GOVERNING COUNCIL
Twenty-eighth session
June 1981
Agenda item 5 (b)

UNDP: PLANNING FOR THE 1980s

Note by the Administrator

Summary

The present note is designed to facilitate the Council's discussion of important policy issues at the high-level segment of its twenty-eighth session. The note summarizes exchanges of information, etc. on these issues at an Informal Meeting of States members of the Council. These exchanges were based in part on a paper prepared by the Administrator, reproduced in Annex I, which had identified and elaborated on some of these issues: and in part, also, on a statement made to the Informal Meeting by the Administrator and summarized in Annex II. The statement includes a summary of the views of the executive heads of agencies in regard to Annex I.
INTRODUCTION

1. The Administrator informed Governments, in communications dated 25 and 27 March 1981, that the first week of the twenty-eighth session would be regarded as a high-level segment of the Council's deliberations. The segment would be devoted to the consideration of a number of important policy issues, including UNDP planning for the 1980s and, especially, for its third programming cycle (1982-1986).

2. Four interrelated aspects of UNDP planning invite examination. The first concerns the overall size of the centrally funded activities of UNDP in 1982-1986, including the results of the Administrator's consultations on this matter, as requested in the Council's decision 80/30. A second consideration relates to the future relations between the size of the UNDP field programme and the size of UNDP administrative costs. A third element focuses on the use of the UNDP administrative apparatus by new, yet to be created United Nations special funds and, also, on the increased use of cost sharing arrangements through UNDP. Finally, attention may be directed to the continuing accumulation of non-convertible currencies, a condition which influences the level of UNDP operational activities in developing countries.

3. These matters, except for the last one, are reviewed in Annex I of this document. Annex I was made available to the Informal Meeting of representatives of States members of the Governing Council, held on 29-30 April 1981 in New York. The purpose of that meeting was to afford an opportunity for an exchange of information and for clarifications on all facets of the issues identified above, so as to facilitate preparations for the high-level segment of the twenty-eighth session. A summary of the exchanges and clarifications is given in the following section of this note. The opening and closing statements of the Administrator to the Informal Meeting are given in Annex II.

4. Annex I was also considered by an ad hoc interagency consultative meeting held on 15 April 1981 in Geneva. Comments of the executive heads of agencies on Annex I were brought to the attention of the Informal Meeting by the Administrator as part of his own presentation to the representatives of States members of the Council and are included in Annex II. The presentation also included further complementary information on UNDP planning for the third cycle.

5. It should be recalled that more detailed information on some of the matters referred to above is given in DP/519.

COMMENTS BY REPRESENTATIVES OF STATES MEMBERS OF THE GOVERNING COUNCIL AT THE INFORMAL MEETING AND DISCUSSION THEREON

6. In the exchange of views at the Informal Meeting, some representatives expressed deep concern about the bleak scenario that had been presented concerning anticipated resources for UNDP for 1982-1986. There was disappointment that the consultations on this matter had resulted in an estimated annual growth...
in voluntary contributions of only 8 per cent since this contrasted with
the figure of at least 14 per cent which was contained in decision 80/30
of the Governing Council. In response to a question, the Administrator
informed the meeting that the current overall estimate of third-cycle
resources of $5.1 billion included a provisional estimate of possible
contributions from the Arab Gulf Programme for Support of United Nations
Development Organizations. Several representatives urged further consultations
among Governments directed towards full achievement of the 14 per cent target.
One representative in referring to the efforts being made by developing
countries to support UNDP, reported that, in addition to doubling its
contribution towards the cost of the UNDP field office in his country, his
Government had increased its voluntary contribution to UNDP by 14 per cent.

7. Several representatives were disturbed at the possible impact of a level
of resource mobilization for 1982-1986 of less than $6.7 billion. The important
role that UNDP technical assistance played was stressed, and it was stated
that a reduction in resources of the order indicated would adversely and
severely affect development plans and perspectives. A shortfall in
contributions to UNDP also had implications for bilateral contributions.
Some representatives suggested that if there were to be a shortfall in
resources, the special problems of the least developed countries and
countries with a per capita GNP below $500 should be taken into account.
In reply to an inquiry, the Administrator stated that the provisions of
paragraph 4 of decision 80/30 referred to a "flat across-the-board percentage
reduction in the IPFs of all countries" should resource mobilization fall
short of the 14 per cent target. A representative considered that it would
be counterproductive to plan development assistance activities on the basis
of 73 per cent of the illustrative indicative planning figures (IPFs), as
illustrated in Annex I since this would impair confidence in United Nations
development assistance. UNDP was the best conveyor of technology transfer
and its reputation would be jeopardized by the adoption of pessimistic
assumptions. Instead, UNDP should continue to plan according to the figures
indicated by decision 80/30 and, as appropriate, a cautionary attitude should
be adopted by the management of UNDP.

