The fourth UNDP programming cycle will commence on 1 January 1987. To ensure a smooth transition from the third cycle and to prepare adequately for any changes in policies and procedures which might be adopted for the fourth cycle, it will be essential that relevant decisions be taken by the Governing Council at its 1985 session.

As a first step towards the debate on the fourth cycle, the Administrator raises preliminary policy issues which, in his judgement, the Governing Council may wish to consider: the broad issues relate to the duration of the programming cycle, resources and their distribution, the programming process, and delivery systems and administrative and programme support costs. The Council's guidance is sought on these issues, as well as on any others which the Council itself may raise, so that more specific and directed proposals may be elaborated for the consideration of the Council at its 1985 session. Those deliberations should in turn permit the taking of definitive decisions on the fourth cycle in 1986.

This paper draws to some extent on and refers to DP/1984/4, "Measures to be taken to meet the changing technical co-operation requirements of the developing countries" and should also be read in conjunction with DP/1984/20, "Mid-term review of the third programming cycle 1982-1986."
## INTRODUCTION

### I. DURATION OF CYCLE, RESOURCES AND DISTRIBUTION

#### A. Period to be covered by the fourth cycle

#### B. Rolling system of pledges and programme implementation

#### C. Resources needed for technical co-operation

1. Approach to determination of resources
2. Access to IPFs; distribution of resources
3. Higher income developing countries
4. Country and intercountry shares
5. Small IPFs
6. Special programme resources
7. Distribution among countries

### II. PROGRAMMING ISSUES

#### A. Country programme concept

#### B. Co-ordination role

#### C. Programme profile

### III. DELIVERY SYSTEMS

#### A. Flexibility in delivery arrangements

#### B. Reducing costs of traditional expertise

#### C. Newer sources of expertise

#### D. Expanding the areas of technical co-operation

### IV. ADMINISTRATIVE AND PROGRAMME SUPPORT COSTS

#### A. Link to programme period

#### B. Purposes met by APS budget

---

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Paragraphs</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1- 4</td>
<td>3</td>
</tr>
<tr>
<td>I. DURATION OF CYCLE, RESOURCES AND DISTRIBUTION</td>
<td>5-39</td>
<td>4</td>
</tr>
<tr>
<td>A. Period to be covered by the fourth cycle</td>
<td>5-10</td>
<td>4</td>
</tr>
<tr>
<td>B. Rolling system of pledges and programme implementation</td>
<td>11-17</td>
<td>5</td>
</tr>
<tr>
<td>C. Resources needed for technical co-operation</td>
<td>18-19</td>
<td>7</td>
</tr>
<tr>
<td>1. Approach to determination of resources</td>
<td>20-21</td>
<td>8</td>
</tr>
<tr>
<td>2. Access to IPFs; distribution of resources</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>3. Higher income developing countries</td>
<td>23-26</td>
<td>9</td>
</tr>
<tr>
<td>4. Country and intercountry shares</td>
<td>27-31</td>
<td>11</td>
</tr>
<tr>
<td>5. Small IPFs</td>
<td>32</td>
<td>12</td>
</tr>
<tr>
<td>6. Special programme resources</td>
<td>33</td>
<td>13</td>
</tr>
<tr>
<td>7. Distribution among countries</td>
<td>34-39</td>
<td>13</td>
</tr>
<tr>
<td>II. PROGRAMMING ISSUES</td>
<td>40-52</td>
<td>15</td>
</tr>
<tr>
<td>A. Country programme concept</td>
<td>40-44</td>
<td>15</td>
</tr>
<tr>
<td>B. Co-ordination role</td>
<td>45-46</td>
<td>16</td>
</tr>
<tr>
<td>C. Programme profile</td>
<td>47-52</td>
<td>17</td>
</tr>
<tr>
<td>III. DELIVERY SYSTEMS</td>
<td>53-89</td>
<td>18</td>
</tr>
<tr>
<td>A. Flexibility in delivery arrangements</td>
<td>54-66</td>
<td>18</td>
</tr>
<tr>
<td>B. Reducing costs of traditional expertise</td>
<td>67-72</td>
<td>20</td>
</tr>
<tr>
<td>C. Newer sources of expertise</td>
<td>73-79</td>
<td>21</td>
</tr>
<tr>
<td>D. Expanding the areas of technical co-operation</td>
<td>80-89</td>
<td>22</td>
</tr>
<tr>
<td>IV. ADMINISTRATIVE AND PROGRAMME SUPPORT COSTS</td>
<td>90-94</td>
<td>24</td>
</tr>
<tr>
<td>A. Link to programme period</td>
<td>90-91</td>
<td>24</td>
</tr>
<tr>
<td>B. Purposes met by APS budget</td>
<td>92-94</td>
<td>25</td>
</tr>
</tbody>
</table>
INTRODUCTION

1. The third programming cycle for technical co-operation from the United Nations Development Programme (UNDP) covers the period 1982-1986. The illustrative indicative planning figures (IPFs) for various countries and programmes during that period were established by the Governing Council in decision 80/30 of 26 June 1980. In accordance with paragraph 14 of that decision, the Council will undertake a mid-term review of the third cycle. To facilitate this, the Administrator has submitted a separate report (DP/1984/20). The fourth cycle, regardless of its duration, is due to start on 1 January 1987, and the mid-point of the third cycle is an appropriate time for the Council, taking into account the results of its mid-term review, to begin to consider the nature and scope of the framework of the operations of UNDP during the next cycle. In this connection it is appropriate and timely that the Council, at its thirty-first session, will also be discussing, as a major policy matter, measures to be taken to meet the changing technical co-operation requirements of the developing countries, a subject covered in the Administrator's report in document DP/1984/4.

2. Against the background of the reports relating to the mid-term review of the third cycle and the measures to be taken to meet changing technical co-operation requirements, the present report invites the attention of the Governing Council to a number of preliminary policy issues related to the fourth cycle.

Time-table for Council action on the fourth cycle

3. The matters covered here have to do with issues in which the views, directives or preliminary indications of the Governing Council will be necessary to enable the Administrator to propose options and recommendations on the scope and magnitude of fourth cycle programmes to the Council at its session in June 1985. Such matters include the duration of the fourth cycle, considerations bearing on the target magnitude of resources, principles to govern the indicative distribution of resources and setting of IPFs, certain issues relating to programming of assistance, methods of delivery of technical co-operation, ways of looking at administrative costs and efficiency of operation, and certain other issues.

4. In the light of the discussions and decisions of the Governing Council in June 1984 on these and related matters, the Administrator will initiate the series of informal consultations, envisaged in Council decision 83/5, aiming towards the determination of a target magnitude for resources to be taken into account in the planning of the fourth cycle. Based on those consultations as well as on policy decisions of the Council at its June 1984 session, a substantive paper presenting options and recommendations regarding resource levels and individual IPFs will be submitted to the Council at its June 1985 session for its decisions, especially on IPFs for the fourth cycle. Should final Council decisions on those IPFs not emerge from the June 1985 session, a
special meeting of the Council may be necessary in February 1986, since that would be the latest date by which Governments will need to be informed about their IPFs for the next cycle if a serious disruption in the programme were to be avoided. In any event, it will be necessary to authorize Governments to proceed with the preparation of country programmes for the fourth cycle immediately following the June 1985 session.

