

Distr.: General
6 June 2001

Original: English

Annual session 2001
11-22 June 2001, New York
Item 15 of the provisional agenda
Evaluation

Evaluation of direct execution

	<i>Paragraphs</i>	<i>Page</i>
I. Background	1-2	2
II. Proposed management actions.....	3-14	2
A. Flexible service delivery	5-6	2
B. Reducing transaction costs	7-9	3
C. Streamlining and strengthening capacities	10-11	3
D. Enhancing management systems	12-14	4
III. Conclusion	15	4
Annex		
Executive summary of the evaluation report		5

I. Background

1. The evaluation of direct execution (DEX) was launched by the UNDP Evaluation Office in 2000 at the request of the UNDP senior management. The aim was to provide an assessment of the experience with DEX so far, following Executive Board decision 98/2. The DEX evaluation complements the evaluation of non-core resources requested by the Executive Board.

2. The present paper provides the Executive Board with suggested actions and elements for a management response to the evaluation. The annex contains an executive summary of the evaluation report, including the key recommendations. The full evaluation report, which contains detailed information on findings, statistics and data, will be made available to the Board at its current session.

II. Proposed management actions

3. UNDP agrees with the statement on evaluation that “now is the time for UNDP to carry out a fundamental re-think of execution in the broader sense” in line with the focus on results and its new business model. All methods of execution, including DEX, are variants of the original execution system designed some considerable time ago. UNDP is presently in a very different situation, basing its operations on the strategic results framework (SRF), the multi-year funding framework (MYFF), practice areas, and expected delivery of results.

4. The key challenge at hand is to determine the appropriate package of UNDP service delivery methods that respond to UNDP present and future needs. Future arrangements for technical cooperation must reflect the Administrator’s Business Plans, results-based management, the growth of non-core resources, and the new UNDP business model which is based on three interrelated functions: (a) upstream advisory services; (b) support to the resident coordinator system; and (c) development services. The business model requires a flexible, business-oriented delivery framework with clear management arrangements and an accountability framework.

A. Flexible service delivery

5. Based on the recommendations of the evaluation, UNDP will develop proposals for a range of service-delivery and implementation modalities, combined with a coherent accountability and oversight framework and clear performance standards with the requisite internal capacities. The range of delivery methods applied will be flexible and will depend on country circumstances and needs. Direct execution services may be appropriate in a number of situations that go beyond countries in special development situations.

6. As an early step, the language used in UNDP programme management needs review to reflect modern management thinking and practices and harmonization with other United Nations organizations and donor agencies. Terminology should be based on the focus on results and the systemic change this is bringing to the way UNDP does its business.

B. Reducing transaction costs

7. The organization is confronted with operational and managerial bottlenecks in the delivery of the programme that cause untenably high transaction costs and implementation delays. The evaluation confirms this with findings relating to (a) the complexity in obtaining UNDP direct services when requested; (b) the procedures in managing such services; and (c) inappropriate corporate systems for such services.

8. There is a clear premium in simplifying the detailed procedures and formats for project implementation and funding; this would benefit all projects irrespective of execution modality. Proposed actions in this area will address the findings of the evaluation relating to guidelines, performance standards and further decentralization of authorities.

9. A key finding of the evaluation is that direct implementation services provided by UNDP are not detrimental to national ownership. National ownership of the results and process can remain whether or not UNDP itself provides implementation services and project administration. Ownership should reflect a commitment to substantive development results and should be delinked from compliance with UNDP rules and regulations by national governments. This finding is validated by the non-core evaluation and in effect removes a perceived constraint to the expanded use of DEX.

C. Streamlining and strengthening capacities

10. The DEX evaluation found that country office capacity was a significant – perhaps the most significant - determinant of the cost-effective direct delivery of projects. Perhaps the most significant core capacity found as a determinant of successful direct execution of projects was local country office leadership. Not all offices currently have the requisite capacities for effective, systematic service provision, both at country or headquarters level. Efforts are currently under way to address capacity issues through the reprofiling of country offices. However, further thinking may be required on how best to assist country offices in determining the required skills and services mix, an issue highlighted by the evaluation.

