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UNITED NATIONS CAPITAL DEVELOPMENT FUND

Annual report of the Administrator for 1981

Summary

This report is submitted in accordance with General Assembly resolution 2186 (XXI), which established the United Nations Capital Development Fund as an organ of the General Assembly, and resolution 2321 (XXII), which entrusted the administration of the Fund to the Administrator of UNDP.

The report reviews the Fund's operations in 1981 and provides a summary of its programme orientation and sectoral activities (chapters I and II). Programme profiles by country are presented in chapter III, and administrative matters are dealt with in chapter IV. A brief discussion of the outlook and goals for 1982 is presented in chapter V.

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## INTRODUCTION

1. This report is submitted in accordance with General Assembly resolution 2186 (XXI), which established the United Nations Capital Development Fund (UNCDF) as an organ of the General Assembly, and resolution 2121 (XXII), which entrusted the administration of the Fund to the Administrator of UNDP.

2. At its thirty-sixth session, following consideration of the report of the Economic and Social Council and of Governing Council decision 81/2, the General Assembly adopted resolution 36/196 of 17 December 1981 on UNCDF which, inter alia, noted with satisfaction the substantial increase in the Fund's operations and the progress achieved in providing timely and effective assistance first and foremost to the least developed among the developing countries, and requested the Governing Council to consider measures to enhance the capacity of UNCDF to respond effectively to the priority needs of the least developed countries (LDCs), including measures to improve complementarity between the capital assistance available to them from the Fund and other types of available assistance administered by the UNDP. The resolution also endorsed the programme orientation and operational policies of the Fund and stressed the importance of achieving a balance between resources allocated for meeting basic needs of low-income groups and those required for strengthening the productive sectors, with a view to promoting national self-reliance and accelerated self-sustained economic growth of the least developed among the developing countries. Finally, the General Assembly decided that the Fund's administrative and programme support costs should be met from the Fund's general resources, notwithstanding which the UNDP will continue to provide field support services as well as all headquarters administrative support services to the Fund.

### I. PROGRAMME OVERVIEW - 1981

#### A. Delivery

3. The year 1981 was one of intensive activity aimed at consolidating the efforts initiated in 1980 towards improving programme quality and delivery. A sharp increase was registered in the volume of UNCDF operations, with total expenditures for the year nearing US\$50 million, representing an increase of 152% over the previous year, while new commitments approved in 1981 totalled \$71 million, compared with \$52.2 million in 1980. Of the 35 new projects approved in 1981, 19 became operational in the same year, bringing the total number to 164 operational projects in 39 countries. In this connection, the Fund expanded its country coverage in 1981 to include three countries which the General Assembly has directed be given similar consideration as that accorded to countries in the LDC category. These additional countries are Angola, Djibouti and Tonga.

4. The cumulative figures, in terms of number of projects, commitments and disbursements, show a substantial growth in the Fund's operational capacity. As at 31 December 1981, total cumulative commitments reached \$220.1 million for 188 projects (including 24 completed projects) in 42 countries, while cumulative expenditures totalled \$102.0 million.

5. In reporting to the Council on the Fund's programme delivery in 1981, the Administrator wishes to emphasize that the results achieved are due in large part to the foresight shown by the Council in authorizing the Fund to operate its programme activities under a partial funding system and in authorizing the Administrator to mobilize the necessary administrative resources for effective implementation of the system. <sup>1/</sup> The results speak for themselves, as can be seen from the following table:

Table 1

UNCDF: rate of annual growth in operations and resources

| <u>Year</u> | <u>Contributions</u><br>(Millions of US dollars) | <u>Approvals</u> | <u>Expenditures</u> |
|-------------|--|------------------|---------------------|
| 1968-76     | 32.2   | 33.0             | 6.5                 |
| 1977        | 16.7   | 14.4             | 8.5                 |
| 1978        | 17.8   | 25.0             | 10.2                |
| 1979        | 23.9   | 40.0             | 8.9                 |
| 1980        | 29.5   | 52.2             | 19.3                |
| 1981        | 29.7   | 71.1             | 48.6 <sup>a/</sup>  |

<sup>a/</sup> Best available estimate at the time the report was prepared.

