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SUMMARY RECORD OF THE 27th MEETING

Held at the Palais des Nations, Geneva,  
on Monday, 11 June 1990, at 10 a.m.

President: Mr. POPESCU (Romania)  
later: Mr. REYES (Philippines)

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The meeting was called to order at 10.05 a.m.

PROGRAMME IMPLEMENTATION (agenda item 4) (continued)

- (c) AGENCY SUPPORT COSTS (DP/1990/71 and Add.1, DP/1990/9 and Corr.1, DP/1990/INF/3-6)
- (b) IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT ITS PREVIOUS SESSIONS
- (x) GOVERNMENT EXECUTION (DP/1990/33)

1. Mr. DRAPER (Administrator, United Nations Development Programme), introducing the question of national execution, said that UNDP had been urged in many bodies to expand the use of that modality. The means by which the Programme provided assistance were as important as the ends sought. In 1975, UNDP had been encouraged to diversify choices and utilize all available human and material resources for technical co-operation, but limited success had so far been achieved. There was at present a need to adopt universal standards for national execution, for otherwise, the commitment to national execution would remain rhetorical. Further delay was out of the question. He was convinced that a learning-by-doing approach served to achieve greater self-reliance, which was the ultimate objective of technical co-operation.

2. The high-level debate had made it clear that more, not less, technical co-operation was called for in confronting the problems facing developing countries. Economic management, social development and environmental sustainability called for solutions where nation-wide capacity must be built - in villages, in towns, in institutions involving women and men, in Governments and in non-government sectors. UNDP was fully aware that there were critical gaps in that capacity. The important lesson to be learned was that national execution would continue to require careful country-by-country management if capacity-building was to be accelerated.

3. To attain the goal of sustainable capacity-building required changes in the current procedures. Government execution of one project here and another project there would not be sufficient. It was necessary to move to a scale that would justify full government involvement in order to obtain maximum benefits and effects. The representative of Finland had said that the idea of national execution was attractive because it was based on demand. The Programme proposed that the challenge represented by that demand should be met in two ways: first, the establishment of a clear deadline - 1 January 1992 - for the universal introduction of national execution; and secondly, full recognition that all Governments were in a position to implement that change. National responsibility for execution should therefore be distinguished from the process of implementation. Governments were then free to determine the elements of a mix of implementation arrangements on the basis of the quality of services offered.

4. During the high-level debate, the representatives of Sri Lanka and Turkey had noted that national execution, combined with continuing agency involvement, was a compatible and cost-saving arrangement. United Nations agencies were an important aspect of the programming and implementation process, which could

also involve a galaxy of institutions, public or private. The concept of choice was thus blended into the Programme's package of proposals. UNDP was prepared to help Governments to take a decision on how best to implement those proposals.

5. He recognized that full-scale national execution would have a major impact on programme quality and financial accountability. UNDP fully endorsed the representative of Japan's comments that the new arrangements should ensure a greater degree of accountability and transparency, both of input and output, with regard to UNDP-funded technical co-operation. It should be noted that UNDP had systems in place for that purpose and was therefore prepared to fulfil all its responsibilities in ensuring programming quality and financial accountability. Sustainability, responsibility and learning-by-doing therefore formed a policy package where accountability and quality performance were ensured.

6. Mr. RAHEEM (Director, Policy Division, Bureau for Programme Policy and Evaluation), introducing document DP/1990/33, said that the report represented a formal response to the requirements of Council decision 88/18, which had called for further support and flexibility to facilitate government execution and had specifically addressed issues relating to the use of add-on resources and the implementation of the revised accounting, reporting and auditing procedures. The decision had also provided budgetary authority to UNDP to finance some extra accounting staff.

7. In designing his response to the Council, however, the Administrator had made sure that the report also took into account the legislative mandate of General Assembly resolution 44/211 and Council decision 89/20 on the role of UNDP in the 1990s. Taken together, they formed the policy framework outlined in section II of the report, which called for: the pursuit of national execution as the "ultimate modality"; a reaffirmation of the Administrator's accountability; a redefinition of the role of specialized agencies in providing technical support as requested by Governments; a shift from a project approach to a programme approach; and increased decentralization and delegation of authority. The report stressed the fact that the framework and the proposals that followed should be read in conjunction with UNDP's proposals for support cost arrangements.

8. Sections II and III were central and contained the core of the Administrator's response to decision 88/18. In that connection, he drew attention to paragraphs 7 and 8 concerning the definition of the term "national execution". The definition recognized and encouraged a wide range of implementation arrangements and affirmed that responsibility for execution was inherently that of Governments. That being affirmed, the Government and UNDP would then determine the elements of a mix of implementation arrangements. The report proposed that all UNDP technical co-operation activities financed from country programmes initiated on or after January 1992 should be nationally executed. The starting-point for UNDP's consideration of how to promote national execution was that the clear assumption of management responsibility for projects by Governments was an essential prerequisite for sustainable technical co-operation. The challenge was how to translate an accepted principle - that Governments were responsible - into practice. The experience of the past 15 years suggested that an active approach was required if the gap between principle and performance was to be bridged.

9. UNDP's proposal to meet the challenge consisted of two parts, the first being the establishment of a clear deadline for the introduction of national execution. However, it was evident that while all Governments should be given overall responsibility for managing UNDP-assisted projects, they were not all necessarily in a position to implement all inputs of project activities. Recognizing that possibility, the proposal by UNDP sought to distinguish strongly between the principles of responsibility for management, on the one hand, and implementation, on the other. The proposal referred to the concept of "national execution" to cover the first and to "implementation" to cover the latter.

10. With regard to paragraphs 15-18 of the report, he said that compliance with the simplified, revised procedures had shown a dramatic rate of improvement. Increased training and orientation of national staff would continue to be emphasized. The work-load implications for UNDP headquarters with regard to accounting and audit functions were dealt with in the 1990-1991 budget estimates.

11. Paragraph 20 of the report related to add-on funds. In that connection, he drew attention to the second sentence of the paragraph. In order to encourage greater planning for, and use of, add-on funds, the Administrator proposed to advance them on the basis of carefully-estimated delivery. Paragraph 22 highlighted UNDP's commitment to the principle of partnership and the vitality of the agencies' technical capacity as a crucial element in the viability of the United Nations operational system.

