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SUPPORT

OTHER FUNDS AND PROGRAMMES

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Annual report of the Administrator for 1983

Summary

The report describes the programme operations and related activities of the Fund in 1983, as well as its financial situation at year-end under the partial funding system, as requested by the Council in its decision 82/22. Information is also provided on trust fund contributions accepted by UNCDF in 1983, under Governing Council decisions 82/5 and 83/32.

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Annual Report for 1984

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I. PROGRAMME OPERATIONS IN 1983

A. Project commitments

1. In 1983, UNCDF approved \$29.2 million in commitments for 20 new projects, plus \$1 million for increases in existing project budgets, bringing outstanding commitments at year-end to \$143.7 million for 193 ongoing projects in 35 countries in the least developed country (LDC) category. Of this total of \$30.2 million of approvals in 1983, \$23.9 million was funded directly from general resources while the balance of approvals was made possible as a result of the conclusion of \$6.3 million in trust fund and cost-sharing arrangements.

2. Successive droughts over the past two to three years, particularly in Africa, have had a devastating effect on crop and livestock production, resulting in widespread shortages of staple foods and severe economic hardships. Small farmers, who generally lack resources or access to credit for irrigation and other production inputs, have been hit the hardest. This situation prompted the Fund to give priority to identifying and developing projects that would help to increase food production and to improve food storage and distribution systems. Thus, of the 20 projects approved in 1983, 14 projects totalling \$18. million in UNCDF grant assistance are in this important category.

3. The following table illustrates the overall distribution of new commitments approved by UNCDF in 1983, by region and by sector.

Table 1. 1983 UNCDF project approvals by major sector and region
(in Millions of US\$)

| <u>Region</u> | <u>Agriculture</u> | | <u>Industry</u> | | <u>Transport</u> | | <u>Health</u> | | <u>Total</u> | |
|---------------|---------------------------|-------------|---------------------------|-------------|---------------------------|-------------|---------------------------|-------------|---------------------------|-------------|
| | <u>Number of projects</u> | <u>Cost</u> | <u>Number of projects</u> | <u>Cost</u> | <u>Number of projects</u> | <u>Cost</u> | <u>Number of projects</u> | <u>Cost</u> | <u>Number of Projects</u> | <u>Cost</u> |
| Africa | 9 | 13.2 | 2 | 4.2 | 1 | 1.0 | 3 | 5.5 | 15 | 23.9 |
| Asia | 2 | 2.2 | 1 | 1.5 | 1 | 1.0 | - | - | 4 | 4.7 |
| Arab States | 1 | 0.6 | - | - | - | - | - | - | 1 | 0.6 |
| Total | 12 | 16.0 | 3 | 5.7 | 2 | 2.0 | 3 | 5.5 | 20 | 29.2 |

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4. A list of the projects approved by UNCDF in 1983 is contained in annex I to this report.

B. Project expenditures

5. Net project expenditures in 1983 amounted to \$24.8 million against outstanding commitments of \$148 million for 185 projects carried over from 1982. In addition, approximately \$3 million in expenditures were incurred in 1983 against trust fund and cost-sharing contributions.

C. Trust fund arrangements

6. In 1983, as authorized by the Governing Council in decision 83/32, UNCDF accepted new trust fund contributions conditioned on procurement in the donor countries concerned (Austria, Italy) totalling \$5.6 million for three projects in Mali, Niger and Somalia. In addition, another trust fund agreement was formally signed in 1983 for a second project in Mali, which had been agreed upon in 1982. This agreement covers a trust fund contribution of \$306,000 from the Government of Belgium.

