



**Governing Council
of the
United Nations
Development Programme**

Distr.
General

DP/1984/20

25 April 1984

ORIGINAL: ENGLISH

Thirty-first session
June 1984, Geneva
Agenda item 5(a)

P O L I C Y

PROGRAMME PLANNING

MID-TERM REVIEW OF THE THIRD PROGRAMMING CYCLE 1982-1986

Report by the Administrator

Summary

In this report the Administrator is responding to Governing Council decision 80/30 paragraph 14 which called for a mid-term review of the third programming cycle. The report contains a review of voluntary contributions to UNDP 1982-1984 and the Administrator's actions to control the financial integrity of the Programme in the light of the stagnation in the level of those contributions. It deals with the lack of resources to undertake a review of the 1982-1986 illustrative indicative planning figures (IPFs). Furthermore, it deals with the need to reduce the illustrative IPFs to 55 per cent or establish this as a "norm" for calculating the carry-over into the fourth cycle and certain transitional measures, such as borrowing from the fourth cycle, to ensure continuity in programmes and projects. A request for assistance to St. Helena as well as a revised illustrative IPF for Brunei, which has become independent is also included.

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Introduction

1. In its decision 80/30, paragraph 14, the Governing Council decided to carry out a mid-term review of the resources being made available and of planning and initial implementation of the third programming cycle, and to include in that review a consideration of the IPFs of countries whose real economic position had deteriorated substantially from 1978 levels and a general consideration of IPFs should the rate of growth of voluntary contributions and other programme resources have increased by more than 14 per cent per annum. ^{1/} In paragraph 6 of the same decision, the Council stipulated certain targets for recipient countries with annual per capita GNP of above \$1,500 regarding their reimbursements, on a voluntary basis, of their UNDP-financed programme. In this report, the Administrator submits information and an analysis designed to facilitate Council consideration of these matters. The report deals mainly with those financial elements directly related to the third programming cycle as covered in decision 80/30. Certain other issues related to the third cycle are also covered. In addition, the addendum to this report, deals specifically with the resource needs of the global programme.

2. This paper should be read together with the Administrator's note on preparations for the fourth programming cycle, DP/1984/27, the Administrator's Annual Report for 1983, DP/1984/5 and the Administrator's report, Policy review: Measures to be taken to meet the changing technical co-operation requirements of the developing countries, DP/1984/4.

I. PLANNING PROFILE OF THE THIRD CYCLE AS REFLECTED IN COUNCIL DECISION 80/30

3. The programme planning for the third programming cycle was based on the assumption of an over-all average annual growth of voluntary contributions and other programme resources of at least 14 per cent on a cumulative basis from the target level established for 1977-1981 as endorsed by the Governing Council in its decision 80/30 and confirmed in decision 81/16. This assumption translated into a total projected amount of voluntary contributions of \$6,550.6 million over the years 1982-1986 and was agreed by the Council in June 1980. Since it was assumed at that time, based on the period of high inflation in the mid-1970s, that the annual world-wide inflation, expressed in US dollars could amount to 8 to 10 per cent, the annual increase in contributions in real terms would have been 4 to 6 per cent. The annual increase in the real value of the programme delivered, however, was estimated to be only between 4 to 4.5 per cent taking into account the higher inflation in developing countries. If the population increase in developing countries were also taken into account, the real annual increase in per capita delivery would have been only at the level of 2 to 2.5 per cent.

4. The Council also decided, in paragraph 4(a) of decision 80/30, that, if mobilization of resources were to fall short of the target of \$6,550.6 million, there would be a flat across-the-board percentage reduction in the IPFs of all countries in supersession of any criteria that may interfere with

the share of the respective countries and, in paragraph 4(b), that the same principle should apply to other uses of financial resources, subject to the Administrator making a more precise estimate of the UNDP administrative budget.

5. Other income, consisting mainly of interest earnings on UNDP's investments of funds between receipts and disbursements and of net gains or losses on UNDP's holdings and conversion of currencies, was estimated to amount to \$163.8 million or 2.5 per cent of total voluntary contributions.

6. Total resources available for the 1982-1986 programming cycle were accordingly assumed to amount to \$6,714.4 million. It was implicitly assumed that, with the exception of the fully funded Operational Reserve of \$200 million, no funds nor liabilities would be carried forward from the 1977-1981 programming cycle.

7. In order to achieve the basic objectives of UNDP, the Council strongly urged all countries, especially those who had so far only made relatively modest contributions, to increase their voluntary contributions to the Programme. It also requested the Administrator to enter into consultations with all countries regarding their voluntary contributions in the course of the third cycle.

8. The Council furthermore urged all recipient countries in a position to do so to voluntarily surrender their country IPFs or utilize UNDP resources on a fully reimbursable basis, as well as becoming contributors or net contributors to the Programme.

9. Table 1 below shows the allocation of the financial resources to the various programmes and purposes for the third programming cycle.

10. For the calculation of individual IPFs, the Council decided to retain the basic criteria of per capita GNP and population size and adopted three sets of supplementary criteria. Annex I shows first, second and third cycle IPFs and illustrative IPFs grouped according to 1978 GNP per capita. It can be seen that the share of total country IPFs given to the group of countries with a 1978 GNP per capita of \$500 or below increased from under 50 per cent in the first programming cycle to close to 65 per cent in the second cycle and currently around 79 per cent in the third cycle. The share of country IPFs allocated to the least developed countries (LDCs) increased from 26 per cent in the first cycle to 34 per cent in the second and 42 per cent in the third programming cycle.

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Table 1. Sources and use of funds for the third programming cycle, 1982-1986,
according to Governing Council decision 80/30

Line	Item	Millions of of US Dollars	Distribution percentages				
			1	2	3	4	5
1.	Sources, total	6 714.4	100.0				
2.	Voluntary contributions	6 550.6	97.5				
3.	Other income	163.8	2.5				
4.	Use, total	6 714.4	100.0				
5.	Field programme, total	5 147.9	76.7				
6.	Total IPF	5 002.0		100.0			
7.	Country + intercountry IPF	4 902.5		98.0	100.0		
8.	Country IPF	3 984.2			81.3	100.0	
9.	GNP/cap. below 500	3 187.4				80.0	
10.	GNP/cap. above 500	796.8				20.0	
11.	Intercountry IPF	918.3			18.7		100.0
12.	Regional IPF	730.0					79.5
13.	Interregional IPF	73.5					8.0
14.	Global	114.8					12.5
15.	Unallocated IPF	99.5		2.0			
16.	Special Programme Resources	83.4					
17.	Special Industrial Services	25.0					
18.	Sectoral support	37.5					
19.	Other cost, total	1 566.5	23.3				
20.	Agency support cost	715.5					
21.	UNDP admin. and prog. support cost	595.5					
22.	Change in reserves, etc.	255.5					

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II. REVIEW OF VOLUNTARY CONTRIBUTIONS EXPERIENCE

11. In June 1980, when the basic decision 80/30 regarding third programming cycle was taken, UNDP could look back upon the following pattern of contributions pledged to the Programme, expressed in US dollars.

Table 2. Contributions to UNDP, 1972-1979

<u>Year</u>	Voluntary Contributions (Millions of US dollars)	Percentage Change
1972	268.4	
1973	307.5	14.6
1974	338.2	10.0
1975	405.9	20.0
1976	466.2	14.9
1977	524.5	12.5
1978	597.1	13.8
1979	697.2	16.8

The average annual increase in voluntary contributions during the period 1972-1979 was 14.7 per cent with a range from 10.0 to 20.0 per cent. It should be noted in this context that had a fixed exchange rate (December 1976 United Nations operational rate of exchange) been applied to the voluntary contributions made in national currencies, the average growth rate over the same period would have been only 13.1 per cent and for the period 1977-1979 only 10.9 per cent. General Assembly resolution 2688 (XXV), Annex, paragraph 13 specifies that one of the assumptions to be made on the growth of the resources of the Programme is that they "will increase at least at the same rate as the average of the last few years".

A. Target and Actual/Projected Contributions 1976-1986

12. It was therefore considered reasonable on the basis of the results achieved thus far in the second cycle to assume, in terms of current dollars, a continued growth in voluntary contributions of 14 per cent per annum, or the same target as for the second programming cycle and as achieved during the first years of the second cycle. To avoid the influence of annual fluctuations in contributions the calculations were made on a cycle to cycle basis. On these assumptions, the total amount of voluntary contributions for the third cycle would be \$6,550.6 million as compared to the target of \$3,402.2 million for the second cycle. The implicit annualization of these amounts is shown below together with actual and currently projected amounts.

