

**UNITED NATIONS  
DEVELOPMENT  
PROGRAMME**

Distr.  
GENERAL

DP/554  
31 March 1981

ORIGINAL: ENGLISH

GOVERNING COUNCIL  
Twenty-eighth session June 1981  
Agenda item 10 (a)

UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

Report of the Administrator

Summary

This report responds to General Assembly resolution 35/205, which requested the organizations and bodies of the United Nations system to take all necessary measures to contribute to the success of the Conference. The report describes UNDP's role in development co-operation with the LDCs in support of the substantial new programme of action for the LDCs which will be finalized by the Conference. The report also responds in paragraphs 28-29 to decision 80/26 concerning more uniform procedures to facilitate the administration of technical and capital co-operation. This report is submitted for the information of the Governing Council.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION . . . . .	1 - 6	4
II. THE DIVERSITY AND FLEXIBILITY OF UNDP . . . . .	7 - 25	6
A. Evolution of UNDP . . . . .	7 - 10	6
1. Diversity . . . . .	7	6
2. Quantitative growth of UNDP's activities in favour of LDCs . . . . .	8 - 9	6
3. Sectoral emphasis of activities . . . . .	10	7
B. Flexibility in operational policies . . . . .	11 - 23	10
1. Multi-year financial framework . . . . .	12	10
2. Country-centred approach . . . . .	13	10
3. Co-ordination at the field level . . . . .	14 - 17	10
4. Operational methods to promote self-reliance . . . . .	18	11
5. Intercountry activities for LDCs . . . . .	19 - 23	12
C. Assistance to LDCs in attracting additional resources . . . . .	24 - 25	12
1. "Round table conferences" . . . . .	24	12
2. "Third-part cost-sharing" . . . . .	25	13
III. THE ROLE OF UNDP IN ENHANCING THE EFFICIENCY OF AID FLOWS . . . . .	26 - 32	13
A. Capacity-building . . . . .	26 - 28	13
B. Flexibility of aid policies . . . . .	29 - 32	14
IV. THE ROLE OF UNDP IN SENSITIVE AREAS . . . . .	33 - 34	15
V. SPECIAL FUNDS AND ACTIVITIES AT THE DISPOSAL OF LDCs . . . . .	35 - 49	16
A. United Nations Capital Development Fund . . . . .	36 - 40	16
B. United Nations Sudano-Sahelian Office . . . . .	41 - 42	17
C. Special Measures Fund for Least Developed Countries . . . . .	43 - 44	18
D. United Nations Interim Fund for Science and Technology for Development . . . . .	45	18
E. Special Fund for Land-Locked Developing Countries . . . . .	46 - 47	19
F. United Nations Revolving Fund for Natural Resources Exploration . . . . .	48 - 49	19
VI. CONCLUSIONS . . . . .	50 - 53	19

CONTENTS (continued)

	<u>Page</u>
<u>Tables</u>	
I. UNDP indicative planning figures for the least developed countries . . .	8
II. UNDP expenditures by principal sectors for the least developed countries . . . . .	9
<u>Annex.</u> Further information on special funds and activities	

## I. INTRODUCTION

1. The constraints faced by the least developed countries (LDCs), most of which also belong to the group of "most seriously affected" (MSA), have been analysed in the individual country presentations and in other documentation submitted to the Conference. Therefore this report aims at providing the Conference with information on the comprehensive programmes of technical co-operation available to LDCs through the UNDP and its associated funds and programmes. However, it should be stressed that programmes in support of the LDCs will require broad international action on a massive scale if their problems of underdevelopment are to be alleviated.

2. The Comprehensive New Programme of Action for the LDCs contained in resolution 122 (V), adopted by the United Nations Conference on Trade and Development at its fifth session, described the problems which LDCs must overcome. They include:

"a. Very low income per head, with the bulk of the population far below minimum standard of social needs;

"b. Very high proportion of the population in the subsistence sectors;

"c. Extremely low agricultural productivity and weak agricultural support institutions;

"d. Extremely low level of exploitation of natural resources - minerals, energy, etc. (because of lack of knowledge or lack of financing and skills for their development);

"e. Very limited development of manufacturing industry;

"f. Extremely low level of exports per head of population and, even with aid inflows, very limited absolute availabilities of imports;

"g. Acute scarcity of skilled personnel at all levels;

"h. Very weak institutional and physical infrastructure of all kinds (including administration, education, training, health, housing, transport and communications, etc.);

"i. Most of the least developed countries suffer from one or more major geographical or climatological handicaps, such as land-lockedness, insularity, drought and desertification, or high exposure to cyclone or flood disaster or locusts". 1/

3. UNDP has been firmly committed from the outset to co-operate with the LDCs to help remove these constraints to development as defined by the resolution

---

1/ Proceedings of the United Nations Conference on Trade and Development, Fifth Session, vol. I, Report and Annexes, part one, sect. A.

quoted above. From its origins in the Expanded Programme of Technical Assistance in 1949, UNDP has attached highest priority to the improvement of human skills which are essential to economic and social development. Underlying this basic concept has always been the recognition that human beings are both the means and the end of development. UNDP concern with development of human resources, which still is at the centre of its operations, encompasses such means as providing training and advisory services, institution building, surveys of natural resources, pre-investment studies of natural resources with the improvement of technological capacities in all sectors, including the creation, transfer and adaptation of technology. Undertaking these types of activity is important to all developing countries but is of special relevance to LDCs that face acute shortages and problems in utilizing their human potential. Thus, technical co-operation has an important role to play in any development strategy and this fact has recently been underlined by the General Assembly which, in approving the new International Development Strategy, has also called for a new emphasis on technical co-operation. 2/

4. UNDP conceives the development process as one requiring close linkages between technical and capital assistance, since it is clear that a mere addition of physical capital will not be sufficient to ensure economic growth. This relationship has been recognized by the decisions of UNCTAD (V) which has called in resolution 122 (V) for the transformation of LDC economies toward self-sustained development and the achievement of minimum accepted standards in the social sectors.