7. Based on UNCDF's experience in utilizing the authority to accept trust fund contributions conditioned on procurement in donor countries, the following conclusions emerge. The recipient countries which have so far benefited from these arrangements, as well as others consulted by the Fund, have clearly indicated that they welcome such contributions which they view as additionality of assistance. Of the aforementioned four trust fund contributions, three were for projects approved by UNCDF in 1981 and 1982 but for which disbursement authorization was withheld pending the outcome of resource mobilization efforts. These three contributions, therefore, had the effect of releasing some of the Fund's limited resources to be programmed for projects which otherwise would not have been approved in 1983. The other trust fund contribution was for a project that had been urgently requested by the Government of Mali in mid-1983 but which UNCDF could not approve within the ceiling set for new commitments against its general resources in 1983.

8. It is important to note that 36.4 per cent of these trust fund contributions is untied and that the contribution of each donor is well within the ceiling set by the Administrator in accordance with the spirit of the discussion on this matter during the Council's thirtieth session.

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9. This new modality for resource mobilization represented an important source of additional assistance for the LDCs in 1983. The Administrator has presented a detailed report on the subject in document DP/1984/69.

D. Cost-sharing arrangements

10. In 1983, UNCDF and the Arab Gulf Fund (AGFUND) concluded cost-sharing agreements under which AGFUND is contributing \$700,000 for two projects. This amount brings total AGFUND cost-sharing contributions to \$2.1 million for four projects.

E. Programme development

11. In 1983, nine programming missions were fielded by the Fund. Following review of project proposals identified by these missions, 24 project preparation missions were dispatched to 18 countries. Subsequently, 20 projects were presented to the UNCDF Projects Committee for approval. At year-end, there were 52 projects in the active pipeline at various stages of preparation, totalling some \$77 million.

12. UNCDF also participated in two round-table donor meetings organized by UNDP for the LDCs. These meetings offered a useful opportunity to explore possibilities of co-financing with other financing institutions.

II. FINANCIAL STATUS UNDER THE PARTIAL FUNDING SYSTEM

13. The Governing Council, in decision 82/22, authorized UNCDF to continue its operations under a partial funding system and requested the Administrator to include in his annual report on the Fund a chapter related to operation of the partial funding system. In decision 83/19, the Council took particular note of the Fund's resource projections for 1982-1986. The following information and commentary are offered in response to these two decisions.

A. Programme resources

14. Voluntary contributions pledged to UNCDF for 1983 amounted to the equivalent of \$24.3 million of which \$23.6 million had been paid in by year-end, bringing total cumulative contributions received by the Fund since its inception to \$201.8 million. In addition, UNCDF received in 1983 \$4.2 million in trust fund contributions conditioned on procurement of goods and services in the donor countries (against commitments of \$5.6 million, as mentioned in paragraph 6 above), as well as cost-sharing contributions totalling \$200,000 (against the commitment of \$700,000 as mentioned in paragraph 10 above).

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15. The trend in annual voluntary contributions to UNCDF over the past five years, including anticipated pledges for 1984, is as follows: 1980, \$28.6 million; 1981, \$31 million; 1982, \$26.2 million; 1983, \$24.3 million; and 1984, \$21.6 million.

16. It should be noted that of the 12 major donors contributing to UNCDF, 10 make their annual pledges in national currencies. The US dollar value of these pledges fluctuates based on exchange rate changes. A number of donors increased their contributions for 1983 and 1984, despite severe economic difficulties. Unfortunately, however, these increases were offset by the strength of the US dollar and also by reduced contributions from two major donors.

B. Commitment levels

17. The level projected for new commitments was \$34 million in 1983 and \$35 million in 1984, as set forth in the annual report for 1982, DP/1983/33. These projections were based on a series of assumptions and a control formula reported to the Council in DP/1982/39. However, since voluntary contributions to UNCDF for 1983 and 1984 did not reach anticipated levels, the Administrator felt it advisable to reduce project approval levels to \$25 million in 1983 and \$20 million in 1984. Subsequently, the receipt of trust fund and cost-sharing contributions in 1983 released UNCDF resources that had been earmarked for projects approved in 1982; thus the Fund was able to approve an additional \$5.2 million beyond the \$25 million level bringing the total of new commitments to \$30.2 million.

