STUDY PAPER ON BEST PRACTICES
AND LESSONS LEARNED
IN PROJECTS MANAGEMENT

ITU - BDT
AND
OTHER INTERNATIONAL ORGANIZATIONS
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LIST OF ABBREVIATIONS

AMS – Activity Management System
AOS – Administrative and Operational Support
AusAID – Australian Agency for International Development
BDT – Telecommunication Development Bureau
CEB – United Nations System Chief Executives Board for Coordination
DAC – Development Assistance Committee
DFID – Department for International Development (United Kingdom)
EC – European Commission
ERP – Enterprise Resource Planning
EQT – BDT Purchase Orders System
FAO – Food and Agriculture Organization of the United Nations
GEF – Global Environment Facility
GMS – Global Management System
IAEA – International Atomic Energy Agency
ICT – Information and Communication Technologies
ILO – International Labour Organization
IMDIS – Integrated Monitoring and Documentation Information System
IMEP – Integrated Monitoring and Evaluation Plan
IMIS – Integrated Monitoring and Documentation Information System
IMO – International Maritime Organization
IOs – International Organizations
IPU – Inter-Parliamentary Union
IRIS – Integrated Resource Information System
ISAP/DAP – BDT Operational Plan System
ITU – International Telecommunication Union
JIU – Joint Inspection Unit
KIMRS – Key Item Management Reporting System
KM – Knowledge Management
KPI – Key Performance Indicators
M&E – Monitoring and Evaluation
MI – Management Information
MYFF – Multi Year Funding Framework
OECD – Organisation for Economic Co-operation and Development (UN)
OIOS - Office of Internal Oversight Services (UN)
OPPBA - Office of Programme Planning, Budget and Accounts
OSCE – Organization for Security and Cooperation in Europe
PBA – Planning, Budget and Administration
PERT – Project Evaluation and Review Table
PIRES – Programme Planning, Implementation, Reporting and Evaluation System
PMA – Performance Measurement and Analysis
PRI – Projects and Initiatives Department
PRJ – Projects Unit
PSC – Programme Support Costs
RBB – Results-Based Budgeting
RBM – Results-Based Management
RCA – BDT Recruitment Control Administration System
RRF – Results and Resources Framework
SCO – BDT Subcontracts System
SISTER – System of Information on Strategies, Tasks, and Evaluation of Results
SMART – Specific, Measurable, Attainable, Relevant and Time-bound
SRM – BDT Supply Relations Management System
TGF – The Global Fund
UN – United Nations
UNCDF – United Nations Capital Development Fund
UNDAF – United Nations Development Assistance Framework
UNDP – United Nations Development Programme
UNEG – United Nations Evaluation Group
UNEP – United Nations Environment Programme
UNESCO – United Nations Educational, Scientific and Cultural Organization
UNFPA – United Nations Population Fund
UNICEF – United Nations Children’s Fund
UNIDO – United Nations Industrial Development Organization
USAID – United Stated Agency for International Development
WB – World Bank
WFP – World Food Programme
WHO – World Health Organization
WIPO – World Intellectual Property Organization
WMO – World Meteorological Organization
WTO – World Trade Organization
Resolution 157 (Antalya, 2006) requested ITU-D to strengthen the project execution function. This paper addresses Resolves 1 and 2 that require “to review the experience of ITU-D in discharging its responsibility for implementing projects under the United Nations development system or other funding arrangements by identifying lessons learned and by developing a strategy for strengthening this function in the future” and “to undertake a review of best practices within the United Nations system and within organizations external to the United Nations in the area of technical cooperation, with a view to adapting such practices to the circumstances prevailing in ITU”. The research has been conducted using the methodology of a desk review of collected materials on United Nations and other organizations’ best practices in project management, in house interviews and use of a questionnaire to identify the ITU-D current practices in project execution.

It should be noted that the current study only addresses projects of extra-budgetary nature and not the ITU - BDT operational plan programmes. In addition, an extensive amount of materials was collected on project management tools and practices of various organizations, however, due to a certain length limitations of this paper, information only on few organizations will be presented and analysed. The rest of materials and a short description of its content are included in the bibliography. (See Annex V)

The first chapter provides an overview of different results based management methodologies and tools utilised by UNDP, UNICEF, UNEP, ILO, OSCE, EC and development agencies organizations. It mainly provides information on different project management cycle methodologies used by these organizations. Results based budgeting, knowledge management and management information systems concepts and lessons learned examples are presented as well.

The second chapter focuses on key performance indicators in monitoring and evaluation practices employed by UNDP, UNEP, ILO, OECD, EC, and UNEG, including the best practices.

The third chapter is addressing issues of cost recovery policies, which includes definition and categorization of costs, formulation, measurement and harmonization of costs together with issues of waivers and interest retention. Best practices of UNICEF and FAO presented as samples of successful cost recovery practices. ITU - BDT current practices in cost recovery area revealed the need to establish a legal framework applicable to extra-budgetary projects. Additionally, a cost recovery methodology and strategy should be designed. Retention of interests from projects was identified as one of the beneficial tools for cost recovery.
EXECUTIVE SUMMARY

I. Project Management Tools and Methodologies

1. While reviewing different project management practices of various organizations the attention was paid to main trends in project management methodologies of these organizations. To avoid preparation of a lengthy study paper it was decided to select few organizations that have the most elaborated methodologies in project management in order to provide an overview of their project management methodologies and tools, including use of performance indicators and cost recovery practices. Within the project management subject the main trends identified included the results based management approach, results based budgeting, knowledge management and use of management information systems that assist achieving the best results in implementation of projects.

2. By examining the project implementation practice of studied organizations, it was observed that Results Based Management (“RBM”) concept and methodology is being applied to its programmes and projects. Best practices identified few tools that are successfully utilised by a majority of organizations, such as a logical framework, a results framework and checklists tools. Log and results frameworks assist to identify whether planned activities are sufficient to produce the intended results, describes planning assumption and minimises the risks of failure. Checklists aid to assess feasibility of projects and level of preparedness of project managers and service support staff to implement projects.

3. The application of Results Based Budgeting (“RBB”) serves as a tool to enhance accountability with improved performance assessment and offers a more responsive system to management oversight. Within the studied UN organizations and development agencies the application of RBB inherits challenges in linking the results based programmatic structures to the traditional project/activity coding accounting and budgeting systems.

4. Knowledge Management (“KM”) system is an important managerial tool to reinforce and complement RBM, reduce costs, improve project management processes and address problems through systematic methods (basing decisions on data and not on hypothesis). As the KM concept is relatively new and there is no agreed definition, the review of practices revealed that there is yet no unified approach to the KM system within the studied UN organizations.

5. The use of comprehensive and unified Management Information (“MI”) systems is an indispensable tool in RBM since it facilitates decision-making, monitoring and performance measurement processes of projects implementation. The experience of the studied UN agencies varies in this regard, some fully replaced their existing systems with Enterprise Resource Planning System that covers HQ and fields’ programmes, including budgeting, finance and accounting, procurement and human resource components. Lessons learned identified that in the absence of an overall strategy or a policy for MI system development the organizations faced unforeseen additional financial burdens and delays in project implementation.

6. ITU – BDT lessons learned identified the need of establishment and enforcement of RBM approach and methodology in its project management and execution functions. In order to further strengthen the project implementation functions two processes should be enforced within the ITU-BDT: 1) an assessment of risks should take place at the projects’ initiation and
design phase; and 2) enforcement of project closure mechanisms. Various MI systems utilised by ITU – BDT should be unified into one, which would include financial, procurement, human resource and projects’ narrative information. The establishment of a comprehensive MI system would enable project staff and leadership to have an overview on each project status, by regions, financial, administrative and narrative situations. Based on the study results the following recommendations are proposed for consideration:

**Recommendation 1 – Employ RBM tools and methodologies in project implementation.**

**Course of actions:**
- a) Ensure that needs assessment requirement is a pre-requisite before initiating a project and finances are provided to carry out needs assessment exercise;
- b) Prepare checklists to be used to monitor the obligations of the ITU vis-à-vis partners;
- c) Design logical frameworks and checklists and monitor application of these tools by project managers;
- d) Follow up the implementation of new project management guidelines by organizing regional consultations and training in order to ensure enforcement and application of these methodologies by project managers;
- e) Ensure clear identification and assignment of roles and responsibilities of all parties involved in the management of projects.

**Challenges:**
- ✓ Financial restraints due to a limited allocation within the ITU – BDT budget for follow up actions;
- ✓ Enforcement and appropriate use of project management tools by project managers;

**Recommendation 2 – Deploy an organizational-wide project management information system.**

**Course of actions:**
- a) Perform a research study to identify necessary requirements and needs prior implementation of ICT;
- b) Develop an overall strategy and a policy for MI systems, which would include finances, human resources, procurement and project narrative information.
- c) Harmonize developed strategies and policies with existing MI systems.

**Challenges:**
- ✓ Need for a major policy decision making to minimize risks of failure that is time, cost and resources consuming.

**Recommendation 4 – Build knowledge management system and share best practices on project management.**

**Course of actions:**
- a) Analyse a feasibility of establishing the KM system within the ITU – BDT;
- b) Consider the development of the best practices library of project management methods that worked in previous projects, which would form a part of knowledge management system;
- c) Foresee designing a marketing strategy for promotion of best practices in other regions.
Challenges:
 ✓ Requires allocation of sufficient financial and human resources to implement this recommendation.

II. Key Performance Indicators in Monitoring and Evaluation

7. Key Performance Indicators (“KPI”) serve to measure the achievements of initial objectives. KPI enable project staff to track progress, demonstrate results, and take corrective action to improve service delivery. Varieties of KPI were developed by the UN system and development agencies organizations, the most commonly used is SMART (Specific, Measurable, Achievable, Result-oriented and Time-based.) KPI are designed during the initiation phase of project management cycle and utilized in monitoring and evaluation.

8. The best practice in Monitoring and Evaluation (“M&E”) is the Global Fund organization example that uses the M&E Systems Strengthening tool. M&E Systems Strengthening tool consists of three complementary checklists designed to collect, analyse, use and report accurate, valuable and high-quality M&E data.

9. In ITU – BDT project proposal template includes M&E activities that also incorporate KPI.

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<th>Recommendation 5 – Strengthen assessment, monitoring and evaluation mechanisms in project management.</th>
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**Course of actions:**

a) Deliver training to project managers on how to apply assessment and evaluation tools and methodologies;

b) Set up an oversight body within the ITU-BDT that would ensure application of assessment and evaluation tools and provide feedback to quarterly/annual monitoring reports submitted by project managers;

c) Include monitoring and evaluation expenses in a project budget;

d) Establish a central evaluation database to support organizational learning and contribute to knowledge management.

Challenges:  
 ✓ Shortfall of human and financial resources to perform the required functions.

III. Cost Recovery Policies

10. Due to the fact that different cost recovery policies exist in the UN system, efforts are taken to harmonise various practices and develop common principles of cost recovery and definitions of costs categories. To this end the UN agencies agreed to have three types of costs. Direct costs that are incurred and can be traced to an organization’s projects include personnel, equipment, travel, and other types of costs. Variable indirect costs (i.e. Programme Support Costs (“PSC”) or Administrative and Operational Support (“AOS”)) are those costs that cannot be traced to specific projects, typically include service and administrative costs, and should be recovered either as a percentage rate or as a cost component of the project direct costs. Fixed Indirect Costs cannot be traced to specific projects and should be financed by regular budget, such costs include the top management of an organization, corporate and statutory bodies that are not related to service provision costs.
11. Generally, amongst international organizations, it was agreed that those organizations that have a regular budget with contributions from Member States neither envisioned nor applied full cost recovery policies. Only those organizations that do not have regular budgets pursue a full cost recovery approach. The use of the mixed approach in cost recovery methodologies was generally recognised as a best practice by many organizations.

12. The best tool to recover costs is an interest retention policy, which is regulated by internal financial legal regulations/guidelines. It was revealed that interests retention practices can be an integrative source of funding and contributes to lower support costs. It was indicated that only in 2006 three organizations (UN, WHO, UNICEF) earned above $20 million in retaining interests. Moreover, for UNICEF, the interest earned was higher than the amount recovered through PSC rates with its cost recovery policies.

13. Waiving of PSC as a practice was identified in many UN agencies. The losses from such practice are absorbed by the regular budget, which undermines the whole principle of cost recovery. The Task Force strongly recommended terminating the practice of waivers by all UN agencies.

14. ITU - BDT extra-budgetary projects include three types of contributions: Trust Funds, ITU Telecom Surplus and UNDP. There are no specific ITU - BDT financial regulations for extra-budgetary projects that would specify cost recovery policies and strategies to be applied. In majority of the cases, Trust Funds AOS rates are negotiated with donors, or agreed to be transferred as a lump sum, and in some cases waived. As for ITU Telecom Surplus, the provisions of Decision 6 (Marrakesh, 2002) established a uniform rate of 7.5% to be applied to new projects. For UNDP contributions, historically, the rate of 13% was applicable based on the agreement signed with UNDP. Recently, for each agreement specific rates are negotiated depending on the nature of the project. In 2006, UNDP had 10 per cent AOS rate for ITU execution and 5.25 per cent AOS rate for national execution projects.

**Recommendation 6 – Design cost recovery policy, methodology and legal framework for extra-budgetary projects.**

**Course of actions:**
- Review methodologies and principles for calculation of AOS to harmonize it with the definitions of costs and principles on cost recovery elaborated by the UN Working Group on Support Costs for Extra-budgetary Activities;
- Establish a common understanding and elaborate a list of direct and indirect costs for calculation of AOS;
- Develop a cost recovery policy and methodology;
- Enact legal provisions, such as financial regulations, which would stipulate cost recovery policies and methodologies for all types of extra-budgetary projects, and specify conditions for interest retention.

**Challenges:**
- Requires unified approach by all relevant parties to the cost recovery strategy within the BDT.
- Flexibility is crucial in cost recovery methodology, which would take into account the scope, scale, complexity and market opportunities of projects.
Chapter I – Project management tools and methodologies

This chapter provides the introduction to, definition and the key elements of the RBM methodology. It will also offer an overview of various project management manuals and tools utilized by various organizations. Furthermore, the best practices that were identified by public and private sectors will be presented and lessons learned highlighted. The ITU - BDT perspective will be focusing on project management tools and practices available to ITU - BDT project staff.

1 Concepts

Since 90th many International Organizations (‘IOs”) undertook extensive reforms in the field of project management in response to economic, social and political pressures and calls for accountability of such organizations to development agencies. A central feature of these reforms was a switch from an activity focused approach to RBM. As a result most of the IOs reformed their project management systems and became more effective and results-oriented.

The Organization of Economic Co-operation and Development (“OECD”) defined the RBM as a management strategy focused on performance and achievement of outputs, outcomes and inputs.1 In other words, RBM is a broad management strategy aimed at changing the way agencies operate, with improving performance (achieving results) as the central orientation.