8. Several representatives inquired as to the possible impact on UNDP of
fluctuations in foreign exchange rates. In reply, it was stated that UNDP
accounts were in US dollars. It was recalled that the recent relative
appreciation of the US dollar, in relation to currencies of several major donors,
contrasted with the experience over a number of prior years when there had been
a relative depreciation of the US dollar. The latter had served to enhance the
growth rate of contributions made in national currencies when restated in terms
of US dollars. Regarding UNDP expenditures, the bulk of such expenditures was
necessarily made in US dollars. Further UNDP expenditures were influenced by
the fact that unusually high inflation had occurred in several developing
countries although there had been no corresponding changes in official rates
of exchange of national currencies against the dollar. Arrangements that
existed to pay some salaries in local or home-country currencies did not have
a significant effect in relieving the situation. The purchase of equipment was
subject to international bidding which would determine the currency to be expended.
It was noted that approximately one-half of UNDP reserves were maintained in
US dollars and one-half in other currencies.
9. A representative, in considering the level of UNDP administrative costs estimated for the third cycle, indicated that, while it was difficult to compare administrative costs of various development assistance organizations, his Government was concerned with the high level of these estimated costs. He hoped that a strong justification could be made for the 1982-1986 estimate, since otherwise there could be a difficulty regarding his Government's increased contribution to UNDP. Another representative was impressed by the fact that two-thirds of the UNDP administrative budget related to field costs. The Administrator stated that instead of the conventional measure of UNDP field office costs in relation only to IPF activities, it would be more realistic to use as a yardstick the larger magnitude of all resources administered by UNDP, including Government contributions in kind - the total of all these resources being estimated to be the equivalent of some $2 billion per annum. It was noted that one-third of UNDP field office activities did not directly relate to the Programme. Nevertheless, if, following the Council's forthcoming deliberations on the UNDP budget, there were to be reductions in resources in real terms for the period 1982-1986, UNDP would adjust its administrative estimates for the entire third cycle commensurately. A representative pointed to the possibilities that might exist for achieving administrative economies through integration of the operational activities of the specialized agencies with those of UNDP. He requested a paper outlining the possibilities and implications of such a system. Another representative requested that information be provided covering agencies' presence in the field and the relationship in the field between agency representatives and the Resident Representatives.

10. Several representatives welcomed the emerging trend of designating UNDP Resident Representatives as Resident Co-ordinators of the United Nations system. The functional complementarity of these two roles fostered improved co-ordination of the activities of the United Nations system at the country level.

11. Regarding the future of agency support costs, representatives were informed of the two particularly important points contained in documentation for the twenty-eighth session. First, Geneva based agencies considered that they had not been compensated for losses due to the depreciation of the US dollar against the Swiss franc in past years. Second, UNDP and the agencies differed as to whether the 13 per cent formula should be applied to all programmes under UNDP jurisdiction. In response to a further inquiry, the Deputy Administrator stated that the reimbursement of the support costs of the Office for Project Execution (OPE) and the United Nations Volunteers (UNV) according to the generally prevailing rate had no financial implications in that any surplus above costs that would be realized would be reabsorbed in the total programme.

12. A representative stated that the Council should consider raising the present ceiling it had earlier imposed on the extent of cost sharing activities.
13. Concern was expressed with the accumulation by UNDP of non-convertible currencies. A representative urged countries whose currencies were accumulating to make a serious effort, if they were committed to alleviating the problems of developing countries, to ensuring that their currencies were capable of being utilized by UNDP. Another representative considered that it would be fruitless to continue to demand that all contributions should be made in convertible currencies, given the history of this matter. Rather, he suggested that the Council should fix a limit on the percentage of a total contribution that could be made in non-convertible currencies. While a group of countries in his region was prepared to pursue this matter, they needed technical guidance from UNDP. The Administrator referred to a number of proposals in this area that had already been rejected by the Council but indicated its willingness to re-enter discussions provided that Governments felt that it would be useful.

14. Representatives raised two matters related to the administration by UNDP of possible new special purpose funds. In response to an inquiry on the relation of UNDP to the United Nations Conference on Least Developed Countries the Administrator stated that the ultimate determination of its role subsequent to the Conference would be up to the competent bodies of the United Nations. UNDP, for its part, did not favour the establishment of any additional machinery to administer any new fund that might be created; it was willing and prepared to administer any increased funds that were dedicated to technical co-operation activities. Similarly, with regard to science and technology, the competent body for determining operational modalities was the General Assembly. However, the Administrator stated his belief that UNDP had done a creditable job in administering the Interim Fund and, if relevant, would need the authority of the Governing Council to continue its management in this area.
ANNEX I

Issues to be considered by the high-level segment of the
Governing Council

I. PLANNING OF CENTRAL FINANCIAL RESOURCES FOR 1982-1986

1. At its twenty-seventh session, the Governing Council considered and
decided on various preparations for UNDP's third programming cycle,
1982-1986 (decision 80/30). Primarily, the Council decided on a "forward
planning" allocation of resources for 1982-1986 which was based on an assumed
overall average annual growth of voluntary contributions of at least 14 per
cent. This planning was made subject to consultations between the Administrator
and Governments, with a view to his making as realistic an estimate as possible
of the actual resources likely to be available for the Programme for the third
cycle. Following these consultations, the Administrator was requested,
inter alia, to report to the Council at its twenty-eighth session on their
outcome, including the implications for IPFs.

2. The Administrator's detailed report (DP/519) to the twenty-eighth
session on outstanding issues arising from decision 80/30 will indicate, inter
alia, that, based on consultations undertaken in the second half of 1980, likely
third cycle voluntary contributions are estimated initially as being
significantly less than an "overall average annual growth of at least 14 per
cent". Since the Council will undoubtedly wish to review this development with
particular care, the Administrator considers it useful to provide the following
information to representatives of members of the Council well before the
twenty-eighth session: indeed, in sufficient time prior to the informal
meeting scheduled for 29-30 April 1981 to allow for thorough consideration.

Resources mobilization

3. Under the Council's definition of an overall 14 per cent growth in
voluntary contributions, the dollar equivalent of total new resources available
for 1982-1986 was estimated to be some $6.7 billion. 1/ Compared to this
amount, however, the present estimate of resources to be available for the
third cycle, based on the consultations mentioned in paragraphs 1 and 2, is
at the significantly lower level of $5.124 billion equivalent to an overall
average growth of 8 per cent in contributions over the target level established

4. The present note points to the extreme difficulties that would face
the developing countries and UNDP should such a low level of available
resources eventuate.

