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UNDP: MATTERS RELATING TO THE PROGRAMMING CYCLES

Successor programming arrangements

Report of the Administrator

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I. PURPOSE AND BACKGROUND

1. The present report is the fifth in a series of documents prepared over the past twelve months leading up to a decision on the framework for the next programming period, which is scheduled to be adopted by the Executive Board at its annual session 1995. 1/

2. In the fourth document (DP/1995/15 and Add.1) submitted to the Executive Board at its second regular session 1995, the Administrator made recommendations, which, taken as a whole, provide a firm basis for implementing the initiatives for change endorsed by the Board in its decision 94/14. As the Administrator pointed out during the lively informal discussions of the document, the deliberations on the next programming framework have created a collective appreciation of the fundamental and often drastic changes that will be needed to make UNDP as effective as possible in achieving the sustainable human development (SHD) mandate endorsed in that decision, in particular the focus on poverty elimination. In recent years the world has been affected by profound and unrelenting forces of change. Change is also inevitable for UNDP if it is to continue to help countries to progress further along the road of sustainable and people-centred development.

3. The last few years have also witnessed a series of United Nations system conferences which have shaped the development dialogue. The most significant include: the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992; the International Conference on Population and Development, held in Cairo in 1994; the World Summit on Social Development, held in Copenhagen in early 1995; and the forthcoming Fourth World Conference on Women, scheduled for September 1995 in Beijing. Through these conferences, the nations of the world have entered into collective agreements and commitments on development issues that are of key importance from both a national and global perspective. As a central United Nations development agency operating through the widest network of country offices, UNDP has supported programme countries in their preparations for these conferences and has been properly called upon to continue to support national efforts to implement these commitments. The sustainable human development vision is synonymous with the one emerging from these conferences. Thus, the recommendations made by the Administrator for changes in the programming structure of UNDP should also be seen against this larger backdrop.

1/ The first report (DP/1994/20), for the annual session 1994, reviewed the conceptual issues surrounding the main programming framework elements: programming objectives, financing mechanisms, and resource distribution. The second report (DP/1994/59), for the third regular session 1994, assessed the difficulties inherent in the present system and the changing realities of development cooperation, and generated a range of options for each of the main framework elements. The third report (DP/1995/3), for the first regular session 1995, and explanatory notes prepared for subsequent informal sessions, proposed a three-year rolling planning scheme and revised programming procedures, as well as an initial format for resource allocation categories.
4. Pivotal among the recommendations for change being proposed by the Administrator is the structure for financial allocations in the next programming period, including the allocation of country-level resources under a three-tier target for resource assignment from the core (TRAC). During informal discussions, the members of the Board expressed a large measure of understanding of the rationale for this proposal but sought further clarification and elaboration of the procedures and criteria for its operation, in particular how the scheme would function in conjunction with the proposed planning and programming processes outlined in earlier documents. Responding to these requests not only constitutes a major focus of the present document but also serves as an ideal vehicle for the consolidation and integration of the proposals relating to the various elements for programming structure for the next period.

5. To achieve these ends, the remainder of the present report examines the following topics in greater detail: the three-tier TRAC scheme; successor programming arrangements; resource allocation structure; and resource distribution.

6. Finally, it will be necessary for the Executive Board to adopt a comprehensive decision covering all components of the proposed programming arrangements at the annual session 1995. Deliberations on this subject over the past year have permitted an in-depth and iterative review of issues and options related to each of the main components of the programming framework. It is hoped that this prior airing of views will facilitate the building of a consensus on the successor programming arrangements for UNDP.

II. THE THREE-TIER TRAC SCHEME

A. Rationale for the scheme

7. Document DP/1995/15 (paragraphs 12-19) sets out the rationale for the three-tier TRAC scheme proposed by the Administrator. The Administrator has pointed out that the next programming framework must respond to a number of legislative mandates and development cooperation realities, most importantly the three goals and four focus areas endorsed in decision 94/14 on

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2/ The Administrator proposes three separate, but closely related, country-level TRAC facilities. The first facility (line 1.1.1) assigns 25 per cent of core resources immediately to countries, in accordance with the agreed distribution methodology. Under the second facility (line 1.1.2), an equal share is earmarked for each region for subsequent application at the country level. Finally, in the third facility (line 1.1.3), 5 per cent of core resources are set aside for development in countries facing special situations.
the initiatives for change. The next framework must also rectify a number of difficulties inherent in the current structure that may mitigate against the effective implementation of these initiatives. The Administrator firmly believes that these objectives cannot be achieved by marginal or incremental change but rather require a fundamental overhaul of existing structure and the introduction of significant, bold and positive changes in programming arrangements. It may, therefore, be useful at this stage to summarize, in concrete and unambiguous terms, the points of support and the reservations that have been expressed about the proposed arrangements, especially as they compare to the current UNDP system for allocating country resources in UNDP, and those used by some of the other United Nations funds.

1. **Comparison to the current UNDP system**

8. The current indicative planning figure (IPF) system, established in the early 1970s, has outlived its usefulness and does not respond to future needs. The lack of focus and concentration in UNDP country-level activities in the past is properly attributed, at least partly, to inflexibilities in the present system that prevent UNDP from responding effectively to evolving development opportunities and problems. Furthermore, the system lacks incentives to promote greater focus and impact at the country level. The system, while perceived to provide resource predictability, has in fact not done so over the cycles.

2. **Country resource allocation schemes of other United Nations funds**

9. It is relevant to underline that UNDP is the only fund within the United Nations system that operates under an extraordinarily rigid IPF system. In fact, to a great extent, the proposals made by the Administrator are based on the considerably more flexible resource allocation systems already in place in the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA). UNICEF updates its rolling four-year plan biennially. The Executive Director allocates resources among countries mainly on the basis of three weighted criteria: child population, gross national product (GNP) per capita, and

3/ The three principal goals endorsed for UNDP are:
(a) strengthening international cooperation for sustainable human development and serving as a major substantive resource on how to achieve it; (b) helping the United Nations family to become a unified and powerful force for sustainable human development; and (c) most importantly, focusing UNDP resources on making the maximum contribution in programme countries to key dimensions of sustainable human development. The initiatives for change report identified, and the Executive Board endorsed, four areas of programme focus: (a) poverty elimination; (b) job creation; (c) protection and regeneration of the environment; and (d) the advancement of women, as well as means to these ends in which UNDP had demonstrated comparative advantage over the years.