18. At year-end, total cumulative commitments amounted to \$307.4 million, while outstanding commitments under partial funding amounted to \$143.7 million (net of amounts related to trust fund and cost-sharing contributions which by their nature require full funding). As directed by the Council in decision 79/21, an Operational Reserve is maintained at 20 per cent of outstanding commitments. At year-end, this Operational Reserve amounted to \$28.7 million.

C. Expenditure levels

19. The level of net expenditures in 1983 was \$24.8 million, reflecting a level similar to 1982 expenditures. The Fund expects to increase the delivery of the programme in 1984 by focussing attention on:

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(a) Improvement of performance in project implementation by government executing agencies;

(b) More timely procurement of equipment by United Nations co-operating agencies; and

(c) More frequent project review and monitoring so as to ensure that operational problems are dealt with promptly and effectively. Appropriate staffing arrangements are being made for this purpose.

D. Financial status at year-end^{1/}

20. The Fund's total available resources at year-end amounted to \$103.8 million, including the Operational Reserve. These resources represent 72.2 per cent of total outstanding commitments. As shown in Table 2 below, which compares the Fund's financial position at year-end 1982 and 1983, liquidity increased by \$8.3 million in 1983 while the excess in commitments over available resources was reduced.

Table 2. UNCDF financial position, 1982 - 1984
(Millions of \$US)

| | <u>1982</u> (actual) | <u>1983</u> (actual) | <u>1984</u> (projected) |
|--|-------------------------|----------------------------|----------------------------|
| Balance of resources ^{a/} | 65.9 | 75.1 | 73.3 |
| Fully funded operational reserve | <u>29.6</u> | <u>28.7</u> | <u>26.5</u> |
| Total available resources | 95.5 | 103.8 | 99.8 |
| Total outstanding commitments | <u>148.0</u> | <u>143.7</u> ^{b/} | <u>132.4</u> |
| Difference between outstanding commitments and available resources | 52.5 | 39.9 | 32.6 |

^{a/} Excluding non-convertible currencies amounting to \$2 million at the end of 1982 and \$1.7 million at the end of 1983. The balance of resources also excludes cost-sharing and trust fund contributions.

^{b/} Excluding cost-sharing and trust fund commitments.

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21. It should be noted that the difference between outstanding project commitments and total available resources decreased from \$52.5 million in 1982 to \$39.9 million in 1983. The amount of \$39.9 million is covered by slightly less than two years of anticipated contributions calculated at the level pledged for 1984.

E. Projections for 1984 - 1986 ^{2/}

22. In developing its projections for 1984-1986, the Fund has adopted a conservative approach with regard to the level of future contributions which, for planning and programming purposes, are assumed to remain at the same level as that pledged for 1984. Based on this assumption, the ceiling for new project commitments in 1984 has been set at \$20 million. More realistic estimates of project expenditures have also been made. Thus, in 1984, project expenditures are projected at \$31.3 million.

23. The projected financial position at year-end 1984 is summarized in Table 2. Total available resources are projected to decrease slightly to \$99.8 million (\$73.3 million excluding of the Operational Reserve), since programme expenditure is estimated at a higher level than income. Furthermore, the anticipated difference between outstanding commitments and total available resources could be reduced in 1984 to \$32.6 million, representing approximately one-and-a-half years of anticipated contributions.

24. In conclusion, the partial funding system continues to enable UNCDF to provide a higher level of assistance to the LDCs than would be possible under a full-funding system. At the same time, the Council will note that the Fund's financial position continues to be sound and that prudent measures are being taken to ensure the financial integrity of the Fund at all times.

^{1/} A detailed financial statement will be submitted as an addendum.

^{2/} See Annex III for a comprehensive overview of UNCDF's resource planning for 1984-86.

