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UNDP: REVIEW OF THE SUCCESSOR PROGRAMMING ARRANGEMENTS

SUMMARY

The present report on successor programming arrangements responds to paragraph 29 of decision 95/23, in which the Executive Board called for a full-scale review of the introductory period for the purpose of assessing experience and determining such changes as may be necessary.

The implementation of the current programming arrangements dates from late 1995. The scope of the present review is therefore that of a preliminary stock-taking, representing work-in-progress towards reforming and equipping UNDP to play its part in the United Nations of the future.

The review synthesizes the results and lessons learned in applying the programming arrangements to date and, identifies issues and constraints that have emerged. A desk review of the programme documentation from 108 countries submitted through early 1998 shows that the programming arrangements have contributed to sharpening programme focus. Similarly, the arrangements have also fostered the application of other programming principles embodied in the decision. The overriding constraint has been the lower-than-anticipated contributions to UNDP core resources.

Because the 1997-1999 financial framework adopted in decision 95/23 expires in about fifteen months, the report also provides information regarding: (a) the necessary mid-term adjustments to the financial parameters for that period due to a foreseen shortfall of resources of more than 30 per cent against the targets set in decision 95/23 and (b) possible resource scenarios and baseline data for decisions with regard to the financial framework and financial parameters for the period 2000-2002.

Accordingly, the report should be read in conjunction with the paper prepared by the Open-ended Working Group for a Funding Strategy in response to decision 98/3 (DP/1998/CRP.12).
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I. INTRODUCTION

1. In paragraph 29 of decision 95/23 on the successor programming arrangements, the Executive Board decided to carry out a full-scale review of the introductory period for the purpose of assessing experience and determining such changes as may be necessary. At its second regular session 1997, the Board took note of document DP/1997/CRP.7, which indicated that the review would also assess experience in relation to decisions 94/14 on initiatives for change, 96/7 on country cooperation frameworks, and 96/31 on support costs.

2. Since 1996, separate documents on a number of the individual elements of the programming arrangements have been submitted to the Executive Board, with others scheduled in coming sessions (see annex I). The present document assesses the overall experience with the arrangements, covering the broad headings of decision 95/23.

3. The review focuses on progress achieved, problems observed, lessons learned, and follow-up actions taken or planned, especially in relation to the results-orientation, decentralization and simplification emphases of the change process, UNDP 2001. The review also provides information to support deliberations on some refinements to the arrangements that the Executive Board may wish to consider.

4. To anchor the exercise in country realities, a desk review of the programme documentation approved by early 1998 for 108 programme countries was included. The 104 country cooperation frameworks (CCFs) in this group represent about 60 per cent of the total number of expected CCFs and account for some 63 per cent of TRAC-1 earmarkings. A more detailed examination was carried out for the CCFs of a representative group of 30 programme countries, which collectively represent 32 per cent of total target for resource assignment from the core (TRAC)-1 earmarkings. Consultations took place in nine of these countries, and also with representatives of the United Nations agencies and of missions to the United Nations and senior officials based in the capitals of major contributor countries (further information is provided in annex I).

5. Coming some 15 months prior to the end of the initial resource planning period (1997-1999), the review also serves as an occasion to consider any necessary mid-term adjustments to the financial parameters for that period, and most importantly, to establish the planning figures and financial parameters for the next period, 2000-2002. Detailed information on the financial situation for the current planning period is provided in annex II.

6. It should be noted that the word "successor" has been dropped from the term programming arrangements throughout the remainder of the present report, as it does not seem necessary to retain such a qualifier beyond the introductory period.
II. PRINCIPLES FOR THE PROGRAMMING CYCLE

7. In its decision 95/23, the Executive Board confirmed principles of critical importance to UNDP that have guided the implementation of the programming arrangements over the introductory period. Among these are: increased focus and concentration of UNDP programme activities towards the three goals and four priority areas endorsed by decision 94/14; 1/ increased focus on assistance to least developed countries (LDCs) and low-income countries; flexibility in the assignment of resources with an incentive for the formulation of high-impact and high-leverage programmes that support sustainable human development (SHD); the need for an increase of resources as well as efficient methods for allocating them; improving the operational function of the resident coordinator system; and decentralizing authority to the field level. The relevant sections of the document address the progress made in advancing these principles.

8. Programming in the four focus areas has been further reinforced by the recent adoption of eight guiding principles that reflect many long-standing programme emphases in UNDP. 2/ From January 1999 onwards, all CCFs and their reviews and evaluations presented to the Executive Board will show the application of these principles.

A. Progress in narrowing the focus

9. The review of approved CCFs indicates that UNDP has achieved a narrowing of focus to the four main priority areas, recognizing that good governance is very much an integral part of achieving results in these areas.

10. The review found that programming reflected and often made specific reference to follow-up to the United Nations global conferences that dealt with sustainable development and the environment, social development and poverty, and the promotion of the role of women. The allocation for development support services (DSS), which is part of line 3.1, support to the resident coordinator, has also been used extensively for the follow-up of global conferences and to

1/ The three goals endorsed in decision 94/14 are: strengthening international cooperation for sustainable human development; helping the United Nations family to become a powerful force for human development; and focusing UNDP resources on making the maximum contribution in its programme countries to key sustainable human development dimensions. The four priority areas are: poverty elimination; environmental regeneration; job creation; and the advancement of women.

2/ These principles as outlined in document DP/1998/5 and endorsed by the Executive Board in its decision 98/1 are: (a) build programme country capacity for SHD, especially poverty eradication, and ensure national ownership of development goals, strategies, policies and programmes at all levels; (b) promote participation, dialogue and choice in decision-making; (c) provide additionality while complementing the work of other providers of development services; (d) support aid coordination; (e) support the mobilization of additional resources for development; (f) use the programme approach to the maximum extent possible; (g) build on lessons learned and on best practices; and (h) ensure the programme design is results-oriented and allows for impact measurement and evaluation.
explore or formulate joint United Nations system programming initiatives in this respect. Many countries have produced, with the support of UNDP, national human development reports that analyse critical issues from a human development perspective.

11. For the 108 countries covered by the review, the breakdown of planned programme/project activities by primary area of focus is as follows: 37 per cent to poverty; 37 per cent to governance; 23 per cent to environment; and 3 per cent to gender. A comparative review of the country programmes and projects in the fifth programming cycle (1992-1996) shows that the shift towards greater focus had already started, and has been reinforced and further narrowed during the initial planning period of the programming arrangements. Indeed, in the fifth programming cycle, total resources available to the organization were being allocated to areas that would become the four pillars of SHD: 22 per cent of total resources were allocated to poverty eradication activities; 25 per cent to governance; 25 per cent to environmental resources and food security projects; and 26 per cent to public resource management.

12. A closer examination of ongoing and planned poverty eradication activities for the current period reveals that they address both upstream and downstream concerns: 39 per cent relate to data collection and policy initiatives; 19 per cent to employment and income-generation activities; 16 per cent to social mobilization with an emphasis on community empowerment and 16 per cent to social support and basic needs. Employment is included in three quarters of the poverty programmes, with attention focused on sustainable livelihoods at the grass-roots level.

13. Governance programmes include a range of interventions but the main thrust is on building capacities for the management of the development process at the national as well as decentralized levels, including community-level capacities. In countries in special situations, the rehabilitation of government institutions was key. Many governance programmes also have a very strong focus on poverty eradication, as in many cases, improved governance was seen as a prerequisite for human development. Governance programmes also cover strengthening Government capacity in aid coordination and, more specifically in least developed countries, in supporting the organization of round-table meetings.

14. The review found a concentration of activities in the principal areas of poverty, and of governance, where UNDP has been working systematically to encourage Governments to include a broader cross-section of civil society in the policy dialogue. Empowering the poor and vulnerable to participate more fully and meaningfully in the development process clearly remains a challenge to both programme country Governments and to UNDP.

15. While only three per cent of programme outlines focused specifically on gender, it is nonetheless an important secondary focus area for most programmes where the primary focus is on poverty, governance or environment. Gender concerns were emphasized in most programmes at both the institutional and the grass-roots levels.
16. The focus on environment is evident in all regions. The programmes of countries of Africa, Asia, the Arab States, and Europe and the Commonwealth of Independent States give due emphasis to energy, desertification and water-resources management. In the Latin America and Caribbean region, the focus is more on the protection of natural resources. Significant is the complementarity of the UNDP-financed activities with those financed from the Global Environment Facility (GEF), in particular in the Latin America and Caribbean region, where the share of UNDP in total funding of environmental programmes is less than four per cent. In the UNDP-financed activities, the link between poverty and the potential for environmental degradation is generally identified clearly, and specific activities to address this concern are often included.

17. Governments expressed the view that the greater focus in UNDP programmes, in general, had been a positive development. Some Governments, however, expressed regret at the loss of programming flexibility and the fact that the areas of focus no longer cover support for capacity-building in technology, an area of concentration of the fifth programming cycle.

B. Progress with respect to the other operational principles underlying decision 95/23

Emphasis on least developed and low-income countries

18. The Administrator has ensured that resource allocation to least developed and low-income countries is in line with decision 95/23 (paragraph 24) although, as explained in paragraph 48, meeting these criteria has limited his flexibility to reward high quality programming, especially as the level of available programme resources is significantly lower than targeted in that decision.