4/ As noted in document DP/1994/59 (paragraph 57), the IPF system has proven a poor predictor of resource availability, with delivery levels varying from 55 per cent of originally targeted resources in the third cycle, to 112 per cent in the fourth, and an estimated 70 per cent in the fifth cycle.
capita and under five mortality rate. However, up to 20 per cent of total estimated resources are allocated to take advantage of new projects and unforeseen needs, granting the Executive Director flexibility to increase resources for countries that offer opportunities to achieve priority programme goals on an accelerated basis, or which face exceptional difficulties.

10. The UNFPA resource allocation system differs from UNDP in several ways, but most importantly because it does not incorporate a concept of "entitlement". The UNFPA Executive Board (which also governs UNDP) established a list of 58 priority countries, specifying that 80 per cent of resources should be allocated to these countries against some broad internal guidelines. The Executive Director establishes individual country resource levels, taking into account expected overall resource availability; needs of the country concerned vis-à-vis other countries; population assistance provided to that country by other donors (as an inverse criterion); and commitment of the government to the programmes as well as an assessment of the absorptive capacity in the country. Once the country programme based upon this level has been approved by the Board, the approved level is not considered to constitute an entitlement but an authorization to the Executive Director to expend resources for the approved purposes within a specified time period. UNFPA also operates a rolling four-year programming cycle under which the periods covered by individual country programmes may differ from one another.

11. Thus, the Administrator is seeking a country-level resource allocation scheme for UNDP which reflects a degree of flexibility similar to, but falling short of, that which already exists in UNICEF and UNFPA and which is suited to the particular development imperatives, mandate and organizational culture of UNDP.

3. Advantages of the three-tier scheme

12. The Administrator's proposal for a three-tier TRAC endeavours to combine the best features of the existing arrangements in UNDP with a number of positive measures designed to address current deficiencies. His recommendations in particular recognize: the need to respond flexibly to changing development situations and improve the focus and concentration of programmes; the need to overcome the stagnation of core resources in recent years; the need to create greater incentives to mobilize non-core resources; and most important, the need to help countries achieve greater impact and effectiveness in their programmes.

13. This proposal also protects the current share of resources available for country programmes. The first facility ensures a degree of predictability for planning purposes while the second facility provides additional incentives for high-priority, high-impact programming and stimulates countries to make greater use of core funding to mobilize additional, non-core resources. UNDP acquires a desirable element of flexibility to respond to evolving development opportunities and needs, thereby enhancing programme focus and quality. Effective redeployment from inactive programmes also becomes possible. Finally, the third facility permits UNDP to respond more quickly and flexibly to countries where special development circumstances require such action. Thus, the proposal makes it possible for UNDP to be of genuine assistance to a
widely differing group of programme countries and maximizes the ability of the organization to mobilize additional resources for their needs.

B. Queries about the scheme

14. During the informal discussions of document DP/1995/15 at the second regular session in April 1995, the members of the Executive Board expressed a range of views on the proposals for a three-tier TRAC. These comments reflected considerable understanding of the impetus for the scheme, and varying degrees of support for it; however, several reservations were also expressed. The Board also sought further clarification and elaboration of how the three-tier TRAC scheme would operate, particularly in conjunction with the proposed planning and programming processes outlined in earlier documents. Among the questions raised were the following:

(a) How does this system safeguard or create the degree of predictability of resources for planning and programming purposes?

(b) How is national ownership of programmes safeguarded, and in particular how will national priorities continue to function as the primary determinant of the country programmes?

(c) What criteria and procedures would be used for the assignment and approval of resources under lines 1.1.2 and 1.1.3, and how would the imposition of "conditionalities" be averted in this process?

(d) Where would the responsibilities for assignment and approval of resources reside under this system, especially for lines 1.1.2 and 1.1.3; how would the scheme maintain and possibly intensify the existing degrees of decentralization in the approval of UNDP assistance?

(e) What measures can be taken to ensure a smooth and gradual phasing in of these markedly different procedures?

C. Introduction of the successor programming arrangements

15. The Administrator agrees that the points summarized above are pertinent and legitimate questions and that effective responses to them must be provided in order for the Executive Board to give full consideration to the approval of his proposals. Responding to these queries also provides an ideal means for consolidating the recommendations on individual programming components into an integrated set of programming arrangements for the next period, as set out in chapter III. While variations on these arrangements are certainly possible, the Administrator believes that the set of processes prescribed, taken together, constitute an effective resolution of outstanding concerns.

16. Most importantly, the Administrator realizes that the arrangements proposed represent a significant departure from existing practice and have therefore not been applied thus far in UNDP. As is appropriate for such innovative measures, he recognizes that after the initial introduction of these new arrangements, the results should be assessed and corrective action taken, if necessary.
17. The approach proposed here dovetails with the immediate programming situation of UNDP, and its expected evolution up until 1997, the first calendar year of the next programming period. UNDP has reached a critical yet promising juncture in the fifth programming cycle and during the next two years will be pursuing a creative phase of innovative programming geared to furthering the implementation of the SHD initiatives endorsed in decision 94/14. Thus, chapter III not only describes how the overall planning, programming, and allocation systems are expected to function once fully operational in the next programming period but also outlines how these new procedures would be handled up until that time.

18. Accordingly, the Administrator proposes that the new programming arrangements outlined in chapter III be applied during the period June 1995-June 1997, culminating in a major review to be submitted to the Executive Board at its annual session 1997. Following this approach should:

(a) Enable the Administrator to implement the initiatives for change with immediate effect and support national endeavours to achieve and sustain human development overall and through the areas of focus;

(b) Ensure a smooth transfer to the new arrangements and build in safeguards to avoid and minimize disruptions to ongoing programmes;

(c) Permit the Executive Board to exercise its oversight role in carrying out reviews and intervene to take corrective action where deemed necessary;

(d) Allow the new arrangements to be extended to the longer term on the basis of experience gained and results achieved during the initial period.

III. SUCCESSOR PROGRAMMING ARRANGEMENTS

A. The programming situation

19. In this chapter, the Administrator describes how the planning, programming, and allocation systems for the next programming period are expected to function once fully operational and also describes what actions will be taken over the next two-years, i.e., July 1995 to June 1997, which have every indication of being a critical and decisive programming period for UNDP.
1. The two-year time frame

20. The selection of the July 1995 through June 1997 time frame for the initial application of the new arrangements is quite deliberate. First, by the end of June 1995, when the decision on the next period is expected to be taken, it is expected that fifth cycle resources will be nearly fully programmed (see subsection III.A.2 below).

21. Second, historical patterns show that because of the nature of lead times required to build programmes, advanced formulation has begun well before the start of the subsequent programming cycle and has generally resulted in the programming of a significant portion of the resources of the subsequent cycle. 5/ In fact, the first official calendar year of a cycle may well be viewed as the third year of programming for that cycle. Thus, a two-year period immediately following the establishment of the next programming framework would represent the first critical horizon for future programming, even though 1997, the official start of the next period, is still a year and a half away.