Key elements of RBM include identification of clear expected results; selection of indicators to measure progress toward results; setting up explicit targets for each indicator; analysis of assumptions and risks; development of performance monitoring systems; revision, analysis, and reporting on results; use of evaluations for additional analysis of performance; and use of performance information for internal management, accountability, learning, and decision-making processes.2

1.1 Results based management cycle and tools

UNDP is using a project cycle approach whereas it begins by justifying a project’s business case and/or development challenges and ends with delivery of outputs to be assessed in the review process.3 Such approach covers the entire project lifecycle from idea generation, to formulating a project, to implementing the activities of the project, to monitoring and evaluating the project, to realising the project benefits and their intended contribution to programme outcomes. To this end UNDP developed a user guide to results management and a maturity toolkit to assist its project staff and management in execution of programmes and projects. These documents outline processes that UNDP applies during the lifetime of a project as follows:

- Justification of a project phase captures the project idea or concept, tests it against UNDP’s mandate, designs a strategy for development results and makes a decisions to continue or to stop before seeking commitments of resources. Such document is placed in the Atlas system with defined roles and responsibilities and lessons learned from

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1 OECD, “Glossary of key terms in evaluation and results based management”, 2002, p. 34
2 The Development Assistance Committee Working Party on Aid Evaluation, “Result Based Management in the Development Cooperation Agencies: a review of experience” written by Annette Binnendijk, November 2001, p. 4
3 See Annex I (1) for the overview of UNDP project management cycle.

- **Defining a project phase** includes drafting of a Project Brief that outlines the project scope, objectives, management arrangements, approach and includes a completed Results Resources Framework (“RRF”). After the approval by a Project Appraisal Committee an Initiating Plan5 is created whereas implementing partners are identified based on an assessment of their capacity to effectively manage the project and deliver the intended outputs. In addition, the project Risk Log is prepared and maintained throughout the project to capture potential risks to the project and associated measures to mitigate risk. Also, risk management includes identification and assessment of potential risks to any aspect of the project phase through risk analysis and design of actions and identification of required resources to deal with the risks.

- **Initiating a project phase** is further developing project details in order to ensure the effective and efficient operability of the projects. It includes definition of the structures and approaches for effective monitoring and evaluation of the project. At this phase a Communication and Monitoring plan is prepared together with the Issues Log. A Communication and Monitoring plan describes which activities and outputs will be monitored, reviewed and evaluated, how and by whom. The plan articulates the types of communication and associated scheduling required during the project, as well as methods of communications with interlocutors.6 The Issues Log is used to capture and track the status of all project issues to be addressed.

- **Running a Project phase** focuses on producing outputs through activities. Such activities include tasks of monitoring, conducting reviews, providing financing, managing of project activities, provision of project support services and audit.

- **Closing a Project phase** formally ends a project both operationally and financially with the timeline for completion of not more than 12 months after operation completion of date of cancellation. The focus of this process is on evidence of completion, lessons learned, benefits tracking, and necessary handovers.7

**UNICEF** employs Results Based Programme Planning and Management approach that ensure that all available financial and human resources and the sum of interventions will contribute to the achievement of the expected results.8 It makes a distinction between a strategic result9 and a key result10 that takes the form of a results framework.11 UNICEF uses the following tools within its Annual Management Plan that links the annual programme priorities and the available management tools to guide critical management decisions:

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5 The Initiation Plan outlines activities to be completed and budget required prior to the full implementation of the Project. Such activities could include for instance the recruitment of consultants to finalise the project documentation, the undertaking of data analysis or the start up of pilot activities.
6 For more details on the M&E procedures of the UNDP see chapter III.
7 See UNDP - [http://ppmtoolkit.undp.org](http://ppmtoolkit.undp.org)
8 UNICEF, “Understanding Results Based Programme Planning and Management, Tools to reinforce Good Programming Practice” September 2003, Evaluation Office and Division of Policy and Planning, p. 2
9 Strategic result (or goal, intended impact) describes the expected change and provides direction for the overall programme.
10 Key result is a change to whose achievement a programme has made a major contribution that is traceable and reported on.
11 Other UN agencies use different terminology and identify the elements of a results-chain as inputs, short-term outcomes, long-term outcome and impact, and link those to activities and projects.
Causal Analysis and Problem Tree is used in the preparation of the Common Country Assessment. It leads to a comprehensive results framework, which aims to ensure that the strategic results can be achieved and identifies the roles of development partners. It consists of two phases - the design of a conceptual framework and a problem tree. A Conceptual Framework is an analytical model, which takes into account the multiple causes and their interrelations and identifies the underlying or basic causes and lessons learned from evaluations. The Problem Tree facilitates identification of strategic choices, which seek solution of problems, cause or combination of causes.

Strategic choices and alignment with UNDAF framework – in the preparation of the programme the use of UNDAF Results Matrix that identifies each UN agency areas of collaboration and describes the expected results is considered to be relevant. Such framework primarily clarifies the responsibility for results within the partnership arrangements. It does not define a complete results chain down to the project or activity level.

A Results Framework is designed in the decision making period of the programme structure and drafting of Country Programme Document. It illustrates the different steps or necessary components that lead to the achievement of a strategic result. The complete results framework contains a set of strategic results that relate to enjoyment of the specific children rights, results related to institutional change, quality or coverage of a service, or behavioural change, and results of completed projects or activities.

A logical framework assists to identify whether planned activities are sufficient to produce the intended result, describes planning assumptions, minimizes the risk of failure, and determines monitoring indicators and strategic evaluation questions. The log frame is utilized throughout the lifetime of a project whereas the expected results are tested and reformulated, the course of actions is changed, and intermediate results and activities refined.

An Integrated Monitoring and Evaluation Plan (“IMEP”) aids to use data strategically during programme implementation period covering a five-year timeline. Such plan contributes to formulation of a set of strategic evaluation topics; identification of activities with established baselines and track progress; identification of a research agenda for addressing critical knowledge gap; management of the monitoring and evaluation responsibilities of the Country Programmes; synchronization and dissemination of collected information; identification of needs and activities to strengthen partners’ capacities in data collection, information management and analysis.

UNEP explains the project cycle in terms of five phases as described below, the distinction among the phases are often unclear in practice, especially between identification and preparation, plus their relative importance varies greatly, depending on the character, scale and history of the project.

Phase 1: Project Identification starts from an understanding of the UNEP mandate and objectives. This phase includes the situation analysis, which enhances understanding of the likely causes and linkages between existing problems and which actions are necessary to remedy these problems. The identification test incorporates major options identified, the principle institutional and policy issues that deemed amenable to solutions, and

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12 See Annex I (2) for a sample of the UNICEF Results Framework of Country Programme.
13 Annex I (3) provides an example of the UNICEF logical framework.
14 See UNICEF, supra note 8, p. 10-24
expected results. The project concept proposal is drafted that lays out preliminary ideas, objectives, results, strategies, outputs and activities.

- **Phase 2: Project preparation and formulation** begins with the preparation of a feasibility study with the purpose of providing stakeholders with the basis for decision-making process regarding the project. Once the feasibility study has taken place and implementation activities are agreed upon, the concept proposal is transformed into a project document which includes a summary of the situation assessment, justification of methodology and strategies for achieving the targeted changes. In addition, the establishment of baseline and target data for developing indicators for measuring outputs and results is foreseen with the assistance of the logical framework. In project implementation planning the success depends on the quality of project planning before the project begins. To this end the checklist was designed to assess the feasibility of projects and the readiness of project managers to undertake projects. The checklist serves as a reference guide for effective and efficient project implementation to project managers.

- **Phase 3: Project review and approval** mechanism includes set up of inter-divisional and project approval group. This mechanism aims to improve quality of proposals, to promote knowledge-sharing among colleagues by sharing best practices and substantive and technical knowledge, and to enhance inter-divisional dialogue and collaboration in project implementation. During discussions the following criteria are taken into account: how the proposals contribute to the UNEP mandate and strategic objectives; whether results identified are realistic, achievable and sustainable; the capacity of implementing partners to undertake the project; the extent to which the project incorporates and builds on previous experience and lessons learned; risk assessment in full project implementation, and others.

- **Phase 4: Project Implementation** consists of monitoring, risk assessment and management of activities. Project managers monitor expenditures, activities, output completion and workflows against their implementation plans, output delivery and progress made towards achieving the results and objectives according to their anticipated milestones or benchmarks. Monitoring is an internal process that looks at both programmatic and financial processes and makes changes in assumptions and risks associated with target groups. Managing risks by recognizing and preparing for a range of possible future outcomes is an integral part of project management, which is regularly updated and refined with the assistance of a risk management plan.

- **Phase 5: Project evaluation** is a time-bound exercise that attempts to assess the relevance, performance and success of current or completed projects, systematically and objectively. Evaluation determines to what extent the intervention has been successful in terms of its impact, effectiveness, sustainability of results, and contribution to capacity development.

ILO has adopted the RBM in the planning and management of its resources and activities, including technical cooperation, in order to improve performance, efficiency and accountability. The RBM approach starts by defining outcomes to be achieved and then implements, reports and evaluates against the intended results, using the logical framework. The project cycle comprises distinct but inter-related phases:

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15 Annex I (4) presents a sample of the UNEP logical framework.
16 UNEP project manual: formulation, approval, monitoring and evaluation, 2005
17 See Annex I (5) for a sample of the ILO logical framework
Design includes the initial identification of a problem or project idea, the analysis and formulation of the project, and the preparation of a tentative implementation plan. It results in the preparation of a project document.

Appraisal is the analytical review of project design and formulation. It ensures that projects are of a high design and technical standard and are consistent with ILO’s objectives and priorities. Specific criteria for appraisal were set out in the appraisal checklist because appraisal is the basis for the approval of projects.

Approval is the official endorsement of the proposal and it starts with the submission of an appraised project to a donor for funding. When the funding is secured, the project is officially approved.

Implementation and Monitoring begins once the key responsibilities of parties involved are assigned, the project manager is appointed, and management arrangements are confirmed. Implementation starts with revision of the project design and work plan, it also includes the preparation of the monitoring and evaluation plan, and execution of project activities. Monitoring is an important management function that takes place during implementation to ensure that the project is on track, and the necessary corrective measures are taken on time. Completion and financial closure is the final phase of the implementation of the project whereas activities are completed, achievements are documented, the project personnel’s contracts are terminated, physical assets disposed of, and accounts are closed.

Evaluation is the systematic and objective assessment of an ongoing or completed project. It assesses the relevance and strategic fit of a project, the validity of its design, project progress and effectiveness, efficiency of resource use, effectiveness of management arrangements, and impact orientation and sustainability of a project.18

OSCE uses the project management case study amongst its other project management tools whereas it distinguishes 3 major phases of project cycle as follows:

- An identification phase, during which concrete needs of a given context are analysed and suitable objectives are identified. It includes steps of development of a vision, conducting situation analysis and needs assessment by involving main stakeholders, clear identification of roles and responsibilities of parties involved, and use of logical framework for participation analysis.

- A development phase includes the elaboration of the concept and development of a workable plan for implementation. In this phase the teamwork is very important with clear assignment of tasks, establishment of deadlines, and preparation of project proposal and budget.

- An implementation and evaluation phase foresees activities of the projects and assesses on the on-going basis the project’s effectiveness, efficiency and sustainability. As one of the tools it is recommended to organise a workshop at the end of a project to evaluate the results. Also the use of questionnaire and checklists for lessons learned is advised.19

EC plans and carries out its projects following a sequence beginning with an agreed strategy that leads to an idea for a specific action, which then is formulated, implemented, and evaluated with a view to improve the strategy and further action.20 A logical framework used as a core tool

19 OSCE – “Project Management Case Study”, February 2005
20 EC – “ECHO Project Cycle Management”, June 2005
within the project cycle management, especially in identification, formulation, implementation and evaluation stages. EC distinguishes the following six phases of the project cycle:

- **Programming** establishes a general project strategy of EU aid and is based on the analysis of the context, the problem’s needs and activities of other players’ actions at a country and region levels. The outcome is the outline of a project strategy and an internal budget allocation/funding decision by EC prepared by project staff and experts in the field.

- **Identification** takes into account the capacity of the partners and the framework established by the project strategy. The operational proposal and funding request describing the context, the needs and problem analysis, the expected results and impact as well as implementation and resource schedules are drafted and submitted to EC by partners.

- **Appraisal/Formulation** includes a process of review by EC project staff of submitted documents and negotiations with partners to finalise the operational proposal, which includes a project plan and a funding request. A project plan incorporates clear objectives, measurable results, a risk management strategy and defined levels of management responsibility.

- **Financing** provides that a decision is taken whether or not the submitted proposal is funded. In case a positive decision is taken a formal agreement with the partner is signed, which stipulates essential financial implementation arrangements.

- **Implementation** contains monitoring modalities to enable adjustment to changing circumstances. An interim report and mid term budget, submitted by partners, provides information on the ongoing implementation and the achievement of expected results. Based on the outcomes of these reports the decision is taken whether to re-negotiate and/or re-direct projects’ implementation. In the final narrative and financial reports the partners perform their own evaluation of the project and draw lessons learned from the experience.

- **Evaluation** presents a systematic assessment of an ongoing or completed project, its design, implementation and results. At this phase the information that is credible and useful should be provided in order to incorporate lessons learned into the decision making process of both partners and EC. An evaluation leads to a decision to continue, adapt or stop a project and the conclusions and recommendations are taken into account in future cooperation.

For **development agencies** the basic purpose of the RBM systems is to generate and use performance information for accountability reporting to external stakeholders, internal management learning and decision-making. In most development agencies the following processes and phases are included in RBM:

- **Formulating objectives** phase identifies clear and measurable results and develops a conceptual framework on how the results will be achieved.

- **Identifying indicators** phase specifies what is to be measured along a scale or dimension for each objective.

- **Setting targets** phase identifies the expected or planned levels of results to be achieved by specific date in order to be used in performance measurement for each indicator.

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21 Aid Delivery Methods, Project Cycle Management Guidelines, Volume 1, March 2004, p. 57-60
22 EC, supra note 20, p. 5-18
23 USAID (United States); DFID (United Kingdom); AusAID (Australia); CIDA (Canada); Danida (Denmark); UNDP; and the World Bank
Monitoring results phase develops performance monitoring systems to regularly collect data on actual results achieved.

Reviewing and reporting results phase compares actual results vis-à-vis the targets.

Integrating evaluation conducts evaluations to provide complementary information on performance from various sources (internal and external).