Table 3. Implicit annual target contributions reflected in decision 80/30

Year	Target Contribution	Change Percentage	Actual/ projected	Change Percentage	Difference Actual/projected Target
1976	451.5 ^{a/}		466.2		
1977	514.7		524.5	12.5	9.8
1978	586.7	14.0	597.1	13.8	10.4
1979	668.9	14.0	697.2	16.7	28.3
1980	762.5	14.0	716.6	2.8	(45.9)
1981	869.4	14.0	673.5	(6.0)	(195.9)
1977-1981	3 402.2		3 208.9		(193.3)
1982	991.0	14.0	674.9	0.2	(316.1)
1983	1 129.7	14.0	675.8	0.1	(453.9)
1984	1 287.9	14.0	700.0	3.6	(587.9)
1985	1 468.2	14.0	750.0 ^{b/}	7.5	(718.2)
1986	1 673.8	14.0	805.0 ^{b/}	7.5	(868.8)
1982-1986	6 550.6		3 605.7		(2 944.9)

a/ Including Voluntary Programme cost contributions

b/ Projected.

As can be seen from the above table, the turning point in the growth of contributions occurred in 1980. It will be shown later in this report that, after elimination of the impact of exchange rate fluctuations, the average annual growth rate fell from a 13 per cent level for 1972 - 1979 to around 7 per cent for 1980 - 1984.

B. Analysis of contributions

13. Three factors stand out in the analysis of the voluntary contributions to UNDP. The first is the continued dependence on a limited number of major donors, whose contributions, measured as a proportion of their total GNP, vary considerably. This in itself makes the Programme financially vulnerable and exposed to any major policy changes on the part of any of these major donors. The second factor is the increasing trend among donors to make their pledges in their national currencies rather than in US dollars, which has created an increasing exposure to volatile fluctuations in exchange rates between these currencies and the US dollar, which is the unit of account in UNDP. The third factor is the world-wide recession beginning in 1980 which has led to lower growth rates in gross national products and consequential lower growth in official development assistance (ODA) especially for those countries that had already reached their ODA targets. Additional elements affecting the contributions to UNDP have been the increased number of special purpose funds set up during this period and the unusually large needs for and contributions to humanitarian and refugee assistance.

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C. The narrow financial base

14. The dependence on a small number of donors can most easily be shown by the following table, which shows the share of total voluntary contributions which came from: (a) the five largest donors; (b) the ten largest donors; and (c) the seventeen members of the Development Assistance Committee (DAC) within the Organization for Economic Co-operation and Development.

Table 4. Contributions to UNDP from largest donors, 1972-1984
(Millions of US dollars)

<u>Category</u>	<u>1972-1976</u>	<u>%</u>	<u>1977-1981</u>	<u>%</u>	<u>1982-1984^{a/}</u>	<u>%</u>
5 largest donors	1 046.7	58.6	1 768.1	55.1	1 059.2	52.1
10 largest donors	1 462.9	81.9	2 612.0	81.4	1 614.3	79.4
DAC countries	1 612.7	90.3	2 900.4	90.4	1 869.7	92.0
TOTAL	1 786.2	100.0	3 208.9	100.0	2 033.1	100.0

a/ As at 1 January 1984.

15. As can be seen from the table, the Programme's dependence on DAC countries which remained constant at slightly above 90 per cent during the first and second cycles increased to 92 per cent during the first three years of the third cycle. Among the DAC countries, the shares of financing UNDP have become somewhat more evenly spread to the group outside the five major donors. While the group of the 10 largest donors has consisted of the same 10 countries during the three cycles, two countries have in the 1982-1984 period moved up to the group of the five largest donors. The following table illustrates these movements in current US dollars among the ten largest donors, who contribute around 80 per cent of total voluntary contributions to the Programme.

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Table 5. Share of contributions to UNDP from largest donors,
by donors 1972-1984

Largest Donors
(based contributions in current US dollar)

1972 - 1976		1977 - 1981		1982 - 1984	
<u>Country</u>	<u>%</u>	<u>Country</u>	<u>%</u>	<u>Country</u>	<u>%</u>
United States	23.7	United States	18.5	United States	21.0
Sweden	10.8	Netherlands	10.4	Japan	8.2
Denmark	9.1	Sweden	10.2	Netherlands	8.2
Netherlands	8.3	Germany, Fed. Rep. of	8.0	Norway	7.5
Germany, Fed. Rep.	6.7	Denmark	8.0	Sweden	7.2
United Kingdom	6.6	United Kingdom	6.5	Canada	6.8
Canada	6.3	Norway	6.2	Germany, Fed. Rep. of	6.6
Norway	4.0	Canada	5.5	Denmark	5.5
Japan	4.0	Japan	5.3	United Kingdom	4.4
France	2.4	France	2.8	France	4.0
Sub-total	81.9		81.4		79.4
All others	18.1		18.6		20.6
Total	100.0		100.0		100.0

16. Information on voluntary contributions pledged to the central resources of UNDP and other funds under the Administrator for the years 1982, 1983 and 1984, the first three years of the current cycle, is provided in Annex IV to this report.

D. The exchange rate factor

17. In 1972, 10 of the seventeen DAC countries announced their pledges in US dollars and, although payments were made in national currencies, the amounts were pegged to the US dollar amount pledged. For 1984, only one country other than the United States, made its pledge in US dollars. The reason for this change is no doubt the increasing volatility in exchange rates *vis-à-vis* the US dollar which created problems for donor countries' treasuries and for their budget planning. Nevertheless, it has created major difficulties for the planning of the Programme. While there have been only four cases since 1970 where a major donor has significantly reduced its contributions from one year to another in its national currency, contributions in US dollars have, with the exception of a few countries, tended to fluctuate greatly. The relative stability in the rate of growth of overall contributions has largely been a result of off-setting movements in exchange rates among the major donors. Since 1980, however, the exchange rate movement has been relatively uniform in favour of the US dollar and caused the stagnation in contributions counted in US dollars since that time, notwithstanding several cases of significant increases of contributions in national currencies.

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18. The exchange rate factor has had a very significant impact on the development of the contributions to the Programme. As shown below, since the decision regarding the third programming cycle was taken in 1980, the value of the DAC countries' contributions alone was reduced by around \$750 million over the period 1980-1984 due to the impact of weakening currency rates against the US dollar. If it is assumed that proportionate reductions have affected the contributions of other donors, then the total reduction is of the magnitude of \$790 million, or more than a year-and-a-half of IPF expenditures at the current level.

19. The impact of exchange rate fluctuations can be estimated by choosing a set of fixed exchange rates and converting each year's pledges in national currencies to US dollars using that fixed exchange rate. This exercise has been done using the United Nations operational rates of exchange in December 1979, i.e. the exchange rates at the time when the decision for the third programming cycle was about to be taken. For practical reasons the calculations have been limited to contributions from DAC donors, covering somewhat above 90 per cent of total contributions.

20. By using the exchange rates as of December 1979, it is possible to assess how the contributions of the third cycle would have developed if the effect of the strengthening US dollar over these years is eliminated. The following table shows (a) the difference between the annual targets implicit in decision 80/30 and actual contributions valued at December 1979 exchange rates; and (b) such difference when actual contributions are stated in current US dollars. The calculation is based on the contributions from DAC member countries, who contribute around 92 per cent of total contributions to UNDP, and an assumption that proportionate reductions have also affected the contributions from other countries.

Table 6. Voluntary contributions: implicit annual targets, actual contribution valued at December 1979 exchange rates and in current US dollars

Voluntary contributions
(Millions of US dollars)

<u>Year</u>	<u>Target</u>	<u>Percent Change</u>	<u>Actual at Dec. 1979 exchange rate</u>	<u>Percent Change</u>	<u>Actual current</u>	<u>Percent Change</u>	<u>Difference</u>		
							<u>Col. (3) minus Col. (1)</u>	<u>Col. (5) minus Col. (3)</u>	<u>Col. (5) minus Col. (1)</u>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1980	762.5		722.0		716.6		(40.0)	(5.4)	(45.9)
1981	869.5	14.0	774.0	7.2	673.5	(6.0)	(95.5)	(100.5)	(196.0)
1982	991.0	14.0	856.0	10.6	674.9	0.2	(135.0)	(181.1)	(316.1)
1983	1 129.7	14.0	911.0	6.4	675.1	0.0	(218.7)	(235.9)	(454.6)
1984	1 287.9	14.0	953.0 ^{a/}	4.6	683.1 ^{a/}	1.2	(334.9)	(269.9)	(604.8)
1980-84	5 040.6		4 216.0		3 423.2		(824.6)	(792.8)	(1 617.4)

^{a/} As at 1 January 1984.