19. As of the end of May 1998, $1,390 million or 92 per cent of total TRAC-1 and 2 resources for the period 1997-2000 had been assigned. Of this amount, $1,215 million or 87 per cent were assigned to low-income countries and $815 million or 59 per cent to LDCs. When the balance of $123 million in TRAC-2 resources accruing to the period is fully assigned, it is expected that the 88 per cent and 60 per cent goals for the assignment of TRAC resources to LDCs and low-income countries will be met with respect to TRAC-1 and 2.

20. The TRAC-3 earmarking was established to help the Administrator to respond quickly and flexibly to the needs of countries in special development situations, and as such it is difficult to adhere strictly to predetermined distribution criteria (as was explained to the Executive Board in the statement of the Associate Administrator at the first regular session 1998 - see DP/1998/12, paras. 241-247). As of the end of May 1998, some 55 per cent of allocated TRAC-3 resources have gone to LDCs, and some 68 per cent to low-income countries (see also paragraphs 53-56). 3/

3/ This excludes allocations made for capacity-building activities under global and interregional activities as well as the specific allocations approved by the Executive Board from the TRAC-3 earmarking for the Programme of Assistance to the Palestinian People and for the Central America programme.
21. To a large extent, the allocation of other programme earmarkings conforms to the emphasis on LDCs and low-income countries, given that support from such earmarkings is largely allocated in rough proportion to the distribution of TRAC-1 and 2 resources.

Decentralization

22. The review also confirmed the considerable progress made in the decentralization of authority to the country office level. As reported in the context of the change process, regional bureau directors delegated to resident representatives the authority to approve programme support and project documents, and to decide, in collaboration with the Government, on implementation and monitoring arrangements. Such full authority is withheld only in exceptional circumstances when a special situation in the country or country office temporarily warrants closer involvement of the regional bureaux in the approval of new programmes/projects.

23. Likewise, the full decentralization of support for programme and policy development (SPPD) and support for technical services (STS) programming to the country level has ensured that programme activities financed from these facilities are properly dovetailed with country-specific conditions and priorities, and utilized in a more efficient manner. Detailed information is provided in paragraphs 63-67.

Resident coordinator functions

24. Progress in this area is described paragraph 62.

Leveraging non-core resources for sustainable human development activities

25. The positive developments noted above have undoubtedly contributed to the anticipated leveraging of non-core resources to provide further assistance to government SHD activities already supported by UNDP core funding. In the 104 CCFs covered by the review, the mobilization of $2.2 billion of non-core resources is foreseen in addition to the $428 million of assigned TRAC-1 resources. The foreseen utilization of non-core resources corresponds to the planned distribution of core resources among the priority sectors, although the share of the environmental sector is somewhat greater (GEF, Montreal Protocol, Capacity 21).
III. MOBILIZATION OF RESOURCES

A. Status of core resources

1. Shortfall in contributions towards the 1997-1999 core planning figure

26. A key element of decision 95/23 was the adoption of $3.3 billion as an initial planning figure for core resources for the three-year period 1997-1999 (paragraph 7). As shown in the graph in annex I, 1997-1999 voluntary contributions to the core are likely to fall significantly short of this planning figure. Present forecasts indicate contributions may amount only to about $2.25 billion, which is some 30 per cent lower than the planning figure for 1997-1999. Contributions for 1997 declined to $761 million, and current projections for 1998 indicate a possible further decline to a figure in the range of $740 to $750 million, and then a modest increase to a level between $750 to $775 million in 1999. Hence, it appears that the resource target of decision 95/23 will not be realized despite the fact that programme countries are meeting their commitments to the programme focus and principles embodied in the decision.

27. At the same time that UNDP core resources (referred to as regular resources in financial statements of UNDP) are showing a decline, the need for UNDP services keeps growing - as evidenced by the continuous growth in non-core resources. Non-core income for UNDP-administered funds (which include cost-sharing, government cash counterpart contributions (GCCCs), management services agreements (MSAs), funds and trust funds) increased by $82 million or 6 per cent between 1996 and 1997 ($1,400 million and $1,482 million, respectively). Of this increase, $69 million resulted from contributions ($1,409 million in 1997 versus $1,340 million in 1996). The largest fluctuations were in cost-sharing income (increase of $143 million) and trust funds income (decrease of $42 million). During 1996, non-core income represented 61 per cent of total core and non-core income. During 1997, it increased to 66 per cent of the total.

2. Adjustments in programming levels

28. To ensure prudent resource management under the current core resource forecasts, the Administrator has had to make successive adjustments in programming levels, as he was authorized to do in paragraph 25 of decision 95/23. Hence, already in early 1996, programme planning for 1997-1999 was based on an initial lower estimate of $3 billion in core contributions and programme earmarkings were prorated accordingly. 4/ By mid-1997, however, the forecast of total core income for the period had considerably declined to about $2.4 billion, requiring more drastic adjustments.

4/ This was conveyed to the Executive Board in document DP/1996/CRP.2 and confirmed in document DP/1997/8.
29. The planning adjustment in response to this shortfall was made with the first roll-over of the initial planning period in the latter part of 1997, at which time additional programming resources would normally have been released based on forecasts of contributions through the new third year, 2000. However, as the Administrator informed the Executive Board during the third regular session 1997, the significant decline in contributions instead necessitated spreading the programming originally intended for the three-year period, 1997-1999 (i.e., $3 billion), over a fourth year, to include the year 2000. From an initial planning figure averaging $1.1 billion per year, planned programming has been adjusted in line with a scenario of estimated contributions averaging some $750 million per year — which represents an overall reduction of more than 30 per cent.

30. The adjustments to the 1997-1999 programming levels described in paragraph 29 were applied to all programme lines on an across-the-board basis. Thus, the relative percentage shares for individual programme lines and the percentage earmarkings for LDCs and low-income countries were unaffected by the adjustments.

31. The current corporate resource planning tables for UNDP, which reflect these adjustments, are presented in annex II and divided into two parts. Table 1 presents financial data at the aggregate level while the data in table 2 is detailed by programme line and biennial budget category.

32. As explained in annex II, taking into account fifth cycle carry-over and the provisions of decision 95/23, initial funding requirements for the three-year period 1997-1999 were calculated at $4.011 billion, versus current estimates of funds available for this period of $2.767 billion: a projected shortfall of $1.244 billion or 31 per cent. This necessitated the planning adjustments referred to above. The reduced earmarkings for the four-year period 1997-2000, together with fifth-cycle carry-overs, amount to $3.997 billion, of which only $3.556 billion is currently foreseen to be available. The $441 million or 11 per cent shortfall represents unfunded programme and programme support earmarkings for agency support costs. This unfunded portion of the already reduced earmarkings requires careful resource management and is a major factor in the need to delay the approval of projects and programmes (see also paragraph 34).

B. Impact on core programming

33. The shortfall in targeted contribution levels presents a serious challenge to UNDP activities. Programme countries continue to demonstrate the capacity to absorb and formulate focused, high-quality programming at levels well above 1997 delivery, which reached $654 million, a notable upturn over 1996 (see graph in annex II).

34. Furthermore, by the end of May 1998, programme budget approvals for the four-year period 1997-2000 had already reached $1.932 billion or 84 per cent of planned expenditures for these years. For a growing number of countries, including several LDCs, currently available resources are already fully programmed. It is expected that the available programme resources for 1997-2000 will be more or less fully committed by mid-1999, when an estimated programme
pipeline of about $500 million will have to await approval unless additional resources are forthcoming for the period.

35. Paradoxically, having achieved a significant upturn in programming momentum and delivery, the Administrator must now plan for progressive annual decreases, starting in 1998, unless core contribution levels rise. A levelling-off in contributions, coupled with the planned depletion of the balance of liquid core resources available for programming by the end of 1999, would mean that UNDP could support core programme delivery of only about $485 million by the year 2000, as shown in the graph.

36. For the deliberations of the Open-ended Working Group on a Funding Strategy for UNDP, the secretariat provided examples of the negative impact the funding shortfall has had on country-level programming. Drastic cuts have taken place in the scope and the coverage of ongoing programmes and in numerous instances new activities that were planned had to be cancelled. This severely curtailed the momentum of progress that had been achieved in recent years in a number of areas critical to SHD.

37. However, progressive increases in contributions for 1998 and 1999 would permit UNDP to approve additional ready pipeline projects/programmes, and thereby reverse the forecasted decline in expenditure levels. Examples that were provided to the Open-ended Working Group showed that an increased level of core funding would permit the scope of ongoing activities to be expanded and allow the approval of critical new projects in the SHD focus areas that could generate lessons for wider application.

38. It must be emphasized that all increases in voluntary contributions for 1998 and 1999 would be applied to additional programming, as the provisions for the 1998-1999 biennial support budget are already accommodated under the current $750 million contributions scenario for those years.

IV. PROGRAMMING ARRANGEMENTS AND FINANCIAL MECHANISMS

A. Rolling resource planning

39. At present, the multi-year and rolling features apply only to the programming (or expenditures) side of the resource planning equation, with no provision made for a parallel, multi-year process on the contributions (or income) side. Contributions continue to be received on an annual basis, with no evident link to the established planning figure. The deliberations of the Open-ended Working Group on a Funding Strategy for UNDP may help to identify ways to redress the difficulties that arise from this present asymmetry.

