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P O L I C Y

PREPARATIONS FOR THE FOURTH PROGRAMMING CYCLE, 1987-1991

RESOURCE LEVELS AND THEIR USES: ALTERNATIVE SCENARIOS

Note by the Administrator

Summary

This note provides scenarios as a background for the special meeting of the Council in February 1985. It presents indicative planning figure (IPF) values for each country/programme at four different assumptions about resource levels for the fourth programming cycle. It is proposed to maintain the general methodology used for calculating individual country and regional IPFs, but with several significant modifications.

The annexes to this note will be presented in a separate document under the symbol DP/1985/1 (Annex).

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[The annexes to this document will be presented
in document DP/1985/1 (Annex)].

INTRODUCTION

1. The Governing Council of the United Nations Development Programme (UNDP) began its deliberations on preparations for the fourth programming cycle at its thirty-first session in June 1984. By decision 84/20,^{1/} the Council decided to consider this subject further at a special meeting in early 1985, with a view to arriving at final indicative planning figures (IPFs) at its thirty-second session in June 1985.
2. In addition, the Council requested the Administrator to arrange informal consultations during the latter half of 1984 among all participating Governments to discuss the size of the resources to be taken into account for the next programming cycle.
3. A first informal meeting was held on 18 September 1984 in New York. At that meeting, the Associate Administrator introduced a note containing some illustrative calculations relating to resources for the fourth programming cycle, based on three different approaches. Several representatives at the meeting called for additional information, including calculations based on: (a) a 14 per cent per annum growth in voluntary contributions; and (b) resource magnitudes based on the needs for technical assistance of the developing countries. A request was also made for a scenario based on the Organization for Economic Co-operation and Development (OECD) projections of Official Development Assistance (ODA) for individual Development Assistance Committee (DAC) member countries.
4. A second meeting was held on 30 October 1984, also in New York. For that meeting an expanded note entitled Illustrative calculations of resources and uses of resources (WP/1984/1) had been provided to Governments who were asked to respond. Reference was also made to the document prepared for the fourth programming cycle (DP/1984/27) which had been presented to the thirty-first session of the Council. It is suggested that the present note be read together with documents DP/1984/27 and WP/1984/1 which also constitute part of the documentation for the special meeting at the Council.
5. A large number of statements were made at the meeting, relating to the magnitude of resources which could realistically be expected for the cycle, as well as the distribution of these resources. While all the speakers agreed that realistic resource estimates were needed in order to avoid a repetition of the reductions in programming levels necessitated during the third cycle, there were differing views as to what might be considered realistic. Some speakers advocated that the only appropriate target would be the most consistent with the long-term goal of satisfying the needs of developing countries for technical assistance. Most representatives/speakers agreed that the minimum level recommended in decision 83/5 ^{2/}, i.e., the maintenance of the real value of voluntary contributions, was acceptable.

6. On 18 December 1984, the General Assembly, in its resolution 39/220, on operational activities referred to the planning for the fourth programming cycle as follows:

"6. Recognizes the contribution of Governments to the United Nations Development Programme, particularly those which have increased their contributions by 14 per cent, bearing in mind decision 80/30 of 26 June 1980 of the Governing Council of the Programme, ... reaffirms the imperativeness of providing the Programme with adequate resources, and calls upon the Governing Council, while considering the level of resources of the fourth programming cycle, to take fully into account, in accordance with the principles of the Consensus of 1970, the increased needs of the developing countries in the area of technical co-operation and the need for achieving real growth in resources;"

7. This paper provides scenarios for the fourth programming cycle, regarding both the level of resources to be available and the utilization of these resources, as a background for the discussions at the current special meeting of the Governing Council.

I. THE FOURTH PROGRAMMING CYCLE IN THE PERSPECTIVE OF OFFICIAL DEVELOPMENT ASSISTANCE 1985-1991

8. ODA receipts from all sources have hovered around \$35 billion annually during the first years of the 1980s with approximately 75 per cent, or \$26 billion, coming from DAC member countries. It can be estimated, furthermore, that at least some \$6.5 billion annually was allocated for technical assistance with approximately \$700 million annually through UNDP. A simple calculation indicates that only some 10 per cent of technical assistance funds was channelled through UNDP, the remainder flowing through bilateral channels or through the World Bank.

9. An internal study, based on publicly available data from OECD official statements regarding ODA targets, combined with estimates of GNP growth, points towards significant increases in ODA in current United States dollars during the second half of the decade. Official figures from OECD indicate that, whereas total ODA received during the five years corresponding to the second programming cycle 1977-1981 amounted to \$155 billion, current projection for the third cycle 1982-1986 points towards \$200 billion and for the fourth cycle 1987-1991 around \$350 billion, if estimates based on statements by donors regarding ODA targets are upheld. These figures compare with \$112 billion of ODA from the DAC member countries in the second cycle, an estimated \$163 billion for the third cycle and, based on the same statements, a projected \$287 billion for the fourth cycle. In the light of this, one way of estimating voluntary contributions to UNDP would be to assume that donor countries would continue to contribute the same percentage of their total ODA to UNDP as they did in the 1979-1983 period when the average percentage of total ODA contributed to UNDP by DAC member countries was 2.2 per cent with a

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spread among individual countries of from 0.6 per cent to 11.2 per cent. This would translate into voluntary contributions for the fourth cycle of between \$7 billion and \$8 billion, depending on assumptions. Alternatively, the assumptions could be linked to the current share of multilateral ODA, although the variation in multilateral ODA from year to year due to bunching of payments to international financial institutions makes this a more difficult tool to use.