Annex I

New projects approved by UNCDF in 1983
(All amounts in \$US)

| <u>Country/ Project title</u> | <u>Total cost</u> | <u>Government contribution</u> | <u>UNCDF contribution</u> | <u>Other contributions</u> |
|--|-------------------|------------------------------------|-------------------------------|---|
| <u>Bangladesh</u> | | | | |
| Rice-Bran Oil Extraction Plant | 3 161 000 | 1 240 000 | 1 452 000 | <u>UNIDO:</u> 469 000 |
| <u>Bhutan</u> | | | | |
| Medium Term Agricultural Credit | 1 180 000 | 150 000 | 1 030 000 | |
| Suspension Bridges | 1 485 000 | 410 000 | 990 000 | <u>UNDP:</u> 85 000 |
| <u>Central African Republic</u> | | | | |
| Development of Poultry Production | 4 507 800 | 1 493 000 | 2 461 800 | <u>UNDP:</u> 553 000 |
| <u>Chad</u> | | | | |
| Rehabilitation of Rice Production | 4 323 277 | 373 320 | 3 080 557 | <u>UNDP:</u> 759 400 <u>WFP:</u> 110 000 |
| Food Storage and Distribution | 3 242 000 | 100 000 | 740 000 | <u>UNDP:</u> 2 402 000 |
| <u>Ethiopia</u> | | | | |
| Dairy Development | 4 220 000 | 620 000 | 1 130 000 | <u>Govt. of Finland:</u> 2 470 000 |
| Water-Supply in the Central Region | 2 642 000 | 522 000 | 2 120 000 | |
| <u>Guinea</u> | | | | |
| Reinforcement of the Center for Maintenance and Repair of Industrial Equipment, Conakry | 6 501 000 | 1 017 000 | 3 326 000 | <u>UNDP:</u> 2 158 000 |

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Annex I

New projects approved by UNCDF in 1983
(All amounts in \$US)

| <u>Country/ Project title</u> | <u>Total cost</u> | <u>Government contribution</u> | <u>UNCDF contribution</u> | <u>Other contributions</u> |
|--|-------------------|------------------------------------|-------------------------------|--------------------------------|
| <u>Lao People's Democratic Republic</u> | | | | |
| Hydro Pumps for Irrigation and Domestic Water Supply | 2 175 763 | 548 929 | 1 151 834 | <u>UNDP:</u> 475 000 |
| <u>Malawi</u> | | | | |
| Village Access Roads and Bridges | 2 760 000 | 1 200 000 | 1 006 000 | <u>UNDP:</u> 554 000 |
| <u>Mali</u> | | | | |
| Irrigation and Flood Control in the Gao Region | 1 968 000 | 137 000 | 1 713 000 | <u>UNDP:</u> 118 000 |
| Rice Irrigation System in the Timbouctou Region | 945 000 | 155 000 | 650 000 ^{a/} | <u>UNDP:</u> 140 000 |
| <u>People's Democratic Republic of Yemen</u> | | | | |
| Rehabilitation of crop production | 1 189 700 | 553 000 | 566 700 | <u>UNDP:</u> 70 000 |
| <u>Rwanda</u> | | | | |
| Construction of Food Stores | 781 500 | 77 500 | 704 000 | |
| Small Livestock Production | 2 335 147 | 600 000 | 783 000 | <u>UNDP:</u> 952 147 |
| <u>Sao Tome and Principe</u> | | | | |
| Development of Pork Production | 3 437 300 | 928 300 | 2 001 000 | <u>UNDP:</u> 508 000 |

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Annex I

New projects approved by UNCDF in 1983
(All amounts in \$US)

| <u>Country/ Project title</u> | <u>Total cost</u> | <u>Government contribution</u> | <u>UNCDF contribution</u> | <u>Other contributions</u> |
|--|-------------------|------------------------------------|-------------------------------|---|
| <u>Togo</u> | | | | |
| Reinforcement of the Kara Agricultural Tools Workshop | 1 585 711 | 151 428 | 928 983 | <u>UNDP:</u> 505 300 |
| <u>Uganda</u> | | | | |
| Expanded Programme of Immunization | 9 412 000 | 352 000 | 1 953 000 | <u>UNICEF:</u> 6 387 000 <u>SCF^b:</u> 720 000 |
| <u>Upper Volta</u> | | | | |
| Improvement of Health Care Facilities in the Northern Region | <u>3 694 061</u> | <u>1 005 790</u> | <u>1 437 221</u> | <u>UNDP:</u> 899 800 <u>UNICEF:</u> 351 250 |
| Total | | | <u>29 225 095</u> | |

a/ Includes \$500,000 of trust fund contributions, see annex II.
b/ Save the Children Fund.