5. The UNDP programme, through its partnership with the organizations of the United Nations system, and its network of field offices, has access to the facilities and the experience of the international community. Furthermore, its programmes are designed to assist individual countries by providing them with a tailor-made programme of technical co-operation in response to the priorities determined by national authorities. Its present concept of technical assistance has evolved, as a result of the experience acquired in assisting 150 developing countries and territories, from a concern with the provision of international experts, fellowships abroad and limited amounts of equipment for demonstration purposes to technical co-operation aimed at full participation in government development activities and the use of all available resources, be they national or external, to achieve national development objectives. Indeed, in its important resolution on new dimensions in technical co-operation, the General Assembly of the United Nations stated that "... the basic purpose of technical co-operation should be the promotion of self-reliance in developing countries by building, inter alia, their productive capability and their indigenous resources by increasing the availability of the managerial, technical, administrative and research capabilities required in the development process". 3/

---

2/ A/35/592/Add.1, p. 29, para. 116.

3/ General Assembly resolution 3405 (XXX).

6. UNDP has demonstrated its full commitment to the Conference through its extensive support of various preparatory activities. This included financial support to the fielding of planning consultants, at the request of LDC Governments, to offer technical advice in the preparation of country presentations. UNDP's field offices in LDCs have provided administrative and logistic support in the preparation of these country presentations. Some resources have been made available to finance the participation of LDC representatives in meetings which are of special interest to LDCs.

## II. THE DIVERSITY AND FLEXIBILITY OF UNDP

### A. Evolution of UNDP

#### 1. Diversity

7. Over the years, UNDP has developed and emerged as an institution with diversified and flexible mechanisms which is able to provide under unified management a broad range of development services to all developing countries, with special emphasis on the poorest amongst them. In recognition of this evolution and of UNDP's global network of field offices the General Assembly has asked UNDP over the last decade to administer, in addition to its general resources, a number of funding entities such as the United Nations Capital Development Fund, United Nations Sudano-Sahelian Office, the Special Measures Fund for the LDCs, United Nations Interim Fund for Science and Technology for Development, and United Nations Revolving Fund for Natural Resources Exploration. These mechanisms, which are described in section V and the annex, have been set up by intergovernmental bodies to provide supplementary resources for specific development sectors or to a designated group of countries. Thus, UNDP is entering the third Development Decade as an agency which administers a broad range of programmes, of which technical co-operation represents the main component. This programme provides the international community with an important instrument for increasing services and support to the LDCs on the basis of a coherent strategy.

#### 2. Quantitative growth of UNDP's activities in favour of LDCs

8. UNDP operates on the principle of voluntary contributions and of universal participation. It receives contributions from all participating countries and offers general-purpose, technical co-operation grants to developing countries according to their needs. The UNDP mechanism for resource allocation is one of the few systems that is based upon objective criteria arrived at by intergovernmental consensus reflecting relative needs.

9. As UNDP enters its third planning cycle (1982-1986), it can point to a significant record of supporting LDCs in their efforts towards self-reliance. The technical co-operation programme as well as the other services of UNDP in the third planning cycle will clearly favour the poorest group of countries. At the present time, over 30 per cent of UNDP resources are allocated to the LDCs and this percentage is expected to grow during the third cycle. This trend in favour of

the LDCs has been reaffirmed by recent decisions of the UNDP Governing Council, which, at its June 1980 session, allocated 80 per cent of the resources available for country level activities in the third planning cycle to countries with a per capita GNP of up to \$500, with the highest increase in IPF going to low-income countries with per capita GNP of \$250 and below. This compares with a 65 per cent allocation in the 1977-1981 planning cycle (see table I for UNDP's illustrative planning figures). Most allocations to individual LDCs have doubled and tripled from the first to second planning cycles (1972-1976 to 1977-1981) and are increasing at a similar scale for the next cycle (1982-1986). In accordance with various General Assembly resolutions, UNDP has since 1978 treated eight other developing countries "as if" they were LDCs. 4/

### 3. Sectoral emphasis of activities

10. Table II shows UNDP expenditure for the least developed countries by principal sectors for the last 10 years. This table shows doubling of the growth for the 14 principal sectors from \$64.7 million in 1970 to \$139.3 million in 1979. Particularly noteworthy is the increase of the share of the development policy and planning sector from \$2.1 million in 1970 to \$13.9 million in 1980, as well as the fact that agriculture constituted by far the largest sector through the entire decade, nearly \$40 million i.e., and 31.5 per cent of the total, in 1979.

---

4/ Developing countries thus treated were: Angola, Djibouti, Equatorial Guinea, Mauritania, Nicaragua, Sao Tome, Senegal and Tonga.

Table I  
UNDP indicative planning figures for the least developed countries  
(Thousands of dollars)

List of LDCs	2nd cycle IPF 1977-81	Illustrative 3rd cycle IPF 1982-86	Percentage change
Afghanistan	38 000	71 500	88.2
Bangladesh	65 000	201 000	206.9
Benin	16 250	33 500	106.2
Bhutan	12 250	36 500	198.0
Botswana	8 500	8 500	0
Burundi	18 750	48 500	158.7
Cape Verde	4 000	11 250	181.3
Central African Republic	11 750	25 500	117.0
Chad	19 000	52 000	173.7
Comoros	7 200	12 000	66.7
Democratic Yemen	14 500	17 250	19.0
Ethiopia	42 000	112 000	166.7
Gambia	7 000	14 250	103.6
Guinea	21 750	44 500	104.6
Guinea Bissau	-	21 750 <u>a/</u>	new
Haiti	18 750	38 000	102.7
Lao People's Democratic Republic	17 750	52 500	195.8
Lesotho	13 250	22 250	67.9
Malawi	19 750	53 000	168.4
Maldives	2 500	7 000	180.0
Mali	24 000	65 000	170.8
Nepal	32 500	98 000	201.5
Niger	19 750	45 000	127.8
Rwanda	19 750	45 000	127.8
Samoa	5 250	5 250 <u>b/</u>	0
Somalia	18 250	48 000	161.0
Sudan	33 000	58 500	77.3
Uganda	30 000	59 500 <u>a/</u>	198.3
United Republic of Tanzania	33 500	72 000	114.9
Upper Volta	23 750	55 000	131.0
Yemen	23 750	30 000 <u>a/</u>	79.1

a/ Illustrative IPF to be submitted to the twenty-eighth session for its approval.

b/ Minimum factual illustrative IPF to be submitted to the twenty-eighth session.