1/ See document DP/496.
Resource allocation

5. In the context of the constrained situation concerning resource mobilization, an assessment of what might be regarded as a minimal level of UNDP field activities in the third cycle suggests that such operations could neither efficiently nor effectively be maintained at a level lower than 80 per cent of the field programme magnitudes referred to in decision 80/30. Instead of $5.148 million, which represents one hundred per cent of the forward planning considered at the twenty-seventh session (see table), the corresponding dollar amount is $4,118 million. This assessment takes into account the importance of an orderly continuation of ongoing projects and the requirement for a minimum core of new projects.

6. The implications of implementing even a minimum third cycle field programme of $4,118 million (80 per cent of field programme magnitudes projected in decision 80/30) pose a dilemma. Resource allocations needed for the 80 per cent scenario total $5,573 million, compared to a resource mobilization estimate of $5,124 million: a resultant negative balance of $449 million. This serves to alert the Council to the seriousness of the situation and of the choices that UNDP would face, if available resources were limited to some $5.1 billion.

7. The most satisfactory resolution of this problem would possibly be a firm expression by the Council that the resources target be maintained at the level of $6.7 billion. The Council's endorsement of this target would require a series of unilateral commitments by individual donors to achieve higher contributions than currently assumed.

8. The alternative, if a substantial deficit is to be avoided, would be for the Council to accept a third cycle UNDP field programme substantially below the level of even 80 per cent of the forward planning figure. If third cycle resource mobilization and allocation are to be balanced at the restricted $5,124 million level, the UNDP field programme would have to be further depressed to $3,740 million or 73 per cent of the forward planning figure considered at the twenty-seventh session.

9. It should be noted that because of inflation, a $4,118 million programme implies essential stagnation in the real level of UNDP's aggregate assistance to developing countries between the second and third programming cycles. A $3,740 million programme would mean a decline of approximately 12 per cent, in real terms, if inflation were assumed at an annual rate of 12.5 per cent.

10. Another aspect requiring attention is the extent of the recent volatility of foreign exchange rates. If the end February 1981 exchange rates were to prevail on an average throughout the third cycle, the negative balance of $449 million, mentioned in paragraph 6 above, would become $649 million. If programme delivery were then to be restricted to available resources (as it must), the field programme would be reduced to some $3,570 million or 69 per cent of the forward planning figure approved by the Council.

/...
11. While the central concern of these grim statistics is for their impact on the overall economic and social development of many developing countries, the effect on the future of the United Nations machinery involved in administering and executing multilateral technical co-operation is also suggested: an effect with significance to both UNDP and the executing agencies alike. In the more restricted third-cycle scenario outlined above, the UNDP administrative budget costs would increase disproportionately in relation to the total resources administered by UNDP.

12. The Council may decide that the extent of the present uncertainties with respect to detailed planning for the third cycle is such that programming should proceed on a step-by-step basis. However, the Council will need to take fully into account the deleterious effects on development co-operation activities that would arise from low resource mobilization and frequent or sharp changes in planning and programming levels. Technical co-operation remains a long-term venture, with most projects requiring several years of continued and balanced effort before objectives are achieved. Therefore a reasonable target for resource mobilization is essential. Otherwise, forward programming and planning would not be possible. Having regard to the presently foreseen current cycle into 1982 (i.e., some 40 to 50 million dollars), the Council is being asked to authorize the Administrator to conduct field operations for the first year of the third cycle (1982) at the level of 80 per cent of the field programme agreed to in decision 80/30, with the level of the programme for 1983-1986 depending on other decisions of the Council. It is of course understood that under no circumstances would programme activities be carried on at a level that would compromise overall financial integrity.

II. FACILITATING DEVELOPMENT IN THE 1980s

13. The need for greater financial contributions to the central resources of UNDP is one of two fundamental challenges which UNDP presently faces, as does the United Nations system of development at large. The second challenge lies in fully using the capacity of UNDP and the executing agencies to provide an efficient administrative mechanism for its present involvements, but also for future United Nations special funds for economic and social development.

14. The beginning of the present decade affords an opportune time for this situation to be reconsidered, particularly in view of General Assembly resolution 35/81 on the comprehensive policy review of operational activities for development. Over the last decade, UNDP has been the channel for the major part of resources available for multilateral technical co-operation; its assistance to developing countries, coupled with their own counterpart contributions, has amounted to billions of dollars. In the process, UNDP has developed, together with the executing agencies, an extensive and intensive delivery system. In assisting
over 150 developing countries and territories in their elaboration of successive country programmes of technical co-operation, UNDP with its establishment of more than 110 field offices, has acquired knowledge, unique within the United Nations system, of each country's overall requirements for technical co-operation, and of the alternatives available for responding to such needs within all of the bilateral and multilateral agencies concerned. For the response to such needs, UNDP has established effective relations with some 30 executing agencies, each of whose specialized knowledge is brought to bear in a measure appropriate to each specific requirement. UNDP's *modus operandi* has often propelled its Resident Representative into a situation whereby his or her potential to contribute to a country's development through the provision of technical co-operation is much greater than might be assumed on the basis of the resource flows from UNDP's central funds.

15. During the 1970s, there was a significant expansion in an alternative mode for allocating and delivering multilateral technical co-operation assistance. The choice of specific sectoral programmes was determined in many cases by the consensus of international forums, rather than by the planning authorities of individual developing countries. This approach often resulted from various United Nations global conferences which focused on needs in such specific areas as water, human settlements, desertification, trade and commerce, the role of women, science and technology, industrialization, population and environment. Many donor countries supported the creation of global special funds for such purposes as being consistent with the perceived development assistance priorities of their own Governments; recipient countries favoured such funds, perceiving them as sources of additional resources.