12. The PRESIDENT, introducing the report on the implementation of Council decision 90/5 on agency support costs (DP/1990/71), said that at two open-ended consultation meetings, held on 2 May and 15-16 May, he had given progress reports on the work of the Bureau and 10 advisers from member countries of the Programme. The progress report of 2 May had dealt with the review of the recommendations of the Group of Experts and of comments on them by the Administrator, the Executive Director of UNFPA, and the executive heads of all the executing agencies invited to provide written comments. The statement of 15 May had covered principles guiding the work of the Bureau in preparing the recommendations requested in paragraph 3 of Council decision 90/5.

13. The results of the consultations could be summarized in the following manner: (a) Wide support was given to the introduction of technical services support (TSS) at the programme level, while the manner in which it should be financed and at what level would be subject to further consideration by the Council; (b) There was wide agreement that the current support costs provision should be transferred to the country IPFs and that implementation costs should be charged to project budgets; (c) Members had generally agreed that a support cost successor arrangement should facilitate national execution, the use of which should be accelerated, arrangements needed to be made for a smooth transition; (d) There had been wide support for, and agreement on, the basic policy considerations, as outlined in paragraphs 5-12 of the 15 May statement; (e) The consultation had also endorsed the measures for specific actions in paragraph 11 and the recommended follow-up joint actions by agencies and UNDP in section IV of the statement of 15 May; (f) The following issues had been identified for further negotiations: (i) the impact of charging implementation costs to IPFs, particularly if it affected IPF levels; (ii) the advisability of different régimes, although there already appeared to be agreement that the

smaller technical agencies should be treated flexibly; (iii) the applicability of any new arrangement to trust funds, NGOs and non-United Nations entities. Some statements had indicated a preference to allow governing bodies of the agencies to make individual choices; (g) Lastly, there had been support for the view that the Council should take a decision on at least the policy aspects of a successor arrangement at the thirty-seventh session. The suggestion to view the new support cost arrangement within the context of the decision on national execution in June had also been endorsed.

14. The overall guidance inherent in those agreements had been constantly kept in perspective. It was clear that the successor arrangements on support costs could not be confined to financial considerations, but must also be relevant to the tripartite partnership and to the emerging patterns and perceptions in Governments. It was also recognized that the United Nations system procedures had to be modified and adjustments in Governments and United Nations bodies made if the greatly-desired changes were to take effect.

15. The report provided the Council with recommendations and in paragraphs 34-36 identified two categories of actions for the Council's consideration. The first category comprised policy questions which must be resolved in order to provide the framework for actions envisaged for later decision by the Council. Items for consideration at the current session were listed in paragraphs 35 (a)-(i). The Council's decisions on those points would provide the parameters within which further studies and negotiation would be undertaken. Most of the items would be followed by action by the Administrator in consultation with the agencies and would require both technical work as well as consultations between UNDP and the agencies. The results of those consultations would of course require eventual consideration by the Council.

16. The recommendations did not depend on any particular definition of national execution. They did, however, assume that Governments would increasingly take on the management of United Nations-financed projects. Account would no doubt be taken of the Council's decision on the subject of national execution in finalizing successor arrangements. In that connection, it was assumed that Governments would wish increasingly to use the capacity of local and sometimes international organizations outside the United Nations system for the implementation of projects which were appropriate for UNFPA and particularly UNDP financing. He commended the report to the Council and urged members to take the necessary decisions.

17. Mrs. ESCALER (Philippines) said that the question at issue was not whether Governments should execute UNDP-financed projects but why they had taken so long to shoulder that responsibility. It was somewhat surprising that the Council still had to agree formally on and adopt an official definition of the concept of national execution with respect to UNDP-funded technical assistance. The extent to which her Government had executed UNDP-financed technical assistance projects was still modest compared with the record of Argentina and China, which had together accounted for one third of all nationally-executed projects from 1986 to 1989. However, her Government's record was not insignificant and it would intensify the use of that modality in accordance with its modest capability. In its view, national execution was the only appropriate modality for delivery of United Nations technical assistance if the primary objective - promotion of self-reliance itself - was to be achieved.

18. The United Nations system must be prepared to respond to the need to strengthen national capacity to execute UNDP-funded technical assistance projects. Her delegation therefore noted with satisfaction the statement by the Administrator in his report that UNDP would respond to government needs with regard to the establishment of appropriate execution capacity. It hoped that other United Nations agencies would do likewise. In order to provide adequate financial resources for training staff of recipient Governments in national execution, her delegation proposed that the proportion of Special Programme Resources (SPR) earmarked for training should be increased for countries which, for one reason or another, had continued to rely on agency execution until the present time and had consequently not availed themselves of add-on funds.
19. On the premise that national execution would be the rule in technical assistance delivery by 1992, there would be no more reason for headquarters clearance of the selection of national execution as a modality. Her delegation therefore strongly supported the Administrator's proposal to delegate authority on that matter to resident representatives.
20. She stressed the importance of deciding on a successor arrangement on agency support costs as it touched on the roles of funding and specialized agencies in the delivery of United Nations technical assistance. The open-ended consultations in New York had revealed that the institutional relationship between UNDP and some specialized agencies had become somewhat strained. On the one hand, UNDP had been perceived to be exercising functions belonging to agencies when UNDP itself executed technical assistance projects. On the other hand, the agencies were also perceived to be exercising functions belonging to funding agencies when they administered trust funds on behalf of bilateral donors for technical co-operation activities in their respective areas of competence.
21. With regard to national execution, her delegation envisaged, first, a decline in emphasis of the role of agencies in the direct execution of projects, and secondly, their adoption of a role which emphasized their technical inputs rather than project administration. Such a reduced role should also apply to UNDP's direct execution of projects. In her delegation's view, the Administrator's report contained the basic elements for a successor arrangement, on which the Council should take a decision.
22. On the proposed technical services support (TSS) at the programme level, her delegation agreed that if such a facility was established in the fifth programming cycle, it should be modest in relation to the regular programme of the agencies. The amount should be based on services actually rendered by them to Governments in the fourth cycle and projected in the fifth cycle. The facility should be available to all United Nations agencies which were interested and able to justify its use.
23. On the question of TSS at the project level, her delegation endorsed its financing by UNDP centrally-managed resources so that the agencies would have an incentive to render technical services in project identification, formulation and evaluation at the request of Governments. As to the proposed charging of implementation costs to project budgets, any cost of backstopping project implementation should be fully covered from a separate sub-line in individual country IPFs and reimbursement should be available to any entity responsible for implementing the project, whether it was a United Nations

agency or the Government itself. Individual country IPFs should therefore be increased commensurately. Funds for implementation costs (indirect budget costs) should be displayed as a sub-line of the IPF so as to make a distinction between funds intended for direct costs and those intended for indirect costs.

