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GOVERNING COUNCIL

Thirty-seventh session

SUMMARY RECORD OF THE 28th MEETING

Held at the Palais des Nations, Geneva,
on Monday, 11 June 1990, at 3 p.m.

<u>President:</u>	Mr. POPESCU	(Romania)
later:	Mr. REYES	(Philippines)

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The meeting was called to order at 3.05 p.m.

PROGRAMME IMPLEMENTATION (continued)

(b) IMPLEMENTATION OF DECISIONS ADOPTED BY THE GOVERNING COUNCIL AT ITS PREVIOUS SESSIONS

(x) GOVERNMENT EXECUTION (DP/1990/33)

(c) AGENCY SUPPORT COSTS (DP/1990/71 and Add.1, DP/1990/9 and Corr.1, DP/1990/INF.3, 4, 5 and 6)

1. Mr. LIU Lianke (China) said that the question of support costs was not merely a financial one but also concerned the traditional tripartite relationship and the role of each partner in promoting national execution. A comprehensive, co-ordinated approach was therefore necessary. The primary purpose of multilateral technical co-operation within the United Nations system was to provide appropriate assistance to meet the socio-economic needs of developing countries on a basis of universality, neutrality and comparative advantage. It was a form of official development assistance rather than a purely commercial exercise, and it was imperative that future agency support costs arrangements should be viewed in that light.

2. The new arrangements should strengthen the role of UNDP in financing co-operation and making provision for technical assistance, and should enhance the efficiency and quality of the work of the specialized agencies. It was obvious that, as the practice of national project execution was extended, it would be necessary to modify the nature and specific forms of agency participation, but it was essential that their technical potential should not be unutilized, and that they should not be excluded from the United Nations operational system for development.

3. With regard to the financial aspect, future arrangements should not affect either IPFs or UNDP project financing. It followed from the partnership principle that the specialized agencies should continue to finance part of the costs of projects in whose implementation they were involved. In the case of national execution it was reasonable that the support costs of national bodies should be reimbursed on the same basis as those of the specialized agencies.

4. General Assembly resolutions 42/196, 43/199 and 44/211 invited United Nations bodies to promote project implementation by national bodies, which had the advantage not only of being less costly and of achieving good results but also of promoting the self-reliance of recipient countries. It was, however, for the Governments of the countries concerned to decide, in the light of their situation and specific capability, whether it was appropriate to opt for that solution. National execution presupposed the capacity to manage and co-ordinate projects, which by no means existed in every case, and it would be hazardous to try, as the Administrator proposed, to set forthwith a date from which all projects would be executed in that way. It would be preferable for UNDP to begin by supporting the training of civil servants who would be responsible for managing and co-ordinating projects. UNDP should also endeavour to simplify operational and reporting procedures and financial arrangements for national project execution.

5. Mr. QUALI (Observer for Algeria) said that the question of support costs and national execution of projects touched upon the respective roles of the developing countries, UNDP and the executing agencies, and even to some extent upon the issue of Programme resources. Any decline in the volume of available resources should be offset at the support and administrative costs level by optimal use of funds.
6. Project execution by the institutions of recipient countries had not expanded to the extent expected by the General Assembly. It had not always achieved the hoped-for results and the specialized agencies were sometimes unenthusiastic about promoting transfer of the specialized technical know-how involved. United Nations bodies should provide increased assistance for the development of national capacity in that regard. The transfer of responsibility which national execution of projects entailed should be carried out progressively, and even selectively, as national institutions and experts strengthened their capacities. At the same time, UNDP should seek to strengthen its central financing and co-ordination role in the United Nations system.
7. The specialized agencies had unparalleled technical experience and potential and any changes made to existing arrangements must aim at enhancing their role and associating them closely with the changes contemplated.
8. No final decision should be taken until the financial implications of future arrangements for each of the partners and for the orientation of multilateral technical co-operation had been clearly established.
9. Mr. PETTITT (United Kingdom) noted that the participants in the various consultations and meetings held on the question had sought to define the general characteristics of the successor arrangements which they regarded as desirable. He agreed with the Administrator that some of the desiderata were unachievable. With regard to simplicity, for example, the Administrator's proposals aimed essentially at strengthening the capacity of agencies to provide technical assistance to development programmes. The diversity of the agencies, together with the fact that their governing bodies each had their own particular views on action in support of development, ruled out the uniform application of simple solutions. As to financial predictability, it was not possible to be specific about the financial implications of the proposed arrangements until they had been in operation for some time - it had to be borne in mind that the agencies relied largely on past experience in calculating the probable implications of future activities. There was, moreover, no point in trying to apply uniform rules to the extra-budgetary funds of different bodies as they were handled in different ways. It would suffice if there was general consistency in treatment between UNDP finances and the trust and similar funds of other bodies. As to concerted decision-taking on successor arrangements, it was not practicable to take account of the constitutional requirements of the 20 or so agencies concerned. If the new arrangements were to be ready when the present ones expired, decisions would have to begin to be taken - and the Governing Council was the appropriate body to do so; its members would have to take care to ensure that its decisions were not contrary to the interests of other bodies. The Governing Council would also have to bear in mind that its decisions would be applicable only when validated by the governing bodies of other organizations.