I. DURATION OF CYCLE, RESOURCE AND DISTRIBUTION

A. Period to be covered by the fourth cycle

5. The 1970 Consensus, in paragraph 13, provided that:

"The resources to be devoted to country programming will be a specified percentage of the total resources for the current year, projected over a given period of time and including a rate of growth per annum over that period ...."  

In paragraph 16, for the first series of IPFs, the Consensus envisaged the calculation of percentages in respect of individual countries based on the pattern of earmarkings during the five-year period 1966-1970 and further stipulated:

"He [The Administrator] will apply this percentage in each case to resources estimated, in accordance with the procedure laid down in paragraph 13 above, to be available for country programming for a period of from three to five years, consistent with the period of the country's development plan or development programme, in order to obtain a preliminary indicative planning figure for each country for that period."

6. In theory there was an implication in the above that a country's UNDP programme period, consistent with its development plan or programme, would be between three and five years and that IPFs would be calculated and intimated for periods differing from country to country, but limited to from three to five years. In practice, however, the Council, by its decision in January 1971 2/ established the first series of IPFs for all countries for a first programming cycle of five years covering the period 1972-1976. The Council adhered to a five-year period for the second (1977-1981) and third (1982-1986) cycles as well.

7. At its organizational meeting, held in February 1984, the Council agreed that the agenda item for its session in June 1984 relating to the fourth cycle should not specify the duration of that cycle, as that question would need to be discussed and decided.

8. The Council's decision on a five-year period was prompted by the perception that many Governments adopted a five-year planning period and that once an IPF for a five-year period was determined, it was relatively easy to prorate or adapt it to shorter periods, as necessary. The reverse process of extrapolating, say, a three-year figure to cover additional years, while...
feasible, would result in indications being given to Governments following such longer planning periods which could prejudge UNDP actions concerning future cycles. To some extent this happens even under the present five-year cycle in cases where the government planning period straddles two cycles.

9. Another consideration which is relevant to this issue is that many, if not most, institution-building projects, which continue in many countries to be a principal focus of UNDP assistance, have eventual durations of ten years or longer and that a first phase of five years would be required. On the other side of the argument is the point that the determination of resource availability for more than three years at a time, four to five years in advance of the last year of the three-year period, may prove difficult and, if Governments are to make commitments as under a replenishment scheme, may not be feasible. The complexity of the consultation or negotiation process, both for arriving at an estimate of needs which could be met by UNDP and for agreeing on a target of resources to be sought, also has a bearing on the optimal frequency for such an exercise.

10. While there is no significant or overriding technical reason to argue decisively in favour of a three, four or five-year period, the balance of advantage would seem to be in favour of retaining a system with which Governments have become familiar and to which they have adapted, unless a shorter period is coupled with a clearly visible and firm donor commitment to a negotiated resource level.

B. Rolling system of pledges and programme implementation

11. It is appropriate to deal in this context with Council decision 83/5, section I, paragraph 2, which requested the Administrator to submit proposals based on the preliminary discussions of the Intersessional Committee of the Whole (ICW) on the possibility of introducing "a three-year rolling system of pledges and programme implementation, without prejudice to the present country programming and indicative planning figure arrangements and the voluntary nature of the Programme."

12. The Administrator assumes that the possibility cited above is not intended to refer to a system of rolling IPFs for three years at a time, that is, that Governments are not to be given a three-year IPF at the beginning which each year would be rolled forward by one year with possibly different magnitudes each time and that Governments are not expected to submit a rolling three-year country programme each year. The Administrator's assumption is supported by the language of the decision which refers to "a three-year rolling system of pledges and programme implementation" with such a system being "without prejudice to the present country programming and IPF arrangements."

13. It could be envisaged under such a system that: (a) actual resource availability from year to year would be determined on the basis of firm pledges for three years at a time, each year rolling the period forward by one year; and (b) the implementation arrangements would also be planned on a
three-year rolling basis. As will be shown below, this is in effect the internal planning and management system UNDP has at present except that a five-year period provides the framework and firm pledges are made by most donors only for a year at a time. The merits of a three-year period as opposed to a five-year period have been discussed earlier. It should be added that the Administrator is convinced that a flexible and dynamic internal planning and management system to keep programme implementation within available resources based on continuous monitoring is to be preferred to a formally legislated and rigid system requiring Council action and recipient Government submissions every year.

14. At the core of UNDP's resource problem is the inherent conflict between the need for a predictable resource supply to make the long-term commitments necessary to provide programmed technical assistance and the volatility of annual voluntary contributions from a relatively small number of major donors, with contributed currencies exposed to exchange rate fluctuations, to serve a system operating on a pay-as-you-go basis. The fact that the first and second programming cycles achieved close to their resource targets is more attributable to the rapid increases in official development assistance (ODA) of some major donors over that period than to any implicit or explicit adherence to any agreed financing plan. In the third cycle, several factors have coincided in bringing about current shortfall in resources, forcing interruptions of country programmes. The fundamental issue, how to finance long-term commitments under a pay-as-you-go system based on annually pledged voluntary contributions, remains largely unresolved. However, as recommended by the ICW, the Administrator will continue his efforts to achieve increased resources on a more predictable and assured basis.

15. To maintain the financial integrity of the Programme, the Administrator, since 1978 has put into place an overall financial planning and control system which operates on a rolling basis cycle and where programming levels are revised every six months to take account of past and projected developments in the resource situation (contributions and expenditures). This system, together with the $200 million operational reserve built up during the second cycle, has enabled UNDP to provide each IFP programme with annual authorized budget levels for each year of the programme cycle to serve as the necessary base for flexible forward programming combined with central control of UNDP's finances. The system also preserves the inter se equity between IFP programmes over the IFP cycles by applying a programming level for each programme as a uniform percentage of each illustrative IFP. Therefore, as mandated by UNDP's financial structure, UNDP already has in effect, for its internal management, a rolling five-year programme planning system which operates within and bridges the programming cycles. The current resource problems stem not so much from the nature of the present arrangements as from the fact that the assumptions on voluntary contributions for 1982 to 1986 were overtaken by several factors, including the world-wide economic recession and unforeseen exchange rate movements. These factors are dealt with in more detail in the mid-term review paper (DP/1984/20).
16. Nevertheless, it must be recognized that the unavailability of sufficient resources to maintain programmes at least at the same level as in the past in real terms has damaged the credibility of a programmed approach. Much effort in preparing country programmes for the third programming cycle matched with Governments' own inputs has been impaired. It would therefore seem advisable to adopt a somewhat different approach for the fourth programming cycle whereby the overall resource target would be expressed as a range with the minimum target based on the assumption that donors will maintain the real value of their contributions and the upper target representing, for example, an annual increase in real terms at an agreed rate. Based on this range of resources, IPFs for the fourth cycle could also be expressed as a range, with a minimum, reasonably firm, IPF at the lower end and a target IPF at the upper end. Country programmes would then be firmly prepared for the minimum IPF covering activities of higher priority with indications for the planned use of additional resources up to the target IPF to cover a second category of activities.