6. Other significant factors that enabled the Fund to increase the momentum of its programme delivery in 1981 include the signing of a Basic Agreement with beneficiary Governments, development of a new project agreement format and introduction of programme support activities aimed at improving project formulation and implementation, as well as development of a programme/project evaluation system.

#### B. Resources

7. At the Pledging Conference held in November 1981, 31 countries pledged voluntary contributions to UNCDF totalling \$23.5 million, while several major donor countries indicated that they would announce their 1982 contributions to the Fund early in the new year. The Governments of Finland and Switzerland increased their contributions.

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<sup>1/</sup> See DP/1982/39, a separate report on the partial funding system submitted in accordance with Governing Council decision 81/2.

8. With regard to contributions received by the Fund in non-convertible currencies, the Council may note effective utilization in 1981 of 9.3 million new dinars (ND) (equivalent to US\$203,501) from the Government of Yugoslavia's contribution, in connection with a project in Bangladesh, and anticipated utilization in 1982 of 1.8 million yuan renminbi (YRMB) (equivalent to US \$ 1,011,235) from the Government of China's contribution, also for a project in Bangladesh. As of 31 December 1981, balances held in Yugoslavia, Cuba and China totalled \$2.6 million. Efforts to fully utilize these resources are continuing.

9. The Administrator wishes to record his deep appreciation to all countries which are supporting the Fund and, in particular, to the Government of Norway for its special contribution of 25 million kroner (NKR) received in December 1981, to be utilized for activities in the 31 LDCs. Shortly thereafter, the Government of Norway announced a further special contribution of 10 million NKR for 1982. These special contributions are over and above the amounts announced by the Government of Norway at the Pledging Conferences.

10. The over-all resource situation and the implications for the future development of the Fund are discussed in more detail in the report on the partial funding system. It is important, however, to highlight here that the continued sharp increase in disbursements has begun to have a significant impact on the Fund's accumulated liquidity, which had been a matter of concern to the Council and which prompted the Council to authorize the partial funding system in 1979.

## II. REVIEW OF OPERATIONS IN 1981

### A. Relations with Governments

11. The Fund intensified its efforts to strengthen its co-operative relationship with beneficiary Governments in order to ensure maximum and effective utilization of the Fund's resources.

12. In July 1981, the Fund began negotiations for a Basic Agreement with beneficiary Governments with a view to establishing the legal framework governing the general terms and conditions under which UNCDF provides assistance for development activities. To date, 20 Governments have signed this Basic Agreement with UNCDF.

13. Parallel to these negotiations, the Fund developed and introduced a new project agreement format which clearly defines project objectives, activities and implementation responsibilities. The Project Agreement also includes a detailed description of inputs to be provided by UNCDF, Government and other participating funding agencies as well as a workplan and budget. An important feature of the new Project Agreement is that it also contains the baseline data needed for evaluation of the project upon completion.

14. The impact of these two measures has been most positive, particularly in expediting project implementation by reducing the time-lag between approval of grants by the UNCDF Projects Committee and signature of Project Agreements. It now takes, on the average, approximately 3 months to obtain signature of Project Agreements, compared with the 12-18 months typically experienced before introduction of the UNCDF Basic Agreement and the new format for Project Agreements.

15. Other important elements of the Fund's continuing efforts to strengthen the partnership bond with beneficiary Governments are the planning and programming missions fielded by UNCDF, which work closely with the Governments concerned in identifying projects for possible financing by the Fund. This close collaboration at the crucial stage of programme development helps to ensure that the projects subsequently selected by the Fund for formulation and appraisal are responsive to the development priorities and the particular circumstances of the countries concerned.

16. The Executive Secretary and other senior representatives of the Fund took advantage of programming missions and other official travel to establish contact with the Governments of a number of donor countries, in order to keep them informed of the Fund's activities and to generate support for UNCDF among those countries which are not as yet contributing to the Fund. These contacts will be maintained and intensified in 1982 as part of a major effort to widen the geographical base of contributors to the Fund and thereby enhance its capacity to assist LDCs in the implementation of the Substantial New Programme of Action adopted at the Paris Conference in 1981.