40. The current three-year resource plan (1998-2000) is scheduled to roll forward in the latter part of 1998, at which time resources for a new third year, 2001, should be released for programming. Because no additional resources were actually made available for programming with the roll-over to the year 2000 (as explained in paragraph 29), it is imperative that: (a) additional core programme resources be released for 2001 as soon as possible and (b) the release
of such additional resources be based on realistic estimates of core contributions for 2001 and intervening years (i.e., 1998-2000).

41. Pending the establishment of a planning figure for the new period, and in line with the principles of prudent financial management, the Administrator intends to release some additional programme resources for the year 2001 in the third quarter of 1998, initially on the basis of conservative forecast for 2001 and the intervening years. This is to be done with the anticipation that contributing countries will commit to increasing their contribution levels so that the programming levels can be revised upwards in late 1998 or early 1999.

B. TRAC 1 and 2 (lines 1.1.1 and 1.1.2)

Programming instruments

42. In its decisions 95/23 (paragraphs 12 to 14) and 97/7, the Executive Board provided the legislative framework for the introduction of the CCF. In its decision 97/7, the Board confirmed the CCF, prepared under the leadership of the programme country Government, as the central instrument in the country programming process.

43. The implementation of the programming arrangements involved changes to the processes and the requirements for advisory notes and CCFs, as well as the procedures for allocating resources. The advisory note is now developed in a participatory manner, with extensive consultations being held with key national stakeholders. The CCF, which replaced the country programme, draws on the analysis of the national SHD situation contained in the advisory note, and proposes a strategy and programme areas for the optimal use of UNDP cooperation, from both core and non-core resources.

44. Significant time of programme country Governments and of UNDP at both country office and headquarters levels is devoted to the preparation and processing of this set of programming instruments. Since very similar documentation is required for all programme countries, there is a disproportionate burden on Governments and on UNDP country offices that programme relatively smaller pools of core and non-core resources, or that cover several programme countries. The Administrator intends to simplify some of the documentation requirements, especially for countries that handle smaller pools of UNDP-administered resources.

45. In a study of programming processes completed in the context of the UNDP 2001 change process, it was noted that the transaction costs of preparing and reviewing programme documentation could be substantially reduced. The Administrator is currently taking steps to minimize ex ante review of documentation in favour of a system that relies more on ex post assessments of performance. Efforts are now being put into the design of programme/project performance indicators as well as into the development of operational guidelines for the triennial review of CCFs and country office performance.

46. The United Nations system calls for the preparation of other country-level programming instruments: the country strategy note (CSN), the common country assessment (CCA) and the United Nations Development Assistance Framework
(UNDAF). Consultations in the course of the present review pointed to the desirability of simplifying and rationalizing the various United Nations exercises, especially for countries where United Nations technical cooperation is limited in terms of resources. It is expected that the triennial comprehensive policy review and UNDAF assessment will provide inputs to deliberations on such rationalization. The Administrator intends to review current requirements for UNDP-specific programming instruments and will inform the Executive Board of any significant changes proposed in this regard.

Distribution criteria for least developed and low-income countries

47. In its decision 95/23, the Executive Board specified that a minimum of 88 per cent of TRACs should flow to low-income countries and 60 per cent to LDCs. Initial TRAC-1 earmarkings were established in accordance with these criteria. In line with the resulting regional distribution of TRAC-1, TRAC-2 resources were earmarked by region for subsequent country assignment.

48. Since programme outlines are reviewed at different points in time, the early approval of a higher-than-average TRAC-2 allocation (i.e., more than 66.6 per cent of the TRAC-1 earmarking) to one country in a region automatically constrains the allocations possible to other countries, irrespective of the quality of their programmes. The margin for flexibility can be particularly constrained when the TRAC-1 for such countries represents a large share of the regional total, or when only a few countries in a region fall outside the LDC and low-income country categories. Such flexibility is further constrained by the present resource shortfalls. Nonetheless, as noted in paragraphs 18 and 19 above, the distribution of TRAC-1 and 2 resources according to the percentage criteria is on target.

The allocation of TRAC 1 and 2

49. The introduction of the three-tiered TRAC system was characterized by the notions of predictability, flexibility and the provision of an incentive for the development of high quality SHD programmes. Paragraph 18 of decision 95/23 included a set of basic guidelines for the allocation of TRAC-2 resources. The shift from an entitlement based system, to one which reinforces and rewards the development of high quality, focused programming for SHD has been a challenge calling for a change in attitudes as well as an overhaul of procedures that had evolved over a period of more than two decades.

50. The initial allocation of TRAC-2 resources has been based on ex ante assessment of programme outlines, as opposed to an actual assessment of the quality of the programmes, which can only take place once they are operational. Programme outlines also present other limitations as the prime basis for resource allocations. Prepared very soon after the CCF approval, programme outlines are sometimes finalized before programme concepts are fully developed. The criteria used in the review of the programme outlines are broad in scope and ...
have sometimes led to an emphasis the written presentation, which may not always reflect the quality of the programmes to be implemented. 5/

51. Nonetheless, in many important aspects the new system is working: the allocation of TRAC-2 resources to individual programme countries shows clear variations. In all but one region, some countries were able to obtain the maximum assignment of TRAC-2 resources (100 per cent of TRAC-1). A total of 15 countries benefited from the new system in this way. Approximately half of the countries that have so far had their TRAC-2 resource assignments approved by the Administrator (60 of 111 countries) have received a TRAC-2 assignment at an average level ranging from 65 to 70 per cent of their TRAC-1 assignment. The other half received either more or less than this average range, the lowest being 33 per cent and the maximum 100 per cent (see also the table in annex III).

52. It should be emphasized that the accomplishment of a wide spread in TRAC-2 resource assignments is not an objective as such. The aim is not to penalize any country, least of all those countries that have the greatest difficulty in formulating their development plans and programmes. The aim is, rather, to raise standards all round. Consultations undertaken in the context of the review indicated that the possibility of even modest variations above or below the average TRAC-2 assignment has served as a powerful incentive to develop programmes that fully respond to the established criteria. In addition, countries with programmes that seemed deficient in one way or another have been allowed more time to prepare their submissions and, where necessary, have been given support in doing so. In accordance with paragraph 18 (d) of decision 95/23, UNDP has provided technical cooperation to support the programme countries and country offices where capacity has appeared weak.

C. TRAC-3 (line 1.1.3)

53. Building on the experience of the fifth programming cycle, a TRAC-3 earmarking equivalent to five per cent of total core resources was established to help the Administrator to respond quickly and flexibly to the development needs in countries in special situations. The emphasis has been on rehabilitation, sustainable reintegration, managing the transition to post-conflict recovery, and the development of national capacities for disaster management. Allocations are determined by regular meetings of a committee established for that purpose and chaired by the Associate Administrator. The relative simplicity and flexibility of the procedures for programming TRAC-3 resources appear to have enhanced the rapidity with which UNDP can respond to emerging crises and recovery opportunities.

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5/ Five criteria for the allocation of line 1.1.2 resources were initially developed, in line with decision 95/23: contribution to national priorities; strengthening national capacities; thematic focus; programme leverage; and mobilization of resources. On subsequent occasions, the following five criteria were added: delivery capacity; cooperation with the United Nations development system; gender mainstreaming; technical cooperation among developing countries and linkages with the regional and global programme frameworks.
54. As of the end of May 1998, $123 million or 83 per cent of total TRAC-3 resources had been allocated, with $107 million of this amount reflected in approved project/programme documents. The allocations have been divided among the following three broad categories:

(a) **Programme responses in complex development situations** Of the $103 million allocated, $3 million has been committed to the development of United Nations system-wide strategies in response to crises. Approximately $88 million has been committed in 38 countries to a range of programmes addressing area rehabilitation; rebuilding good governance; organizing elections; reintegration of refugees and internally displaced persons; de-mining and broader mine action; demobilization and reintegration of former combatants and restoration of essential infrastructure. Major resource allocations ($2 million and above) have been made to 22 countries. Lastly, $12.5 million has been allocated under this category for the period 1997-2000 to the Programme of Assistance to the Palestinian People;

(b) **Immediate response to sudden crisis** An amount of $8 million has been committed to enhance the capacity of Governments and the resident coordinator system to coordinate immediate responses to crisis and disasters in 45 countries;

(c) **Capacity-building** An amount of $12 million has been committed in disaster prevention, preparedness and mitigation programmes in 14 countries.

55. As the Administrator informed the Executive Board in document DP/1996/21, a formal evaluation of TRAC-3 programming is planned in 1999 and will highlight lessons, conclusions and recommendations. However, certain positive trends have emerged in the course of the review. A level of synergy and complementarity between TRAC-1/2 and TRAC-3 resources is particularly evident for countries at the recovery stage. For example, in certain countries, TRAC-1 and 2 resources are being used to generate momentum towards civic empowerment, as well as legislative and policy reform to bolster SHD whereas TRAC-3 resources are being used to support elections and demobilize combatants.

56. In terms of mobilizing additional resources, partial evidence suggests that very significant non-core resources were mobilized in certain cases. For example, in Bosnia-Herzegovina, TRAC-3 inputs of $7.4 million helped to mobilize an additional $30.6 million from donors for implementation and follow-up on the peace agreement. In Guatemala, $5 million of TRAC-3 support for two programmes attracted an additional $41.1 million in non-core funding. In Cambodia, a TRAC-3 allocation of $5.8 million, used in combination with TRAC-1 and 2 funding, has attracted additional contributions exceeding $65 million for programmes for human rights, reconciliation, elections and mine action.