24. If IPFs were not increased by an amount commensurate with the indirect costs to be charged against project budgets under the new arrangement, part of the IPFs which would otherwise be used for financing direct costs of implementing projects would then be used for financing indirect costs of project implementation. The end result would be a decline in the real value of the technical assistance that would otherwise flow to recipient countries under the existing arrangement. That would obviously constitute a disincentive to changing the existing arrangement for agency support costs.

25. An additional safeguard to cover implementation costs of project execution should also be in place in the event that the sub-line in individual country IPFs was fully depleted. That could happen if small agencies were granted flexibility similar to that currently provided for. Under the existing arrangement, the support-cost reimbursement to small agencies corresponded in principle to the actual support cost, which could range from 14 to 22 per cent depending on the level of their annual project delivery. Recourse to the contingency funds or other centrally-managed funds could be allowed to cover the difference. Since it was desirable that the quality of agency technical backstopping in project execution should be enhanced, any new arrangement must provide funds for that purpose. However, those funds should not be taken from what should normally go to the country IPFs intended for funding direct costs. Otherwise, recipient countries were not likely to lend support to any change in the existing arrangements.

26. Mr. OGAWA (Japan) said that support cost arrangements could and must be an instrument for improving United Nations operational activities through enhanced national execution, a more programme-oriented approach and a recasting of the role of agencies. The proposal by the Administrator for across-the-board adoption of the national execution modality from the outset of the fifth programming cycle had often been criticized as unrealistic. Clearly, many recipient countries did not yet have the capacity to execute all aspects of projects, and accordingly technical and administrative support was necessary from agencies and UNDP. But recipients that assumed primary responsibility for managing projects were expected to increase the degree and scope of their involvement in project management as they developed the necessary capacities and skills. His Government fully agreed with gradual change, but if such an approach meant that the modality of national execution itself would be gradually introduced, it might be tantamount to an attempt to perpetuate the status quo. The parallel existence of agency execution might be an obstacle to moving towards the desired goal because recipients, forgoing their primary responsibility, often opted for agency execution, which was an easier way for them to spend their allocated IPFs.

27. For those reasons, his delegation welcomed the commitment expressed by developing countries at the forty-fourth session of the General Assembly to assume greater responsibility for the use of resources for United Nations operational activities through the promotion of national execution, especially when it was accompanied by a pledge to adhere strictly to the principles of accountability.

28. His delegation supported the main thrust of the report on agency support costs (DP/1990/71) and favoured the creation of technical services support (TSS). The level of resources for that facility in the centrally-managed fund should be considered in the context of determining overall levels for support costs. The cost of technical support at the project level must be consolidated with TSS, thus further dissociating the payment of support costs from the volume of project execution. Consequently, the only support charged to IPFs was administrative costs for project execution. The overall level for support should not significantly exceed the level of resources allocated to support costs under the existing régime. In that context, UNDP should undertake a thorough review of some of the SPR activities related to programme and project support and make the necessary adjustments.

29. His Government was in favour of the introduction of a cost-measurement system to further financial transparency, at the same time avoiding the cumbersome project-by-project negotiations to determine support costs. It also reiterated its support for separate arrangements for UNFPA. Transitional measures must be for a fixed period to cushion the impact on agencies and Governments of moving to a new régime. Japan favoured a 10-year term for the new arrangements, for the sake of the system's stability and to enable UNDP to measure the feasibility and actual impact of the new arrangements.

30. Mrs. AMARASEKERA (Sri Lanka) said that any successor arrangements must meet the needs of recipient countries, remove all impediments to national execution, improve the quality of UNDP programmes, be cost-effective and promote partnership within the United Nations system.

31. If national execution was to be the modality for the delivery of UNDP technical assistance, the role of the specialized agencies would have to be redefined. Her delegation foresaw a more active presence for agencies, based on need. They must not be caught up in administrative arrangements, logistics and technical support, but must provide technical services at project and programme level, in the preparation of country programmes, and in the formulation, monitoring and evaluation of national programmes funded by other sources. In the future, successor arrangements should be different, and the countries themselves must be able to undertake execution to the extent that their capabilities and capacities permitted. All multilateral and bilateral capital-aid projects executed by Governments and technical assistance components in those projects were also executed by national agencies, and it should not be difficult for UNDP activities to be executed nationally, provided technical support was forthcoming from the United Nations system.

32. Sri Lanka was planning to implement an industrial strategy and needed the assistance of such specialized agencies as UNIDO, which could offer technical help and advice on development strategy and market promotion and provide access to information, technology, expertise, etc. A new role of that nature would be of benefit to member countries and would not threaten the structure of the specialized agencies.

33. The new support cost arrangements must be more cost-effective. Administrative costs could be reduced from the current level through decentralization of decision-making and programme management and by promoting government execution. Administrative support costs and technical support



costs should be separated, and cost measurements should be effected to gauge the cost of technical backstopping and administrative support. Mandatory services should be provided free of charge, and more cost-effective methods should be used in providing technical support. There was too much duplication of effort. When a team of experts visited a country to study policy, co-ordination, finances, management and marketing, the country often had to make senior technical personnel available to meet the team. It would be more cost-effective if a data-base system containing all development information was prepared and shared by all agencies. If, as suggested, cost measurements could not be introduced to cost administrative support and technical backstopping within a short time, reimbursements for support costs should be maintained at the present level until the new system was introduced.

34. Lasting relationships could be established between specialized agencies and recipient countries if the agencies were to play a highly specialized role in providing such essential services as regular technical advice at the project, programme and sectoral level, special sectoral advice in programming exercises, assistance in establishing development information systems and in programme appraisal, and impact evaluation and mandatory services.

35. Mr. LIMA (Brazil) said that although the task would not be an easy one, his Government was convinced that it would eventually be in a position to take full responsibility for national development. There were currently 45 projects being implemented under the Brazilian country programme.