B. Co-ordination within UNDP and with other  
United Nations system agencies

17. Particular emphasis was given by the Fund throughout 1981 towards ensuring the fullest possible co-ordination and complementarity between its capital inputs for development projects and UNDP technical co-operation programmes. The UNDP resident representatives are closely associated with the work of UNCDF planning and programming missions as well as with the subsequent stages of project formulation and appraisal. Every effort is made at the outset to determine the scope and nature of technical assistance that may be required in support of capital assistance projects under consideration by the Fund and, at the same time, to ascertain whether the financing of such technical assistance could be made available through the UNDP country programme and/or other funds administered by UNDP. Conversely, the Fund has endeavoured to ensure follow-up capital financing of investment-oriented activities identified or initiated by UNDP-assisted projects. In 1981, there were 82 UNCDF-financed projects receiving supporting technical assistance financed by UNDP through the resources of the indicative planning figure (IPF), the Special Measures Fund for Least Developed Countries (SMF) and the United Nations Sudano-Sahelian Office (UNSO). In addition, there were 30 UNCDF-financed projects providing

follow-up capital assistance as a result of pre-investment activities financed by UNDP.

18. At the headquarters level, UNDP continued to provide substantive and administrative support for the Fund's activities. The Regional Bureaux and the Bureau for Programme Policy and Evaluation participated actively in the appraisal of the 35 projects approved in 1981. Senior officers of these Bureaux also advised on project approval, in their capacity as members of the UNCDF Projects Committee.

19. At the field operations level, the UNDP Office for Projects Execution (OPE) assisted a number of Governments in the implementation of 40 UNCDF-financed projects, while the United Nations Volunteer programme provided 24 volunteers in support of UNCDF-financed activities.

20. Other United Nations system agencies co-operating with UNCDF in 1981 included the United Nations Department of Technical Co-operation for Development (DTCO), the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), the World Food Programme (WFP), the World Bank, the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Industrial Development Organization (UNIDO). This co-operation may take the form of the agency concerned (a) serving as co-operating agency for a UNCDF-financed project and/or for the supporting technical assistance project; and (b) financing and implementing the supporting technical assistance project.

#### C. Co-operation with multilateral and bilateral agencies

21. In 1981, the Fund continued to develop opportunities for operational co-operation with regional development banks and bilateral agencies. Special attention was given at the planning and programming stage to consultations with other financing agencies in an effort to achieve a co-ordinated approach and, more particularly, to ensure full funding of projects which UNCDF could not finance alone. These efforts at joint financing of projects helped to maximize the impact of the Fund's resources, and also facilitated the implementation of high priority projects which would otherwise have been delayed.

22. At the year's end, 11 UNCDF-assisted projects were benefiting from joint financing provided by bilateral agencies including those of France, the Federal Republic of Germany, the Netherlands, Japan, Sweden, the United Kingdom of Great Britain and Northern Ireland, the United States of America, and by other multilateral financing institutions such as the World Bank, the African Development Bank (AFDB), and the European Development Fund (EDF). In addition, negotiations were nearing completion at year's end with the Arab Gulf Programme for the full financing of two projects.

D. Co-operation with non-governmental organizations

23. The Fund initiated consultations in 1981 with a number of non-governmental organizations (NGOs) in order to explore possible avenues of co-operation through (a) arrangements whereby an NGO would provide all or part of the capital cost of a project submitted to UNCDF by a recipient Government; and (b) NGO-financing and execution of supporting technical assistance for UNCDF-financed projects.

24. Towards year-end, some encouraging results began to emerge from these consultations. Negotiations were nearing completion with a major NGO in the Federal Republic of Germany for financing of a water supply project in Nepal.

F. Programming activities

25. In 1981, 17 planning and programming missions and project formulation missions were fielded by the Fund to review new project proposals developed by the Government and to select those which appeared a priori to be most suitable for financing by the Fund. By year's end, these missions had resulted in the formulation, appraisal and approval of 19 new projects, while further project proposals were retained for consideration in 1982.