10. Turning to certain specific proposals in the Administrator's report (DP/1990/71), he agreed that there was no reason for UNFPA to be covered by the same régime as UNDP. There was a clear case for the latter to continue the current arrangement of paying a flat percentage rate for a number of agencies where that procedure had so far caused no problems. It worked entirely to the advantage of UNDP when the agency concerned was able out of its regular budget to provide UNDP with advice throughout the project cycle and to participate in what had come to be called "upstream" activities. The Administrator should, nevertheless, satisfy himself in advance that the agencies were capable of so proceeding within their field of competence. The large agencies would, of course, be involved in project assistance for programme-level activities, while the smaller agencies would supply sectoral support. For agencies where the current arrangements hampered "upstream" activities or otherwise weakened technical support services, assistance from UNDP should be negotiated on the lines proposed by the Administrator in paragraphs 14 and 15 of his report. The Governing Council might agree to set aside an arbitrary sum - say, \$35 million a year - to strengthen the technical capacity of the large, multi-purpose agencies, and possibly of the small agencies of the United Nations proper. It would also be preferable to finance technical support from centrally-managed resources to a total value negotiated as such rather than proceed on a case-by-case basis, as proposed in paragraph 20 (c). The administrative and operational support costs of organizations receiving technical assistance should be repayable at a slightly lower rate than that applied to organizations not requiring such assistance.

11. The Governing Council might set a total amount for support costs, including technical services, and then ask for a system to be devised for charging support costs by type of service (such as project preparation, evaluation, etc.) or by function (e.g. recruitment, procurement, sub-contracting, etc.). Such an arrangement would help agencies engaged in non-labour-intensive activities, while the cost to UNDP of a basket of typical projects would be the same as if calculated at a notional flat rate, as was currently done. It was not a question of blocking negotiations on cost repayments, but simply a matter of placing them in a framework. Members of the Governing Council would still have to decide whether they wished to participate directly in preparing a joint proposal on the question or to leave that to the Administrator and the specialized agencies.

12. He supported the proposal that in general project support costs should be met out of IPF resources, which would have the advantage of encouraging countries to manage project implementation more efficiently, but also the disadvantage of tempting planners to cut corners when IPF resources declined or to entrust the handling of projects to a local administration for reasons that were not developmentally valid. UNDP should take the necessary administrative measures to ensure that a project would be properly executed and that, if required, institutional capacity had been duly strengthened before approval was given and finance provided. He suggested that a decision on whether to incorporate support costs in project budgets should be postponed until the thirty-eighth session, and that the Administrator should be asked to make a recommendation to that session on the necessary administrative measures. If it was decided to charge support costs to project budgets, it would be necessary to revise the recommendations in paragraph 22 on the continuation of existing arrangements with small technical agencies, and to

modify thresholds and provide more effective protection against exchange rate fluctuations. Flexible arrangements would also have to be made for some autonomous organizations within the United Nations system, with the exception of the regional commissions.

13. He agreed that the Governing Council should take decisions at the current session on the matters in paragraph 35, with the exception of subparagraphs (e) and (f), and that it should postpone consideration of the points in paragraph 36 until its thirty-eighth session. The Council should in addition request the Executive Director of UNFPA to make specific proposals to the thirty-eighth session on relations between the Fund and the executing agents if the Council decided to discontinue application of the existing régime. The Executive Council should in addition request the Administrator of UNDP to make specific proposals on the matters in subparagraphs (g) and (h) of paragraph 35, to suggest arrangements with small organizations, and to recommend organizations with which the existing arrangements should be continued. The Council should also ask the Administrator to ensure that organizations were capable of providing adequate assistance to UNDP throughout a project cycle and of participating in "upstream" activities, with or without technical support services.

14. Turning to the question of national execution, he said that it was not an end in itself but a means of strengthening national capacity to enable countries to pursue their own development. Its use would be determined by national capacity in the field of assistance concerned - it would be absurd to take the proportion of projects executed by national bodies as a measure of progress achieved. The new definition of the procedure proposed by the Administrator seemed acceptable to the extent the functions specified were those that it was reasonable for Governments to carry out. While agreeing that Governments should take over responsibility for projects in the sense of that definition, the option of resort to execution by the agencies should not be excluded.

15. To the extent that the result would be a reduction in the volume of work of agencies which would not be offset by increased participation in technical or co-operation activities, the Governing Council might consider paying in advance the support costs of agencies experiencing financial difficulties as a result of the new arrangements, as a means of helping them to adapt to their new tasks. The Administrator might possibly submit a report on the question to the thirty-eighth session of the Governing Council.

16. Finally, he hoped that any decision on national execution would be taken by the Governments of the countries concerned, in concert with UNDP, and taking into account the views of the relevant organizations on the type of activities contemplated.

17. Mr. SØRENSEN (Denmark), also speaking on behalf of Finland, Norway and Sweden, said that national execution was the "ultimate modality" for development assistance. It meant a more direct involvement of recipient Governments in the execution of programmes and projects; it would facilitate the internalization of externally-financed activities; and it would promote self-reliance. This was, therefore, a responsibility that must be taken over by the developing countries. However, a large number of them did not presently have the capacity or the desire to assume it. It made considerable

monitoring and financial reporting demands, and necessitated as a first step capacity-building measures, especially in the least developed countries.

