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COUNTRY COOPERATION FRAMEWORK AND RELATED MATTERS

Implementation of the successor programming arrangements

I. INTRODUCTION

1. In paragraph 29 of its decision 95/23, in which it established the successor programming arrangements, the Executive Board decided to carry out "a full-scale review of the introductory period July 1995 to June 1997 for the purpose of assessing experience and determining such changes as may be necessary to the successor programming arrangements". In the discussion of its workplan at its first regular session of 1997, the Board agreed further that this review would take place in September 1998. The present note provides information on the actions the Administrator proposes to take to facilitate this review.

2. The Executive Board established in decision 95/23 the principles that would govern the programming of UNDP resources, the apportionment of resources among UNDP core activities and functions, and the methods by which those resources would be programmed. Additional guidance on selected aspects of the successor programming arrangements was provided in two later decisions: 96/07, which dealt with the content and processing of the country cooperation frameworks; and 96/31, whereby the Board determined the arrangements that would apply in respect of agency support costs, the resources for which had been specified in lines 1.6, 2.2 and 2.3 of the table accompanying decision 95/23. In decision 96/31 the Board also requested the Administrator to review experiences with the agency support costs arrangements and to report thereon, "describing lessons learned and proposing various alternatives to the Executive Board at the annual meeting 1997 in the context of the review of the successor programming arrangements". The Board also foresaw, in decision 96/7, that a review of the experience with country cooperation frameworks (CCFs) would also take place at the annual session 1997. In line with the agreement mentioned in paragraph 1 above, the consolidated review will take place in September 1998.

3. The Executive Board will also recall that decision 95/23 provided that the successor programming arrangements would apply during the period July 1995 to June 1997 for the programming of activities for the years 1997 onwards.

4. Progress in implementing the successor programming arrangements is described in regular reports to the Executive Board, notably in the annual report of the Administrator. A few salient features will be mentioned here. Although the resource framework set out in decision 95/23 formally took effect in January 1997, preparatory actions were taking place in the period between June 1995 and January 1997; thus, operational procedures covering programming, monitoring and review were developed in respect of all funding lines set out in the table accompanying decision 95/23. Most countries are preparing advisory notes, and some 25 country cooperation frameworks had been submitted to the Board as of the time of writing. The regional cooperation frameworks (line 1.2) have all been prepared and submitted to the Board, with the exception of the framework for the Arab States region, which is due to be submitted in September 1997. Resources have been allocated and distributed in accordance with Executive Board decision 95/23 for all lines except 1.3

(global programme), for which the revised framework will be submitted to the Board in September 1997. Information relating to the implementation of lines 1.1.3 (countries in special situations), 1.4 (evaluation) and 1.5 technical cooperation among developing countries (TCDC) is contained in separate reports to the Board.

II. PURPOSES AND METHODOLOGY OF THE REVIEW

5. In accordance with paragraphs 1 and 2, the review will assess experience, extract lessons learned and make recommendations on any changes deemed necessary. Experience will be assessed in relation to the provisions of each part of decision 95/23, supplemented by decisions 96/7 and 96/31. In accordance with the framework set out in decision 95/23, the main areas to be examined will be:

(a) Principles for the programming cycle: eligibility; resource needs; methods of allocating resources; supporting development priorities established by the recipient countries; implementing the three goals and four priority areas endorsed in decision 94/14; improving the operational function of the resident coordinator, and decentralizing authority to the field level;

(b) Mobilization of resources: meeting the core resource target; widening the resource base through the participation of new donors; and mobilizing non-core resources, including cost-sharing and resources from non-traditional sources of financing;

(c) Programming arrangements: the three-year rolling planning scheme; country cooperation frameworks and the processes involved in their preparation, paying particular attention to decision 96/7;

(d) Financing mechanism: procedures for the assignment of resources at country level target for resource assignment from the core (TRAC) system; earmarkings of core resources as set out in the table accompanying decision 95/23; and the earmarkings relating to agency support costs, which are to be reviewed in the manner called for in decision 96/31;

(e) Distribution of resources: methodology for the distribution of resources among countries.

6. In order to ensure that the study is anchored in country realities, a representative sample of UNDP programme countries will participate in collecting information and assessing experiences. The review will also entail examination of documents at UNDP headquarters; these documents will include but will not be limited to advisory notes, CCFs, regional and global frameworks, programme outlines, reports on the resource assignment process, reports of annual and triennial reviews and evaluations, and reports on the use of support for policy and programme development (SPPD) and support for technical services (STS) and on the TCDC line (1.5).