17. Another element to lessen the exposure and financial vulnerability of the Programme would be a gradual, but substantial, increase in the Operational Reserve together with a broadening of its scope. It should be recalled that in 1972, when the IPF system was introduced, the Operational Reserve was established at a level of $150 million, exceeding 50 per cent of project expenditures for that year. The current formula, 25 per cent of expenditures or voluntary contributions, whichever is higher, is insufficient to let the Operational Reserve assume the role of absorbing annual fluctuations in the level of contributions and thus allow enough lead time for orderly programme adjustments. Currently, as decided by the Council in its decision 80/50, the purpose of the Operational Reserve is to guarantee the financial viability and integrity of the Programme. The Operational Reserve is limited in its use to compensate for downward fluctuations in resources, uneven cash flows, unexpected cost increases or other contingencies which result in a loss of resources for which UNDP has made commitments for programming. This has been interpreted to mean that the Operational Reserve cannot now be used to maintain the planned programme level for the current year in the face of lower than projected contributions so that the reduction can be effected in an orderly fashion in the following year. By introducing and adding a second level of the Operational Reserve explicitly for this purpose, it would be possible, for example, to maintain the planned IPF expenditure level for 1985, which is predicated on an assumption of an increase in contributions of 7.5 per cent even if contributions were to fall short of the projected amount with a reduction only in the 1986 planned IPF expenditure level. The Administrator would therefore like to request the Council to re-examine the possibility of both increasing the level of the Operational Reserve and enlarging its scope to overcome its present limitations as a liquidity reserve.

C. Resources needed for technical co-operation

18. The report of the Administrator on measures to be taken to meet the changing technical co-operation requirements of the developing countries (DP/1984/4) deals extensively with certain substantive aspects of the
continuing evolution of UNDP technical co-operation. While the need for increased technical co-operation as a major prerequisite for further social and economic growth in all categories of developing countries is evident, it seems equally clear that the content, typology and modalities of providing such co-operation now encompass an increasingly wider range of adaptation than in earlier years. There is also need for improvement in the arrangements for co-ordinated use of external assistance on high priority needs, especially in countries where scarce government staff and other material resources are heavily overtaxed.

19. These conclusions do not in themselves call for any significant changes in the system of planning and operation of the United Nations development co-operation cycle as outlined in the 1970 Consensus, although they have a bearing on the magnitude of resources required and on the allocation of funds between various programmes. They also provide a different emphasis to the role of the UNDP field office and the Resident Co-ordinator as a focal point and service centre for the Government as regards assistance from the United Nations system and, with the concurrence of the parties concerned and other external assistance.

1. Approach to determination of resources

20. In its decision 83/5, section I, the Governing Council decided, as outlined in paragraph 4 above that the Administrator should arrange for appropriate informal consultations to be held among all participating Governments to discuss the growth of the Programme over the next programming period. As also mentioned above, it is the intention of the Administrator to convene such informal meetings during the latter half of 1984, following the Governing Council session in June 1984, on the basis of the foreseen needs for technical co-operation during the next programming cycle and projected development of overall and multilateral ODA. A central element in these projections must be the growth in ODA by countries who have not yet reached their 0.7 per cent aid target, combined with a sustained economic recovery in those countries of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). Even so, the distribution of increases in ODA between bilateral and multilateral channels remains of critical importance for the planning of the fourth cycle as does the support for UNDP as the central funding mechanism for technical co-operation within the United Nations system. While this support for UNDP has been strongly reiterated by all governments, including the group of major donors to UNDP, it has also been accompanied by a concern about the efficiency and effectiveness of the system, especially with regard to possible duplication of efforts and increasing administrative costs in relation to actual delivery of services.

21. It is in this light that demands for improved co-ordination of aid efforts at the country level and an enhanced policy dialogue have arisen as crucial for increased effectiveness. In both of these aspects, the UNDP field office will play a major role as a service centre and go-between for the recipient country and donors. Also, the country programme will serve as an...
instrument for co-ordination and as a frame of reference for assistance to the country. This presupposes that the United Nations system can act uniformly and avoid internal duplication of efforts. Under these circumstances and given the increased recognition of the crucial importance of human resources development as the major element in a country's social and economic development, there is every reason to believe firmly in a substantially increased use of UNDP and its network of field representation with its more than 30 years' accumulation of first-hand knowledge and experience in the field of technical co-operation.

2. Access to IPFs: distribution of resources

22. UNDP provides two types of technical assistance to developing countries, the first being grants financed through the IPFs and the second being assistance on a reimbursable basis through Government and third-party cost sharing. In two countries, Kuwait and Qatar, the Governments have totally surrendered their grant assistance (IPFs) and chosen to avail themselves of the services of UNDP on a fully reimbursable basis. Participation in UNDP is open to any State Member of the United Nations or a member of a specialized agency or the International Atomic Energy Agency (IAEA). Each participant is free to request grant assistance from UNDP which is calculated according to a formula determined for each IPF cycle by the Governing Council. Through changes in this formula between successive programming cycles, the emphasis of the grant assistance has increasingly shifted towards low-income countries. While during the first programming cycle (1972-1976), 49.4 per cent of total country IPFs was allocated to the 63 countries with a per capita gross national product (GNP) of less than $500 in 1978, the same countries received 64.7 per cent in the second programming cycle (1977-1981), and close to 80 per cent in the third programming cycle (1982-1986). Correspondingly, the countries with a per capita GNP in 1978 of $3,000 and above received, in the first programming cycle, 6.3 per cent of total country IPFs, 3.2 per cent in the second cycle and 1.5 per cent in the third.

3. Higher income developing countries

23. The question of countries "graduating" from the need for grant assistance has frequently been raised in the Governing Council, mostly in conjunction with a proposal for a cut-off point, e.g. a per capita GNP above $3,000, after which a country would no longer be eligible for grant assistance from UNDP. The introduction of such a cut-off point has been strongly resisted by many countries as being contrary to the fundamental principle of universality of the Programme and as based on a measure, namely, per capita GNP, which inadequately reflects the needs of a country for assistance. Also, as emphasized in the report of the Administrator on measures to be taken to meet the changing technical co-operation requirements of the developing countries (DP/1984/4), there also continues to be a persistent need for external assistance in the more developed of the developing countries where the situation of large sections of the population has been seriously set back by the world-wide economic recession. In many cases there are also large population groups or areas which have not fully participated in the
development process. Therefore, as an alternative approach, the Governing Council in its decision 80/30 appealed to all countries in a position to do so to become net contributors to the Programme, that is, to provide voluntary contributions exceeding the annualized IPFs.

24. One aspect of the problem of grant assistance to countries with higher per capita GNP, which is somewhat overlooked, is the magnitude of the amounts available to these countries. For the third programming cycle, total illustrative IPF for all recipient countries with a 1978 GNP per capita above $1,500 is $213.6 million. At the 55 per cent level currently authorized, this comes to $117.5 million for the cycle, or around $23.5 million per year in a total IPF programme of about $500 million per year. If only the countries with a per capita GNP of above $3,000 were included, the illustrative IPF is $59.4 million which gives $32.7 million at the 55 per cent level for annual expenditures of about $6.5 million. The introduction of a cut-off point would therefore have only marginal financial benefits for the low-income countries and would certainly not have significant impact on the general resource problem. The issue is therefore mostly one of principle. In this context, it may be worthwhile to point out that the countries with a per capita GNP above $1,500 also utilize additional UNDP assistance on a reimbursable basis through cost sharing, which is further examined in the mid-term review report DP/1984/20. Table 1 shows the relationship between grant assistance (IPF) and cost sharing for the third cycle as of the end of 1983.