36. Document DP/1990/33 made several references to the strengthening of field offices in order to improve management, supervision and monitoring of projects being executed by Governments, but it also stated that Governments would be properly trained and strengthened to execute projects. That appeared to be contradictory. National execution implied accountability to UNDP, but his delegation wondered whether it was for reasons of accountability that field offices must be strengthened. That would force UNDP to take on undesirable bureaucratic responsibilities. On the other hand, strengthening field offices would require more resources, and it was not clear where those resources would come from. His delegation inquired whether it would be cost-effective if the national execution modality were introduced on those terms.

37. His delegation shared the Administrator's concern about the need to strengthen the concept of partnership through national execution. The concept itself would not be affected; the only change was that Governments would have primary responsibility for maintaining and strengthening partnership because they would be solely responsible for project execution.

38. Although national execution and agency support costs were interrelated, support costs could not be an excuse for failures in national execution. His delegation wondered what would transpire with national execution, which in paragraph 3 of document DP/1990/33 was referred to as the "ultimate modality" for all UNDP-supported activities, pending a decision on successor arrangements for agency support costs. Did that mean that it would be necessary to wait for the successor arrangements and what would be the consequences for national execution if those arrangements caused implementation problems?

39. The distinction made in paragraph 9 of the above-mentioned document between "execution" and "implementation" was not clear. If Governments bore ultimate responsibility for programme execution/implementation, his delegation wondered to what extent UNDP could ensure that emphasis was placed on the use of the specialized agencies. It must be for Governments to take such a decision. The concept of national execution implied that Governments would have the responsibility of strengthening the partnership concept with the support of UNDP, but that did not mean that the initiative should come from UNDP.

40. In order to respond to government needs with regard to the establishment of appropriate execution capacity, at the request of his Government UNDP had in 1990 initiated support for the establishment of a "Project Execution Unit" within the government structure. In the near future, his Government expected to be able to implement the Administrator's proposal; in other words, as from 1 January 1992 all projects would be nationally executed.

41. It was not clear how the work-load of headquarters and the field offices would increase in connection with successor arrangements for support costs and the needs generated by national execution: on the basis of the Brazilian experience, local UNDP programme officers had transferred all their administrative work-load to the Project Execution Unit. National execution should proceed in the same way. From an administrative standpoint, that would entail a decrease in UNDP's field office work-load.

42. In connection with paragraph 30 of document DP/1990/33, his delegation inquired whether the final decision on fifth-programming-cycle projects would be taken by resident representatives, inasmuch as all projects were to be nationally executed. If that was the case, Brazil did not see the advantage of national execution. His Government was in favour of national execution, and it was to be hoped that his comments would be viewed in that light.

43. On the question of agency support costs and successor arrangements, his delegation was in favour of option 3 as set out in paragraphs 430-440 of the report of the Expert Group (DP/1990/9). That option gave Governments greater latitude in selecting implementation modalities. Brazil attached great importance to the role played by the specialized agencies in the tripartite relationship. Its preference for option 3 presupposed that, as Governments were accountable to the Administrator for nationally executed projects, they must also be accountable for the successful implementation of their own projects, and one of the ways to achieve that target was through the selection of the most adequate executing agency for those projects. Governments had full responsibility for selecting agencies, and the role of those agencies remained unchanged. The only modification was that Governments were given greater responsibility in the tripartite relationship.

44. His delegation favoured the "programme approach", in which agencies were more deeply involved, but only after a clearer definition of implementation, monitoring and evaluation. With regard to technical support by agencies, his delegation was willing to discuss the suggestions made, but it could not agree to any formula that would lead to a deduction from project budgets of a corresponding amount for technical support. That would mean another decrease in IPFs, which had already been substantially reduced. It was also important to determine how the technical and administrative support

given by recipient Governments as part of the national-execution modality would be paid. If national execution was to be promoted, simple and flexible operational procedures must be found.

45. Mr. MEHDI (United Nations Industrial Development Organization) said that UNIDO's commitment to the objectives of national execution was unequivocal and unconditional. National management of UNIDO-executed technical co-operation projects was the norm, particularly in projects whose main aim was to build national capacity. UNIDO was willing to transfer to Governments all project management responsibilities that might be agreed upon under national execution.

46. A precise definition of the roles and functions of the three partners would be a desirable step towards enhancing national execution. In defining their respective roles, due cognizance must be taken of the fact that the mandate of the United Nations system was to deliver technical co-operation. UNIDO was in favour of increasing the technical role of the specialized agencies at the project and programme levels and of shifting overall responsibility for project operations to the national domain. If that was accepted, the basic roles and functions of the two partners would be more or less clear. That would leave UNDP free to concentrate on the vital aspects of co-ordinating and funding operational activities. A clear demarcation of the roles along those lines would have the added advantage of allaying fears created by certain proposals that national execution might in fact lead to more execution by UNDP field offices. Many believed, with justification, that replacing agency management of projects with management by the Office for Project Services (OPS) and field offices in no way promoted national self-reliance and even eroded government control and management of projects.

47. Past experience indicated that in government-executed projects, the technical contributions of the agencies had not been mobilized to improve project quality. In addition, the capabilities of the agencies had been insufficiently utilized at the programme level. Technical co-operation must be much more than the provision of such inputs as contracts and equipment. The current debate on national execution and support costs must clarify the roles of the partners and establish the manner in which each would perform those roles.

48. The negotiations to clarify respective roles should be undertaken in a true spirit of partnership with a view to reaching durable consensus agreements that commanded the support of the United Nations system and the various governing bodies and contributed to the coherence of the system. Given the opportunity, UNDP and the specialized agencies could agree, for consideration by the Council in 1991, on a model for successor arrangements in line with the comments made to date.

49. Referring to the views transmitted to the President of the Council by the President of the Industrial Development Board, contained in document DP/1990/INF.5, UNIDO had recommended that detailed decisions on successor arrangements should be made with as full an analysis as possible of the financial impact on the United Nations system and implications for agency projects. UNIDO attached great importance to maintaining the technical expertise of the agencies and to making it available to the developing countries. It favoured the gradual introduction of national execution, in accordance with national capacities and government priorities.