7. The findings of the review, including an account of problems observed, lessons learned, conclusions and recommendations, together with an account of the actions that the Administrator intends to take in response to the findings and his recommendations for action by the Executive Board, will be presented in a report to the Board at its third regular session 1998.

III. EXECUTIVE BOARD ACTION

8. The Executive Board may wish to take note of the measures the Administrator proposes to take to review the experience with the implementation of the successor programming arrangements and agree that these arrangements will continue to be in effect until the Board has completed its review of the report of the Administrator mentioned in the preceding paragraph.

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NATIONAL EXECUTION

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I. INTRODUCTION

1. National execution is defined by the Consultative Committee for Substantive Questions as "a cooperative operational arrangement entailing, inter alia, overall responsibility for the formulation and management of programmes and projects by the recipient country as well as the latter's assumption of accountability for them".^{1/} National execution originated as government execution, which was introduced by the Governing Council in its decision 76/57 of 2 July 1976. Since then, reports have been presented periodically to the Governing Council on the progress being made and the difficulties encountered.

2. The present paper, intended as a background for the discussions on the theme selected for the second regular session 1997 of the Executive Board, provides information on the series of actions taken so far following the comprehensive evaluation of national execution completed in 1995; the recent report by the Board of Auditors; and related studies.^{2/} The intention is to engage the Executive Board in a dialogue not only to inform but also to seek its guidance on some of the issues raised. The paper also provides an overview of experience in applying national execution, presents the lessons learnt and discusses some of the emerging policy issues.

II. GROWTH AND EXPANSION OF NATIONAL EXECUTION

3. There has been a major increase in the application of national execution. In 1995, 87 per cent of all countries used it compared to 80 per cent two years previously. As can be seen from the table, expenditures through national execution have increased steadily.

Growth of national execution expenditure

<u>Biennium</u>	Total project expenditure \$million	National execution expenditure \$million	Percentage of total project expenditure Per cent
1988-1989	1731	195	11
1990-1991	2180	300	14
1992-1993	2044	639	31
1994-1995	2014	1135	56

Source : Final report of the United Nations Board of Auditors 1994-1995

4. Preliminary figures from the Division of Finance for the current biennium (1996-1997) indicate that the percentage of national execution budgets may reach 79 per cent. Nationally executed projects financed through cost sharing have expanded rapidly. At present, cost-sharing represents approximately 62 per cent of total national execution budgets, up from 49 per cent in 1994.

5. The growth of national execution has not been uniform in all regions. It is used more extensively in Latin America and the Caribbean and in Asia and the Pacific than in other regions. For example, of the 20 countries with highest expenditures through national execution, 13 are in Latin America and the Caribbean, with most of these funds originating from government cost-sharing.

6. All the advisory notes and country cooperation frameworks formulated so far contain commitments to intensify the application of national execution. The adoption of the programme approach also increases the use of national execution. Programmes developed in the framework of the programme approach tend to be intersectoral in nature and are more appropriately managed by national authorities. Indeed, in most cases national execution is a prerequisite for their successful implementation.

III. MAIN ACHIEVEMENTS AND KEY PROBLEM AREAS OF NATIONAL EXECUTION

7. The rapid expansion of national execution from 1992 onwards follows the General Assembly resolution 47/199, which called for national execution to be the norm for projects and programmes, taking account of the needs and capacities of recipient countries. This reflected a recognition of the limited impact of development activities that are not driven by local needs and priorities. Similarly Governing Council decision 92/22, which sharpened the definition of implementation and execution, as well as all other relevant decisions and resolutions were based on its potential to promote ownership, increase the level of self-reliance, contribute towards capacity-building and enhance sustainability. The studies and reports referred to earlier provide an insight into the extent to which the potential for national execution is being realized. The present document presents these achievements as well as some of the problem areas encountered with national execution; the possible solutions and measures taken to address these problems are presented in section IV.

Objectives of national execution

8. The definition of objectives of national execution is considered by the Board of Auditors as an issue that requires clarification. This question is not new and has been the subject of discussions at the Consultative Committee for Substantive Questions (CCSQ), which adopted common definition of objectives for national execution (see ACC/1993/10, para. 10 and annex VII). UNDP finds that these objectives, which are reproduced below, together with the guiding principles are still valid.³ They are: a) recognition of the central role, "ownership", direction, and control of the government; b) enhancement of capacity-building, self-reliance and sustainability, including through the building of national institutions and their management; and c) internalizing of external inputs and ensuring greater relevance, and impact in relation to national programmes.

