of CO support to NEX as being a form of DEX. This was in spite of the fact that in strictly legal terms or by definition, NEX and DEX (as well as CO support to NEX) are quite separate and distinct.¹¹³

To clarify UNDP’s role in the execution of projects, EB Decision 98/2 (g) stated:

¹¹² The reference is E/1998/36 para. 182), specifically, “there was concern that UNDP was becoming an executing agency for the Bretton Woods Institutions” (para. 184) and that such institutions, not UNDP, were in control. The team learned from some sources that the debate at the time was varied, as many Latin American member countries and other governments were strongly supportive of the UNDP CO role in support of NEX.

¹¹³ From the team’s discussions with UNDP officials and its review of DEX projects and CO support in some of the offices visited — especially in COs where both the NEX and the DEX modalities are used — it appeared that the distinction between these two modalities was in certain respects somewhat blurred. This was especially the case in terms of the CO role in support of both types of projects: that is, where a common set of functions and services were provided to both delivery modalities (e.g. procurement, recruiting, contracting, arranging training events and the like.)

“In accordance with Executive Board decision 94/2, the role of the United Nations Development Programme as executing agent shall remain limited to countries in special circumstances and apply only when it can be demonstrated that it is essential to safeguard the full responsibility and accountability of the Administrator for effective programme and project delivery.”

The same decision accepted CO support to NEX, with conditions. In other words, the differentiation of DEX and CO support to NEX was accepted, although perhaps not made clear enough throughout the organization.¹¹⁴

FINANCIAL RULES AND REGULATIONS

UNDP has interpreted EB decisions through various rules and regulations and has two requirements for the direct execution of projects and programmes: 1) to protect the accountability of the Administrator; and 2) to assist countries in special development situations. The specific wording contained in the UNDP Financial Rules and Regulations is:

1) Regulation 17.05: *“The Administrator may select UNDP as an executing entity only when it can be demonstrated that such a step is essential to safeguard the full responsibility and accountability of the Administrator for the effective delivery of UNDP programme activities.”*

2) Rule 117.03:

- a) *“UNDP shall limit its role as executing entity to countries in special development situations;*
- b) *“The Associate Administrator is authorized to approve the selection of UNDP as executing entity for specific UNDP programme activities and shall establish criteria to which such designation may take place; and*
- c) *“Whenever UNDP has been selected as executing entity, policies and procedures governing the use of resources by UNDP under chapter F shall apply.”*

UNDP PROGRAMMING MANUAL

With respect to UNDP authority to use the DEX modality, the UNDP Programming Manual (Section 6.2.5) provides

specific instructions on the implementation of Financial Rules and Regulations. The directly applicable section of the manual is as follows:

- 1) *“UNDP direct execution (DEX) is limited to countries in special development situations and is used only when necessary to safeguard the responsibility of the Administrator for effective programme and project delivery.*
- 2) *“The authority to approve UNDP direct execution has been delegated to the Associate Administrator alone. Approval is given on a case-by-case basis.*
- 3) *“Direct execution may be considered where:*
 - a) *“There is a situation which calls for speed of delivery and decision-making where UNDP management is necessary for mobilizing resources;*
 - b) *“National authorities lack the capacity to carry out the project; and*
 - c) *“The project could not be carried out by another United Nations agency;*
 - d) *“The UNDP country office has adequate capacity to manage, report and achieve the expected results of the project.”*

It is clear that UNDP has the authority to directly execute projects and programmes, but that this authority is restricted to use for countries in special development situations and in other circumstances, especially for the protection of the Administrator’s accountability. Some have interpreted the current guidelines for DEX as being a modality “of last resort.”¹¹⁵

2 CURRENT DEX APPROVAL AUTHORITIES

In November 2000, DEX authority was delegated to the Regional Bureaux by the Associate Administrator. As noted in the delegation instrument, the rationale was to support the Administrator’s Business Plans by contributing to the streamlining of work processes, reducing the size of Headquarters, and responding more flexibly in special development situations.