Table II

UNDP expenditures by principal sectors for the least developed countries: 1970-1980  
(millions of dollars)

Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total	%
Sectors	Jan.-June												
General development issues, policy and planning.	2.1	4.5	3.6	3.7	5.0	7.5	8.8	8.6	9.7	13.9	4.8	72.1	8.5
Natural resources	14.9	8.8	6.4	6.1	7.8	13.6	13.6	14.5	17.3	21.6	7.0	131.6	15.5
Agriculture, forestry and fisheries	23.5	16.9	15.5	16.2	19.0	31.2	32.1	26.8	33.1	39.8	14.2	268.7	31.5
Industry	3.3	3.6	4.4	4.1	4.4	7.6	7.6	7.2	9.2	13.0	4.9	69.6	8.2
Transport and Communications	4.7	5.8	6.1	7.2	5.7	7.7	11.7	10.2	14.0	16.8	9.6	99.4	11.6
International trade and development finance	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.9	2.0	0.5	5.4	0.6
Human settlements	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	1.3	2.6	0.2	9.1	1.0
Health	1.0	3.5	2.7	3.3	3.6	5.0	5.2	4.3	4.7	5.1	1.5	40.0	4.6
Education	12.1	7.8	6.6	6.6	6.5	9.1	9.2	7.0	8.0	10.4	3.6	86.7	10.2
Employment	2.2	2.8	2.5	2.8	3.5	5.5	6.2	5.3	7.1	7.9	2.8	48.6	5.8
Humanitarian aid and relief	-	-	-	-	0.5	0.6	0.4	-	0.2	1.9	0.2	4.1	0.4
Social conditions and equity	-	0.3	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.3	0.1	1.8	0.2
Culture	-	0.1	0.2	0.2	0.2	0.3	0.5	0.4	0.5	0.6	0.4	3.2	0.3
Science and technology	0.1	0.8	0.5	0.5	0.6	1.3	1.4	1.4	2.7	3.4	1.0	13.6	1.6
<b>Total</b>	<b>64.7</b>	<b>55.6</b>	<b>49.1</b>	<b>51.7</b>	<b>57.8</b>	<b>90.4</b>	<b>97.7</b>	<b>86.8</b>	<b>108.8</b>	<b>139.3</b>	<b>50.8<sup>a/</sup></b>	<b>853.9</b>	<b>100</b>

<sup>a/</sup> Estimate for first half of the year, not representative of annual expenditure.

## B. Flexibility in operational policies

11. UNDP has acquired considerable operational experience and flexibility as a result of its long-standing partnership with LDCs. Although all developing countries benefit from the operational policies used by UNDP, the LDCs benefit from special exemptions and increased flexibility in the application of UNDP policies.

### 1. Multi-year financial framework

12. Foremost among the general policies that facilitate the access of LDCs to UNDP services is a multi-year financial planning cycle which provides developing countries with reasonably stable resources and a framework of sustained co-operation closely related to their national budget cycles. This approach permits each country to determine how best to use external resources in support of its activities on the basis of a country programming process. The advantages of this approach are especially significant in the case of LDCs which have less access to other sources of financing than many other developing countries.

### 2. Country-centred approach

13. Since 1970, UNDP has espoused a country-centred development approach which is based on the premise that countries define their own development priorities for technical co-operation. The programmes and projects which UNDP assists, through its partnership with the specialized agencies of the United Nations system, are identified by the Governments. Thus, the LDCs have access, through a continuous country programming process, to multilateral services available through a global network of technical institutions. As a corollary to the UNDP country-oriented approach, the organization has decentralized its operational responsibilities to its network of field offices.

### 3. Co-ordination at the field level

14. The services of the resident representative and his office are available to the LDCs to assist in the co-ordination of technical co-operation provided from various multilateral and bilateral sources. While it is the prerogative of the Government to decide on co-ordination arrangements it deems to be the most suitable, the services offered by resident representatives can be of benefit to the country.

15. As a result of General Assembly resolutions on the restructuring of the economic and social sectors of the United Nations system, <sup>5/</sup> the resident representatives also play a co-ordinating role for technical co-operation of the United Nations system. Resident representatives are normally designated as resident co-ordinators which represents an important step in the implementation of a new system of field representatives for operational activities of the United Nations system as a whole.

---

<sup>5/</sup> General Assembly resolution 32/197.

16. A logical extension of this new mechanism of field level co-ordination is the application of the UNDP country programming process as a frame of reference for the operational activities of the different organizations of the United Nations system. This process will enhance the efficiency of the assistance that the United Nations system can provide to LDCs and will ensure better intersectoral and multisectoral co-ordination.

17. UNDP is continuing to make a special effort to post well-qualified and experienced staff for service in the LDC field offices. This staff, upon request, is able to provide advice to the central co-ordinating and planning units of Governments on development issues. Furthermore, representatives of donor countries often call upon the resident representatives to solicit their advice in recognition of the impartial and disinterested role of UNDP on behalf of the interest of the host country. Based upon this relationship of mutual trust, UNDP has been able to prepare for some years comprehensive reports on technical co-operation in individual developing countries.

#### 4. Operational methods to promote self-reliance

18. In order to promote self-reliant development of all countries, UNDP is currently pursuing operational methods which are designed to make optimal use of available, qualified national resources, including:

- (a) Consideration of each project for government execution;
- (b) Strengthening of government capacity to undertake all components of a project through financing of administrative support projects;
- (c) Compensation to Governments for additional costs incurred under government execution;
- (d) Under specified circumstances, payment of compensation to government professional personnel;
- (e) Emphasis on recruiting national professional staff for UNDP-supported activities as an alternative to internationally recruited staff;
- (f) Financing of local inputs essential for the implementation of the project;
- (g) Simplifying of project document design, including modifications in appraisal, monitoring and evaluation of projects;
- (h) Waiver of programme costs;
- (i) Training of national personnel responsible for development planning and administration;
- (j) Financing of locally produced equipment and supplies, supplementary stipends for counterpart personnel or to support trainees, repairs and maintenance of UNDP-supplied project vehicles, financing of final engineering and design work.