26. In addition, these planning and programming missions (all of which were headed by senior UNCDF staff and, in a number of cases by the Executive Secretary) also afforded an opportunity to review the ongoing UNCDF-financed programme with the Governments and resident representatives concerned and to decide jointly on the action needed to resolve operational bottlenecks. In 1981, 15 non-operational projects were cancelled in agreement with the Governments concerned, thus allowing a redeployment of UNCDF resources for activities that would respond to revised national priorities and/or to the absorptive capacity of the countries concerned.

27. In the past, one of the major causes of delay in project implementation was the approval of projects with a variety of conditions which the recipient Government was required to meet before the Fund could issue disbursement authorization. Now, as a result of the measures introduced by the Fund in 1980-1981 to improve the substantive and technical aspects of project identification/formulation/appraisal, most of the necessary prerequisites are met and projects are ready to be implemented soon after approval by the UNCDF Projects Committee.

28. As indicated earlier, the introduction of programme support services in 1981 has had an appreciable impact and is reflected in the increased volume of operations as well as in programme delivery. In this connection, the Council will recall that in his Report on the Fund for 1980 (DP/536), the Administrator indicated that he had authorized the Fund to provide Governments with the services needed for timely effective implementation of projects. The ab-



sence of such services in the past had led to considerable delays in project implementation, resulting in increased costs due to projects being overtaken by high inflation rates. The programme support services now being provided depend on the particular requirements and implementation capacity of recipient countries and may take the form of (a) short-term specialized consultants to advise and assist Governments at critical stages of project implementation; (b) advisory services provided by UNCDF technical advisers; and (c) regional operations managers covering several countries in a subregion where the nature and volume of the Fund's programmes so warrant.

29. To date, the Fund has appointed four senior technical advisers whose specialized fields cover the major areas of UNCDF programme activities and whose functions are exclusively related to providing technical advice on project formulation and appraisal, as well as on the technical problems that arise during project implementation. In order to strengthen the resident representatives' role as representatives of the United Nations Capital Development Fund, two regional operations managers have also been appointed: one based in Addis Ababa to oversee UNCDF programmes in Djibouti, Ethiopia, Somalia, Sudan, and Uganda; and the other based in Kathmandu covering programmes in Bangladesh, Bhutan and Nepal. In addition, three junior-level field implementation officers have been appointed: one based in Ouagadougou, covering programmes in Mali, Niger and Upper Volta; the second in the Central African Republic; and the third, based in Port-au-Prince, covering Haiti and Nicaragua. All these appointments are for a fixed term of two years, the costs being prorated among the projects approved in 1981 and thereafter and included in each Project Agreement signed between UNCDF and recipient Governments.

#### F. Programme orientation

30. The Fund's assistance continues to be directed primarily to the rural sector, which receives about 80 per cent of total programme resources. Increasing efforts were made in 1981 to achieve a balance between activities aimed at meeting the basic needs of low-income rural groups and those designed to create or improve the physical and economic infrastructure required to strengthen the productive sectors and increase the revenue base in beneficiary countries.

31. In programming its assistance within this broad framework, which was endorsed by the General Assembly at its thirty-sixth session, the Fund ascertains the degree of priority attached by the Government to each proposed project within the country's over-all socio-economic development objectives and also takes into account the intersectoral linkages and the indispensable complementarity between UNCDF-funded projects and those financed by other organizations. Every effort is made to tailor UNCDF assistance to the particular requirements of each recipient country.

32. In terms of total resource allocation by major sectors, the cumulative picture for the period 1975-1981, as indicated in Figure 1 below shows that approximately 31 per cent of the Fund's resources were allocated to agriculture and the development of water resources for agricultural purposes. This concentration of efforts responds to the high priority attached by recipient countries to achieving self-sufficiency in food production and to strengthening the base for sustained economic growth through over-all development of the agriculture sector, including livestock and fisheries. The health sector has also received high priority (26.3 per cent) through activities aimed at improving primary health care services and community water supply and distribution systems as well as sanitation facilities.