16. This alternative approach to development assistance has resulted in a reduction in the relative share of resources in the field of multilateral technical co-operation handled by UNDP, contrary to the concept of a central funding body for technical co-operation in the United Nations system as endorsed by the General Assembly. It has also resulted in the creation of a number of separate funds, each with its particular economic or social focus, and many with their own administrative structures. In these latter cases, the result has been to add to administrative costs.

17. To a limited extent, however, the creation of global special funds has not entailed the inefficiencies and expense of setting up individual administrative structures; in some instances it was decided to utilize the existing headquarters and field structures of the UNDP. This approach was taken in regard to the United Nations Capital Development Fund, the United Nations Sudano-Sahelian Office, the United Nations Special Measures Fund for Least Developed Countries, the United Nations Special Fund for Land-locked Developing Countries, and the United Nations Interim Fund for Science and Technology. While the aggregate of resources of all these funds is, at present, modest in relation to UNDP's central resources, these steps requiring utilization of UNDP's administrative apparatus and country programming process have demonstrated a potential for securing considerable further efficiency. At the least, it could be expected that separate administrative machinery for these funds would not be established.
New global special funds

18. Assuming that the world community may continue to create global special funds for specific technical co-operation endeavours, paralleling its continued support for UNDP's central funding activities, consideration might now be given to formally recognizing UNDP, including its field office network, as capable of providing an efficient administrative umbrella for the effective use of resources committed to global special funds for economic and social development.

19. The use by a special fund of UNDP's common administrative services under the control and authority of the Administrator would preclude neither that fund's having its own governing body, nor the Administrator's being accountable to it for his actions on behalf of the fund. Similarly, if the General Assembly so decided, an appropriate role for the Governing Council would be preserved as it was with respect to the Interim Fund for Science and Technology for Development.

20. The field office structure of UNDP would continue to constitute the cornerstone of such involvement on the part of the Programme. The Resident Representative/Co-ordinator would have the opportunity to enhance the value of total multilateral resource flows by facilitating co-ordination between the programme and project efforts financed by UNDP's central funds (IPF) and those financed by the special funds. He or she would have a particular vantage point from which to suggest improved efficiency through co-financing of projects by UNDP and by one or several of the United Nations special funds for economic and social development. Such co-financing could relate to technical co-operation alone, or to an extension of the activities financed through the Programme's IPF resources into investment follow-up through such international machinery as development banks or the Capital Development Fund. As a result of this process, for example, UNCDF (which has already shown its capacity to effectively provide capital assistance of up to $2 million for individual projects) could rapidly expand its operations. The average cost of a CDF project is approximately $1.0 million, below the level which international finance institutions normally deal with. The Resident Representative/Co-ordinator would have an opportunity, on request, to provide advice to other development assistance organs on the integration of their activities with overall national plans for development. The Resident Representative/Co-ordinator, could further help developing countries on request, to reinforce their own administrative structures in co-ordinating all external financing for development. In essence, UNDP's field offices, depending on individual circumstances, could further evolve into even more effective instruments for development assistance, in themselves constituting important development inputs.

21. At a secondary but still crucial level, considerable efficiencies would accrue to the international system of operational activities for development through the sharing of headquarters functions. UNDP's administrative infrastructure is capable of undertaking the personnel, auditing, accounting and other administrative and programme functions of new special funds with little
additional administrative cost. Savings to the system in overhead costs would liberate financial resources for increased allocations to developing countries. UNDP could provide effective monitoring and supervisory functions. The funds could avail themselves of UNDP's extensive institutional memory and experience of development assistance activities. Further, as has been experienced, a common headquarters provides opportunities for continuous day-to-day consultation among directors of the various special funds on both substantive and administrative matters.

Cost sharing

22. The suggestion for common use of UNDP's administrative and programme support establishment by new special funds naturally extends to funds for the benefit of particular countries: i.e. programme or project cost sharing funds provided by the Government or third party, including international financial institutions and non-governmental sources of financing.

23. Cost sharing by developing countries for their own programmes and projects, and so-called third-party cost sharing administered by UNDP, has a unique appeal as a means of extending development assistance. Developing countries are afforded the opportunity for realizing specific development objectives through larger UNDP projects than would be possible if resources were limited to IPF financing. The use of resources provided by third-party cost sharing frequently reflects the concerns and priorities of donors.

24. Programme cost sharing provided by the developing country or by a third party is in a sense preferable to project cost sharing because it allows the additional resources to become an integral part of the country programme concerned.

25. During the last five years, a steady increase in cost sharing of UNDP activities has occurred that has been financed by developing countries themselves. It has taken place for many of the same reasons as stated above; and the trend in continuing. There has been a number of instances where developing countries, with the financial capacity to do so, have paid for all the much needed programmes of technical co-operation. In these cases, the Governing Council may wish to approve such undertakings identified additional administrative costs are fully recovered. This principle would equally apply in the case of programme or third-party cost sharing.

26. In this context, the Council may wish to consider whether it would now be useful to raise or even remove the limit of allowable cost sharing financing that is presently imposed. It should be emphasized that an expanded use by UNDP of cost sharing would be carried out only if the purpose of the financed programmes and projects remain consistent with UNDP's mandate. Further conditions for a more general recourse to these forms of development financing through UNDP may include improved operational procedures and an insistence that cost sharing financing be sufficient to meet the cost of requisite UNDP administrative and programme support services.
III. CONCLUSION

27. The Administrator continues to believe that a single, general-purpose funding mechanism for multilateral technical co-operation would be in the best interest of both developing and donor countries. For the developing countries, such a funding mechanism would not only ensure that the resources available for technical co-operation would be distributed on an equitable, pre-determined basis, but also that the use of such resources would be in accordance with individual national development priorities, as determined by the respective Governments themselves. For the donor countries, a single, general-purpose mechanism would ensure that the resources made available for multilateral technical co-operation were used to the maximum extent possible for coherent and integrated development activities.

