

**United Nations
Development Programme**

**Report of
the Administrator
for 1982**

**Introduction by
the Administrator**

I. INTRODUCTION BY THE ADMINISTRATOR

1. 1982 was not a good year for the world -- or the international development effort. With rising levels of unemployment, declining trade prospects and increased budget constraints, industrialized countries curbed their external assistance. Reduced rates of inflation helped minimize the loss, but continued fluctuations in exchange rates had a further depressing effect. In contrast to their bouyant performance the mid-1970s, developing countries suffered hardest from the problems of 1982. They fought the combined effects of worldwide recession, declining world trade for the second successive year, reduced official development assistance (ODA) flows, lower or negative growth rates, depressed commodity prices and severe financial constraints stemming from a surge in debt funding requirements -- which, on a broader scale, posed a threat to international financial stability. The Least Developed Countries, in particular, with few reserves or resources to combat the downward spiral, slid precepitously backward.

2. The United Nations Development Programme (UNDP), like the developing countries it serves, has had to struggle against these trends. Compared to target expenditures for technical co-operation (Indicative Planning Figures) of \$750 million set for the first year of the third development co-operation cycle, UNDP had available to it only \$568 million in IPF resources for the delivery of its field Programme in 1982. This was a shortfall of almost \$200 million against the target; it represented a reduction of \$90 million as compared to UNDP IPF field expenditures in 1981. Over the same period, total ODA flows from OCED ^{1/} * countries declined by almost \$2 billion (7 per cent). Reduced flows to multilateral institutions accounted for almost all of UNDP's decline, in which exchange rate fluctuations were a major factor.

3. It was a hard year for the development process, for the development institutions which support it and most importantly for the hundreds of millions of people who depend on development for a better life. Nor did the prospects for 1983 look much better. For thirty years or more, a spreading, increasingly effective development effort has brought about a direct and manifold improvement in the human condition unprecedented in the annals of human history. Yet by the early 1980s the effort showed signs of faltering. The development gains of three decades now appear at risk. Why?

4. The time has come for answers to some growing problems. For UNDP, as a central funding and co-ordinating instrument of international technical co-operation, the problems are now particularly severe. As decided by its Governing Council and endorsed without dissent by the General Assembly, UNDP's resource base of voluntary contributions for planning purposes is premised on an expansion at the overall rate of 14 per cent a year through the Programme's third cycle beginning in 1982. Yet for the first time in its history in 1981, contributions to the Programme actually declined by 6 per cent in nominal terms. They barely advanced over that disappointing result in 1982.

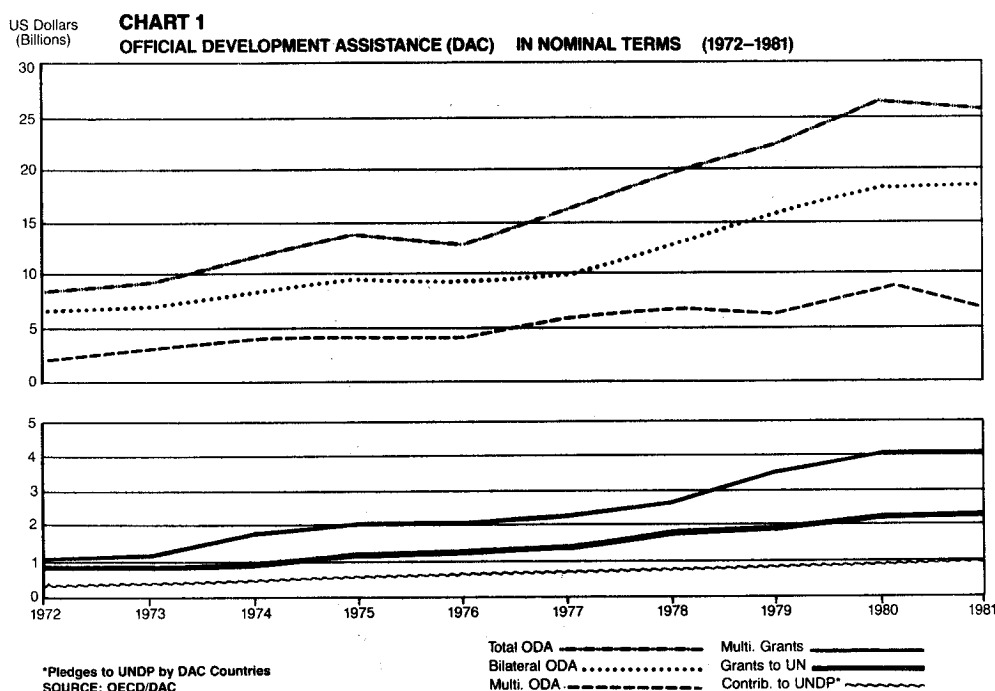
* Notes to the text may be found on page 22

5. Mandated to provide forward-planned, comprehensive and medium-term country and inter-country programmes of assistance, UNDP's effectiveness is severely threatened by shortfalls in resource levels. For almost a decade its central funding role has been weakened by the persistent growth of special purpose funding arrangements outside the UNDP administrative network. Now its co-ordinating, programming and managerial functions are being further undermined by central resource shortfalls requiring cutbacks in planned expenditures for technical co-operation, affecting the 154 developing countries and self-governing territories served by the Programme, its partnership arrangements with the executing agencies of the United Nations system and its critically important network of 116 development service field offices.

6. In 1977, while the Programme was recovering from the liquidity crisis of 1975, the UNDP Governing Council extensively analysed UNDP's role and activities in the development effort and emphatically endorsed the Programme's central funding and co-ordinating responsibilities for technical co-operation in the United Nations system as assigned to it by the Consensus of 1970. The 1977 decision was taken into account in the formulation of General Assembly resolution 32/197, which restructured the economic and social sectors of the United Nations system -- a resolution which resulted, inter alia, in the designation of Resident Co-ordinators at the country level, normally the UNDP Resident Representative, and in the utilization of the UNDP country programming process as a frame of reference for the operational activities of other organizations of the United Nations system. Yet, as the DAC Review of Development Co-Operation for 1981 indicated, "It seems fair to say ... that 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." (See chart 1).

7. Concerned by the dichotomy between the expressed wishes of Governments and actual resource levels for the Programme, UNDP's Governing Council in 1982 took the unprecedented step of establishing an Intersessional Committee of the Whole (ICW), with the task of studying options and recommendations for the longer-term financing of UNDP, together with other recommendations for strengthening the effectiveness of the Governing Council itself. I welcomed the establishment of the ICW and have worked closely with its Bureau and the Committee itself in this thorough and detailed re-examination of the Programme's resource base and of other elements in its operational effectiveness, as set forth in DP/1983/5. The ICW has completed its work and made a series of recommendations to which I hope the Governing Council will give favourable consideration.