Using performance information process takes into account performance monitoring and evaluation sources of internal management learning, decision-making and external reporting to be presented to stakeholders on results achieved. Such information contributes to development of new policies and procedures and leads to organizational reforms. 24

1.2 Results based budgeting

Within the UN system the RBB concept is seen as a programme budget process which involves programme formulation with a set of predefined objectives and expected results. In order to achieve the expected results they should be derived from and linked to the outputs and necessary resources needs to be allocated to this end. In addition, the actual performance in achieving results is measured by objective performance indicators. 25 RBB serves as a tool to enhance accountability with improved performance assessment and a more responsive system of management authority and responsibility. It also contributes to adjustments of information systems and enhancement of staff knowledge and skills. 26

Development agencies consider that RBB involves the estimation of budget requirements necessary to achieve specific planned results. Traditionally budgets were linked to inputs or activities, however, with the introduction of RBB, budgets required to be linked to results leading to changes in financial accounting practices and coding systems. 27

1.3 Knowledge management

KM serves as an important managerial tool to reinforce and complement RBM. A comprehensive KM strategy takes into consideration the cross-functional nature of the project implementation, involving different areas of the operations from human resources to information and communication technology services. 28 As a concept KM is relatively new and there is no agreed definition. Joint Inspection Unit (“JIU”) defined KM as “systematic process of identifying, capturing and sharing knowledge people can use to improve performance”. 29 As knowledge can be explicit (data, manuals, regulations and rules, procedures and others) or implicit/tacit (unwritten knowledge) for any organization it is crucial to establish a clear and structured KM strategy. In order to develop KM strategy an organization should, in line with its mandate, identify the amount, type and structure of the required knowledge and competencies it needs, such as human resources, technical knowledge, IT, etc. KM is particularly useful tool to reduce costs, improve processes, address problems through systematic methods (basing decisions on data and not on hypothesis, using solid tools to treat data and arrive at conclusions), draw lessons

24 See Annette Binnendijk, supra note 2, p. 10
26 JIU, “Results-Based Management in the United Nations in the context of the reform process”, 2006, JIU/REP/2006/6, p. 2
27 See Annette Binnendijk, supra note 2, 102-103
learned and identify best practices, thus contributing to an effective implementation of RBM approach.\textsuperscript{30}

UNDP pioneered this concept within the UN agencies in the preparation of its 2004-2007 Multi-Year Funding Framework (“MYFF”) by taking into account its past performance experience. Throughout the 18-month period when MYFF was developed, various aspects of performance during the period of 2000-2003 were systematically analysed at all levels, at the same time the external environment and projected country demand for 2004-2007 were considered prior the MYFF finalization and approval by the Executive Board. The World Bank also uses KM in its operations and has positioned itself as “the knowledge bank”.\textsuperscript{31}

Private sector companies also consider that processes, tools techniques, approaches and lessons learned are “knowledge” and constitute the most important assets of a company.\textsuperscript{32} The programme management “meta-model” concept serves as an example of how many processes and documentation involved in a corporate planning and program implementation that should be taken into account in an effective knowledge management.\textsuperscript{33}

A successful implementation of RBM requires that the organization be equipped with matching management information systems to be able to facilitate knowledge sharing.\textsuperscript{34}

\subsection*{1.4 Management Information systems}

Within the UN system the MI systems combine two components: 1) Information and Communication Technologies (“ICT”) that process range of transactions, including finances, human resource, procurement, travel and document management; and 2) organizational processes or business workflow, which include rules and procedures harmonization with software tools. The link between the two components, especially in project implementation is of crucial importance. Many cases of project failure were attributable to the lack of due consideration of this link.\textsuperscript{35}

The UN agencies following the need for effective implementation of RBM reviewed their existing management information systems to bring them in line with the RBM strategy. To this end some organizations, such as UNDP, UNFPA, ILO and WHO have replaced their existing systems with Enterprise Resource Planning (“ERP”) systems that covers headquarters and fields’ programme and budgeting, finance and accounting, and human resources management components. Such performance monitoring information systems have different titles in each organization, UNDP and UNFPA uses the term ERP, ILO has developed Integrated Resource Information System (“IRIS”) and WHO is setting up Global Management System (“GMS”). Similarly, other organizations replaced their programming and budgeting systems with the new results based integrated systems for planning, programming, budgeting, monitoring and reporting. UNESCO developed its System of Information on Strategies, Tasks, and Evaluation of Results (“SISTER”). FAO utilizes Programme Planning Implementation, Reporting and Evaluation

\textsuperscript{30} Ibid.
\textsuperscript{31} Ibid.
\textsuperscript{32} Massimo Torre, “‘Unknown Knows’ Outlines of an effective knowledge management”, International Project Management Association, 1/2006, p. 21-22. available at www.ipma.ch
\textsuperscript{33} See Annex I (6) for a sample of the program management “meta-model” concept.
\textsuperscript{34} See JIU/REP/2004/6, p. 23
System ("PIRES"). The UN Secretariat enhances its existing Integrated Monitoring and Documentation Information System ("IMDIS") by linking programmatic aspects to the existing financial and budgetary systems in order to achieve greater precision and comparability of the logical framework components. However, IMDIS does not include the human resources management system.36

Most of the development agencies also either established or are in the process of establishing centralized, automated database systems for gathering, aggregating, analysing and reporting data on project/program performance and results from their country operating units.37

AusAID’s activity management systems ("AMS") consists of financial and Development Assistance Committee ("DAC") sector coding information for each project activity, as well as project preparation and performance monitoring information (from activity preparation briefs and activity monitoring briefs). The AMS incorporates the performance indicators for AusAID’s new performance information framework, such as project ratings and results (outputs initially, to be followed later with higher-order outcomes). The AMS provides a standard reporting format for the monitoring and reporting of project activity performance and results.

DFID has developed a computerized project performance reporting system, known as PRISM, intended to facilitate the generation and analysis of information on the performance of DFID’s project portfolio. PRISM includes primarily financial information and project performance ratings (based on annual scoring of on-going projects).

USAID’s programme performance information system (called performance measurement and analysis or PMA Database) gathers country programme results data (expected and actual results at the strategic objective and intermediate outcome levels) reported from its country operating units. PMA describes the agency’s progress towards overall goals and assesses the extent to which operating unit programmes are meeting their targets results. PMA does not include information at the project level, nor does it incorporate financial/expenditure data.38

OSCE employs IRMA as a tool to engage and manage financial, human and material resources and such system also facilitates the reporting on programmatic progress by providing up-to-date financial data. In addition, the OSCE’s records and document management system ("DOC.IN") aids project management by integrating substantive, programmatic, managerial and administrative information.39

2. Lessons learned and best practices

2.1 Use of RBM methodologies in UN organizations and private sector companies.

An analysis of RBM within the UN system revealed that a logical results-based framework should include a comprehensive RBM strategy that is based on 3 pillars: the planning-programming-budgeting-monitoring-evaluation-reporting cycle; the necessary human resource

36 JUI/REP/2004/6, p. 15-16
37 See Annette Binnendijk, supra note 2, p. 97-98
38 Ibid.
39 OSCE, supra note 19.
management related policies; and the supporting information-management systems for full implementation of RBM.40

**Development agencies** identified the following lessons learned in RBM:

- Allow sufficient time and resources to build effective results based management systems.
- Keep the performance measurement system relatively simple and user-friendly.
- Leadership support for RBM reforms is important.
- Begin with pilot efforts to demonstrate effective RBM practices.
- Institutionalize RBM agency-wide by issuing clear guidance.
- Provide a variety of support mechanisms.
- Monitor both implementation progress and results achievement.
- Complement performance monitoring with evaluations to ensure appropriate decisions.
- Ensure the use of performance information, not just for reporting but for management learning and decision-making.
- Anticipate and avoid misuses of performance measurement systems.
- Give managers autonomy to manage-for-results as well as accountability.
- Build ownership by using participatory processes.41

The **ILO** identified that in project cycle management the *best practice* requires that the importance of each phase of the project cycle is recognised. The interdependence of each and every phase is appreciated. Procedures to be followed in each phase are stated, responsibility is assigned, and the necessary documentation is produced. Sufficient time is set aside for the design, appraisal and approval processes, which can take several months, not least because of the need for consultation and participation to achieve consensus between partners as well as time for reflection and discussion during each of the stages.42

Using the logical framework approach during the project management cycle of any programme/project is widely recognized as a *best practice* for the reason that it provides a complete picture of the process, including the possible or predicted outcomes and indicators to measure the results.43 Advantages of the logical framework approach includes efficient decision making process with involvement of analysis of assumptions and risks, engagement of all parties in the planning and monitoring phases, and if used dynamically contributes to effective management and guides implementation, monitoring and evaluation. Disadvantages of this approach would be if managed rigidly, and not updated during implementation that it can become a static tool that does not reflect changing conditions. Such approach also requires frequent training and follow up activities in order to be effective.44

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41 See Annette Binnendijk, supra note 2, p. 129-136
42 See ILO, supra note 18, p. 22
43 OSCE and EC documents refer to the use of logical framework as the best practice.
Within the UN agencies the best practices were identified by JIU in developing a benchmarking framework for implementing RBM in the UN system. Even though it mainly refers to the organizational structure of the UN organizations and its regular/core programmes, some of the benchmarks are relevant to extra-budgetary projects, as follows:

**Benchmark:** a clear conceptual framework for RBM exists as a broad management strategy.

The first crucial step for the introduction and implementation of RBM is the development of a clear conceptual framework for it, as a broad management strategy, to be shared among the organization’s main parties and be formally adopted by the relevant legislative organ. Through such a framework, the organization should seek to:

a) Promote common understanding of RBM;
b) Provide clear definitions of RBM concepts and techniques;
c) Harmonize RBM tools and terminology within the organization;
d) Adapt RBM to the business and operations of the organization at all levels;
e) Emphasize the implications and requirements of such an adaptation at all levels; and
f) Provide a basis for a time-bound coherent strategy for implementing RBM.

**Benchmark:** the respective responsibilities of the organization’s main parties are clearly defined.

An orderly transition to RBM approach calls for a shared understanding of clearly defined responsibilities (division of labour) among the organization’s main parties.

**Benchmark:** an effective performance monitoring system is in place.

To achieve this, the following condition must be met:

a) Adoption of clear provisions for the supervisors to verify systematically that tasks assigned to meet the objectives and targets are being successfully carried out;
b) Identification of the type of data and information needed to be collected for performance monitoring;
c) Assignment of clear responsibilities among staff and managers for performance monitoring;
d) Linking future resource disbursements for programmes to the discharge of their performance monitoring requirements;
e) Refining the quality of the results and indicators defined through the process;
f) Using both qualitative and quantitative indicators, as appropriate, and identifying standard or key indicators to measure performance at the corporate level;
g) Establishment of baselines and targets against which progress could be measured over a certain period of time;
h) Simplification of performance measurement, including through the initial use of relatively few results statements and performance indicators;
i) Development of a clear information and communication strategy to guide, inter alia, the selection of the performance monitoring information system to be used, and ensure coherence in systems throughout the organization;
j) Ensuring the performance information systems are supported by a reliable telecommunications infrastructure.
Benchmark: Evaluation findings are used effectively

The evaluation findings and recommendations must be used effectively through timely reporting and feedback and serve as the main basis for the upcoming programme planning, budgeting, monitoring and evaluation cycle, as well as for policy development. In addition to these “ex-post” evaluations, “real-time” evaluations during an operation’s process should also be enhanced to achieve specific objectives (expected results). For this purpose, it is essential to:

a) Clearly define the different types and levels of evaluation;
b) Ensure that self-evaluation is a main component of a clearly elaborated evaluation system;
c) Ensure that resources are clearly allocated for evaluation purposes, in particular self-evaluation in each programme;
d) Provide appropriate central support and guidance for self-evaluation;
e) Ensure that timely plans of self-evaluation are elaborated, as part of an overall evaluation plan for the organization;
f) Align the organization’s evaluation plan with the programming cycle to allow timely reporting and feedback to upcoming and future programme planning;
g) Establish mechanisms for the implementation, monitoring and follow-up to the findings and recommendations of evaluations; and
h) Establish sharing mechanisms for the findings and lessons learned from the various evaluations, and periodically assess the impact of such mechanisms.

Benchmark: RBM is effectively internalized throughout the organization

The effective internalization of RBM throughout the organization is a key success factor for its implementation. To achieve this, the following elements are indispensable:

a) Assigning a clear institutional responsibility to a defined entity within the organization to assist and oversee the orderly and systematic introduction of RBM and ensure its coherent implementation within the organization;
b) Development of a training strategy that would promote change management throughout the organization and through which managers and staff at all levels would be familiarized with RBM concepts and requirements, and its impact on their own work;
c) Systematic verification that training tools and kits are used and applied at all levels, and provision of “on-the-job” training, as appropriate;
d) Review and adaptation of the rules and regulations governing the various work and management aspects in the organization;
e) Adoption of human resources policies to foster a culture based on results; and
f) Systematic verification, including through surveys, of the level of understanding and application of RBM among staff and management at all levels.

Benchmark: A knowledge-management strategy is developed to support RBM.

The organization should develop a solid KM strategy covering the aspects of capture, collation, codification, structure, storage, sharing and dissemination of knowledge (including innovations, best practices, both internal and external) supported by appropriate information management
systems; and include in performance management systems provision to encourage staff members to record and report on innovations and best practices.”  

Best practices in project management of the private sector were identified through application of various excellence models, whereas the quality of product was linked to productivity and defect prevention. The Project Excellence Model incorporates factors that show the interlink between project management and project results through innovation and learning. Similarly to the UN system, in the private sector the importance of project management cycle and knowledge management is highlighted as best practices. The analysis of project practices, especially a gap analysis between successful and challenged projects, which procedures worked in previous projects that may work for current procedures, and the process of break down of successful methods into its core objectives were identified as crucial in best practices analysis. It was recommended to build a best practices library of methods that worked successfully in previous projects. To this end in the private sector the Project Management Institute’s Body of Knowledge provides detailed information concerning core professional management procedures, in addition to ISO 9000 and the Capability Maturity Model that are excellent sources for best practice information.