D. **Regional and global programmes (lines 1.2 and 1.3)**

57. As noted in the introduction, specific documents relating to particular programme lines and themes are submitted to the Executive Board on an ongoing basis (see annex I). Since the five regional cooperation frameworks (RCPs) were approved at the annual session 1997, and the five regional implementation
strategies at the first regular session 1998, it is considered too early to report findings in this review on regional programmes under line 1.2. It can be noted, however, that the RCFs and their implementation strategies reflect much greater clarity on focus areas and complementary linkages with the benchmarks and expected outcomes of national programmes. The global programme under line 1.3 was covered in a separate report submitted to the Executive Board at its annual session 1998 (DP/1998/17/Add.2).

E. Evaluation (line 1.4)

58. In its decision 95/23, the Executive Board allocated 0.3 per cent of core resources to line 1.4. Major achievements in the past two years have included the development of new procedures in monitoring and evaluation and the conduct of thematic and strategic evaluations. Consistent with Board decision 98/1 on narrowing the focus, and with the results orientation being reinforced under the UNDP 2001 change process, the new procedures require: greater clarity and specificity in defining expected results; the use of lessons learned in programme and project formulation and implementation; and mandatory participation by main stakeholders in the annual assessment of programmes and projects. Evaluations conducted on public sector reform, economic reform, the programme approach, and governance will serve as a basis for instituting further changes. Moreover, a framework for impact assessment is being developed as well as a results-oriented monitoring and evaluation training programme.

59. Evaluations of country-specific, regional and global programmes are primarily the responsibility of the respective units. The role of the Evaluation Office in this regard has been to provide methodological support, monitor compliance, analyse trends, and report findings to the Executive Board regularly. Annual and triennial reviews of CCFs are also arranged by the regional bureaux and country offices in collaboration with programme countries. In addition, the Evaluation Office is developing a methodology for full-scale evaluations of selected CCFs.

60. The Administrator is reviewing how support for triennial reviews can be provided from this and other programme and programme support earmarkings.

F. TCDC activities (line 1.5)

61. Under line 1.5, 0.5 per cent of core resources are available for the promotion of technical cooperation among developing countries (TCDC) with the aim of enhancing policy dialogue and coordination among developing countries on issues of major importance to them. Consistent with the TCDC cooperation framework submitted to the Executive Board in 1996, a strategy has been adopted to strengthen TCDC and economic cooperation among developing countries, mainly through support to knowledge-networking, and the documentation and dissemination

6/ See annex I, section B for document references.

7/ It is estimated that one round of triennial reviews will require a maximum inputs of $2 million, or some $650,000 per year.
to developing countries of innovative experiences and best practices through the TCDC/INRES information system.

Nearly 50 per cent of the regional and country cooperation frameworks and programme outlines highlighted TCDC either as a programme implementation modality or as a specific initiative.

G. Support to resident coordinator (line 3.1)

62. A variety of United Nations system initiatives has been undertaken with funding from line 3.1, including: follow-up to global conferences; common country assessments; joint data bases; country studies for the development of common premises and services; and initiatives to promote major United Nations cross-cutting goals, such as the advancement of women. The allocations have thus proven a cost-effective and flexible means to encourage country-level United Nations system coordination and collaboration and to implement the annual work plans of the United Nations country teams.

H. Support cost elements

63. In its decision 96/31, the Executive Board requested the Administrator to review experience with the support cost arrangements, describing lessons learned and proposing alternatives. In addition to the consultations carried out for this review, ongoing discussions on this subject take place with participating United Nations entities through the Inter-Agency Consultative Meeting (IACM).

64. The support cost arrangements continue to further the objectives set out in paragraph 2 of decision 96/31, consistent with decision 94/14, which calls for UNDP to help the United Nations family become a unified and powerful force for sustainable human development. 8/ Programme country Governments, donor countries and multilateral development organizations see collaboration between UNDP and the United Nations specialized agencies and regional commissions as a comparative advantage, particularly as agencies sharpen their focus on standard-setting and strengthening technical capacity in their mandated areas. Agencies see greater scope for expanding their roles in substantive support to national execution and upstream policy work. Similarly, external auditor reports show that agency involvement in nationally executed projects provides useful and effective technical support, where such capacities are weak or lacking.

65. The review and ongoing IACM consultations also highlighted a number of factors that contributed to a relatively slow start-up of SPPD and STS. A substantial carry-over of funds from the previous TSS-1 and TSS-2 facilities may indicate an imbalance between the demand for the distinctly different types of support and the level of funding provided to individual countries for each facility. Furthermore, the opening up of SPPD beyond the five large agencies, the learning curve associated with the new procedures and the decentralization

8/ A fuller description of the objectives and the procedures for implementing the current arrangements is available in the "Overview of the support cost arrangements under the successor programming arrangements", issued by UNDP in December 1996 (in English, French and Spanish) and available on the internet at: http://www.undp.org/undp/bprm/drpc/guidelines/suptcost/ovrfml.htm.
of programming to the country level (something earlier coordinated at the headquarters level, which no doubt contributed to the earlier carry-over of TSS-1 and TSS-2 funds) were also factors in the slow start-up of SPPD and STS.

66. The SPPD facility, however, has proven effective in providing upstream advice in the UNDP focus areas and in providing United Nations system support to develop new programming initiatives in these areas at the country level. Based on lessons learned in the introduction of these facilities, increased utilization is expected in 1998. The Administrator has taken steps to ensure the regular review and monitoring of the use and impact of the SPPD and STS facilities as they come fully on board.

67. The various parties involved have appreciated the simplification approved in decision 96/31, whereby the cluster rates of reimbursement for administrative and operational services (AOS) under line 1.6 were replaced by a flat rate not to exceed 10 per cent of project implementation. Consultations also indicate that further simplification of the AOS, SPPD and STS facilities in the next planning period would help all parties respond more fully to the objectives of the support cost arrangements. Chapter V contains several proposals in this regard.

V. FINANCIAL FRAMEWORK

68. As noted in the introduction, as this review comes some fifteen months prior to the end of the initial resource planning period (1997-1999), it also provides a critical opportunity to consider adjustments required to the financial planning parameters for that period, something that in earlier five-year programming cycles was done in the context of the mid-term review. Similarly, the review also serves as the occasion for the Executive Board to consider and take decisions on the financial framework and related parameters for the next period (2000-2002).

69. The present chapter provides additional information to support such decisions, as well as a number of proposals for possible changes with respect to the framework covering 2000-2002. Chapter VI deals specifically with the resource distribution methodology in the period 2000-2002.

A. Financial planning horizons

70. In the context of resource management, it is useful to recall that UNDP currently operates under several overlapping planning horizons, which deal with different aspects of core resource management prior to the formulation of individual project or programme support documents:

(a) In its decision 95/23, the Executive Board set the core resource target for a fixed, three-year period. TRAC-1 earmarkings are calculated for the same fixed three-year period;

(b) In the same decision, the Executive Board approved a rolling three-year period for overall core resource planning in UNDP. However (as noted in paragraph 39), the rolling aspect of resource planning applies only to the
programming (or expenditure) side of the resource planning equation, and not to the contributions (or income) side;

(c) Although the three-year financial framework includes earmarkings for the biennial support budget, these allocations are approved under separate decisions for a fixed, two-year period. Thus two different biennial support budgets overlap the three-year planning period;

(d) CCFs are approved by the Executive Board for a fixed period that typically ranges from three to five years, in line with national planning horizons. CCFs specify country development priorities and broad plans for utilizing core and non-core support over the specified period.

71. Taking the foregoing into account, the present chapter also contains suggestions that may help to address some of the difficulties inherent to the overlap of the planning periods for the programming arrangements and for the biennial support budget.

B. Format of the proposed financial framework for the next planning period (2000-2002)

72. The financial framework for the current planning period (1997-1999) covers lines relating to both programme earmarkings and the biennial support budget. To clarify that these two categories are subject to different decision-making processes and planning periods, the Administrator is proposing an alternate way of setting out the relative percentage shares in the financial framework for the next period (2000-2002). This is shown in the last two columns of the alternate format contained in table 1.

73. In addition to adhering to the harmonized budget format, the proposed financial framework shows individual earmarkings expressed as a percentage of either the programme and support activities category, or the biennial support budget category. In this connection, it is important to recognize that the separate decision-making processes for these two categories cover different elements of the various, substantive programme support facilities. It has, therefore, become increasingly difficult to categorize the nature of expenditures according to their applicable decision-making process. The lack of clear delineation between the nature of the expenditures covered under the two categories must, therefore, be fully considered in any analysis.

74. Possibilities for addressing the above issue will most likely be reviewed in the context of the ongoing deliberations of the Open-ended Working Group on a Funding Strategy for UNDP. Meanwhile, the alternate format presented in table 1 may facilitate deliberations on the financial framework for the period 2000-2002. The proposed framework shows the original percentage earmarkings for the current period (1997-1999) re-expressed for comparison purposes as a percentage of their respective category (i.e., programme and support activities or biennial support budget). The last column of the framework also reflects the proposed changes in certain programme earmarkings, as described below. In the absence of a firm planning figure for the next period, only proposed percentage earmarkings are shown, with no dollar amounts.

