PROGRAMME IMPLEMENTATION

ANNUAL REPORT OF THE ADMINISTRATOR FOR 1981

INTRODUCTION BY THE ADMINISTRATOR
1. With the end of 1981, the United Nations Development Programme (UNDP) marked the close of its first full decade of forward planned, comprehensive programming for technical co-operation with the world's developing countries. The record achieved is a remarkable one. During the first development co-operation cycle (1972-1976), planned technical expenditures were met almost precisely on target. During the second cycle (1977-1981), the Programme delivered 97 per cent of proposed indicative planning figure (IPF) expenditures -- double those of the first cycle -- despite the uncertain, and in the last year of the cycle, declining level of voluntary contributions and the eroding effects of inflation and adverse exchange rate fluctuations. Indeed, due in large measure to a rising volume of cost-sharing contributions to projects and programmes by developing country Governments and third party donors, total second cycle field expenditures actually exceeded projected targets by almost $200 million, for a total five-year delivery of $2,694 million, including all main Programme expenditures devoted to operational activities. Over this same period, the Programme's operational reserve, depleted in 1975, was fully funded to a level of $200 million.

2. This Annual Report therefore describes more than the activities of UNDP in 1981. It reviews the results of a significant decade in the work of the Programme against the background of broader worldwide development co-operation efforts over the same 1972-1981 period. And it surveys, in light of UNDP's uncertain resource situation, the effect on the ability of the Programme to provide co-ordinated, objective, multilateral, multisectoral grant technical co-operation as it enters its third development co-operation cycle, 1982-1986.

3. The trends and results analyzed in succeeding pages trace their roots to the Charter of the United Nations. In its Preamble, that compact declared the determination of Member States "to employ international machinery for the promotion of the economic and social advancement of all peoples". UNDP's first predecessor organization, the Expanded Programme of Technical Assistance (EPTA), founded in 1950, was a concrete expression of those words. And it was the first assertion by the international community of the critical importance of multilateral, multidisciplinary, technical co-operation as a basic, essential instrument for advancing international development goals, a concept later enshrined in General Assembly resolution 2029 (XX), which established the United Nations Development Programme in 1966.

4. The decision creating UNDP offered special advantages both to donors and recipient Governments. For developing countries, technical co-operation through UNDP meant co-ordinated, multisectoral assistance which could draw on the experience and competence of the agencies and programmes of the United Nations system, provided impartially and without strings, and respecting the development priorities of the developing countries themselves. For donor countries, it meant shared responsibility and greater cohesion of effort as other nations joined in contributing to the process.

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5. From its inception, therefore, UNDP embodied two fundamental concepts: (1) the important role to be played by technical co-operation and (2) the advantages of multilateral mechanisms, or what the Charter in Article 1 referred to as "international co-operation in solving international problems" of an economic and social character.

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6. The role of technical co-operation has broadened considerably in recent years, to become a critical factor in economic growth and social development in its own right. A growing number of internationally recognized economists have testified to the overriding importance of technical change, advances in the stock of human skills and knowledge and innovations in organizational arrangements as key sources of economic growth and social progress. Indeed, several leading economists have shown that such non-material inputs into the development process constitute a vastly more significant source of growth than such traditionally valued inputs as additions to capital. Strengthening these non-material inputs is the principal objective of technical co-operation.

7. Almost every major development study issued in recent years has supported this thesis. The Director-General for Development and International Economic Co-operation in his Comprehensive Policy Review for 1980 (A/35/244) noted (Preface, page 3):

"There is also a growing awareness not only of the importance of achieving the right balance between the different inputs in development but more particularly of the significance of non-capital sources of growth, such as human resources development, and the effective use of productive resources, which are the raison d'être of technical co-operation and related operational activities of the system."

The Brandt Commission observed in its Report (page 197):

"There should also be greater support for technical assistance, including the UNDP and its participating agencies, which provide an important channel for transmitting technology; they need to be enlarged and made more effective."

The Report of the Chairman of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development for 1980 (page 39) concluded:

"Of the underlying constraints on low-income African development... the gap in skilled human infrastructures — in the numbers of appropriately trained personnel and the institutional arrangements for training, deploying and using them...is the most immediate, proximate constraint."
The International Development Strategy for the 1980s, as endorsed by the General Assembly in its resolution 35/56, stated inter alia (Annex, paragraph 116):

"In the implementation of the International Development Strategy, intensified emphasis must be accorded to the important role of technical co-operation in the development process. Technical co-operation makes an essential contribution to the efforts of developing countries to achieve self-reliance through its broad role of facilitating and supporting, inter alia, investment, research, training and development. Realization of the goals and objectives of the New International Development Strategy will therefore require a renewed emphasis upon technical co-operation and a significant increase in the resources provided for this purpose."