21. While the strengthening of the US dollar has reduced the Programme's resources counted in US dollars, this unfavourable impact has been partially countered by the increase in the purchasing power of the US dollar, although the latter's beneficial impact on quantum of assistance has occurred only after a considerable time-lag. This beneficial impact reflects the decline in cost increases that had been foreseen for such various inputs as experts, fellowships and equipment. As an indicator of this effect, a comparison can be made between: (a) the total number of expert months foreseen to be delivered during the third cycle assuming, as earlier budgeting instructions did, an 8 per cent annual increase in cost per expert month expressed in US dollars; and (b) the current and projected levels based on revised cost expectations as shown below.

Table 7. Number of expert months based on 1980 assumptions
as compared with actual and projected

<u>Year months</u>	<u>IPF Expen- ditures^a</u>	<u>Share direct expert cost (%)</u>	<u>Total expert cost^a</u>	<u>Cost per expert month^c</u>	<u>Change in cost per expert month (%)</u>	<u>No. of expert</u>
	(1) ^b	(2)	(3)	(4) ^d	(5)	(6)
<u>Target</u>						
1982	750.1	50.0	375.1	6 742	8.0	55 636
1983	858.5	50.0	429.3	7 282	8.0	58 954
1984	982.5	50.0	491.3	7 864	8.0	62 475
1985	1 124.3	50.0	562.2	8 494	8.0	66 188
1986	1 286.6	50.0	643.3	9 173	8.0	70 130
1982-86	5 002.0		2 501.2			313 383
<u>Actual and projected</u>						
1982	567.8	43.7	248.2	6,448	3.3	38 494
1983	460.0	47.0	216.0	6,480	0.5	33 333
1984	500.0	50.0	250.0	6,512	0.5	38 390
1985	540.0	50.0	270.0	6,578	1.0	41 046
1986	570.0	50.0	285.0	6,709	2.0	42 480
1982-86	2 637.8		1 275.7			193 743

^a/ Expressed in millions of US dollars.

^b/ Target figures as implicit in decision 80/30.

^c/ In US dollars.

^d/ Target figures reflect an annual increase of 8 per cent

As can be seen from this table, whereas programme delivery would be only 52 per cent²/ of the original target in current dollar terms, the number of expert months would be around 62 per cent of what was originally implicitly

intended originally on the basis of an 8 per cent annual increase in expert cost expressed in US dollars. Although it is statistically extremely difficult to measure the impact on the other components of the programmes, it is a reasonable conclusion that actual delivery under them will be at least of the order of 62 per cent of what would have been possible under the original assumption due to lower cost per item in US dollars.

E. The Economic Recession

22. The third factor affecting UNDP contributions is the recession in the world economy from 1980 up to mid-1983 which has reduced or eliminated economic growth in most major donor countries. It must be recalled that donor countries' decisions on contributions to UNDP are affected by several factors related to economic growth. First, when the increase in the amount available for ODA is reduced or eliminated, the Government faces a choice of distributing the reductions between multilateral and bilateral ODA, often in an environment where the constituencies for bilateral ODA have increasingly gained strength. Second, within the multilateral allocation, priority is given to contributions which are determined in advance by international, binding agreements, in particular contributions to international financial institutions. Third, within what is left for voluntary contributions to multilateral institutions, contributions to UNDP are weighed against the needs of other, often special purpose, funds within the United Nations system. Contributions to UNDP are therefore subject to a chain of decisions where at each stage UNDP as a channel for assistance is weighed against other interests, especially at times of limited or no growth in official ODA. On the other hand, were ODA to resume rapid growth, it is likely that UNDP would be considered a channel which could rapidly absorb additional funds that would become available.

23. In summary therefore, it could be deduced that the current stagnation in voluntary contributions to the Programme can be ascribed to a series of converging circumstances rather than any general decline in the support for the Programme.

III. THE ADMINISTRATOR'S ACTIONS IN PLANNING AND IMPLEMENTATION OF THE THIRD PROGRAMMING CYCLE

24. In the light of the stagnation in contributions in 1980, the Administrator consulted extensively with the contributors to the Programme, as a result of which the Administrator determined that it would not be consistent with the overriding requirement to maintain the financial integrity of the Programme to plan for a programme implementation of more than 80 per cent of the illustrative IPFs. Instructions were therefore issued to the effect that all country programmes to be presented to the Governing Council were to be based on 80 per cent of the illustrative IPFs.

25. In its decision 81/16, the Governing Council decided to maintain the illustrative IPFs as given in decision 80/30 but subject them and other elements of the field programme to the overriding requirement of containing expenditures within the financial resources available at any given time in order to preserve the financial integrity of the Programme.

26. In document DP/1982/5 presented to the twenty-ninth session of the Governing Council in June 1982, the Administrator reported that, based on his further consultations with Governments on their envisaged pledging for the next year, voluntary contributions could be estimated for the five-year period 1982-1986 to reach only around \$4.1 billion and that, on this basis, it could not be recommended to plan for expenditures of more than 60 per cent of the illustrative 1982-1986 IPFs. The Administrator therefore highlighted the urgent need to achieve both increased resources and greater productivity for the Programme. However, following the Pledging Conference of November 1982, it was realized that not even the 60 per cent level of programming, in dollar terms, would be feasible.

27. Following the Administrator's report, the Governing Council decided, in its decision 82/5, section II, to establish an Intersessional Committee of the Whole (ICW), to study, in consultation with the Administrator, various options and recommendations. The work and the recommendations of the ICW were fully reported to the thirtieth session of the Governing Council in document DP/1983/5. While some countries had been in a position to respond favourably to the call for additional contributions to alleviate the short-term resource problem, it was not possible to achieve a broader agreement on a larger package of \$150 - 200 million as pursued informally during the sessions of the Committee. Moreover, the results of the Pledging Conference held in November 1982 in respect of 1983 were distinctly inadequate. The Administrator was therefore faced in late 1982 with an urgent need to adjust all programming levels to 55 per cent of the illustrative IPFs. The decision putting this into effect was communicated to all Governments in November 1982.

A. Planning and implementation of the third programming cycle

28. In order to maintain financial control of the Programme, the Administrator established in 1977-1978 a five-year rolling system for planning and control of availability and use of the resources of the Programme. The key element of this system is an annualized resource planning table (see annex II) which comprises projections of resource availability and plans for the use of these resources. Based on these expenditure plans an overall programming level for the current cycle is established (at the present time at 55 per cent of the illustrative IPFs) with annual authorized budget levels (ABL) for each country determined in such a way as to generate the targeted expenditure levels for each year while ensuring that each IPF programme receives its share over the cycle. Given the uncertainties and fluctuations in voluntary contributions, the resource planning table and the ABL frameworks are revised twice annually, in April-May when final expenditures for the previous year are known and in September-October, when estimates of the current year's expenditures, as well as of next year's contributions, can be made and

therefore the next year's programming level more firmly determined. This system for programme resources management at the overall and country level has been crucial in enabling UNDP to scale down its activities to the current resource level in an orderly fashion and with full control of the financial integrity of the Programme at all times. Such scaling down has also been accomplished without UNDP cancelling any already approved project. In some cases, following government review of priorities within the reduced programme, projects or their further phases may have been modified.

B. The First Two Years of the third programming cycle

29. An annual accounting of the financial elements of the Programme for each of the years 1982 and 1983 is given in the respective report on the annual financial review (DP/1983/43; DP/1984/53). Taking the two years together, target IPF expenditures totalling \$1,100 million had been initially planned, taking into account the expected magnitude of available resources. Subsequently, given the continuing erosion of the 1982 voluntary contributions, the target for 1983 was reset at \$500 million, for a two year total of about \$1,070 million. Actual IPF expenditures for the two years amounted to around \$1,035 million. This lower outcome is partially due to the fact that cost increases in 1983, expressed in US dollars, for experts, equipment and other items were considerably lower than had been anticipated. As a consequence of this somewhat lower than planned expenditure over the two years, there was at the end of 1983 a positive balance in the revenue reserve of UNDP and the shortfall in programmable resources for the remaining years of the cycle has been reduced. Similarly, the UNDP administrative expenditures have been effectively reduced with savings of around \$14 million against the revised, approved 1982-1983 biennial budget. It should be noted, however, that the liquidity position of the Programme was at no time jeopardized and no need arose for any draw-down of the fully funded \$200 million operational reserve.