2.2 Application of RBB in UN and development organizations

In 2002 an evaluation of RBB implementation within the UN system took place and it identified a few challenges and steps needed to improve the RBB. Challenges included “length and complexity of the budgetary process and need to adapt its components to the results paradigm; inherent difficulties in quantifying many of the expected achievements of the organization; and need for staff at all levels to become familiar with the concepts and terms of RBB.” The following lessons learned were identified as necessary to improve RBB practices within UN system:

- “clear definition of the roles and responsibilities of programme managers, the Office of Programme Planning, Budget and Accounts ("OPPBA") and Office of Internal Oversight Services ("OIOS") vis-à-vis the results-based paradigm;
- self-evaluation and self-monitoring by programme managers to become part of the management culture and practice;
- enhanced information systems, specifically the IMDIS;
- better linkage between evaluation and planning;
- clearer guidelines to be provided to programme managers;

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47 See Annex I (7) for Project Excellence Model example.
48 See Annex I (8) for Crucial Steps in Project Life Cycle chart.
51 In its Resolution 55/231, the General Assembly acknowledged the difficulty of achieving the results of complex and long-standing political activities within specific time frames.
52 JIU/REP/2006/6, p. 2-3
• ownership by programme managers of the objectives, expected accomplishments and indicators of achievement of their programmes.53

Similarly to UN organizations development agencies’ lessons learned in RBB reveals challenges in adopting accounting systems to be used to related full costs of various programmes and envisioned results. Tensions between budgeting structures and strategic planning frameworks were disclosed. Development agencies recognized a need to link the new results based structures to the traditional activity structures. USAID serves as an example of an agency that not yet adequately connected its old project/activity coding system used for budgeting and financial accounting to its newer programme performance information system. The best practice example is AusAID that undertook a major integration of databases and re-coding exercise to align or link project activities, their results and their costs to its key results areas. Such exercise enabled this agency to report on number of projects implemented, total expenditures, and key results against each of its key results areas.54

2.3 Knowledge management strategy is developed to support RBM

The assessment of KM strategies across UN organizations was performed by JIU in 2007.55 The review of practices revealed that there is no unified definition of KM exists within the UN system. Most of the organizations assessed disclosed a need to establish a formal KM strategy. Those organizations that claimed to have a formal KM strategy lacked elements necessary to constitute a thorough strategy, such as the human resource management component or the systematic evaluation and measurement of KM initiatives. Moreover, the organizations did not identify the categories of information requirements (internal and external) or link these requirements to the needs of the different types of potential users or customers. In fact, none of the organizations undertook a comprehensive analysis of the knowledge and information needs of their clients (internal and external). The need for an in-house knowledge inventory was identified. Such in-house inventory would determine what information and skills are available within the organization. In order to identify the knowledge gaps that the organization has, the comparison of the needs of its clients with the information and knowledge available in-house needs to be performed.56

Considering the fact that the main objective of KM is to improve organizational and staff performance the following recommendations were put forward by the JIU:

- need to develop a common definition of KM, a glossary of common terminology and a minimum common set of guidelines;
- UN organizations should perform a survey of the knowledge needs of the clients (internal and external);
- carry out an in-house knowledge inventory and identify the potential knowledge gaps between the clients’ needs and the knowledge available within the organization;
- design KM strategy taking into account the assessment and guidelines;
- establish KM units and provide to this end necessary financial and human resources allocations;

53 Ibid, p. 3
54 See Annette Binnendijk, supra note 2, p. 103
55 13 organizations were surveyed, such as, FAO, IAEA, ICAO, ILO, IMO, UNESCO, UNIDO, IPU, WFP, WHO, WIPO, WMO, and WTO.
develop a common search engine, which can facilitate interoperability and access by different UN organizations to knowledge and information (e.g., country profiles and related data, best practices and lessons learned in development cooperation projects, results-based management tools, KM documentation, training kits, etc);

KM strategies should be supported by the top management and to be assessed in the staff performance appraisal system.\

2.4 **Effective management information systems are set up**

In order to set up effective MI systems previous extensive experience and lessons learned should be accumulated and reviewed. A major shortcoming in designing and implementing MI systems in UN organizations was a failure to fully identify necessary requirements and needs prior implementation of ICT. Those organizations that introduced ERP solutions and started implementation of projects in the absence of an overall strategy or a policy for MI systems faced unforeseen additional financial burdens and delays in project implementation.\

In practice, many UN organizations while introducing MI systems failed to design a proper management process based on identification of managerial, procedural and financial requirements for such a process. The need to streamline and review existing business processes and identify requirements for improvement became evident. In addition, MI systems facilitate decision making, monitoring and performance measurement of projects execution process. Experience with introduction of ERP systems could serve as an example of best practices whereas wide range of areas including finance, human resources management, procurement and payroll is incorporated together. Specifically, ERP system enables UN organizations to implement RBM ‘planning cycle’ and determine the role and functions of managers at each organizational level. UNESCO, for instance, identified that the planning phase was not supported by available commercial ERP systems and thus developed its specific planning and monitoring system - SISTER, which complements the ERP system to realize RBM. WFP successfully implemented ERP systems by linking its SAP-based ERP system to the budgeting and performance measurement process based on the budget.\

3. **ITU - BDT perspective**

ITU - BDT has three tools that contributes to project management: the ITU Guidelines for Project Formulation and the Project Document Format (1986); Users Guide for the Telecom Surplus Funds Programme and Projects (2003); and the BDT Working Methods and Procedures (2007). New RBM project guidelines are under the development, which incorporates the best practices in project management methodologies that will enable project staff to streamline project execution.

**ITU Guidelines for Project Formulation and the Project Document Format (1986)**

The ITU guidelines (1986) are based on the UNDP programme and projects manual. It includes references to project formulation and project document framework, project appraisal checklist and provides samples of project proposal documents. The first part of the ITU guidelines presents the structure of a project document, which includes introduction, project formulation framework,

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57 Ibid.

58 See JIU/REP/2002/9, p. 6

59 Ibid, p.7-8, for more detailed overview on strategies and management tools of UN organizations see Annex of JIU/REP/2002/9 document.
project document, and project appraisal checklist. The project formulation framework comprises the following elements: identification of development problems to be addressed by a project, parties concerned, pre-project and end-of-project status, special considerations such as external factors and negative impacts, coordination with other donors, development of objective formulation, inclusion of major elements, such as immediate objective, indicators and success criteria and outputs activities. Further project strategy, host country commitments, risks and outputs are included. Similarly, project document reference describes project justification, development objective, immediate objectives, outputs and activities, inputs, risks, prior obligations and prerequisites, reporting and evaluation, legal context, and budgets components. Extensive annexes contain samples of work plan, time schedule of project reviews, reporting and evaluation, standard legal text for non-SBBA countries, training programme, equipment specifications, job descriptions and framework for effective participation of national and international staff. Overall, it is quite a comprehensive document that contains outdated project management methodology and does not reflect RBM. This document was mainly used in the period when UNDP projects represented a relevant portion of BDT project portfolio. Currently, through the in-house interviews, it was revealed that this document is no longer widely utilized by the project managers.


The aim of the Users Guide for the Telecom Surplus Funds Programme and Projects (2003) is to facilitate the implementation of structural Telecom Surplus Funds programmes. This document provides explanation on what the structure of a proposal should be (i.e., include description of the expected outcome and activities, estimated costs, time line and justification to meet specific criteria). It includes phases of the project management cycle, starting from the preliminary evaluation, detailed review of the project environment, legal framework consideration, technical and financial data provision, project approval phase, financial arrangements and monitoring and evaluation phases. The Users Guide also outlines roles and responsibilities of parties involved, such as the promoter, the project manager, the programme administrator, the project committee, internal and external service providers, and the donors. In the project structure the high importance of project information system contributing to sound management of the programme is highlighted. With regard to project documents and forms reference is made to the UNDP Programming Manual, including internal invoice and funding request forms. Lastly, the rules of procedures of decision-making mechanisms of the Steering Committee are presented. This Users Guide is a good document that can greatly contribute to streamlining processes and procedures within the Telecom Surplus Funds programmes. However, it was noted that the application of this document by the project staff needs yet to be improved.

**BDT Working Methods and Procedures (2007)**

BDT Working Methods and Procedures (2007) contain description of administrative procedures that include budget control, funding approval and payment authorization elements, personnel and travel processes, fellowships, procurement and publications components. In addition, the support role and responsibilities of Projects Unit (“PRJ”) lies in project identification, funding arrangements and project implementation, monitoring and closure phases. BDT four-year operation planning cycle and ad hoc assistance information is provided. IT support including applications systems and web/user assistance is described. The flowcharts offer the overview of processes’ dynamic within BDT. Annexes incorporate glossary, samples of fund, travel, procurement and BDT mission requests, and project proposal and budget templates. This
document is very recent and requires further efforts to be invested in practical use by the project staff.

Lessons learned in project execution
In general, lessons learned from on-going project execution processes identified a need of an assessment of risks to take place at the project’s initiation and design phases. More effective monitoring and evaluation tools required to be applied by project managers. The necessity for enforcement of project closure mechanisms was highlighted during the in-house interviews.

Need for more training organized by BDT for its project staff was stressed. To this end the PRI organised the training on Microsoft Project Management software for project staff at Headquarters, Geneva in December 2007. This training included topics such as: how to navigate the Microsoft Project Interface; setting up a new project in Microsoft Project software; use of this software in the initiation phase of a project; entering data on deliverables; tracking tasks in project implementation; definition and assignment of resources; and progress reporting.

Lesson learned with the implementation of the EC project “Capacity Building for Information and Communication Technologies” (1 October 2003 - 30 September 2006) revealed that a more coordinated approach is necessary between project coordinators and managers, administration and procurement services for a successful implementation of a project. In fact, a checklist tool, which would specify BDT obligations (legal, financial and administrative) versus partners’ obligations in project implementation, was noted as useful tool to be prepared starting from the initiation phase of a project. In addition, it was stressed that division of roles and responsibilities of all parties involved in project implementation is highly important.

The need to streamline all procedures and processes of project execution was highlighted. The stronger application of available project management tools and clear definition of roles and responsibilities is required by all parties involved in project management. With the introduction of new Working Methods and Procedures in 2007 more time will be required for the actual application of these new methods and procedures by all parties concerned. To this end stronger monitoring and evaluation of the application of these tools would need to be undertaken in the near future by drawing lessons learned in project execution processes in the field and headquarters levels. Such lessons learned could greatly contribute to the establishment of sound KM strategy and policy within BDT with regard to extra-budgetary projects. In addition, the compilation and sharing of best practices in project implementation amongst different regional initiatives could greatly advance the overall project execution process in BDT. To this end the establishment of a best practices library in project management is advised that will be available via the project website.

With regard to the MI systems implementation, since 1996, BDT developed its own different systems, separate from the SAP system. BDT has separate systems for each operational activity, such as Operational Plan System (“ISAP”/”DAP”), which has a flexible nature of changing every four years in accordance with the four-year time cycle of BDT Operational Plan. The systems supporting the ISAP/DAP are Recruitment Control Administration (“RCA”), Fellowships System, Subcontracts System (“SCO”), and Purchase Orders System (“EQT”), which is currently in the process of being replaced by Supply Relations Management System (“SRM”).**60** Recently, steps were undertaken to liaise BDT MI systems with the SAP, to this end BDT is currently in the process of transferring financial and budgeting data of income and expenses from BSC to SAP

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**60** See Annex II for the overview of BDT Applications Flow Chart.
ERP system. Through in-house interviews the need was identified to set up a more effective MI system which would include, besides financial and budget execution information, human resource, procurement, travel and projects’ documentation. In addition, such MI system should be easily accessible to regional offices that would be able to include on-going information on project execution and use this system for monitoring and evaluation purposes. It was stressed that before such MI system would be established the thorough assessment of needs of BDT is required. Further, a strategy should be designed, which would reflect the needs identified and take into account the mandate of BDT. The establishment of a comprehensive MI system would enable project staff and leadership to have an overview on each project status, by regions, financial, administrative and narrative situations.

Through the in-house interviews and a questionnaire the following strengths and weaknesses in project execution of BDT were identified. The recommendations on how to remedy weaknesses are incorporated as follows:

<table>
<thead>
<tr>
<th>N</th>
<th>Strengths</th>
<th>Weaknesses</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vast experience in project management and execution.</td>
<td>Outdated project management tools.</td>
<td>Need to streamline internal processes in project execution and revise project management tools.</td>
</tr>
<tr>
<td>2</td>
<td>Wide range of project contacts (governments, public and private sector).</td>
<td>Low level of utilization of the contacts to create sound bankable projects.</td>
<td>Need to revitalise public relations strategy to ensure ITU – BDT visibility on projects’ execution. Take more active part in the UN coordination efforts.</td>
</tr>
<tr>
<td>3</td>
<td>Qualified and dedicated project staff.</td>
<td>Not enough coordination amongst project and service support staff, which affects efficiency of project execution.</td>
<td>More training on new project management tools is necessary for all the staff of BDT, which would outline roles and responsibilities of each person within the project management cycle in the field and headquarters levels.</td>
</tr>
<tr>
<td>4</td>
<td>On going process of restructuring with efforts invested to achieve better results.</td>
<td>More focus should be paid to compliance of BDT vision/mandate to extra-budgetary projects.</td>
<td>Legal framework needs to be designed, especially with regard to cost recovery policies. Internal procedures required to be streamlined regarding roles and responsibilities of all parties involved. Monitoring and evaluation needs to be performed to draw lessons learned and best practices.</td>
</tr>
<tr>
<td>5</td>
<td>BDT Working Methods and Procedures and Users Guidelines on project</td>
<td>Non application of existing project management tools by project staff.</td>
<td>The establishment of comprehensive MI system and KM strategy would greatly</td>
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</table>

*More comprehensive recommendations and course of actions are included at the end of this paper.*
Chapter II – Key Performance Indicators in Monitoring and Evaluation

This chapter will provide information on the KPI and M&E concepts and practices of other organizations and ITU - BDT. In particular, the first part will focus on the use of different types of KPI by different organizations. The information on the effective use of M&E systems by UNDP, UNEP, ILO, OECD and EC is outlined. Lessons learned and best practices part will present an overview of the UN agencies practices in employing evaluation findings effectively. ITU – BDT perspective focuses on the use of KPI in extra-budgetary projects and the need to undertake stronger role in monitoring and evaluation of projects.

1. Concepts

KPI serve as measures of inputs, processes, outputs, outcomes, and impact for projects. KPI enable project staff to track progress, demonstrate results, and take corrective action to improve service delivery. Indicators should be supported by sound data collection exercise, involving formal surveys, analysis and reporting tools. In order to ensure proper decision making processes the project staff should ensure participation of key stakeholders in defining indicators.\(^{62}\)

In other words, KPI assist in measuring the achievement of initial objectives. This approach describes what to measure in order to determine whether the goal of a programme was accomplished. KPI could be quantitative or qualitative observations and are very important in setting up of M&E systems. They identify the data to be collected to measure progress and enable actual results achieved over time to be compared with planned results. If utilized effectively KPI are an indispensable tool in making performance-based decisions about programme strategies and activities.\(^{63}\)

KPI are utilized to set up performance targets and assess progress towards achieving them, used in identification of problems through an early warning system to allow corrective action to be taken, and employed in indicating whether an in-depth evaluation or review is necessary. KPI are designed during the initiation phase and utilized in M&E phases.