11. Furthermore, the evaluation highlights the need to review the fee policy for services. While the above measures may reduce the costs involved, the principle of full cost-recovery should remain. Country offices must be given the support to

ensure that this policy is indeed fully implemented. The cost-recovery policy should also address the risk assessment for liabilities associated with execution and service provision.

D. Enhancing management systems

12. The strategy for a flexible service delivery must be accompanied by a holistic, coherent approach to policy and corresponding systems. Current systems within UNDP do not adequately support management requirements nor do they provide sufficient information on project and service delivery for direct execution, national execution and service delivery. Based on a strategy for future service-delivery options, UNDP will aim to upgrade its management systems. Corporate databases should provide accurate, timely data for information management and executive decisions, including lessons learned on execution and service provisions.

13. Future financial systems solutions should allow the organization to (a) link services and resources (budgets and expenditures) to results and to costs and (b) provide services in an efficient, accountable manner. UNDP will continue its efforts to establish cost-accounting systems to measure and report on the full costs of technical cooperation.

14. Finally, the corporate accountability framework, as discussed in document DP/1996/35 and noted by the Executive Board in its decision 96/36, may need to be revisited to reflect the provision of services depending on cost-benefit and capacities. Accountability would include measures to involve national and other stakeholders in oversight mechanisms at the country level.

III. Conclusion

15. The changes outlined by the evaluation and discussed above are, in many respects, far-reaching and ambitious. Careful attention must be paid to the sequencing of measures so that future policies for service delivery are adequately supported by approvals, systems and procedures when launched. The Administrator is currently considering the options and the consequences of the actions recommended by the evaluation. The Administrator will revert to the Executive Board in future sessions with specific recommendations for the consideration of the Board.

Annex

EVALUATION OF UNDP DIRECT EXECUTION

EXECUTIVE SUMMARY

I. Introduction and context

1. Direct execution (DEX) defines the involvement of UNDP as an executing agent. As noted by the Executive Board in paragraph 8(g) of its 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.”

2. 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. From 1995 to 2000, a total of 219 DEX projects were approved, 188 of which at the country level and 18 at the global, regional and interregional levels. The 219 projects in the UNDP DEX portfolio have a combined total value of slightly over \$726 million, representing about 5 per cent of total UNDP project value. Not counting the large Iraq programme (\$472 million), the value of the DEX portfolio is reduced to about \$254 million.

3. 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 (NEX) 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 2000-2003, other questions have been raised:

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

4. To answer these and related questions, the Associate Administrator requested the Evaluation Office, with support from the Office of Audit and Performance Review (OAPR), to conduct an evaluation of the UNDP experience with DEX. The evaluation specifically addresses the designation of UNDP as the executing agent. UNDP involvement under other execution modalities is beyond the scope of this specific evaluation. Direct execution, however, points to the larger issue of the role of UNDP in programme and project management and implementation. In instances where a country office focuses on implementation support, DEX and country office

support to NEX would have many similarities. Attempts to quantify the extent of such support have been difficult within the framework of this evaluation. Based on feedback of the country level and headquarters, however, it may be quite extensive.

5. The evaluation was undertaken from October 2000 to February 2001 and included a number of country visits. The countries were selected primarily on the basis that authority for DEX had been delegated to them; countries in special development situations were included such as Bosnia-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 Burundi, Cambodia and the United Republic of Tanzania.
6. To gain 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 DEX experience 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 draw a complete picture of DEX activity and trends. Preliminary reviews were conducted with a group of senior managers at headquarters who were also former Resident Representatives.

II. Performance of DEX projects

7. 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 the United Republic of 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.
8. Where good results were produced, performance was found to be a function of a number of factors. UNDP in-country presence combined with country office 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.
9. Not all DEX projects reviewed produced high-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, a lack of locally available trained staff and materials impeded delivery.