28. In spite of these arguments in favour of a single, general-purpose funding mechanism, the experience of the past decade shows that, for various reasons, both the developing countries and the donor countries have supported the creation of a number of separate, specific-purpose funds or programmes. If this trend continues Governments may wish to consider seriously whether such future funds or programmes should not be administered by UNDP. Because UNDP is already managing a number of separate programmes and funds, and particularly because of its global network of field offices, its role could further evolve to the advantage of both developing and donor countries, and of the United Nations system itself.

29. In this connexion, the Governing Council, in its decision on the role and activities of UNDP, affirmed that as the central funding body for technical co-operation in the United Nations system, UNDP should continue to mobilize resources for technical co-operation and manage them efficiently to respond effectively to the development priorities and objectives of the developing countries. 2/ The Council also appealed to all Governments to contribute to maintaining the coherence of the United Nations system by avoiding the creation of new technical co-operation funds within the United Nations system if such co-operation can be adequately undertaken by UNDP, and, wherever feasible, by putting such existing funds within the framework of the United Nations Development Programme. 3/ This decision was endorsed by the Economic and Social Council 4/ and noted with approval by the General Assembly. 5/

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3/ Ibid.

4/ Resolution 2110 (LXIII).

5/ Resolution 32/114.
## UNDP: Sources and uses of new financial resources, selected scenarios; 1982-1986

(million dollars)

<table>
<thead>
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<th>Item</th>
<th>A forward planning calculation, related to Governing Council decision 80/30, i.e. using a total resources target of $6,71h million a/</th>
<th>Alternative calculations taking into account, inter alia, the results of consultations with Governments on resources mobilization for 1982-1986; and the suggestion of an 80 per cent field programme compared with decision 80/30 b/</th>
<th>the need to avoid a negative balance between mobilization and allocation of resources c/</th>
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a/ See Council decision 80/30 and DP/496.

b/ See text of this note.

c/ Data on resource mobilization are based on end December 1980 exchange rates. The use of end February 1981 rates would reduce the 1982-1986 aggregate by some 150 to 175 million dollars.

d/ The amount of $747 million in the columns 2 and 3 is based on the proposed 1981 staff establishment which remains unchanged in 1982-1983. For 1982-1983, the inflation rate assumed in the budget presentation is used. For 1984-1986, it is assumed that the annual increase in the budget to be met from UNDP resources will be limited to 8 per cent per annum in current values and that there will be no increase in the staff establishment above the 1981 level.

e/ Includes $100 million (column 2) and $80 million (column 3) for an increase in the Operational Reserve (as calculated from the terms of the Council's decision 80/50). These increases are in addition to the Operational Reserve balance of $200 million estimated for the end of 1981.

f/ This amount may be reduced by a carryover of unencumbered resources from the previous cycle which may be in the range of $40 to $50 million.
A. Opening Remarks

1. The Administrator indicated that the purpose of that Informal Meeting was to provide the representatives of States members of the Council with important information which had been gathered since the twenty-seventh session and which would have to be carefully analyzed by the Council itself when it met in June. It was not expected that the Informal Meeting would take decisions or even, for that matter, make recommendations to the Council. Its sole purpose, rather, was to exchange information which would be of critical importance to the Council at its formal meeting. The Administrator further indicated that he would need clear guidance from the Council itself on a number of critical issues identified below.

2. The Administrator emphasized that UNDP faced no immediate financial problems comparable to those of 1975 or otherwise. Against a voluntary contributions target of $3.4 billion for the second development co-operation cycle (1977-1981), total pledges for the cycle were estimated in the amount of $3.35 billion or 98.5 per cent of the target. The Programme would deliver to developing countries during the second cycle all of the technical co-operation it had undertaken to deliver, that circumstances have permitted it to deliver, although in some isolated cases, because of political events or security considerations, full delivery had not been possible. At the completion of the second cycle the Programme would have at least $50 million to carry forward to the third cycle. Moreover, the operational reserve was fully funded and fully liquid. Although UNDP accounts receivable, resulting from contributions pledged but not yet paid, were at the highest level in the history of the Programme, the financial situation of UNDP today was sound.

3. The Administrator emphasized that what was at issue was the size, shape and structure of the Programme in the rapidly approaching third cycle.

4. He recalled that the Governing Council, at its twenty-seventh session, had reached a historic consensus whereby there was a major shift of the allocation of resources to be provided by UNDP in the third cycle to those poorer countries with per capita GNPs of $500 or less. The Council had also decided that the allocation of resources among developing countries, including the distribution of country and intercountry indicative planning figures (IPFs) should, for the purposes of forward planning, be based upon an assumed overall average growth of voluntary contributions and other programme resources of at least 14 per cent on a cumulative basis from the target level established for 1977-1981, subject to the results of consultations the Administrator had been directed to undertake in order to make as realistic an estimate as possible of the actual resources likely to be available for the Programme for the third cycle.
The application of the 14 per cent target had resulted in a projected level of resources for the third cycle in the amount of $6.7 billion, almost double, in nominal terms, the resources available to the Programme in the second cycle. The Council had also agreed on illustrative country and intercountry IPFs totalling in the aggregate some $5 billion.

5. The Meeting was informed that the Administrator had undertaken consultations with donor Governments as directed by the Council in order to assess the level of contributions for the third cycle as realistically as possible. These consultations were completed before 31 December 1980 as the Council had directed. The Administration then undertook an intensive analysis of the information which flowed from those consultations and concluded, as reported in Working Paper 1, "UNDP: Planning for the 1980s", 1/ that on the basis of information provided by Governments, the aggregate contributions which could be predicted for the third cycle would be approximately $5.124 billion, roughly 24 per cent short of the $6.714 billion target. The Administrator noted that the $5.1 billion figure represented an average annual growth rate of 8 per cent on a cumulative basis from the second cycle target. He added that, while a number of delegations, during the course of the discussions at the twenty-seventh session of the Governing Council, had expressed some reservations about the 14 per cent figure, it was fair to say that no delegations had advocated a growth target as low as 8 per cent.