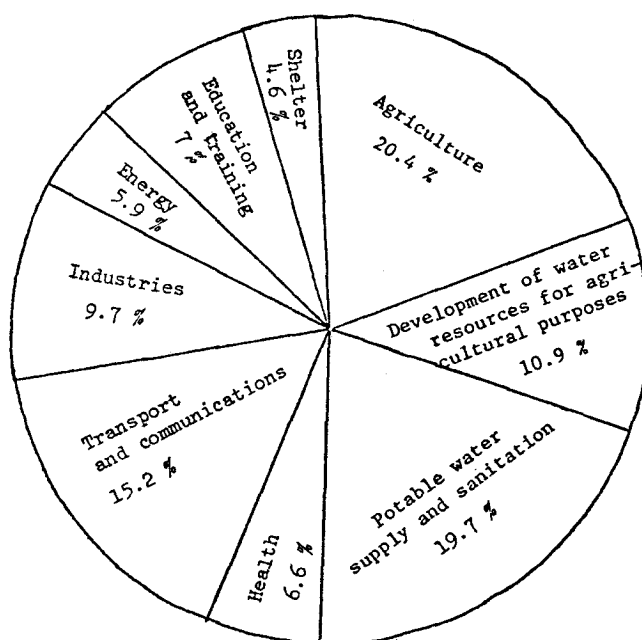


Fig. 1: Percentage allocation of UNCDF resources by major sector (1975-1981)

33. The transport and communications sector is another important area of UNCDF activities (15.2 per cent) directed primarily towards construction of feeder road systems and provision of transport and communication equipment for opening up remote areas in order to promote socio-economic activities and facili-

tate distribution of food aid and other services in emergency situations. An increasing amount of assistance (10 per cent) has been provided for development of small-scale agro-based industries and for stimulating entrepreneurial initiative in the private sector and among co-operatives through support of credit schemes.

34. Increasing requests for UNCDF assistance in the energy sector reflect the high priority accorded by recipient countries to the development and conservation of non-renewable energy resources in order to maximize local production of energy, achieve greater efficiency in energy use and to reduce reliance on imported fuel. The main thrust of UNCDF assistance in this key sector (5.9 per cent) has been in support of Government efforts to establish and/or expand rural electrification systems needed by the agricultural and industrial sectors as well as for social development activities aimed at improving living conditions in rural areas.

35. The underpinning for all of the major sectors outlined above is the development of human resources through education and training. The Fund's assistance in this sector (7 per cent) focuses primarily on basic education and vocational training through financing of physical facilities and equipment for rural schools, agricultural training workshops as well as technical and vocational training. In higher education, the Fund's assistance has so far been limited to one project.

36. Housing is another pressing problem confronting LDCs in their efforts to improve the living conditions of their people. The Fund's assistance in this sector (4.6 per cent) is primarily based on community self-help efforts in the construction of low-cost housing for disadvantaged groups in both rural and urban areas. These projects help to finance slum clearance, improvement of sites and services, provision of building materials, equipment and credit facilities.

### III. PROGRAMME PROFILES BY COUNTRY

37. The Fund is currently financing 164 development projects in 39 countries. These countries comprise the 31 countries officially designated by the United Nations as least developed, and 8 countries which the General Assembly has directed be given similar consideration. In 6 of the 39 countries UNCDF began its operations in 1981. The programme profiles of these countries are described below.

#### Angola

38. Two projects in the fields of health and water supply were approved by the Fund in 1981 for a total amount of \$4.1 million. Both projects are being implemented in co-operation with UNICEF.

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39. The Rural Water Supply project (\$2.5 million), will assist the Government in constructing and equipping potable water systems in four provinces. Upon its completion, it is estimated that 270,000 inhabitants will have access to safe drinking water. The Primary Health Care project (\$1.554 million), will assist the Government in the construction and rehabilitation of 30 health centres and 100 health posts in 18 provinces and will include provision of basic medical equipment. An estimated 1.5 million people will benefit from the project.

#### Djibouti

40. In 1981, UNCDF approved a project in Djibouti related to water supply for rural population. This project responds to the Government's foremost preoccupation with the persistent drought which has struck the country, particularly in relation to scarce supplies of drinking water.