M&E assist in improving performance and achieving results. The overall purpose of M&E is to measure and assess project performance in order to more effectively manage the outcomes and outputs. Traditionally, the M&E focused on assessing inputs and implementation processes. Currently, the focus is on assessing the contribution of various factors to a given outcome, with such factors including outputs, partnerships, policy advice and dialogue, advocacy and coordination efforts. Main objectives of M&E aimed at the following aspects: to enhance

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\(^{63}\) USAID – “Performance Monitoring and Evaluation Tips”, 1996, Number 6 – Selecting Performance Indicators.
organizational and development learning, to ensure informed decision-making processes, to support substantive accountability and to build capacities to perform effective M&E functions.\textsuperscript{64}

\textbf{UNDP} defines the outcome monitoring as a continual and systematic process of collecting and analysing data to measure the performance of interventions towards achievement of outcomes at country level. An outcome evaluation covers a set of related projects and strategies intended to bring a certain outcome and assess how and why outcomes have been or not achieved.\textsuperscript{65} The following table provides an overview of differences between outcome monitoring and evaluation.\textsuperscript{66}

<table>
<thead>
<tr>
<th></th>
<th>Outcome monitoring</th>
<th>Outcome evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>\textbf{Objective}</td>
<td>To track changes from baseline conditions to desired outcomes.</td>
<td>To validate what results were achieved, and how and why they were or were not achieved.</td>
</tr>
<tr>
<td>\textbf{Focus}</td>
<td>Focuses on the outputs of projects, programmes, partnerships and soft assistance activities and their contribution to outcomes.</td>
<td>Compares planned with intended outcome achievement. Focuses on how and why outputs and strategies contributed to achievement of outcomes. Focuses on questions of relevance, effectiveness, sustainability and change.</td>
</tr>
<tr>
<td>\textbf{Methodology}</td>
<td>Tracks and assesses performance (progress towards outcomes) through analysis and comparison of indicators over time.</td>
<td>Evaluates achievement of outcomes by comparing indicators before and after the intervention. Relies on monitoring data on information from external sources.</td>
</tr>
<tr>
<td>\textbf{Conduct}</td>
<td>Continuous and systematic by Programme and Project Managers and key partners.</td>
<td>Time-bound, periodic, in-depth. External evaluator and partners.</td>
</tr>
<tr>
<td>\textbf{Use}</td>
<td>Alerts managers to problems in performance, provides options for corrective actions and helps demonstrate accountability.</td>
<td>Provides managers with strategy and policy options, provides basis for learning and demonstrates accountability.</td>
</tr>
</tbody>
</table>

### 1.1. Use of KPI in project management cycle

Various organizations developed different types of indicators related to its mandates. The key processes involved in identification of KPI are: having a pre-defined business process; setting up clear goals/performance requirements; identifying a quantitative/qualitative measurement of the results and comparison with set goals; and anticipating recourses and processes to achieve short term goals. The most commonly used acronym is SMART, referring to those KPI that needs to be: Specific, Measurable, Achievable, Result-oriented and Time-based. Different KPI categories were identified, as follows:

- \textit{Quantitative} indicators presented as a number;
- \textit{Practical} indicators interfacing with existing organizational processes;

\textsuperscript{64} UNDP, supra note 62, p. 9-10
\textsuperscript{65} Ibid, p. 10-11
\textsuperscript{66} Ibid, p. 12, adapted from UNICEF, UNFPA, World Bank.
Directional indicators specifying if an organization is getting better or not; Actionable indicators controlled by an organization to achieve effective changes.67

In most of the project management practices of development agencies KPI are developed to measure performance at each level of the logical framework. In order to specify what is to be measured and to determine whether progress is being made towards implementing activities and achieving objectives, the following types of indicators are included in the logical framework:

- **Input indicator** – measures quantities of physical, human or financial resources provided to the project.
- **Process indicator** - measures what happens during the project implementation, often may measure the time and/or costs required to achieve specific result.
- **Output indicator** – tracks the most immediate results of the project, the physical quantities of food produced or services delivered, often includes counts of the number of clients benefited from the result.
- **Outcome indicator** – measures relatively direct and short-to-medium term effects of project outputs on intermediary organizations or project beneficiaries, it can include initial changes in their skills, attitudes, practices and behaviours.
- **Impact indicator** – measures the long term and more widespread development changes in the country concerned, related to national sector statistics.68

Further distinction is drawn between implementation indicators that track a project’s progress on operational level and results indicators that measure performance in terms of achieving project objectives. Both these types of indicators are considered to be performance indicators in RBM with the specific focus on measuring and achieving results. Also, some references are made to leading (proxy) indicators that can provide early warning about whether impacts are likely to occur or not. Another type of indicators is risks indicators that measure social, cultural, economic or political risk factors or assumptions that might affect the project’s success or failure in implementation.69

1.2. Effective performance M&E systems

UNDP considers that monitoring aims primarily to provide the main stakeholders of a project with early indications of the quality, quantity and timeliness of progress towards delivering intended results. To this end UNDP uses several tools in monitoring such as Quality log, Issues Log, Risks Log, Project Quarterly Progress Reports, Lessons learned Log, and Annual Reviews.70

Furthermore, UNDP identified that it is crucial to set up monitoring tools during the Initiating a Project process. During the Running a Project and Closing a Project phases such tools need to be regularly reviewed and updated.71 It is critical that the planned monitoring activities feed into the project evaluations and that the linkage is made clear. The evaluation activities should be supported by the monitoring and evaluations plans designed at the Initiating a Project phase. The tools were classified as follows:

68 See Annette Binnendijk, supra note 2, p. 23-24
69 Ibid.
70 UNDP, supra note 7.
71 For more information on various project management cycle phases of UNDP see Chapter I.
(a) Each activity (such as capacity development strategies) should have an Activity Schedule: identify start and end dates for each activity to produce its defined deliverables.

(b) Each activity should have a Delivery Description, describing what is to be delivered by the activity, and how it is to be measured.

(b) Each output requires an indicator, baseline and target, stating what is being measured, and what change is expected. These targets should be annualized, to enable the tracking of progress, and to facilitate reporting.

(c) All delivery descriptions, indicators and targets should be determined in collaboration amongst the implementing partners and the Project Board to ensure consistency and appropriateness.

(d) The instruments for data collection need to be identified.

(e) The allocation of appropriate resources to ensure that the monitoring is carried out.

(f) All monitoring should be reported quarterly in accordance with standardized formats. These should include Risks Log that records risks identified to monitor throughout implementation; Issues Log: which records any implementation issues for tracking and Lessons Learned Log: presents information on any lessons learned from the project.

**UNDP** makes a distinction between revision and evaluation processes, considering the review as an internal self assessment exercise performed by a Project Board and evaluation as an external assessment mandated by partnership protocols, such as Global Environment Facility (“GEF”).

A final project review should be conducted during the final quarter of the project duration and assess performance, contribution to related outcomes, and determining lessons for broader application. Project evaluations focus on evaluating a single project and assess the specific contribution, efficiency, effectiveness, relevance and sustainability of interventions, as well as strategic positioning and partnerships. Project evaluations are invaluable for managing results and serves to reinforce the accountability of project managers. Moreover, project lessons learned process contributes to knowledge management within the organization by providing information for ongoing learning and adaptation processes within organizations. A final project review report prepared in the form of a case study in order to foster the learning process. The Evaluation Office of UNDP provides guidelines on evaluations by using the information management system for the management and tracking of evaluation and provides advice on the application of guidelines and standards on demand. In addition, Evaluation Resource Centre is available to project staff.

**UNEP** regards monitoring as the continuous process of assessing the status of project implementation pertaining to the approved work plan and budget, which assists to improve performance and achieve results. The overall purpose of monitoring is to ensure effectively managed results and outputs through measurement and assessment of performance. UNEP adapted the UNDP methodology on what constitutes a good monitoring as follows:

“(a) **Focus on results and follow-ups**: It looks for “what is going well” and “what is not progressing” in terms of progress toward the intended results;

(b) **Regular communication by the project coordinator or manager**: The project coordinator or

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72 See UNDP Results Management Guide at http://content.undp.org/go/userguide/results/programme/

73 Project evaluations are not mandatory under UNDP requirements, but they may be required by partnership protocols, such as in the case of the GEF and UN Capital Development Fund (UNCDF). There are no precise data on compliance with the evaluation requirements of partnership protocols, but more than 20 GEF project evaluations were managed by country offices during 2005.

74 UNDP, supra note 7, see UNDP Evaluation a Programme.
manager should be dedicated to assessing progress, looking at the big picture and analyzing problem areas. They should ensure continuous documentation of the achievements and challenges as they occur and avoid having to try to remember the events some time later;

(c) *Regular analysis of reports:* The project coordinator or manager should review project-related reports, including financial reports, by the implementing partners to serve as a basis for their analysis;

(d) Use of participatory monitoring mechanisms to ensure commitment, ownership, follow-up, and feedback on performance: These include outcome groups, stakeholder meetings, steering committees, and focus group interviews;

(e) Ways to objectively assess progress and performance based on clear criteria and indicators stated in the logical framework matrix of the project document: The project team should agree on a performance measurement system by developing indicators and baselines;

(f) Active generation of lessons learned, ensuring learning through monitoring tools, adapting strategies accordingly and avoiding repeating mistakes from the past.”

In **UNEP** evaluation provides guidance to tackle problem areas and determine necessary adjustments for project managers. As for Governments and senior management evaluation enables them to examine the validity of programme orientation. The Evaluation and Oversight Unit is charged with the responsibility to conduct, coordinate and oversee evaluations of all programmes and projects of UNEP. The activities of this Unit include management of evaluation studies, in-depth sub-programme evaluations, project self-evaluations, and project evaluations. The Unit prepares mid term and annual reports to provide a synthesis of the evaluation findings and conclusions. When requested the spot checks and ex-post evaluations (after 2-3 years after the completion of the project) are performed in order to assess project’s success or failure to ascertain the sustainability of results and impacts, and to draw lessons learned.

**ILO** utilizes M&E systems to support its project implementation processes, encourage internal reflection and development of communication systems. The design of M&E plan takes place at the initial project design phase and refined during start-up and implementation phases. All stakeholders should agree on a well documented M&E plan, which defines what should be monitored and how. To this end M&E matrix is used, which includes purpose and scope, performance questions, indicators and information needs, data collection methods, critical reflection processes and events, communication and reporting strategy and conditions and capacities necessary to achieve this task. ILO has very comprehensive evaluation policy that includes various types of evaluation (self-evaluation, internal evaluation, independent evaluation and external evaluation), and also determines types of projects that should be evaluated and who is responsible to perform evaluation. The Evaluation Unit was set up which oversees adherence to the evaluation policy, supports the implementation of evaluations and collects and stores evaluation reports, and provides guidance on good practices in evaluation planning and conduct.

**OECD/DAC** in its on-going efforts to improve aid effectiveness adopted in 1991 a set of *Principles for Evaluation of Development Assistance*, which supports that Aid agencies should have an evaluation policy with clearly established guidelines and methods. In addition, the evaluation process should be impartial and independent and results should be made widely

75 UNEP, see supra note 16, p. 12-13
available. In order for evaluation to be useful it should be put into practice and feedback from both policy-makers and operational staff is necessary. Finally, the evaluation and its requirement shall be an integral part of planning process from the beginning. The main purpose of evaluation was identified as to provide an objective basis for assessing the performance of interventions, to improve future interventions through the feedback of lessons learnt and to provide accountability. Consequently, the main issues to be addressed during evaluations of activities include the relevance to the context, the intended impact, the effectiveness of intervention, the efficiency in terms of the inputs used for the outputs achieved, and the sustainability of efforts after the assistance is ended.76

EC regards monitoring, review and reporting as core management responsibilities, which involve the collection, analysis, communication and use of information on the narrative and financial progress of the project and achievement of results. EC utilizes the following tools to this end:

➢ *Logical Framework Approach* that provides a framework of objectives, indicators (and targets) and sources of information that is used to further develop and implement the monitoring, review and reporting system. It includes a list of key assumptions that must be monitored as part of the project’s risk management arrangements. In addition, such approach offers a clear and consistent reference point and structure for completing progress report.

➢ *Risk Management Matrix* presents a clear record of how a project plans to manage identified risks, which needs to be reviewed and updated on the regular basis. Such Risk Management Matrix outlines risks, potential adverse impacts, risk level, risk management strategy and responsible parties.

➢ *Basic data analysis to generate performance information* includes various methods of analysing effectively collected information. Monitoring of planned versus actual expected results, outcomes and inputs forms the base of any monitoring, review and reporting system. Calculating percentages and ratios is a particularly useful way of presenting performance information. An analysis of available data over different time periods can be extremely useful in revealing performance of the project. For projects being implemented in different locations its geographic variations in performance is identified. A group variance is another factor to be taken into account when data needs to be disaggregated by gender or groups affiliation. Work norms and standards need to be considered for useful monitoring of many service delivery activities.

➢ *Checklist for planning a short monitoring visit* assists in improving the value of short visits.

➢ *Using question checklists for semi-structures interviews* proved to be a practical tool which makes field visits a more structured activity.

➢ *Reviewing administrative and management records*, such as financial, staffing, procurement and service delivery/provision offers a big advantage as a source of verification.

➢ *Checklist for managing regular review meetings* is a useful mechanism to support reflection on project progress, exchange of information and ideas, team building, problem solving and forward planning.

➢ *Progress reports and updated plans* are focusing on progress towards achieving results, comparing progress against plan and assessment of performance is made, explaining deviations from plan and highlighting remedial actions required.

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EC regards that the aim of evaluation is to determine the relevance and fulfilment of objectives, developmental efficiency, effectiveness, impact and sustainability. Principles of underpinning the approach to evaluation are: impartiality and independence, credibility, participation of stakeholders, and usefulness. The basic documents available to support a project evaluation include terms of reference for the evaluation mission, the project logical framework, monitoring and evaluation narrative and financial reports.  

2. **Lessons learned and best practices**

2.1. **Advantages and disadvantages of KPI in project management**

The main advantages of KPI include effective means to measure progress towards objectives and facilitation of benchmarking comparisons between different organizational units over time. Disadvantages could be identified in cases of poor defined indicators that would not measure success, over engineering the system by including too many indicators, or those without assessable data sources, thus making system costly, impractical and underutilized. In addition, the shortcoming often used is trade-off between picking the optimal or desired indicators and having to accept the indicators which can be measured using existing data.

2.2 **OECD and UNEG norms and standards for evaluation**

The DAC OECD prepared evaluation quality standards as a guide to good practice with the aim to improve quality of development intervention evaluations. It provides explanations to rationale, purpose and objectives of an evaluation. Guidelines define evaluation scope, intervention logic and findings, and evaluation criteria and questions. Explanation of evaluation methodology and information sources is included. References to independence, evaluation ethics, quality assurances, and relevance of evaluation results and completeness are made.

United Nations Evaluation Group (“UNEG”) developed standards and norms for evaluation in the UN system. The norms were developed in line with existing evaluation policies and guidelines of various organizations, such as OECD evaluation standards, evaluation policies of international financial institutions and European Union. The norms aim to facilitate system-wide cooperation on harmonized evaluation basic principles within UN agencies. This document includes provisions related to definition of evaluation, responsibility for evaluation, policy, intentionality, impartiality, independence, quality of evaluation, competencies for evaluation, transparency and consultations, evaluation ethics, follow up to evaluation and contribution to knowledge building. The standards take into account norms document and best practices of UNEG members. The standards seek to guide the establishment of institutional framework, management of the evaluation function, conduct and use of evaluations. In addition, this document includes detailed explanations on the structure and format of evaluation reports.