## 5. Intercountry activities for LDCs

19. At the regional and interregional levels, UNDP intercountry programmes continue to represent an instrument which provides important opportunities to LDCs to achieve economies of scale through international co-operation as well as to introduce tested, innovative solutions to development problems such as in drought-stricken areas, river basin development, tropical disease control, and training of specialized manpower. UNDP is also actively involved in the implementation of technical co-operation among developing countries which facilitates LDC access to experience from other developing countries on a co-operative basis. Regional programme resources have been used to provide support to the preparation of country presentations by financing consultant services.

20. In Asia, UNDP has consulted LDC Governments extensively in the programming of intercountry resources. A special meeting with aid co-ordinators of Governments was convened for this purpose in 1980. For the 1980-1981 period, LDC Governments agreed to intercountry programme priorities devoted to LDC problems in transport and handling equipment, agriculture, foreign trade and investment, communications, health, industry and energy. These priorities will also apply to the 1982-1986 programming cycle and will include measures to increase LDC access to intercountry activities.

21. In the case of the Arab region LDCs, intercountry co-operation is being promoted in the fields of telecommunication and desert locust control as well as in increasing the rational utilization of the marine resources of the Red Sea and the Gulf of Aden. A mineral exploration project for both Democratic Yemen and the Yemen Arab Republic is also under active consideration.

22. In the case of Haiti, which is relatively isolated from the rest of the Caribbean and the Latin American region in general, efforts are being made to bring this LDC more actively into the UNDP regional programme for Latin America.

23. Important efforts are under way in the African region where support of the LDCs has long been a prominent feature of the regional programme. The priorities of the African regional programme address the major needs of LDCs in food production, development planning, development of human resources, health programmes, and desertification control. In addition to a large number of projects which benefit particular subregions where LDCs predominate, projects are focusing on (i) foreign trade planning and policies, (ii) national accounting, (iii) preparation of round-table donor meetings in individual LDCs, and (iv) preparatory activities for the United Nations Conference for the LDCs.

### C. Assistance to LDCs in attracting additional resources

#### 1. "Round table conferences"

24. UNDP has assisted Governments in the preparation and organization of "round table conferences" with the donor agencies with a view to obtain increased international support for the development of LDCs on the basis of a clear understanding of their problems. UNDP has been actively associated with the

preparation of the country papers for discussion at these conferences, has participated in the conferences and offered advice to LDC Governments as concerns follow-up. Such conferences have been held in Upper Volta (1976), Central African Republic (1980), Benin (1980), Djibouti (1980) and four conferences in Lesotho between 1973 and 1979. They were convened and chaired by each LDC Government and were able to bring together a large group of donor Governments and agencies to discuss frankly the major development constraints and to agree on action to assist these countries more effectively. It is apparent that the concept of donor conferences as a means of improving co-ordination of external assistance has some appeal to Governments. It has provided better co-ordination of donors' programmes with government plans, and through United Nations system assistance, it has been possible to strengthen the Governments' planning capacity for presentation of projects to donors. UNDP has also organized effective donor meetings in co-operation with UNEP around the theme of desertification. This experience of organizing donor meetings through UNDP field offices will continue to be at the disposal of the donor community in the coming years.

## 2. "Third-party cost-sharing"

25. The financial role of third-party cost-sharing arrangements by which other donors participate in UNDP activities has also been gaining importance in the last decade. Under such arrangements, UNDP is entrusted by donors, with the consent of host Governments, to co-operate on projects to which they have agreed to make some financial contributions. Third-party cost-sharing through UNDP has much appeal to donor countries as a means of extending development assistance. Developing countries, on the other hand, are afforded the opportunity to realize some of their specific development objectives through UNDP-assisted projects having larger volumes than would have been possible if resources had been limited to UNDP funds. The use of resources provided by third-party cost-sharing for individual projects still frequently reflects the concerns and priorities of donors. Therefore, cost-sharing provided by the host country or by a third party for larger programmes can be preferable to project cost-sharing, because it allows the additional resources to become an integral part of the country programme concerned.

### III. THE ROLE OF UNDP IN ENHANCING THE EFFICIENCY OF AID FLOWS

#### A. Capacity-building

26. The flow of aid resources is, in part, inhibited by the operational constraints existing in the LDCs. At the same time, conditions set by donors, including in some cases their determination of priorities for the use of aid resources, can impede the effective flow of resources and the creation of a capacity for self-reliant development. It would appear, therefore, that at least two essential concurrent solutions must be found to improve resource flows: (a) the capacity of LDCs in the areas of planning and development administration must be significantly strengthened; (b) aid policies must be liberalized as called for inter alia in UNCTAD resolution 122 (V) and discussed in paragraph 28 below.

27. Concerning the planning capacities of Governments, UNDP recognizes that an even greater effort is needed to raise the qualifications of personnel responsible for development planning and management. Consequently, UNDP has made a commitment to give special consideration to programmes for strengthening and improving national, financial and technical skills and capacities required to manage external development assistance. This effort may take the form of special in-country training programmes and also of more long-term measures to help Governments increase their capacity for planning and to improve their ability to submit bankable projects to external donors.

28. In a number of LDCs, UNDP has been asked to co-operate in strengthening sectoral and central planning units. 6/ Important shares of the country programmes of several LDCs, are thus earmarked for capacity-building in planning and administration. UNDP has also worked to create multidisciplinary teams of internationally and nationally recruited specialists in planning various sectoral inputs as part of a coherent programme.

#### B. Flexibility of aid policies

29. UNCTAD resolution 122 (V) identified a number of measures to improve the quality of external aid and called for flexible modalities such as agreed upon in the UNCTAD donor/recipient meeting of November 1977. UNDP policies in this regard are described in section I. The resource allocation system, based upon an objective criterion of need, will lead to a very significant increase in the proportion of funds allocated to LDCs and to countries on the threshold of being LDCs. This constitutes a special feature of UNDP.