Annex II

Projects for which UNCDF
accepted tied trust fund contributions in 1983^{a/}
(All amounts in \$US)

| <u>Country/ Project title</u> | <u>Total cost</u> | <u>Government contribution</u> | <u>UNCDF Contribution</u> | | <u>Other contribution</u> |
|---|-------------------|------------------------------------|------------------------------|-------------------|-------------------------------|
| | | | <u>General resources</u> | <u>Trust fund</u> | |
| <u>Mali</u> | | | | | |
| Rice Irrigation in the Timbouctou Region ^{b/} | 945 000 | 155 000 | 160 527 | 489 473 | UNDP: 140 000 |
| <u>Niger</u> | | | | | |
| Construction and Maintenance of Secondary Roads | 10 237 948 | 1 777 300 | 2 397 390 | 2 094 000 | UNSO: 3 969 258 |
| <u>Somalia</u> | | | | | |
| Rehabilitation of Rural Reservoirs | 4 959 000 | 1 430 000 | | 3 000 000 | UNDP: 529 000 |
| | | | | | |
| Total | | | | 5 583 473 | |

^{a/} Not included is the project for the construction of regional abattoirs in Mali which has a trust fund contribution of \$306,000 which was agreed upon in 1982 and signed in 1983.

^{b/} The rice irrigation project in the Timbouctou region of Mali was approved in 1983 and accounted for in annex I. The other two projects, in Niger and Somalia were approved prior to 1983 and the figures on contributions from general resources pertain to earlier years.

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Annex III
Resource planning table for UNCDF programme (1984-1986) under partial funding
(millions of US dollars)

| | A C T U A L | | | | | P R O J E C T E D | | |
|---|-------------|-------|----------------|-------|-----------------|-------------------|-------|-------|
| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
| I. <u>Availability of resources</u> | | | | | | | | |
| Available from previous year <u>a/</u> | 50.4 | 50.9 | 66.8 | 60.3 | 65.9 | 75.1 | 73.3 | 72.4 |
| Voluntary contributions pledged <u>b/</u> | 25.1 | 28.6 | 31.0 <u>c/</u> | 26.2 | 24.3 | 21.6 | 21.6 | 21.6 |
| Adjustment in pledges (+-) <u>d/</u> | - 1.2 | + 0.9 | - 1.3 | + 1.8 | - 0.2 | - | - | - |
| Voluntary contributions received | 23.9 | 29.5 | 29.7 | 28.0 | 24.1 | 21.6 | 21.6 | 21.6 |
| Other income <u>e/</u> | 6.7 | 9.1 | 12.5 | 13.1 | 10.7 | 7.8 | 7.5 | 7.2 |
| Total resources | 81.0 | 89.5 | 109.0 | 101.4 | 100.7 | 104.5 | 102.4 | 101.2 |
| II. <u>Use of resources</u> | | | | | | | | |
| Project expenditure <u>f/</u> | 8.9 | 19.3 | 48.2 | 27.7 | 24.8 <u>g/</u> | 31.3 | 31.3 | 31.3 |
| Administrative costs <u>h/</u> | - | - | - | 2.1 | 2.0 | 2.1 | 2.1 | 2.1 |
| Total programme expenditure | 8.9 | 19.3 | 48.2 | 29.8 | 26.8 | 33.4 | 33.4 | 33.4 |
| Change in operational reserve (+-) | 20.9 | 1.8 | 0.6 | 6.3 | - 0.9 | - 2.2 | - 3.4 | - 0.8 |
| Change in non-convertible currencies (+-) | 0.3 | 1.6 | - 0.1 | - 0.6 | - 0.3 | - | - | - |
| Total use of resources | 30.1 | 22.7 | 48.7 | 35.5 | 25.6 | 31.2 | 30.0 | 32.6 |
| III. <u>Balance of resources</u> | 50.9 | 66.8 | 60.3 | 65.9 | 75.1 | 73.3 | 72.4 | 68.6 |
| IV. <u>Operational reserve i/</u> | 20.9 | 22.7 | 23.3 | 29.6 | 28.7 | 26.5 | 23.1 | 22.3 |
| V. <u>Non-convertible currencies</u> | 1.1 | 2.7 | 2.6 | 2.0 | 1.7 | 1.7 | 1.7 | 1.7 |
| VI. <u>Project commitments outstanding j/</u> | 78.1 | 111.6 | 118.7 | 148.0 | 143.7 <u>k/</u> | 132.4 | 115.6 | 111.7 |
| VII. <u>Project commitments in excess of balance of resources and operational reserve</u> | 6.3 | 22.1 | 35.1 | 52.5 | 39.9 | 32.6 | 20.1 | 20.8 |
| VIII. <u>Annual project approvals</u> | 40.0 | 52.2 | 71.1 | 60.0 | 23.9 <u>l/</u> | 20.0 | 14.5 | 27.4 |