9. Reports, in particular the evaluation entitled National Execution: Promises and Challenges, have analysed the key achievements of national execution in relation to these objectives. The findings are as follows:

a) National execution greatly expands the sense of ownership, through enhanced involvement in project activities and formulation, greater management responsibility and decision-making by national staff. Governments are not always willing to assume all costs associated with ownership, such as the administrative tasks involved. Since ownership requires participation and consultation, formulation is often a longer process than previously. Ownership is not always expressed by all personnel concerned with a nationally executed project; the degree of ownership may, for example, depend on payments received by national staff involved;

(b) National execution contributes to capacity-building, in particular of human resource development through learning by doing. It reinforces national managerial and administrative capacity for development management, and in some cases contributes towards institutional development. However, UNDP finds that national execution is not a substitute for good project or programme design. The project will succeed in building the technical capacity of individuals or institutions through the objectives and activities of the project itself, and not merely by being nationally executed. Furthermore, capacity-building must be based on an existing, requisite level of adequate capacity for project or programme management;

(c) The level of self reliance has increased with national execution. Most importantly, national personnel now ensure formulation, decision-making and overall management of development programmes. Although national execution increases the proportion of programme inputs obtained at the national level, as well as use of national personnel and consultants, the extent of the increase

varies from country to country, depending on locally available expertise, services and supplies;

(d) Nationally executed programmes are more likely to be sustainable, to the extent that they are more integrated with national efforts, that they generate a greater sense of ownership, combined with a permanent interest group in the form of the national personnel involved in carrying out the activities. However, UNDP finds that many factors account for sustainability. They include execution and implementation, the extent to which the programme represents a genuine national priority, its design, financial and institutional situation and the evolution of the environment in which it operates. It is therefore very difficult to determine a direct causal relationship for any one factor with any degree of rigour. In addition, to ascertain sustainability requires constant monitoring long after the end of project activity.

Roles and responsibilities of partners

10. The evaluation report concludes that the application of national execution has led to "the loss of conceptual clarity regarding the roles of Government, UNDP, and the specialized agencies, and a loss of clarity regarding the system of programme management". The key effects are as follows:

(a) The tripartite relationship, among government, UNDP and United Nations specialized agencies, which was effective in defining what rules governed various stages in the programming process and where responsibility lay for different activities, no longer applies in its traditional form. For example, Government now fulfil many functions relating to ownership, oversight, execution and implementation. The terminology and roles associated with execution, implementation and support have, in some countries, eroded as national execution has evolved or not been well understood. UNDP therefore concurs that a new conceptual framework for national execution is needed;

(b) In providing support to Governments for national execution, UNDP has taken on additional responsibilities that vary according to need and available capacities. The Board of Auditors noted that in December 1993, the Administrator had issued instructions authorizing UNDP country offices to assist with procurement and contracting at the request of the Government, and observed that this practice had become widespread. While recognizing the short-term benefits, the Board felt that plans for phasing out such arrangements should be prepared in order to move towards full national execution, with the objective of promoting self-reliance. The Board was also concerned that country offices do not always have sufficient resources to provide the required services;

(c) The role of the United Nations specialized agencies has shifted from execution to technical support. This followed naturally from Governing Council resolution 92/22, which provided a strong incentive for national execution. It is also, to a certain extent, a natural result as nationals gradually take over tasks associated with execution. In its decision 96/31, the Executive Board simplified the agency support cost system and reaffirmed its primary aim to "provide incentives for national execution and ensure that agency technical support services are available to governments, particularly for nationally executed programmes/projects". Nevertheless, the demand for such services has been limited in some countries.