IV. THE OUTLOOK FOR 1984-1986

30. Since 1979, voluntary contributions to UNDP, expressed in US dollars, have stagnated at a level of around \$700 million. However, if the effect of exchange rate fluctuations were eliminated, that is assuming that contributions had been converted at a fixed rate of exchange, the average annual growth rate in voluntary contributions would have been around 7.0 per cent. It would therefore seem reasonable to assume that this trend would continue into 1985 and 1986. On the basic assumption that there will be no further strengthening of the US dollar against the currencies of other major donors, voluntary contributions to the Programme should then increase by that amount. This could be corroborated by the latest OECD report, the 1983 review of development co-operation, which estimates that real growth in ODA from DAC countries over the next few years is likely to be on the order of 2-3 per cent per annum. With projections of inflation in donor countries of around 6 to 8 per cent for 1984-1986, the growth in ODA in current terms should be between 8 and 11 per cent. On the further assumption that UNDP will at least maintain its share of ODA over these years, it is projected that voluntary contributions will increase by at least 7.5 per cent annually in 1985 and 1986 over an estimated level of \$700 million for 1984.

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31. The Administrator would again like to reiterate how gravely inadequate such levels would be not only with respect to the targets set by the Governing Council, but more seriously with respect to the needs of developing countries at a time when they struggle with the effects of the world-wide economic recession and the positive effects of the recovery currently underway in industrialized countries are a long way down the road for most developing nations.

32. The effect of this assumption regarding contributions on the programme levels is illustrated in the resource planning table in annex II. As can be seen from the table, UNDP would be able to spend only \$2,645 million under the IPF programme during 1982-1986, including \$72 million against unspent IPFs carried forward from the second programming cycle, with a balance of \$25 million of programmable resources at the end of the cycle. These 1982-1986 IPF expenditures would amount to approximately 52 per cent of the illustrative 1982-1986 IPFs against a programming level of 55 per cent.

33. In response to Council decision 83/5, the Administrator has had informal consultations concerning resources with various participants in the Programme which has resulted in a set of arrangements in three stages before the 1984 United Nations Pledging Conference for Operational Activities. In the first stage, the donor countries will meet among themselves to discuss the 1985 resource requirements. The Administrator will thereafter, in a second stage, arrange for an informal meeting with donors and other net contributors to the Programme which will lead, in a third stage, to an informal meeting of all members of the Council.

A. Special Programme Resources

34. In accordance with Governing Council decision 80/30 paragraph 4(b) other programmes of the third programming cycle have been reduced in the same proportion as the IPF programme. Regarding the Special Programme Resources (formerly Programme Reserve) it should be recalled that the Governing Council in its decisions 80/48 and 80/31 authorized the use of the Special Programme Resources (SPR) for the following purposes:

- a) Financing emergency assistance in cases of natural disasters and to assist in the rehabilitation and reconstruction of stricken areas;
- b) Financing activities related to programme development;
- c) Financing of contingencies, and
- d) Financing promotional activities of technical co-operation among developing countries, subject to the specific amounts to be authorized by the Governing Council.

Also in decision 81/25 the Council authorized the carry-over of the committed balance of the Programme Reserve as at 31 December 1981 as an add-on to the authorized level of SPR for the third cycle. The total programming level

available for SPR during the third cycle is therefore 55 per cent of the original amount (\$83.4 million) or \$45.9 million plus a carry-forward of unspent commitments from the second cycle of \$8.7 million for a total of \$54.6 million. For internal purposes the Administrator has earmarked the use of these funds during the third cycle as follows:

Table 8. Use of Special Programme Resources
(Millions of US dollars)

	<u>Earmarked</u>	<u>Allocated as at 31 March 1984</u>	<u>Balance</u>
Carry-over of commitments from second cycle	8.7	8.7	-
Disaster relief rehabilitation and reconstruction	19.6	3.3	16.3
Emergency disaster relief	1.9	0.7	1.2
Programme development	4.0	1.1	2.9
Contingencies including TCDC	20.4		
(i) Transport and communications Decade in Africa		3.0	
(ii) Assistance to Palestinian people		4.0	
(iii) TCDC promotional activities		1.2	
(iv) Pre-investment facility		1.0	9.2
Total	<u>54.6</u>	<u>23.0</u>	<u>11.2</u> <u>31.6</u>

Through March 1984 the Administrator had approved rehabilitation and reconstruction assistance to 15 countries and emergency disaster relief to 29 countries in response to natural disasters.

B. Administrative and programme support costs

35. Regarding UNDP's administrative and programme support costs as covered by the UNDP biennial budget it should be noted that, while the Administrator estimated in his report DP/519 to the 1981 session of the Council that maintaining the UNDP 1981 staffing throughout the third cycle would cost around \$747 million, the current estimate reflecting staffing reductions in 1982 and 1983 and lower inflation expressed in US dollars is around \$596 million. For 1982 and 1983 alone, against an initially approved net budget for comparable items of \$253.5 million, the current estimate of actual net expenditures is \$213 million or a reduction of \$40.5 million due to staffing reductions, savings and lower inflation. Also for the 1984-1985 biennial budget, it is expected that there will be a substantial reduction due mainly to actual inflation being lower than had been assumed. (see also document DP/1984/54)

C. Cost sharing

36. At this point, it would seem appropriate to refer to the highly encouraging development of cost sharing in many UNDP programmes, especially in Arab States and Latin American countries. As at the end of December 1983, total 1982-1986 commitments by Governments to share the costs of their

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programmes amounted to \$327 million, or 12.2 per cent of the total IPF programme. It can be roughly estimated that by the end of the third cycle, total 1982-1986 cost-sharing expenditures will have reached close to \$500 million or 19-20 per cent of the IPF programme. In the Arab States and Latin America regions, cost sharing is likely to exceed the reductions in the IPF programme. While this in itself does not alleviate the pressure on UNDP field resources, it is significant both as a sign of support for UNDP programmes by recipient Governments and for maintaining the volume of activities through many UNDP offices. The following table shows the amounts of agreed cost-sharing as at 31 December 1983 compared to the IPF programmes.

Table 9. Illustrative IPFs and agreed cost sharing as at 31 December 1983
(\$Millions of US dollars)

Region	Ill. IPF 1982-1986		Agreed cost sharing 1982-1986 ^{a/}	Cost sharing as per cent of Ill. IPF	
	100%	55%		at 100%	at 55%
	(1)	(2)	(3)	(4)	(5)
Africa	1 814.2	997.8	50.7	2.8	5.1
Asia and Pacific	1 926.2	1 059.4	33.2	1.7	3.1
Arab States	369.3	203.1	125.4	34.0	61.7
Europe	97.0	53.3	4.4	4.4	8.3
Latin America	468.8	257.8	110.0	23.7	43.1
Global and interregional	188.3	103.6	2.4	1.3	2.3
Total	4 863.7	2 675.0	327.0	6.7	12.1

^{a/} As at 31 December 1983; expected to increase further during 1984-1986.

V. SPECIFIC ISSUES

37. Governing Council decision 80/30, paragraph 14 on the mid-term review, called for a general consideration of IPFs if the rate of growth of voluntary contributions and other programme resources had increased by more than 14 per cent per annum. In view of the current resource situation, no such general review of IPFs would be meaningful.

A. Review of countries whose real economic position deteriorated

38. Decision 80/30 also included in the mid-term review a consideration of the IPFs of countries whose real economic position had deteriorated substantially from 1978 levels. The Administrator has carefully reviewed various methods for determining such economic deterioration. Annex III to this report provides one set of calculations which could serve as a possible model. However, the Programme's overriding problem is the lack of resources to make any adjustments in the IPFs of the magnitude implied in the review. In this environment any increase for a country or a group of countries can only be achieved through a corresponding reduction in the resources available to other countries. Unless, therefore, substantial additional resources are
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made available, the Administrator is not in a position to make any recommendations regarding any adjustments of the illustrative IPFs stemming from this review at this time.

39. It needs to be clarified in this context that, while the Council in its decision 80/30 set aside \$99.5 million of the estimated resources as unallocated reserve for future participants and revisions of IPFs, etc., this amount would only have been available if voluntary contributions had reached the target level. Given the current shortfall in resources no such funds are actually available as all actual and projected resources, have been allocated to maintain the current programming levels of the approved IPFs.