22. Third and most important, the next two years are an opportune time for UNDP to promote creative and dynamic programming pursuant to decisions of the Executive Board in June 1994 and in line with national priorities. The enabling environment for this innovative programming has already been established through decision 94/14 on the initiatives for change (DP/1994/39), as well as through various related actions already taken at the country level, as described in document DP/1995/31 (also submitted at the annual session 1995). Given that fifth cycle resources are almost entirely programmed, country-level preparations for programming activities anticipated in the next period are already being launched. Thus, a Board decision on the successor programming arrangements could immediately trigger the formulation of a new round of programmes that would promote SHD, in line with the principles embodied in the initiatives for change document. In fact, failure to establish a framework for the next period would plunge many countries into a severe programming hiatus and slow down the pursuit of many attractive prospects for SHD programming.

2. Status of programming as of 30 June 1995

23. In this connection, it is relevant to note the status of fifth cycle programming. First, with respect to the financial status, it is expected that overall, 90 per cent of authorized country IPFs will have been programmed by June 1995; indeed, 84 country programmes (accounting for 41 per cent of total IPFs) will be 100 per cent programmed. Because fifth cycle resources are

5/ To ensure continuous programming and avoid a hiatus between cycles, the Governing Council would normally grant authority to programme resources from the next cycle at the mid-point of the current cycle. (This is when the UNDP financial plan rolls forward to encompass the first year of the next cycle). In the case of the fifth cycle (1992-1996), had the elaboration of new arrangements not been under way, this authority might have been considered in mid-1994.
nearly committed, programme formulation for the next period could begin as soon as the decision on the successor programming arrangements is taken.

24. Second, between June 1995 and 1997 some 40 new cooperation frameworks are slated for Executive Board approval and a further 70 countries are expected to submit a mid-term review of the country programme. This offers considerable opportunity and lead time to reorient new and ongoing programming, in line with national priorities as well as with decision 94/14.

25. Against this background, it is clear that programming the resources of the next programming cycle, in accordance with whatever framework is established by the Executive Board at its current session, can begin immediately following the adoption of that decision. Such programming would be carried out in line with either new country cooperation frameworks approved by the Board or existing country programmes reoriented during mid-term reviews.


26. In document DP/1995/3 it is suggested that voluntary contributions for 1997, the base year for the next period, might be assumed at $1.25 billion. Adjusted for inflation, this is roughly equivalent in real terms to the amount of $1 billion assumed for 1991, the base year of the fifth programming cycle. Taking into account the deliberations on this subject and the current contribution levels, it is more prudent at this stage to assume a figure of $1 billion for each of the three years 1997 through 1999. Thus, for analytical purposes, the initial financial envelope is assumed to be $3 billion for three years. The Administrator considers it a completely inadequate amount, not comparable with the responsibilities of UNDP and the demands upon it and he intends to take all possible actions to achieve increases beyond these resource assumptions. 6/

27. As proposed in table 1, of this three-year envelope of $3 billion, 50 per cent or $1.5 billion will be assigned in equal proportions to the first two TRAC facilities; that is, $750 million (or $250 million annually) to each of lines 1.1.1 and 1.1.2. For line 1.1.3, $150 million (or $50 million annually) would be set aside.

6/ It should be noted that according to current projections, total non-core resources during the period 1997-1999 are also expected to amount to some $3 billion.
4. Possible programme build-up during two-year time frame

28. Based on historical patterns, and various other factors, it is possible to project the programme build-up of the next two years. Projected programme approvals at six monthly intervals over the next two years are summarized below.

<table>
<thead>
<tr>
<th>Projected approvals as of end</th>
<th>Total approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (millions)</td>
</tr>
<tr>
<td>December 1995</td>
<td>240</td>
</tr>
<tr>
<td>June 1996</td>
<td>420</td>
</tr>
<tr>
<td>December 1996</td>
<td>630</td>
</tr>
<tr>
<td>June 1997</td>
<td>920</td>
</tr>
</tbody>
</table>

a/ Assuming programmable resources (under lines 1.1.1 and 1.1.2) of $1.5 billion for the period 1997-1999, as outlined in paragraphs 26-27.

29. The above figures are provided to establish a quantitative estimate of the possible progression of programming during these two years and to permit identification of the various actions the Executive Board and the Administrator may wish to take at different points during this period. This point is reverted to in paragraphs 47-50.

B. Arrangements for the programming of TRAC resources

1. Programming processes at the country level

30. The planning and programming processes under the new arrangements were the subject of extensive discussions at the first regular session 1995 of the Executive Board as well as in the informal consultations that preceded and followed it. These arrangements were originally described in document DP/1995/3 and in explanatory notes provided for the informal consultations.

31. In previous documentation, the UNDP cooperation framework was compared to the current country programme; it was confirmed that national ownership of programming would remain paramount. Under the cooperation framework, country-level programming would continue to be rooted in national priorities, and national planning horizons while reflecting the SHD principles endorsed in decision 94/14. It is important to re-emphasize that national ownership of programmes continues to be the cardinal principle on which UNDP programmes are
based. In fact, the adoption of the programme approach reinforces this principle. The new arrangements seek to enhance further the translation of national priorities into effective and focused national programmes, rather than erode or compromise them.

32. Of particular relevance to the discussion that follows here is the resource mobilization target (RMT) and strategy, which are critical components of the cooperation framework. The RMT covers activities to be financed from all resources managed by UNDP (both core and non-core), of which the target for resource assignment from the core (TRAC) would constitute an important part. It should be re-emphasized that the TRAC would cover resources from both lines 1.1.1 and 1.1.2.

33. Recognizing the need to establish a planning figure, it is clear that the country amount determined under the resource distribution methodology for line 1.1.1 would be available for programming for the period 1997-1999, and that this figure could be extrapolated, as necessary, to cover the full duration of the cooperation framework. For planning purposes, it can be presumed that under the appropriate conditions, an additional amount, roughly comparable to the amount under line 1.1.1, could be available under line 1.1.2. Both amounts should be seen as targets rather than firm funding allocations, and would ultimately depend upon the actual level of voluntary contributions to the core, as well as the programming situation in each country.

34. It must also be stated unambiguously that programming under both lines 1.1.1 and 1.1.2 are expected to conform to the SHD framework endorsed under decision 94/14 and that no distinction would be made between the two facilities in this respect. Also, once resources from both lines have been assigned (as described below), they may indeed be treated as part of the same pool, with no essential differences being made with regard to programming purpose, or the rigorous application of criteria for their use.