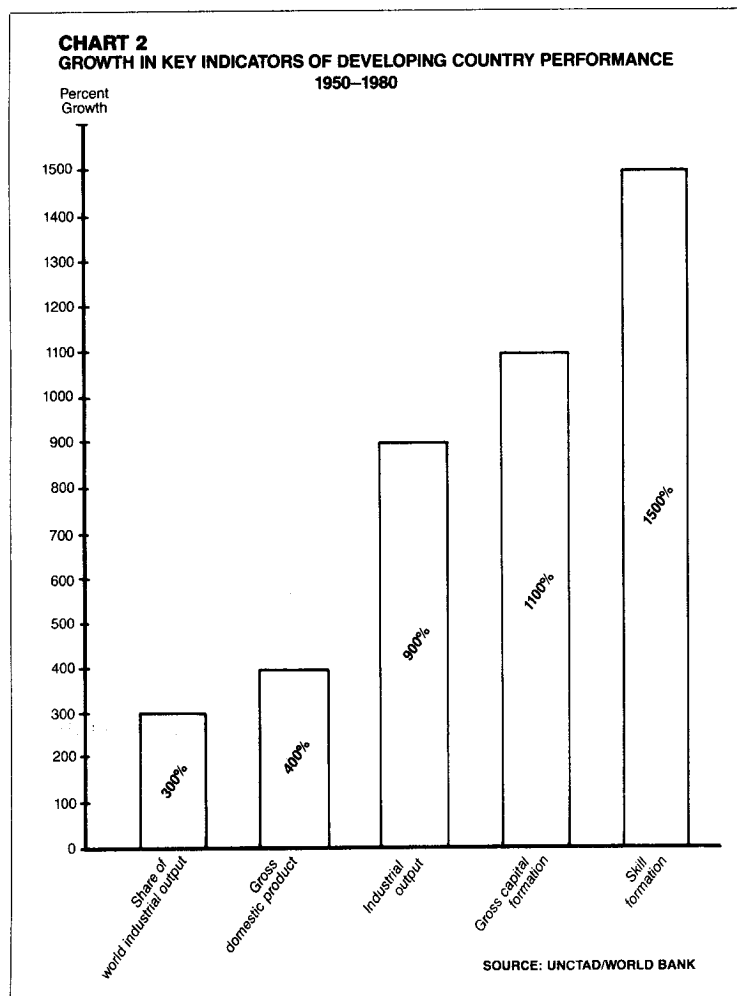
8. Whatever the ultimate results of the ICW's work, however, the time has clearly come to take a similarly analytical look at the broader issues confronting the development process generally. For it is not merely UNDP which has faced difficulties in 1982, but the development effort as a whole. After more than 30 years of experience -- and significant progress -- it is surely worth asking whether international co-operation for development may have lost its bearings, and how. It is worth considering the lessons of the last three decades so as better to assess future prospects.



What the record shows

9. The first lesson, on which by now there is broad agreement, is that development has generally been a remarkable success.

10. Since the dawn of history, the common lot of most of humankind has been little different from that described by the philosopher Thomas Hobbes in 1651: "solitary, poor, nasty, brutish and short." In the last 30 years, however, even in the world's poorest countries, a revolutionary change has taken place. In most parts of the world rampant disease and hunger are being fought vigorously. For much of humankind, illiteracy has been vanquished. There has been a steady improvement in the human condition. The record of three short decades is a triumph of history, due in substantial measure to an unprecedented international co-operative effort.



11. The figures speak for themselves. From 1950 to 1980 the share of developing countries in world industrial output rose from 5 to 20 per cent. Developing countries as a group increased their gross domestic product five-fold, their industrial output 10-fold, their gross capital formation almost 12-fold, their skill formation (based on the number of college and technical degrees awarded) 16-fold. (See chart 2). These are measures of performance far in excess of those recorded in the same period for the industrialized countries. Indeed, as experts in UNCTAD have pointed out, ^{2/} developing countries have substantially bettered the performance of today's developed market economies during their formative period of technological transformation, including that of Japan during its main period of growth and modernization from 1910 to 1935.

12. Structural changes in developing country economies have been particularly significant. Farm production has grown faster in developing countries than in developed countries over the last 30 years, and on a per capita basis is 25 per cent higher today than in 1950. The share of imports of manufactured consumer goods has fallen over the period, and that of machinery and transport equipment (capital goods) has grown. Over and above the 12-fold increase in capital formation, investment in education, health, social welfare and essential social services -- i.e., in social technologies -- has risen from less than 3 per cent of national output in 1950 to 10 per cent in 1980 and now equals nearly two-fifths of the resources currently devoted to capital formation.

13. Even in terms of greater self-reliance, developing countries have, with modest international assistance, made enormous strides. In 1950, there was hardly a developing country with a development plan or programme of its own design. Today national, regional and even sectoral planning, to which UNDP devotes a sixth of its resources, is accepted throughout the Third World as an effective instrument of self-reliant advancement.

14. Yet progress has been uneven. The poorest countries in particular have lagged. Output per capita fell during the 1970s in 15 countries of Sub-Saharan Africa. For the estimated 100 million to 200 million men, women and children of the world who still know the ravages of hunger and malnutrition, the pain, the fear and the suffering are no less intense than they were thirty, two hundred or a thousand years ago. But the miraculous turnaround in the basic human condition is undoubtedly the greatest untold story of our times.

15. Development has worked in ways many of us did not dream. The last 30 years have seen almost 100 new countries join the world economy on an increasingly important basis. Over the last decade, a dozen of those countries -- the so-called NICs or newly industrialized countries in Latin America and Asia -- have captured increasing shares of world markets, while rapidly expanding their agricultural and industrial output. South-South trade now accounts for more than 7 per cent of world trade (and a quarter of the South's exports). Developing countries have increased their share of total world exports in manufactured goods to developed countries from 3 per cent in 1950 to 13 per cent in 1980.

16. The results in human terms have been even more gratifying. After spending a decade living in impoverished rural villages in various parts of the developing world, the journalist Richard Critchfield noted in his 1981 book, Villages, that "there is a much happier ending than I ever expected to write when I set out ten years ago. ... In those days we in the press were like a Greek chorus intoning doom from the wings, gloomily predicting famine, epidemics, migration, pollution, revolution, wars to seize or hold ever-scarcer resources, forever crying wolf." His recent conclusion: "Unexpectedly, and most desirably, as the villages move into the last twenty years of this century, in most of them food production is rising and human fertility is falling. Contraception and scientific farming are producing, at last, a change in the general human condition." ^{3/}

17. Such impressionistic accounts can often tell us more about the impact of development on people than dry statistics. The impact has been rewarding and remarkable. Development works. But its achievements can be quickly eroded. If, just as steady growth has become realizeable, the flow of resources required to sustain it is cut short, despair, frustration and anger can return on a scale not seen before.

