GOVERNMENT EXECUTION

Report of the Administrator

SUMMARY

This report responds to Governing Council decision 87/14 of 19 June 1987, which noted that the Administrator intended to undertake an evaluation study of government execution, which would make an assessment of the impact and cost-effectiveness of government-executed projects. In this decision, the Administrator was requested to report on the outcome of this evaluation, paying specific attention to the question of auditing and to the associated work-load of UNDP headquarters. This paper summarizes the principal observations and findings of the report, lays out its recommendations and provides UNDP comments on them.

Paragraphs 45-46 describe the specific financial implications of the Administrator's proposals with respect to costs incurred by UNDP headquarters in accounting for projects executed by Governments. Paragraph 61 deals with the implications for monitoring the audit of such projects.
I. INTRODUCTION

1. This paper responds to Governing Council decision 87/14 of 19 June 1987, which noted that the Administrator intended to undertake an evaluation study of government execution, which would make an assessment of the impact and cost-effectiveness of government-executed projects. In this decision, the Administrator was requested to report on the outcome of this evaluation, paying specific attention to the question of auditing and to the associated work-load of UNDP headquarters. This paper summarizes the principal observations and findings of the report, lays out its recommendations and provides UNDP comments on them.

2. Government execution has been a much studied modality. Indeed, progress has been monitored by UNDP since its inception in 1976 and reported on to the Council. This evaluation is, therefore, an integral part of the systematic attention that has been devoted to nurturing its steady evolution since its introduction. However, the recent acceleration in the utilization of this modality makes the evaluation a particularly timely one.

3. In responding to the assessment, its findings and recommendations, the Administrator has been guided by paragraph 31 of General Assembly resolution 42/196 of 11 December 1987, which requests, inter alia, that the Governing Council consider at its thirty-fifth session (1988) what further support can be offered to Governments, and what further flexibility may be called for to facilitate government execution of projects. The Administrator is also mindful of the instructions contained in the above resolution requiring the greater involvement of the United Nations system in government execution.

Methodology

4. The terms of reference of the evaluation were intended to address the concerns expressed during the Council discussion in 1987, and a number of issues which had emerged from the monitoring of the modality by UNDP itself.

5. Field work was carried out from March-October 1987. It involved missions to nine countries, seven of which were concentration countries. (The concentration countries are those 10 countries with the largest proportion of the programme executed in this fashion. They are Argentina, Bhutan, China, Ethiopia, India Indonesia, Mali, Mauritius, Philippines and Tunisia.) In each country, projects were visited, and government and international personnel were interviewed. In addition, all executing agencies were consulted, and five major agencies were visited. There were also discussions with relevant units in UNDP. Because of the complexity of the issues related to financial accounting and audit, a firm of external financial consultants was engaged to undertake this portion of the study. The recommendations on accounting and audit are based on their report.

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II. THE EVALUATION REPORT

Some basic facts

6. Between 1976 and 1981, the approval of government-executed projects had proceeded slowly and cautiously: 2 projects were approved in 1976; 23 in 1979; and 39 in 1981. However, in 1982 the Governing Council set up mechanisms to encourage the use of the modality. As a result, growth in its utilization has been dramatic. In the ensuing six years, approvals of projects for government execution as a proportion of all new project approvals increased fourfold, from 4 per cent in 1982 to 18 per cent in 1986. And as of June 1987, one of every five projects assisted by UNDP was executed by Governments. Ten countries account for 40 per cent of all government-executed projects and 69 per cent of the value of the projects. China and Argentina are the two largest practitioners of the modality. Over a third of the total value of their projects was financed through government cost-sharing contributions, and this was, in fact, a principal reason for the choice of the modality in these cases.

7. The evaluation has concentrated on country projects. Intercountry projects using government execution are 50 in number, and account for $25 million or 13 per cent of total resources allocated to this mode of execution. Intergovernmental bodies have used this mode of execution to varying extents. A more detailed study, region by region, is identified for the future.