The Nobel Prize-winning economist, Theodore W. Schultz, in his 1981 study, Investing in People, the Economics of Population Quality (pages xi, 142) wrote:

"Increases in the acquired abilities of people throughout the world and advances in useful knowledge hold the key to future economic productivity and to its contributions to human wellbeing. The thrust of my argument is that the investment in population quality and in knowledge in large part determines the future prospects of mankind... These are high priority investments in low-income countries, and ones which they have been making on their own despite their meagre incomes. The achievements of many low-income countries is indeed impressive given their resource constraints."

And the World Bank, in its most recent World Development Report 1981 (page 97):

"Sustained growth depends considerably on a continuous improvement in people's skills and energy. (This is particularly true of poor people, since it is above all their potential that is being wasted.) Interrupting human development programmes may be costly, though in ways they may not be immediately obvious."

8. The international community anticipated the truth and importance of these assertions by establishing the United Nations Development Programme sixteen years ago.

9. By almost any standard, the co-ordinated, multisectoral, grant technical co-operation provided by UNDP should be gaining broadly increased support from a wide range of donor Governments. Its stress on human resource development and institution building is directly in line with each of the foregoing quotations. Its collaborative, broad-based approach encourages additionality and complementarity, which enhance Programme results well beyond those that would accrue from UNDP's own inputs. Its wide-ranging development network -- now 114 field offices -- provides a unique service to the development effort well beyond the Programme's...
own funding capabilities. And its record of essentially on-target delivery over a decade of forward-planned programming marks it as a development resource manager of demonstrated effectiveness.

10. Above all, UNDP reflects that crucial lesson learned from long-accumulated experience: that the development process requires holistic, integrated, cross-sectoral planning and design of programmes and projects to be fully effective. It was UNDP's establishment as a multisectoral technical co-operation vehicle for development which helped focus international attention on the importance of an integrated approach to development. Even as recently as 1980 the Brandt Commission stressed in its Report that "Intersectoral co-ordination of assistance and country programming can make foreign aid much more effective".

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11. Although there has been in recent years a trend away from the rapid increase in multilateral contributions which marked the 1970s, the record of that decade was impressive. The percentage of official development assistance (ODA) contributed by DAC countries for multilateral purposes, grew from 17.5 in 1971 to 34.1 in 1980. Much of this growth can be accounted for by increased support of the international financial institutions, including the World Bank group and the regional development banks. Part can be attributed to the growing support of the members of the European Economic Community for the Community's aid programmes. Part is due to expanding humanitarian needs which are increasingly being met through multilateral channels.

12. But UNDP has not been a beneficiary of this trend. On the contrary, the share of total ODA disbursements by DAC countries to UNDP actually declined from 2.8 per cent in 1971 to 2.5 per cent in 1980. As Figure 1 indicates, the decline was even more devastating in terms of DAC contributions to UNDP 1/ as a proportion of total DAC disbursements for multilateral purposes: from 12 per cent in 1972 to 7 per cent in 1980.

13. And the picture is even more sombre since 1980, for 1981 witnessed an actual decline, for the first time in the history of UNDP, in the level of contributions to UNDP (by 6 per cent in nominal terms), while 1982 resulted in an estimated increase of only 7.2 per cent 2/ over the 1981 figure. While UNDP provided some three-quarters of total grant multilateral technical co-operation

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1/ Members of DAC/OECD provide almost 90 per cent of voluntary contributions to UNDP.

2/ Based on estimates of unpaid pledges at exchange rates as of 31 December 1981; comparable calculations based on 1 April 1982 exchange rates show an increase of less than 2 per cent.
through the United Nations system in 1968, the amount had declined to approximately half in 1980. If the World Bank's support for technical co-operation on a loan basis is taken into account, UNDP's share of United Nations system expenditures for technical co-operation decreased from 65 per cent in 1968 to 53.2 per cent in 1973 to 39.4 per cent in 1980 (Figure 2, based on complete annual data for all sources).

14. But even these figures do not tell the whole story. It will be recalled that the Governing Council, in its decision 80/30 taken at its twenty-seventh session, agreed upon a 14 per cent aggregate annual target increase in resources to be made available to UNDP during its third cycle (1982-1986), and the administration was directed to use that figure, for planning purposes, in the calculation of third cycle indicative planning figures (IPFs) as the basis of its forward-planned resource allocations to developing countries 3/ (Figure 3). This decision was confirmed by the Council at its twenty-eighth session, in June 1981.