The Role of ODA

18. Credit for these sustained accomplishments must above all go to the developing countries themselves. They have marshalled the overwhelming proportion of the human and material investments required for progress. As the economist Theodore W. Schultz has put it, "The achievements of many low-income countries in their private and public investments in human capital are indeed impressive given their resource constraints." ^{4/}

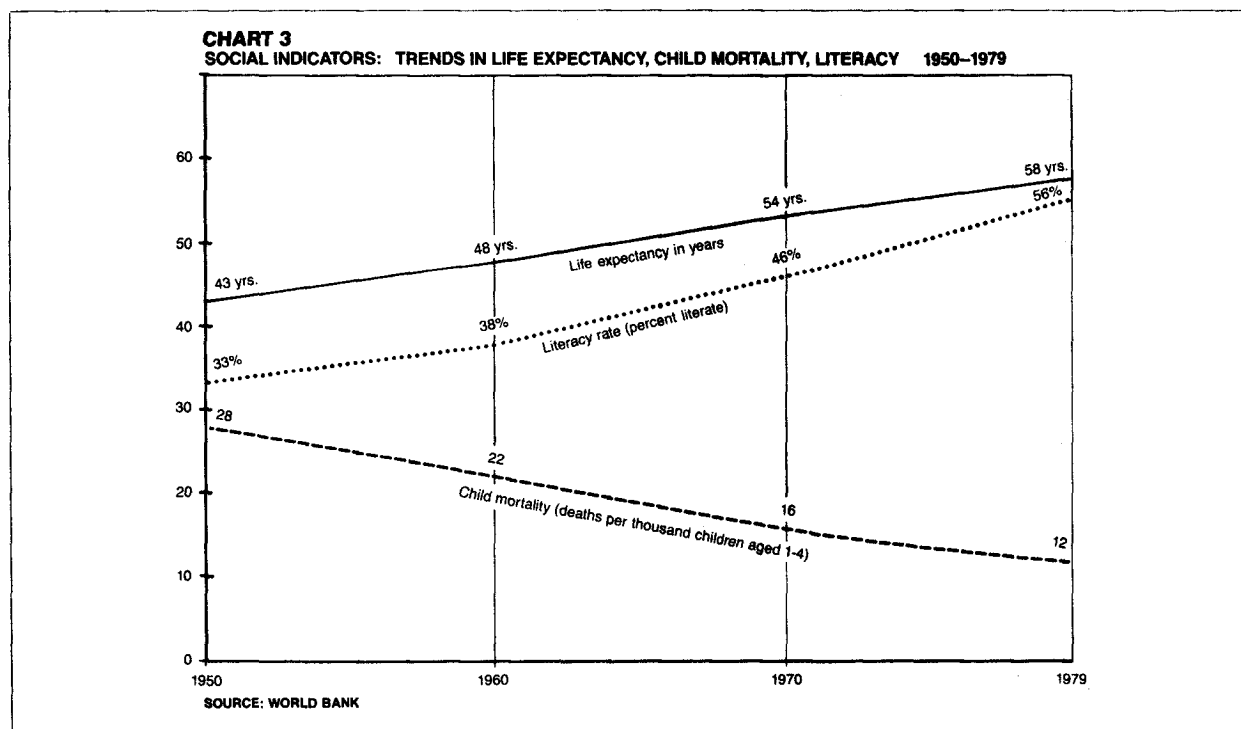
19. Official development assistance has served as a catalyst. Initially, in the years following World War II, the emphasis was on technical assistance -- or the transfer of basic skills and technologies -- as exemplified by the large increase in bilateral aid and the establishment of UNDP's predecessor organization, the Expanded Programme of Technical Assistance, in 1949. Later, the emphasis shifted toward capital assistance designed to help developing countries strengthen their physical infrastructures. Later still, food aid, humanitarian assistance and, most recently, adjustment assistance became important features of the ODA effort, as has the rapidly mounting assistance provided by non-governmental organizations.

20. Capital Investment. The twelve-fold growth in capital formation experienced by developing countries as a group since 1950 is a solid indicator of the self-help efforts of these countries and the broad effectiveness of ODA capital development inputs over the period. Lending for these capital inputs, predominantly financed by ODA or related flows in the 1960s and early 1970s, were by the mid 1970s supplemented by private lending which has since become the predominant source. Undoubtedly, the surge of "petrodollars" played a role in this shift. In any case, by 1982, 60 per cent of total lending to developing countries was on commercial terms, a fact which demonstrates the effectiveness of the foundation for investment laid by the efforts of developing countries and ODA together. According to the World Bank's 1982 study, IDA in Retrospect, ^{5/} the rates of return generated from World Bank capital assistance loans covering 273 projects has averaged 17 per cent, while returns generated from IDA credits to 183 projects in poorer countries averaged 17.9 per cent. Such results sharply reflect the impact of capital assistance on the overall development process in the last 30 years, as does the 12-fold increase in the rate of capital formation mentioned earlier and the growth in confidence underlying increased commercial commitments. Yet I firmly believe that these results would not have been achieved without effective and lasting human resource development.

21. Technical Co-operation. It is more difficult to quantify the impact of technical co-operation, the effect of which is more pervasive yet less visible and less easily aggregated in statistical terms. Nonetheless, without the enormous progress made in human resource development over the past three decades, it would have been impossible for developing countries to sustain and maintain capital investment, or to strengthen their essential human and

institutional infrastructures -- so critically essential to their efforts to achieve self-reliant, self-sustaining, self-generating economic and social progress in all sectors:

- About a third of adults in developing countries were literate in 1950. Three decades later, the number had advanced to 56 per cent. The advance in literacy rates was even more pronounced for low income developing countries, where human resource development played a particularly important role. In 1950 only 20 per cent of adults in these countries could read or write. By 1980, half could, a gain of 150 per cent.
- Advances in life expectancy and declines in child mortality tell a similar story in terms of improved health. (See chart 3). Between 1950 and 1980, life expectancy for developing countries as a group rose from 43 to 58 years, with the figure for low-income countries advancing from 41 to 57 years.



- Child mortality in the same period in developing countries declined from 28 per thousand children aged one-to-four years in 1950 to 12 per thousand by 1980 (compared to one-per-thousand in industrial market economies). Similarly, birth rates declined from over 40 per thousand for two centuries before 1950 to slightly more than 30 per thousand by 1980.
- Skill formation in developing countries grew impressively over the three decade period. UNCTAD reports that resources devoted to research and development (R&D) increased from a negligible base in the early 1950s to nearly 0.5 per cent of GDP by the late 1970s (compared to about 2 per cent for developed market economies). Although developing countries still only accounted for about 3 per cent of worldwide R&D expenditure, they provided 12 per cent of its global manpower, in part because of the "brain drain" phenomenon.
- Primary school enrollment in developing countries increased sharply from 56 per cent in 1960 to 78 per cent in 1978. Secondary schools showed an even greater increase, in which the number of students as a percentage of their age group tripled.
- Enrollment in universities and institutions of higher learning rose by more than 10 per cent a year, to a current level of some 16 times as many as in 1950. In 1980 more than one in every four university students in the world came from a developing country.