8. Equipment accounts for 26 per cent of the resources used; for the Programme as a whole the figure is 23 per cent. Experts and training have the dominant share of resources committed to government execution. In general, government-executed projects are small in size; indeed, half of all government-executed projects account for less than 10 per cent of the resources devoted to this modality.

9. United Nations agencies are involved in government-executed projects in approximately the same proportion as they were five years ago.

The impact of government execution

10. Government execution has two interrelated objectives:

   (a) The enhancement of the capability of a Government to plan and manage technical assistance, and to integrate it into its own development programmes; and

   (b) The cost-effective attainment of project-specific technical assistance goals.

11. These objectives have evolved by usage from the original objective of a project execution mechanism intended (a) to diversify the supply base of technical assistance and (b) to promote self-reliance. All the countries visited during the evaluation stated that government execution of projects initiates, encourages and contributes to self-reliant development management, albeit at different levels of the administration. Through it, experience in the myriad details of implementation was gained. It does, therefore, encourage development through learning by doing.

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12. Governments also indicated that it was their perception that in many instances technical co-operation projects which were executed in the traditional manner were often not fully integrated into the mainstream of the activities of the country. In contrast, in government-executed projects, there was an identity of interest not only among the various elements of the project concerned, but also with all other activities related to the project. There were also repeated affirmations that projects executed by Governments had the distinct potential to sustain their outcomes, because the experience in producing the results enabled personnel to understand better the issues that may occur after project completion. It is, however, too early to enunciate the general principle that sustainability is more likely if a project is executed by Governments.

Cost and effectiveness

13. Some Governments visited in the course of the study procure inputs at costs significantly lower than those offered by the United Nations system. Bulk purchasing enables them to obtain lower costs. Furthermore, the strong bargaining position of Governments in hiring consultants renders the base for negotiations much wider. Where costs were equal to those paid by the United Nations system, effectiveness was promoted by direct government control over the work of the consultants, who had prior proven knowledge of the country and were mobilized on a timely basis.

14. There was no evidence anywhere of direct costs to government-executed projects being any higher than those obtained by the United Nations system. Nor was there evidence that decisions on inputs were exclusively determined on the basis of cost; quality and appropriateness of inputs were also important considerations. In many instances, Governments used agency knowledge and experience to procure inputs.

15. One perhaps unintended effect of the use of the modality has been a search for alternative sources of supply at lower costs by United Nations executing agencies. The United Nations agencies consulted were aware of the issues involved, and were exploring methods of responding to new circumstances. In overall terms, the use of the modality has definitely increased the purchasing power of the indicative planning figures (IPFs).

16. Government-executed projects are subject to the same kinds of problems that traditionally affect projects executed by agencies. In particular, those projects which were less effective tended to have the following common problems: (a) key inputs were delayed; (b) interdepartmental or interministerial co-ordination was imperfect; (c) the technology introduced was unfamiliar to beneficiary groups; (d) the expertise available locally was sometimes inadequately assessed or inappropriately used; (e) linkages between national entities and co-operating United Nations agencies were not clearly established; (f) bureaucratic systems within which the projects operated were inefficient; and (g) communications between the Government, the UNDP office and the co-operating United Nations agency were less than optimal. The UNDP field offices concerned responded to these issues as and where they arose. However, their emergence confirms the need for continued, careful monitoring and supervision, and the continuing responsibility of UNDP and the government co-ordinating authority in this regard.
17. On balance, the modality mobilizes inputs at less direct cost to the project concerned. It should be noted that some resources were provided free by UNDP or executing agencies, as they are provided to all projects as part of the normal support of project execution. In most of the projects, objectives have been met, and this modality has had a positive impact on the promotion of self-reliance.

18. The problem of transferring new technology through government-executed projects was an area of concern to the Governments which were consulted. Government-executed projects have worked well in situations where the technology to be transferred is already well tested and Governments have the capacity to absorb the technical intricacies involved. Where the technology was new, there was a clear role for the interaction of United Nations agencies and other backstopping arrangements. Projects which provided tested technologies in areas requiring changes in social and personal behaviour were slower in reaching project goals.