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of countries</th>
<th>1982-1986 Ill. IPF at 55%</th>
<th>1982-1986 cost-sharing budgets a/ (Thousand of US dollars)</th>
<th>Per cent col.(2)% (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>1</td>
<td>3 300</td>
<td>10 271</td>
<td>311.2</td>
</tr>
<tr>
<td>Arab States</td>
<td>6</td>
<td>20 625</td>
<td>74 557</td>
<td>361.5</td>
</tr>
<tr>
<td>Asia &amp; Pacific</td>
<td>5</td>
<td>15 543</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Europe</td>
<td>10</td>
<td>27 775</td>
<td>1 077</td>
<td>3.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>13</td>
<td>50 220</td>
<td>62 783</td>
<td>125.0</td>
</tr>
</tbody>
</table>

a/ As at 31 December 1983.

25. In many cases, especially in the Arab States and Latin America regions, as can be seen above, the recipient Governments themselves have chosen to make up for reduced IPFs through cost-sharing contributions. This trend is expected to continue, and should be taken as an important indicator of persistent technical co-operation needs of these countries and as a sign that UNDP is regarded also as an organization or channel for assistance on a fully reimbursable basis. Certain substantive issues in this context are dealt with in document DP/1984/4.
26. In summary, therefore, regarding the position of the middle-income and higher-income countries among the developing countries, the Administrator would recommend that the same approach be taken for the fourth programming cycle as for the third, namely, to continue the provision of grant assistance through IPFs on the understanding that these countries will continue to strive to become net contributors as well as to finance their shares of the local office costs of UNDP as stipulated in the Standard Basic Agreements with UNDP. The progress made so far by these countries in moving towards net contributor status is covered in the mid-term review paper (DP/1984/20).

4. Country and intercountry shares

27. Another major issue in the allocation of the resources is the distribution between country and intercountry IPFs where the ratios for the three cycles were as follows:

<table>
<thead>
<tr>
<th></th>
<th>IPF 1972-1976</th>
<th>IPF 1977-1981</th>
<th>Illustrative IPF at 55%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$%</td>
<td>$%</td>
<td>$%</td>
</tr>
<tr>
<td>Country IPFs</td>
<td>1 306.5</td>
<td>85.0</td>
<td>2 066.2</td>
</tr>
<tr>
<td>Inter-country IPFs</td>
<td>231.0</td>
<td>15.0</td>
<td>396.2</td>
</tr>
<tr>
<td>Total IPF</td>
<td>1 537.5</td>
<td>100.0</td>
<td>2 462.4</td>
</tr>
</tbody>
</table>

a/ In accordance with decision 83/14 certain countries with smaller IPFs included at 80 per cent of illustrative IPF or "floor" value of $1.2 million.

28. The distribution of intercountry IPFs among regional, interregional and global IPFs over the three cycles is shown below.

<table>
<thead>
<tr>
<th></th>
<th>IPF 1972-1976</th>
<th>IPF 1977-1981</th>
<th>Illustrative IPF at 55%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$%</td>
<td>$%</td>
<td>$%</td>
</tr>
<tr>
<td>Regional</td>
<td>193.1</td>
<td>83.6</td>
<td>401.5</td>
</tr>
<tr>
<td>Interregional</td>
<td>22.4</td>
<td>9.7</td>
<td>40.4</td>
</tr>
<tr>
<td>Global</td>
<td>15.5</td>
<td>6.7</td>
<td>63.1</td>
</tr>
<tr>
<td>Total intercountry</td>
<td>231.00</td>
<td>100.0</td>
<td>505.1</td>
</tr>
</tbody>
</table>

29. The division of the IPF programme into country IPFs and intercountry IPFs is a reflection of the two-level approach to economic and social development outlined in the Draft Omnibus Statute of UNDP (DP/76, Article I), where the first purpose of UNDP is to organize universal international co-operation and [...]
the second to assist developing countries in their efforts to accelerate their economic and social development by providing systematic and sustained assistance geared to their national development plans and objectives. In other words, social and economic development must be pursued both at the country level and at the international level, by working with the international systems that organize relations among countries.

30. With the increasing participation of many developing countries in the international economy and a growing awareness of interdependence among all countries, the need for greater attention to international issues has been reflected in an increased share for intercountry programmes. Recent developments regarding international financing, payments and trade seem to indicate that even more attention needs to be focused on these matters in an attempt to create a more stable international environment without which national development plans are too easily thrown off course. The Council may therefore wish to further examine the role UNDP intercountry programmes can play to improve the international economic environment in its various aspects. It may also wish to determine whether this should lead to increased shares, especially for the interregional and global programmes.

31. The foregoing consideration is in addition to the points made separately in document DP/1984/20/Add.1 relating to the mid-term review of the third cycle concerning the unique and long-term nature of global research, especially in fields such as agriculture, important elements of which will continue to need international support and financial assistance. These research projects have made and will continue to make a significant contribution, through appropriate applications, to increasing the agricultural and food productivity of developing countries as well as the nutritional levels of their peoples. It should be noted that these research projects require a certain "critical mass" to be cost-effective and could not therefore be undertaken within or financed from individual country IPFs. In deciding on the proportion of resources to devote to global programmes, the Governing Council will doubtless wish to take due account of the role of such global research activities and the part UNDP should play in their support.

5. Small IPFs

32. In this context, it would also seem appropriate to bring up the issue of how meaningful it is to maintain separate IPFs for smaller countries/territories where the amounts available over a five-year period are often barely sufficient for one or two projects, let alone for a coherent programme. The Council might wish to consider whether IPFs below a certain level should not be allowed to be pooled together, where economies of scale might increase the effectiveness and efficiency by which these funds are used. Subject to the views of the Council, it would be the Administrator's intention to examine this possibility with interested Governments.
6. Special programme resources

33. For the third programming cycle the Governing Council agreed in its decisions 80/31 and 80/48 that the special programme resources (SPR) were to be used to finance: (a) emergency assistance in cases of natural disasters and assistance in the rehabilitation and reconstruction of stricken areas; (b) activities related to programme development; (c) contingencies; and (d) promotional activities of technical co-operation among developing countries. In document DP/1984/20, the Administrator has provided a review of the uses of such resources during the first two years of the cycle. It has been the policy of UNDP to use the provision made for contingencies only for such specific purposes as decided by the Governing Council, e.g. for the Transportation and Communication Decade in Africa, assistance to the Palestinian people and for financing the special pre-investment facility. Experience has shown, however, that there is a need for a source of financing for urgent needs for assistance in high priority areas as expressed by Governments in various forms. Such assistance cannot readily be found within existing categories of financing available to the Administrator and a response cannot await the next session of the Council. The Administrator would therefore propose that the Council might wish to consider, for the fourth cycle, enlarging the scope and the size of the SPRs to include a provision for the Administrator to respond to such urgent needs of an intercountry nature in special priority areas as they become identified.