/...
Table 1. Alternate format for the financial framework

<table>
<thead>
<tr>
<th>EARMARKING LINES</th>
<th>Earmarkings of decision 95/23</th>
<th>Expressed as % of total resources</th>
<th>Expressed as % of total programme lines, or total biennial support budget</th>
<th>As revised on the basis of proposed adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>also covered by biennial budget decisions</td>
<td>covered exclusively by decision 95/23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I. UNDP Programme and support activities

A. Programmes

Country
- Lines 1.1.1 and 1.1.2 - TRAC: 50.0 / 65.9 / 70.0
- Line 1.1.3 - TRAC: 5.0 / 6.6 / 7.5

Subtotal: 55.0 / 72.5 / 77.5

Intercountry
- Line 1.2 - Regional: 7.6 / 10.0 / 10.0
- Line 1.3 - Global, interregional and special activities: 4.2 / 5.5 / 5.5

Subtotal: 11.8 / 15.5 / 15.5

Other
- Line 1.4 - Evaluation: 0.3 / 0.4 / 0.4
- Line 1.5 - Special resources for TCDC activities: 0.5 / 0.7 / 0.7

Subtotal: 0.8 / 1.1 / 1.1

Total programmes: 67.6 / 89.1 / 94.1

B. Programme Support (non-biennial budget) - Agencies

- Line 1.6 - Implementation (Administrative and operational services): 3.0 / 4.0 / -
- Line 2.2 - United Nations system support for policy and programme development: 2.0 / 2.6 / 4.0
- Line 2.3 - Technical support services from United Nations specialized agencies: 1.6 / 2.1 / -
- Line 2.4 - Other: - / - / -

Total programme support - agencies: 6.6 / 8.7 / 4.0

C. Support to operational activities of the United Nations

- Line 3.1 - Programme support to the resident coordinator: 1.7 / 2.2 / 1.9

Total UNDP programmes and other non-biennial budget activities: 75.9 / 100.0 / 100.0

II. Biennial support budget

Programme support
- Country offices (part of lines 2.1 and 4.2): 9.5 / 39.5 / 40.5
- Headquarters (part of lines 2.1 and 4.1): 2.8 / 11.6 / 12.0

Subtotal: 12.3 / 51.1 / 52.5

Management and administration (part of lines 4.1 and 4.2)
- 5.6 / 23.2 / 22.7

Support to the operational activities of the United Nations (line 3.2 and part of line 2.1)
- 6.2 / 25.7 / 24.8

Total UNDP biennial support budget: 24.1 / 100.0 / 100.0

a/ Reflects proposed transfer outlined in section C (i). Part of line 1.6 (AOS savings) also normally appears under Programmes (Other) as shown in tables 1 and 2.
b/ Reflects proposed adjustments outlined in section C (ii).
c/ Reflects proposed adjustments outlined in section C (iii).
d/ This is in accordance with expected expenditures under the approved 1998-1999 biennial support budget, as reflected in the figures in tables 1 and 2.
75. In this connection, the Administrator also wishes to point out that the biennial support budget components already covered by decision 97/24 until 1999 are highly unlikely to increase in the future. Thus, it should be possible to apply any increase in core contributions (beyond the current working scenario of $750 million per year) entirely to programme earmarkings under category 1.A (see tables in annex II and paragraph 81 below).

C. Proposals regarding specific earmarkings for programme and support activities

76. Taking into consideration the substantive review of experience with the programming arrangements, the Administrator proposes some additional simplifications in the support costs earmarkings that the Executive Board may wish to consider in establishing the financial framework for the period 2000-2002.

Line 1.6 - Implementation services

77. It should be recalled that the earmarking under line 1.6 for administrative and operational services (AOS) was set on the assumption that, overall, half the programme activities supported by TRAC-1 and TRAC-2 resources would be nationally executed, and therefore ineligible for AOS reimbursement. In practice, the proportion of nationally executed activities varies by country and a range of internal assignment and accounting procedures have grown up to deal with these eventualities. Countries that realize savings under their AOS allocation can utilize these amounts for programming. Clearly, with the rising use of national execution, an increasing share of AOS allocations are in fact already being used for programming.

78. In order to simplify accounting and assignment procedures, the Administrator proposes that line 1.6 be eliminated as a separate earmarking in the framework for the next period, and that the share of resources be added to the earmarking for TRAC 1 and 2. AOS, however, will continue as a negotiated arrangement for reimbursement of overhead costs to eligible United Nations entities, and as a reporting mechanism. 2/

Line 2.2 - Support for policy and programme development, and
Line 2.3 - Support for technical services

79. To enhance decentralized decision-making, and permit greater flexibility in the optimal use of these funds to respond to specific country needs, the Administrator proposes to combine the SPPD and STS earmarkings into a single earmarking under line 2.2.

80. As shown in the last column of the alternate framework, it is also proposed that this earmarking be slightly reduced and the reduction be transferred to the TRAC lines. This reduction takes into account the following: in the current

2/ For the purpose of the harmonized budget presentation, the figures reported under Programme Support/Agencies will include an estimated breakdown of the administrative and operational support costs paid in respect of all programme components.
period, 0.3 per cent from the combined 3.6 per cent earmarking for lines 2.2 and 2.3 was transferred as "other" TRAC resources for the region for Europe and the Commonwealth of Independent States in accordance with paragraph 19 of decision 95/23; and the proposed elimination of flexibility payments, discussed in paragraph 82.

81. In addition, the Executive Board may wish to consider whether under higher resource scenarios for 2000-2002, this earmarking should remain constant in percentage terms, or in monetary terms. The latter alternative would recognize the relatively high carry-over of fifth cycle TSS-1 and TSS-2 resources, and the underutilization of SPPD and STS resources during the first half of the 1997-1999 period, some of which will likely be carried forward into the next period.

82. Line 2.3 also provides for an annual ceiling of $1.125 million for flexibility payments, which are made on a sliding scale to the smaller agencies to compensate for the diseconomies of scale associated with their support to a relatively smaller volume of UNDP project activities. (This ceiling reflects the reduction made to all programme earmarkings.) Successive reviews of support costs have pointed to the desirability of moving gradually to uniform arrangements for all eligible United Nations entities. Thus, it does not seem logical to continue this facility even though the amount of flexibility payments to individual agencies is relatively small. It is, therefore, proposed that flexibility payments be discontinued in the next financial framework i.e., from 2000, and that the entirety of line 2.3 be subsumed in the combined earmarking discussed in the preceding paragraph.

3. 3.1 - Support to the resident coordinator

83. The alternate framework also includes a slight reduction for line 3.1 (support to the resident coordinator) to account for the fact that the provision for development support services (DSS) under this line is being covered under the biennial support budget decisions (see also paragraph 73 above). 10/ This delineation better reflects the different decision-making and accountability processes that apply to the use of DSS funds.

VI. THE TRAC-1 RESOURCE DISTRIBUTION METHODOLOGY

A. Methodology for the period 1997-1999

84. TRAC-1 resources are distributed in accordance with a methodology that is described in greater detail in annex IV. The first column of table 2 shows the percentage distribution of TRAC-1 earmarkings by region for the period 1997-1999 (based on the approved methodology and the original planning figure of $3.3 billion). The regional shares that resulted from the country distribution of TRAC-1 were used to determine the share of TRAC-2 resources assigned to each region for subsequent country application.

10/ See footnote (d) to the corporate resource planning tables 1 and 2.
B. Alternative scenarios for the period 2000-2002

1. Baseline scenario

Update of primary data for the new base year

85. TRAC-I figures for the 1997-1999 period were calculated in 1995, using the latest primary data available for gross national product (GNP) per capita and population; that is, for the base year 1994. (These preliminary calculations were confirmed in 1997 on the basis of the latest 1994 data). TRAC-I calculations for the next programming period, 2000-2002, will use primary data for a new base year, 1997. As a full set of 1997 data is not yet available, for the purpose of generating the preliminary distribution scenarios discussed below, 1996 (or latest available) primary data were used. For final TRAC-I calculations, 1997 data (or latest estimates) will be used.

Baseline planning figure

86. A baseline scenario was run to indicate the resulting distribution if no changes were introduced to the current methodology except for updates of primary data, as described above. Since the model must be run using a planning figure for the three-year period in question, a figure of $2.25 billion was used for illustrative purposes, as it coincides with the reduced level of core resources currently projected to be available for the period 1997-1999.

Treatment of floors

87. Floors help to cushion the effect of abrupt decreases in the calculated amounts from one planning period to the next and thus maintain some degree of continuity in the level of UNDP-supported activities in a country. The current floor percentages of 90/80/70 per cent were reduced from their fifth cycle levels of 100/90/80 per cent. (Further details on the application of floor percentages are provided in annex IV.)

88. In generating preliminary scenarios for the next period, the TRAC-I floors for 1997-1999 are based on the cutback level of resources, and not the earmarkings that were calculated using the target of $3.3 billion (as set out in document DP/1997/8). It should be noted that the "other resources" that were allocated for countries in Europe and the Commonwealth of Independent States have been included in the 1997-1999 TRAC-I figures that determine the floors for programme countries in that region for the next period.