41. The UNCDF grant (\$1,350,000) will finance procurement of borehole drilling equipment, tools, casings and pumps, and vehicles. This equipment will enable the National Water Service, with the support of technical assistance provided by UNICEF, to carry out a water supply programme throughout the country for three years. This programme, which was started at the end of 1981, will construct 20 water supply stations during the first year.

#### Equatorial Guinea

42. In line with the Government's priority of improving and strengthening the country's revenue-generating capacity, UNCDF approved a project in 1981 for rehabilitation of cacao and coffee production on mainland Rio Muni (\$1,622,000). The project will provide smallholders with agricultural tools and other inputs required for clearing, cultivation and harvest. The project will also rehabilitate the existing cacao and coffee processing plants owned by the 13 smallholder co-operatives in Rio Muni, by providing equipment and construction materials as well as trucks for transportation of the produce. The project is supported by an FAO technical assistance team financed by UNDP. When completed, it is expected that the project will enable 5,200 cacao and coffee co-operative members in Rio Muni to double their production and substantially increase their income and provide Equatorial Guinea with additional foreign exchange earnings estimated at \$1 million per year.

#### Guinea Bissau

43. The first project for Guinea Bissau, approved by the Fund in 1981 (\$1,065,000), is aimed at the multiplication and distribution of improved rice seeds. This project, with technical assistance provided by UNDP/FAO, will endeavour to ensure widespread use of improved rice seeds throughout the north-eastern part of the country. The UNCDF grant will finance the purchase of mechanized earth moving and agricultural equipment for the preparation and

cultivation of 200 hectares at the Contuboeel State Farm, pulverisers to treat the improved seeds, trucks to distribute them and bicycles for extension workers. It is expected that after the first year of operation, the farm will produce 530 tons of improved rice seeds per year for distribution to the 40,000 members of the north-eastern region's co-operatives. Other project proposals for which the Government has requested UNCDF financing will be examined by a programming and evaluation mission which will take place early in 1982.

#### Tonga

44. In 1981, UNCDF approved financial assistance totalling \$850,000 for a project to develop artisanal fisheries. The project involves construction of two boatyards, one at Ha'apai and the other at Vava'u, and, with a self-help component, the production of 40 boats. Boat engines are being provided under bilateral assistance. The project will also establish a revolving fund to provide credit facilities to the fishermen for additional fishing boats. Technical assistance is being provided by a UNDP/FAO project. UNCDF assistance for the project is complementary to the assistance provided by the European Economic Community (EEC) for construction of a new wharf at Vava'u, and by the Asian Development Bank (ASDB) for the construction of a marketing complex. By encouraging development of the artisanal fisheries sector, the project is expected to lead to substantial savings in foreign exchange as local production will reduce reliance on imported fish and meat products.

#### Uganda

45. The rehabilitation and reconstruction of Uganda's economy is the highest priority of the Government. Since agriculture accounts for about two thirds of Uganda's gross domestic product and 90 percent of its exports, the Government is making every effort to increase the productivity of this sector, through provision of basic agricultural inputs such as implements, seeds, fertilizers and insecticides, as a necessary condition for stimulating other sectors of economy.

46. In line with these objectives, UNCDF in 1981 approved a project (\$2.5 million) for provision of 500,000 hoes and clearance of 375,000 hoes which were stranded in Mombasa. The imported hoes are expected to be delivered in early 1982, the stranded hoes were cleared and distributed in the second half of 1981 in time to enable the farmers to plant their crops. Together with other agricultural inputs being supplied by various bilateral and multilateral donors, this project is expected to benefit some 437,500 farm families in the eastern, western and northern regions of the country.

47. A programming mission was fielded in December 1981 and identified a number of priority projects with the Government for future consideration by the Fund.

#### IV. ADMINISTRATIVE MATTERS

##### A. Reorganization/personnel

48. The reorganization initiated in 1980 was completed in 1981. The Fund's organizational structure now consists of the Directorate, Programme Management Unit, Policy Planning and Evaluation Unit and Finance and Administration Unit.