7. Distribution among countries

34. The allocation of UNDP grant assistance funds among countries have essentially been based on the needs for such assistance. The criteria used to determine the level of need include per capita GNP, population size and several supplementary factors, such as if a country is newly independent, is land-locked, is designated as a least developed country, is an island etc. In the course of discussions leading up to decision 80/30 on the third cycle distribution of IPFs many views were raised criticizing the per capita GNP as expressed in US dollars as an inadequate and often misleading indicator of the status of development and the needs for technical assistance of a country. In particular, attention was focused on the conversion of GNP from national currency to US dollars, on the problem of pricing similar goods and services in different countries and on the size of the subsistence sector of an economy. In the absence of any alternative comprehensive set of data, however, it was decided to maintain the US dollar per capita GNP, as calculated by the World Bank for its Atlas, and the corresponding population figure as the base for calculating the basic IPFs for the third IPF cycle.

35. As part of the preparation for the fourth programming cycle, UNDP has carefully reviewed the progress of the United Nations International Comparison Project, which has developed reliable measures of real GNP on an internationally comparable scale using a purchasing-power-parity exchange rate for converting gross domestic product. The number of countries covered so far is rather modest and it will be several years before such real GNP figures will become available for all countries. This consideration in itself precludes the use...
of this method in respect of the IPF calculations for the fourth cycle.

Another aspect to the data question is whether UNDP should use data from the World Bank, rather than those published by the United Nations Statistical Office. In the past, the rationale for using World Bank data was partly the fact that comprehensive and comparable data for all countries regarding their GNP were only available from the World Bank. Since then, however, the Board of the World Bank has decided that, for the time being, it would not publish such data for non-member countries, especially for certain centrally planned economies where agreed basic data are not available. This is likely to cause considerable problems for UNDP in the calculations for the fourth IPF cycle if the current criteria are maintained. In anticipation of the difficulties in obtaining comprehensive data for the fourth cycle calculations from the World Bank, the Administrator has reviewed the possibility of substituting United Nations data from the United Nations Yearbook of National Accounts for World Bank data. However, since per capita GNP is readily available only in national currency, both conversion and comparability will constitute serious problems. Also, the timing will create problems since United Nations data are generally available only one year later than data from the World Bank. The Council may therefore wish to retain the present arrangements for use of World Bank data where available and, in other cases, may wish for the Administrator to determine and use the best estimates available, taking into account estimates provided to the United Nations Statistical Office as well as from other reliable sources. The latest data likely to be available in time for fourth cycle calculations will be used.

36. Regarding the criteria to be used for calculating the fourth cycle country IPFs, the Administrator has not found any alternative more suitable than the current set of basic and supplementary criteria which have produced a generally accepted distribution. It is therefore the recommendation of the Administrator that the current basic criteria, per capita GNP and population, together with the supplementary criteria as set out in Council decision 80/30, paragraph 1(c) in effect for the third programming cycle, should be maintained also for the fourth programming cycle.

37. In its decision 80/30, paragraph 1 (g) (i) and (ii) the Governing Council decided to maintain the "floor" principle, that is, that a country should not receive a smaller IPF in a following IPF cycle than it received in a previous IPF cycle, for those countries with a 1978 per capita GNP below $3,000, island developing countries and countries whose contributions in convertible currencies used their IPFs for the third cycle. Countries other than those covered above would have their "floor" reduced to 80 per cent of their previous IPF. These "floors", which became the illustrative IPFs, were effectively reduced to 55 per cent following the application of decision 80/30 paragraph 4(a) which called for a flat across-the-board percentage reduction in the IPFs of all countries, in supersession of all other criteria, if available resources were to fall short of the established target.

38. The "floor" principle was originally established during the first programming cycle to avoid the eventuality that any country would suffer an abrupt decline in the amount of assistance received from UNDP. The Governing
Council may wish to determine whether sufficient such adjustments have not taken place, to allow for the elimination of the "floor" principle for the fourth cycle.

39. For the third cycle, as stated in Governing Council decision 80/30, 80 per cent of the amount available for country IPFs were to be allocated to countries with a 1978 per capita GNP of up to $500. This represents an increased share for these countries from around 50 per cent in the first cycle and 65 per cent in the second. While the determination of what proportion of total country IPFs is to be set aside for low-income countries is a matter for the Council to decide, the Administrator would suggest a revision of the limit to reflect the impact of the general inflation and to make it uniform with the cut-off point applied by the International Development Association (IDA) for access to its concessional loans, which for the fiscal year 1984 (July 1983 to June 1984) is set at a per capita GNP of $805 as of 1983. The figure was $795 for the fiscal year 1983 (July 1982 to June 1983) based on 1981 data, the latest available at this time. Maintaining the limit of $500 in current nominal terms would have the impact of further narrowing the number of countries counted as low-income. Table 4 indicates the impact, in terms of numbers of countries, of these different options.

Table 4. Number of countries by GNP per capita group in 1978 and 1981

<table>
<thead>
<tr>
<th>GNP per capita (US dollars)</th>
<th>1978</th>
<th>1981</th>
<th>Data not available for 1981</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LDCs</td>
<td>Total</td>
<td>LDCs</td>
</tr>
<tr>
<td>0 - 250</td>
<td>25</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td>251 - 500</td>
<td>12</td>
<td>27</td>
<td>21</td>
</tr>
<tr>
<td>Subtotal</td>
<td>37</td>
<td>61</td>
<td>35</td>
</tr>
<tr>
<td>501 - 795</td>
<td>2</td>
<td>24</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>85</td>
<td>36</td>
</tr>
</tbody>
</table>

a/ including three "as if" countries.

II. PROGRAMMING ISSUES

A. Country programme concept

40. The report of the Administrator on changing technical co-operation requirements (DP/1984/4) indicates that in the large number of less advanced, mostly low-income countries there will be a continuing need for the transfer of skills and technology of a broad type. It also states that in the more advanced developing countries there are new and emerging needs for more specific, specialized technology transfers, including assistance in mobilizing and fusing skills, technology, capital and entrepreneurial management into production systems. Practically all developing countries will increasingly need assistance in dealing with problems related to trade, external debts, balance of payments and access to credit. To respond to these differing and
often changing needs, UNDP must show even greater flexibility than heretofore in facilitating the reflection of such needs, at the choice of Governments, in their country programmes.

41. It will also be important to assist Governments in ensuring that the broad policy and related background from which the elements of the UNDP country programme derive are in harmony and consistent with the policy lines emerging from the Governments' consultations with major financing institutions.

42. The nature of the programming process will also require greater adaptation to the situation of each country. The changes in country programming procedures introduced subsequent to 1975 are revealing; first, the continuous programming concept which sought to change the static nature of a country programme elaborated once every five years, and second, the short format which recognized that the substance of country programmes with IPFs of $20 million or less did not justify the extensive elaborate procedures and work required (Council decision 81/15; DP/518 and Corr.1).

43. A more recent factor, which has tended to weaken the utility of the country programme, has been that the lack of resources has vitiated the continued validity of the illustrative IPFs for the third cycle for planning purposes and has necessitated a reduction of programming to the level of 55 per cent of illustrative IPFs. This experience contrasted strongly with the expectations of the Consensus which provided for the programming of UNDP assistance to be carried out in each country within the framework of indicative planning figures representing a reasonably firm indication for the purpose of forward programming.