Financial accounting and audit issues

19. UNDP procedures for government execution provide instructions which deal comprehensively with the accounting, financial and audit requirements of the modality. Inasmuch as Governments are responsible for the substantive outcome of projects executed by them, they are held entirely responsible for the custody, use and reporting of financial outcomes. In fact, Governments have been reflecting only 30 per cent of the disbursements actually made in connection with government execution. Most payments are made by UNDP, or where applicable, by co-operating agencies.

20. In 1987, the Administrator reported (DP/1987/16, para. 70) "that a large number of Governments do not submit reports unless vigorous follow-up action is taken by UNDP headquarters through the Resident Representatives". Although the situation varied from region to region, in general, the position was far from satisfactory.

21. External financial consultants were engaged for this portion of the study. Their findings and recommendations are summarized and discussed in paragraphs 43-62.

Add-on funds

22. The five purposes for which add-on funds can be used are stipulated in Governing Council decision 82/8 of 18 June 1982. They are:

   (a) Payment of support costs to United Nations co-operating agencies at the full applicable support costs rate;

   (b) Assistance to Governments in meeting additional administrative costs resulting from government execution;

   (c) Training of government staff to enhance their competence to deal with government execution;

   (d) Increases in field office staff which may be needed to meet additional demands arising from government execution; and

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(e) Executing agency services rendered by way of advice or other support (other than that provided as co-operating agency) regarding project formulation and similar activities in support of government execution.

23. By December 1987, a total add-on of $8.6 million had been earned by Governments. As of then, only $3.5 million, or 40 per cent, of the allocated funds had been committed for use for the above purposes. The balance of 60 per cent accrues to the IPFs of the countries concerned and remains available for programming. The availability of the add-on funds is dependent on the size of the delivered programme only as and when recorded in UNDP books. Recent entrants in the use of the modality and programmes with a multitude of small projects earn little or no add-on. Of the 97 countries with active projects under government execution, only 8 have allocations over $100,000.

24. The evaluation study found that in most countries, the add-on funds are too limited to have made major contributions. However, all those who have used it, have done so with specific purposes in mind, and for the provision of specified inputs. Governments naturally prefer some accumulation prior to seeking its use. There is, however, no shortage of ideas for the use of add-on funds, if the amount is large enough. Significant users of the modality have proposed that add-on funds be advanced on the basis of approved projects. It is not easy to establish a causal link between the use of add-on funds and the rapid growth of the modality. The modality clearly serves development purposes, and the add-on funds, where usable, are considered important.

25. Finally, the section on the concerns of growth addresses not only the issues emerging from the expanding use of government execution, but also from the greater complexity of the areas in which it is used. Concerns to be addressed are how to supervise the complexity and scope of the projects that it generates, how to involve the technical experience of the specialized agencies optimally, and how to reinforce the evolving managerial and substantive responsibilities of UNDP and its field offices. Concerns as to fiscal and accounting control and their associated costs also have to be dealt with. The recommendations of the report address these concerns.

26. UNDP has, in its instructions, sought to sustain the optimal involvement of United Nations agencies in government execution. This was to be achieved by requiring participation and consultation in all aspects of the project cycle. The evaluation found that more could indeed be done by Governments and UNDP to achieve these goals. The involvement of United Nations agencies in project development, with compensation for costs involved, should be determined at the outset. Governments consulted during the evaluation wished to preserve the multilateral character of the Programme, and affirmed that they have considerable use for agency involvement.