3/ It should be noted that some Delegations reserved their position on the 14 per cent target, but it is fair to say that nothing was said during the course of the twenty-seventh session to indicate a target rate of increase below 10 to 12 per cent.
15. Yet, the reality of the recent pattern of contributions has had a drastic effect upon the level of programme delivery that was contemplated by decision 80/30 (Figure 4). It has meant a reduction in illustrative IPFs from the planned level of $750 million in 1982 to an actual level of $550 million, almost $100 million less than the level of IPF expenditures in 1981, and smaller, in real terms, than IPF expenditures in the first year of UNDP's first cycle. In 1983, even with a 7.5 per cent estimated increase in contributions, the reduction will be from a planned $850 million again to $550 million. Thus in two years 1982-1983, IPF expenditures will be $500 million less than those upon which UNDP's planning has been based according to decision 80/30, a decision confirmed by the Governing Council less than a year ago. In percentage terms, it means a 38 per cent drop for the two-year period, and if the shortfall for projected third cycle IPF delivery is estimated on the basis of the evidence which is now available to me, it will amount to some $1,932 million -- again, roughly a 38 per cent reduction from the targeted goal.

*Illustrative 1982-1986
16. For UNDP's developing country partners this means that almost 40 per cent of needed project activities cannot be supported; that roughly two out of every five internationally recruited project personnel will be unavailable; that virtually 40 per cent of the training opportunities which should be available to nationals of developing countries will be lost; that almost 40 per cent of the value of essential equipment to support UNDP-financed technical co-operation activities will be unavailable; and that almost two-fifths of the sub-contracted services which may be needed must be eliminated from the programming process.

17. The impact of the reductions in UNDP's targeted financial resources also has had and will continue to have a severe effect not only on the operational activities of virtually every United Nations organization but on numerous bilateral and non-Governmental programmes supported by UNDP at the field level, as well (Figure 5). For the United Nations system, the problem is particularly acute. General Assembly resolution 32/197 on restructuring provides that Resident Representatives of UNDP will, in accord with the agreement of the Administrative Committee on Co-ordination (ACC), be in the normal case designated as the Resident Co-ordinator of the United Nations system's operational activities for development. Yet how effectively can this newly enhanced office function under cutbacks dictated by UNDP's budgetary constraints? And what will happen to that cadre of excellence built up so painstakingly over the years by the Executing Agencies of the system? Will it be lost to the development effort?

18. While UNDP's focus of concern remains the provision of technical co-operation, the Programme is no longer confined solely to that task. As a development service network, UNDP provides the United Nations Fund for
Population Activities with extensive administrative support both at headquarters and in the field. It directly administers ten other funds and activities assigned to its supervision by the General Assembly, ranging from the revitalized and highly-successful United Nations Capital Development Fund and the dynamic United Nations Volunteer programme, through the catalytic, resource-stimulating work of the United Nations Sudano-Sahelian Office, to the remarkably rapid and promising operational start made by the Financing System for Science and Technology for Development, entrusted to UNDP administration on a transitional basis. It provides representation at the field level for several other organizations of the United Nations system, including the World Food Programme, the United Nations Fund for Population Activities, the United Nations Environment Programme, the United Nations Industrial Development Organization, the United Nations Department of Technical Co-operation for Development, and the Office of the United Nations Disaster Relief Co-ordinator.

19. The questions must necessarily be faced: Why have Governments chosen to neglect UNDP as a Programme which they themselves constituted and which has served for almost three decades as a respected and trusted means for communication and understanding between the industrialized world and the developing world — long before the phrase "North-South dialogue" became a part of the international vocabulary? Why have donors been distracted from the multisectoral discipline they themselves encouraged? Why have some developing countries, outside Governing Council chambers, not pressed with greater force, for increased contributions to UNDP in their bilateral discussions with donor countries? Why, indeed, has the development community as a whole supported planning expectations for UNDP which are now falling so far short of realization? A vitally important principle is here involved: the effect on mutual trust and confidence within the international community, so necessary to international understanding, harmony and progress, when a well-intentioned world raises expectations that are not realized for lack of financial support.

20. Obviously, the economic difficulties which face almost every country, including those which have been traditional donors to UNDP, may be assigned as a major factor in the Programme's difficult financial situation, especially in view of the fact that UNDP is by far the largest international activity supported entirely by voluntary contributions, yet having no burden-sharing agreement among its donors. But the fact is that, almost without exception, no DAC country has reduced, since 1979, its ODA in nominal terms. Yet, in a period in which all Governments are seeking to improve their internal economic circumstances, with a traditional technique being the reduction of public expenditures, UNDP, totally dependent upon voluntary contributions, is in particular jeopardy.