B. Countries with small IPFs

40. In its decision 83/14, section VI, the Governing Council requested the Administrator, subject to his determination that the necessary resources were available, to apply a programming level of 80 per cent of the illustrative IPFs to countries to which the supplementary criteria apply, and where illustrative IPFs are \$1.5 million or less, and a "floor" or minimum programming level of \$1.2 million (80 per cent of \$1.5 million) to such developing countries with an IPF above \$1.5 million. Based on the pledges announced at the 1983 Pledging Conference and the relatively limited amount involved (\$4.3 million for the cycle) the Administrator determined that the Council decision could be implemented and it was so communicated to the countries and territories concerned.

41. In summary, therefore, given the current resource position for the third IPF cycle, neither a general review of the illustrative IPFs nor a specific review of those countries whose economic situation has deteriorated substantially appears to be of practical usefulness. Only in the case of the small island IPFs because of the relatively modest amounts involved has it been possible to implement the Governing Council decision.

C. Least developed countries

42. In this context it would seem appropriate to bring up the special situation of the LDCs. Although the average growth rate of the per capita GNP for LDCs is not significantly lower than that for higher-income countries, the lower base for LDCs still means a widening gap between low-income and higher-income countries. Equally, the reductions in programming levels to 55 per cent, although implemented uniformly for all countries, still remains, in absolute terms, a larger reduction for the LDCs. Against a total illustrative IPF for the LDCs of \$1,650 million, the current programming level is only \$913 million at the 55 per cent level. Nevertheless, it should also be taken into account that the LDCs (including those countries which the Council has decided should be treated "as if" they were LDCs) benefit from other funds under the Administrator: e.g., the United Nations Capital Development Fund; the Special Measures Fund for the Least Developed Countries; the United Nations Trust Fund for Sudano-Sahelian Activities; and, most recently, the special Netherlands Trust Fund and the residual assets from the United Nations Emergency Operation Trust Fund transferred to UNDP following General Assembly resolution 38/201. In

order to pull together and give sharper focus to the many efforts on behalf of LDCs through the UNDP framework, the Administrator has entrusted special responsibilities to the Planning and Co-ordination Office (PCO) in UNDP, as detailed in his report on the follow-up to the Substantial New Programme of Action for the LDCs (DP/1984/13).

D. Measures for transition from the third to the fourth programming cycle

43. In accordance with UNDP financial regulation 8.4, adopted by the Governing Council in its decision 81/28, any unexpended balance of an individual IPF at the end of programming cycle shall be available to the recipient of that IPF for expenditure in the next cycle. Similarly, any over-expenditure in one cycle shall constitute a first charge against the respective IPF approved for the next programming cycle. Considering that third cycle programming levels have been reduced to 55 percent of illustrative IPFs, the Administrator therefore recommends to the Council that for the purpose of determining the extent of carry-forwards from the third cycle, the illustrative IPFs be replaced by final 1982-1986 IPFs calculated at 55 per cent of each illustrative 1982-1986 IPF with the exception of those smaller IPFs covered by decision 83/14, section VI, where the new IPF would be 80 per cent of the illustrative IPF or the "floor" value. Annex I shows what the new 1982-1986 IPFs would be if endorsed by the Council. Alternatively, the Council could decide that for purposes of carry-forward to the fourth cycle, the "norm" against which positive and negative carry forwards would be calculated would be derived using the 55 per cent figures except for those smaller IPFs covered by decision 83/14. The estimated unexpended balance carried forward into the fourth cycle would, on this basis, be in the magnitude of \$114 million.

44. Under UNDP financial regulation 8.3, approved also by the Council in its decision 81/28, the Administrator is authorized to take such measures as are necessary to ensure a smooth transition from one cycle to the next, subject to such guidelines as the Governing Council may set forth. The purpose of this regulation is to provide for continuity in programming and project implementation. During the implementation of the third cycle programme, several programmes have suffered serious interruptions when scaled down to be within the available resource levels. This has particularly affected programmes where commitments for a large part of their IPFs were entered into very early in the cycle or for some programmes that borrowed from the third to the second cycle in anticipation of relatively large increases in their IPFs. The Administrator is therefore asking the Council to take note of his intention to authorize selective borrowing from the fourth cycle under the following conditions:

(a) Borrowing will be authorized only to such an extent that it does not threaten the financial integrity of the Programme and that total expenditures are kept within available resources;

(b) Borrowing will be authorized only for countries in a region up to a maximum of expected under-expenditures in the third cycle in respect of other countries in that region;

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(c) Borrowing will be authorized only for countries where the fourth cycle IPF is expected to be larger than the third cycle IPF at 55 per cent;

(d) Borrowing will be authorized only up to a maximum of 15 per cent of the third cycle IPF (at 55 per cent) for each country qualifying for borrowing;

(e) Borrowing for intercountry programmes will be allowed only up to the estimated extent of underspending in other intercountry programmes and not to exceed 15 per cent of each third cycle IPF (at 55 per cent) of the borrowing programme; and

(f) In all cases the borrowed amount will constitute a first charge against the corresponding fourth-cycle IPF.

45. The special circumstances regarding the need for borrowing from the fourth-cycle IPF of the global programme is further dealt with in document DP/1984/20/Add.1. The special problems of the Africa regional programme will be dealt with in a separate report to the thirty-second session of the Governing Council in 1985.

46. The Administrator will report to the Governing Council on his use of selective borrowing from the fourth cycle.

E. Specific IPFs

47. Due to the circumstances in Democratic Kampuchea and Lebanon, it has still not been possible to establish the 1978 GNP per capita for these two countries. It is therefore recommended that the provisional illustrative IPFs in the amounts of \$25.5 million and \$10 million respectively remain in effect for these countries pending further consultations with the World Bank when the situation so permits.

48. In one case, Hungary, UNDP has received from the World Bank a revised calculation of the 1978 per capita GNP of \$1,530 instead of the \$3,450 used to calculate the illustrative IPF for that Country. However, Hungary has benefitted from being a "floor" country; that is, that its third cycle illustrative IPF was the same as for the second cycle, although the calculations would have resulted in a lower figure. A recalculation using the new data would still not bring about a figure above that "floor" of \$3.5 million which, accordingly remains the illustrative IPF for Hungary.

St. Helena

49. By letter dated 29 September 1983 from the Government of the United Kingdom of Great Britain and Northern Ireland as administering authority for St. Helena, UNDP has received a formal request for assistance to this dependent territory. Based on the data submitted, UNDP has estimated the 1978 GNP per capita for St. Helena at \$1,010 which, with a population of 5,000 and the application of appropriate supplementary criteria, would give an illustrative 1982-1986 IPF of \$550,000. As the territory would participate for only three years of the five-year cycle, the appropriate illustrative IPF would be \$330,000.

Brunei

50. At its 539th meeting on 1 July 1976, the Governing Council decided inter alia that "each recipient country that had gained independence since the start of 1973 should have its IPF increased in the amount of \$500,000 plus 15 per cent of the IPF..."^{4/} This formula has been applied, with the endorsement of the Council, equally to countries which have gained independence during the third cycle. On 1 January 1984, Brunei acceded to independence and is therefore entitled to an increase of its illustrative IPF from \$200,000 to \$730,000. The Administrator therefore recommends that the Council should take note of the increase in the illustrative IPF for Brunei.

VI. MOVEMENT TO NET CONTRIBUTOR STATUS

51. The Governing Council, in its decision 80/30, paragraph 6(e), requested the Administrator to enter into consultations with all recipient countries with a GNP per capita of above \$1,500, which had not voluntarily surrendered their country IPF or chosen to utilize the UNDP resources on a fully reimbursable basis, regarding the establishment on a voluntary basis of regular contributions targets for each of the years 1982 through 1986 on the following basis:

(a) Countries with a per capita GNP of between \$1,500 and \$2,000 would exert their best efforts gradually to increase their annual regular contributions so as partially to reimburse on a voluntary basis, as great a proportion as possible of the UNDP-financed programme, using the annualized IPF as a reference;

(b) Countries with a per capita GNP of between \$2,000 and \$3,000 would gradually increase their annual regular contributions on a voluntary basis so as partially to reimburse the UNDP-financed programme in order to reach, on an annual basis, a ratio of contributions of at least 75 per cent of the annualized IPF by 1985;

(c) Countries with a per capita GNP of above \$3,000 would increase their annual regular contributions on a voluntary basis so as to reimburse the UNDP-financed programme to the extent of 80 per cent by 1984 and 100 per cent by 1985 in the same currencies as those in which the costs of their programme are incurred.