27. The evaluation recognized the need for continued use of the diverse potential of the Office for Projects Execution (OPE) to facilitate and support the modality of government execution, as required in Governing Council decision 84/6 of 29 June 1984. OPE will serve on demand as a co-operating agent. The project preparation and approval processes should take due heed of this potential.
III. RECOMMENDATIONS

28. The recommendations of the report fall into four groups. They deal with programming responsibilities, operational issues, accountability and audit issues, and the implications of current trends, as they affect United Nations agencies and UNDP in general. For ease of reference, the recommendations discussed here follow the sequence of the chapters in the report.

29. The overall response of the Administrator is that the current approach to government execution is endorsed by the report. Its various recommendations are covered in part or in full by existing legislation. What is now needed, however is the fullest implementation by all partners in the system as the use of the modality moves to maturation. The very real gains possible from the best use of this modality should not be allowed to suffer from procedural shortfall or shortcomings in implementation.

Programming responsibilities

30. UNDP country programming procedures should ensure that when programmes are formulated (and reviewed), the usefulness of the modalities to be used to execute the Programme are assessed.

31. UNDP endorses this recommendation, and will implement it through the revision of country programming procedures and will reflect it in training.

32. The nature of technical co-operation is changing. A variety of modalities is being used. It is, therefore, now important that easily accessible statistics be maintained for each modality. This will permit analysis and study.

33. This recommendation is entirely consistent with UNDP observations on this and other modalities used since 1976. The system for capture, storage, analysis and dissemination of information will be expanded to take account of this need. This effort will be integrated into the ongoing strengthening of information linkages between the field and headquarters.

Operational issues

34. Greater focus is needed on the contribution of the modality to effectiveness. More evaluations and attention to the specific reasons for project success will promote this.

35. UNDP concurs. More evaluations are foreseen, especially in the concentration countries.

36. The UNDP project formulation guidelines should require: (a) explicit justification of why government execution (or indeed any other mode of execution) is decided upon; (b) an assessment of the capability of the department concerned to execute the project; and (c) a record of the specific, logistic and accounting and audit procedures required.
37. These topics are covered in the new project formulation guidelines.

38. The use of a detailed implementation plan or letter for complex and large projects should be explored. It would identify institutional, financial and other implementation responsibilities and specify audit arrangements.

39. Although these topics are already covered in the regulations for government execution (see annex required to be attached to project documents for government-executed projects, revised Policy and Procedures Manual (PPM) Section 30503.6.9), UNDP agrees that it would be appropriate for them to be coalesced in one implementation plan.

40. Projects without co-operating agencies need rigorous supervision and backstopping. Details should be specified and entered into a project document/implementation letter. Project-reporting requirements should not be relaxed for this modality of execution. Use should be made of the United Nations agencies, OPE and other sources, as appropriate.

41. The systematic processing of information from projects without United Nations agency involvement depends considerably on government knowledge and understanding of UNDP requirements. UNDP project management procedures will be revised to reflect the need for field offices to ensure that project documents in this regard contain a specific supervision plan that utilizes United Nations agency, OPE or other sources as appropriate. UNDP will stress existing regulations under which any extra costs incurred by field offices in supervision of, or support for government-executed projects are properly charged to add-on funds.

Accounting and audit issues

42. Three issues were reviewed by the external consultants. They are:

(a) An independent review of the implications of government-executed projects on the accounting work-load of the Operations Subunit within the UNDP Division of Finance (DOF);

(b) Accounting procedures and accountability controls and their impact on the financial integrity of the system; and

(c) Audit procedures and principles.

43. Accounting work-load. As regards item (a), on work-load implications for DOF, the consultants' findings were that:

(a) The nature of the accounting work is tangible and requires a discrete, separate set of resources to manage and control it properly;

(b) Given the current volume and level of supervision, the unit requires a supervisor and 6 support staff;
(c) A further two person-years of staff time will be needed to supplement the existing work force so as to examine pre-1986 projects still requiring analysis; and

(d) The growth of the modality over the next years, if not accompanied by significant improvement in the accounting used, will need further staff.