Sustainability of results was mixed

10. Sustainability for the most part was found to be limited owing 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, it was noted that the five umbrella programmes reviewed were 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

11. Contributions to policy dialogue resulted from some DEX initiatives. For example, in Bosnia and Herzegovina the team found that the high degree of UNDP 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 (ICT) as a result of lessons learned on a DEX project, reflecting the growing corporate-wide interest of UNDP 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

12. The majority of the DEX projects and programmes in the countries visited contributed to the sense of national ownership. One example is the Village Employment and Environment Programme (VEEP) in Bosnia and Herzegovina, in which components were implemented by local government and civil society organizations. National ownership was more often described or evident in terms of the commitment and participation of national counterparts than in the management or control of projects or programmes by the 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

13. By and large, the DEX projects examined incorporated elements of national capacity-building and participation. However, most of these projects were still in their early days and it was thus premature 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 not be 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 which 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

14. DEX project experience in the countries visited supported the stated policy intent for the 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 quickly, decisions for the appraisal and approval of projects were relatively fast and implementation proceeded quickly.

Project implementation followed diverse arrangements

15. 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

16. 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 thanks 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.

III. DEX costs and capacity issues

17. Where gross measures of cost data were available, the cost of support to DEX as a percentage of delivery ranged from 1.6 per cent (Cambodia) to 6.8 per cent (Burundi). In Guatemala, costs were recovered through a 3.5 per cent management fee. However, the country office estimated its real office cost at 7.5 per cent. 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 in Guatemala or the United Republic of 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.

18. Country office capacity was a significant – 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 country office 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 country office NEX support operations. Perhaps the most significant core capacity found as a determinant of successful direct execution of projects was local country office leadership, especially in unstable and dynamic environments associated with countries in special development situations. The more successful DEX initiatives required strong marketing and selling skills and an entrepreneurial management style.

19. 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 were completed; however, some did not benefit from mandatory evaluation.

IV. Strengths and weaknesses of DEX

20. 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:

(a) **Quick response.** Combined with an in-country presence and country office capacities, leadership and other strengths, DEX contributes to the UNDP capacity for quick response to project opportunities. The DEX facility can enable UNDP to seek and quickly secure project opportunities;

- (b) **Flexibility.** DEX can be used in a number of situations, such as those involving crisis and post conflict situations and upstream policy as well as in a 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;
- (c) **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;
- (d) **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 UNDP;
- (e) **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;
- (f) **UNDP commitment.** UNDP has direct control of project inputs and with sound project management can enhance the delivery of outputs and cost-effective results. This direct control generates high levels of commitment from country office and project staff.

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

- (a) **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.
- (b) **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 too flexible that they allow country offices to set up financial and reporting systems that may not integrate with corporate systems. DEX requires a heavier load of reporting from the country office to donors;
- (c) **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.

V. Opportunities and challenges

22. Despite the relatively low volume of current DEX activity, the evaluation shows that direct execution is very much a reflection of the way in which UNDP conducts its business – or at least a small but significant part of it. This small part, however, points to larger issues surrounding both execution in the general sense and the search by UNDP for a revitalization and transformation of its business mission.

23. The Administrator's Business Plans which guide the UNDP 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, 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 country office of the future.

24. All this points towards 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, 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 adequate for the challenge of meeting future opportunities for direct service delivery.

25. Under the existing legislation, DEX may be used in special circumstances; such circumstances, however, are not clearly defined. Based on feedback from the country offices that carried out DEX and that were surveyed for this evaluation, special circumstances were noted to cover several key areas (see box). Other areas where the relative strengths of DEX might point towards 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 country offices include support to government and non-governmental organizations (NGOs), human rights, projects promoting UNDP/United Nations advocacy, programme logistical support, anti-corruption projects, projects that are innovative, catalytic and of short duration.

Potential situations for DEX

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

26. 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:

(a) **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 in special circumstances is limited. DEX projects, however, have been approved for other countries, including global and interregional programmes.