2. Resource assignments and their decentralized management

35. The present section describes the processes that would govern the assignment of country-level resources under lines 1.1.1 and 1.1.2 and also examines the issue of decentralization of programming authority within UNDP. Although the procedures for lines 1.1.1 and 1.1.2 are described separately for the purpose of the present discussion, in practice they would be dealt with simultaneously.

36. It may also be useful to distinguish between the concepts of resource assignment and approval authority. Assignment refers to the establishment of an overall envelope of country-level programming resources that will be earmarked for management by the resident representative in consultation with the government. Approval authority refers to the delegated financial limits established for the actual commitment of these resources to individual programmes and projects, in line with approved country programmes/cooperation frameworks and established appraisal and approval criteria.
Resource assignments under line 1.1.1

37. Upon the approval of a three-year programming framework for the next period, as set out in paragraphs 26-27 above, the Administrator intends immediately to allocate line 1.1.1 resources to countries ($250 million annually or $750 million for the three-year period) according to the agreed resource distribution methodology. As noted in paragraphs 23-25 above, in addition to the new cooperation frameworks expected in the coming period, a considerable number of existing country programmes would be adjusted and reoriented, through the mid-term review and programme appraisal and approval procedures, in order to bring programming into line with the SHD framework approved by the Executive Board in decision 94/14.

Resource assignments under line 1.1.2

38. Resources under line 1.1.2 are intended to provide special incentives to improve programme quality, achieve focus and further the programming objectives set out in the initiatives for change, including in particular, the commitment to poverty elimination. For effective application, it is recognized that these resources should be delegated for management at the country level to the maximum extent possible. To this end, the Administrator intends to establish procedures by which a determination is made of the level of 1.1.2 resources that should be assigned for direct management at the country level by the Resident Representative. These procedures will ensure that such determinations include consultations with the government of the country concerned. This determination will be based primarily on: programme quality, including the degree to which programme proposals are aimed at promoting high-leverage activities in the SHD focus areas, particularly poverty elimination and the enabling environment required for that objective; special needs and opportunities for capacity-building; and the potential for mobilization of external resources for these programmes.

39. On this basis, resources under 1.1.2 could be delegated to the country level up to an amount roughly comparable to the 1.1.1 level should the Administrator determine that the circumstances justify it. Indeed, it is the differing circumstances in countries that provide the Administrator with a  

7/ This is supportive of the commitments adopted at the World Summit for Social Development (WSSD) in March 1995, particularly commitments 1 and 2. The first commitment focuses on creating an "economic, political, social, cultural and legal environment that will enable people to achieve social development". At the international level, this commitment calls for the promotion and implementation of "policies to create a supportive external economic environment". The second commitment focuses on the goal of "eradicating poverty in the world through decisive actions and international cooperation, as an ethical, social, political and economic imperative of humankind". In particular, this commitment encourages all international donors to support policies and programmes relating to people-centred sustainable development; and to assess their programmes in consultation with the concerned developing countries to ensure the achievement of the agreed programme objectives; and to seek to ensure that their own policies and programmes will advance agreed development goals that focus in meeting basic needs for all and eradicating absolute poverty.
measure of flexibility and the ability to exceed these levels in certain cases. Resident representatives may subsequently request the assignment of further 1.1.2 funds beyond the level originally assigned. The Administrator would exercise flexibility in such further assignments, taking into account estimates of the availability of unassigned 1.1.2 resources for the region, and the potential for redeployment from inactive or partially inactive programmes.

40. In this connection, it is important to note that the intent of the regional assignment under this line is to ensure that each region receives a predictable, fixed share of overall resources; it is not meant to shift decision-making from the country level to UNDP regional bureaux.

41. Once TRAC resources have been assigned to the country level, resident representatives would continue to be delegated considerable authority to approve individual programmes and projects in accordance with the cooperation framework (or country programme) approved by the Executive Board. These levels of delegated approval authority have been increased recently, following the adoption of the programme approach. 8/

42. As line 1.1.2 is seen as an instrument for achieving and catalyzing activities in the SHD focus areas, resident representatives will be held accountable for applying these resources in such a fashion. As with 1.1.1 resources, resident representatives are also accountable for the rigorous application of the criteria established for the appraisal, approval and financing of programmes and projects (as described below).

3. Programming criteria

Design criteria

43. Over the years, UNDP has honed a set of appraisal and approval criteria for the design of effective programmes and projects. The purpose here is not to describe these criteria, but rather to clarify that they translate accumulated substantive and technical knowledge into a set of operational guidelines aimed at enhancing the quality and development impact of planned activities. These performance-based criteria help to determine adherence to certain substantive design standards (e.g., those for gender and environment issues) and ensure proper internal consistency of basic programme/project components, verifying, for instance, the balance and relationship of project inputs and outputs, and that objectives are realistic in operational terms and can achieve development impact in line with national goals. These criteria are applied in the context of specific country circumstances, and in collaboration with government and, as appropriate, United Nations system partners. The overriding motive in applying such performance-based criteria is to ensure that UNDP interventions in support of national programmes are well conceived, benefit from the lessons of substantive experience, and thereby achieve their intended development impact in a cost-effective manner.

8/ In general under the current arrangements, major programmes valued at more than $3 million and projects over $1 million are approved by UNDP headquarters. After a programme is approved in principle, implementation budgets are approved by the resident representative at the country level.
Programmable objectives

44. In previous programming cycles, the Governing Council would establish a set of programming objectives that served as the underlying platform for the application of these design criteria. In adopting decision 94/14, the Executive Board has endorsed a set of goals and objectives for programming in the next period, which include a set of focus areas as well as means to pursue these ends through patterns of intervention in which UNDP has demonstrated comparative advantage. This decision thus constitutes the underlying context for the application of established appraisal and approval criteria in the next programming period.

45. The principles embodied in decision 94/14 indicate that programmes and projects should be designed to achieve measurable impact and capacity-building targets in accordance with SHD precepts; conform to articulated national priorities and reflect tangible national commitment in the assignment of national human and financial resources; conform to the overall programme, strategic themes and focus areas endorsed by the Executive Board in the country programme or cooperation framework; permit exploitation of patterns of intervention in which UNDP has demonstrated its comparative advantage; and help mobilize additional, external resources.