18. The Nordic countries agreed with the consultants that the programme approach was a good basis for national execution: it enabled full use to be made of the comparative advantages of the various organizations within the United Nations system to assist Governments in formulating sectoral strategies.

19. In his proposed definition of national execution, the Administrator drew a distinction between execution and implementation, and, in the view of the Nordic countries, UNDP should concentrate its efforts on developing the capacity of Governments to execute programmes and projects and leave the actual implementation to other organizations. In their view, UNDP should not establish central project management and support units to facilitate execution. Such action might devalue national execution.

20. The question of accountability was of crucial importance, and it was imperative not only that the transition to full national execution should be a gradual one but also that the rules for financial accountability and output assessment should be simple, uniform and flexible.

21. Mr. DEMONGEOT (United States of America), addressing the question of government, or national, execution, said that his delegation agreed with the Administrator that UNDP projects should be regarded as one element in an integrated policy package. The package should include measures: (1) to ensure the effective discharge by the Administrator of his full accountability at the same standard as in other modes of execution; (2) to revitalize the partnership between UNDP and the specialized and technical agencies of the United Nations system; (3) to provide more flexible and effective support for national development programmes, particularly within the framework of the programme approach; (4) to decentralize further development support activities from UNDP and agency headquarters to the country level. Explicit provision should, however, also be made for capacity building. Until Governments had the capacity, especially at the administrative and accounting levels, to plan and manage development programmes, the UNDP field office would have to bear responsibility for them.

22. For the present the Administrator's proposal (DP/1990/33) consisted no more than a bold outline of a strategy, and many questions remained to be answered, particularly with regard to the role of the major sectoral agencies as partners of UNDP. Moreover, not all Governments were equally ready to assume responsibility for all components of the integrated package. The Governing Council might, therefore, confine itself at the present session to requesting the Administrator to define, specify and assign priorities to the various components, so that a decision could be taken on an appropriate timetable at the following session.

23. His delegation saw no need to change the definition of national execution or to draw a distinction between the "execution" and the "implementation" of projects. National execution was a co-operative arrangement whereby the Government of a recipient country assumed responsibility for managing all aspects of programmes and projects receiving UNDP assistance, it being understood that the relevant specialized agency should provide technical

oversight as a partner of UNDP. Government responsibility for management extended to cases where the specialized agencies or offices for project support (OPS) were supplying administrative support.

24. His delegation fully supported the transition to government execution, which would eventually become the standard modality. The management function would be transferred from project managers acting under agencies or project offices to the Governments concerned, and the UNDP field offices would be responsible for monitoring the performance of national executing agents and providing management assistance as needed. On the subjects of project monitoring, appraisal and evaluation, where responsibility was shared between UNDP and the major sectoral agencies, his delegation expected more detailed proposals by UNDP. In his view, the major agencies should provide specifically technical services for the execution of projects within their competence, and the most efficient way to do that would be at the country level by seconding agency staff to the UNDP field offices.

25. Turning to the question of agency support costs, on which his delegation would comment at greater length at a later stage, he said that the new arrangements should be designed not only to facilitate national execution but also to promote a major change in the partnership between UNDP and the major sectoral agencies, entailing a change of focus from project execution to the assessment of technical assistance needs, multi-sectoral, sectoral and subsectoral programming, and the monitoring and evaluation of nationally executed projects.

26. Mrs. SERES (Venezuela) agreed with the Administrator's proposed definition of government, or national, execution, which clearly specified the responsibilities a Government was asked to assume. Her delegation could not, however, support his proposal that all activities financed through national IPFs should be nationally executed from 1 January 1992. The transition would have to be much more gradual, and it was for countries to decide which were the projects whose execution they could manage themselves and which they wished to entrust to an executing agency. In the second contingency, it would be appropriate, as the Administrator had helpfully proposed, to ask the UNDP field offices directly to furnish the support requested.

27. It would, moreover, be desirable to simplify procedures, to encourage decentralization, and to delegate more power to the Resident Representative, provided that, in that case also, Governments retained the right to choose which projects they would execute themselves.

28. The Administrator suggested that the UNDP country programming cycle should be synchronized with the national planning cycle. That was a practice which her Government had adopted since the first programming cycle, and she was pleased to report that it enabled UNDP activities to be brought more closely into line with country priorities.

29. With regard to agency support costs, the proposed new system should be worked out and completed by joint agreement between the Administrator and the agencies, so that the Governing Council would eventually have before it clearer proposals, accompanied by a statement of budget implications. On principle, her delegation would have difficulty in agreeing that such costs should be charged to IPFs.

30. Mr. MALMIERCA (Cuba) said that General Assembly resolution 44/211 implied that the execution of technical co-operation projects should be entrusted entirely to the recipient countries. Doubtless, not all countries had the necessary institutional capacity to move over immediately to the new régime, and UNDP would have to allow a transition period to enable them to develop the required capacity. His delegation agreed with the remarks and suggestions in paragraphs 3 and 14 of the Administrator's report (DP/1990/33), which urged the need for flexibility and caution, in accordance with the 1970 Consensus, in introducing government execution. There was also a need for realism, and no attempt should be made to impose the programme approach forthwith. In the short term, it would be advisable to maintain the well-tried project approach.