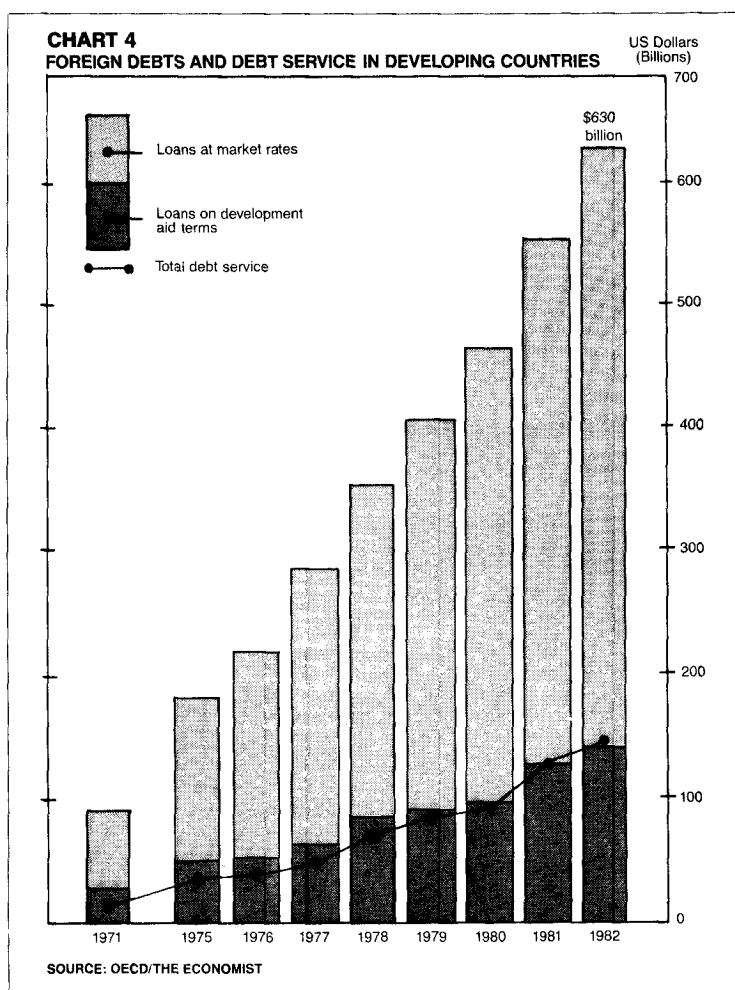
22. These figures provide compelling evidence of the massive efforts made by developing countries in the human equation and of the catalytic contribution made by technical co-operation in that historic record. In contrast to centuries of despair, the last 30 years have witnessed miraculous achievements -- achievement due in no small measure to the vision of those who inaugurated and supported this unequalled period of worldwide co-operation and human advancement. As the World Bank's World Development Report for 1982 sums up the matter:

"Although growth requires an increase in the primary factors used in production, improvements in the efficiency of their use have been responsible for most of the growth in developing countries ... By broadening domestic technical and managerial skills, changing the attitude of farmers and workers, and, it is hoped, lowering the birth rate, human development offers the prospect that per capita living standards can be improved faster in the 1980s. This long-term improvement in human capital is the one bright spot that is shared by almost all developing countries."

Progress at risk

23. Why, in 1982, should this great development enterprise show signs of stalling? Why should it be perceived as posing a threat to the world economy, or to the economic recovery of any industrialized country? Why should not development assistance be regarded as an important element in the recovery of the global economy? 6/

24. As always, the reasons are many and complex. Continuing recession in the industrial countries, which has prompted an effort to reduce public expenditures and heightened the threat of protectionist measures, is certainly a factor. The developing countries' adverse terms of trade, their depressed export volumes, the high and volatile interest rates limiting their borrowing, their large debt repayment burdens are all additional factors.



25. The problem was dramatized in 1982, as combined developing country debt rose to the level of \$630 billion (see chart 4). The OECD/DAC report for 1982 7/ notes that "Towering deficits, both fiscal and current account, in most countries have reached or neared financial limits imposed by high cost and more selective financial markets, limited access to concessional aid, and slumping exports. Painful adjustment has been, and in most countries continues to be, unavoidable"

26. In April 1982 the Managing Director of the IMF warned that "The external deficits of the developing countries have reached record levels. Of those that are net importers of oil, half now face current account deficits of 12 per cent of gross domestic product or more -- about three times their level of a decade ago. Deficits of this magnitude clearly cannot be sustained in terms of future debt service capacity."

27. Along similar lines, the recent follow-up report of the Brandt Commission ^{8/} points to the havoc wrought by falling export earnings, oil prices and high interest rates in the economies of developing countries over the last three years. The Report notes that:

"In the five years 1976-81 total debt grew by 20 per cent a year (it was \$251 billion in 1976). But the part owed to banks grew by 25 per cent a year, and the short-term part grew fastest of all, 29 per cent a year. In the early 1980s the combination of rocketing interest rates and bunching of maturities has put a number of countries into a position of very high obligations. They can pay them from net foreign earnings or by drawing down reserves. But developing country reserves have fallen rapidly. And in trade they have had net deficits, not net earnings. The only way they can meet their debt obligations is by borrowing more." ^{9/}

28. The strain on world financial markets is now the subject of widespread concern. In this respect even concessional lending institutions providing capital assistance are being forced to adjust their policies to meet more immediate developing country needs. In fact, the effect of debt obligations on rates of return for capital investments may only now be surfacing, as the accumulated impact of inflation, lower export earnings and depressed commodity prices begin to take their toll.

29. Yet there is also another fundamental, persistent handicap threatening rates of return on capital lending -- the inadequate human and institutional infrastructures required to support such lending on a practical basis.

30. Because of UNDP's operational abilities to assist in the response to developing country needs through its on-site field office network, I first raised the issue of the critical importance of the technical co-operation/capital assistance ratio in development in my Annual Report to the Governing Council for 1977. "We have found," I stated, "that in too many countries the ratio between capital and technical assistance is out of balance. In many developing countries shortages of human skills and inadequacies and inexperience in administration and management are major constraints on growth and investment." ^{10/} I have elaborated on and underscored that point in every Annual Report since, citing additional concrete evidence based on UNDP's field experience.