11/ This amounts to $22.5 million for the 1997-2000 period, which consists of: (a) the additional 0.5 per cent of total resources allocated under paragraph 19 of decision 95/23 for Europe and the Commonwealth of Independent States, in recognition of the special needs of countries with economies in transition and (b) as reported at the annual session 1996 (see DP/1996/19, paragraph 206), an additional 0.25 per cent allocated to the region from the unallocated reserve to compensate for the lack of earlier floor protection. The TRAC-I portion of this amount has been included in the floors of affected countries for the next period.
Resulting baseline scenario

89. Table 2 shows the resulting distribution using the current methodology and the baseline scenario described above, where only GNP per capita data are changed. Under these conditions, the percentage share for Latin America and the Caribbean would decrease from 6.6 to 5.3 per cent of total TRACs, and the share for Europe and the Commonwealth of Independent States would increase from 4.9 to 6.6 per cent with little change to the shares for other regions. When the "other" resources explained in footnote 11 are included in the current distribution of resources, the share for Europe and the Commonwealth of Independent States would increase from 6.4 to 6.6 per cent.

2. Scenarios using alternate planning figures for 2000-2002

90. The table below also presents the distributions that result from using an alternate, higher planning figure in the distribution model. At $3.3 billion (i.e., the initial planning figure for the 1997-1999 period), the percentage share for Latin America and the Caribbean decreases even more than in the baseline scenario (from 6.6 to 5.0 per cent); and the share for Europe and the Commonwealth of Independent States also increases more (from 4.9 to 7.7 per cent). Running the model with a larger planning figure results in a greater correlation between changing GNP per capita levels and the resulting distributions; whereas with lower planning figures, floor levels tend to predominate. Hence, higher contribution levels result in greater progressivity in the distribution of resources.

Table 2. Baseline and alternative scenarios using updated primary data (Percentages)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>47.3</td>
<td>47.9</td>
<td>48.3</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>33.5</td>
<td>32.8</td>
<td>31.6</td>
</tr>
<tr>
<td>Arab States</td>
<td>7.7</td>
<td>7.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>6.6</td>
<td>5.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Europe and the Commonwealth of States</td>
<td>4.9 a/</td>
<td>6.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Categories</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Least developed countries</td>
<td>60.3</td>
<td>60.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>88.1</td>
<td>88.0</td>
<td>88.0</td>
</tr>
</tbody>
</table>

a/ 6.4 per cent when the "other" resources are included as per footnote 11.
C. Net contributor countries

91. Under the successor programming arrangements, net contributor country (NCC) thresholds were raised from their fifth cycle levels to GNP per capita of $4,700 (for reimbursable TRAC-1) and $7,500 (for no TRAC-1). 12/ The $4,700 threshold was consistent with the World Bank graduation level, as well as with the level used for reporting purposes by the Development Assistant Committee of the Organisation of Economic Co-operation and Development (OECD/DAC). The threshold was slightly increased as compared to the fifth cycle level because many countries stressed that access to core resources, however small, plays a crucial catalytic role, particularly in mobilizing significantly larger amounts from non-core sources.

Current situation

92. In the current period (1997-1999), using the existing $4,700 threshold and 1994 GNP per capita figures, there are 28 NCCs (compared to 20 using a threshold of $3,000 in the fifth programming cycle). Of the current group of NCCs, 13 have a GNP per capita between $4,700 and $7,500, and for these NCCs fully reimbursable TRACs were calculated, using a floor of 60 per cent of their respective fifth cycle indicative planning figure (IPF). The total reimbursable TRAC-1 for these 13 countries amounts to $2.293 million and represents 0.34 per cent of total TRAC-1 for the period. For the remaining 15 NCCs (with a GNP per capita above $7,500) no TRACs were calculated.

Baseline scenario for 2000-2002

93. Using the baseline scenario with existing graduation thresholds (i.e., $4,700 and $7,500) and 1996 GNP figures would result in a total of 32 NCCs, four of which are new. The current TRAC-1 and 2 resources assigned to these four new NCCs amount to $3.219 million representing 0.28 per cent of total TRAC-1 and 2 earmarkings for the 1997-1999 period.

Impact of possible threshold changes for 2000-2002

94. If the threshold under the baseline scenario were increased to $5,400 to coincide with the present World Bank graduation level, this would result in a total of 30 NCCs, two of which are new. The current TRAC-1 and 2 resources assigned to the two new NCCs amount to $1.023 million, which represents 0.09 per cent of total TRAC-1 and 2 earmarkings.

12/ In the fifth programming cycle (1992-1996), NCC thresholds were GNP per capita of $3,000 and $6,000, and ($4,200 and $7,500 for small island developing countries with a population of less than 2 million).
95. If the threshold under the baseline scenario were lowered, the additional TRAC resources available for distribution to non-NCCs would be as follows:

(a) A lower threshold of $4,000 would result in a total of 35 NCCs. The seven new NCCs currently have total assigned TRAC-I and 2 resources of $7.754 million or 0.68 per cent of total TRAC-I and 2 for 1997-1999;

(b) A lower threshold of $3,500 would result in a total of 42 NCCs. The 14 new NCCs currently have total assigned TRAC-I and 2 resources of $16.512 million or 1.46 per cent of total TRAC-I and 2 for 1997-1999;

(c) A lower threshold of $3,000 would result in a total of 49 NCCs. The 21 new NCCs currently have total assigned TRAC-I and 2 resources of $19.559 million or 1.72 per cent of total TRAC-I and 2 for 1997-1999.

Streamlining NCC arrangements

96. In the next planning period (2000-2002), the Administrator proposes to take NCCs out of the TRAC calculation model entirely, and instead manage and monitor this category as a completely separate group of programme countries. A sum of funds could be agreed upon and set aside to finance reimbursable TRAC-I, which under the baseline scenario presented (with no changes in threshold and as yet incomplete 1997 data), is not likely to amount to more than 0.4 per cent of TRAC-I resources for the period.

97. As a parallel process, the Administrator is conducting a review of the current NCC arrangements and obligations (see annex IV) within the context of wider review of the graduation principle. Particular attention will be given to monitoring the adherence to NCC obligations as currently defined and the identification of other possible measures that could enhance cost-effectiveness.

VII. EXECUTIVE BOARD ACTION

98. The Executive Board may wish to:

(a) Take note of the report of the Administrator on the implementation of the programming arrangements (DP/1998/34) and the actions being taken in response to the main substantive findings;

(b) Also take note of the status of core resources as shown in tables 1 and 2 and the graph in annex II, and described in paragraphs 26-32 of document DP/1998/34;

(c) Approve the presentation format for the financial framework for the next planning period 2000-2002, as described in paragraphs 72-75 of document DP/1998/34;
(d) **Approve** the relative percentage shares shown for programme earmarkings as shown in the last column of the alternate format proposed for the next planning period 2000-2002, including the modifications and simplifications proposed for certain earmarkings as described in paragraphs 76-83 of document DP/1998/34;

(e) **Approve** an initial planning figure for the period 2000-2002, taking into account the deliberations of the Open-ended Working Group on a Funding Strategy for UNDP;

(f) **Approve** a resource distribution methodology for the next period (2000-2002) on the basis of information provided in paragraphs 84-97 of document DP/1998/34;

(g) **Approve** the removal of net contributor countries from the target for resource allocation from the core distribution model as proposed in paragraph 96 of document DP/1998/34;

(h) **Request** the Administrator to prepare a separate report on current arrangements and obligations for net contributor countries, as described in paragraph 97 of document DP/1998/34.
Annex I

BACKGROUND

A. Additional information on the desk review and consultations

1. At an aggregate level, the review examined the programme documentation approved by early 1998 for 108 programme countries. This included 104 country cooperation frameworks approved by the Executive Board. (The remaining four countries have country programme extensions or approval of programming on a case-by-case basis).

2. A more detailed desk review was carried out of a representative group of 30 programme countries, which collectively account for some 32 per cent of TRAC-I earmarkings under the current distribution methodology. These countries were chosen according to the following criteria:

   (a) The country with the largest TRAC entitlement for the period 1997-2001;

   (b) The country with the largest expenditure of core and non-core (combined) resources during the period 1995-1997;

   (c) The country allocated the largest amount of TRAC-3 resources during the period;

   (d) A multi-country office or regional support centre;

   (e) Countries in each of the five regional bureaux which were allocated TRAC-2 resources, respectively, at 100, 66.7, 50 per cent (and lower) of their TRAC-1 allocations.

3. As part of the desk review, an analysis was carried out of the following relevant programme documentation for the 30 countries: the fifth cycle country programme document; the first advisory note and the CCF produced under the current programming arrangements; and the accompanying programme outlines.

4. To supplement the desk review and anchor the review of programming arrangements in country realities, visits were made to nine countries, where consultations were held with government representatives, UNDP resident representatives and country office staff; those involved in resident coordinator functions; representatives of the United Nations agencies; and representatives of donor Governments. Meetings were also held with representatives of

Following is the list of all countries covered by the review. Countries visited are marked with an asterisk (and those visited at the suggestion of the regional bureau concerned but not included in the desk review are shown in square brackets): Africa - Angola, Ethiopia*, Guinea, Mozambique*, Rwanda, Senegal, United Republic of Tanzania, [Togo*]; Arab States - Egypt, Jordan*, United Arab Emirates, Somalia, Yemen; Asia and the Pacific - Cambodia*,...
missions to the United Nations, and officials based in the capitals of five major contributor countries to UNDP. Focused discussions also took place with directors and staff of the regional bureaus and other relevant units within UNDP Headquarters.