44. The consultants recommended that:

(a) In order to continue managing and processing the government-execution work-load, DOF should retain the five accounts assistants, accounts supervisor, and support clerk/typist as permanent staff members. These resources would be supplemented with additional staff as recommended below;

(b) DOF should budget additional resources of not less than 24 person-months and proceed with its analysis of all those operating funds accounts that have not yet been examined. This would remove any uncertainty as to the integrity of these outstanding balances and bring the accounting records up-to-date;

(c) DOF should consider installing a computerized monitoring system that would, inter alia, help measure the impact of improved reporting compliance and performance on the existing work-load. The data generated by this would be important for determining on an ongoing basis, the adequacy of the number of permanent staff members in the Government Execution Subunit of the Agency Accounts Unit and thus serve as a basis for requesting additional manpower;

(d) DOF should consider adopting certain preventive measures and taking positive action to increase the level of performance and compliance with existing accounting and financial reporting requirements. On a micro-level, such items might include the issuance of report preparation guidelines or instructions, question and answer pamphlets, formal training sessions, and so forth. On a policy level, the degree of participation by DOF in the project approval process should be studied to see if any changes in current practice would help ensure that accountability concerns are addressed prior to final approval being given.

Comments of the Administration

45. UNDP agrees with the recommendation of the independent consultants contained in paragraph 44 (i) above, which confirms the necessity for the additional staff resources approved by the Council in decision 87/14 (up to a maximum of $600,000 for the 18-month period ending 31 December 1988). Accordingly, the Administrator requests Council approval of a continuation of this funding at the level of up to $400,000 per year from 1 January 1989 onwards. No request for additional funds is being made at this time to meet any increase in DOF costs which might result from a significant growth in government execution in the future, since UNDP would first wish to assess the impact on the DOF work-load of the changes in accounting, reporting and auditing procedures which it is intending to introduce (see paras. 57 and 61 below).
46. The question remains as to the source of funding of this expenditure. It will be recalled that, in its proposal to the Council at its thirty-fourth session (1987), the Administrator had recommended that these costs be met from the add-on funds. He argued that if the extent of these additional costs for UNDP headquarters had been foreseen in 1982, when the concept of the add-on funds was introduced, they would have been included as one of the purposes for which add-on funds could be used, together with the increases in field office staff resources needed to meet additional demands arising from government execution (see para. 22 above). Following considerable discussion in the Budgetary and Finance Committee in June 1987 the Council decided that these costs should be charged directly to the support cost line (i.e., without reducing add-on funds) for the 18-month period ending 31 December 1988, pending a later decision on their long-term financing. UNDP considers that the reasons why it proposed charging add-on funds have not changed and that it should maintain this proposal.

47. With regard to the recommendation contained in paragraph 44 (ii), progress is being made in the analysis of all outstanding Operating Fund accounts and provided the continuation of the funding requested in paragraph 45 is approved, it is believed that this work can be carried out within the available resources.

48. As part of the continuous and ongoing efforts of DOF to improve its computerized monitoring systems, the specific needs of the Government Execution Subunit, as described in paragraph 44 (iii), are being taken fully into account.

49. UNDP fully concurs with the consultants' view, described in paragraph 44 (iv), that further action can be carried out by UNDP to increase the level of performance and compliance with accounting and reporting requirements. In particular, UNDP intends to:

   (a) Modify existing accounting, reporting and audit requirements (see paras. 54, 56, and 57 below);

   (b) Design and issue training aids for both government and field office staff; and

   (c) Ensure clearer identification of accounting and auditing requirements and responsibilities at the stage of project formulation (see paras. 36-37 above).

50. Accounting procedures and reporting requirements. The recommendations made by Messrs. Birch & Davis are based on their contention that "Changes can be made to the existing accounting and financial reporting requirements and procedures that would continue to ensure adequate accountability on government-executed projects, continue to keep responsibility for expenditure certification vested in the Government, increase the usefulness of recorded financial information, and remove any impediments to the increasing use of this modality."