52. The Administrator reported extensively on his consultations with recipient countries with a per capita GNP above \$1,500 to the twenty-eighth session of the Governing Council in June 1981 in document DP/519. It was reported that, although several Governments were willing to co-operate in this exercise on the understanding that it would not compromise UNDP's basic principles of voluntariness and universality, getting agreements on adoption of the voluntary contributions targets is a long-term endeavour.

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53. In a study of how these categories of countries have actually contributed in comparison with their annualized IPFs (at the 55 per cent level), the following table summarizes the results.

Table 10 Voluntary contributions for 1982-1984 as percentage
percentage of annualized IPFs at 55 per cent level

Income group GNP/capita	No. of countries	<u>Distribution of countries by annual voluntary contributions as per cent of annualized IPF</u>					
		<u>0-5</u>	<u>6-25</u>	<u>26-50</u>	<u>51-75</u>	<u>76-100</u>	<u>100-</u>
\$1,500 - \$2,000	7	1	3		1	1	1
\$2,000 - \$3,000	11	2	3	4		1	1
\$3,000 -	17	6	1	2	1	2	5
Total	35	9	7	6	2	4	7

As can be seen, seven countries had achieved net contributor status while nine countries provided virtually no voluntary contributions. However, in terms of progress towards the targets outlined in decision 80/30 for the years 1985 and 1986, it would seem likely that, if the current trend continues, two countries in the group of countries with a per capita GNP between \$2,000 and \$3,000 would achieve the target of 75 per cent of annualized IPF by 1985. Of the 17 countries with a per capita GNP above \$3,000 six countries would seem likely to reach the target of voluntary contributions exceeding the annualized IPF by 1985.

54. The review of the progress towards net contributor status should be viewed together with the report on government contributions towards local office costs contained in document DP/1984/12 and Add.1).

VII. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

55. In reviewing the development of voluntary contributions to UNDP since the decision regarding the IPFs for the third cycle was taken in 1980 the Administrator finds the cause of the stagnation of contributions to be the combination of the world-wide recession beginning in 1980 and the continued strengthening of the US dollar since that time. Also the continued dependence on a limited number of major donors makes the Programme financially vulnerable. Nevertheless the Administrator has noted some recent improvement in the contributions picture as well as a large number of statements by both donor and recipient countries expressing their strong support for the Programme. The Administrator is therefore confident that the Programme has passed the turning point and will resume the growth in contributions as the economic recovery among donor countries progresses and exchange rates become more stable. Even so significant increases in contributions will be needed to maintain the momentum of the third cycle programme.

56. In view of the stagnation of resources during the first years of the third cycle, the third cycle programme has had to be reduced to 55 per cent of the 1982-1986 illustrative IPFs to maintain the financial integrity of the Programme. All other elements of the third cycle field programme have been proportionally reduced.

57. For the years 1985 and 1986 the Administrator projects an annual increase in voluntary contributions of at least 7.5 per cent based on the underlying growth rate over the past years and projections by the OECD regarding increases in official development assistance (ODA).

58. In view of the lack of resources during the third cycle, it has not been deemed meaningful to conduct a general review of all IPFs, called for in decision 80/30 paragraph 14, in the event the growth in voluntary contributions exceeded 14 per cent annually. Equally, the Administrator has reviewed the countries whose real economic situation had deteriorated substantially. However, as any upward adjustment of illustrative IPFs would have to be accompanied by corresponding downward adjustments in other illustrative IPFs, the Administrator recommends that no adjustment be made at this time.

59. In accordance with Governing Council decision 80/30, paragraph 4(a), the Administrator proposes to the Council a flat across-the-board reduction in all illustrative IPFs to 55 per cent of the original illustrative IPFs with the exception of those countries with small IPFs covered by decision 83/14, section VI, where the new IPFs would be 80 per cent of the illustrative IPFs on the "floor" value. Alternatively, the Administrator proposes that these values be established as the "norm" against which to calculate the carry-forward of unspent amounts to the fourth cycle.

60. As a further transitional measure the Administrator is asking the Council to take note of his intention to authorize selective, limited borrowing from the fourth cycle and the proposed guidelines for such borrowing. The purpose of the borrowing is to ensure continuity in programmes and projects.

61. The Administrator is furthermore asking the Council to take note of the fact that it has not been possible to obtain reliable estimates of necessary 1978 data to calculate final illustrative IPFs for Democratic Kampuchea and Lebanon and that therefore the provisional illustrative IPFs should remain in effect. In the case of Hungary the Administrator has received revised data for its 1978 per capita GNP. However, as Hungary benefitted from the "floor" provision in decision 80/30, its new illustrative IPF would still be below the "floor" value and no change is called for. A request has been received for assistance to St. Helena and Ascension Islands. Using the established formula the pro-rated illustrative IPF for St. Helena and Ascension Islands would be \$330,000. As Brunei acceded to independence on 1 January 1984, it has become entitled to an increase in its illustrative IPF to \$730,000. The Administrator is asking the Council to note and endorse these increases.

Notes

1/ E/1980/42/Rev.1

2/ While the present programming level is set at 55 per cent of the illustrative IPFs, actual expenditures are expected to be only 52 per cent due to the amount of unspent ABLs in 1986 that will be rephased into 1987 and onwards.

3/ Governing Council decision 80/30 paragraph 1(c) (iii).

4/ See Official records of the Economic and Social Council, sixty-first session, Supplement No. 2A (E/5846/Rev.1), para. 292

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UNDP: Allocation of indicative planning figures for the first, second and third cycles,
by country

English
Annex 1
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(Millions of US dollars)

	1972-1976	1977-1981	Illustrative 1982-1986	Proposed final 1982- 1986- IPF
Afghanistan	20.000	38.000	71.500	39,325
Albania	1.000	4.250	10.250	5,638
Algeria	20.000	20.000	20.000	11,000
Angola	3.000	10.950	41.500	22,825
Antigua	0.985	1.765 ^{h/}	1.765 ^{h/}	1,200*
Anguilla	-	-	0.800 ^{i/}	640*
Argentina	20.000	20.000	20.000	11,000
Bahamas	2.184	2.400	2.400	1,320
Bahrain	2.500	2.500	2.500	1,375
Bangladesh	18.500	65.500	201.000	110,550
Barbados	2.500	2.500	2.500	1,375
Belize	1.000	1.650 ^{h/}	1.650 ^{h/}	1,200*
Benin	7.500	16.250	33.500	18,425
Bermuda	-	0.700	0.550	440*
Bhutan	2.500	12.250	36.500	20,075
Bolivia	15.000	15.500	19.500	10,725
Botswana	5.800	8.500	8.500	4,675
Brazil	30.000	30.000	30.000	16,500
British Virgin Islands	0.309	0.300	0.300 ^{a/}	240*
Brunei	0.049	0.200	0.200	160*
Bulgaria	7.500	7.500	6.000	3,300
Burma	15.000	41.500	102.000	56,100
Burundi	10.000	18.750	48.500	26,675
Cameroon	15.000	17.250	27.500	15,125
Cape Verde	1.500	4.000	11.250	6,188
Cayman Islands	0.620	0.700	0.560 ^{a/}	448*
Central African Republic	7.500	11.750	29.500 ^{h/}	16,225
Chad	7.500	19.000	52.000	28,600
Chile	20.000	20.000	20.000	11,000
China	-	15.000	142.000	78,100
Colombia	20.000	20.000	22.000	12,100
Comoros	0.672	7.200	12.000	6,600
Congo	7.500	7.500	11.000	6,050
Cook Islands	0.688	1.400	1.400 ^{a/}	1,120*
Costa Rica	5.000	5.000	5.000	2,750
Cuba	10.000	13.500	20.500	11,275
Cyprus	5.000	5.000	5.000	2,750
Czechoslovakia	2.500	2.500	2.500 ^{b/}	1,375
Democratic Kampuchea	10.000	25.500	25.500 ^{b/}	14,025
Democratic People's Republic of Korea	-	8.850	24.750	13,612
Democratic Yemen	10.000	14.500	22.250 ^{h/}	12,238
Dominica	0.704	1.362	2.300	1,265
Dominican Republic	7.500	7.500	12.000	6,600
Djibouti	-	2.200	5.250	2,887
Ecuador	15.000	15.000	15.000	8,250
Egypt	27.500	31.500	56.000	30,800
El Salvador	5.000	9.250	15.250	8,388
Equatorial Guinea	3.500	4.258	12.750 ^{h/ i/}	7,013
Ethiopia	20.000	42.000	112.000	61,600
Fiji	5.000	5.000	5.000	2,750
Gabon	7.500	7.500	6.000	3,300
Gambia	2.500	7.000	14.250	7,838
Ghana	15.000	19.000	40.000	22,000
Greece	7.500	7.500	6.000	3,300
Grenada	0.980	1.880	2.100	1,200*
Guatemala	7.500	8.000	13.000	7,150
Guinea	15.000	21.750	44.500	24,475
Guinea-Bissau	2.500	6.120	21.750 ^{a/}	11,962
Guyana	5.000	5.000	8.500	4,675
Haiti	6.000	18.750	38.000	20,900
Honduras	5.000	9.250	16.000	8,800
Hong Kong	0.500	0.500	0.500	275
Hungary	7.500	3.500 ^{c/}	3.500 ^{a/}	1,925
India	50.000	97.000	252.000	138,600
Indonesia	35.000	69.500	106.000 ^{h/}	58,300
Iran, Islamic Rep.of	20.000	20.000	20.000 ^{h/}	11,000
Iraq	15.000	15.000	15.000	8,250

* GC decision 83/14, VI.