31. The troubles afflicting development progress in 1982 have served to bring this issue into sharp focus. The IDA retrospective, mentioned earlier, is illustrative in this respect. The study evaluates a number of IDA-financed projects and sets forth reasons for their success or relative success and their failures. A dozen or more projects which encountered difficulty are treated in some detail. A close examination of these difficulties shows that

three out of 26 problems touched on related to such externally rooted difficulties as fluctuations in import or export prices, changes of government or climatic variations. Almost all the rest were attributable to inadequacies in human or institutional resources. Two projects exhibited an over-emphasis on capital intensive inputs without adequate local support systems. Two over-estimated the developing countries' technical or managerial capacity to absorb inputs. Three foundered because of "mismanaged local support agencies." In three more, lack of skilled workers was a contributing factor. Other problems cited by the study included institutional limitations, poorly designed technology or physical infrastructure, lack of popular participation and the failure to consider cultural factors.

32. It can no longer be surprising that each of these inhibiting factors in development falls broadly in the neglected realm of technical co-operation for the strengthening of human and institutional resources. A careful examination shows that approximately eight out of ten such difficulties cited in the extensive review of IDA are traceable in whole or in part to such factors. The report itself concludes that "... it would appear from a review of project experience that IDA's success is greater in South Asia than in Africa. But this does not mean that IDA was less effective in Africa; lower rates of return on projects in Africa, for instance, reflect lower levels of institutional development, relative shortages of trained manpower and other factors."

33. The lesson has been accepted by the World Bank itself. Total Bank spending on the technical assistance components of its loans has risen from less than \$100 million in 1970 to \$1,469 million in 1982. This compares to total loan commitments by the Bank in 1982 of \$13,016 million, or roughly 11 per cent of the Bank's total lending in the year.

Learning the lessons

34. The most recent (1982) OECD/DAC Review of development co-operation (page 28) said:

"Drawing the relevant lessons of successful and unsuccessful development co-operation in diverse circumstances is the first step toward improving the processes of both development administration and aid."

35. I would only add that those who fail to learn from their mistakes are doomed to repeat them. The debt burdens -- long and short-term, concessional and commercial -- of developing countries have swollen to a point where they now cast a shadow over the ability of these countries to manage them. Those governments which urged greater participation in the development effort by private commercial organizations, based on the groundwork laid by developing countries themselves and ODA, now confront the irony that these same organizations have become deeply concerned by the extent of the commitments they have already made, while ODA itself has assumed a downward course.

Meanwhile, the patterns of ODA over the past decade persist. The continued urgency of human and institutional resource development, though widely perceived, carries on as a weak leg of the development process, with a direct correlation to failure, waste and setbacks being experienced in the process. The agencies, such as UNDP, designed to support such efforts are compelled, because of resource constraints, to operate at the margin.

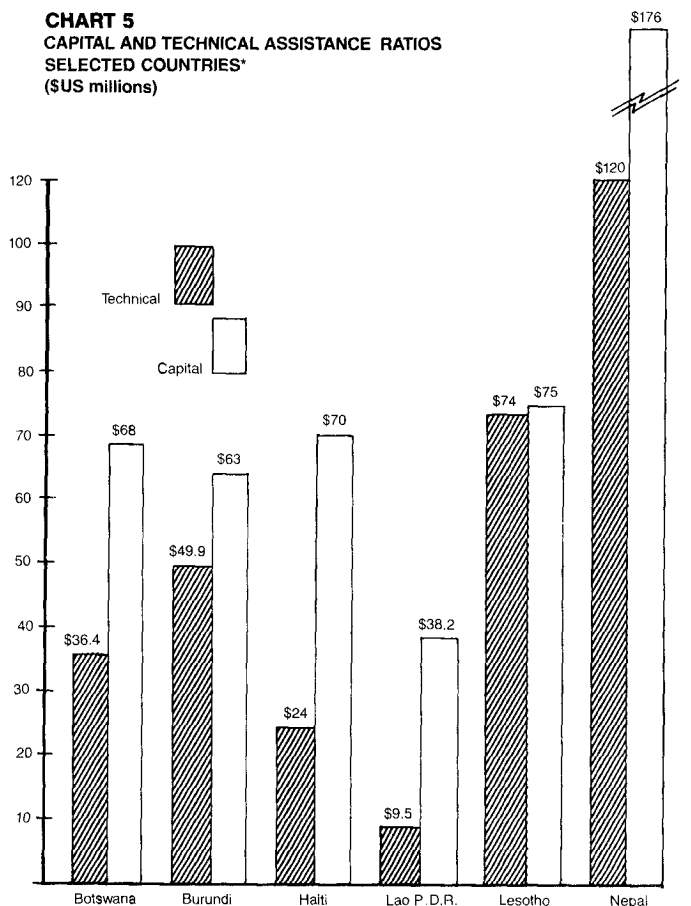
36. I submit that at this time of general international economic distress, we cannot afford to continue down the old paths, failing to learn unmistakeable lessons, particularly in this period of reduced overall ODA levels. Persistent concentration on capital investment in the development process, vitally essential though it is, has obscured the relative importance of other factors necessary to sustained growth and self-reliance -- management, quality, knowledge, process improvement, training, labour-management co-operation, community participation, and cultural considerations.

37. These factors are mostly intangibles, no easier to quantify than the diverse results of technical co-operation itself. It is generally agreed that it is harder to measure growth from "soft" factors. We are all more comfortable working with things we can see, count, weigh and touch. Econometric models therefore tend to omit such factors, though they may make or break the development effort involved at any stage. This explains why such econometric models and the forecasts based upon them so often fail accurately to predict results and why productivity measures become a puzzle in their context. It is as though the concepts inherited from the industrial revolution -- long production runs, greater volume, economies of scale, standardization, specialization and labour-saving trade-offs -- were fit guides for developing country progress in the 1980s despite all we have learned since and despite the experience that has been registered before our eyes by the NICs. Surely this is a condescending approach to the one worldwide effort which by now has so many accomplishments to its credit.

38. I do not suggest that capital investment is not critically important. My purpose is not to question its vital contribution to developing country progress, but to encourage that adjustment in ODA which the experience of capital investment itself tells is required. I do not advocate revolutionary change in the structure of the development effort. But I do think that change is in order.

39. I have already mentioned that roughly 11 per cent of World Bank/IDA loan commitments currently go to technical assistance -- though often directed toward immediate supervision, implementation and engineering services rather than longer-term necessities. According to the OECD/DAC report for 1982, total member country bilateral assistance (ODA) came to \$18,283 million, of which \$5,248 million was consigned to technical co-operation activities, or 28 per cent. ^{11/} UNDP's own record of development co-operation reports by country, compiled annually by UNDP field offices, show a ratio somewhere in between. For countries with strong human and institutional resource structures such as India and Malaysia, for example, total external technical co-operation financing in 1981 (the latest year available) amounted to about 7 per cent (India) and less than 3 per cent (Malaysia).

CHART 5
CAPITAL AND TECHNICAL ASSISTANCE RATIOS
SELECTED COUNTRIES*
(\$US millions)



*Based on UNDP Field Office
Development Cooperation Reports for 1981

For certain least developed countries the percentage going to technical co-operation was much higher (see chart 5), in some cases almost 50 per cent. On the other hand, many major oil exporting developing countries had little or no capital assistance, so that about 100 per cent of external assistance took the form of technical co-operation.