¹¹⁴ Officially, “CO support to NEX” is seen to consist of only those activities related to the delivery of inputs (e.g. recruitment, procurement, etc.) while implementation refers to the conversion of inputs to outputs, and execution refers to the substantive accountability for the achievement of objectives and results. In instances where a CO does not take on full responsibility of execution but focuses on implementation support, DEX and CO support to NEX would have many similarities.

¹¹⁵ In the aforementioned internal Provenzano report on the “Legal Framework for DEX,” the interpretation is given that DEX can be used in countries or situations other than countries in special development circumstances (i.e. its use is not excluded for projects or programmes in other countries where the Administrator may deem that DEX is necessary.) The Provenzano report, which is not considered as applied policy but only as an interpretation, went on to say that interpretations of DEX legality could not result in the negation of fundamental authorities such as the Administrator’s accountability, which could never be compromised.

According to the new delegated authorities,

“... the Regional Bureau Director may authorize a Resident Representative either (i) to approve UNDP as the executing entity for a specific project (a single decision), or (ii) to exercise DEX approval authority for a specified period of time, not to exceed one year (an unspecified number of DEX approvals may be made within the given period.) In either case, the delegated authority may be exercised only in countries in special development situations, as designated by the Crisis Committee.”¹¹⁶

It is worthwhile to briefly summarize below the series of submission, review, vetting and other assurance processes by various HQ units that are tied to the approval of DEX. The procedures spelled out below are those prior to November 2000, when authority was delegated to the Regional Bureaux to approve DEX. Currently, Regional Bureau Directors are authorized to approve DEX. In so doing, they must consult with the Bureau of Management (BOM) to ensure that the CO has the requisite administrative capacity. Bureaux are no longer required to submit the request to the Operations Support Group (OSG) or the Associate Administrator (AA) for approval. Rather, OSG oversees the efficacy of the delegation of authority through periodic reviews of the process.

CO SUBMISSION FOR DEX AND REGIONAL BUREAU REVIEW

- In requesting DEX, the CO must describe the nature of the situation, the comparative advantage of UNDP to execute the project(s), the capacity of the CO, and how costs will be recovered. Such a “case” for DEX would be formally prepared and submitted by the CO to the Regional Bureau.
- The Regional Bureau reviews the request and submits it to the Associate Administrator, who subsequently forwards it to BOM and OSG for review. In granting such authorities, the Regional Bureau would seek the advice of the Bureau of Management (BOM) on whether DEX should be approved.

PROCEDURES WITHIN BOM

- In reviewing the request, BOM would determine if the project complies with the regulation for safeguarding

the accountability of the Administrator (and that no other option would be able to safeguard accountability); and that it follows the rule that the country requesting the approval is classified as being in a special development situation. BOM would further examine the project document and the budget to see what types of activities are envisaged. Often, subcontracting and procurement are large budget components. In these cases, the procurement history and capacity for international bidding are reviewed.

- The request is circulated to Treasury and the Comptroller for approval. In the past, a corporate administrative ranking system was used to determine capacity of the CO’s administrative and financial systems. With the move to a new system of measuring how the organization re-positions itself in line with the vision and objectives of the Business Plans (the balanced score card¹¹⁷) however, the ranking system was put on hold. In addition, past audits are used to evaluate CO capacity.
- The Operational Support Group (OSG) would also review proposals for DEX. In its review, OSG would also determine whether the country fits the criteria of a country in crisis; examine BOM’s input on capacity; explore alternate execution possibilities (whether UNOPS or NGO execution might be options); examine whether speed of delivery is a factor; and also look at other overriding factors such as the local availability of goods and services. Some DEX projects may not undergo OSG and BOM review due to the emergency nature of the situation.
- The Emergency Response Division may be consulted in terms of providing technical, material, and human support to the CO, and ensuring that lessons learned in CSDS are shared among Country Offices.

AUTHORIZATIONS

- The Associate Administrator then authorizes DEX, indicating any limitations or other conditions — such as the requirement to use IAPSO for international procurement — and support to be provided by HQ.
- The Regional Bureau then delegates authority to the Resident Representative through a formal memorandum that specifies the scope of the authority, the period for which it is valid (not exceeding 12

¹¹⁶ Circular from Associate Administrator, UNDP/PROG/00/06, 27 November 2000, clause 4.