Accountability issues

11. The evaluation of national execution found that "the technical quality of national execution projects is not in general inferior to that of agency execution". The data available at the time led the evaluation team to add that "there is no evidence that financial accountability has been compromised under national execution". Nevertheless, some Governments have encountered difficulties in accounting adequately for the use of UNDP resources. The following issues, inter alia, influence financial and substantive accountability and the monitoring of such accountability by UNDP :

(a) The Board of Auditors pointed out that capacity assessments of the executing agent were not satisfactorily carried out. Capacity assessments are particularly important for administrative capacity, since they make it possible to address any shortcomings in the ability of the national authorities to manage and guarantee full accountability for UNDP funds;

(b) Governments often have difficulties complying with the current UNDP reporting requirements. The delays in the completion and submission of financial audit reports have led to the UNDP accounts being qualified by external auditors. Many audit reports point to difficulties encountered by national authorities to submit reports in accordance with UNDP procedures;

(c) Monitoring and evaluation of nationally executed programmes and projects are essentially the same as the monitoring and evaluation of other types of programmes and projects. Both serve the purposes of learning, decision-making, and accountability, and deal with questions of relevance, performance, and success. Monitoring and evaluation of nationally executed programmes and projects need to give more emphasis to aspects such as national ownership, management capacity, effective mix of assistance from UNDP and United Nations specialized agencies to strengthen national monitoring and evaluation

capacities, and use of agency support cost arrangements. Furthermore, existing reporting systems and tools for monitoring quality have been based on the tripartite system and therefore do not appear well adapted to needs of national execution and the programme approach. In some countries, this has led to irregularity or delays in monitoring. For example, the instructions on Programme Performance Evaluation Reports and tripartite meetings have not taken account of how to ensure participation of several partners such as donors, implementing agents and subcontractors. They have tended to appear as lengthy exercises because they were designed to allow for agency headquarters involvement and the procedures have not allowed for integration with national reporting systems within national programmes;

(d) The absence of performance indicators for national execution programmes was raised by the Board of Auditors. This is a problem which applies to all types of projects and programmes and is not peculiar to national execution. Performance indicators for programmes must be specific to each case and will vary according to the circumstances.

Lessons learned

12. In addition to the points on national execution presented above, the experience in recent years with national execution has allowed UNDP to draw several important lessons about the way in which the organization operates in development cooperation. These lessons are presented below :

(a) In response to the diverse developments needs that are emerging at the country and regional level, the nature of development cooperation is evolving rapidly. The current options available for carrying out UNDP activities are proving to be inadequate in some cases, and give rise to ad hoc interpretations of national execution in order to respond to needs. It has therefore become necessary to take a fresh look at the system of execution and design more flexible modalities, policies and procedures;

(b) National execution allows broad participation in development programmes, including non-governmental organizations (NGOs), the private sector, academic and other national institutions. Although some of these entities are being used as implementing agents, national execution has largely remained government based. So far, full use has not been made of the opportunity to operate with other agents. UNDP feels that additional measures are required to ensure the full participation of non-governmental entities, specifically indigenous NGOs, as partners in UNDP programmes.

(c) The specific functioning of the UNDPs tripartite execution system is a constraint to the pursuit of harmonization of programming procedures of the Joint Consultative Group on Policy (JCGP) and other partners. In some countries, needs have emerged for UNDP country offices to play a more direct role in project execution, comparable to the processes already used in United Nations Children's Fund and United Nations Population Fund. Situations where this type of need arises are those where the speed of decision-making and delivery are essential - in crises, for example, where the government infrastructure is weak or non-existent, and national execution may not be appropriate. There may be other country-specific reasons why a Government may not wish to be directly involved in execution and/or implementation: e.g., programmes supporting reconciliation with segments of society formerly in conflict with the authorities and election monitoring;

(d) There is a rapidly growing demand for implementation and other development-related services at the country level. Thanks to their proximity and coordination role, UNDP country offices are often better placed than any other United Nations entity to carry out such services, as requested by governments. Demand for country office support often occurs in situations where local services are needed in support of a loan or credit from a multilateral development bank. Currently, all UNDP cooperation must be provided in the framework of a project with all the procedures and constraints which that entails. Although the procedures and current systems for national execution are not entirely appropriate for such support, it is presently the only framework available.

IV. ACTION TAKEN AND EMERGING NEEDS

13. UNDP has taken several measures to address the conceptual and operational problems encountered with national execution, as presented in paragraphs 8, 9, 10 and 11 above. These measures aim principally at improving the functioning of nationally-executed projects and programmes, strengthening accountability and clarifying objectives, roles and responsibilities, as follows:

(a) Revision and simplification of the current national execution procedures, to be finalized in March 1997. These provide clearer guidance, for example, on the objectives of national execution and where to use it; clarification on the respective roles of the different partners; the establishment of support units in government rather than in UNDP offices as a long-term objective;