31. On the question of agency support costs, his delegation believed that they should be centrally managed and, on grounds of principle, dissociated from IPF costs. It supported the maintenance of the current system of refunding costs to organizations.

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

33. Mr. SALEEM (Pakistan) supported the recommendations of the Expert Group on agency support costs and related issues (DP/1990/9, paras. 471 (a), (d), 473 (a), (e) and (f), 479 (a), and (d - i), and 48 (a), (b), and (c)). In particular, his delegation supported all the proposed measures aimed at strengthening national capacity, which would eventually enable UNDP to transfer the management of project execution to recipient countries. Care would be needed however to ensure that government execution did not limit government access to the technical expertise and experience accumulated in the specialized agencies. Of the seven options reviewed by the Expert Group, his delegation favoured option three, "complete control of the country programme by the Governments", which would give the latter freedom to choose both the modalities of execution and the executing agents either within or outside the United Nations system, and to make use of competitive bidding.

34. He reaffirmed his delegation's commitment to the 1970 Consensus and the consequent tripartite arrangement. Relieving the agencies from the task of execution would enable them to provide the critical technical services, as envisaged in the tripartite system.

35. Mr. MACDONALD (Australia) said that it was the prerogative of developing countries to choose policies and programmes appropriate for their own development, and the procedure by which the programmes would be executed. UNDP had a financial responsibility, which the Administrator had rightly emphasized. His delegation was not, however, convinced of the validity of the distinction which the Administrator wished to draw between the "execution" and the "implementation" of projects and programmes and also wished to have more detailed information about the financial management procedures contemplated - especially in view of the fact that UNDP had hitherto had experience of government execution in relation to only 15 per cent of its programme. The extension of the system would have to be gradual, and it was unrealistic to think in terms of 1 January 1992.

36. His delegation would also like to be reassured that any simplification of financial reporting procedures would not affect the quality of the programme or depart from UNDP's Financial Rules and Regulations; that government execution would not involve any considerable increases in staffing requirements in field offices; that the new support cost arrangements would be applied only if the recipient Governments had the necessary management capacity; and that the arrangements would be as simple as possible and sufficiently flexible so as not to disadvantage small technical agencies, sufficient time being provided for the larger agencies to adjust to the new régime. Moreover, the new régime should not cost more than the present one and should be so designed as to reduce the overall cost of delivering technical assistance.

37. In general, his delegation agreed with the comments of the delegations of the Federal Republic of Germany, the United Kingdom and the United States regarding successor arrangements for agency support costs. The specialized agencies must be allowed to play the major role entrusted to them by the General Assembly in resolution 44/211, while at the same time maximizing cost-effectiveness, in particular by encouraging competition for project implementation. The technical and operational support costs of the agencies should be funded in part from a new technical support fund and in part from the regular agency budgets.

38. Mr. KRAMER (Canada), referring to the question of successor arrangements for agency support costs, said that the President's report (DP/1990/71) stated the problem very well. Those costs were currently too high and the international taxpayer was rightly alarmed. The Council would be well advised to adopt a two-phased approach: at the current session, it should decide on a policy framework and request the various secretariats concerned to forward their detailed proposals on ways of implementing it. It would be sufficient, for the time being, to decide to de-link the system applying to UNFPA from that of UNDP; to establish a mechanism to cover the costs of technical services from agencies at the programme level (for example sector studies); to centralize the management of technical support services at the project level; to change administrative and operational support costs to IPFs, thus associating Governments more closely in the management of the project cycle; and lastly to give some thought to instituting a system of differential rates for different services.

39. Regarding the issue of national execution, he was afraid that the proposals of the Administrator (DP/1990/33, particularly para. 13) gave the impression that the existing tripartite relationship would be replaced by a bilateral connection between UNDP and the recipient countries from which the agencies would be excluded. His delegation would oppose any such exclusion. He recognized, however, that the Administrator did not wish to wait until national authorities had acquired all the desired capacity before entrusting them with project execution. The key point was that UNDP should provide Governments with the necessary support and that it should be in a position to carry out its responsibilities to the donor countries of monitoring, supervising and evaluating as the case required. Since the Administrator had not specified the modalities of such support, his delegation assumed that it was the specialized agencies which would be called upon to provide the

essential technical support. The idea of making the UNDP field offices responsible for organizing support services in the field also required further examination, since care must be taken not to replace one bureaucracy with another.

40. His delegation agreed with the objectives of national execution as set out in paragraph 19 of the Administrator's report. It was in favour of the idea that the transfer of responsibility should be accompanied by a strengthening of national capacity to undertake it. The distinction between "execution" and "implementation" would have the advantage of providing for the participation of the United Nations system in the definition of technical options and modes of implementation. At the same time, noting that the role envisaged for United Nations technical and specialized agencies was not well spelled out, his delegation urged the Administrator to remedy that situation and also to formulate his proposals regarding the use of resources and measures to strengthen national executing capacities more clearly.