¹¹⁷ The team was informed that the primary focus of the balanced score card is on measuring the UNDP organizational change effort, and that it was also important that a clear link be established to the issue of development results. The primary country office data sources for the balanced score card are the COMP, the SRF/ROAR and other databases.

months), the financial ceiling and any other steps or actions required on the part of the CO to ensure effective management and accountability.

It should be noted that proposals for the approval of Global, Regional and Interregional programmes are submitted directly to the Associate Administrator. Section 5 of this report presents the team's observations and findings on the current authority processes for DEX in the context of overall accountability frameworks.

3 NOTE ON DRAFT DEX GUIDELINES

To respond to the need for clearer guidelines on the use of DEX, and to facilitate the implementation of Decision 98/2, the UNDP Operations Support Group developed and issued draft DEX Guidelines in August 2000. These guidelines define and describe a set of policies, procedures and tools to support DEX. The DEX guidelines are understood to “float” on top of the existing UNDP Programming Manual, Manual of Operations Management, Financial Rules and Regulations, etc., and in that sense complement existing rules.

The draft DEX guidelines identify the following financial management issues that need to be addressed:

- A special format for financial reporting to Headquarters is not available for DEX.
- A project accounting system to keep track of the current financial status at all times is essential.
- Mechanisms for expenditure control are essential.
- A system for handling outstanding obligations is essential.
- Procedures for making payments and monitoring the performance of contractors are essential.

The draft DEX guidelines identify two main issues in respect of UNDP performance and accountability (1) as

executing agent — overall management accountability for project implementation; and (2) as funding agency — accountability to the Executive Board for all aspects of its operations.¹¹⁸ The draft guidelines identify roles that can be played by organizations from government, civil society, UN agencies and UNDP headquarters. The current legal framework for DEX states that the Administrator is accountable for DEX, and that at the CO level it is the Resident Representative acting on behalf of the Administrator who is accountable.

The DEX guidelines address some issues related to procurement and material management. Asset management policies and procedures are addressed only in a general sense. For example, UNDP typically does not manage large vehicle fleets since executing agencies usually manage such assets. In DEX projects, however, UNDP may find itself managing considerable assets — such as dozens of vehicles in the case of Bosnia and Herzegovina. Management of such assets would require special expertise and supporting systems in order to optimize the use of these assets, including disposal and replacement. A particular problem in direct execution would be the transfer of project assets where no clear counterpart was involved. Such assets could be sold, or retained by the Country Office to deploy to other projects. More detailed guidelines would be helpful to the COs in such cases.

The guidelines also address issues of project management and supervisory functions, the separation of monitoring from project management, systems and procedures for financial management and accounting, procurement, administration, recruiting and so on. Section V of the manual specifically addresses monitoring and accountability systems, and the need to use existing mechanisms (e.g. Programming Manual, etc.).¹¹⁹ Financial accountability is addressed in the DEX Guidelines under the heading of financial management.¹²⁰

¹¹⁸ UNDP DEX Guidelines, August 2000, p. 3.

¹¹⁹ The monitoring and accountability tools covered by the Guidelines include: steering committees, consultative approval processes (for project formulation, project approval, budget revisions), project reporting (annual progress reports, interim reports, terminal reports, review meetings), evaluation (mid-term, final and/or ex post), audit (internal or external), and HQ monitoring of DEX projects (Regional Bureaux.) See UNDP DEX Guidelines, August 2000, Section V, pp. 10–15.

¹²⁰ There is a statement in the DEX Guidelines that Country Offices “need to set up effective and efficient accounting systems to ensure accuracy and transparency of financial information.” If taken at face value, this could prompt DEX COs to develop home-grown financial systems or modules that may not integrate with corporate financial systems. Field based financial management systems for DEX or any other aspect of the operation should conform to a single, corporate-wide set of financial policies, rules and procedures, including systems, coding structures and charts of account for all financial transactions, including budgeting.



UNITED NATIONS DEVELOPMENT PROGRAMME

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