This table is based on the following main assumptions: no growth in voluntary contributions for period 1984-1986; an established project approval ceiling of \$20 million in 1984; exclusion of the operational reserve in its entirety from the calculation of approval levels in 1985-1986; other assumptions listed in footnotes.

This table is intended to determine the annual level of project approvals made possible from UNCDF general resources. It does not include additional project approvals made possible from cost-sharing and/or trust fund arrangements.

Notes

- a/ Available resources are exclusive of operational reserve, non-convertible currencies, cost-sharing and trust fund contributions.
- b/ Voluntary contributions for 1984 based on announced and expected pledges.
- c/ Inclusive of special contribution for 1981 (\$4.3 million) of Government of Norway.
- d/ Annual adjustments will be made for pledges for 1984-1986.
- e/ Represents interest and other income. Interest income is assumed at 7.5 per cent in 1984-1986 of average annual resources during the year.
- f/ Improved project expenditures estimates for 1984-1986 to be developed on the basis of revised annual project budgets, currently under preparation. Amounts include programme support costs.
- g/ This figure takes into account an adjustment of \$0.5 million for trust fund related project expenditures incurred in 1982.
- h/ The administrative costs include an assessed contribution for UNDP support services.
- i/ Operational reserve created in 1979 is maintained at 20 per cent of outstanding commitments. It is inclusive of guarantee reserve (\$0.6 million as at 31.12.83) which is maintained at 20% of guaranty commitments outstanding (\$3.0 million as at 31.12.83).
- j/ Outstanding commitments are net of expenditures, cancellations, deobligations (US\$ million: 1979 - 1.3; 1980 - 0.5; 1981 - 16.0; 1982 - 3.2; 1983 - 0.1), cost sharing and trust fund commitments. These amounts, however, include guaranty commitments amounting to \$3.0 million as of 31.12.83, which though of contingent nature are nevertheless included in outstanding commitments to reflect total liabilities of the Fund. A guarantee reserve equal to 20% of the guaranty commitments is maintained as part of the operational reserve. Cumulative cost-sharing and trust fund commitments amounting to \$9.6 million as at 31.12.83 which are covered by third party contributions are also not shown as part of the outstanding commitments. These commitments are fully funded.

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k/ This level of outstanding project commitments reflects an adjustment made to exclude trust fund commitments of \$3.3 million concluded in 1982.

1/ UNCDF project approvals in 1983 amounted to \$30.2 million, out of which \$23.9 million were funded from UNCDF general resources and \$6.3 million made possible as a result of five trust fund and cost-sharing contributions concluded in 1983.