41. Mr. FONDI (Italy) also considered that the time had come to rationalize the relationship between UNDP and the other development agencies of the United Nations system. The Council should therefore lay down policy guidelines at the current session for the future arrangements to be adopted for agency support costs. Those arrangements could always be amended at a later stage if necessary. It went without saying that they should not arouse opposition among the agencies, which should be encouraged to make as many constructive suggestions as possible regarding their mode of association with UNDP. Care would have to be taken to arrange for a gradual transition from the old system of association to the new in order to avoid any traumatic disruption.

42. The new arrangements should pave the way for the gradual introduction of national execution but to that end it would be necessary to strengthen national capacities case by case so that, ultimately, the agencies would have only a consultative, technical or specialized function, in the shape of a new mechanism for technical support services at the programme level and support services at the project level. In his delegation's view, the agencies should finance their institutional activities from their own regular budgets; it would also be desirable to encourage those agencies which wished to execute UNDP-financed projects to compete with one another. The idea of charging part of the cost of technical services to IPFs at the project level deserved further consideration.

43. Although Italy was strongly in favour of promoting national execution immediately, it should be understood that such an arrangement should not simply mean that the agencies or the Office of Project Services would be asked to provide the necessary technical or administrative support. Furthermore, Governments should always have power to decide at what time and to what extent they were ready to assume responsibility for project execution.

44. Mr. PASQUIER (Switzerland) said that, since the Administrator's proposals had been submitted rather late, the analysis of their implications was not sufficiently advanced to provide grounds for any final decision. His delegation therefore considered that, as the President had suggested, a two-stage approach should be followed. As far as support costs were

concerned, it was in favour of establishing a system for calculating costs, for the reasons put forward by the representative of the Federal Republic of Germany among others. With regard to national execution, he observed that development programmes were in any event national programmes and that external aid must always play a complementary role. What was important above all was that the content of subsidiary technical assistance programmes should be relevant. At the programme formulation stage, the specialized agencies, together with national bodies, should play a larger role within the framework of the sectoral and subsectoral programming of UNDP resources (and simultaneously other resources). At the execution stage, the responsibility of the specialized agencies and the Office for Project Services should be gradually reduced and that of the recipient countries increased. In particular, it was important to avoid the Office for Project Services assuming functions hitherto carried out by the specialized agencies. As a number of speakers had already pointed out, enhancing national execution should be directed above all at two objectives: strengthening national capacities and reducing administrative costs.

45. Mr. JASINSKI (Poland) said that all delegations were agreed in recognizing the primary importance of the quality of the end product: in other words, of making sure that the programmes and projects financed by UNDP achieved their purpose within a reasonable time. Unfortunately, the quality of a large number of projects was not always what might have been desired, despite the steady and undeniable progress that had recently been made.

46. Like technical co-operation as a whole, the execution and implementation of projects was a tripartite enterprise, in which each of the three partners bore a share of the responsibility. His delegation had listened with great attention to the statements of the agency representatives, in particular those of FAO, UNIDO and the World Bank, which had stressed the importance of operational activities to those agencies and the importance they attached to improving the results obtained from such activities. Because of the skills and experience they had acquired, the specialized agencies were in a position to attack the complex problems of the developing countries while at the same time improving the effectiveness and transparency of their contribution to technical co-operation programmes and projects.

47. The recipient Governments for their part, should strengthen their capacities, with the assistance, if necessary, of UNDP and the agencies. If they received the desired support, Governments would be in a better position to ensure the national execution envisaged in resolution 44/211. That resolution, moreover, should be applied to the full, with Governments being primarily responsible for the conception and management of the external assistance they received.

48. He praised the quality of the documentation - including the report of the expert group circulated as document DP/1990/9 - prepared for the consideration of the important item under discussion. His delegation endorsed a large proportion of the conclusions and recommendations in chapter VIII of the report. The Governing Council should show at the same time openness and the necessary caution in regard to the proposed changes. It should avoid haste, proceed step by step, and subject any solutions to the test of experience before implementing them on a large scale.

49. Mr. GUNDUZA (Zimbabwe) said that the ultimate objective of the assistance provided by UNDP should be national execution. However, the possible effects should be carefully analysed. It was possible that the agencies might see the proposal as an attack on the Consensus of 1970 and might attempt to obtain a greater volume of resources from bilateral donors. Apart from the fact that such action would gravely impair UNDP's role as the central financing body, it would have repercussions on the volume of resources that UNDP could hope to have at its disposal for its fifth programming cycle. It was also possible that national execution might increase UNDP's administrative costs. Lastly, if project execution was to be entrusted to Governments, they must have available to them adequate and properly trained personnel. Accordingly, national execution must either be introduced gradually according to a timetable which might differ from that proposed by the Administrator, or case by case, in instances where Governments were capable of assuming responsibility for execution. It would also be desirable to simplify the rules for financial reporting, with a view to lightening the administrative burden generally associated with national execution of programmes and projects.

50. Regarding the future arrangements for financing project support costs, his delegation congratulated the President and those who had assisted him in his task on the quality of the related report (document DP/1990/71). His delegation endorsed, in general, the recommendations contained in it. In its view, the new arrangements should aim at promoting and assisting national execution.