40. Given the great differences among developing countries, no single model for an appropriate capital/technical development assistance ratio is applicable to all. What is clear beyond doubt is that human and institutional resource factors continue to be neglected even in least developed countries, in spite of the relatively higher ratio of technical to capital assistance that obtains in those countries. Similarly neglected are organizations which support the strengthening of such factors, particularly for the poorest countries.

I have previously quoted the distinguished economist and Nobel laureate, Simon Kuznets, on the key source of economic growth for all countries. I will do so again and as many times as necessary to make the point. "The inescapable conclusion," he wrote, "is that the direct contribution of man-hours and capital accumulation would hardly account for more than a tenth of the rate of growth in per capita product -- and probably less. The large remainder must be assigned to an increase in efficiency in productive resources, or to the effects of changing arrangements, or to the impact of technical change or to all three."

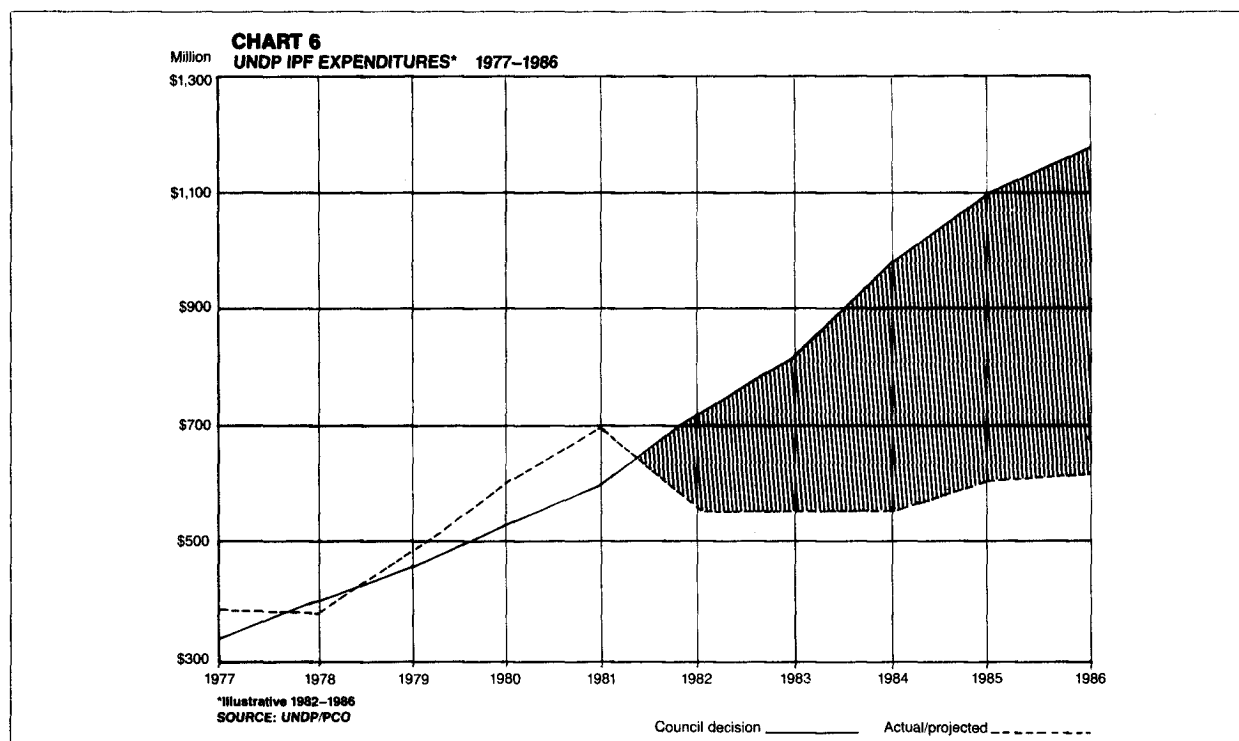
41. While Kuznets reached his conclusion on the basis of economic studies of industrialized countries, these conclusions may be relevant to developing countries as well. As Theodore W. Schultz stated in his own previously cited study: "Increasing numbers of economists have now come to realize that standard economic theory is as applicable to the scarcity problems that confront low-income countries as to the corresponding problems of high-income countries." (Page 4.)

42. How, then, might the development process at large be restructured to meet the urgent needs of the 1980s? A clue can perhaps wisely be taken from the developing countries themselves, which have borne the main brunt of the development effort for 30 years. I noted earlier that the investment of these countries in so-called social technologies -- education, health, social welfare and services, etc. -- now equals nearly two-fifths of the resources they currently devote to capital formation. This is roughly twice the 20 per cent average, in ODA terms, traditionally devoted to technical co-operation as a whole, including highly technical and specific pre-investment, research and scientific requirements. In general, technical co-operation as a whole captures a far broader range of human and institutional resource development than basic social technologies. What I am suggesting, based on the developing countries' own aggregate performance, is a rough doubling of technical co-operation inputs into the process, supported by ODA over a five-year period. The addition need not and should not be at the expense of capital assistance flows, but rather as solid, long-term supplements to their increased effectiveness.

Contending with Anomalies

43. Experience, existing knowledge, even official doctrine now dictate what needs to be done. The New International Development Strategy for the 1980s, as endorsed by the General Assembly in resolution 35/56, declares: "Realization of the goals and objectives of the New International Development Strategy will ... require a renewed emphasis upon technical co-operation and a significant increase in the resources provided for this purpose."

44. In fact, UNDP's own resource planning base for technical co-operation adopted by consensus of its Governing Council would be roughly double (in nominal terms) over the course of the Programme's third development co-operation cycle (see chart 6). At three consecutive sessions, the Council has endorsed that target, and three times the General Assembly has endorsed the Council's decisions. But the growth has not come. In 1982 UNDP had resources sufficient only to deliver a volume of technical co-operation which in real terms was lower than a decade earlier in 1973. That is one reason the Brandt Commission, in its recent follow-up report, warned that United Nations aid channels were being "starved" and that the United Nations Development Programme has been particularly hard hit. The Commission called upon the donor community "to restore the funding of these agencies on an adequate basis."



45. The recent OECD/DAC Report referred, as well, to "the seemingly anomalous situation" of UNDP, noting that "the faster growth of the IFIs (International Financial Institutions) created an imbalance between financial and technical co-operation, and this gave rise to a situation ... in which the IFIs themselves had to expand their technical co-operation activities."

46. "In principle," the Report says, "the UNDP is the central funding source for technical co-operation provided by UN Agencies. In practice, its share of total funding, and hence the weight that it carries in its attempts to fulfil a co-ordinating role, have persistently declined."