50. UNIDO wished to clarify a possible misunderstanding that might have arisen from a figure which the Director-General of UNIDO had quoted in the statement he had made during the debate in the high-level segment on 7 June. He had stated that during 1989 his own country had had 1.85 per cent of its UNDP-financed projects under national execution. That figure, which had been taken from the Kim report, referred to the number approved for national execution as a proportion of the total number of projects in all recipient countries. But the point that the Director-General had been making remained valid: the national execution modality could not be promoted by legislative fiat alone, and its meaningful enhancement could be attained only through a careful building-up of national capacities. That in turn required joint efforts in which the accumulated knowledge and experience of the United Nations system remained at the service of the developing countries.

51. Mr. ALGAN (Observer for Turkey) said that a growing number of developing countries continued to require the assistance and expertise of international organizations and had shown an increasing desire to use their own experts to implement UNDP-financed projects. In the view of his Government, it would be premature to take a final decision on the support cost question. The specialized agencies should attempt to create, gradually but as soon as possible, conditions conducive both to national execution and to agency execution, in order to stimulate a certain amount of competition. The sole purpose of such competition would be to achieve better results, and support costs should be paid only according to the quality of services rendered. A final decision on the question could be taken in the near future, following consultations with the agencies and in the light of experience.

52. Mr. Reyes (Philippines) took the Chair.

53. Mr. BOGNER (Austria) said that the reports contained in documents DP/1990/71 and DP/1990/71/Add.1 raised more questions than they answered. The Council was confronted with a complicated new system applicable to the major executing agencies, a system whose financial and budgetary implications were still anyone's guess. That fact alone should compel the Council to take only a decision on a general policy framework in the ensuing two weeks, without prejudging the outcome of negotiations that would have to take place between UNDP and the agencies. The deep concern voiced unanimously by the agencies through their spokesman, the Director-General of UNIDO, that the whole future of United Nations-delivered technical assistance was at stake, should alert the Council to the need to proceed with extreme caution.

54. However, the recommendations the Council had before it suggested that the present system of agency support cost reimbursements should remain in force for a large number of agencies, including the financial organizations, as there appeared to be no major disadvantages in its continuation. His delegation strongly favoured continuing to apply the present straightforward system, with the executing agencies making the necessary adjustments. Instead of preparing a balanced and well-documented proposition, with the assistance of the executing agencies, UNDP had presented its own proposals barely seven weeks previously, apparently paying little heed to the positions the inter-agency task force had transmitted to it on several occasions. At the same time, by proposing a new definition of the concept of national execution, whose essential feature was a new role for UNDP as the overall implementing institution from 1992 onwards, and by linking it with his proposal for a new

system of agency support cost reimbursement, the Administrator conveyed the impression that he was striving to reassert the predominant role played by UNDP in the United Nations technical assistance programme before 1970. Nobody would argue that national execution in the field of technical co-operation was not a desirable objective. However, to what extent and when it should be adopted as the normal modality should be left entirely to the sovereign decision of the Government concerned.

55. The international community was now being offered a rare chance to adapt the United Nations system of technical co-operation to the real and pressing development needs of the last decade of the twentieth century. In seeking that adaptation, it should proceed in the full knowledge of the consequences (and particularly the financial consequences) of the new system, and should guard against premature decisions.

56. The policy framework for successor arrangements for agency support cost reimbursements should meet the following conditions. First, in the absence of a further in-depth capacity study of the whole system of United Nations-administered technical co-operation, it must ensure that the tripartite system was not changed by covert means. Secondly, it should ensure that the technical expertise accumulated in the specialized agencies over several decades should be not only preserved, but strengthened. If the agencies were excluded from further project work, their activities, geared only to the programme level, would soon become purely academic and devoid of relevance. Thirdly, UNDP and the agencies must work out a joint proposal about a future system of agency support cost reimbursements which would be simple to administer and whose financial impact could be clearly seen. The system-wide application of a common cost measurement system would appear to be the best solution. Fourthly, care must be taken to ensure that the Council's decision did not in any way prejudice the bargaining position of either UNDP or the executing agencies in areas in which they were called upon to strike an agreement among themselves, as might for instance be the case if levels or ceilings were set. Nor, in the absence of a clearer picture of the new system, did his delegation support the premature abolition of the present support cost line.

57. Mr. VARADACHARY (India), speaking first on the question of government and national execution, said that the 1970 Consensus had envisaged a role for governmental and non-governmental institutions in the recipient countries in the implementation of projects, while the "new dimensions" resolution of 1975 had urged that Governments and institutions in recipient countries should be increasingly entrusted with responsibility for executing UNDP-assisted projects. The concept of national execution was thus not a new one. More recently, General Assembly resolution 42/196 had specifically requested the Governing Council to seek ways of facilitating government execution of projects; and resolution 44/211 had recognized the need to reorient operational activities in order to strengthen and make full use of national capabilities. It had also stressed that achievement of those aims would entail certain changes in the policies and procedures of the United Nations system.

58. In that regard, his delegation fully agreed with the recommendation made by the Director-General for Development and International Economic Co-operation during the triennial comprehensive policy review that henceforth

it was not national execution, but external agency execution, that would have to be justified. That recommendation had two implications. First, greater use would have to be made of existing capacity in the recipient country, which in turn would require changes in the rules and procedures for procurement and audit from local and regional sources. Secondly, changes would have to be made in the present system, to enable agencies to contribute to greater national execution, making use of their accumulated expertise and capacity. The agencies could play a key role in ensuring that existing local capacity and expertise were fully utilized in providing integrated multisectoral advice at the field level.

59. India's own experience showed that national execution built up confidence and a sense of responsibility in implementing agencies and enabled them to absorb technology more easily. National execution of projects was also more cost-effective, and helped to meet UNDP's basic objective of enhancing national capability. His delegation fully supported the heartening trend towards increased national execution. It also recognized the urgent need to institute extensive training programmes for national personnel, in order to familiarize them with accounting, auditing, reporting requirements and rules and regulations regarding procurement. However, it wished to caution against any expansion of UNDP headquarters or field staff. What could be contemplated was the use of locally-recruited temporary contract staff, so as to prevent a burgeoning of bureaucracy.