51. Mr. NICULESCU (Romania) said that he would confine his comments to a few points. First, his delegation had no difficulty in accepting the definition of national execution in the Administrator's report. However, the legal aspects of government accountability to the Administrator called for further examination. Second, the transition to national execution must be gradual, so that the necessary conditions for such execution were first ensured in most of the recipient countries. Third, regarding support cost successor arrangements his delegation endorsed the principles set out in the President's interim report, dated 2 May 1990, which could serve as the basis for a decision by the Council. The charging of support costs to project indicative planning figures, however, should not be at the expense of country programmes. The IPFs should therefore be increased in order to promote national execution. The Council was expected to reach a decision on those questions at the current session. His delegation was ready to participate in an open and constructive spirit in any further negotiation.

52. Mr. OSUNA (Spain) said that while his delegation was in favour of the national execution of projects it regarded the Administrator's proposal that all UNDP technical co-operation activities financed from national IPFs which started after 1 January 1992 should be executed by national bodies as unrealistic. There was no guarantee that the necessary human resources would be available, unless UNDP offices were in a position to provide the recipient countries with the necessary advisory services. His delegation shared the view already expressed that national execution should be introduced gradually. It believed it was the recipient governments themselves that should determine the share of responsibility they wished to assume in the execution of projects, as that seemed in conformity with the spirit of General Assembly resolution 44/211.

53. Self-sustaining development should be regarded as the goal to be achieved in the next few years and UNDP should seek to combine national execution and external assistance in the appropriate proportions. For that purpose, it should take account of the fact that the provision of external technologies and technological exchanges were often earnest of further development. Those Governments which opted for execution by national bodies alone should undertake to submit reports to the UNDP Administration which would clearly show the real costs of programmes and projects and above all the effects they were expected to have on the country's development. It was therefore necessary to establish a simple and speedy method of analysing cost-effectiveness that would make it possible to determine the advantages expected and the population to benefit from them.

54. As the representative of the Netherlands had noted, the point at issue was the effectiveness of technical co-operation, not the survival of the agencies. It also seemed reasonable, as the representative of UNIDO had commented, that the way in which programmes and projects were to be executed should be specified, as well as the responsibility of the different bodies which would take part in that execution.

55. The quality of technical assistance should be the main concern of all the multilateral organizations, but it was not easy to reconcile the requirements of financial profitability and of development, while at the same time seeking to make the activities of development assistance bodies as effective as possible. The existing system must be simplified by making appropriate corrections as they proved necessary.

56. His delegation believed it was not appropriate to charge administrative costs to national IPFs. Those costs should be accurately determined, however, and the paper work should be reduced to a minimum. The technical bodies should be capable of properly carrying out the projects for which they were responsible. The specialized agencies were required to provide the services requested of them and those services should be remunerated. Since there were technical executing agencies, it was unreasonable for them not to take part in project execution just when the idea of sectoralization was beginning to take hold. It was also important for the identification, formulation, follow-up and evaluation of projects to be carried out according to simple and speedy procedures designed to reduce administrative costs.

57. The problem of support costs merited the Council's close attention, for if the aim was to improve the technical assistance system, that should be done effectively. Even if the Council took no final decision on the matter for the time being, it should at least approve the guiding principles to be followed. It would also be necessary for the UNDP Administration and the agencies to agree on the preparation, for the Council's February session, of specific guidelines for improving the existing system, avoiding duplication and ensuring better sectoral co-ordination between multilateral and bilateral activities in the recipient countries.

58. Mr. AL-FARSI (Observer for Oman) said that his delegation approved the arguments presented by the Director General of FAO in document DP/1990/INF/3 on the question of future arrangements for the reimbursement to FAO of support costs the agency incurred in executing UNDP-financed projects. However, it was in favour of reducing the rate of 13 per cent, which was too heavy a burden on the recipient developing countries.

59. Mr. PENZIN (Union of Soviet Socialist Republics) said that the General Assembly, in resolution 44/211, had indicated the path to be followed. The role of the Governments receiving aid should be increased and their prerogatives in decision-making should be respected. Conditions should be created that would enable national capacities to be utilized to the full. His delegation believed that, given the constantly changing needs of the recipient countries, the existing system of technical assistance should be modified. There was nothing immutable about it and it had given rise to criticism from various quarters. Moreover, the matters under consideration (support costs, national execution, decentralization, the programme approach) formed a single whole. Above all, however, the changes proposed must not impair UNDP's neutrality. All decisions should be taken by consensus. His delegation was convinced that national project execution and the acquisition by recipient Governments of the necessary capacity for such execution were the goal of development. It agreed with the Japanese delegation that attaining that goal was a continuing process and not a one-time action. A number of the comments which had been made should be borne in mind, including those of the Director General of FAO and the Director General of UNIDO. Care must be taken to see that the agencies' sectoral monopoly was not replaced by the monopoly of private enterprises and that assistance did not gradually lose its multilateral nature and become bilateral. Several delegations had expressed a wish for explanations of certain features of assistance. All the proposals should be studied in detail and without haste. He paid a tribute to the efforts of the President of the Governing Council to bring about a consensus, even if it was necessary for the time being to acknowledge the existence of divergent opinions.