**UNDP: Allocation of indicative planning figures for the first, second and third cycles,
by country**

(Millions of US dollars)

	1972-1976	1977-1981	Illustrative 1982-1986	Proposed final 1982-1986 IPF
Ivory Coast	15.000	15.000	16.500	9.075
Jamaica	7.500	7.500	7.500	4.125
Jordan	15.000	15.000	15.000	8.250
Kenya	15.000	27.500	52.000	28.600
Kiribati (Gilbert Islands)	0.500	1.140	1.300	1.040*
Lao People's Democratic Republic	5.000	17.750	52.500 ^{b/}	28.875
Lebanon	10.000	10.000	10.000 ^{b/}	5.500
Lesotho	8.300	13.250	22.250	12.238
Liberia	10.000	10.000	13.500	7.425
Libyan Arab Jamahiriya	5.000	5.000	5.000	2.750
Madagascar	10.000	23.750	49.000	26.950
Malawi	7.500	19.750	53.000	29.150
Malaysia	15.000	15.000	15.000	8.250
Maldives	1.000	2.500	7.000	3.850
Mali	10.000	24.000	65.000	35.750
Malta	2.500	2.500	2.500	1.375
Mauritania	5.000	9.750	24.500	13.475
Mauritius	5.000	5.250	7.000	3.850
Mexico	20.000	20.000	20.000	11.000
Mongolia	10.000	10.000	10.000	5.500
Montserrat	0.283	0.400	0.700 ^{a/}	560*
Morocco	20.000	20.000	27.000	14.850
Mozambique	4.500	19.000	74.000	40.700
Namibia	1.000	7.750	7.750	4.263
Nauru	-	0.060	0.060 ^{a/}	48*
Nepal	15.000	32.500	98.000	53.900
Netherlands Antilles	1.837	1.900	1.500	1.200*
New Hebrides	0.588	2.000	2.000	1.200*
Nicaragua	5.000	5.323	9.500	5.225
Niger	10.000	19.750	45.000	24.750
Nigeria	30.000	45.500	55.000 ^{a/}	30.250
Niue	0.045	1.000	1.000 ^{a/}	800*
Oman	4.000	4.000	4.000	2.200
Pakistan	18.500	52.500	118.000	64.900
Panama	7.500	7.500	7.500	4.125
Papua New Guinea	5.000	8.750	13.500	7.425
Paraguay	7.500	7.500	9.750	5.362
Peru	15.000	15.000	25.000	13.750
Philippines	20.000	30.500	46.000	25.300
Poland	7.500	7.500	6.000	3.300
Portugal	-	4.000	4.000	2.200
Republic of Korea	15.000	18.000	18.000	13.612
Romania	7.500	7.500	7.500	4.125
Rwanda	10.000	19.750	45.000 ^{a/}	24.750
Samoa	5.000	5.250	5.250 ^{a/}	2.888
Saint Christopher and Nevis	0.690	0.700	1.995 ^{1/}	1.200*
Saint Lucia	0.902	1.765	2.100	1.200*
Saint Vincent and the Grenadines	0.685	1.420	3.250	1.788
Sao Tome and Principe	0.500	1.500	2.000	1.200
Saudi Arabia	10.000	10.000	10.000	5.500
Senegal	10.000	11.750	33.000	18.150
Seychelles	0.751	1.600	1.600	1.200
Sierra Leone	7.500	13.250	34.900 ^{1/}	19.195
Singapore	7.500	7.500	7.500	4.125
Solomon Islands	1.000	3.145	4.000	2.200
Somalia	15.000	18.250	48.000	26.400
Sri Lanka	15.000	31.500	76.000	41.800
Sudan	20.000	33.000	58.500	32.175
Suriname	2.500	3.500	3.500	1.925
Swaziland	5.700	5.750	5.750	3.162
Syrian Arab Republic	15.000	15.000	15.000	8.250
Thailand	15.000	29.500	43.000	23.650
Togo	10.000	11.000	23.550 ^{1/}	12.953
Tokelau	-	0.150	0.950 ^{a/}	760*
Tonga	1.000	2.128	2.500	1.375

* GC decision 83/14, VI.

(Millions of US dollars)

	1972-1976	1977-1981	Illustrative 1982-1986	Proposed final 1982-1986 IPF
Trinidad and Tobago	5.000	5.000	5.000	2.750
Trust Territory of the Pacific Islands	-	1.000	1.000	800
Tunisia	15.000	15.000	15.000	8.250
Turkey	20.000	20.000	20.000	11.000
Turks and Caicos Islands	0.332	0.400	0.850 ^{a/}	680*
Tuvalu	0.005	1.140	1.140 ^{a/}	912*
Uganda	10.000	30.000	59.500 ^{a/}	32.725
United Arab Emirates	1.000	1.000	1.000	550
United Republic of Tanzania	15.000	33.500	72.000	39.600
Upper Volta	10.700	23.750	55.000	30.250
Uruguay	10.000	10.000	10.000	5.500
Venezuela	10.000	10.000	10.000	5.500
Vietnam	10.000	44.000	118.000 ^{a/}	64.900
Yemen	15.000	23.750	30.000 ^{a/}	16.500
Yugoslavia	7.500	7.500	7.500	4.125
Zaire	20.000	34.500	79.000	43.450
Zambia	15.000	15.000	21.250	11.687
Zimbabwe	-	5.600	24.250	13.337
Iceland	1.000	c/	-	-
Israel	5.000	c/	-	-
Kuwait	1.000	c/	-	-
Qatar	1.500	c/	-	-
Spain	5.000	c/	-	-
Other	6.191 ^{d/}	30.110 ^{e/g/}	157.780 ^{f/}	86.779 ^{j/}
Regional Africa	71.200	109.400	283.400	155.870
Regional Asia and the Pacific	40.700	95.700	296.100	162.855
Regional Arab States	19.700	33.970	57.800	31.790
Regional Europe	61.500	10.330	16.200	8.910
Regional Latin America	61.500	63.000	76.500	42.075
Interregional	22.400	33.600	73.500	40.425
Global	15.500	50.200	114.800	63.140
Total	1 537.500	2 462.366 ^{g/}	5 002.000	2 755.414

a/ Approved by GC 28: decision 81/16.

b/ No recommendation for the 1982-1986 IPF has yet been submitted to the GC for approval for these countries as the basic data is not yet available from the World Bank. In conformity with decision 81/16, the 1977-1981 IPF is being used as the minimum/actual 1982-1986 IPF.

c/ These countries have partially or wholly relinquished their 1977-1981 IPFs.

d/ Comprised of:

Multi-island (LA)	: 4.489
Carry-forward (Undistributed Africa)	: 0.577
Carry-forward (Undistributed Asia)	: 0.480
Japan	: 0.151
New Caledonia	: 0.063
Taiwan (China)	: 0.431
Total	6.191

g/ At its 29th session, the Council allocated \$1.315 million of IPFs due to the independence of two countries, compared with the immediately prior situation. Antigua was increased by \$665,000, from \$1.1 million to \$1.765 million, and Belize was increased by \$650,000, from \$1.0 million to \$1.650 million. The total increase of \$1,315,000 was financed as follows: \$499,000 was charged against the balance remaining in "Future Participants" prior to the 29th session; and the remainder, i.e. \$816,000, was financed from the second cycle's Programme Reserve. This latter financing from outside the IPF therefore served to increase the aggregate level of the second cycle IPF. Prior to the 29th session this aggregate was \$2,461.55 million. With the addition of \$0.816 million from the Programme Reserve, the new second cycle aggregate IPF is \$2,462.366 million.