47. That this situation is "anomalous" is clearly evident in the OECD/DAC Report's own description of the "lessons" to be drawn from the favourable development experience of middle-income countries:

- "Development takes time, but much time has been wasted in all countries by false starts, uneconomic investments, inconsistent or disjointed programmes, and neglect of fundamentals; such waste is not inevitable.
- "The fundamental resource requirement is an adequate supply of literate, trained and motivated manpower for essential functions; training and motivation can be achieved most efficiently in close association with the development or technical upgrading of actual operations.
- "The fundamental development policies are those which unshackle and activate the material aspirations and energies of farmers and businessmen.
- "Development assistance makes its strongest contribution when aid is co-ordinated in the context of a continuing policy dialogue and targeted on obstacles to the achievement of primary development objectives." (page 30).

48. I cite these "lessons" because each is directly relevant to UNDP's established operational procedures and capacities. In the first instance, the building of self-reliance -- UNDP's chief objective -- is a long-term process, and UNDP is one of the few development organizations which programmes its efforts on a comprehensive, forward-planned basis rooted in country programming and five-year cycles. A key thrust of the General Assembly's Restructuring Resolution (32/197), moreover, is to make that forward-planned programming process even more comprehensive in terms of other United Nations system inputs, in the further effort to minimize waste and duplication.

49. Second, of the 4,642 UNDP-financed projects under way as of 30 September 1982, nearly every one had a training component in terms of counterpart requirements and a quarter or more were wholly designed for a wide range of specific training purposes. The transfer, upgrading and multiplication of knowledge and skills is a key priority of technical co-operation, and UNDP's project file abundantly reflects this priority, as detailed in Part III of this Report.

50. Third, the activation of the aspirations and energies of farmers and businessmen, among other key components of the development effort, is a task far better suited to the human-resource orientation of technical co-operation than to the essentially material demands of capital assistance. And fourth, "aid in the context of a continuous policy dialogue and targeted on obstacles

to the achievement of primary development objectives" represents the heart of UNDP's operational mode as defined and refined over the years by the Governing Council. Continuous programming and the running dialogue it ensures, the large proportion of Programme resources devoted to improved developing country planning and administrative effectiveness and the principle of planning-by-objective which lies at the core of the country programming process -- all bear witness to UNDP's direct relevance in the application of the lessons underscored by the OECD/DAC report.

51. A number of other anomalies also characterize UNDP's situation. Though they are already burdened with staggering debts, for instance, developing countries are now in the position of having to borrow more than ever to pay for their rising technical co-operation needs -- needs which UNDP was organized to help meet on a grant basis. As an example, the Government of Jamaica has recently borrowed \$6 million from the World Bank, to be repaid in 15 years at an 11 per cent annual interest rate, for technical assistance not directly connected with any capital projects.

52. UNDP was also designed to facilitate a continuing development dialogue through its extensive, on-site network of field offices. But that network is threatened, both because governments with pressing priorities cannot engage in continuing dialogue with a shrinking source of modest human resource funds and because adequate staffing of the network itself becomes subject to budgetary constraints. UNDP's ability effectively to manage development programmes is undermined when its resources fail to match its country-by-country planning targets, when its government and agency partners budget resources on the basis of one set of expectations and expend their energies in order to adjust to another. Confidence in expectations is no less a requirement of human resource programmes than of capital lending enterprises.

53. Yet the voluntary, year-to-year basis for funding UNDP's operations is always threatened by cyclical downturns in the world economy and consequent constraints imposed on almost all but the obligated portion of development funds pledged by donor countries.

54. Confidence in expectations is especially required of a unique central funding and co-ordinating organization like UNDP. Yet government support for technical co-operation has increasingly utilized special purpose funding arrangements replete with conditionalities, which inevitably undermine the integrated, co-ordinated approach professed by all governments, as stressed in the recent DAC Review.

55. Yet another anomaly increasingly abhorrent to many countries lies in the steadily rising sums spent by the world on armaments, compared to the declining sums devoted to an end to human suffering and to co-operation for development progress. The sums spent on armaments in less than a day would support all of UNDP's indicative resource requirements for more than a year.

56. Finally, there is this anomaly: that UNDP was established on the eminently sensible premise that, because their needs and resources varied so greatly, developing countries were themselves the best judges of their own

development priorities and that UNDP's highest service was to assist them in identifying these priorities and achieving their objectives. Yet the entire drift of the development effort over the past decade has exposed a growing lack of faith in this premise and a tendency both by some donor governments to target their assistance toward their perception of priority needs and of some recipient countries to accept this trend. This, in my view, is extremely serious because it reveals the extent to which the international community has been retreating from sound and proven development principles. The decline in multilateralism in development assistance, the growth of tied aid and special purpose arrangements, are all evidence of this retreat.

57. The realities of development are worth recalling in this respect, because they demonstrate the fallacy of this phenomenon. A developing country is still in that category because it has scarce or untapped resources which remain fallow because the country does not have the institutional skills, structures and the capital to harness them. If resources, both human and material, are scarce, it follows logically that their use must be planned as carefully as possible, so that maximum benefits accrue from their economic activation. These realities apply, of course, to all countries, developed and developing. For developing countries, the extent of skilled human and material scarcity is so great, or so uneven, and the needs to be met so huge, that the most careful planning and the hardest choices are required in their activation.

58. There are also many differences in strengths and weaknesses among developing countries. Some are strong in human resources, for example, but weak in material resources. The opposite prevails in others. It follows that there can be no universal set of priorities in aid that applies equally to every developing country. One of a developing country's first tasks is therefore to take stock of its internal resources, its strengths and weaknesses, so as effectively to integrate external assistance into its particular circumstances. A first task of the aid establishment, in turn, is to help ensure not only that this assessment be done correctly but to help the country establish or strengthen the machinery required to make the assessment, so that the country can do the job for itself in the future and keep its assessment up to date.

59. For external aid to make its maximum impact, the flow of assistance must augment the pattern of resource distribution in the country, going to those areas where endowments are weak and proportionately less to those areas where strengths are greatest. In other words, the peaks and valleys of external assistance must mesh with the valleys and peaks in the planned resource distribution of the country itself. Finally, it follows that to achieve such a practical meshing requires a mechanism by which the total aid available is known, and that a co-operative arrangement exist among all donors, bilateral and multilateral, together with the understanding that, once the country has in good faith and with competent help prepared its programme, external assistance would be dedicated to and integrated within the achievement of the programme's objectives.

60. These are the realities. In practice some donors, for reasons of their own perception of what priorities should be, or in order to encourage domestic support for their assistance efforts, or for whatever reason, tend to exercise greater control over the direction of aid flows, while some developing countries tend to acquiesce in this evolving pattern of control, even to the extent of accepting aid when it appears the project may collapse once external assistance has been withdrawn. The discipline essential to any process applying scarce resources to long-term needs is thus eroded, a particularly negative result at a time when resources for the development effort are becoming more constrained.