60. Mr. FORBES-WATT (Food and Agriculture Organization of the United Nations), speaking also as Chairman of the support costs task force of the Consultative Committee on Substantive Questions (Operational Activities), endorsed the comments of the representative of UNIDO and said that there should be no doubt that the specialized agencies were in favour of national execution. At present, even when the executing agencies were specialized agencies, a large part of the execution was in fact "national", with project directors and experts being nationals of the recipient countries. Moreover, the specialized agencies had already begun to lend assistance to projects directly executed by national entities, although for the time being that represented only 12 per cent of the expenditure financed by UNDP. The agency link called, however, for a more specific definition.

61. Most of the projects that received assistance from the specialized agencies helped to strengthen national capacities. Furthermore, the agencies were devoting considerable effort to training courses and programmes for national project and programme managers. That training, which was very serious and specific, was provided either at the headquarters of the agencies concerned or in the country itself. That type of training should be strengthened and consideration might well be given to setting aside some \$50 million for it in the new programming cycle.

62. The comparison that had been made between the execution of projects financed by the World Bank and the technical assistance financed by UNDP called for some comment. Those activities differed very substantially both in scope and nature. The number of projects currently being executed by national

entities was still very small, and there should be more of them. Over the last 14 months, the task force team had met on several occasions to study the question of support costs and had arrived at a co-ordinated position. In particular, it believed that any new arrangement should not be applied in a differentiated way since that would be counter to the Consensus. The only exception should be the case of the small single-sector technical agencies (as identified in 1980).

63. Regardless of the outcome of the current debate, the examination of the questions of support costs and national execution would have to continue in the 9 to 12 months that lay ahead. The work would devolve basically on the secretariats of UNDP and of the specialized agencies, which would have to take a joint and agreed approach and arrive at joint proposals for consideration by the Council. UNDP was an active member of the Consultative Committee and both he and the representatives of the specialized agencies which were members of the task force were convinced that mechanisms were available to them which, provided the necessary effort was made, would make it possible to complete that important task in time.

64. Mr. FERNANDEZ (Observer for Liberia) shared the view of the United States representative that the Administrator's report on government execution set out a general strategy to be applied. It was some 15 years since the General Assembly had recommended, in resolution 3405 (XXX), that execution by Governments should be developed, yet only 13 per cent of the technical assistance financed by UNDP was at present executed by Governments. It was important, therefore, for that aim to become a reality, if possible by the end of the fifth cycle. To do so, it would be appropriate to envisage a transitional period, as several delegations had suggested. It should also be recognized that certain developing countries which had acquired the capacity to execute projects would probably want to use that modality directly, and account should be taken of that fact. The transitional phase could begin in 1992. In the meantime, UNDP might be asked, together with the executing agencies, to study the matter in detail and report to the Governing Council in February 1991.

65. His delegation could not help noting that the current discussion was curiously similar to the debate which had preceded African independence, when the Africans had been told that before attaining independence they must first reach a certain level of development. Fortunately, the African countries had attained independence nevertheless, and, even if everything was not going as well as might have been hoped, a development process was nevertheless firmly under way.

66. The reason why certain Governments were not executing programmes and projects themselves might be that they still lacked the necessary capacity, that they did not wish to use that modality or because they were not fully aware of the capacities they possessed. His delegation believed that all countries had the necessary potential to execute programmes and projects and that what was required was to transform that potential into genuine capacity.

67. Mr. GIELING (Belgium) said that his country, which had already started on a programme of co-management (at the bilateral level), was particularly interested in government execution and was anxious to promote it at the

multilateral level, with, of course, the assistance of all the competent national social and economic agents. In very many cases, Governments would continue to need the assistance of UNDP and other agencies and institutions, at least for a number of years. In that connection, Belgium stressed the importance of developing capacity of all types and in all fields, in particular that of national execution. To that end, the Council should agree on a set of appropriate rules and procedures.

68. As far as agency support costs were concerned, Belgium believed it was necessary to proceed cautiously. The changes made should not cause any disruption. It was essential to prevent a financial crisis for the executing agencies as a result of the modification of the system. Nevertheless, those organizations should take the necessary rationalization measures. In that connection, Belgium joined those delegations which had stressed the importance of a good system for measuring costs. It was clear, however, that the executing agencies must also gradually reduce their executing activities and undertake a far-reaching review of their respective fields of operation while at the same time gradually moving towards the new modality of national execution.

69. Mr. INOUE (International Labour Organisation) said that the issue of agency support costs was not a matter of the rate or amount of reimbursement but of the effectiveness of the United Nations system of technical co-operation meeting the needs and priorities of the developing countries. A genuine partnership among the members of the tripartite relationship must be maintained so as to constitute a foundation for fruitful co-operation between Governments and United Nations bodies in the 1990s.