(b) **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 restrictive, NEX being the established norm. The informal message may well be one - in the words of a DEX survey respondent - to use "DEX only as a modality of last resort." There is an incomplete understanding of what DEX really is; 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 DEX might undermine national ownership or be used in preference to 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.

(c) **External resistance to change.** In many countries, there may be institutional resistance to the use of DEX at the central government level. 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 are seen as entitlements. Furthermore, national governments may see certain aspects of DEX (e.g., procurement) in competition with government operations. The threat of competition possibly might extend also to other United Nations organizations, to national civil society organizations or to the private sector.

VI. Recommendations

27. The findings of this evaluation point to important challenges for UNDP in the direct delivery of services, and 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-think 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. To realize the opportunities and overcome the constraints will require thinking outside traditional parameters, a process which is well under way in UNDP.

28. 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 country offices 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

29. The first recommendation 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.

30. **Recommendation 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: (a) Executive Board decision 98/2 should be updated to highlight direct delivery of services as an important strategy for implementation of the Administrator's Business Plans; (b) the operational definition of special development situations should be updated; (c) there should be a broadening in the application of direct delivery; (d) the concept of national ownership should be redefined to focus more on notions of commitment and participation, rather than on control; (e) the concept of national capacity development should be defined explicitly to cover national substantive capacities, not to describe the central government capacity to execute or implement UNDP-funded projects according to UNDP rules and procedures; (f) 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 the role of UNDP as a development agency and results-oriented service provider; and (g) the issue of ownership should be de-linked from the issue of compliance with UNDP financial regulations and rules.

31. **Recommendation 2. In the immediate term, it is recommended that the existing policy on DEX (See Executive Board decision 98/2 and the Programming Manual) be clarified in terms of its application and conditions of use.** In particular, specific guidelines should be developed: (a) to define which types of situations call for speed of delivery and decision-making, and what sort of speed is required; (b) to define what is meant by effective programme and project delivery; (c) to define the degree of effectiveness required to safeguard the full responsibility and authority of the Administrator; and (d) 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 in special development situations, 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.

32. Recommendation 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, thus calling for a revisiting of 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 (to undertake research, produce discussion papers and policy advice, support advocacy, etc.), contracting out the organization of conferences and workshops and the 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

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

34. Recommendation 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: (a) capacity and risk assessments of DEX initiatives; (b) internal capacity assessments and business planning of the country offices; (c) formal mechanisms for the involvement of national counterparts; and (d) formal project management principles, tools and techniques.

35. Recommendation 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 databases (timely, complete, accurate and up to date.) Better information will support both policy analysis and development activities but will also better support programme/project planning, management and evaluation, as well as the overall learning and information-sharing capacity of UNDP.

36. Recommendation 6. It is recommended that core competencies for country office management and support of directly delivered services be determined. Core competencies should focus on: (a) leadership competencies with special attention to marketing, client service and management, public relations and communications, business management, risk-taking and entrepreneurship; (b) an organizational culture and climate of "getting things done"; (c) sound planning and organizing capacities to support the setting and adjusting of priorities as demands of dynamic environments shift; (d) strong formal and informal internal and external communications; (e) a high degree of personal effectiveness and flexibility, including strong interpersonal skills; and (f) a results-oriented, client-serviced mentality.

Recommendations on administration and support

37. **Recommendation 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 country offices better handle multiple currencies, sources and application of funds, donor reporting, budgeting, the preparation of balance sheets, and other features. Special considerations include: (a) the carrying-out of a feasibility study to flush out the costs and benefits of optional financial systems solutions; (b) a formal cost-accounting policy and supporting procedures and systems to measure and report on full costs of delivery; (c) standard modules for such core functions as procurement, expenditure control and related areas identified in the main body of the report; (d) refinement of the policy on charging fees for support to directly delivered services, covering all sources of funds and full (overhead) costs; and (e) 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 strengthen country office capacities to support such initiatives.

38. **Recommendation 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 headquarters 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 country office decision-making and management capacities, oversight and monitoring mechanisms and abilities for the recruitment/training of staff best qualified for the job.

39. **Recommendation 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.)