30. Both donors and recipient countries have expressed concern over the wide array of rules and procedures of development organizations which lead to delays and confusion. In his 1978 Review, the Chairman of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) stressed that "... from the recipient's point of view, the effort to apply the variety of donor procedures is costly, measured in terms of confusion and delays. Some standardization of development procedures could yield important savings in time of over-burdened developing country officials". 7/ Ensuring more efficient and effective development co-operation at the operational level has been of long-standing interest to UNDP's Governing Council. Thus, in June 1979 the Council requested the Administrator to "... consult with officials from developing countries and from donor organizations on the possibility of devising a checklist of uniform or standard procedures to facilitate the administration of development co-operation by developing country officials ...". 8/

---

6/ See table II, which shows the increased sectoral allocation to development planning and administration.

7/ Development Co-operation, Efforts and Policies of the Members of the Development Assistance Committee, 1978 Review, OECD, Paris, p. 26.

8/ See Official Records of the Economic and Social Council, Twenty-sixth Session, Supplement No. 10, (E/1979/40), decision 79/9, p. 133.

31. In 1979, a field survey was undertaken by UNDP to determine government and donor agency views on the extent of the problem created by varied or conflicting administrative procedures. Responses led to the conclusion that the problem of complex and conflicting procedures is more severe among low-income countries and LDCs. The Governing Council subsequently requested the Administrator at its twenty-seventh session to include the findings of his report entitled "Consultations on more uniform or standard procedures to facilitate the administration of development co-operation" (DP/468), as part of the UNDP report to this Conference. Among the problems identified by recipient Governments in this report as stemming from current donor organization policies, the following may be of interest to this Conference:

(a) The use of a variety of channels to provide assistance, thereby hampering rational co-ordination and planning;

(b) The differing cycles for the provision of assistance, weakening effective development planning and complicating its administration;

(c) The wide variations in fiscal years, complicating the budgeting of assistance;

(d) Varied disbursement procedures;

(e) The wide variety of donor requirements in terms of project or programme appraisal, implementation, evaluation, auditing, etc. that place severe strain on the limited number of trained and experienced national staff; this is particularly the case among least-developed and newly independent developing countries;

(f) The varied fellowship formats and stipends;

(g) The need for developing countries to modify and reconcile their own administrative procedures to suit the requirements of donor organizations, which damages sound institution building.

32. UNDP is exploring with officials from developing countries and donor organizations the possibility of devising more uniform procedures to facilitate the administration of development co-operation. At the same time UNDP is prepared to support proposals to liberalize aid policies. Undoubtedly, the Conference will express itself on this important subject and will wish to consider how to achieve further progress in this area.

#### IV. THE ROLE OF UNDP IN SENSITIVE AREAS

33. Given its central position as regards the technical co-operation of the United Nations system and its long record of working trustfully on behalf of developing countries, it is not surprising that Governments have availed themselves of the services of UNDP even in sensitive areas. Particularly in

those LDCs which need experienced personnel to achieve effective management control over all national resources and organizations, UNDP is often called upon to assist Governments.

34. The independence and objectivity of UNDP are recognized by many Governments that ask the organization to co-operate in mineral exploration. UNDP, in close partnership with United Nations agencies, assists in the development of skills for negotiations with transnational corporations, and for bilateral and multilateral governmental negotiations on trade, balance of payments, technology purchase and capital investments. In some LDCs, UNDP is involved in support to telecommunications, in others, it co-operates with Governments in introducing innovations of educational systems. Other important activities of this nature are assistance in the implementation of agrarian reforms and direct operational support to policy planning and administrative institutions.

#### V. SPECIAL FUNDS AND ACTIVITIES AT THE DISPOSAL OF LDCs

35. The funds described in this section operate under a unified UNDP management, while taking into account their diversified functions and features. The effectiveness of these funds and their impact on the development process of LDCs is enhanced by their access to UNDP's field network and the world-wide experience and know-how of the organizations of the United Nations system. These funds were created to supplement rather than compete with the mainstream of UNDP's operations, and to offer speedy and efficient delivery of resources at low operating costs. While these funds provide services to all developing countries, some of them, UNSO, CDF, SMF, and the SFLLC have a special mandate for the LDCs. Through these special funds, UNDP has been able to mobilize, directly or indirectly, approximately an additional \$1,020 million for LDC development activities.

##### A. United Nations Capital Development Fund

36. The purpose of United Nations Capital Development Fund (UNCDF) is to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans, particularly long-term loans made free of interest or at low interest rates. CDF has hitherto restricted its assistance to capital grants due to resource limitations. Since 1973, following UNCTAD resolution 62 (III), UNCDF has been used to serve first and foremost the LDCs. 9/

37. CDF finances relatively small projects which normally do not attract the interest of larger international, financial institutions. By providing small-scale capital investment projects in the LDCs, UNCDF plays an increasingly important role in bridging the key gap between technical co-operation and large-scale capital investment. At the end of 1980, cumulative gross commitments of UNCDF totalled over \$165 million for 168 projects in 35 countries (LDCs or "as if" LDCs, in accordance with UNDP's mandate).

---

9/ General Assembly resolution 3122 (XXVIII).



38. Furthermore, as UNDP expects to establish better linkages between pre-investment activities financed from IPF resources and capital investment activities for large scale investment follow-up, it will put more emphasis on linking IPF activities with the capital investment activities of CDF. Such an enhanced role of CDF would be of direct benefit to the LDCs. Moreover, UNDP would ensure as a matter of sound and effective management that CDF activities will be co-ordinated with the IPF system and other activities under its management.

39. UNCDF is still faced with a formidable challenge, since there is no other multilateral financing institution exclusively devoted to providing capital assistance to the LDCs. The Fund is therefore stimulating the allocation of additional resources through co-financing and parallel financing arrangements with other donors including major multilateral assistance agencies within the United Nations system, and bilateral assistance agencies outside the United Nations system.

40. With a good measure of operational experience behind it, the Fund is now on a sound footing, with every prospect of continuing to expand its activities on behalf of the LDCs. The confidence of developing countries is made evident by the financial contributions they have consistently made to UNCDF since its creation. The traditional donor countries have shown increasing acceptance of the Fund as an important supplementary channel of capital assistance for the LDCs. With their continuing and expanded support, the Fund will become a vital part of future efforts to channel substantial additional resources to the LDCs.