21. A second factor may be the failure of the international community to accept even now the importance of technical co-operation, enhanced human skills and the strengthening of institutional infrastructures as necessary prerequisites to sustaining and maintaining capital investments — to provide the cost-effective return they should yield.
22. A third may be the fact that some donors, whose contributions to UNDP have expanded enormously in the years since the Consensus, feel that further increases would distort even more the relative levels of contributions and thus have decided to postpone further substantial increases to UNDP until other donors or potential donors have indicated their own commitment to the Programme.

23. A fourth factor may be found in the decisions of some traditional donors to use multilateral channels other than UNDP, in ways more closely allied with their own bilateral priorities. Figure 6 traces the number of experts or international project personnel provided by UNDP, agency regular programmes and agency funds-in-trust programmes from 1972 through 1980. While UNDP's share fell from 73 per cent in 1972 to 60 per cent in 1980, funds-in-trust provision of experts by agencies rose from fewer than 2,000 to more than 4,500 over the same period.

24. The conclusion is inescapable: the dramatic increase in funds-in-trust expenditures may not only have served to deflect contributions from UNDP's central resources, but clearly has adversely affected the capacity of UNDP to perform that critical co-ordination task which the international community has assigned to it. This process makes it increasingly difficult for planning authorities to assure the best use of scarce external resources, as well, and brings to bear all the classic dangers involved in one-time, highly specific development undertakings which stand outside an integrated development framework.
25. Traditional donors might well consider the profound paradox involved in this trend: on the one hand their expressed wish, along with all other Governments, to see greater cohesion in the operational activities of the United Nations system; on the other the diffusion of their assistance by means that are bound to achieve the reverse effect. As the DAC Review of Development Co-operation, 1981, succinctly put it, "It seems fair to say, nonetheless, than an agency...is unlikely to carry much weight whether with recipients or with their external sources of finance as its own share of total resources is rapidly declining."

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26. UNDP, having achieved in 1976 a substantial (12 per cent) reduction in the number of internationally recruited professionals on its rolls, has just completed an exhaustive survey of all of its personnel requirements and has concluded that a further reduction, worldwide and in all categories, of 7.5 per cent can be attained to meet financial constraints in the immediate future. This action has been undertaken at a time when many other organizations of the United Nations development system, especially those supported by assessed budgets, some of which have benefitted in recent years from favourable exchange rate fluctuations, are actually increasing their levels of employment. It also comes at a time when UNDP has expanded its evaluation and project monitoring activities, not only by analyzing thematic development issues meriting the attention of the entire United Nations system, but also in terms of improved guidelines for the management and design of projects so as to enhance their integrated impact on the development process at large. Indeed, improvements in programme and project quality and in UNDP's managerial effectiveness are a key focus of the pages that follow in this Annual Report. I pledge that the administration of UNDP will continue its vigorous efforts to improve the efficiency, productivity and quality of our work.

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27. The apparent indifference of the international community to sustaining UNDP as a central funding and co-ordinating mechanism stands in sharp relief against the positive assertions of almost every Government, of developing as well as industrialized countries, in the Governing Council, the Economic and Social Council and the General Assembly, as to the value and worth of UNDP's role. It stands in contradiction to repeated General Assembly resolutions calling for a real increase in the flow of development resources for operational activities "on an increasingly predictable, continuous and assured basis." And it directly contradicts resolution 1981/59 of the Economic and Social Council, endorsed by the General Assembly, which in paragraph 4 reaffirmed "the central funding and co-ordinating role of the United Nations Development Programme in the field of technical co-operation within the United Nations system in conformity with the consensus of 1970 and General Assembly resolutions 32/197 of 20 December 1977,
33/202 of 29 January 1979 and 35/81 of 5 December 1980, and recommends to the intergovernmental bodies concerned that the need to preserve this role should be taken fully into account in the consideration of new funding arrangements for technical co-operation activities."

28. The picture which I have drawn is not encouraging, but it is realistic. Its implicit message as to the decline in the rate of growth of UNDP's resource base and the consequent effect on the development services which UNDP is able to provide to its developing country partners, is not a new one. Well over two years ago, at the November 1979 Pledging Conference, I expressed my profound concern with the estimated level of pledges for 1980 and recorded my apprehension as to the effect of this phenomenon on the services which UNDP would be able to extend to our developing country partners. I have repeated my concern and apprehension at a number of different fora since that time -- the Governing Council, ECOSOC and the General Assembly. And most recently I again underlined my profound anxiety at the November 1981 Pledging Conference. The Deputy Administrator, in addressing the organizational meeting of the Governing Council held in February 1982, reiterated the concern of UNDP's administration. Nevertheless the trend has continued.

29. There are hard questions to answer and difficult issues to resolve...issues and questions which are beyond the competence of UNDP's administration and which must squarely be faced by Governments. These questions, these issues, have been raised, some explicitly, others implicitly, in this introduction. They must be resolved. And time is of the essence.

Bradford Morse
Administrator