49. The Fund's total staff, as approved by the Council at its twenty-eighth session, now stands at 15 professionals and 14 general service. As a result of the UNDP Staffing Review, it has been proposed to bring staff levels to 14 professionals and 14 general service. <sup>2/</sup> Based on a detailed review of the current and projected workload in 1982-1983, the Administrator believes that the Council may wish to consider the question of staffing at a later date if there should be a significant increase in the Fund's resources in response to General Assembly resolution 36/196 of 17 December 1981 which, inter alia, (a) requests the Governing Council to consider measures to enhance the capacity of UNCDF to respond effectively to the priority needs of LDCs and (b) endorses the Governing Council's proposal that UNCDF should be enabled to play a direct role in the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries <sup>3/</sup> adopted by the United Nations Conference in September 1981.

##### B. Administrative costs

50. The Fund's direct administrative costs in 1981, covering salaries, common staff costs, consultant costs, official travel and general operating expenses, totalled \$1,322,100 and were met by the UNDP administrative budget.

51. At its thirty-sixth session, acting on the recommendation of the Governing Council and subsequently of the Economic and Social Council, the General Assembly decided in its resolution 36/196, operative paragraph 6 that "the Fund's administrative and programme support costs shall be met from the Fund's general resources, while the United Nations Development Programme will continue to provide field support services as well as all headquarters administrative support services to the Fund."

52. The Administrator is taking the necessary steps to implement this decision effective 1 January 1982. At the same time, he wishes to draw the Council's attention to the implications arising from this action. While sharing the Council's concern about the need to control administrative costs in general, the Administrator wishes to emphasize that it is no longer feasible to continue the ceiling of 2 per cent of annual project commitments, as specified in

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<sup>2/</sup> See DP/1982/52 and DP/1982/53.

<sup>3/</sup> A/Conf. 104/22 and Add. 1, part one, Sect. A.

Governing Council decision 79/21, because this does not reflect the full cost incurred by the Fund in carrying out activities other than project approval. In this connection, it should be noted that the report of the Administrator, Revised estimates 1982-1983 budget (DP/1982/53), includes a provision for the reimbursement by the Fund of the cost of support services provided by UNDP. The Council will recall that in decision 80/19, it has endorsed a policy whereby the cost of administrative services rendered by UNDP to funds administered by UNDP are to be distributed among such funds.

53. The Administrator wishes to assure the Council that every effort will continue to be made to keep the Fund's administrative costs to a minimum consistent with sound management and with its responsibility to render timely and effective assistance to recipient countries.

## V. OUTLOOK AND GOALS FOR 1982

### A. Delivery targets

54. The Fund begins 1982 with every expectation of continuing the momentum of its operations and programme delivery. Based on a review of cash requirements of approved projects in 1982 and of the Fund's resources situation and prospects, a preliminary target of \$60 million has been set for 1982 disbursements, and \$70 million for new project commitments. This latter target takes into account project proposals that are at an advanced stage in the pipeline, as well as the Fund's programming capacity. Both targets will need to be reviewed in the light of the Council's decision on the proposed continuation of the partial funding system and the results of the Fund's stepped-up efforts to mobilize additional resources.

### B. Follow-up to the United Nations Conference on Least Developed Countries

55. The Conference highlighted the need for concessional capital assistance in LDCs in order to bring about structural transformation of their economies, to reverse current trends towards a decline in per capita food production, to accelerate agricultural and industrial growth and to provide for increased and direct expenditure on improving socio-economic conditions in LDCs during the 1980s. A number of Governments represented at the Conference singled out UNCDF as an important channel for providing concessional capital assistance to the LDCs in the implementation of the Substantial New Programme of Action adopted by the Conference. The Fund's role in assisting LDCs to implement the Substantial New Programme of Action was also endorsed by the General Assembly at its thirty-sixth session in General Assembly resolution 36/196, paragraph 3.

56. Many of the specific activities included in the "immediate action" components of the Substantial New Programme of Action fall within the UNCDF mandate, namely:

(a) Concessional capital assistance, preferably in the form of grants, for overcoming bottlenecks in construction, maintenance and repair of physical facilities in order to obtain better use of existing infrastructure and industrial plants;

(b) Substantially enhanced supplies of inputs for agricultural and rural development in order to increase production, especially of food and cash crops;

(c) Financial support for activities at the community level which create jobs, including support for local small-scale, labour-intensive rural public works.