Conditionalities

46. This package of programming objectives should not be misconstrued as incorporating "conditionalities". Greater focus in programme content is a key aspect of the programme approach and is mandated by decisions of the Governing Council and Executive Board stretching back to 1990. Focus is not conditionality. Similarly, the application of programme evaluation criteria (enumerated above) that are designed to achieve development impact and results is not conditionality. Conditionalities of the type frequently imposed by some development assistance institutions would compromise the neutrality that is a hallmark of UNDP cooperation. It is through the application of established criteria under a coherent set of programming objectives that UNDP attains full practical expression of its neutrality. The Administrator will, therefore, remain vigilant to eschew factors, outside of recognized criteria, which may be viewed as "conditionalities".

4. Executive Board review of the arrangements

47. As indicated in paragraph 29, the Administrator envisages two important points at which the Executive Board can exercise its oversight responsibilities during the implementation of the new arrangements.

48. The first will occur during the annual session in June 1996. The Administrator intends to provide a report to the Executive Board at this session highlighting any issues that may have arisen in the early operation of the new programming arrangements and in the continuing implementation of the initiatives for change. This report will be for information only and no decision by the Board would be expected at that time.

49. The second and more important point will occur during the annual session in June 1997. By that time, as discussed in paragraphs 28-29, the combined
programming under the two TRAC lines would likely have reached over 60 per
cent of estimated resources for 1997-1999. This could clearly be considered
to constitute a critical mass of programming under the new arrangements,
therefore permitting a thorough review by the Executive Board at that time.
For this purpose, the Administrator will provide the Board with a full
analysis of the experience under the new arrangements including: progress in
achieving increased focus in programming in line with decision 94/14; the
degree to which the initiatives for change have been implemented at the
country level; and whether the application of the three-tier TRAC system has
been carried out in an appropriate and equitable fashion. The report of the
Administrator will set out progress in both substantive and financial terms.

50. This review should enable the Executive Board to decide upon: any
revisions in the overall resource projections and earmarkings; any amendments
that may be required in the structure of table 1 and the programming
arrangements; and other changes it may wish to make to the arrangements.
Additionally, this review will also provide the Board with an opportunity to
decide whether the programming period from 1997 onwards should operate with a
rolling feature. A decision on this matter, in fact, need not be taken before
the end of 1997 when, if so decided, the programming period would be "rolled"
forward for the first time to cover the years 1998-2000.

IV. RESOURCE ALLOCATION STRUCTURE

A. Introduction

51. Table 1 of document DP/1995/15 outlined a broad set of resource
allocation categories for the next programming period. In informal
discussions of this framework during the second regular session in April 1995,
members of the Executive Board were generally supportive of this simplified
financial framework noting that the categories provided a more cogent basis
for rationalizing earmarkings than do fifth cycle labels; and that appropriate
levels of resources were set aside for the various programme purposes.
Several queries were, however, raised on a number of specific earmarkings.

52. The Executive Board also requested additional information about certain
of the subcategories proposed and suggested that the relative shares assigned
to some of these be adjusted. Without reiterating the justification for each
of the earmarkings that has already been provided in document DP/1995/15, the
present chapter provides additional information to respond to the outstanding
points raised on some of the earmarkings and also proposes some further
refinements in table 1.

2/ Category 1.0 (programmes/projects) covers the bulk of UNDP
resources that traditionally flow to country and the intercountry activities
and together with category 2.0 (programme development and technical services)
provides financial facilities for the full spectrum of support activities
required over a project/programme period. Category 3.0 sets aside resources
for UNDP support to the United Nations system and resident coordinator
functions. To complete the picture, category 4.0 covers the administrative
and programme support costs of the biennial budget.
Table 1. UNDP core resources by main categories: comparison of fifth cycle and proposed annual earmarkings

<table>
<thead>
<tr>
<th></th>
<th>Earmarkings during fifth cycle</th>
<th>Proposed percentage earmarkings for next period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Footnotes</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(millions)</td>
</tr>
<tr>
<td><strong>1.0 Programmes/projects</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Target for resource assignments from core (TRAC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.1 Assigned immediately to countries</td>
<td></td>
<td>526</td>
</tr>
<tr>
<td>1.1.2 Assigned regionally for subsequent country application</td>
<td></td>
<td>539</td>
</tr>
<tr>
<td>1.1.3 Resources for development in countries in special situations</td>
<td>g/</td>
<td>13</td>
</tr>
<tr>
<td>1.2 Regional</td>
<td></td>
<td>56</td>
</tr>
<tr>
<td>1.3 Global, interregional and special activities</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Evaluation</td>
<td>h/</td>
<td>1</td>
</tr>
<tr>
<td>1.5 Special resources for TCDC activities</td>
<td>c/</td>
<td>2</td>
</tr>
<tr>
<td>1.6 Resources for implementation</td>
<td>d/</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td></td>
<td>58</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>678</td>
</tr>
<tr>
<td><strong>2.0 Programme development and technical services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 UNDP programme support and development activities (PSDA)</td>
<td>g/</td>
<td>33</td>
</tr>
<tr>
<td>2.2 United Nations system support for policy and programme development (SPPD)</td>
<td>f/</td>
<td>16</td>
</tr>
<tr>
<td>2.3 Technical support services from United Nations specialized agencies</td>
<td>g/</td>
<td>11</td>
</tr>
<tr>
<td>2.4 Other</td>
<td>h/</td>
<td>35</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>95</td>
</tr>
<tr>
<td><strong>3.0 Support to United Nations system and aid coordination</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Programme support to the resident coordinator/aid coordination</td>
<td>j/</td>
<td>43</td>
</tr>
<tr>
<td>3.2 Support to United Nations operational activities</td>
<td>j/</td>
<td>43</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>43</td>
</tr>
<tr>
<td><strong>4.0 Biennial budget</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 UNDP headquarters</td>
<td></td>
<td>70</td>
</tr>
<tr>
<td>4.2 UNDP country offices</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>170</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>986</td>
</tr>
</tbody>
</table>

For footnotes see page 17.
Footnotes to table 1.

a/ While the proposed earmarking will encompass a wider range of activities, the current earmarking finances SPR category A: Disaster mitigation and SPR subcategory lines: C2: Special Plan of Economic Assistance to Central America; C3: Programme of Action for African Economic Recovery and Development; and F: Assistance to the Palestinian people.

b/ Currently funded from SPR subcategory line E2: Programme evaluation/training.

c/ Currently funded from SPR subcategory line B4: Technical cooperation among developing countries (TCDC).

d/ Represents reimbursement of Administrative and Operational Services (AOS) to implementing agencies, including United Nations agencies, for implementation of projects.

e/ Currently established as programme support and development activities (PSDA). Under proposed percentage earmarkings, the 0.3 per cent decrease from the fifth cycle percentage earmarking pertains to development support service, which will be accommodated under line 3.1: Programme support to the resident coordinator/aid coordination.

f/ Currently established as the TSS-1 component of the support cost arrangements, as well as a sectoral support facility financing technical services from the smaller technical agencies.

g/ Currently established as a technical support facility at the project level (TSS-2) for the five large agencies. TSS-2 is used to finance technical support services from the agencies at all stages of the project cycle, including project formulation and project monitoring and backstopping.

h/ Includes SPR category B: Thematic activities; SPR category C: Other special and/or new activities; SPR category D: Aid Coordination; SPR category G: Contingencies; SPR subcategory line E1: Project Development Facility; SPR subcategory line E3: Programme research; and UNIDO Country Director and Special Industrial Services (SIS) programmes.

i/ No formal earmarking is presently made for programmatic support to the resident coordinator.

j/ Represents UNDP country office support to United Nations operational activities as formally recognized at the level of 29 per cent of total UNDP country office costs in the presentation of the UNDP biennial budget estimates.