6. The $5.1 billion would support a UNDP field programme at the level of approximately $3.7 billion (if the UNDP administrative budget were to be maintained at $747 million for the third cycle) - only 73 per cent of the aggregate illustrative IPF which the Governing Council had put forward at its twenty-seventh session. Assuming an annual rate of inflation of 12.5 per cent, a $3.7 billion field programme would mean a reduction of 12 per cent, in real terms, from the level of the second cycle, as noted in Working Paper 1. A further decline in predictable third cycle resources might result from the volatility of foreign exchange rates. If, for example, end February 1981 exchange rates were to prevail on an average throughout the third cycle, the effect would be further to reduce the field programme to approximately $3.57 billion - only 69 per cent of the aggregate illustrative IPF adopted by the Council.

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7. The Administrator referred to the critical importance of technical co-operation to effective development. The case had been persuasively made in the UNDP submission to the Brandt Commission in 1979. It had been underlined by the General Assembly in resolution 35/56 of 5 December 1980, endorsing an International Development Strategy for the 1980s, in these words: "Realization of the goals and objectives of the New International Development Strategy will ... require a renewed emphasis upon technical co-operation and a significant increase in the resources provided for this purpose." It had

1/ The Working Paper, submitted to the Informal Meeting of representatives of States members of the Governing Council of UNDP, is included in Annex I to this document.
been effectively presented in chapter II of the 1980 Annual Report of the Chairman of the Organisation for Economic Co-operation and Development (OECD). The case was simply this: vastly strengthened human and institutional infrastructures and effective pre-investment planning were absolutely essential to development. The Administrator noted that UNDP had been created precisely to assist developing countries in achieving these objectives.

8. The Administrator then added that all who had broad experience in development work knew that the sharp reduction in the level of the aggregate UNDP programme alluded to above would have a devastating effect on the UNDP-supported development efforts of most, if not all, developing countries and territories which UNDP served. Their needs, which could be met principally through technical co-operation and effective pre-investment planning, were staggering.

9. The International Labour Organisation (ILO), he pointed out, has estimated that over the next 10 years alone some 450 million people will enter the labour force in poor countries - an average of 45 million new workers each year to whom adequate training skills and employment opportunities must be imparted.

10. The Food and Agriculture Organization of the United Nations (FAO) has predicted a widening gap in per capita income between agricultural and non-agricultural occupations during the 1980s and has estimated a net cereal deficit among developing countries of some 88 million tons by the year 2000, or two and one half times the deficit of the mid-1970s.

11. According to World Bank calculations, more than 600 million men, women and children throughout the developing world were suffering a crippling deficit in daily caloric intake, 800 million were drinking contaminated water and 500 million were without basic shelter. If the goal of the International Drinking Water Supply and Sanitation Decade - clean drinking water and sanitation for all by the year 1990 - were even partially achieved, infant mortality could be cut by 50 per cent.

12. As long as malnutrition and impure water continued to be facts of life in developing countries, the need for new health facilities, trained personnel, equipment, medicine and other supplies, together with massive medical research requirements, particularly in the tropical diseases afflicting hundreds of millions of human beings, would continue to multiply. Population growth patterns, moreover, showed that the younger component of the population in developing countries was increasing rapidly, creating urgent and enormous new demands for educational facilities, trained teachers, instructional equipment and materials. Such demands would strain development resources throughout the developing world.
13. The Administrator continued by saying that the steady destruction of the world's ecology meant not only starvation and more refugees from drought and famine but also would require renewed international efforts of the most critical importance to halt desertification, deforestation, flooding, siltation, pollution, climatic changes and environment-related diseases before they almost literally tore whole continents to pieces. At the same time, United Nations experts have calculated that the total exploration requirements for petroleum resources in the oil-importing developing countries might approach $1.9 billion every year until 1990. Exploration requirements for minerals have been estimated by the same group at $350 million to $650 million annually over the decade.

14. The Administrator pointed out that these were only selected examples of the enormous unmet technical co-operation needs of developing countries and that each agency in the United Nations system could provide equally dramatic examples in its own sector of competence.

15. All of these monumental requirements have come on top of existing constraints to growth and development caused by shortages of key skills in all economic and social sectors. In virtually every developing country there is a critical need for technical, administrative and managerial training, and the link between technical co-operation and the development of human infrastructure is a vital step in enhancing capital investment and the full value of their own massive development inputs.

16. The Administrator underlined that the figure shown in the table included in Working Paper 1 for the UNDP administrative costs for the third cycle ($747 million) did not constitute a budget submission in any way. It was put forward only to demonstrate the cost, which could reasonably be predicted at the present time, of maintaining the UNDP apparatus, including its extensive field network, which served the entire United Nations system and which might be characterized as the very presence of the United Nations in many developing countries throughout the world. The Governing Council, in determining the resource level for support of UNDP in the third cycle, might wish to consider the value of this unique instrumentality to the international community.

17. UNDP has made extraordinary efforts to contain its administrative costs over the past five years. It has in fact been able to support substantially increased main programme activities (at the level of $670 million in 1980) with 588 professional and higher category staff, compared with 633 on the rolls at the beginning of 1976. The Administrator pledged that he would continue to exercise this same careful stewardship.
18. In this same spirit, the Administration was submitting for the consideration of the Governing Council a zero growth (in real terms) administrative budget for the 1982-1983 biennium based on the 1981 budget. He added that, if UNDP were to have a resource level for the third cycle at 73 or 69 per cent of the forward planning figure for the projected field programme advanced by the Council, its administrative budget would clearly increase disproportionately in relation to the programme and that this was obviously a matter which the Council should address.