B. Executive Board documents relating to the successor programming arrangements

5. During the review, key documents on specific aspects of the successor programming arrangements that have been submitted to the Executive Board between the first regular session 1996 and the annual session 1998 were also examined. They included:

1996

DP/CF/TCDC - First cooperation framework for TCDC
DP/1996/3 - Implementation of the successor programming arrangements
DP/1996/13 - Implementation of the support cost components of the successor programming arrangements
DP/1996/14 - Evaluation
DP/1996/15 - Programme of Assistance to the Palestinian People
DP/1996/18/Add.1-4 - Annual report of the Administrator for 1995
DP/1996/21 - Implementation of the successor programming arrangements
DP/1996/27 - Implementation of Executive Board decision 95/26: (financing of the independence bonus to eligible countries)

1997

DP/1997/8 - Earmarkings for the target for resource allocation from the core for 1997-1999
DP/1997/16 - Annual report of the Administrator for 1996
DP/1997/16/Add.4 - Evaluation
DP/GCF/1 - First global cooperation framework
DP/RCF/RLA/1 - First regional cooperation framework for Latin America and the Caribbean
DP/RCF/RBA/1 - First regional cooperation framework for Africa
DP/RCF/RAP/1 - First regional cooperation framework for Asia and the Pacific
DP/RCF/REC/1 - First regional cooperation framework for Europe and the Commonwealth of Independent States
DP/RCF/RAS/1 - First regional cooperation framework for Arab States

China*, Fiji, India, Mongolia, Philippines, Sri Lanka; Europe and the Commonwealth of Independent States - Azerbaijan, Bosnia and Herzegovina, Bulgaria*, Georgia, Kyrgyzstan; Latin America and the Caribbean - Argentina, Barbados, Brazil*, Columbia, Guatemala, Haiti, [Nicaragua*].
1998

- Narrowing the focus
- Implementation strategy for the regional cooperation framework for Africa
- Implementation strategy for the regional cooperation framework for Arab States
- Implementation strategy for the regional cooperation framework for Asia
- Implementation strategy for the regional cooperation framework for Europe
- Implementation strategy for the regional cooperation framework for Latin America
- Global and interregional programmes and other major programmes
- Evaluation
CORE RESOURCES PLANNING TABLES

1. Table 1 presents financial data at the aggregate level while the data in table 2 is detailed by programme line and biennial budget category. In both these tables, the earmarkings originally established in decision 95/23 have been regrouped according to the harmonized budget format adopted in decision 97/24. The footnotes that follow the tables provide additional information on the regroupings and other details relevant to the interpretation of the financial data.

2. It should also be noted that each of these tables is divided into three main sections:

   (a) Columns 1-4 show funding requirements and availability for the three-year period 1997-1999, based on the average $1.1 billion annual target for core contributions established under decision 95/23, as well as fifth-cycle carry-over;

   (b) Columns 5-8 show funding requirements and availability for a four-year period (i.e., fifth-cycle carry-over, and earmarkings for initial period, 1997-1999, plus the year 2000 added with the first roll-over of the planning period) based on a reduced scenario for voluntary contributions averaging $750 million per year. This scenario represents the current UNDP working scenario for financial planning.

   (c) Based on the current working scenario, columns 9 to 12 show unfunded earmarkings and actual approvals as of May 1998.

3. A fifth-cycle programme carry-over of $711 million is included in the earmarkings and is partially offset by a corresponding fifth-cycle balance of liquid core resources available for programming ($431 million). This amount is included as part of the total of funds available, against which expenditures are planned.

4. The 1997-2000 allocations for lines 2.1, 3.2, 4.1 and 4.2 are included under the heading biennial support budget of table 2 and reflect the relevant provisions of the decisions on the support budgets for the 1996-1997 and 1998-1999 bienniums (and an extrapolation for the year 2000).

5. Although the allocations for the biennial support budget lines have also been reduced when compared with the original 95/23 resource scenario, a major part of the foreseen shortfall in voluntary contributions is borne by the programme lines.
Table 1. Aggregate summary following the harmonized budget format
(millions of dollars)

<table>
<thead>
<tr>
<th>UNDP PROGRAMMES AND SUPPORT ACTIVITIES</th>
<th>Based on an average of $1.1 billion per annum in voluntary contributions 1997-1999</th>
<th>Based on an average of $750 million per annum in voluntary contributions 1997-1999 plus 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Programmes</td>
<td>Funding requirements by earmarkings 1997-1999 earmarkings based on decision 95/23 and $3.3 billion in core resources</td>
<td>Funding requirements by earmarkings 1997-2000 earmarkings based on decision 95/23 and $3.0 billion in core resources</td>
</tr>
<tr>
<td></td>
<td>Total 1997-1999 funding requirements</td>
<td>Current distribution (expenditure targets) of estimated 1997-1999 income</td>
</tr>
<tr>
<td></td>
<td>Current distribution (expenditure targets) of estimated 1997-1999 income</td>
<td>Current distribution (expenditure targets) of estimated 1997-2000 income</td>
</tr>
<tr>
<td></td>
<td>Adjustments/impact of rolling into 2000</td>
<td>Current distribution (expenditure targets) of estimated 1997-2000 income</td>
</tr>
<tr>
<td></td>
<td>2000 funding requirements</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(1)+(3)</td>
</tr>
<tr>
<td></td>
<td>(2)</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>(3)</td>
<td>(5)</td>
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<td></td>
<td>(6)</td>
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<td>(8)</td>
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<td>(12)</td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>UNDP PROGRAMMES AND SUPPORT ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Programme support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Management and administration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPORT TO THE OPERATIONAL ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OF THE UNITED NATIONS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: In this aggregate-level table, no distinction is made between the different decision processes covering the programming arrangements and the biennial support budget. Table 2 provides a detailed level breakdown by programme line and biennial support budget categories.
Table 2. Detailed by programme line and biennial support budget categories
(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>In voluntary contributions</th>
<th>Based on an average of $1.1 billion per annum</th>
<th>Actual approval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding requirements by earmarkings</td>
<td>Funds available</td>
<td>Current distribution (expenditure targets) of estimated 1997-1999 income</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>I. UNDP PROGRAMMES AND SUPPORT ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Programmes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 1.1.1 and 1.1.2 - TRAC</td>
<td>2135</td>
<td>1417</td>
<td>485</td>
</tr>
<tr>
<td>Line 1.1.3 - TRAC</td>
<td>164</td>
<td>103</td>
<td>(1)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1999</td>
<td>1520</td>
<td>355</td>
</tr>
<tr>
<td>Intercountry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 1.2 - Regional</td>
<td>148</td>
<td>146</td>
<td>13</td>
</tr>
<tr>
<td>Line 1.3 - Global, interregional and special activities</td>
<td>179</td>
<td>99</td>
<td>40</td>
</tr>
<tr>
<td>Subtotal</td>
<td>327</td>
<td>245</td>
<td>55</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 1.4 - Evaluation</td>
<td>12</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Line 1.5 - Special resources for TCDC activities</td>
<td>17</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Line 1.6 - Implementation (subline savings)</td>
<td>89</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>Subtotal</td>
<td>215</td>
<td>128</td>
<td>55</td>
</tr>
<tr>
<td>Total programmes</td>
<td>2085</td>
<td>1624</td>
<td>588</td>
</tr>
<tr>
<td>B. Programme support (non-biennial budget) - Agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 2.2 - United Nations system support for policy and programme development</td>
<td>99</td>
<td>57</td>
<td>66</td>
</tr>
<tr>
<td>Line 2.3 - Technical support services from United Nations specialized agencies</td>
<td>65</td>
<td>44</td>
<td>12</td>
</tr>
<tr>
<td>Line 1.6 - Implementation (Administrative and operational services)</td>
<td>131</td>
<td>60</td>
<td>72</td>
</tr>
<tr>
<td>Line 2.4 - Other</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Total programme support - agencies</td>
<td>301</td>
<td>167</td>
<td>123</td>
</tr>
<tr>
<td>C. Support to operational activities of the United Nations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line 3.1 - Programme support to the Resident Coordinator</td>
<td>46</td>
<td>32</td>
<td>46</td>
</tr>
<tr>
<td>Total UNDP programmes and other non-biennial budget activities</td>
<td>2023</td>
<td>2268</td>
<td>75.6%</td>
</tr>
<tr>
<td>II. BIENNIAL SUPPORT BUDGET</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country offices</td>
<td>325</td>
<td>302</td>
<td>N/A</td>
</tr>
<tr>
<td>Headquarters</td>
<td>94</td>
<td>89</td>
<td>N/A</td>
</tr>
<tr>
<td>Subtotal</td>
<td>419</td>
<td>391</td>
<td>N/A</td>
</tr>
<tr>
<td>Management and administration</td>
<td>184</td>
<td>169</td>
<td>N/A</td>
</tr>
<tr>
<td>Support to the Operational activities of the United Nations</td>
<td>202</td>
<td>184</td>
<td>N/A</td>
</tr>
<tr>
<td>Total UNDP biennial support budget</td>
<td>805</td>
<td>744</td>
<td>805</td>
</tr>
<tr>
<td>Grand total</td>
<td>3300</td>
<td>2767</td>
<td>3000</td>
</tr>
</tbody>
</table>