44. In considering country programming for the fourth cycle, it would thus appear desirable to apply more fully the concept of "continuous programming" to ensure that the programme remains tailored to the needs of countries as they emerge and change. It would also appear desirable to implement the expansion of the utility of the country programme beyond what UNDP's resources alone would permit. This has already been done in several countries where the country programme process was used to identify technical co-operation needs and thereby served to attract other external resources. The Administrator would suggest that Governments may wish to utilize the fourth country programming exercise as an occasion to identify technical co-operation needs beyond those which can be met by the resources of UNDP. This would permit greater integration and co-ordination of technical co-operation inputs and also restore the validity to the country programming exercise which recent UNDP resource shortfalls have tended to erode.

B. Co-ordination role

45. Deriving in part from the proposal to widen the scope of the country programme but also potentially useful in its own right, the Administrator commends consideration of a technical co-operation co-ordination role for the Resident Co-ordinator as described below. This would only apply to those countries where Governments specifically request UNDP to play such a role and where the UNDP field office is equipped to respond. Where a Government feels...
the need for help in co-ordinating its technical co-operation, UNDP appears to be a natural choice, as it offers neutrality both in a political and sectoral sense. This potential role grows out of and clearly would be enhanced by the expansion of the country programme to cover all technical co-operation co-ordinated by UNDP at the Government's request.

46. The importance of aid co-ordination at the country level - or acting in concert - has been emphasized recently by the Secretary-General in connection with his initiative on the crisis in Africa. Such concerted action can reasonably be expected to result not only in greater effectiveness of overall assistance but also in savings of time, energy and resources of the national Government for a truly developmental effort.

C. Programme profile

47. Most country programmes are characterized by a wide scattering of projects among sectors and hence among agencies and ministries. In itself, this scattering of UNDP's resources may be unobjectionable and even desirable provided that the projects thus financed are well selected and designed and of a catalytic or gap-fitting nature. Under such use of UNDP resources, however the impact of UNDP assistance may not be readily visible or identifiable; furthermore, an additional workload is created by the formulation, implementation and monitoring of a large number of individual projects. This point is also discussed in DP/1984/4.

48. The increased volume of activities implied by the enlarged and enhanced programming role and the possibility of an intensified co-ordination role is likely to aggravate the situation further if programmes continue to involve large numbers of small projects. It is recognized that small, individual projects can be of significance and it is not proposed to eliminate them. In certain cases, however, Governments may wish to consider bringing small projects together into "umbrella projects": this may be particularly apposite for training and feasibility studies where such activities are co-ordinated by a single government agency regardless of the sectoral content.

49. The 1970 Consensus leaves the selection of country projects for IPF funding to the Government, subject to approval by the Administrator. UNDP's resources can be and are used to support a wide range of development activities which have no necessary coherence on a global scale, although each activity should be valid and relevant seen against national objectives. UNDP's global programme addresses issues of global priority but there is little, if any, linkage between it and most individual country programmes.

50. Document DP/1984/4, refers to the desire of several Governments, as expressed during the course of the study on measures to meet changing needs, for a more focused UNDP programme. In this respect, the Administrator intends to bring to the attention of Governments, as he has done in the past, when country programmes were being elaborated, the global themes which they helped to determine for the global and intercountry programmes as well as other important themes forming the subject of intergovernmental resolutions. In
this way, Governments would perhaps be able to take into account more fully these major concerns of the international community which would also benefit national development: if they so wished, they could reflect these concerns in their national programmes or build in linkages between their national programmes and the intercountry programmes.

51. Reference has been made earlier in this report to the possibility of enlarging the scope and financial size of Special Programme Resources to allow for responses to urgent needs in certain high priority areas. These priorities could be of an interdisciplinary nature and possibly interlinked so as to underline the role of UNDP in tackling the challenge of development in its sectoral and complex facets.

52. The proposals listed above have three principal objectives. First, they would shift the country programming workload from the formulation of a document which, once approved, is seldom utilized towards the surveillance and amendment of the real country programme to maintain its relevance and effectiveness. Second, they would reinforce the role increasingly being assumed by UNDP at the country level — for which it seems eminently suitable — in the identification and formulation of technical co-operation needs and in the co-ordination of external assistance to meet those needs. Third, they would provide some focus to UNDP’s manifold activities.

III. DELIVERY SYSTEMS

53. This section draws on several substantive findings and conclusions of document DP/1984/4 and offers a variety of ideas on operational measures for discussion.

A. Flexibility in delivery arrangements

54. As the needs for technical co-operation and the environment in which it functions change, it is essential that UNDP keeps the contents of its assistance and the way it is delivered under continuous review. To meet changing requirements in a great number of vastly different countries the United Nations system must retain and enhance its capacity to adapt the modalities through which it delivers technical assistance to suit the individual needs of each country. The resource constraints and the rising costs of the technical co-operation inputs furnished through UNDP provide a further imperative to pay attention to the efficiency of the delivery systems presently in use.

55. So far, the delivery systems have been closely linked to the modes of execution: either through an executing agency (including the Office for Project Execution (OPE)), or through the Government. In the case of Government execution a scale of options exists for Governments to involve the agencies to varying degrees or in various stages of the project cycle, but these options are rather rigidly structured. In agency executed projects, delivery tends to be almost exclusively through the agency concerned, although there are now instances where agencies have contracted Governments for the provision of certain elements of a project.

/...
56. As discussed in DP/1983/4, the evolving nature of the concept of "project execution" and the increasing recognition that all projects are Government undertakings assisted by UNDP point to the desirability of less rigid categorization of projects by mode of execution. A loosening up of the present system would ensure that Governments receive the specific help they need in the most effective and practicable manner.

57. Determination of the mode by which a project is to be executed should be made after project design has been completed. The type of project activities, the nature of the outputs, and the required inputs and the local conditions would determine what form of arrangements would best suit the provision of the various project elements.

58. The fact that shortcomings in project implementation and outputs are frequently traced back to weaknesses in project design makes a convincing case for increased agency and UNDP attention to this aspect. At the same time, Governments often express concern over the amount of time which lapses between the first identification of a project and the approved project document. An appropriate balance will have to be struck between timeliness and design perfection.

59. After the detailed design of a project has been completed, the Government should in all cases be able to select the best options available either within or outside the United Nations system, provided that the Administrator is satisfied with their viability and effectiveness. In practical terms, this means that UNDP, together with the Government, will thoroughly analyze and review the project elements in appropriate consultation with the technical agencies concerned. On a case-by-case basis, this close consultation will determine, for example, whether the project inputs are available locally, in neighboring countries or elsewhere. Depending on the specific requirements and context of the project, it is possible to identify the most appropriate source and determine the best way to reach it and obtain the inputs.

60. Even in cases of Government execution, agencies could assist in several ways, against payment of related costs. They could make available expert and training facility rosters if requested by Governments. Subcontractors, individual experts recruited by Governments and, in particular, national project staff should be able to obtain advice from the agency on technical problems in its field of expertise, and procedures in this respect should be streamlined. In this manner the unique reservoir of accumulated global technical knowledge, of which the agencies are the repositories in their respective fields, would remain accessible to a project irrespective of whether the agency has executing responsibility or not.