Untapped potential

61. It can hardly be surprising that such an analysis leads to the conclusion that comprehensive programming and co-ordination of external inputs is a task which can only be done by a developing country itself, with the support of an impartial multi-lateral, multi-sectoral organization, having no biases or pre-conceived notions that one sector is more critical than another, that one need is greater than the rest, but responding to the objectives of development as determined by the developing country itself. UNDP exists precisely to provide such support. The Programme was conceived, created and endowed in large part to fulfil such a supportive role in terms of technical co-operation. But a mandate alone is not enough. Only when resources adequate to the tasks required are forthcoming can there be a practical realization of commonly desired policy.

62. As succeeding pages of this Annual Report show, UNDP clearly possesses the capacity to accomplish its assigned tasks. It has shown the strength, the energy and the flexibility required to stretch ever shrinking resources to help meet ever expanding objectives. I am enormously proud of its accomplishments in a year of great difficulty and uncertainty. But recent trends are working against the Programme's potential, its record of accomplishment -- even its mandate. Let me recall the statement of the President of The Gambia in his latest New Year's message to his nation:

"For us in the developing countries the final blow of the year came barely two months ago when the United Nations Development Programme announced an across-the-board cutback in all its country development programmes as a result of the poor outcome of the U.N. Pledging Conference. The meagre pledges received at this Conference must be seen as a manifestation of the more inward looking trend of the developed countries, which will perforce mean that we in the developing world will have to rely more and more on our own resources and resourcefulness. Indeed at the local level, one of the consequences of the cutback in UNDP resources has been the termination of U.N. financial inputs into the Feeder Roads Programme, and the Government has therefore had to assume the financial responsibilities of this project.

Unfortunately, many more UNDP-assisted projects and programmes in The Gambia are likely to suffer a similar fate in the face of this disappointing and dangerous inwards looking posture of the developed countries."

63. The issues confronting the development process in the 1980s reach well beyond UNDP, though they gravely affect UNDP as they affect all development efforts. The time has surely come for a new understanding, based on the hard-won lessons of experience and the basic realities of the development process as we know them. A renewed sense of discipline and determination can move us in the right direction, for the benefit of all.

64. Despite its resource difficulties, UNDP has itself been actively pursuing new paths to greater effectiveness and relevance in the changing development environment. The new guidelines on government execution and the use of national project personnel issued in 1982 and discussed in Part II, below, should strengthen the principle of self-reliance underlying all the Programme's work, as well as enhance the cost-effectiveness of UNDP field operations. Given the phenomenal growth in special purpose funding arrangements, UNDP stands ready, where donor and recipient governments agree, further to make the UNDP programming and administrative framework available for these arrangements. While UNDP is convinced that the strengthening of its central resource base must be a priority concern of all governments, it is prepared to provide what it conscientiously believes to be an exceedingly valuable service in the administration of special purpose funds. UNDP continues to hold the view that where the General Assembly approves the establishment of new separate global funds for development, these funds should, to the extent possible, in the interests of administrative economy and co-ordinated programming, be entrusted to UNDP for management and administration.

65. In light of the large increase in technical assistance lending now provided by the World Bank group, UNDP has taken steps to strengthen its collaboration with the Bank, and on a case-by-case basis, to undertake, in agreement with the developing countries concerned, the management of technical assistance funds provided by the Bank, particularly where such funds are not associated with a capital project. Along similar lines, and in accord with DP/1982/ICW/13 presented to the Governing Council in 1982, UNDP has proposed that it can better serve its developing country partners and the donor community together by providing management services for activities financed on a bilateral basis. UNDP intends to pursue this initiative as well.

66. Proposals resulting from the deliberations of the ICW deserve priority treatment, including measures for both the short and long-term strengthening of the Programme's central resource base. Because UNDP's central funding role is critical to the development efforts of the entire United Nations system, the attainment of adequate funding on an assured, predictable and continuous basis remains the foremost concern of the Administrator and the secretariat. Implicit in this concern is the important role which a comprehensive country programming approach plays in the development process and, as a consequence, the demonstrated need for a strong central funding mechanism, impartial and

objective in dealing with the competing claims of various sectors and special needs. Implicit, also, is the continuing requirement for a strong field organization, by itself a valuable development service, able to advise Governments effectively on their planning options, and a headquarters equipped to provide constant, flexible and efficient professional support. The debate of the ICW regarding programme evaluation and information activities underscore the legitimate concern of donors and recipients alike for improved programming, improved assessment of results and hence a better understanding of the impact of UNDP's widespread activities and accomplishments. In this sense, UNDP must be capable of effectively monitoring the field work it supports and must continue to organize evaluation studies not only for the benefit of feedback for future projects but to produce objective reviews of results which serve to satisfy donors on the effectiveness of the work financed by their contributions. UNDP intends vigorously to pursue these requirements.

67. Other initiatives involving improved project design, administrative and staffing economies, new co-operative arrangements reached with other organizations and funding sources and other expanded services being provided by the UNDP field network are detailed in the section that follows.

67. This report on UNDP's activities in 1982 demonstrates that the Programme has not and will not succumb to the resource difficulties which have faced it in recent years and continue to threaten it today. Its proven capacity and even greater potential for development service remain intact. UNDP has the unparalleled experience, the dedicated professional talent and proud record of accomplishment but above all, the commitment, the determination and the will to fulfil what should by all logic be a greatly expanding role in the development effort of the 1980s. It lacks only -- and momentarily -- the resources. I am confident they too will come in time. The realities of development and the lessons of its experience demand that they must.



Bradford Morse
Administrator

NOTES

- 1/ Members of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development, whose contributions accounted for 90 per cent of UNDP's voluntary contributions.
- 2/ TD/B/C.6/90, 23 September 1982. A Strategy for the Technological Transformation of Developing Countries. Report by the UNCTAD Secretariat.
- 3/ Villages, by Richard Critchfield. New York. Doubleday 1981, pp. 321, 336.
- 4/ Schultz, Theodore W., Investing in People, the Economics of Population Quality, 1981, page 142.
- 5/ IDA in Retrospect: the First Two Decades of the International Development Association. Oxford University Press, 1982.
- 6/ "Many economists now fear that the sagging export trade (to developing countries) will exert a serious drag on the U.S. economic recovery." Wall Street Journal, 28 March 1983, p. 25.
- 7/ Development Co-operation 1982 Review. Report by Rutherford C. Poats, OECD. November 1982, p. 12.
- 8/ Common Crisis North-South: Co-operation for World Recovery. The Brandt Commission 1983.
- 9/ Ibid, p.45.
- 10/ DP/321, 19 April 1978, page 6.
- 11/ The remainder included such items as food aid, debt forgiveness, administration costs, and debt re-organization lending, as well as new lending for capital assistance.