For additional information on the application of the proposed earmarkings reference may be made to document DP/1995/15 (paragraphs 27 to 94) and the synopsis of the main document provided in DP/1995/15/Add.1 (paragraphs 21 to 28).
B. Refinement of the resource allocation structure

53. Taking into account the comments and suggestions made during the informal discussions of the allocations proposed in table 1 of document DP/1995/15, some refinements have also been introduced to table 1, which represents the financial framework for the next programming period. These refinements are as follows:

(a) In recognition of the support expressed for the technical cooperation among developing countries (TCDC) modality, line 1.5 has been increased to 0.5 per cent. This has been achieved through a reduction of line 1.4 for evaluation to 0.3 per cent.

(b) On line 3.1 for programme support to the resident coordinator, the figure previously shown under the fifth cycle earmarking column has proven to be misleading. This amount accounted for the aid coordination SPR, which would be cancelled as a separate earmarking under the new structure. Therefore, in the revised table 1, this fifth cycle earmarking has been moved to line 2.4: Other, which covers former earmarkings that would be eliminated under the new framework. Thus, the proposed earmarking for resident coordinator functions under line 3.1 is shown as an entirely new allocation for the next period and should be assessed on its own merits, not against the earlier, and very modest SPR for aid coordination. Further information on this line is provided in the section below.

C. Additional information on specific earmarkings

1. Resources for development in countries in special development situations (line 1.1.3)

54. Line 1.1.3 sets aside 5 per cent of core resources for development in countries facing special situations. The creation of this line incorporates the support provided to disaster mitigation activities in the fifth cycle, 10/ and also responds to suggestions that a modality be established to permit UNDP to respond more quickly to situations that have heretofore come to the Executive Board for ad hoc action (e.g., Albania, South Africa, Haiti in the current programming cycle).

55. As stressed by the Administrator during the second regular session 1995, in today’s world, it is critical for UNDP, as a leading United Nations development institution, to surround the full spectrum of special situations, emergencies and severe economic crises with supportive "cushions" of preventive and curative development. The resources under this facility are not intended to supplement humanitarian and peace-keeping funding, but rather would be entirely directed to preventative and curative development activities, especially those aimed at reducing and eliminating the causes of emerging crises.

10/ This covers categories: A1. Disaster preparedness and management; A2. Emergency relief; A3. Reconstruction and rehabilitation; and A4. Refugees, displaced persons and returnees.
56. The precise nature of the special situations that may arise during the next programming period cannot be predicted in advance, which is why these funds cannot be pre-allocated. However, the bulk of resources under line 1.1.3 is expected to be allocated to low-income countries and least developed countries (LDCs), in that the underlying conditions in such countries are often associated with the emergence of various kinds of development crises. The Administrator will consult with the Directors of the Regional Bureaux and concerned resident representatives to identify special development situations that exist or that may emerge in the coming period, and which clearly call for special preventative and curative development activities. He will also be guided by considerations similar to those taken into account by the Executive Board in deciding on the ad hoc allocation of additional programming resources during the fifth cycle (as noted in the above paragraph). Among these factors are: the relative projected needs of the affected countries; the status of programming of other UNDP-managed resources available to those countries; and the potential for using the resources assigned to mobilize significant non-core funding for development activities.

57. As mentioned in paragraphs 47-50 on Executive Board reviews, the Administrator would include in his report to the annual session 1996 financial and substantive information on the programming of resources under line 1.1.3 up until that time. A full review of the experience with line 1.1.3 would be included in the full-scale review to be submitted to the Board in June 1997.

58. Attention is called to the fact that it may be necessary for the Administrator to use line 1.1.3 to make a special earmarking for the Programme of Assistance to the Palestinian People, as was done in the fifth cycle.

2. Regional programmes (line 1.2)

59. The purposes and benefits of regional programmes were described in paragraphs 49 and 50 of document DP/1995/15. The Administrator is gratified to note the support given during the informal discussions to the proposed increase for regional programmes.

3. Global and interregional and special activities (line 1.3)

60. A conference room paper (DP/1995/CRP/3) was distributed at the second regular session in April 1995 in order to provide additional information on the intended application of resources under line 1.3. For ease of reference, this information is summarized and augmented in the paragraphs below.

61. As an international development organization, UNDP is well-positioned to assist both in building capacity at the country level as well as in helping establish global partnerships that can: (a) frame common goals and reciprocal obligations; (b) mobilize resources for country-level activities; and (c) exchange operational experience, technological innovation and action-oriented research. The rapidly changing socio-economic and natural environment makes it necessary for UNDP to have a separate resource allocation to address this latter group of initiatives, which would operate on the global and interregional planes. These global activities would, of course, continue to be carried out in close consultation with programme countries, and indeed have as their primary objective the formulation and implementation of viable
Country programmes that are adequately funded and enriched by international commitments and the worldwide experience and research on key aspects of sustainable human development.

62. Two additional points should be noted. In this era of international programmes, conferences, conventions, agreements and thematic funds, UNDP must have the capacity to operate at the global and interregional levels if it is to perform any of the three missions assigned to the organization in 94/14 (see footnote 3). In particular, without global and interregional activities, UNDP will be hobbled in its ability to help inform and shape international initiatives and mobilize financial, technological and informational resources for country programmes. UNDP must allocate resources to fulfill its role pursuant to its mission to strengthen international cooperation for SHD, and provide substantive ideas on how to achieve it. Policies set externally to programme countries can dramatically affect in-country prospects for development. UNDP has a vital role to play in helping to elucidate these relationships and frame policy choices for decision-makers.