#### B. United Nations Sudano-Sahelian Office (UNSO)

41. The United Nations Sudano-Sahelian Office (UNSO) is the principal institution of the United Nations system mandated by the General Assembly to act as:

(a) The central co-ordinating mechanisms of the United Nations for the implementation of the medium and long-term recovery and rehabilitation programmes of the drought-stricken Sahelian countries - members of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS) 10/

(b) The arm of the United Nations responsible for assisting, on behalf of the United Nations Environment Programme (UNEP), a group of designated countries

---

10/ The original number of countries assisted by UNSO under the mandate of recovery and rehabilitation was six, reflecting the initial membership of CILSS, namely Chad, Mali, Mauritania, Niger, Senegal and Upper Volta. In December 1973, Gambia was added to the list of CILSS countries, followed by Cape Verde in December 1975.

of the Sudano-Sahelian and adjacent regions in the implementation of the Plan of Action to Combat Desertification, as a joint UNDP/UNEP venture. 11/

42. UNSO projects, for drought-related recovery and rehabilitation activities number to 113, with a total financial requirement of \$614 million. Of this amount, \$357 million have been already secured, including contributions to the Trust Fund which provides for the implementation of 51 projects. One hundred and eighteen projects in the area of desertification control are operational, requiring an investment of \$644 million, of which \$401 million has already been committed from bilateral and multilateral sources, including the Trust Fund. Thus, UNSO is currently seeking an additional \$500 million to fully finance operational projects in these priority government projects.

#### C. Special Measures Fund for least developed countries

43. The Special Measures Fund (SMF) for the LDCs is a specific UNDP source of funding constituted by special voluntary contributions, as well as by other resources made available for the purpose of financing technical co-operation activities for the LDCs. Support costs related to projects financed by the SMF are paid from UNDP's general resources. Total voluntary contribution for the 1973-1980 period amounted to \$90.1 million. The SMF provides a convenient funding channel for those donors who wish to allocate resources specifically for the LDCs.

44. Although the SMF was initially meant to be an interim arrangement until significant and longer-range increases in IPFs for the LDCs planned for the 1977-1981 period were achieved, some donors (primarily Norway, Sweden and Switzerland) have continued to pledge voluntary contributions to the SMF during the second cycle as they considered it an effective means of contributing directly to the LDCs.

#### D. The United Nations Interim Fund for Science and Technology for Development

45. The United Nations Interim Fund for Science and Technology for Development (IFSTD) was established by General Assembly resolution 34/218 for a period of two years, 1980-1981, pending the establishment of long-term financing arrangements in the field of science and technology for development. With regard to the LDCs, the resources are being used taking into account, inter alia, the need to take special measures to meet the urgent and specific problems of the least developed,

---

11/ This mandate was given to UNSO by the General Assembly in 1978. The original 15 countries covered by this function of UNSO were as follows: Cape Verde, Chad, Ethiopia, Gambia, Kenya, Mali, Mauritania, Niger, Nigeria, Senegal, Somalia, Sudan, Uganda, United Republic of Cameroon and Upper Volta (i.e., all eight States members of CILSS were included). Later Djibouti, Guinea and Guinea-Bissau were added and possibility of adding Benin to the list is currently under review.

land-locked, island and most seriously affected developing countries (based on the Annex to General Assembly resolution 34/218). The flexibility built into the guidelines of the Interim Fund makes its assistance more easily adapted to the special needs of the LDCs.

#### E. Special Fund for Land-locked Developing Countries

46. In responding to the difficulties experienced by the land-locked countries, most of which are LDCs, the United Nations General Assembly established the Special Fund for Land-locked Countries (SFLLC) to help 19 countries overcome their transport and communications problems. The Fund's full-scale operational activities began in 1979. These activities were designed to help alleviate immediate transport difficulties and to undertake feasibility studies for later, large-scale ventures.

47. Although the SFLLC enjoys wide support among Governments of developing countries, lack of adequate financial resources has so far curtailed its programme and thereby has slowed the achievement of a great potential to provide the LDCs with essential support.

#### F. United Nations Revolving Fund for Natural Resources Exploration

48. The United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) was established to help developing countries carry out exploration of their natural resources, including locating mineral reserves, determining their quantity and quality and assess their economic value. Under certain conditions, it will also finance preliminary studies of the infrastructure, marketing, cost, investment and other requirements for their commercial exploitation, as well as feasibility studies should these be within the financial capability of the UNRFNRE.

49. Although the operational activities of the Fund have thus far been limited to solid minerals exploration programmes, a comprehensive review of the Fund's activities is underway, to expand the scope of operations to include exploration of petroleum and natural gas, and geothermal energy. Equally important is a proposal to be considered by the Governing Council to lower the replenishment rate for LDCs from 2 per cent to 1 per cent on the value of gross revenues resulting from a successful UNRFNRE project. The Fund currently finances four projects in LDCs and has several additional LDC project proposals under active review.

### VI. CONCLUSIONS

50. Since the individual and collective needs of LDCs, as specified in their country presentations, far exceed the capacity of any one funding institution, it is clear that the international community must act in concert and focus development programmes on the neediest countries. UNDP stands ready to do its utmost within its financial limits. UNDP could be an even more effective partner of the LDCs if its resource base were strengthened as is envisaged for the coming

cycle (1982-1986) and if the potential of the various special funds and activities discussed in this report are realized through adequate funding. There is no question that technical co-operation will continue to be an essential element in the development process of LDCs.

51. UNDP has the capabilities and mechanisms to co-operate with the LDCs for the coming decade. Significant resources are expected to be made available to LDCs for the third cycle (1982-1986) as illustrated in table 1. Furthermore, UNDP has acquired considerable experience with donor meetings, through its extensive network of field offices, and through its substantive and direct involvement with the central co-ordinating unit of governments, which can contribute effectively to increase international support for the LDCs.