See footnotes on following page.
Footnotes to tables 1 and 2

a/ The amount of $711 million in fifth cycle entitlements carried over into the current programming cycle was offset by the $431 million balance of liquid resources available for programming carried forward into 1997 i.e., $280 million remained unfunded;

b/ Adjustments result from: (i) the need for $12 million of resources in excess of original earmarkings to accommodate the final TRAC figures reflected in document DP/1997/8 and confirmed by decision 97/10 and (ii) the need for $274 million of additional biennial support budget resources primarily to cover the impact of rolling into the year 2000;

c/ Line 1.6 has been split: the part shown under A. Programmes - Other represents AOS savings used for programming. The part shown under B. Programme support represents AOS payments to United Nations agencies;

d/ The earmarking of 1.7 per cent of total core resources for line 3.1 - programme support to the resident coordinator/aid coordination, included a notional earmarking of 0.3 per cent for development support services (DSS). Since this DSS portion is subject to the biennial support budget approval process, table 1.B splits the total earmarking for line 3.1: the 1.4 per cent specifically earmarked under decision 95/23 is presented against line 3.1 and the 0.3 per cent for DSS is shown in the biennial support budget category under operational activities of the United Nations. This is also explained in document DP/1995/32 in footnote e/ to the table. (Note: since a distinction is not made in table 1 between programme and biennial support budget elements, for presentational purposes the 1.4 per cent portion of line 3.1 (covered by decision 95/23) is also shown under support to operational activities of the United Nations);

e/ The harmonization of the presentation of the biennial support budget (decision 97/6, item V) re-grouped the biennial budget elements covered under the relevant earmarking lines of decision 95/23 (i.e., line 2.1, part of line 3.1, and lines 3.2, 4.1 and 4.2), as explained in subsequent footnotes. A detailed description of the re-grouping is available in annex I of document DP/1997/23 on the 1998-1999 biennial support budget;

f/ Comprises part of programme support and development activities (line 2.1); the part of line 3.1 covering DSS; and part of the biennial support budget for UNDP country offices (line 4.2);

g/ Comprises part of programme support and development activities (line 2.1); and part of the biennial support budget for UNDP headquarters (line 4.1);

h/ Comprises part of the biennial support budget for UNDP headquarters (line 4.1) and part for UNDP country offices (line 4.2);
Comprises the part of programme support and development activities covering UNV and IAPSO (line 2.1); the part of line 3.1 covering DSS (see footnote b), and support to the United Nations operational activities (line 3.2);

i/ Includes SPR approvals in the fifth programming cycle carried forward into the 1997-1999 period;

k/ Includes AOS approvals in the fifth programming cycle (1992-1996) carried forward into the 1997-1999 planning period;

l/ This amount of earmarked ("assignable") resources will have to be carried to years beyond the current planning period (i.e., 2001 and onward). The difference between "assignable" and "available" resources is carefully controlled through the three-year, rolling resource planning frameworks (RPFs), which require all programme managers to adhere to ceilings on authorized approvals for the individual years of the rolling planning period. If the funds available for the 1997-2000 period were to equal the earmarkings for the period (at the reduced $3 billion figure), additional approvals of about $500 million could be accommodated. This approximates the level of "unfunded" pipeline projects reported as ready for approval.
OVERVIEW OF UNDP CORE RESOURCES
1992-2001

Note: All 1992-1997 figures are actual. All 1998-2001 figures are estimates based on the worst case scenario that, after a further drop in voluntary contributions in 1998 to $740 million, contributions of future years will level off to $750 million per annum.

\[\text{Voluntary contributions} \rightarrow 1178, 891, 928, 960, 848, 761, 740, 750, 750\]
\[\text{Programme expenditures} \rightarrow 783, 662, 536, 482, 536, 654, 600, 570, 485, 485\]
\[\text{Biennial budget expenditures} \rightarrow 232, 244, 230, 259, 245, 241, 248, 255, 263, 271\]
\[\text{Balance of liquid core (regular) resources available for programming} \rightarrow 251, 157, 279, 407, 431, 257, 116, 0, 0, 0\]

Note: While the levels of voluntary contributions, programme expenditures and biennial budget expenditures are the main elements impacting on the balance of liquid core (regular) resources available for programming, this balance is also affected by miscellaneous income, programme support expenditures to agencies, changes in the operational reserve, and changes in certain assets net of liabilities such as advances to country offices/United Nations agencies and unliquidated obligations.
## PERCENTAGE ASSIGNMENT OF TRAC-2 RESOURCES (STATUS AT 1 JUNE 1998)

<table>
<thead>
<tr>
<th>REGION</th>
<th>Lowest TRAC assigned percentage</th>
<th>Highest TRAC-2 assigned percentage</th>
<th>Number of countries with TRAC-2 assignment that differs from the average</th>
<th>Number of countries with approved TRAC-2 assignments</th>
<th>Total number of countries and territories in region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>50</td>
<td>100</td>
<td>13</td>
<td>27</td>
<td>44</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>33</td>
<td>100</td>
<td>17</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>Arab States</td>
<td>60</td>
<td>100</td>
<td>4</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Europe and the CIS</td>
<td>50</td>
<td>100</td>
<td>15</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>63</td>
<td>75</td>
<td>2</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>51</strong></td>
<td><strong>111</strong></td>
<td><strong>147</strong></td>
</tr>
</tbody>
</table>

* TRAC-2 is expressed as a percentage of TRAC-1; the minimum percentage assignment is zero; the maximum permitted by Executive Board decision 95/23 is 100 per cent; and the average is 66.7 per cent.

* For the purpose of this analysis, an "average" TRAC-2 resource assignment is defined as being in the band of 65 - 70

* Excluding NCCs.
Annex IV

OVERVIEW OF THE CURRENT TRAC-I DISTRIBUTION METHODOLOGY

1. The country target for resource assignments from the core (TRAC) is distributed in accordance with a multifaceted formula. 1/ For the initial planning period (1997-1999), the distribution formula for TRAC-I used 1994 gross national product (GNP) per capita and population data as the primary criteria with varying weight co-efficients applied to this data at different threshold levels. The weight co-efficients are based on a curve that gives relatively greater weight to countries with lower incomes and higher populations.

2. The current methodology also incorporates what is known as the floor principle, which cushions the effect of abrupt decreases in the calculated TRAC earmarking for an individual country from one period to the next. In calculating TRAC-I earmarkings for the 1997-1999 period, floors ensured that countries received at least a minimum percentage of their annual IPF allocation in the fifth cycle: those countries with a GNP per capita under $750 received at least 90 per cent of their previous allocation; those with a GNP per capita from $750 to $1500 received at least 80 per cent; and those with a GNP per capita from $1500 to $4700 at least 70 per cent. Where the calculated TRAC-I did not meet this minimum, a floor supplement was added to the calculated amount. In past cycles, newly independent countries received an independence bonus equal to 15 per cent of their IPF plus $500,000. Of 23 countries granted recipient status during the fifth cycle, 16 countries were awarded an independence bonus (see DP/1996/46, DP/1996/27 and decision 95/26). There have been no new recipient countries since the end of the fifth cycle.

3. A major objective in the distribution methodology over the previous programming cycles has been to increase "progressivity", such that a higher proportion of resources are allocated to lower-income countries and LDCs. Accordingly, the current methodology specifies that 88 per cent of TRAC resources must flow to low-income countries (currently defined as having a GNP per capita below $750), and 60 per cent to those with LDC status. LDCs are given a bonus to the product of the GNP per capita and population weight co-efficients to achieve the 60 per cent level overall.

4. The current methodology also embodies a graduation concept whereby programme countries with higher GNP per capita (and hence greater ability to pay for assistance) receive proportionately lower TRACs and eventually become net contributor countries (NCCs). The present threshold for graduation to NCC status is $4,700. For an NCC with a GNP per capita between $4,700 and $7,500, a fully-reimbursable TRAC is calculated within the overall distribution model equivalent to at least 60 per cent of their annual IPF allocation in the fifth cycle. For NCCs with a GNP per capita above $7,500, no TRACs are calculated.

1/ Further details on the distribution model reference are contained in documents DP/1995/15 (paragraphs 95-122); DP/1995/32 (paragraphs 72-82); and decision 95/23.

/...
5. For an NCC eligible for a reimbursable TRAC-I, UNDP authorizes advance programming of up to 60 per cent of the amount. Subsequently, the NCC is to reimburse the TRAC-I plus other local costs, in annual segments. The Administrator may authorize additional advanced programming at the end of each year to the extent that the country has: (a) made voluntary contributions equivalent to the TRAC expenditure in that year; and (b) met its obligations for local office costs.

6. All programme country Governments are expected to meet obligations for local country office costs. A portion of these costs are waived based on a sliding scale relating to GNP per capita. If such obligations are not met by direct cash contributions, they become the first charge on any voluntary contributions for a particular country. Any outstanding obligations are then covered, in accordance with recent decision 97/24, by a linkage with programme resources to the recipient country, whereby shortfalls are covered by a downward adjustment of the programme (TRAC) earmarkings for the country concerned.

7. Once a country attains a GNP per capita of over $4,700 and becomes an NCC, the waiver for local costs no longer applies, and the NCC is expected to reimburse UNDP for all office-related costs, including costs relating to international staff and international travel. However, countries exceeding the threshold of $4,700 for the first time continue to be granted waivers for a period of three years after. To meet their obligations, NCCs are expected to make direct payments and/or voluntary contributions that cover the reimbursable TRAC (if any), plus all related local office costs.

8. In addition, the cost of a resident representative and second international staff for an NCC could be financed from the biennial support budget where programme activities in the NCC financed from all sources over a three-year period amount to more than $8 million and $12 million respectively.