63. The experience of the fifth cycle underlined the considerable gains to programme countries that would result from merging global and interregional programmes with those funded by the thematic SPRs. The merged programme would provide a powerful impetus for country-level efforts and international partnerships related to SHD. The resources of the merged programme would also provide a compelling catalyst for mobilizing additional resources from both the public and private sectors. For instance, there is a pressing need to develop new and innovative mechanisms for cooperation with the private sector, especially in technology.

64. With these resources, global programmes will:

(a) Promote interregional and global partnerships (both north-south and south-south) and mobilize resources for innovative responses to important development issues; and

(b) Stimulate and support global-level research to promote sustainable human development, thereby enabling countries to access the most effective scientific and technological innovations and enhance their capacities in these areas. UNDP should play an important role in promoting a research agenda responsive to programme country needs as well as in supporting capacity-building for conducting research in these countries. Research will emphasize practical relevance, application and adaptation of science and technology to programme-country conditions.

65. In a closely interrelated manner, interregional and special programmes will:

(a) Assist programme countries to meet the national commitments they have made in the programmes of action established by United Nations conferences held since 1990, by funding the analysis and dissemination of successful experience in strategic areas, such as people-centred macro-policies, an enabling environment to generate strategies for sustainable human development, poverty eradication and employment, and the formulation of gender-sensitive and environmentally sound national plans. This work will
also lead to the development of methodologies for sustainable human
development that can be adapted to specific country conditions;

(b) Expand and test strategies to support SHD overall, and the key
areas of poverty eradication, employment, gender, and environment. Programmes
will disseminate and exchange experience by: enhancing programme country
access to and application of new knowledge, systems and technologies;
promoting practical learning experiences; and developing appropriate tools,
networking mechanisms and training materials; and

(c) Support pilot country initiatives in the UNDP focus areas,
including poverty eradication, employment, gender and environment, for
exchange between and across regions, and fund innovative demonstration
projects in new approaches and technologies so as to enable programme
countries to skip stages in their efforts to improve people's lives and
compete in the international arena.

66. Global and interregional programmes will be implemented in collaboration
with experts and institutions in developing countries, United Nations
agencies, the academic community, international centres of excellence,
national and international NGOs and the private sector. As noted earlier, for
a fuller description of the areas covered by the merged programme, reference
may be made to document DP/1995/15 (especially paragraphs 61 and 62).

4. United Nations system support for policy and programme development
   (line 2.2)
   Technical support services from United Nations specialized agencies
   (line 2.3)

67. A description of the kind of activities to be supported under these two
categories is provided in paragraphs 81 to 87 of document DP/1995/15. A
separate report on the proposed modalities for access to these two facilities
will be submitted to the Executive Board at its third regular session in
August 1995, in the context of regular reporting on support costs
arrangements.

68. In this connection, the possible need to provide a modest 1997
allocation to facilitate the phasing-out of the previous allocation for the
United Nations Industrial Development Organization (UNIDO) country director
posts (as explained in document DP/1995/15, paragraph 89) should be noted.
This matter was raised during the informal discussions at the second regular
session 1995, and the Executive Board will need to consider whether to include
such a one-time allocation in the overall resource allocation table for the
next programming period.
5. Programme support to the resident coordinator/aid coordination

69. During the second regular session 1995, the Administrator made it clear that he considers the proposed allocation for funds under line 3.1 for the resident coordinator function UNDP's ticket to the future. Various forums have given UNDP the legislative mandate to enhance United Nations system coordination but giving practical expression to this mandate requires tangible support. The legislation has recognized coordination as a tremendous task of considerable benefit to the programme countries. Considering the enormity and the importance of this task, a rather modest sum has been proposed for these purposes in the next programming period.

70. This new facility for coordination offers extraordinary opportunity in two major areas. The first exists with respect to the promotion of major programmes at the country level and the mobilization of resources for their realization. This is particularly true of programmes related to preventive and curative development, which require the full commitment of the entire United Nations system as well as that of the wider international community. The United Nations system, working together in a well-orchestrated manner, can provide immense support to a country in obtaining increased leverage with the international community.

71. Secondly, enhanced coordination activities offer a more rigorous means for undertaking initiatives that will help to reduce the present administrative expenditures at country level, for instance, through the rationalization of common services and premises. Enhanced coordination in this arena could consequently result in the release of considerable funding for direct programming.

V. RESOURCE DISTRIBUTION

A. Introduction

72. In his report for the second regular session of the Executive Board (DP/1995/15), the Administrator provided an analysis of the current methodology for resource distribution and proposed various alternatives for consideration. The informal discussions of these alternatives made it clear that the second option presented in table 7 of that report should form the basis for resource distribution in the next programming period, with the introduction of certain refinements. In particular, these refinements were to attempt to continue to increase progressivity in UNDP resource allocations, with emphasis on low-income countries and LDCs.

73. It may be recalled that this "second" option used GNP per capita and total population for each country, and envisaged the elimination of supplementary points, the weakening of floors, calculation of 6 per cent bonus for LDCs, and the establishment of increased thresholds for graduation. 11/ The distribution that resulted from this option is repeated in column 2 of table 2 below.

11/ For a fuller discussion of these factors as applied in option 2, see document DP/1995/15, paragraphs 95 to 108.
B. Refinement of the distribution option

74. Further refinements of this distribution option have now been made. These have been achieved mainly through the use of more recent World Bank data on GNP per capita and population. The resulting distribution, shown in column 3 of table 2 increases the allocation to LDCs to 57.7 per cent from the 56.6 per cent reported earlier. Small changes in the allocation to individual regions have also resulted from these refinements. In this context, it should be noted that final establishment of the resource allocations will be based on 1994 GNP per capita data, which are expected to be available by the third quarter of 1994. The figures cited in column 3 of table 2 should, therefore, be considered tentative at this stage.