61. While the present instructions on Government execution already provide for Government execution of project components, the scale of possibilities could be expanded to include Government execution of even parts of components. Governments can then determine far more precisely for which project elements they need specific assistance. In the provision of more finely-tuned and more
specifically needed help, UNDP and the agencies would become truly
coo-perating agencies rather than outside organizations executing "their part"
of the project according to their own rules and perceptions.

62. The opening of the present categories in a manner whereby agency
execution of a project will not mean that all external inputs necessarily have
to be channeled through the agency's machinery, and Government execution will
not mean that the agency's accumulated expertise is less accessible,
constitutes a gradual evolution towards fuller Government execution. The
thorough analysis of the various ways in which external inputs can best be
obtained in such an open system will accelerate this natural shift.

63. At the same time, while a number of Governments accept the validity of
the concept of Government execution, they do not consider that this modality
is always best suited to their needs. To interpret this as a lack of
self-reliance ignores the fact that very often the most self-reliant
Governments of the more developed countries with sophisticated infrastructures
are the ones who, for a wide variety of reasons, have been slow to choose
Government execution.

64. While the Government is always consulted in the ultimate choice of mode
of execution, UNDP must equally ensure that its administrative and reporting
requirements do not impede equal access to these various modes. The
Administrator will review further whether simplified reporting requirements
can be introduced consistent with his accountability. In any event, there
already are provisions which enable UNDP to support or enhance the
Government's capacity in this respect, if Governments have any problems in
coping with existing requirements.

65. As far as monitoring and evaluation are concerned, the periodic reviews
offer particularly opportune occasions to draw upon agency expertise whether
such agency has been otherwise associated with the project or not. This would
also promote a shift in UNDP and agency involvement closer to the monitoring
of outputs.

66. The close co-operation between Governments and UNDP in the analysis of
project inputs in order to establish the most appropriate execution
arrangements will also lead to a more precise analysis of the actual
requirements themselves. This, in turn, is a prerequisite for more precisely
matched and therefore more cost-efficient technical co-operation inputs.

B. Reducing costs of traditional expertise

67. A careful choice of delivery arrangements can contribute to a reduction
in cost but more significant economies can be achieved through the fine-tuning
of requirements in respect of the duration as well as the level of the
expertise needed.

68. It is known that in many cases long-term resident experts are inclined to
institutionalize themselves and in doing so tend to retard rather than promote
self-reliance. Yet, as indicated in document DP/1984/4, there are instances
/...
where Governments are making a convincing case that long-term, or at least medium-term resident expertise is precisely what is required to ensure that a true transfer of knowledge and technology takes place and that lasting changes are achieved.

69. When fully attuned to the problem to be solved, short-term expertise can be often cost-efficient, but it is not automatically cheaper. A mission by a sophisticated, highly technical consultant must be well planned and prepared and its timing precisely organized. This is a complex and difficult process and it is on the whole at least as easy to waste resources on short-term as on long-term expertise.

70. The question of whether to use short-term consultants versus resident expertise, and their respective cost-efficiency, has to be decided on a project by project basis. As much of the groundwork requiring resident expertise has been done in many countries, a natural trend towards greater use of consultancies, which places additional importance on the precise determination of requirements, is discernible.

71. A precise formulation of requirements will also determine the level of expertise needed, which should be appropriate to the task to be performed. In case the expertise is sought through a United Nations agency, the item-by-item analysis of the proposed project elements by UNDP and the Government should result in stipulating the level at which the candidate should be recruited.

72. Part of the high cost of expertise is the premium reflected in the remuneration scale to compensate people for leaving domestic careers often without guarantee of re-employment at home. Governments of countries which are major sources of expertise could establish, within their own civil services, pools of expertise available for assignments with the United Nations system in developing countries. If such assignments would enhance the career prospects of the incumbent at home, monetary inducements to take up such work would no longer be appropriate or needed. The possibility could be explored with these countries to arrive at arrangements whereby experts would be made available to the programme either cost-free or "at cost", with the United Nations system, at most, paying current national salary plus a cost-of-living differential.

C. Newer sources of expertise

73. For a number of years the United Nations system has been offering many newer types of expertise which are not only less expensive than traditional experts and consultants but which also allow a far more precise matching of requirements with specific levels and types of skills. The Administrator will continue to encourage the judicious use of national project personnel whenever it is established that this modality is most appropriate to the circumstances prevailing locally and would best achieve the objectives of a project. In a number of cases, the appointment of national project directors who report to the agency has combined some of the benefits of Government execution with those of the agency's monitoring role.
74. Recent years have also demonstrated, as mentioned in DP/1984/4, paragraph 90, that United Nations Volunteers provide a valuable source of specialized personnel, especially in situations where critical assistance is needed at the technical middle level. An arrangement which combines the assignment of a Volunteer on a resident basis with periodic visits of a senior consultant to guide the work has produced excellent results in several instances and could be used more widely.

75. Field offices will need at all times to be fully cognizant of these options and be kept informed about the experience of other countries in their utilization, so that they can brief Government authorities accordingly. These options should be fully explored in connection with all projects. This would further ensure that traditional experts and consultants would indeed only be used in cases where their level of expertise is needed and their high costs are fully warranted.

76. UNDP will actively assist Governments in identifying suitable centres of expertise such as institutions, industrial enterprises, universities and foundations in and outside the developing countries, and in facilitating the establishment of contractual arrangements between the requesting developing country and the foreign institution involved. Such contractual arrangements could take the form of service agreements for the provision of expertise or for the placement of trainees which could be submitted to UNDP for direct financing. UNDP/OPE has already made a beginning with this process.

77. Donor Governments could support institutions in their countries to enable them to offer cost-free or "at cost" expertise and training resources to the developing world through arrangements under the aegis of UNDP. This presents yet another attractive opportunity for these Governments to directly contribute to the Programme and to keep the cost of technical co-operation inputs down.

78. When such institutions are located in another developing country the cost of expertise might not only be lower but the establishment of such relationships would also constitute the best possible example of technical co-operation among developing countries (TCDC) promoted and assisted by UNDP. The resulting network of individual professional and institutional linkages would guarantee a lasting increase of TCDC through the exchange of expertise and training arrangements. Tapping of neighbouring or regional resources would thus become a natural first choice.

79. The Administrator will continue to facilitate TCDC by promoting and disseminating knowledge of the expertise and training possibilities available in developing countries and by facilitating, within the financial means UNDP, their utilization.

D. Expanding the areas of technical co-operation

80. Technical co-operation is aimed at effecting change mainly through creating and increasing the capacity of individuals to do so. At the same
time, the content of its programme is determined by the priorities set by the Governments and the requests it receives from them. Even in countries where dynamic change is welcomed and where there is serious preoccupation with the fact that the benefits of development efforts are not trickling down, central government authorities face difficulties in ensuring that project design and objectives truly reflect the real needs and aspirations of the ultimate beneficiaries. To make itself as relevant as possible to the development process, the United Nations system's partnership with Governments may, in agreement with these Governments, include a more direct dialogue with other entities in developing societies such as universities, chambers of commerce, trade unions, local communities and voluntary organizations.