51. In overall terms, these changes will result in a set of requirements that fit more suitably the role of government execution today, and what it is projected to be, versus what it was five years ago, when the rules were first developed.
52. The recommendations in summary are:

(a) UNDP payments by the field office that are not advanced to the Government should be recorded as expenditures on a component and/or budget line item basis from the monthly inter-office vouchers;

(b) UNDP direct payments by headquarters should be recorded as expenditures at the point at which the data are now entered into the general ledger as an advance;

(c) Co-operating agency payments should be recorded as expenditures from their semi-annual reports;

(d) Executing Governments should be required to report only on those funds that are actually advanced to them. In the future, consolidated project delivery reports would be generated by headquarters. Governments would issue a newly designed expenditure report for funds disbursed directly by them;

(e) Add-on funds should be credited to government-executed projects based on recorded expenditures and programmed accordingly.

53. The accounting recommendations are intended to:

(a) Allow for a more precise correlation between the actual rate of programme delivery and the one indicated by the financial records;

(b) Remove unnecessary obstacles that impede the ability of Governments to comply with appropriate policies and procedures;

(c) Allow executing Governments to earn add-on funds at a rate that more properly reflects project progress; and

(d) Remove much of the uncertainty as to the propriety of government-execution expenditures and Operating Fund balances.

Comments of the Administrator

54. UNDP fully accepts the consultants' recommendations contained in paragraph 52 and is revising its accounting instructions accordingly. Implementation of (a) to (c) will mean that the greater part of expenditure on government-executed projects will be recorded as such on a much more up-to-date basis and will reduce the work involved in accounting for, and reconciling, advances. The Consolidated Project Delivery Reports referred to in (d), though prepared by UNDP headquarters, will be sent to Governments for their certification. Recommendation (e) does not represent any change in present procedures; it merely underlines the fact that, as a result of (a) to (c), any add-on funds remaining after support costs have been covered, will accrue to IPFs on a more prompt basis to the Governments concerned. As mentioned in paragraph 24 above, some Governments have proposed that add-on funds be advanced on the basis of approved projects. UNDP would not, however, recommend any departure from the more prudent and secure basis on which the concept of add-on...
earnings was originally approved by the Council, i.e., that they become available only on the basis of actual project expenditures incurred in the prior year; nor did the consultants recommend any departure from this principle.

55. UNDP also agrees that implementation of these recommendations should produce the results listed in paragraph 53.

56. Audit. The basic recommendation is that the requirement for a 100 per cent complete audit of every government-executed project should be repealed and replaced with more suitable legislation. Furthermore, UNDP should consider the following items when drafting a new set of audit policies:

(a) An examination should be made of the procedures that Governments must follow for certifying expenditures at the transaction level. The examination should include an assessment of the potential for improper authorization/certification of transactions and contain recommendations for strengthening any weaknesses found;

(b) Although government-executed projects should continue to be subject to an audit, not all projects would be necessarily audited. Projects should be selected for audit pursuant to an audit selection process that follows carefully established selection criteria, and is administered by UNDP staff members;

(c) General oversight and periodic review of the selection process and the staff could be carried out by an advisory committee set up for this specific purpose. Monitoring of this type may be helpful in ensuring that selection criteria are adhered to when selecting projects for audit.

57. It should be pointed out here that the administering of an audit selection process will have a cost associated with it, besides the costs related to the actual audits. It is fairly clear, however, that these costs would represent substantially less than full compliance under the current requirements, especially since these requirements are annual, rather than once during the life of a project - which in most cases would be sufficient. Finally, we recommend that UNDP address, inter alia, the following items when developing audit selection criteria: the amount of the project budget; audit costs vs project budget; the nature of the project; the loci of payment transactions; previous experience with the country; participants in the process (from UNDP); the role of executing Governments in the process; the selection of an audit authority; the consideration of development objectives.