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19. The Administrator then referred to two other issues identified in Working Paper 1 for the information of the Informal Meeting and for consideration by the Council.

20. From time to time, over the past decade, the international community decided to create special United Nations global funds for specific technical co-operation activities. While this development was a departure from the concept of a single, general-purpose funding mechanism for multi-lateral technical co-operation which, in the Administrator's view, has a number of clear advantages for developed countries and developing countries alike, it was recognized that in the future Governments might decide to establish new United Nations global special purpose funds. If such decisions were taken, the Administrator believed that a compelling case could be made to entrust the administration of such new funds to UNDP as had been done with respect to the United Nations Revolving Fund for Natural Resources Exploration, the United Nations Capital Development Fund and, most recently, the Interim Fund for Science and Technology for Development. He emphasized that UNDP did not seek responsibility for any activity which had already been assigned to any other agency or organization of the United Nations system. It was merely suggested that if Governments decided to establish new United Nations global funds for specific technical co-operation purposes, serious consideration should be given to entrusting their administration to UNDP, both to enable developing countries to achieve greater integration and coherence of future United Nations supported development activities and to ensure effective and efficient central management through an established field network.

21. In addition, the Working Paper suggested consideration by the Council of an expansion of the existing limitation on the level to which developing countries might utilize cost sharing and donor countries might avail themselves of third-party cost sharing to expand the services, on either a programme or project basis, which UNDP could provide to the countries it serves. The Council might wish to consider whether it would be useful to raise or perhaps even to remove the present limit of cost sharing. The Administrator
emphasized that the cost sharing device, which experience has demonstrated to have served developing countries effectively, was not and is not intended to compete with the agencies' Trust Fund arrangements. As pointed out in Working Paper 1, an expanded use of cost sharing would be carried out only if the purposes of the financed programmes and projects were fully consistent with the UNDP mandate.

22. A number of developing countries and donor countries as well have indicated their desire to make more extensive use of cost sharing arrangements, and the Administrator intended to urge the Council to approve a relaxation of the existing limitation.

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23. The Administrator indicated that another matter of enduring concern to the Governing Council was the continuing accumulation by UNDP of non-convertible currencies inasmuch as they obviously affected the level of resources available to developing countries through UNDP. He noted that intensive consultations had been held since the twenty-seventh session of the Governing Council, both with a number of Governments whose currencies UNDP was continuing to accumulate and other interested Governments as well. Unfortunately these consultations had proven less than conclusive. A number of Governments in the first category took the position that UNDP must make greater efforts to utilize the contributions which they provided in national currencies and that UNDP regulations should be relaxed to permit this greater utilization, while a number of countries in the second category took the position that all Governments should contribute to the Programme in fully convertible currencies. Although some progress had been made in recent years on this complicated subject, which has been with the Programme since its inception, the problem persisted.

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24. Consistent with its commitment to effective interagency co-operation and to the concept of partnership embodied in the Consensus, UNDP had invited the executive heads of the participating and executing agencies of the Programme to an ad hoc consultative meeting held in Geneva on 15 April 1981. Working Paper 1 had been distributed earlier to the executive heads and the Administrator had undertaken to bring their comments to the Informal Meeting.

25. The executive heads had expressed great concern with respect to the projected shortfall in resources for the third cycle. They felt that the impact on the efforts of developing countries to speed their economic and social progress would be most serious if the present projections could not be revised upwards.
26. A number of executive heads observed that Working Paper 1 should have focused more specifically on the adverse consequences for the developing countries of a shortfall in UNDP resources for the third cycle. They therefore urged the Administrator to bring their concern to the attention of the Informal Meeting and to make a strong plea to Governments for a greater effort at mobilizing the resources needed. Several executive heads drew attention to the adverse consequences of such a shortfall in their fields of activity. In the words of the Director-General of the World Health Organization (WHO), "The plight of the Administrator of UNDP is the plight of all of us and it is important that we should be understanding that". It was also pointed out that because of the role of UNDP in training and in the general strengthening of the human infrastructure in development, the consequences of a shortfall in its planned resources would be felt beyond multilateral assistance and affect bilateral activities with their heavier component of equipment and capital assistance. Participants mainly stressed the need for a mutually supportive effort to impress upon Governments the seriousness of the situation with a view to mobilizing the resources required.

27. With respect to the role of UNDP in special purpose funds and cost sharing arrangements, several executive heads were of the view that the Working Paper needed clarification. They stressed that additional resources, rather than the mechanisms for the administration of the funds, should be the main consideration. Several executive heads remarked that the concept of central funding referred to in the Working Paper had been somewhat overtaken by events, since Governments had established a number of special purpose funds and entered into agreements with individual agencies to finance specific projects. It was generally agreed that these arrangements should not be affected.

28. In this connexion the Administrator noted that the Director-General of FAO had questioned the very concept of the planning cycle and of country programming in the light of resources uncertainty and proposed a study which might lead to their replacement by an approach more appropriate to funding on an annual basis. The Director-General asserted that the very concept of the planning cycle and of country programming as a frame of reference or even as a UNDP management tool have lost touch with reality and had to be revised. The FAO paper 2/, he pointed out, reflected the view that UNDP added an "extra layer" to what agencies could do individually. The executive heads who commented on the UNDP proposal felt that the role of the Programme in the administration of other funds and additional financing arrangements would be clearer if UNDP were not itself executing some of the projects it financed. Executive heads, however, again stressed that the main element was to maximize the volume of aid to developing countries.