81. A more direct involvement in the assessment of true needs at the level at which the project is ultimately aimed can be fully consistent with the concept of national priority setting. In many cases Governments would welcome a new type of collaborative effort with UNDP, aimed at working with new, additional partners within the country, through which some assistance to chosen grass-roots initiatives could be channeled.

82. The type and nature of the local bodies with which UNDP should explore the possibility of closer relationships will widely vary from country to country. The appropriate choice will have to be established - just as the form and contents of the relationship itself - on a case-by-case basis to be determined by the objectives of the project, the target groups it is aimed at, the national conditions and, most importantly, with the full agreement and support of the Government.

83. There are several categories of organizations close to the grass level with which collaborative arrangements could be envisaged. Being in the public domain, co-operative arrangements with local government authorities, government-sponsored organizations and public institutions can be achieved relatively easily. Once identified as relevant and suited to be the vehicle for a particular UNDP assisted activity, it would be a matter of their designation as a Government counterpart organization by the central authorities.

84. Indigenous as well as international non-governmental organizations (NGOs) tend to concentrate their interests and activities on the grass-root levels, both rural and urban. In several countries they are the only structures which can reach these levels. Indigenous NGOs could, by decision of the central authorities, be designated as counterparts in UNDP assisted activities. From its side, UNDP should, in appropriate cases, encourage the authorities to do so and ensure that its own regulations can accommodate co-operation with NGOs as well as governmental organizations. UNDP has already taken steps to enhance its receptiveness to grass-roots level initiatives and stands ready to co-operate with Governments in this respect.

85. Co-operation with international NGOs should initially be concentrated on more intensive utilization of the experience and knowledge available in their local staff at the project formulation stage. A more radical innovation would...
be the involvement of such NGOs in the execution of a project, should no national capacity to do so exist. A combining of UNDP and international NGO financial and manpower resources, together with national inputs, could significantly enhance project impact.

86. Document DP/1984/4, addresses a large area of potential technical co-operation that is not normally tapped in the present system: the private sector of the economy. This sector can be a source as well as a recipient of technical co-operation. Many fledgling industries and trade organizations in developing countries could benefit from United Nations system assistance and advice. In countries which have a large private sector, UNDP could assist the Government in establishing ways and means for more systematic access of private enterprises to the assistance the United Nations system can offer.

87. Expansion of co-operation should simultaneously be pursued within the donor community at large. The co-operative agreements UNDP has with foundations in international agricultural research offer a prototype for agreements of this kind with other public and private institutions. Working arrangements for increased co-operation with the World Bank present similar models for closer links with other capital financing sources.

88. The ability to meet changing needs with new approaches, as demonstrated in the whole concept of New Dimensions, is an important characteristic of the UNDP. The guiding principle of UNDP should therefore remain that, provided the recipient Government agrees, any modality of execution and any possibility of co-operation or pooling of resources which promises to enhance the effectiveness of its activities is worth pursuing.

89. The desirability, and indeed the necessity, to keep an open mind for new possibilities and to maintain the capacity for flexible responses to meet changing needs in a vastly different array of societies across the globe make it imperative that UNDP's procedures allow it to deal uniquely with each country in the light of local conditions. It is simply not possible to use one and the same set of modalities and procedures for all countries and to detail these procedures to the extent that all conceivable local circumstances would be "covered". Convinced that it can make its greatest contribution by being closely attuned to local conditions, UNDP will endeavour to keep basic standard procedures to the minimum required for the proper discharge of its responsibilities. Within the framework of its mandate and its accountability to the Member States, UNDP will ensure that whenever a specific situation calls for it, procedural matters and administrative regulations will be suitably adapted to allow the most appropriate response.

IV. ADMINISTRATIVE AND PROGRAMME SUPPORT COSTS

A. Link to programme period

90. With the current resource outlook for UNDP, the question of the administrative costs associated with delivering technical assistance through UNDP assumes special importance, particularly in the context of an IPF...
programme which has not increased in real terms. Any attempt to relate the administrative and programme support (APS) costs to programme expenditures on an annual basis is bound to be grossly misleading as a one-year period has no particular significance to programme activities except for financial accounting purposes. Moreover, programme expenditures can have accidental fluctuations from year to year. It is also neither possible nor economical to significantly contract or expand the staffing or field office network in the short run. Rather, the level of the UNDP support establishment in real terms must be related to the planned programme level over a whole planning period, i.e. the programming cycle.

91. In this context it should be recalled that the current level of staffing, following significant reductions in 1982-1983, is based on the need to service a programme delivery in the third cycle of 60 per cent of the original target levels. Further significant reductions, however, could only be achieved through reducing the number of field offices, since most of the offices now operate with an absolute minimum of staff. In many cases there are only one or two international staff present, who are required to perform minimal essential functions. Nevertheless, the Administrator is pursuing every effort to find savings in other areas than staffing, such as travel, supplies and equipment and through elimination of duplication at headquarters. The main effort, however, is in expanding the volume of the programme through mobilization of additional funds both directly to UNDP and through cost sharing and multilateral/bilateral arrangements.

B. Purposes met by APS budget

92. In assessing the efficiency of UNDP, it is not only important to move away from single-year conclusions and make the assessment over a longer time period, as elaborated above, but also to analyze the base against which this assessment should be made. The traditional practice in the past has been to take the total APS budget cost and compare it with project expenditure in its narrowest form; this has tended to produce misleading ratios once it ignored the fact that the APS budget covers many functions not directly related to the Programme and that it services other funds and programmes as well.

93. An analysis of the APS budget must first take into account the different functions performed by headquarters and by the field offices. While headquarters costs can be more truly classified as overhead costs (for functions such as resource mobilization, overall planning, management control, evaluation, personnel and financial services) the field office operations are largely an integral part of programme delivery without which little project implementation would be possible. The field office function of advising the Government on programme and project design and formulation and assisting in reviews and evaluations has the same character as other technical assistance and would, in the absence of the field office, have to be provided through a project. Second, UNDP performs, especially at the field office level, a considerable amount of services for the entire United Nations system and others. The fact that the UNDP field network is so extensive and efficiently established, and that the UNDP office is the only field presence of the United...
Nations system in many countries, results in its being asked to do a variety of things for a variety of organizations, a fact inadequately recognized in terms of the workload it imposes on these offices. A survey of the field office workload in 1981 showed that some 33 per cent of the time spent by UNDP field staff related to such activities: 12 per cent on totally non-UNDP-related business and 21 per cent on doing things for United Nations agencies. In cost terms these services represent some 25 per cent of total field office costs.

94. In determining the size of the programme which is serviced by UNDP, it should be kept in mind that, apart from the core programme of projects financed from IPF, Special Programme Resources and Special Industrial Services, the field office also handles the Special Measures Fund for the Least Developed Countries, Government cash counterpart contributions, project and programme cost sharing, the Emergency Operations Trust Fund plus a number of smaller trust funds. In addition, the field office often provides significant support to the overall operation of projects including the part for which the recipient Government itself is financially responsible and which on an overall basis is estimated to average around 57 per cent of the total project cost.

Notes

1/ The underlining is intended to highlight the suggestions and ideas offered in this document for consideration by the Governing Council.

2/ E/4954, paragraph 71, section II (g).