Comments of the Administrator

58. The external consultants confirmed the Administrator's findings that a large number of Governments do not submit audited statements unless vigorous follow-up action is taken by UNDP, and that the rate of compliance by the Governments indicates a downward trend. The consultants also confirmed that the audit requirements for government-executed projects as currently stated in UNDP procedures are not entirely clear.
59. Stemming from UNDP Financial Regulations, the Government is accountable to the Administrator for the entirety of the funds allocated to the project. The audit requirement is an integral part of this accountability. A new approach and methodology should, therefore, be developed to take into account certain realities without compromising accountability.

60. It is recognized that there is a need to clarify the audit requirements in the UNDP procedures and the project document at the time of the project formulation. It is also recognized that present instructions, which require an audit of every project every year, are unusually stringent and should be modified to make them more consistent with established auditing practice in other areas. Appropriate procedures, taking into consideration the consultants' recommendations, will be designed to that effect. The revised procedures will also take into account the fact that approximately 60 per cent of the payments for the government execution modality are made, upon request of the Governments, through Resident Representatives and UNDP headquarters and approximately 10 per cent by co-operating agencies. These payments are subject to the thorough UNDP and agency internal control machinery related to disbursements.

61. As recommended by the external consultants, under a revised audit procedure, there will be a need for the administration of the audit process by UNDP staff. For this purpose, it is envisaged that a small unit with two professional staff plus supporting services be established at UNDP headquarters to administer and monitor audit requirements in close consultations with Governments, Resident Representatives and other offices concerned. It is proposed that the additional costs of such a unit (approximately $300,000 per year) be financed from the same source as agreed for the additional DOF costs referred to in paragraph 46 above.

IV. CONSEQUENCES OF GROWTH

62. The first concern and the consequent recommendation reflects the need for Governments and UNDP to supervise projects which deal with a growing complexity of pressing development issues.

63. The Administrator endorses this recommendation. UNDP is concerned that constructive use be made of the experience and lessons emerging from projects executed by Governments in particular, as far as the sustainability of development is concerned. Furthermore, the advent of government execution has profound administrative and substantive implications for the evolution of the United Nations system. Their significance should be carefully addressed in the ongoing dialogue between the organizations concerned.

64. The second concern and the resultant recommendations call upon UNDP and the agencies to ensure the optimization of United Nations agency involvement, so as to benefit the projects implemented under this modality and the agencies in their contact with development experience.

65. The Administrator welcomes the recommendation calling upon all partners in the tripartite system to ensure fullest use of United Nations agency expertise. UNDP
also recognizes that costs arising from their participation in formulation of projects to be executed by Governments will need to be reimbursed. Involvement in other stages of the project cycle will also have to be compensated for. UNDP notes that Governments consulted during the evaluation wish to preserve the multilateral character of the Programme and have considerable use for agency involvement.

66. The role of any agency and the corresponding financial implications are issues that should be resolved at the time the Government is designated as the executing agent for the project.

67. In the operational instructions which were issued after the 1982 Governing Council decision on government execution, UNDP has sought to sustain the role of specialized agencies by requiring consultations on all aspects of the project cycle. The existing procedure in this regard is being strengthened through emphasizing a more structured process of project formulation and appraisal for government-executed projects. Agencies will be involved to a much greater extent at the project formulation stage. Criteria for selecting projects for government execution will be emphasized.

68. In requesting agreement of the Regional Bureau for government execution of a project, the Resident Representative is required to provide details in the appraisal of the Government's managerial, administrative and technical capabilities for executing the project. This appraisal process applies for all projects proposed for government execution, regardless of size.

69. During the formulation and appraisal process, emphasis is going to be placed not only on the Governments' overall capacity to execute projects, but also on how best the different inputs to the project may be provided. Full involvement of specialized agencies is brought to bear at this stage. Technical and substantive tasks and responsibilities can be identified and assigned without necessarily being linked to managerial and administrative tasks of project implementation, as is the case with classical agency-executed projects. Such an approach will enable specialized agencies to devote more attention to providing substantive and technical inputs and backstopping to projects.

Notes