57. The modalities of aid provided to LDCs in the implementation of the Substantial New Programme of Action were a much-discussed subject at the Paris Conference. In this connection, the Fund's operational policies and procedures, as described in the Administrator's Annual Report on UNCDF for 1980 (DP/536), are fully in line with the recommendations contained in the Conference report (A/CONF.104/22).

58. The Fund will continue to develop flexible mechanisms for channelling its assistance to LDCs and to ensure a comprehensive and integrated approach in the selection and financing of projects, including the mobilization of resources available to LDCs, under the administration of UNDP and from other sources.

59. The Fund stands ready to render maximum assistance to LDCs in the implementation of the Substantial New Programme of Action. It has the organizational and operational capacity to channel substantially higher levels of concessional capital assistance to LDCs, and has developed valuable experience in mobilizing local resources and in tailoring UNCDF assistance to the absorptive capacity of LDCs.

### C. Resource mobilization

60. As emphasized in the report of the Paris Conference, without a substantial increase in Official Development Assistance (ODA) in real terms during the present decade, LDCs will not be able to achieve the objectives of their country programmes within the framework of the Substantial New Programme of Action. The additional external financing required has been estimated at \$5.7 billion on average per year, while by 1990 total concessional capital assistance flows should rise to \$24 billion at the 1980 prices.



61. While recognizing that the present level of the Fund's financial capacity to participate in implementation of the Substantial New Programme of Action will represent, at least for the immediate future, only a modest portion of the total resource required to achieve an appreciable impact, the Administrator nevertheless believes that UNCDF can indeed play a crucial role by providing the seed capital so often lacking for small-scale development projects that can help pave the way for large-scale investment as well as contribute to the efforts of LDCs to generate revenue and diversify their economies.

62. Therefore, looking beyond 1982, the Fund is now actively engaged in developing flexible strategies for the mobilization of resources in order to strengthen its capacity to play an effective role in assisting the LDCs to implement the Substantial New Programme of Action during the present decade. These strategies, inter alia, will encompass intensified efforts (a) to widen the geographical base of voluntary contributions to the Fund's general resources; and (b) to increase operational co-operation with NGOs, bilateral aid agencies, and other multilateral financing institutions through joint financing of projects, trust fund arrangements and contributions in kind.

63. As noted earlier, encouraging results were achieved in 1981 in mobilizing additional resources for specific projects. However, the Administrator wishes to emphasize that the Fund must continue to rely on voluntary contributions to its general resources, which are the mainstay of its programme activities. While there has been a steady growth in voluntary contributions, the Fund's resources still fall far short of the requirement of LDCs for concessional capital assistance. Annual voluntary contributions to the Fund represent less than \$1 million per country per year. On the basis of the present total population of the countries benefiting from UNCDF assistance, this represents less than 10 cents per capita per year. These figures illustrate the need for a substantial increase in the level of resources required to enable UNCDF to contribute in a more significant manner to the efforts of LDCs to achieve self-sustained growth.

64. The Administrator therefore hopes that an increasing number of countries will heed the plea made by the General Assembly at its thirty-sixth session following its consideration of the report of the Paris Conference, and contained in resolution 36/194, whereby the General Assembly, inter alia, "urges all donor countries to make adequate special allocation...to the United Nations Capital Development Fund...and invites the Administrator of the United Nations Development Programme to take appropriate action to mobilize additional resources...". In this connection, as noted earlier, the Governments of Finland and Norway have already responded in a significant manner. At the time of writing, the Administrator also received confirmation from the Government of Australia that it would make its first contribution to UNCDF in the amount of \$A 500,000, as a follow-up to the Paris Conference.

65. These are indeed concrete and encouraging indications of the donor community's commitment to assist the LDCs in the implementation of the Substantial New Programme of Action adopted at the Paris Conference, and recognition of the role that UNCDF can play in that regard.

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