60. On the question of agency support costs, his delegation was unhappy with the delay in taking a decision, and trusted that it would be possible to agree on a framework decision regarding successor arrangements at the current session, along the lines indicated in the President's recommendations. Such a framework decision should set forth the policy characteristics of the new régime and could be put into effect from the start of the fifth cycle in January 1992. It should provide for UNDP and the agencies to work out the technical details together and submit them jointly to the Council for consideration at the February or June session in 1991. Needless to say, the decision on successor arrangements for agency support costs should complement efforts to promote national execution.

61. Mr. CRUSE (France) stressed the need for a calm approach to the question of agency support costs. While a rapid decision was needed, the Council must take the time to examine the question in detail. Furthermore, the statements by the Director-General of the FAO and the Director-General of UNIDO had confirmed his impression that the subject had been approached without the requisite prior consultation.

62. France viewed the question of agency support costs pragmatically, in the context of a new approach to development. The concept of national execution, which had been presented as an end in itself, was in fact merely a means of promoting development. Applying that approach in a country incapable of handling it would lead only to a waste of resources and to discouragement of potential donors. Government execution must be the result of each country's mastery of its own development. France fully supported the modality, which must be implemented gradually by UNDP and the specialized agencies. It was not yet possible to fix a date for systematic establishment of national execution, which depended on individual countries, programmes and human resources. But it must be considered as a goal, progress towards which needed

to be monitored. The document submitted by the Administrator on indicators for national capacity-building (DP/1990/18) contained interesting proposals, which must be evaluated. But if they were to be impartial, those evaluations must be carried out by independent institutions, which should indicate in an annual report their assessment of the capacity for national execution attained by recipient countries.

63. His delegation also considered that the programme approach was a useful tool for strengthening national execution. However, the approach needed to be better defined. There again, it was not a solution in itself, but a means of increasing countries' capacity to take responsibility for their own development. As such, it needed to be adapted, tested and discussed before becoming operational. The agencies would need to take an active part in its preparation and gradual introduction. They would need to integrate it, and to advise recipient Governments on its implementation. Their traditional role would thus change gradually, although their technical fields of competence would not thereby be called in question.

64. Among measures to be taken in the short term regarding support costs, the first was to ensure that the agencies were financially transparent. A proper system of cost accounting must be introduced, showing the costs of projects, and the proportions of costs borne by the ordinary and supplementary budgets. In that way, it would be clear whether or not the rate of reimbursement was justified. If an agency appeared costly, other bodies might be entrusted with execution of the same tasks at a lower cost, with the cost/efficiency ratio serving as the criterion, rather than a scale fixed arbitrarily at 13 per cent.

65. The Office for Project Services (OPS) would be subject to the same rules. It must not usurp the role of the agencies or increase its sphere of competence in matters of project execution; on the contrary, it must set an example, acting to assist Governments in national execution.

66. His delegation wished to have fuller information on the present state of national execution. It understood that there was a specific UNDP report on the question which had not yet been distributed. Adequate provision of information was an essential prerequisite for taking a decision on national execution. In his view, the concept of national execution should consist of three successive phases: first, precise definition of programmes by the country concerned; secondly, formal inclusion of programmes in the country's development policy; and thirdly, execution by clearly identified institutions, whether national or external. That procedure must be followed throughout. His delegation would be including some of the foregoing suggestions in resolutions it intended to submit in due course.

67. Ms. BWANGA-BUGONZI (Observer for Uganda) said that the need for national execution had been eloquently set forth in document DP/1990/33. Her delegation fully endorsed the recommendations contained in that report, and emphasized the need to simplify procedures with a view to facilitating expansion of that modality. With regard to the revised definition, it considered that placing emphasis on the use of outside technical expertise, especially that of the specialized agencies, might undermine the rate at which future programmes were finalized. It therefore suggested that emphasis be placed on the availability or non-availability of technical know-how in a given country, and hoped that the Council would give UNDP field offices a

mandate to release funds for strengthening government capacity to undertake national execution. Those funds should be made available ex ante so as to secure smooth programme or project management in the long term. In principle, it endorsed the deadline set. However, given that different countries had attained different stages of development, the need for specificity could not be ruled out.

68. A programme approach, as opposed to a project-by-project approach, would put an end to the mushrooming of small projects. However, funds should be increased to ensure impact and the enhanced capacity of Governments to co-ordinate programmes. Learning-by-doing was surely the best way of achieving sustainable development.

69. Her delegation had had the opportunity to advise the President of the Council on the question of successor arrangements for agency support costs. It thus supported the recommendations contained in his statement and in document DP/1990/71. It believed that successor arrangements should ensure the removal of all obstacles to, and the creation of clear incentives for, national execution. The Council should take a clear decision on the policy framework for the new arrangements, leaving its detailed aspects to be put in place by the Council early in 1991. That would enable the new arrangements to take effect in January 1992.

70. The new agency support cost arrangements should strengthen the tripartite-partnership principle. Agencies should concentrate on being centres of excellence in their respective areas of specialization. UNDP should strengthen its central funding and co-ordinating role, while recipient Governments should assume full responsibility in the design, management and execution of UNDP-funded projects. Her delegation wished to pledge its commitment to the partnership principle, as set forth in General Assembly resolution 44/211.

71. Mr. GIANELLI (Uruguay), referring to the report by the President on support costs (DP/1990/71) and to the report by the Administrator on national execution (DP/1990/33), fully endorsed the suggestion, contained in paragraphs 34 et seq. of the President's report, that the complex new arrangements should be implemented in two stages. The first stage, which it would be for the Council to approve, must establish the framework for policy precepts and give appropriate guidance to ensure that proposals for precise arrangements were fully worked out between the Administrator and the agencies for consideration and action by the Council at its thirty-eighth session.

72. Although the general principles guiding operation of the new arrangements had already been laid down in Assembly resolution 44/211, two basic principles should underlie the general framework to be decided by the Council. The first was the need substantially to increase the level of government execution. In that regard, his delegation did not concur with the definition of national execution contained in paragraph 8 of document DP/1990/33, which it considered too long and complex. The definition should be simpler and should be based on the flexibility that Governments should exercise, on a sovereign basis, in deciding how to execute programmes and projects, and to whom to entrust their execution. If a definition was needed, that contained in paragraph 7 of the same document seemed more appropriate. His delegation also supported the suggestion that the Council should be allowed to decide on the definition, and



that the issue should be kept separate from the question of the definition of support costs. Another concept missing from the definition was that of gradualness: a transitional period was needed, although that must not be used as an excuse for failing to take a decision on the short term, or to set a target of 1 January 1992 for national execution of most projects. The transitional period should allow for adaptation of the field offices to the new modality, for the establishment of simple rules governing national execution, and for clarification of the question of government accountability to the Administrator, with due regard for the principles contained in the 1970 Consensus. Clear procedures should also be enunciated regarding the participation of both public and private sectors in national execution.