2.3 **Efficient use of evaluation findings**

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77 See Aid Delivery Methods, supra note 21, p. 100-117  
78 The World Bank, supra note 44, p. 6  
Lessons learned was identified by the JIU, while reviewing RBM practices of UN agencies that evaluation culture is not sufficiently developed in UN agencies and no appropriate financial allocation for evaluation is made on the annual basis. Moreover, evaluation is neither regarded as a measurement tool utilised throughout the project management cycle, nor as a catalogue of lessons learned for the next cycle. In addition, self-evaluation that is supposed to serve as a management tool and which allows managers to take corrective actions during the project implementation phase is scarcely utilized.81

Some progress was made by the UN Secretariat after it was evaluated that less than 30 offices and departments have specific units and departments dedicated to programme evaluations. Evaluation plans were prepared for the 2006-2007 budget together with the specific instructions and an evaluation plan template. In order to comply with programmes’ evaluation plans a total of 23 programmes provided evaluation plans for 2006-2007, and project managers planned for 239 internal self-evaluations and 13 external evaluations to take place. Moreover, an on-line manual was prepared, which included guidance on the evaluation system framework.82

2.4 The Global Fund best practice in M&E system

The best practice of using evaluation findings effectively is demonstrated by TGF M&E system. TGF elaborated a comprehensive M&E system, whereas the funds are transferred in several transactions to beneficiaries. For this purpose, the initial grant is approved for two years and afterwards based on performance the continued funding is decided. During the grant period the TGF links disbursement of tranches of the grant to periodic demonstrations of programmatic progress and financial accountability. TGF uses the M&E Systems Strengthening tool, which assists national programmes and associated programmes improve their M&E and the quality of data generated to measure success of implemented activities. Such tool comprises three complimentary checklists designed to comprehensively assess the projects’ abilities to collect, analyse, use and report accurate, valuable and high-quality M&E data. The first checklist assesses the strength of the M&E plan, the indicators selected, national data sources, target setting, and availability of baselines. The second checklist assesses the data management capacities of the Programme/Projects’ management units. This checklist seeks to determine if the management units possess the resources, procedures, skills and experience necessary for M&E data management and reporting. The third checklist analyses the strengths of data reporting systems per programme area. This checklist includes four questionnaires that focus on data reporting systems that produce numbers related to: (1) people reached/served; (2) commodities distributed; (3) people trained; and (4) services points/facilities/organizations supported.83

3. ITU - BDT perspective

3.1. Strengthening use of KPI in project management

ITU - BDT developed the list of KPI for the operation plan. In the project management of extra-budgetary projects the development of indicators is incorporated in the project proposal template. It includes that expected results should detail the measurable achievements. Monitoring and

81 JIU/REP/2006/6. p. 15
82 Ibid. p. 16.
83 TGF – “Monitoring and Evaluation Systems Strengthening Tool”, p. 5-8
evaluation is also required to be included in the project proposal whereas mechanisms and procedures for periodic monitoring, measurement and evaluation should be described.84

3.2. M&E process

With regard to the parties responsible to carry out M&E functions within the ITU - BDT, the newly created PRJ is tasked to oversee and coordinate processes involved in the identification, formulation, funding and implementation of projects. One aspect of implementation relates to monitoring procedures, which are outlined in the BDT Working Methods and Procedures. Project managers shall submit to management quarterly progress reports and Planning, Budget and Administration (“PBA”) unit should provide updated financial situation statements each quarter. Quarterly reports can be utilised in more effective and efficient manner. In addition, a comprehensive evaluation methodology needs to be designed to evaluate the outcomes of extra-budgetary projects, draw lessons learned and best practices. Furthermore, evaluation findings should be utilised by the top management in its decision-making processes.

Chapter III – Cost Recovery Policies

This chapter provides an overview of different cost recovery methodologies applied by the UN agencies. In the last couple of years the UN agencies made efforts in harmonizing cost recovery practices and policies. A set rate was agreed to be applied as PSC and common principles and categorization of costs were developed. Particular attention was paid to practice of waiving PSC and the UN agencies were called up to end such practice in the future. Interest retention policies were identified as highly beneficial for organizations. Lessons learned revealed that yet many organizations have different levels of cost recovery methodology from partial to full cost recovery policies, which depends on the type of the organization itself. Best practices part presented various methodologies of measurement of PSC and the best approaches applied by organizations. The ITU - BDT perspectives part provides an overview of three types of extra-budgetary projects, including UNDP, ITU Telecom and Trust funds. The analysis of 2006 and 2007 financial statements presents the picture of different AOS rates applied to various projects.

1. Concepts

When considering the cost recovery policy the distinction should be made between the costs incurred supporting activities financed from extra-budgetary resources, the recovery of these costs from extra-budgetary resources and the recovery rates calculated and applied. The concept of cost recovery is aiming to recover the right amount of support costs as a whole by measuring the organization’s global support costs vis-à-vis the global volume of extra-budgetary projects.85

The objectives of cost recovery policies focuses on improving results delivery in the implementation of extra-budgetary programmes and projects; ensuring sufficient and sustainable funding for implementation of programmes; avoiding subsidizing extra budgetary programmes by regular/core budget; providing transparent and accurate data to donors; and adherence of project implementation to RBM and RBB strategies.86

84 See the project proposal template available at www.itu.int/itu-d/projects
In 1975, the UNDP Governing Council approved a rate of support-cost reimbursement of “14 per cent of actual project costs”. In 27 of June 1980, in its decision 80/44 the Governing Council reduced this rate to “13 per cent of annual project expenditures”. The founding principle of the original UNDP formula regarded partial support costs reimbursement or sharing of support costs between the UN agencies as appropriate financial expression of partnership. To which end the 13 per cent rate was adopted by almost all legislative organs of the UN organizations, yet still variety of percentage rates applied to various programmes depending on the donor, nature of a programme and amount of the budget.

The existence of different cost recovery policies contributes to delays in the development of joint programmes and problems in the participation of the UN agencies in multi-donor trust funds. In addition, donors demanded more transparency and rationale with regard to cost recovery rates. Increasingly, the validity of a 13 per cent, and some cases 10 per cent support costs rates was questioned by donors and thus the UN agencies decided to make efforts to harmonise a variety of different rates for cost recovery. A Working Group of the Finance and Budget Network of the CEB’s High Level Committee on Management, chaired by UNESCO, had been tasked to deal with support costs of extra-budgetary activities. In April 2005, the Management Group requested the UNDG Working Group on Financial Policies to review cost recovery policies and rates amongst the UN agencies.

2.1 Definition and categorization of costs

During 2003-2005, the UNDG Working Group reached a consensus on principles of cost recovery and definitions of costs categories amongst the majority of the UN agencies. It was agreed by parties involved that all extra-budgetary direct costs will be charged directly to projects and all related variable indirect costs or programme support costs will be recovered. The definition of costs and principles on costs recovery was defined as follows:

- **“Direct Costs”:** All costs that are incurred for and can be traced in full to an organization’s activities, projects and programmes in fulfilment of its mandate. This cost category includes costs of project personnel, equipment, project premises, travel and any other input necessary to achieve the results and objectives set out in programmes and projects. All these costs are recoverable and should be charged directly to the projects.

- **Variable Indirect Costs:** All costs that are incurred by the organization as a function and in support of its activities, projects and programmes, and which cannot be traced unequivocally to specific activities, project or programmes. These costs typically include service and administrative units, as well as their related system and operating costs. Usually referred to as PSC, these costs should be recovered in one way or another (as a percentage rate, or as a cost component of the project direct costs).

- **Fixed Indirect Costs:** All costs that are incurred by the organization regardless of the scope and level of its activities, and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include the top management of an organization, its corporate costs and statutory bodies not related to service provision.

89 UNDG, Consolidated list of issues related to the coordination of operational activities for development, 2005, p. 6
90 Task Force Survey on Cost Recovery Policies in the UN system used a questionnaire to which thirteen agencies responded: FAO, IAEA, IFAD, ILO, IMO, UN, UNDP, UNESCO, UNICEF, UNIDO, UNRWA, WFP, WHO.
These costs should be financed by regular/core resources (except for the organizations that have no core resources). 91

2.2 Formulation, measurement and harmonization of cost recovery policies

Most of the UN agencies apply incremental a cost recovery policy, which includes determination and recovery of that increment of an organization’s support costs that occurs as a result of an extra-budgetary activity. In other words, costs recovered from extra-budgetary funds, otherwise could be borne entirely by the regular budget. 92

For those organizations that have their regular/core budget contributions from Member States, the full cost recovery policy is neither envisioned nor applied. Such organizations use an incremental cost recovery policy for extra-budgetary projects by calculating a percentage for PSC. There are some organizations that do not have Member States annual contributions to form their regular/core budget and have a full cost recovery financial arrangement to be applied for extra-budgetary projects. The World Bank applies concessionary support cost rates when activities financed from extra-budgetary resources, following the study that indicated that approximately 69 per cent of trust fund administration are recovered via fee income. WFP and UNOPS practice of full recovery costs policy lead to establishment of percentage based support cost rates that are lower than in most organizations which apply incremental cost recovery policies. In 2000, the Executive Board approved the rate of 7.8 per cent to be applied. For UNOPS the fixed support rate does not apply, it establishes its recovery arrangements on case by case basis. Both organizations identify and recover PSC related to programme costs as direct costs, which leads to lower percentage to be recovered, opposite to other organizations that include such costs as percentage-based support cost rates.

The main shortcoming of the full cost recovery policy is that if the significant decline of extra-budgetary funds occurred it would seriously jeopardize not only the implementation of the extra-budgetary programmes but the existence of an organization itself. For this reason, it was advised for the UN agencies never to recommend to transfer fixed indirect costs related to personnel to direct costs. It was further argued, to encourage donors not to pay for core personnel in cases when such personnel performing functions that they would normally perform under the regular/core budget activities, as it would result in an element of double budgeting. 93 All other variable indirect costs that are measurable and accountable for are advised to be identified as direct costs in line with transparency principles.

The major challenge remains in most of the UN agencies how to calculate and measure PSC more effectively. A number of various approaches have been developed and utilized to measure the costs associated with supporting extra-budgetary activities. The most common approach is to analyse the extra-budgetary work load based on the time-work surveys/tools. This entails calculations performed by multiplying the time by the standard cost by grade. Alternatively, such calculation can be done by identifying what proportion of total work-hours were spent supporting extra-budgetary activity and then applying this proportion to determine the appropriate and equivalent share of total support-related expenditure. The Consultative Committee on

Administrative Questions Task Force\textsuperscript{94} performed a study attempting to calculate the full costs associated with supporting extra-budgetary activities, which eventually lead to adoption of flat rate of 13 per cent to be applied as PSC. The problem with the application of such a flat rate is that no distinction is made between the types of extra-budgetary activity being supported and the nature of this support.

With regard to methodology of cost measurement FAO, UNICEF, WFP, UNDP and WMO utilized two types of approaches. \textit{Macro approach} considers that the concept of cost recovery does not mean to identify the real support costs for each individual activity, it rather takes into account the organization’s global support costs vis-à-vis the overall volume of extra-budgetary activities. UNICEF and UNDP generally adopted such approach. \textit{Micro approach} is focusing more on total of the support costs to be calculated, including in-depth costs measurement survey linked to staff time management and project content. This approach was utilized to some extent by FAO and WMO. In comparison, macro approach offers much simpler efforts in calculation even though micro approach provides more useful and accurate cost management information.\textsuperscript{95}

The determination and application of cost recovery policies varies in the UN agencies depending on the mandate, broad range of activities, and the merit of activity-specific cost assessment. In addition, support cost rates must be balanced against the costs associated with administering a complex extra-budgetary support cost recovery system. While determining which PSC rates should apply the subjective judgement is exercised by each organization. In most of the cases the rates are established by weighing donor positions along the organizations cost absorption capabilities. The issue of transparency waived by many donors lead increasingly to application of lower PSC rates by many organization and movement of all measurable costs to be charged as direct costs. Since 1992, UNDP introduced AOS costs with the aim to make support costs more transparent. In 2002, under the pressure from donors, UNDP decided to take further measures in cost recovery by instructing all executing/implementing agencies incorporate AOS as part of the cost of substantive project inputs and expenditures. An overview of AOS charged for extra-budgetary projects by some UN organizations is presented in Annex III.\textsuperscript{96}

A majority of the UN agencies are in favour of harmonizing cost recovery policies but rather on the conceptual level, related to principles and approaches, then at the level of PSC\textsuperscript{97} rates. This is due to the fact that many organizations consider that cost structures of each organization differ. The most obvious example is staff costs that are different depending on the locations, and thus it was claimed that system wide PSC rate cannot accommodate variations in staff costs and would lead to wide variations on how such costs are recovered.\textsuperscript{98} Harmonization efforts have proven to be the most successful in joint programming and multi-donors funds, the best example is “One UN” initiative, whereby one of the aspects of cost recovery policies is being harmonised.\textsuperscript{99}

2.3 \textit{Waivers and interest retention practices}

The general rule for any extra-budgetary project is to charge PSC as some efforts were invested in the implementation of such projects by the respective organization. Nevertheless, in a number

\begin{itemize}
\item \textsuperscript{94} DP/WGOC/32 and CCAQ/SEC/327 (FB)
\item \textsuperscript{95} UNESCO, supra note 84, p. 9, para 17-18
\item \textsuperscript{96} This overview of PSC is extracted from the JIU/REP/2002/3, p. 13-14
\item \textsuperscript{97} AOS and PSC are inter-changeable terms used similarly in the same context of cost recovery. AOS was used in 90th which was gradually replaced with the term PSC at the beginning of 2000.
\item \textsuperscript{98} JIU/REP/2002/3, p. 18
\end{itemize}
of circumstances PSC are waived in its entirety. It is believed that for any waiver of PSC very serious grounds or reasons should be presented, as routine waivers cannot be justified. However, there are examples of systematic waivers practiced by the UN Secretariat’s humanitarian emergency trust funds, UNESCO trust funds and counterpart’s contributions to UNEP. Based on the recent survey on support costs and cost recovery policies conducted by the Task Force on Cost Categorization nine organizations, out of thirteen have waiver practices. Nine organizations recognised that the Executive Head can take a decision “with no basis in terms of possible lower level of indirect variable costs to be incurred in delivering activities funded by the considered extra-budgetary contribution”. Some organizations (UNICEF and FAO) do not include in their cost recovery policies any possibilities of waivers, as others (IFAD) even having such provisions still grant waivers and reimburse the losses through retaining the interest. Some organizations (UNRWA) grant up to 39 waivers per year and absorb losses in most of the cases by utilising core budgets. It was concluded that the practice of waivers should be terminated as it contradicts cost recovery principles.

The retention of interest from extra-budgetary projects constitutes yet another source of cost recovery. The practice with regard to interest retention policies within the UN agencies varies. Based on the survey, five (FAO, ILO, IMO, UNESCO and WFP) return interests to donors. Six organizations credit interests to contribution from which it originates, these organizations include UN, UNDP, UNESCO, UNIDO, WFP, and WHO. Majority of organizations (IFAD, IAEA, IMO, UNDP, UNESCO, UNICEF, UNRWA, WHO) retain interests accumulated from donors contribution. The policy on interests’ retention is stipulated by Financial Rules and Regulations or through guidelines and instructions issued by their respective Executive Heads.