70. The International Labour Organisation considered that successor arrangements for support costs should be governed by the following basic principles: (a) The promotion of self-reliance and the strengthening of national capacity shall be the ultimate objective of technical co-operation. Furthermore, national execution of projects should be expanded in a manner consistent with national capacity; (b) To enable the developing countries to derive the maximum benefit from the assistance they received, full use should be made of the expertise and managerial capacities of the specialized agencies at all stages in the programme and project cycle; (c) There should be no duplication of support infrastructure between UNDP and the agencies; (d) The new arrangements should: (i) promote different modalities of project execution; (ii) provide reasonably stable and predictable support cost income; (iii) promote coherence, efficiency and effectiveness; (iv) be capable of application to all sources of funds; and (v) be simple to understand and administer; (e) The new arrangements should be the result of a consensus reached in a spirit of partnership; (f) The transition to the new arrangements should be carried out in an orderly and progressive manner.

71. Mr. Popescu resumed the Chair.

72. Mr. DEMONGEOT (United States of America) endorsed the recommendations in the report on support costs. As far as the guiding principles were concerned, he shared the view that the new arrangements should encourage Governments to assume increasing responsibility for the management of projects financed by United Nations bodies and for administrative tasks. The United States was

therefore in favour of national execution as the ultimate ideal modality and hence of a parallel reduction in the role of the executing agencies and the Office for Project Services in the direct execution of projects. It believed that while the process should be gradual it should be carried out as speedily as possible.

73. The new arrangements should enable the organizations to place greater emphasis on programme assistance and make their technical support more effective. He stressed in particular the importance of ensuring that, regardless of the mode of execution, management should be provided at the country level by national bodies, with the two other partners nevertheless continuing to play an effective role. He hoped that the new arrangements would promote decentralization of the agencies' technical capacities, to enable them to take part fully, as and when called upon, in all aspects of execution and to identify any new needs in order better to respond to them. In that connection, he would like the sectoral support provided for in the budget for the fifth cycle to be examined within the framework of support costs.

74. The United States recognized that the system applicable to UNFPA should be dealt with separately, as should that for other agencies or bodies which played only a small part in the execution of UNDP-financed projects.

75. The United States believed that UNDP's contribution to the financing of the principal sectoral organizations would help them to strengthen their capacity and their readiness to provide UNDP with the necessary advice and technical support. Consequently, it supported the idea of allocating a certain sum for financing the technical support services provided by the main sectoral organizations. With regard to project support services, his delegation considered that UNDP should finance part of the technical support and that administrative support should be charged to the project budget. It also considered that, as far as possible, support for capacity development should be financed out of general resources. The administration of technical support for projects should be centralized in order to encourage countries to use the technical capacities of the organizations, whose role should be specified in the planning of each project. UNDP should bill projects for technical support at a uniform rate for a given set of technical services. Finally, the United States agreed that the decisions that would have to be taken, including those relating to protection against currency fluctuations, should be postponed until the thirty-eighth session.

76. Mr. RAHEEM (United Nations Development Programme) said that in his report on government execution (DP/1990/33) the Administrator had advocated a change of strategy, without entering into the details of the strategy, which were to be worked out gradually. The idea was to put in place a basic structure that would make it possible to elaborate the necessary rules at a later stage.

77. The new programme approach had already been the subject of many discussions and consultations. It was nevertheless still too soon for UNDP to be able to draw conclusions from the debate. In a few months, however, it would undoubtedly be in a position to submit a definition and a number of proposals to its partners in the United Nations system.

78. With respect to OSP and its ambitions in the context of national execution, several delegations had commented that the Office could be strengthened by such a modality. He did not see the situation in that light. In 1989, OSP's share in the funds allocated for IPFs had amounted to 7.8 per cent and, if its share of costs and Special Programme Resources were added, to 9.5 per cent. Those percentages had remained virtually the same for the last 10 years and there was no reason to believe that they would be altered by the principle of national execution. The Office would no longer act as an executing agent but it would continue to provide services on request as a co-operation body, in particular in connection with the development of executing capacities within Governments and national bodies.

79. The support group for strengthening management capacities and the field offices acted jointly and there was no question of favouring the latter at the expense of Governments, since in a world where possibilities of co-operation for development were constantly increasing there was room for all. With regard to control of expenditure, he drew attention to document DP/1990/65 which stressed the importance of strict monitoring and auditing of accounts. The Administrator had, without any increase of personnel at headquarters, established machinery for monitoring the compliance of national execution with the financial regulations.

80. He recognized that the structure, capacity and management role of the network of field offices and their relations with headquarters would be profoundly affected by the new system of execution and that it would be wise to monitor that evolution and keep the Council informed. It would be impossible to envisage all the implications in respect of personnel and resources while the Council's decisions were being taken, but the Administrator would take the Council's views fully into account.

81. Regarding the evaluation and monitoring of UNDP activities, he recalled that the Council had approved arrangements whereby outside specialists were to be called in. A number of delegations had also stressed the importance of training and of keeping up to date. He assured the Council that UNDP would seek to promote activities of that kind as far as its resources permitted.

82. UNDP had taken note of the requests made for greater effectiveness in the area of execution and for simplification of the rules and procedures.

83. The PRESIDENT said that, in the absence of objection, he would take it that the Council agreed that the drafting group should commence preparation of a draft decision on agenda item 4 (b) (x) and that the related administrative and financial questions should be considered by the Budgetary and Finance Committee, on the understanding that those questions were closely linked with the informal consultations on agency support costs.

84. It was so decided.

85. The summary record of the remainder of the meeting appears as document DP/1990/SR.28/Add.1.