52. The follow-up to the Conference could be as important as the process leading up to it. Extensive and practical consultations will be required to continue the discussions which have marked the preparation of this unprecedented consultation between LDCs and all donors. In this follow-up process, the international community can rely on UNDP's experience and the extensive network of its field offices and allied capacities. The staff of UNDP at Headquarters and the field offices are available to undertake the necessary tasks to help increase the flows of resources that LDCs may require. Thus, UNDP could:

(a) Provide support to any consultative process between LDCs and aid donors at the country level following the Conference;

(b) Provide planning resources for the preparation of such consultations;

(c) Support the required feasibility and pre-investment studies and thus promote linkages between technical co-operation and capital investment;

(d) Provide advisory services and programme support for the effective utilization of external assistance in a co-ordinated manner in relation to national development plans.

53. As this report points out, UNDP has a long record of development co-operation with LDCs as a major instrument of the world community in assisting the disadvantaged countries. This co-operation has benefited the LDCs and has enriched the content and purpose of UNDP development activities. As has been emphasized, UNDP is able to serve the LDCs on behalf of the international community given its universal character and its role, as the central funding and co-ordinating body of technical co-operation of the United Nations system, as well as being an efficient umbrella administration for various special funds. It stands ready to put these capacities to work in the interest of the substantial new programme of action for the 1980s.

Annex

FURTHER INFORMATION ON SPECIAL FUNDS AND ACTIVITIES

A. United Nations Capital Development Fund

1. The United Nations Capital Development Fund (UNCDF), established by the General Assembly by resolution 2186 (XXI), in 1966, operates under UNDP administration.
2. The bulk of the Fund's assistance (about 80 per cent) is devoted to development activities in the rural sector, with emphasis on basic social infrastructure, such as provision of drinking water, education and training institutions, primary health care, and low-cost housing and slum rehabilitation; and on economic infrastructure and production inputs, such as feeder roads, water resources development and irrigation schemes, crop storage and distribution facilities, small-scale agro-industries. Emphasis is also placed on creating or strengthening credit facilities for subsistence farmers, fishers and rural artisans through co-operative and other credit institutions. Other priority areas which are receiving increasing attention are energy problems in rural areas, reafforestation and the rehabilitation of grazing and crop lands as a means of increasing revenue and combating desertification. Water resources development for both agricultural purposes and human consumption has also received significant support and accounts for about one third of the Fund's approved assistance.
3. Three basic criteria guide the Fund: availability of resources; the intrinsic merits of the project for which assistance is being sought; and the potential for rapid achievement of priority development objectives. Within this general framework, the Fund has established the following basic policies and criteria:
  - (a) Projects are identified by Governments which determine the degree of priority attached to each project within the context of the countries' over-all socio-economic objectives;
  - (b) Projects are designed to bring early and direct benefits particularly to low-income and other vulnerable groups, so that they can become more productive and thereby contribute to the country's over-all development efforts;
  - (c) Projects provide for maximum participation of the beneficiary groups in project implementation, with maximum use of human and material local resources;
  - (d) Project inputs to be financed by the Fund do not normally exceed \$2 million, in view of the present level of resources. The average project is about \$1 million. The Fund can undertake larger projects in order to respond to priority development requirements of Governments. In such cases, other sources of financing are invited to participate in co-financing arrangements. All measures are taken prior to project approval to ensure that project components not covered by the Fund's contribution are fully financed;

(e) Project execution remains the primary responsibility of the Government. Implementation services are provided by agencies of the United Nations system and other international co-operating agencies only when national capabilities need to be reinforced;

(f) While cost-benefit analyses and internal rates of return are usually part of supporting project data, they are not decisive factors in project approval. The Fund satisfies itself that projects have high Government priority, are technically sound and economically justifiable, and that the Government is prepared and able to meet recurring costs after the Fund's assistance terminates. Another important factor in project appraisal is the availability of alternative financing from other sources. UNCDF, if so requested by the Government, endeavours to mobilize and negotiate such financing.

#### B. United Nations Sudano-Sahelian Office (UNSO)

4. The United Nations Sudano-Sahelian Office (UNSO) was established by the Secretary-General in 1973, in accordance with the relevant resolutions of the General Assembly and the Economic and Social Council, in the aftermath of the severe 1968-1973 drought which devastated economic and social life in the Sahel, to help the most severely affected countries in dealing with problems of drought-related recovery and rehabilitation.

5. Because of the very nature of its mandate, UNSO tends to assist projects which centre on the problems and living conditions of the poorest segments of the population, regardless of whether or not they live in countries officially designated as least developed or in areas of extreme natural, economic and social hardships in countries not so designated. Most UNSO-assisted programmes and projects extend to marginal lands affected, frequently to the point of near-disaster, by drought, soil erosion and progressive desertification, where everyday life is, as a rule, at the minimum subsistence level and at the borderline of conditions termed as critical and disastrous.

6. In order to discharge its mandate, UNSO carries out the following main activities:

(a) Assists the countries and their respective regional institutions in the planning and formulation of projects and programmes dealing with their drought-related medium and long-term recovery and rehabilitation activities, as well as to desertification control;

(b) Provides assistance in the mobilization of the resources necessary for the implementation of such projects and programmes, either on a bilateral or multilateral basis or through contributions to the United Nations Trust Fund for Sudano-Sahelian Activities;

(c) Manages the Trust Fund and directly implements, with its resources, projects and programmes not undertaken bilaterally or multilaterally; and

(d) Monitors, reports and disseminates knowledge on drought-related and desertification control programmes.

7. Full responsibility for the administrative control and operation of the Trust Fund, as well as for the administration and direction of UNSO, has been delegated by the Secretary-General of the United Nations to the Administrator of UNDP. The Trust Fund, of which the custodian is the Secretary-General, is the sole repository of the funds which are obtained entirely through voluntary contributions, either earmarked for specific projects or non-earmarked but allocated in close consultation with the countries concerned. All operations of the Fund are governed by United Nations financial rules and regulations. Reports are provided by UNSO to the concerned donors on the disposition of their contributions to the Fund.