2. Lessons learned and best practices

Different practices and legal arrangements exist for every extra-budgetary activity depending on the type of organization and requirements of the donor. The majority of organizations apply a ceiling of 13% PSC rate and only UNDP, UNICEF and WFP apply a 7% PSC rate as an upward ceiling or sole rate. One example is the agreement that was signed between UN and the EC on the principles applying to the financing or co-financing of programmes and projects administered by the UN. This agreement stipulated that rates between 7 and 3 per cent would be accepted for the PSC. The agreement included a comprehensive list of direct costs such as: staff, transport, communication and identifiable personnel costs at headquarters.

2.1 UNOPS and UNDP practices

Lessons can be learned from the UNOPS and UNDP practice which assesses and recovers PSC on a case-by-case basis using complicated cost-assessment tools which proved to be cumbersome, difficult to administer and confusing to donors. The most cited advantage of an activity-specific and contribution specific cost recovery policy that will eliminate under and over recovery is yet to be proven. The administrative burden imposed by this method is obvious from practicing such activity specific costing methodology. It became evident during the evaluation of UNDP country offices whereas the basic instruments for the recovery of PSC are associated with charging a fee.

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100 JIU/REP/2002/3, p. 16
101 Draft Task Force Survey, supra note 90, p. 9, paras 31-32
102 Ibid, p. 10, paras 33-34
103 Ibid, p. 16, paras 53-56
105 For more explanation on this report see JIU/REP/2002/3, p. 6
for the provision of support services to other UN agencies. Each country office has the liberty of adopting the costs structure through the price list to its local conditions. It was concluded, based on the example of one UNDP country office, which had a policy of signing agreements for each service provided and present quarterly bills for reimbursement, indicating all the requests made and services provided, that such practice leads to heavy administrative burden not only on administrators but on users as well.106

2.2 Different accounting methods used by the UN agencies

Different accounting methods are used by the UN agencies to charge some costs items related to extra-budgetary projects. Out of thirteen organizations who took part in the Task Force Survey only five have developed specific accounting methods to charge PSC. One example related to reimbursement of costs related to use of space, the organization through back charging the costs of a fee per sqm meter plus time occupancy by personnel funded by extra-budgetary project. The same organization uses standard rate for personnel costs for technical input to projects such as, policy advice, desk work, mission preparations, etc. Another organization, for personnel costs, initially funded by regular budget or seconded to a project charges such expenses to its regular budget. An estimate of the portion of these costs associated with a particular extra-budgetary project is identified and budgeted for in the project agreement, and afterwards charged to the project during the project’s implementation. The amounts recovered from this process thereafter allocated to a special account to be used by the responsible unit, which initially incurred the costs.107

2.3 UNICEF and FAO best practices examples

In 2002, the best practice cost measurement approach was considered to be applied by UNICEF and FAO. UNICEF by process of elimination identifies the remaining variable indirect costs related to supporting of extra-budgetary projects. It estimates the support cost rate that would need to be charged to extra-budgetary resources in order to recover these costs. In addition, the interest income is not taken into account while calculating the PSC rate. FAO applies full cost recovery methodology by utilizing a time work survey for all staff (from D-1 to G-5). Such time work survey is a detailed questionnaire in which staff are required to estimate the percentage of their time spent on regular programme activities vis-à-vis extra-budgetary activities. The findings of the time work survey are calculated using two step calculation methodology. At first, time was multiplied by the standard cost by grade presenting information of the staff full costs. Secondly, this full costs figure was reduced by eliminating fixed costs to arrive to indirect costs to be charged to the project. It has been recommended by the JIU to combine UNICEF and FAO approaches, in examining costs structures eliminating the obvious direct and variable indirect costs. The remaining costs can be calculated with the assistance of a time based survey using a detailed questionnaire. The validity of findings could be verified by historical expenditure-income analysis, which entails tracking proportional changes in core programmes and programme support expenditures alongside extra-budgetary support costs income.108

In 2007, the use of the mixed approach was generally utilized by many organizations, but three of them were identified as using such approach to a greater extent. UNICEF, following a full cost recovery approach, as noted above, considers the nature of the service together with the source of

106 Ibid, p. 14-15
107 Draft Task Force Survey, supra note 90, p. 32, paras 89-90
108 JIU/REP/2002/3, p. 7-8
funding when determining whether it should be recovered as a direct cost or as a PSC rate. FAO, especially its Programme Evaluation and Budget Division units, recognised that the cost recovery using PSC rate is the simplest and less work consumption method to administer. Finally, WFP that adopts the full recovery policy approach on a contribution-to-contribution basis recovers majority of its services through the mixed approach. WFP recognised that it is not the nature of the item that determines the recovery method but the fact whether the service costs was incurred by WFP in implementing the country project operation or on the headquarters level.  

2.4 WMO cost recovery approach

Another interesting example of cost recovery measurement approach was undertaken by WMO. A survey was conducted to identify variable (incremental) and fixed costs of extra-budgetary projects. The methodology included breaking down the work efforts of all staff in the technical and administrative departments by specified functions and by funding sources. The funded sources included the regular budget, the three large and other small normative trust funds, technical cooperation trust funds, and the voluntary cooperation programme. The results obtained were weighted by standard costs of each post and totalled for each department. In order to determine support cost recovery rate the resulting percentage applied to budgeted costs of the units, and for each unit the administrative portion of each funded source was divided by estimated extra-budgetary fund. Based on the findings of this cost measurement study the following set of PSC were suggested: 13% for technical cooperation projects; 7% for funds-in-trust projects; 12% for projects funding Junior Professional Officers; a lower rate of 9% to be applied to technical cooperation projects that involve only procurement activities.

2.5 Best practices in interest retention of WHO, UN and UNICEF

The best practice concerning the interest retaining was performed by WHO’s financial regulations that allow utilising interests gained specifically to reimburse indirect costs related to extra-budgetary projects. It was revealed that interests retention practices can be an integrative source of funding and contributes to lower support costs. It was indicated that only in 2006 three organizations (UN, WHO, UNICEF) earned above $ 20 million in interests. Moreover, for UNICEF, the interest earned was higher than the amount recovered through PSC rates with its cost recovery policies.

3. ITU - BDT perspective

3.1 Overview of ITU – BDT technical cooperation types of projects

The ITU - BDT extra-budgetary projects include three types of contributions: Trust Funds, ITU Telecom Surplus and UNDP. There are no specific ITU - BDT financial regulations for extra-budgetary projects that would specify the cost recovery policies and strategies to be applied. In the majority of the cases, Trust Funds AOS rates are negotiated with donors, or agreed to be transferred as a lump sum, and in some cases waived.

With regard to ITU Telecom Surplus, the provisions of Decision 6 (Marrakesh, 2002) established a uniform rate of 7.5% to be applied to new projects. For UNDP contributions, historically, the

109 Draft Task Force Survey, supra note 90, p. 25, para 83.
110 UNESCO, supra note 84, note 78, p. 6, para 6.
111 Draft Task Force Survey, supra note 90, p. 17, paras 57-61
rate of 13% was applicable based on the agreement signed with the UNDP. Recently, for each agreement specific rates are negotiated depending on the nature of the project. In 2006, UNDP had 10 per cent AOS rate for ITU execution and 5.25 per cent AOS rate for national execution projects.112

3.2 Regular budget versus extra-budgetary projects

The cost recovery methodology for regular budget programmes for some ITU products and services is stipulated by the Resolution 91 (Minneapolis, 1998). It is noted, by the Council Working Group for the elaboration of the Draft Strategic Plan and the Draft Financial Plan, 2008-2011 that for development cooperation projects, the ITU Financial Regulations would apply, to calculate costs of any administrative and operational services to be provided by the ITU in assisting the implementation of such projects. The exact amount would be defined on the percentage basis to be charged in line with the agreement signed between the ITU and the project partner/donor.113 As for extra-budgetary projects, there is a need to design specific unified financial regulations that would combine all three types of contributions and would stipulate cost recovery policy and methodology to be applied.

3.3 ITU Telecom cost recovery practice

In practice, with regard to the ITU Telecom Surplus projects, the 2006 financial report reveals that out of fourteen Telecom Surplus projects six projects charged 0% rate, five projects charged 7.5% rate, one project charged 10% rate, one project charged 6% rate, and one project charged 5% rate.114 In 2007, the preliminary financial statements overview prepared by the PBA provides that out of ten Telecom projects six projects charged 7.5% rate and four charged 0% rate. It can be concluded based on this data that a progress is made to apply the rate of 7.5 that have been established by the Decision 6 (Marrakesh, 2002).

3.4 Trust Funds cost recovery practice

There are several types of trust funds contribution, such as, projects funded from the operational plan regular budget funds,115 projects financed by unspecified voluntary contributions i.e., funds transferred to ITU - BDT with no specific project proposals,116 and trust funds projects that have preliminary project proposals approved and funds secured to initiate the implementation of such projects.117

2006 financial overview of trust funds projects provides information that three operational plan funded projects charged 0% AOS rate. Out of four voluntary contribution projects – three projects charged 0% AOS rate and one project charged 7% AOS rate. Trust funds projects constituted the number of seventy-six projects and AOS rates were charged as follows:

- 28 projects – 7-7.5-7.66%
- 26 projects – 0%

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112 ITU PNUD, Etats Financiers, 31 December 2006, p. 5
114 ITU Etats financiers, Fonds D’affectation Speciale, p. 15 (only projects that starts with number 7 were considered)
115 In the accounting system such funds are marked with number 2 at the beginning of the project number
116 Such projects marked with number 3 at the beginning of the project number
117 These projects are marked with number 9 at the beginning of the project number
10 projects – 13%
9 projects – 10%
2 projects – 6-6.5%
1 project – 9%

In addition, there are two trust funds projects that charged a lump sum AOS amount.\textsuperscript{118}

The analysis of AOS rates for 2007 provided that out of fifty four on-going projects twenty six projects charged rates ranging from 6 to 7.5%, fourteen projects did not charge any AOS, eleven projects charged from 10 to 13% and three projects charged from 3 to 5.25% rate.\textsuperscript{119}

As can be noted from the overview presented above various AOS rates are applying to extra-budgetary projects. Preliminary discussions on this issue revealed that in some cases AOS were waived due to different considerations depending on the nature of the project. In some cases the project managers were not aware that AOS rate should apply while initiating projects. In the absence of harmonized cost recovery policy and methodology such practice is not surprising. Additionally, the interest gained from projects is returned to donors.

The legal framework of financial regulations and cost recovery methodology and policy on extra-budgetary projects is necessary. The cost recovery methodology applicable to regular budget may be utilized for extra-budgetary projects. Moreover, the interest retaining policy would greatly contribute to cost recovery practices of ITU - BDT. In recovering support costs the principle of charging 10% to smaller scale projects and 5-7% for large scale projects should apply.

It is advisable that ITU - BDT would prepare a list of direct, variable indirect and fixed indirect support costs, whereas all direct costs would be charged directly to project budgets and indirect support costs would be recovered through the standard percentage scale. Further, the interest retention policy should be designed supported by the financial regulations. Overall, more proactive role of ITU - BDT participating in UN inter-agency initiatives on cost recovery and utilisation of best practices in this area would further contribute to strengthening project execution role of ITU - BDT.

\textbf{THE END}

\textsuperscript{118} ITU Etats financiers, Fonds D’affectation Speciale, 31 December 2006, p. 9-12
\textsuperscript{119} 2007 preliminary financial overview prepared by the PBA.
ANNEX I

1. UNDP Project Cycle\textsuperscript{120}

The diagram illustrates with dotted lines the key management review points within the cycle. The dotted lines at the far left and far right indicate the start and stop points of the project management cycle, and the other dotted lines indicate management approval or decision points between or within processes. The dotted lines intersecting the “Running a Project” process indicate that there will be reviews at each major decision point during the implementation of the project, as many or as few as required to ensure that the project is under control (these reviews are typically aligned with calendar years).

2. UNICEF Results Framework of Country Programme

\textsuperscript{120} The diagram illustrates with dotted lines the key management review points within the cycle. The dotted lines at the far left and far right indicate the start and stop points of the project management cycle, and the other dotted lines indicate management approval or decision points between or within processes. The dotted lines intersecting the “Running a Project” process indicate that there will be reviews at each major decision point during the implementation of the project, as many or as few as required to ensure that the project is under control (these reviews are typically aligned with calendar years).
### 3. UNICEF Logical Framework

<table>
<thead>
<tr>
<th>#</th>
<th>Level</th>
<th>Indicators</th>
<th>Baselines</th>
<th>Targets</th>
<th>MOV</th>
<th>Geogr. Focus</th>
<th>Risks and assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategic Result Statement</td>
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<td>Overall Risk Analysis</td>
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<td></td>
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<td>1.1.2</td>
<td>Output Statement</td>
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<tr>
<td>1.2</td>
<td>Outcome Statement</td>
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<td>Risk and assumptions specific to Results Chain #1.2</td>
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<tr>
<td>1.2.1</td>
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<td>1.2.2</td>
<td>Output Statement</td>
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<td>Course of Action</td>
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### 4. UNEP Logical Framework

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Objectively verifiable indicators (OVI)</th>
<th>Means of verification (MOV)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Results</strong></td>
<td>State the specific objectives, which the project shall achieve.</td>
<td>State the sources of information that exist or can be collected.</td>
<td>State external factors and conditions not under the direct control of the project which are necessary to achieve these objectives. State risks to be considered.</td>
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<td>1.</td>
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<td>1.2.</td>
<td>1.2.</td>
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<tr>
<td><strong>Outputs</strong></td>
<td>State the concrete outputs envisaged to achieve the results. What improvements and changes will be produced by the project?</td>
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<td>1.</td>
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<td>3.</td>
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<tr>
<td><strong>Activities</strong></td>
<td>State the key activities to be carried out and their sequence in order to produce the outputs.</td>
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<td>1.1.</td>
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<td>1.2.</td>
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<td>2.1.</td>
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<td>3.1.</td>
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<td>3.3.</td>
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5. ILO Logical Framework

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<th>Project structure</th>
<th>Indicators</th>
<th>Means of verification</th>
<th>Assumptions and risks</th>
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</thead>
<tbody>
<tr>
<td>Development objective/Impact</td>
<td>Long term impact indicators</td>
<td></td>
<td>Sustainability conditions</td>
</tr>
<tr>
<td>Immediate objective/Project outcome</td>
<td>End of project outcomes</td>
<td></td>
<td>Development hypothesis</td>
</tr>
<tr>
<td>Outputs</td>
<td>Output indicators</td>
<td></td>
<td>Implementation assumptions</td>
</tr>
<tr>
<td>Activities</td>
<td>Activities indicators</td>
<td></td>
<td>Management assumptions</td>
</tr>
</tbody>
</table>

6. Programme Management “meta-model” concept (Strange, 2000)\(^{121}\)

\(^{121}\) In private sector attention is paid to knowledge management tools taking into account anticipated risks factors and relying on lessons learned practices.
7. **Model for Project Excellence**\(^{122}\)

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**Project Excellence (1,000)**

- **Project Management (500)**
  - Leadership (80)
  - Processes (140)
  - People (70)
  - Resources (70)
  - Project Objectives (140)

- **Project Results (500)**
  - Customer Results (180)
  - People Results (80)
  - Results of other Parties involved (80)
  - Key Performance and Project Results (180)

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**Innovation and Learning**

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Source: [www.ipma.org](http://www.ipma.org) or directly
[http://www.ipma.org/docs/showsite.php?menu=020403e65aG=d66f156d50e2ca3fca70f068a361c288](http://www.ipma.org/docs/showsite.php?menu=020403e65aG=d66f156d50e2ca3fca70f068a361c288)

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8. **Crucial Steps in Project Life Cycle**\(^{123}\)

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**Scope**
- Determine Deliverables
- Feasibility Study
- Value Analysis
- Setting Goals/Expectations
- Top Mgmt. Review/Decision

**Planning**
- Baseline Project Plan
- User Requirements
- Prototyping
- Test Plan Design
- Accounting Plan
- Resource Planning

**Execution**
- Application/Systems Software Development
  - Inspections
  - Software/Systems Acceptance Testing and Audits
  - Implementation (Prep Through Installation)
  - Documentation Prep
  - Training Development
  - Management Review and Approval

**Control**
- Post-Implementation Refinement
- Post-Implementation Review and Audit
- Metrics Analysis

**Closure**

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\(^{122}\) For modern quality movement in private sector the Deming cycle (PDCA: plan-do-check-(re)act) with focus on defect correction as well as defect prevention is utilized.