e/ Comprised of:

Multi-island (LA)	: 7.000
Reserves (LA)	: 1.420
Reserves (Asia)	: 1.190
NLMs	: 20.500
Future participants	: 0.0
Total	30.110

f/ Comprised of:

Other (balance left over from amount allocated for country IPFs at GC 27 for those countries whose 1978 per capita GNP estimates were not available)	: 69.140
NLMs	: 15.000
Multi-island (LA)	: 4.516
Unallocated	: 69.124
Total	157.780

h/ Approved by GC 29: see DP/1982/21 and Addendum 2.

i/ Approved GC 30: decision 83/13.

j/ Comprised of:

Other (not yet allocated)	38,027
NLMs	8,250
Multi-islands	2,484
Unallocated	38,018
Total	86,779

Annex II

RESOURCE PLANNING TABLE FOR UNDP MAIN PROGRAMME 1982-1986
(US\$ million)

<u>Line</u>	<u>Availability of resources</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total 1982-1986</u>
1	I. Available from previous year	13.2	(60.4)	(29.3)	(5.4)	10.0	13.2
	II. Resources made available						
2	- Voluntary contributions	674.9	675.8	700.0	750.0	805.0	3,605.7
3	- Other income	6.4	17.1	25.0	25.0	25.0	98.5
4	Total resources	694.5	632.5	695.7	769.6	840.0	3,717.4
	<u>Use of resources</u>						
	Programme expenditures						
	Field programme						
5	- IPF	567.8	466.7	500.0	540.0	570.0	2,644.5
6	- SPR	5.0	4.0	10.0	14.0	18.4	51.4
7	- SIS	3.1	3.0	2.9	2.2	2.1	13.3
8	Sub total	575.9	473.7	512.9	556.2	590.5	2,709.2
9	- Sectoral support	5.5	4.2	3.5	3.0	3.3	19.5
10	- Agency support cost, etc.	77.5	67.5	71.7	77.9	82.7	377.3
11	Sub total field programme	658.9	545.4	588.1	637.1	676.5	3,106.0
12	UNDP administrative and programme support expenditure (including UNDP/UNEP Joint venture)	104.1	109.2	118.0	127.5	138.0	596.8
13	Total programme expenditure	763.0	654.6	706.1	764.6	814.5	3,702.8
14	III. Changes in reserves, etc.	(8.1)	7.2	(5.0)	(5.0)	-	(10.9)
15	Total use of resources	754.9	661.8	701.1	759.6	814.5	3,691.9
16	<u>Balance of resources</u>	(60.4)	(29.3)	(5.4)	10.0	25.5	25.5

Annex III

Countries whose real economic position has deteriorated
substantially from 1978 - an approach

1. In its decision 80/30 paragraph 14 regarding a mid-term review of the resources of the third programming cycle the Governing Council decided to include in that review also a consideration of the IPFs of countries whose real economic position had deteriorated substantially from 1978 levels. As explained in the main body of this report the overriding problem of the Programme in carrying out the mid-term review is the lack of resources to make any upwards adjustments without corresponding reductions. Nevertheless, the Administrator has reviewed the situation of all recipient countries with regard to their economic position in 1978 compared to three years later, 1981, which is the last year for which comprehensive data are available.

2. The Council's decision calls for some definitions before any comparisons are made. As the purpose of the exercise is to establish the grounds for any recalculation of the illustrative IPFs, it would seem most appropriate to review the economic situation of each country in the same economic categories as those used for the original calculation of the illustrative IPFs, i.e. per capita gross national product and supplementary criterion (iii)¹/a country's cumulative debt burden and overall balance of payments deficit and the chronic deterioration of terms of trade.

3. The calculation of third cycle illustrative IPFs was based, as for the previous cycle, on GNP per capita and population data provided by the World Bank. In accordance with Governing Council decision 80/30 paragraph 5, data for 1978 were used for the calculation which covered 149 countries. To determine the change in real economic position corresponding World Bank data for 1981 have been used. However, after an internal review in the World Bank of the methodology for calculating GNP and converting the data into US dollars, the Board of the World Bank has decided, for the time being, not to publish any estimates of GNP data for non-member countries. A comparison of 1978 with 1981 GNP per capita can therefore only be done for 131 out of the total 149 countries. Of the remaining eighteen countries/territories, four are smaller island countries or territories for which it has not been possible to obtain 1981 data. For the remaining fourteen countries, a cross-check with national income data available with the UN Statistical Office reveals a pattern which does not deviate significantly from that of GNP data for corresponding income group countries.

4. It must be emphasized however, that the determination of real economic transition based on GNP per capita gives rise to many questions. A comparison with data regarding both gross domestic product and net national income per capita often show movements substantially different from those of the gross national product per capita. Nevertheless, in the absence of any other comprehensive set of data with less flaws than the current GNP per capita, the analysis is here, for consistency, based on the available GNP per capita as published by the World Bank.

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5. The numbers of countries showing different rates of changes are shown in the following table:

Table 1 Changes in GNP per capita 1978-1981 in current US dollars
by group of GNP per capita in 1978

Income Group	No. of countries showing inc./dec. of magnitude indicated					Data n.a.
	increase				Total	
	Decrease	0-30 per cent	31-60 per cent	61- per cent	No.	
Below \$500	6	18	19	14	57	4
\$501 - \$1,500	4	12	17	14	47	6
\$1,501-\$3,000	1	2	7	5	15	3
\$3,000 -	-	2	5	5	12	5
All countries	11	34	48	38	131	18

6. The average increase in GNP per capita, for the 131 countries/territories covered, between 1978 and 1981 was 43.1 per cent or approximately 12.7 per cent per annum with a range from a decrease of 35 per cent to an increase of 160 per cent. The median increase was 45 per cent and the most frequent increase 55 per cent. Eleven countries showed decreases in their GNP per capita over the period, with 6 of these countries in the group of countries with a 1978 GNP per capita below \$500. Thirty-eight countries had increased their GNP per capita over the period by 60 per cent or more 14 of these countries were in the below \$500 GNP per capita group.

7. It is clear that a decrease in GNP per capita in current dollars represents a substantial deterioration over the four-year period even assuming an annual inflation factor of, say, only 8 per cent.

8. In determining the third cycle illustrative IPFs, sixty-one countries/territories were given credits for the supplementary criterion regarding high cumulative debt burden, overall balance of payments deficit and chronic deterioration of terms of trade. This determination was based on a thorough review of each country's situation in consultation with the Regional Bureaux and each field office. Due to the inevitable element of subjectivity which is involved, the Administrator, with the approval of the Council, decided not to make the distribution of supplementary criteria public. A review of the most recent data available regarding cumulative external public debt, current account deficit and terms of trade deterioration reveals that an additional ten countries should possibly benefit from this supplementary criterion if 1981 data were to be used. It should be noted that adequate data to judge the situation is not available for twenty-four countries.

9. From the analysis in the previous paragraphs it can be concluded that the eleven countries, whose GNP per capita as expressed in current US dollars had actually decreased between 1978 and 1981 together with the ten countries who would have been entitled to a supplementary criterion if the 1981 situation had applied, could be considered for a revision of their current illustrative IPFs, should necessary resources be available.

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ANNEX IV

Voluntary Contributions pledged to central resources of UNDP
and other funds under the Administrator, ^{a/}

	US\$ Thousand			
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1982-1984</u>
UNDP, Main programme	674,922	675,800	700,000 ^b	2,050,722
Special Measures Fund for the Least Developed Countries	16,454	16,100	14,149	46,703
UNDP Energy Account	3,437	844	33 ^c /	4,314
UN Volunteers Programme- Special Voluntary Fund	1,216	1,066	865 ^c /	3,147
UN Special Fund for Land- locked Developing Countries	68	68	58 ^c /	194
UN Capital Development Fund	26,226	24,296	20,452 ^c /	70,974
UN Financing System for Science and Technology for Development	7,395	444	294 ^c /	8,133
UN Trust Fund for Sudano- Sahelian Activities	1,286	549	628 ^c /	2,463
UN Revolving Fund for Natural Resources Exploration	2,543	2,108	111 ^c /	4,762
TOTAL	733,547	721,275	736,590	2,191,412

^{a/} Trust funds established by the General Assembly or the UNDP Governing Council. Smaller special purpose trust funds established by the Administrator and reported separately to the Council not included.

^{b/} Including estimated pledges for 1984.

^{c/} Pledged for 1984 valued as at 31 December 1983.