2/ The comments by FAO on Working Paper 1 were circulated at the Informal Meeting at the request of the Director-General of FAO. This same paper is being made available to the Governing Council as DP/GC/XXVIII/CRP.1.
29. With respect to administrative costs, most executive heads who intervened in the debate were of the view that if the present resource projections were not revised upwards, the overhead allocation they would receive would actually contract. The representatives of some organizations pointed out that the information provided in the Working Paper regarding UNDP administrative costs could easily be misinterpreted without the further explanation which UNDP had provided orally to the effect that the figure set forth was not a budget proposal. In this connexion, FAO implied in its written note and its Director-General stated at the meeting that it viewed the UNDP paper as an effort to try to justify an increase in the cost of UNDP administration in comparison with IPF programme delivery and that there was no alternative but to cut down these costs. Representatives of other organizations, while stressing the need to reduce administrative costs to the extent possible, acknowledged that the figures appearing in the document were misleading and that a more comprehensive presentation of this aspect of the UNDP proposals should be made.

30. The Administrator observed that this short account of the agencies' comments on the Working Paper could obviously not do justice to the many and diverse view points put forward during the interagency meeting and particularly to the very strong concern expressed for the developing countries and the services provided to them by the United Nations system should UNDP resources fall short of the approved target for the third cycle. He added that on this occasion many executive heads had reaffirmed their support for UNDP in a spirit of partnership. This was particularly stressed by the Director-General of the ILO, who referred several times to the absolute necessity of the partnership concept among the various units of the system if it was to contribute effectively to the promotion of economic and social development and help meet the challenges which the developing countries would face in the years ahead.

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31. With reference to the resource picture, the Administrator went on to state that UNDP did not have the right to assessed contributions nor, unfortunately, did it have the advantage of an agreed formula for burden sharing which a number of international financial institutions had. He added that UNDP in fact depends entirely upon the support, the understanding and the generosity of its voluntary contributors and that in a period of worldwide economic uncertainty, when many Governments throughout the world were seeking to reduce public expenditures in order to combat inflation, the resource base of UNDP was uncertain as well.
32. The Administrator noted that UNDP was not unique in this uncertainty. Other activities funded on a completely voluntary basis faced similar uncertainty. But UNDP was unique, he pointed out, in that for over a decade its Governing Council had squarely faced every critical, complicated and sometimes divisive subject presented to it, and, in the spirit of mutual respect and good will that traditionally characterized its deliberations, had always resolved the issue by consensus.

33. The Administrator also pointed out that many issues had been raised which were clearly beyond his authority to decide, and on which clear guidance from the Council was essential. The Council had addressed some of these issue at its twenty-seventh session and had embodied its conclusions in decision 80/30. The results of the consultations undertaken by the Administrator at the direction of the Council, however, required further and immediate guidance.

34. The Administrator stated clearly that UNDP could not commit resources which it did not have and could not reasonably expect to receive during the third cycle. But the resources prospects disclosed by the Administrator's consultations demonstrated that unless the resources picture improved dramatically, and soon, it would be impossible to maintain the illustrative IPPs approved by the Governing Council in operative paragraph 2 of decision 80/30. The provisions of operative paragraph 4 of that decision would then apply. Such an eventuality would have far reaching consequences for each developing country which UNDP serves, as well as for the Programme itself and the United Nations system as a whole.

35. The Administrator continued by emphasizing that the critical catalytical value of technical co-operation and pre-investment planning in effective and systematic economic and social development had been fully demonstrated over the years, and that the staggering needs - needs which even the most optimistic estimates of UNDP third cycle resources would not begin to meet - of developing countries for the support provided for UNDP and its agency partners were beyond question.

36. The Administrator then asked if this were not the time for all Governments - traditional donors, Governments which hitherto had made only modest contributions to the Programme and developing countries themselves - firmly to resolve to increase their contributions, individually and collectively, to the Programme, so that the urgent needs of developing countries, as were or would be documented in their respective country programmes, would be met.

37. The Administrator concluded by saying that there was no other truly satisfactory solution to the situation facing UNDP. No other solution would preserve the spirit of trust and confidence which had always characterized UNDP and its Governing Council.
B. Closing Remarks

38. The Administrator noted that some representatives had focused in their interventions on how reduced resources might be allocated among developing countries. It was important to emphasize, as many delegates had, that if the resources picture were not redressed, the consensus decision 80/30 of last June would be threatened. It was his conviction, and that of his senior colleagues who had participated in the discussions that led to the consensus, that the understanding reached in decision 80/30 was possible only in the context of a slightly expanded programme in real terms, which the 14 per cent target implied.

39. The Administrator believed firmly that it was his responsibility to present the resources picture which had emerged from his consultations with Governments to the members of the Council at the earliest possible time. It was equally his responsibility to inform the Council members, and indeed all participating Governments, of the serious consequences that a contraction of the Programme would have for developing countries and, indeed, for the concept of multilateral assistance. He wanted to make it absolutely clear that he did not recommend a Programme at 69, 73 or even 80 per cent of the level which was embodied in decision 80/30.

40. The Administrator recommended, instead, that all Government representatives draw the attention of their authorities to the gravity of the situation and make every effort to enlist the support of their Governments to ensure that contributions to UNDP for the third cycle were adequate to meet the target set forth by the Council last June in a decision which has been endorsed by the Economic and Social Council and the General Assembly. Failure to meet this target would seriously jeopardize the joint endeavour that had been pursued with what he thought was remarkable success.

41. The Administrator stated that this message must be carried to capitals so that when the Council met in June at a high level, a serious appraisal of the consequences of an adverse resource prospect would have been made and the necessary review of each Government's position would have occurred.

42. The Administrator concluded by stating that he could not authorize expenditures of foreseeable resources and merely hope for the best. He trusted that Government representatives at the Meeting would impress upon the Government authorities concerned the necessity of providing the resources upon which the June 1980 decision of the Council was predicated.