ANNEX II

BDT Applications
Flow and exchange of information
**ANNEX III**

**OVERVIEW OF AOS APPLIED BY EIGHT UN AGENCIES**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Support Cost Rates</th>
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<tbody>
<tr>
<td>ICAO</td>
<td></td>
</tr>
</tbody>
</table>
| 1. Governments | Trust funds and private funding:  
- 13 per cent for charges approved before 2001  
- 10 per cent for charges approved from 2001  
Handling charges for management services agreements  
- 6-10 per cent for services implemented at the international level  
- 3-9 per cent for services implemented at the local level  
Civil Aviation Purchasing Service (CAPS)  
- 6 per cent for the first US$ 100,000  
- 4 per cent from US$ 100,001 to US$ 500,000  
- Negotiable above US$ 500,000  
In addition to the above, ICAO also charges, on a full cost-recovery basis, for technical support services when it has to prepare detailed technical specifications, system designs, etc. |
| 2. United Nations sources (UNDP, etc): | - 10 per cent for administrative and operational support (AOS)  
- 8 per cent or lower for repeat and large procurement items  
- 3.5 per cent for UNDP Government cash counterpart contribution projects. |
| 3. Other sources: | 5-7 per cent for the European Commission |
| ILO | - 13 per cent standard for multi-bilateral funding  
- 12 per cent standard for associate professional officers  
- 10 per cent for UNDP |
| IMO | - 13 per cent standard  
- 12 per cent standard for associate professional officers  
- 10 per cent for UNDP  
- Reduced rate for the European Commission and the World Bank |
| UNCTAD | - 13 per cent standard  
- 3-7 per cent for the European Commission  
- 5 per cent for UNEP and United Nations Fund for International Partnership (UNFIP)  
- 0-10 per cent for UNDP |
| UNESCO | 1. Governments, private funding, and international financial institutions:  
- 13 per cent standard  
- 12 per cent standard for associate experts scheme  
- 8 per cent for projects consisting exclusively or very largely of the procurement of equipments  
- 5 per cent for projects requiring very little supervision  
- Rates on a case-by-case basis for projects executed to the benefit of LDCs |
| 2. UNDP sources: | - Up to 10 per cent for AOS |

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<table>
<thead>
<tr>
<th>Source</th>
<th>Details</th>
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</thead>
</table>
| **UNFPA** | - 5% for managerial support services  
- Up to 12% for AOS depending on the executing agency  
- 3-7% for the European Commission  
- 5% for UNFIP |
| **UNIDO** | - 13% for non-UNDP projects  
- 10% (plus technical services work months) UNDP, GEF, chlorofluorocarbon (CFC) projects.  
- 13% for Montreal Protocol for the first $500,000; 11% for any delivery per project above that amount  
- For some individual projects, other rates are granted by the Director General upon advice of the Director, Financial Services (mainly GEF-funded projects) |
| **WHO** | - 13% standard  
- 12% for associate professional officers  
- 6% supply services/emergencies (except preparedness) for countries covered by UN consolidated appeal and for certain bulk procurement  
- 5% on contributions from certain donors including Rotary International for Polio and UNFIP  
- 3% for non-emergency supply services to Member States, NGOs in an official relationship with WHO or members of the UN family  
- 0% for emergency supply services to Member States, NGOs in an official relationship with WHO or members of the UN family, and for purchases made through the revolving fund for teaching and laboratory equipment for medical education and training |
ANNEX IV

DEFINITIONS AND GLOSSARY OF KEY TERMS

The research that have been conducted by the Joint Inspection Unit (JIU) on the results based management in the United Nations has shown that different terminology is used in the field of project management by various UN agencies. For instance, regarding the term ‘results based management’ (RBM) various organizations using different term referring to RBM, UNDP, UNFPA AND WFP using the terms RBM; UNICEF uses the term ‘Results-based programme planning and management’; UN Secretariat uses the term ‘Results-based budgeting’; UNESCO refers to ‘Results-based programming, management and monitoring; and ILO uses ‘strategic budgeting.’

Within the study paper the terms AOS and PSC are used interchangeably. AOS is the terms that was introduced by UNDP in 1990th and lately was replaced with the term PSC. Similarly, the terms technical cooperation and extra-budgetary refer to the same types of projects that are implemented and financed by other sources than regular/core programmes or budgets.

Majority of organizations agreed to use the OECD Glossary of key terms in evaluation and results based management. UNDP developed glossary of project managements terms related to monitoring and evaluating for results. Below indicated definitions are mainly extracted from these two glossaries of OECD and UNDP and harmonised commonly agreed definitions.

Accountability - Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans. This may require a careful, even legally defensible, demonstration that the work is consistent with the contract terms.

Benchmark - Reference point or standard against which performance or achievements can be assessed. Note: A benchmark refers to the performance that has been achieved in the recent past by other comparable organizations, or what can be reasonably inferred to have been achieved in the circumstances.

Best Practices – Planning and/or operational practice that has proven successful in particular circumstances. Best practices are used to demonstrate what works and what does not and to accumulate and apply knowledge about how and why they work in different situations and contexts.

Cost Recovery – a policy that entails the determination, and recovery, of that increment of an organization’s support costs that occurs as a result of an extra-budgetary activity.

Cost effectiveness – the relation between costs (inputs) and results produced by a project. A project is more cost-effective when it achieves its results at the lowest possible cost compared with alternative projects with the same intended results.

125 JIU/REP/2006/6, p. 7
127 JIU/REP/2002/3, p. 5
Effectiveness - The extent to which the development intervention’s objectives were achieved, or are expected to be achieved, taking into account their relative importance.

Efficiency - A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results. An optimal transformation of inputs into outputs.

Evaluation - The systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors.

Impacts – the overall and long-term effect of an intervention. Positive or negative, primary or secondary long term effects produced by a development intervention, directly or indirectly, intended or unintended.

Inputs – the financial, human, and material resources used as means to mobilise the conduct of programme or project activities.

Key Performance Indicators – quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievements, to reflect the changes or performance connected to a programme or project.

Knowledge management – the systematic process of identifying, capturing, storing and sharing knowledge people can use to improve performance.  

Lessons learned – learning from experience that is applicable to a generic situation rather than to a specific circumstance.

Logical Framework – a methodology that logically relates to main elements in programme and project design and helps ensure that the intervention is likely to achieve measurable results. The logical framework can be used to summarize and ensure consistency among outcomes, outputs, activities and inputs, and to identify important risks and assumptions. It is also referred to as a results-oriented programme planning and management methodology. The approach helps to identify strategic elements (inputs, outputs, purposes, goals) of a programme, their casual relationships, and the external factors that may influence success or failure of the programme. The approach includes the establishment of performance indicators to be used for monitoring and evaluating achievements of programme aims.

Monitoring – a continuing function that aims primarily to provide managers and main stakeholders with regular feedback and early indications of progress or lack thereof in the achievement of intended results. Monitoring tracks the actual performance or situation against what was planned or expected according to pre-determined standards. Monitoring generally involves collecting and analyzing data on implementation processes, strategies and results, and recommending corrective measures.

Outcome – the likely or achieved short-term and medium-term effects of an intervention’s outputs.

128 JIU/REP/2004/6, para 83
Outputs – the products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.

Performance Measurement – a system for assessing performance of development interventions against stated goals. The collection, interpretation of, and reporting on data for performance indicators, which measure how well programmes or projects deliver outputs and contribute to achievement of higher level aims.

Project or program objective – the intended physical, financial, institutional, social, environmental, or other development results to which a project or programme is expected to contribute.

Purpose – the publicly stated objectives of the development programme or project.

Recommendations – proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or the reallocation of resources.

Results – the output, outcome or impact of a development intervention. A broad term used to refer to the effects of a programme or project and/or activities.

Results Based Management – a management strategy or approach that is focusing on ensuring processes, products and services contribution to the achievement of clearly stated results. RBM provides a coherent framework for strategic planning and management by improving learning and accountability. It is also a broad management strategy aimed at achieving important changes in the way agencies operate, with improving performance and achieving results as the central orientation, by designing realistic expected results, monitoring progress towards the achievement of expected results, integrated lessons learned into management decisions and reporting on performance.

Risk Analysis – an analysis or an assessment of factors (called assumptions in the logframe) affect or are likely to affect the successful achievement of an intervention’s objectives. A detailed examination of the potential unwanted and negative consequences to human life, health, property, or the environment posed by development interventions; a systematic process to provide information regarding such undesirable consequences; the process of quantification of the probabilities and expected impacts for identified risks.

Sustainability – durability of positive programme or project results after the termination of the technical cooperation channelled through that programme or project; static sustainability – the continuous flow of the same benefits, set in motion by the completed programme or project, to the same target groups; dynamic sustainability – the use or adaptation of programme or project results to a different context or changing environment by the original target groups and/or other groups. For an outcome, it reflects whether the positive change in development situation will endure.
ANNEX V

BIBLIOGRAPHY

PROJECT MANAGEMENT TOOLS/MANUALS


3. **EC - Aid Delivery Methods, Project Cycle Management Guidelines,** Volume 1, March 2004 – includes information on EC development cooperation policy, project cycle guidelines, logical framework approach, and glossary of key terms.

4. **SIDA – A Manual on Contribution Management,** 2005 – information on contribution management is included, the initial preparation and in-depth preparation phases and agreement and retrospective follow up phases.


7. **OSCE – Project Management Case Study,** February 2005 – outlines key concepts in project management cycle and provides explanation on IRMA.


9. **OECD – Managing Aid: Practices of DAC Member Countries,** 2005 – assesses legal and political foundations for development cooperation, sources and allocation of funds, management of developing agencies, humanitarian assistance, NGOs co-financing schemes and checks and balances in development cooperation systems.


13. **UNDP – Accountability through Professionalising Programme and Project Management,** November 2005 – PowerPoint presentation provides overview of the rationale, plan and
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**MONITORING AND EVALUATION DOCUMENTS**

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2. **ILO** – *Concept and Policies of Project Evaluations*, April 2006 – this guide explains the underlying rationale and concepts of project evaluation. It lays out the ILO policy for project evaluations, including the roles and responsibilities of the different actors involved in managing, conducting and overseeing them.
3. **UNEG** – *Norms and Standards for Evaluation in the UN system*, 29 April 2005 – build on best practices of UNEG member states, intended to guide the establishment of the institutional framework, management of the evaluation function, conduct and use of evaluations.
5. **The USA Government** – *How to Measure Performance, a Handbook of Techniques and Tools*, October 1995 – this handbook has been prepared for the Department of Energy to provide reference material to assist in the development, utilization, evaluation, and interpretation of performance measurement techniques and tools to support efficient and effective management of operations.
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9. **The World Bank** – *Influential Evaluation: Evaluations that Improved Performance and Impacts of Development Programs*, 2004 – presents 8 examples of evaluations that had a significant impact and concludes with a summary of lessons learned concerning the design of useful evaluations, the extent of which evaluation utilization can be assessed, and the extent to which their cost-effectiveness can be estimated.
10. The World Bank – *Conducting Quality Impact Evaluations under Budget, Time and Data Constrains*, 2006 – offer advice to those planning an impact evaluation, so that they can select the most rigorous methods available within the constraints they face.

11. The World Bank – OED and Impact Evaluation, a discussion note – Operations Evaluation Department (OED) is an independent unit within the World Bank which reports directly to the Bank’s Board of Executive Directors, the purpose of this note is to provide an overview of impact evaluation, particularly of the more rigorous methods of impact evaluation.

12. The World Bank Independent Evaluation Group – *How to Build M&E Systems to Support Better Government*, 2007 – written by Keith Mackay, this paper focuses on governments and how monitoring and evaluation can and have been used to improve government performance.

13. UNEP – *Internal and External Needs for Evaluative Studies in a Multilateral Agency: Matching Supply with Demand in UNEP*, September 2006 – the study is based on the survey of UNEP that explores how evaluations are used within the UNEP and, to a limited extent, how they influence donor funding decisions. It also provides indications for future direction of the evaluation function of the organization.

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15. UNDP – *RBM in UNDP: Selecting Indicators* – explains types of indicators, how to select them and indicator data collection, includes baselines, target and timeline concepts. Further provides examples of outcomes and outcome indicators and selection criteria for indicators.

16. The Global Environment Facility – *The GEF Monitoring and Evaluation Policy*, 2006 – this policy contains minimum requirements for monitoring and evaluation (M&E) for GEF-funded activities covering project design, application of M&E at the project level, and project evaluation.

17. The Global Fund – *Monitoring and Evaluation Systems Strengthening Tool* – designed as a generic tool to assess the data collection, reporting and management systems to measure indicators of programme and project success.


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### COST RECOVERY POLICIES

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7. **UN** – Financial, Budgetary and Administrative Matters “Request of the ITU for additional support cost reimbursement”, DP/1986/80, 16 April 1986 – provides reference to 13% cost recovery rate on UNDP contributions.
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17. **UNDP** – *Policy on Cost Recovery from Regular and Other Resources*, June 2003 – outlines principles and policy on support costs application, policy regarding General Management Support and Implementation Support Services is presented and applicability and accounting instructions are included.

18. **UNICEF** – *Review of the UNICEF cost-recovery policy*, E/ICEF/2006/AB/L.4, 6 April 2006 – explains the definition of cost recovery and how it is calculated, definition of fixed and variable indirect costs for various divisions and offices.


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**LESSONS LEARNED AND BEST PRACTICES DOCUMENTS**

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4. **UNDP** – “*How to Build Open Information Societies: a collection of Best Practices and Know-How*”, 2004 – presents a collection of knowledge-based best practices accumulated by UNDP in Europe and the Commonwealth of Independent States with the purpose to identify and share UNDP’s know-how by showing how ICT can promote socio-economic development and good governance.


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