Table 2. Illustrative options for percentage resource distribution

<table>
<thead>
<tr>
<th>Regions</th>
<th>(1) Fifth cycle distribution</th>
<th>(2) Option 2 (as reflected in DP/1995/15)</th>
<th>(3) Option 2 refined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>45.8</td>
<td>44.5</td>
<td>44.9</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>36.6</td>
<td>36.3</td>
<td>36.1</td>
</tr>
<tr>
<td>Arab States</td>
<td>7.6</td>
<td>7.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>7.8</td>
<td>6.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Europe and the Commonwealth of Independent States</td>
<td>2.2</td>
<td>5.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Countries with GNP &lt;= 750</td>
<td>87.0</td>
<td>87.8</td>
<td>87.8</td>
</tr>
<tr>
<td>LDCs</td>
<td>58.2</td>
<td>56.6</td>
<td>57.7</td>
</tr>
</tbody>
</table>

a/ Basic criteria: GNP per capita and total population using 1989 data; supplementary points; floors (100%, 90% and 80%); and thresholds for graduation ($3,000 and $6,000).

b/ Basic criteria: GNP per capita and total population; no supplementary points; bonus for LDCs (6 per cent); reduced floors (90%, 80% and 70%); and increased thresholds for graduation ($4,700 and $7,500); data used: 1993 or latest estimated GNP per capita and population received as of January 1995.

c/ Same criteria as b/ above; data used: 1993 GNP per capita and population received from the World Bank as of April 1995; for some countries, OECD estimates used.
75. Any further changes in the distribution of resources beyond that shown in column 3, is possible only by changing basic parameters of the model such as the floor supplements, weights assigned to the primary indicators, and the LDC bonus rate. While such modifications are certainly possible, the resulting resource distribution would cause serious distortions in the regional earmarkings and might well be inconsistent with other aggregate indicators, and development requirements, as discussed in paragraphs 75-76. For this reason, the Administrator would recommend that the Executive Board approve the methodology and parameters underlying the model proposed in column 3, subject only to adjustments based on final 1994 data on the primary indicators to be received later this year.

C. Graduation

76. The current provisions with respect to graduation and the Administrator's recommendations for increasing graduation thresholds were discussed in paragraphs 112-118 in document DP/1995/15. The effects upon graduation of the adjustments discussed above are shown in table 3. The use of the increased thresholds originally recommended in document DP/1995/15, together with the new adjustments in the distribution option, results in a total of 26 net contributor countries (NCCs), 6 of which are new (column 3, table 3).

77. If the current thresholds were continued under this option, 33 countries would attain NCC status in the next period, of which 13 would be new (column 2, table 3). The (reimbursable) resources assigned to these countries would amount to 0.63 per cent. The cost of increasing graduation thresholds may be considered to be 0.33 per cent.

Table 3. Effects of graduation

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of NCCs</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>No. of new NCCs</td>
<td>---</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>% of total IPF or TRAC resources</td>
<td>0.25%</td>
<td>0.63%</td>
</tr>
</tbody>
</table>

a/ Graduation thresholds of GNP per capita $3,000 and $6,000 ($4,200 and $7,500 for islands).
b/ Thresholds retained from fifth cycle.
c/ Graduation thresholds increased to GNP per capita $4,700 and $7,500.
D. Increasing progressivity of UNDP resource allocations

78. The Administrator is pleased to note that UNDP continues to be one of the most progressive of all development assistance institutions in terms of the percentage of total resources allocated to low-income countries, including in particular to LDCs. Table 4 below shows the allocations made to these categories of countries over the last five cycles, as well as the projections for the next programming period.

Table 4. Country resource distributions by percentage share

<table>
<thead>
<tr>
<th>Regions</th>
<th>(1) First cycle</th>
<th>(2) Second cycle</th>
<th>(3) Third cycle</th>
<th>(4) Fourth cycle</th>
<th>(5) Fifth cycle</th>
<th>Successor programming arrangements b/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa a/</td>
<td>29.1</td>
<td>33.2</td>
<td>37.3</td>
<td>39.9</td>
<td>45.8</td>
<td>44.9</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>25.9</td>
<td>35.2</td>
<td>41.5</td>
<td>40.5</td>
<td>36.6</td>
<td>36.1</td>
</tr>
<tr>
<td>Arab States</td>
<td>17.1</td>
<td>12.6</td>
<td>9.1</td>
<td>8.7</td>
<td>7.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>21.2</td>
<td>15.1</td>
<td>10.0</td>
<td>9.3</td>
<td>7.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Europe and the Commonwealth of Independent States</td>
<td>6.7</td>
<td>3.9</td>
<td>2.1</td>
<td>1.6</td>
<td>2.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Countries with GNP&lt;=750</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>69</td>
<td>81</td>
<td>84</td>
<td>87</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>LDCs</td>
<td>33</td>
<td>43</td>
<td>52</td>
<td>55</td>
<td>58</td>
<td>58</td>
</tr>
</tbody>
</table>

a/ The percentages shown against Africa include allocations for sub-Saharan African countries only, consistent with the clustering of programme countries assigned to the Regional Bureau of Africa. However, if the countries on the African continent as a whole were used instead in these calculations, the percentage shares for Africa for the first through fifth cycles would be 38.5, 40.3, 43.3, 45.7 and 51.2 respectively. Under the successor programming arrangements, the share would be 50.8 per cent.

b/ As proposed in table 2, column 3.
79. The Administrator is particularly gratified to note that under the distribution scenario set out in table 2, column 3, UNDP would continue to allocate the bulk of its resources to the Africa region. This is particularly relevant in the context of the commitments of the recent World Summit on Social Development, which call for an increased flow of development resources to the Africa region.

Use of primary indicators and progressivity

80. As the Executive Board is aware, the distribution of resources in UNDP is primarily based on GNP per capita and population. As has already been discussed in earlier reports (DP/1994/59 and DP/1995/15), while GNP per capita continues to be a robust indicator of the economic performance of a country, it does not capture income disparities and distribution of income among its population. As a result, the distribution of programme resources in UNDP, while progressive when measured against average-income levels, is not directly related to the size of the population living under the poverty line in a country and/or region. It is for this reason that the Administrator suggested earlier using population under the poverty line as a primary indicator in addition to GNP per capita, but had concluded subsequently that because of the current lack of availability of reliable data for all programme countries, it would not be possible to do so immediately.

81. It is also interesting to note that the allocation of resources to the Africa region is even more impressive when viewed against the distribution of the populations living under the poverty line around the world. While approximately 20 per cent of the total poor population lives in Africa, almost 46 per cent of total UNDP programme resources are currently allocated to this region, mainly in recognition of its enormous development requirements, the deterioration in its other economic and social indicators, and in response to repeated calls by the international community for increased resources to the region.

82. The Administrator would also like to point out that the allocation to LDCs during the next period is in fact expected to exceed the 58 per cent shown in column 6 of table 4. This is because a significant portion of resources under line 1.1.3 is expected to be allocated to this category of countries, if current trends continue.

VI. CONCLUSION

83. In the present report, as well as in the four previous reports (see footnote 1) on this subject, the Administrator has provided the Executive Board with an extensive analysis of the issues relating to the next programming period. He has also made specific recommendations for the establishment of the successor programming arrangements. It is hoped that at the current session, the Board will adopt a decision establishing the framework for the next programming period which will cover all its constituent components, including financial and programming arrangements, resource distribution and monitoring and review mechanisms.