73. The second guiding principle must be a gradual reduction in project execution by the specialized agencies. That did not imply that Governments had no right to take a sovereign decision on whether to entrust all or part of a project to an agency. Financing of support costs should respect the classification contained in the President's reports, which established three types of services. First, technical services, which were part of the constitutional mandate of the agencies, must of course be financed by the agencies' regular budgets. Secondly, technical support by the agencies at programme level should be financed by the UNDP regular budget. Thirdly, technical support at project level should in future be financed by the project budgets. That would be a good way of reducing administrative support costs. In other words, the present support line would disappear, but not support for technical activities executed by the agencies.

74. His delegation agreed that the Administrator and the agencies should be allowed to implement future changes. Governments were not in a position to settle certain specific operational details. His delegation was flexible on the question, provided that three principles were respected: first, the need to put in place national execution by Governments; secondly, a change of focus from a project-by-project to a programme approach; and thirdly, reaffirmation of UNDP's role as co-ordinator of technical co-operation within the United Nations system.

75. Ms. PRADEL (Federal Republic of Germany) considered that the whole support cost problem could be separated into two distinct parts: the question of cost recording and that of cost distribution. Her delegation therefore strongly recommended the introduction of a simple cost measurement system such as had been recommended by the Expert Group in its report (DP/1990/9) and by the President. Such a system would provide a solid basis for discussion; it would be indispensable for fixing differentiated rates for different functions; and it would avoid the current lack of transparency and thus improve accountability. Moreover, future support costs could be based on actual cost trends and not on bargaining power. The system would also be an important management tool. Only when actual costs were known would it be possible to cut unnecessary expenditure.

76. The details of such a system could be based on the proposal which her delegation had submitted at the informal discussions on 15 and 16 May 1990 and on definitions of programme and project support costs worked out in detail by the Joint Inspection Unit in document DP/WGOC/1 of 21 November 1977. An essential first step would be to reach agreement on a clear-cut definition of cost categories. Against that background it would seem possible to introduce

a simple cost measurement system by the next session of the Council at the latest. As soon as the new cost measurement system had brought clarity to actual costs, it would be possible to take a decision on the questions of fixing differentiated rates for different functions and for cost distribution. Safeguards against currency fluctuations and the remuneration of pre-project and post-project activities of the agencies might also be taken into account.

77. Her delegation considered that it would be premature to take a decision on cost distribution at the current session. There were a number of basic considerations which would require to be taken into account in reaching such a decision. The principle of cost sharing must continue to be respected. Her delegation did not agree with the President's proposal that certain cost components should be incorporated into IPFs, because that could lead to a deterioration of programme quality. Whereas there was currently a bias in the agencies towards employing their own staff or international staff for project implementation, the inclusion of support costs in IPFs could mislead national Governments into employing only their own nationals, even when appropriate national capacity did not exist. A neutral party such as UNDP, or a tripartite mechanism should decide in each case whether to employ national or international personnel. It might therefore be prudent to nominate UNDP as the overall funding source for support costs.

78. The inclusion of a flat rate for administrative support costs within IPFs, which represented a much less rigid budget framework than any regular administrative budget, could eventually lead to a decrease of resources actually available for programme expenditure. That would apply whenever administrative costs exceeded the agreed-upon flat rate, which was a not improbable development.

79. Her delegation could not agree that the question of support costs should be considered in conjunction with national execution. There was already a trend towards marginalizing the specialized agencies. Her delegation favoured action to improve the admittedly sub-optimal performance of the agencies, but nevertheless believed that complete neutrality on the part of UNDP and Governments vis-à-vis the use of the technical expertise of United Nations agencies or other institutions entailed considerable dangers as, in the end, it could lead to the complete erosion of the United Nations system. Only the United Nations agencies were capable of collecting, evaluating and disseminating world-wide experience on so many different technical areas in a sustained way. No private enterprise would ever be able to do so. Her delegation therefore appealed to the Council and the Administrator to avert the collapse of the system through neglect of such long-range considerations.

80. A new support system should be flexible enough to take into account the specific features of the different agencies. In the case of UNFPA, her delegation fully supported its efforts to integrate population and development by further pursuing its current personnel policy.

81. Her delegation fully agreed with Assembly resolution 44/211, which had stipulated that national execution should be the ultimate execution modality. The long-term goal was to achieve national self-reliance, which would make UNDP intervention unnecessary. What was not wanted was to perpetuate the dependence of developing countries on external assistance by creating additional bureaucratic burdens.

82. The report of the consultants on national execution had shown that between 1986 and 1989 only 17.62 per cent of all approved country projects had been nationally executed. The report had also shown that two nations had accounted for one third of those projects. The share of the overwhelming majority of all other nations had been less than 1 per cent. Thirty-two countries had not used the modality at all. The Administrator's proposal to introduce national execution as the exclusive modality within 18 months was precipitate. The ultimate modality of national execution, which her delegation fully endorsed, should not be imposed on recipients and donors alike from one day to the next.

83. Further evaluation of the experience of UNDP and the agencies with national execution was needed in order to design it in such a way that it did not run counter to the interests of developing countries. National capacities, defined as technical and resource capacities, still needed to be developed so that national execution would not become an unacceptable burden to those countries. In that connection, her delegation supported the views expressed by the delegation of Uganda.

84. The introduction of national execution as the only modality by 1992, in conjunction with the existing needs of recipient countries in terms of developing national capacity, would in many cases lead to de facto UNDP execution. Her delegation could see no benefit for developing countries in such a development and was not therefore in favour of the Administrator's proposal as it currently stood.

85. Mr. EL-FERJANI (Libyan Arab Jamahiriya) said that his delegation shared the views expressed by the delegations of Sri Lanka, Brazil, Turkey, Austria, France, Uganda and the Federal Republic of Germany. His own statement would therefore focus only on points on which he would welcome clarification by the secretariat.