(b) Instructions for the greater use of specialized agencies in quality control and programme formulation. The new instructions for the use of support for policy and programme development (SPPD) and support for technical services (STS) funds now permit country offices to use these resources for all agencies and regional commissions. In addition, country offices are encouraged to use agency personnel for project formulation, monitoring and evaluation, through, inter alia STS resources. It is also mandatory for country offices to hold expanded programme appraisal committee meetings, where representatives of other United Nations organizations participate;

(c) All national execution programmes are now required to contain adequate financial provisions for an independent audit. The guidance on audit as well as the terms of reference for private consulting auditors have been revised. In the case of country offices with large portfolios of national execution programmes, briefing sessions are to be arranged for the independent auditors by the Division of Audit and Management Review;

(d) Further review of the experience is under way with a view to introducing refinements of the rules on country office support to national execution; they will provide details of how UNDP country offices will work with Governments to improve practices in procurement, contracting and recruitment. In so doing, the partners must strike an appropriate balance between potential efficiency and speed of country office support and capacity-building within the Government. UNDP has also organized a series of regional training procurement workshops to strengthen the capacity of country offices and governments in procurement activities;

(e) Assessment of the capacity of the executing agent is now a mandatory step of the programme formulation process. Detailed instructions for capacity assessments are in the process of finalization for local use, providing clearer guidance to determine where support is required to enable the use of national execution. The capacity assessment is to be done jointly by the Government and UNDP. The aim is to ascertain what kind of support may be required for effective management of the programme where national execution is the preferred option;

(f) The guidelines on monitoring and evaluation have been revised with the requirement that country offices promote the extensive participation of United Nations specialized agencies and external agents such as NGOs, research institutes, regional institutions and private sector firms in monitoring and technical support. UNDP has also conducted several regional workshops on capacity-building for monitoring and evaluation;

(g) A first set of indicators for situation analysis in the UNDP focus areas has been sent to the country offices. Work is ongoing in collaboration with United Nations specialized agencies to develop a sample set of indicators based on experience and practical examples.

14. UNDP is examining the implication of the issues involved with emerging needs as described in paragraph 12 above, as well as the roles of partners in execution as mentioned in paragraph 10 (a), as follows:

(a) The evaluation report National Execution: Promises and Challenges recommended the adoption of a new conceptual framework, entailing, inter alia, more direct contractual arrangements and a redefinition of roles and terminology. UNDP is examining these issues and will prepare proposals for consideration by the Executive Board;

(b) UNDP will expand the use of NGOs for the execution of UNDP projects, where this presents advantages for UNDP-assisted programmes and with government agreement. Procedures for designating an NGO as an executing agent have been developed and are being tested in pilot programmes;

(c) UNDP is at present testing direct execution by country offices in a few pilot programmes, as described in paragraph 12 (c), in order to respond effectively to specific local needs and in the spirit of responsiveness, efficiency and harmonization with JCGP partners;

(d) UNDP is currently analysing how and under which circumstances and conditions country offices may provide necessary management and operational services for development, including implementation services.

V. CONCLUSION

15. The overall experience so far in applying national execution has been positive in strengthening ownership, self-reliance and national capacities. When national execution is combined with the programme approach, the benefits, in terms of more effective use of development resources, extend well beyond UNDP funding to include other donors. National execution has modified the roles of partners of the tripartite relationship; Government UNDP and the United Nations specialized agencies. Difficulties experienced concern principally reporting, the application of rules and adequate execution capacity. They are being addressed through, inter alia, the simplification of procedures, training and revised guidance on capacity assessments, audit and monitoring and evaluation.

Measures have been taken to strengthen accountability and clarify objectives, roles and responsibilities.

16. The experience with national execution has pointed to important lessons and new needs that have emerged from the dynamic environment of development cooperation. In order to respond to these emerging circumstances, UNDP is developing a new conceptual framework aimed at improving the system of execution. This will entail a redefinition of roles, terminology and contractual arrangements, based on country-level needs, experimentation and feedback.

Notes

1/ Report of the Consultative Committee for Substantive Questions on its First Regular Session of 1993, held in Geneva,, 16 to 19 March 1993, (Acc/1993/10, para 17(e) and annex VIII).

2/ These studies are: (a) National Execution: Promises and Challenges, OESP Series on Lessons Learned, UNDP/OESP, 1995; (b) UNDP System of Accountability, George Washington University, Nov. 25, 1996; (c) Building Development Partnerships through Co-financing, UNDP/OESP;

3/ Consultative Committee on Programme and Operational Questions: "National execution and implementation arrangements (A5)" in Operational Activities Manual, Geneva, August 1996.