8. The operational principles and working methods of UNSO are designed to be flexible and speedy, placing special emphasis on strengthening national capabilities by using national services in the direct implementation of projects, UNSO uses, as much as feasible, the resources of the Fund as "seed money", including the use of some resources for fielding technical missions to assist the respective Governments and CILSS in developing project proposals for submission to potential donors, financing of feasibility studies, pilot projects, as well as various forms of complementary, joint or parallel financing, combining, as appropriate, elements of capital investment and technical co-operation. UNSO provides a mechanism for multidonor participation in the implementation of large-scale projects, maximizing government execution as a method of project implementation. UNSO finances local and recurrent costs, for specified periods of time, in cases where the Government is not able to meet them, and where it is considered in the interest of sound project implementation.

9. Medium and long-term recovery and rehabilitation activities are concentrated in the agricultural sector and include the development and improvement of hydraulic resources, assistance for the development of irrigation systems, the local manufacture of agricultural tools and equipment, the establishment and operation of seed multiplication programmes, and the strengthening of crop protection capabilities. In addition, special emphasis is given to the development and strengthening of national and regional economic infrastructures in the fields of feeder road transport system, storage facilities, telecommunications, and agrometeorological and hydrological services; projects have also been undertaken in the development of livestock. Projects in the area of desertification control cover, in particular, various aspects of forestry such as conservation, afforestation, reforestation and fuelwood plantations, rangeland and livestock management, agricultural production, fisheries, water resources, sand dune fixation, alternative sources of energy, transportation, and institution building.

C. The United Nations Interim Fund for Science and Technology for Development

10. The Interim Fund for Science and Technology for Development (IFSTD) was established by the General Assembly for an initial period of two years, 1980-1981, and mandated to use its resources to provide technical and capital assistance for activities aimed at strengthening the scientific and technological capacities of the developing countries and restructuring the existing pattern of international scientific and technological relations. The primary objectives are:

(a) To strengthen the endogenous scientific and technological capacities of the developing countries;

(b) To promote the strengthening of international co-operation in the field of science and technology for development by, inter alia:

(i) Promoting co-operative arrangements through which developed countries may more effectively support and facilitate the internal efforts of developing countries to achieve development through the scientific and technological capacities;

(ii) Supporting co-operation among developing countries at the subregional, regional and interregional levels;

(c) Pending the coming into operation of the United Nations financing system for science and technology for development, to support, promote and initiate, if appropriate, during the interim period, the efforts to strengthen the scientific and technological capacities of the developing countries.

11. Much of the assistance given by IFSTD to LDCs will complement other multi- and bilaterally financed projects by increasing the capacity of the concerned countries to improve the quality of their public and private development co-operation in general. Staff of the Fund have visited a great number of LDCs, particularly in Africa, in order to ensure that projects were developed for funding from IFSTD addressing the special problems of LDCs. These include: increasing their capacity of using science and technology to overcome poverty and to accelerate development; and further indigenous science and technology capacity in the long term and adapt it to available human and natural resources. In view of the generally more limited planning capacities of LDCs, the IFSTD has put proportionally greater staff and consultancy resources at their disposal. As a result, several projects in LDCs are under preparation and their proportion of projects is on the increase.

D. United Nations Revolving Fund for Natural Resources Exploration

12. The United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) was established in 1973 to provide developing countries with high-risk capital for mineral exploration.



13. The Fund operates on the basis of two concepts: (a) recipient Governments should accept an obligation to repay the cost of successful exploration so that revenue accruing from such a project will help finance work in other countries; and (b) through successful ventures leading to replenishment contributions at a modest percentage of the value of the extracted product, the Fund might eventually become self-sustaining. A 2 per cent replenishment contribution is required from gross revenues of a mining operation which results from a successful discovery, which has the effect of sharing the risk between the countries participating in the programme as well as of encouraging co-operation between such countries. No profits are involved in the Fund's operations. There are no repayments for exploration which does not yield positive results. Whenever deposits of economic value are found, the host country may request a feasibility study by the Fund and further technical co-operation to assist the country to better negotiate mining agreements with third parties.

14. The type of capital assistance provided by the Fund is important to the developing countries and particularly to the LDCs since it is becoming increasingly difficult for them to obtain such kind of funding from traditional lending institutions. UNRFNRE has demonstrated the capacity to implement projects in a timely and efficient manner and it has a demonstrated capacity to undertake more activities than its present resources permit. In order to maintain its present level of activity, the Fund will require increased contributions in the coming years.

#### E. UNDP Energy Account

15. At its twenty-seventh session, in June 1980, the Governing Council of UNDP authorized the Administrator, on an interim basis, to seek and accept voluntary contributions in cash or in kind, to undertake specific programmes and projects designed to meet urgent needs for assistance to developing countries, especially the poorest among them in the energy sector without prejudice to future arrangements which may result from the review of UNRFNRE and from the United Nations Conference on New and Renewable Sources of Energy. The approval of this new Energy Account was a recognition that the poorest countries have urgent and pressing needs for financing high-risk capital-intensive projects in the field of energy development, which cannot be met from existing sources.

16. It is expected that the resources of the Account will be used for financing projects in petroleum and natural gas exploration, including heavy crudes and tar sands, although not involving the more capital-intensive exploration drilling; survey of hydro-power sites; geothermal exploration; wind, tidal and solar power, including small pilot and demonstration plants for small-scale hydro. The activities to be financed under the Account are expected to complement those financed by the World Bank, which would consider follow-up investment especially of energy projects in the area of high-risk petroleum exploration in the LDCs.

F. United Nations Volunteers

17. Established by General Assembly resolution 2659 (XXV) of December 1970, the United Nations Volunteers Programme (UNV) is this year commemorating its tenth anniversary. During the first decade of its existence the UNV programme has provided the services of a cumulative total of 1,889 volunteers. In the course of 1980 alone, a record number of 421 volunteers were fielded. Many of these volunteers served in LDCs, filling urgent requirements for skilled human resources in a number of development sectors.

18. An active programme to encourage and support the creation and growth of national volunteer organizations, particularly in the LDCs, newly independent countries, and the most severely affected countries, is expected to yield visible results in terms of greater participation of the youth of these countries in development. A corollary result of this is expected to be the eventual assignment of national volunteers in projects in their own countries. UNV ability to deliver volunteers should be further exploited to meet the special - and often urgent - needs of the LDCs. UNV also demonstrates UNDP's ability to work effectively with non-governmental organizations, if host countries so wish.

-----