86. On the question of government execution, he would like to know whether there was at present anything to prevent Governments from implementing projects. If there were no obstacles, why was it necessary to adopt a decision compelling Governments to use a particular system, the future consequences of which were unknown? The benefits expected from the system were apparently to be found in increased participation by organizations outside the United Nations system. Would not the adoption of such an approach affect the role of the United Nations system, which had been created by Member States in order to fulfil the purposes and principles set out in the Charter? Would not the introduction of the principle of competition among different sectors, both within and outside the system, affect the neutrality, universality and participation of the system and also involve the international community in the adoption of a particular economic system which was perhaps not valid for all countries? He would also like to know what, in the light of the proposed new strategy, the future role of UNDP's Office for Project Services would be.

87. His delegation was not opposed to the policy of encouraging self-reliance but UNDP had already adopted different strategies, both within countries and regionally, in order to achieve that goal. His delegation was convinced that the solution should originate from regions themselves and should not be imposed on them from outside. Any decision on the issue should be realistic, neutral and flexible.

88. Mr. AQUARONE (Netherlands) said that, in his opinion, the Council should establish a framework for support costs, but the details should be worked out later by UNDP and the agencies concerned.

89. The role of the specialized agencies should not be abruptly marginalized. The aim of technical co-operation was to support developing countries and not to provide an additional source of finance for the regular funding of the agencies. The first criterion when introducing a new system must therefore be the effectiveness and efficiency of the institutions in the countries concerned, not the stability of support funding for the agencies.

90. In the view of his delegation, successor arrangements must follow logically from the different roles fulfilled by the various players in United Nations technical co-operation; there must be a clear understanding of those roles. Successor arrangements must also contribute to the efficiency of United Nations technical co-operation capacity, in the sense that they should strengthen project and programme management in the recipient countries as well as enhance the co-ordinating role of UNDP and the specialized role of the agencies. A new system should also encourage quality competition between subcontractors. If a national agency acted as executing agent, it should be possible for it to subcontract the execution of projects to specialized agencies, NGOs or universities.

91. The provision of technical assistance formed part of the regular duties of a specialized agency. Part of the costs related to technical assistance should therefore be borne by the regular budget of the agency concerned. The agencies should continue to play a role in project execution but should concentrate on those activities in which they excelled, so that a higher quality of services would result. The overall amount of money set aside for support costs should not change substantially with the introduction of a new system.

92. His delegation shared the view that the situation of UNFPA was quite different from that of UNDP and that, given the distinct technical and operational requirements of UNFPA programmes, there was no particular reason for requiring UNFPA to adopt the same system as UNDP.

93. His delegation considered that Technical Service Support (TSS) should form part of any successor arrangement as its purpose was to support the operational capacity of the agencies to deliver programme support. TSS should, at least in the initial stages, be based on past performance. His delegation agreed in principle that UNDP should pay for technical back-stopping per project, although the concept required further study. It also agreed that agencies should receive compensation on a disaggregated basis for services with a different degree of labour intensity. Trust funds should bear the total costs of their administration; support cost arrangements should not therefore apply to those funds.

94. National execution involved the transfer of responsibilities for project execution to the Governments concerned. Taking on such responsibilities was no light matter and Governments must be committed to that modality in terms of both political support and staff requirements. National execution must in no circumstances be imposed upon Governments, which must therefore decide for themselves when and to what extent they wished to switch to national

execution. In the meantime, what was required was serious dialogue between UNDP, preferably through its field offices, and each individual recipient Government. The Council was committed to going ahead with national execution on the basis of full accountability, on the one hand, and full transfer of responsibility to Governments, on the other.

95. Mr. Popescu (Romania) resumed the Chair.

96. Mr. NISSEN (Norway), speaking also on behalf of the delegations of Denmark, Finland and Sweden, said that the four Nordic countries had already expressed their general views on successor arrangements during the high-level debate. They would therefore limit themselves to commenting on a few specific points. They had long felt that the current support cost system needed to be adjusted. It had the advantage of being simple and easy to use; its wide applicability, including co-financed activities, had been one of its strengths. On the other hand, it had clear disadvantages in that the arrangements encouraged agencies to seek project volume and reduced input of items costly to administer. Furthermore, it did not encourage the gradual transition towards national execution. Those weaknesses must be remedied in any new arrangement. A new system should stimulate the specialized agencies to participate in UNDP-financed activities within their area of competence and to develop their comparative advantages.

97. The Nordic countries valued the tripartite system, which was based on competent partnership. That system should not, however, exclude other types of collaboration and should take into account possible modifications required to reflect the changing circumstances under which technical co-operation was operating.

98. Referring to some of the issues identified by the President in his report, he said that the Nordic countries were not yet convinced that programme-level technical support provided by agencies should be financed directly by UNDP. If such arrangements were adopted, all specialized agencies should, in their opinion, qualify for such support. Flexible arrangements for small agencies might be included in a possible centrally-managed TSS arrangement. The final position of the Nordic countries would depend on how those support services were defined. The Nordic countries agreed with the President that it should suffice at the current juncture to decide whether to establish a facility as proposed and how much should be earmarked for it in the fifth cycle. The latter issue should be included in the decision on the fifth cycle and should not be part of that on support costs.

99. Successor arrangements should encourage the shift towards increased emphasis on national execution and the technical aspects of project implementation. An important step in that direction would be to transfer resources for administrative and operational support to IPFs, thus strengthening national responsibility for the management of the project cycle. How much should be shifted from the support cost line should be subject to further discussions, as the issue was clearly linked to other types of possible financing arrangements.

100. As to the technical and budgetary aspects of project-related support cost arrangements, the Nordic countries considered that the Administrator should be asked to submit proposals to the Council in February 1991 for a decision

in June of that year. The new arrangements must not lead to administrative cost increases but to greater cost efficiency. It was also desirable to establish a system which was generally applicable to co-financed projects.

101. Issues such as flexible arrangements for small agencies, compensation for currency fluctuations and transitional arrangements could be decided at a later session of the Council in the light of the comments of the Administrator. There was a good case for giving UNFPA a separate support cost arrangement from that to be adopted for UNDP. It might, however, be useful to await the outcome of discussions on an arrangement for UNDP before deciding on a separate régime for UNFPA.

The meeting rose at 1 p.m.