10. It is in this context that the role of technical assistance should be assessed. While, on the one hand, the availability of funds according to the projected scale represents an exceptional opportunity for a major effort to substantially reduce poverty and hunger, it must be equally clear that the flow of funds will be aborted if there are no tangible results or if the funds would appear to be misused. The focus would, therefore, have to be on efficiency, economy, effective co-ordination and a major effort to enhance the capacity of the recipient countries to manage their own development process. In that context, UNDP would appear to be well placed, in close co-operation with the World Bank, to participate in that particular process.

II. RESOURCES FOR THE FOURTH PROGRAMMING CYCLE, 1987-1991

11. The primary purpose of the resource target is to serve as a reasonably firm base on which Governments, the executing agencies and UNDP can build a meaningful programme. It is in the preparation of this programme that it is important to have a firm indication of the amount of resources that will be available. Although this is accepted and understood by all parties concerned, it has not been possible to obtain any agreement on longer-term pledges on a firm basis, even though the subject was extensively dealt with by the Intersessional Committee of the Whole (ICW). It is the hope of the Administrator that, after the main issues involved in the preparation for the fourth cycle have been dealt with, the Council will agree to return to this matter. With this purpose in mind, it becomes important also that the resource target be realistic in order to avoid needless programme and project effort. The support expressed during the informal consultations for the maintenance of the real value of contributions, as recommended in Council decision 83/5, could be used for calculating a minimum level of resources for the fourth cycle. Maintenance of real value in contributions would, in the long run, translate into annual increases approximating the longer-term inflation rate in the United States. That, taken together with a minimum amount of growth in the Programme, could translate into an annual growth rate, in current United States dollars of approximately 6 per cent.

12. In connection with the above, one proposal to deal with the issue of fluctuations in resources is to be found in paragraph 16 of document DP/1984/27, in which it is proposed that there should be a range of resources with a minimum being accepted by all as a basis for core IPFs, which would be firm, and that, if actual resources exceed the minimum, supplementary IPFs would be available. In the consultations that have taken place it did not appear that this formula would have the support of the majority of Governments. However, as it was not formally dealt with at the meeting of the Council, it is now resubmitted for the Council's consideration.

13. Should the above arrangements not be acceptable to the Council, it is proposed that the present system of across-the-board percentage changes in IPFs and programmes in response to resources actually available would continue. This could, of course, mean either reductions or increases to the original planning figures.

14. As discussed in the consultations, the Administrator now proposes four scenarios for likely resource growth, based on the following assumptions:

Alternative 1: A growth rate for 1987-1991 similar to the average growth rate in voluntary contributions 1977-1983 for all countries in current United States dollars (see table 2 of WP/1984/1);

Alternative 2: Amount required to deliver, in real terms, a 2 per cent per annum increase, assuming low inflation of 4.3 per cent (see alternative 3.3 in WP/1984/1);

Alternative 3: Amount required to deliver, in real terms, the same amount in the fourth cycle as for the third cycle; assuming high inflation of 6.8 per cent per annum (see alternative 3.2 in WP/1984/1);

Alternative 4: The same target as for the third cycle.

15. These alternatives are spelled out in greater detail in document WP/1984/1 which was considered at the meeting on 30 October 1984. The calculations based on the above alternatives result in estimated growth rates in voluntary contributions of 6, 8, 10, and 14 per cent, respectively.

16. In the light of the results of the Pledging Conference in November 1984, the base figure used in document WP/1984/1 of \$790 million for 1986 has been reduced to \$750 million. Using this reduced base figure, table 1 below shows the resources which will be available on the above bases. The calculations in the table below do not include calculations which assume that UNDP would continue to receive the same percentage share of multilateral ODA during the period 1987-1991 as it did in previous years.

Table 1. Resources and use of resources for the fourth programming cycle:
four alternatives

(Millions of US dollars*)

<u>Item</u>	<u>Alt. 1</u>	<u>Alt. 2</u>	<u>Alt. 3</u>	<u>Alt. 4</u>
Estimated growth rate in Voluntary contributions 1987-1991	6%	8%	10%	14%
Voluntary contributions	4 481	4 752	5 037	5 652
Other income	<u>112</u>	<u>119</u>	<u>126</u>	<u>141</u>
Total resources	4 593	4 871	5 163	5 793
IPFs	3 117	3 328	3 550	4 025
Other uses	<u>1 476</u>	<u>1 543</u>	<u>1 613</u>	<u>1 768</u>
Total use	4 593	4 871	5 163	5 793

*Rounded to nearest million.

III. CHOICES IN THE USE OF IPF RESOURCES FOR THE FOURTH PROGRAMMING CYCLE

A. Distribution between country and intercountry Indicative Planning Figures (IPFs)

17. The major choices before the Council for the fourth programming cycle relate to the IPF programme which includes approximately 96 per cent of the total field programme (excluding agency support costs reimbursements). The first decision to be made is the relative shares of country and intercountry IPFs. As shown in table 2 of document DP/1984/27, the share of intercountry IPFs has increased gradually over the three cycles from 15 to 19 per cent in response to demonstrated performance and needs of the intercountry programmes, in particular the research activities financed under the global programme. From the discussions at the thirty-first session of the Governing Council and the subsequent informal consultations, it has become evident that there is wide support for a modest increase in the share for intercountry IPFs. The Administrator therefore recommends an increase by one percentage point, to 20 per cent, in the share for intercountry IPFs.

B. Sub-division of intercountry programmes

18. In the light of the Administrator's proposal in paragraph 31 of DP/1984/27 and the general recognition of the importance to the development process in individual countries played by the research projects executed under the global IPF programme, the Administrator recommends an adjustment of the distribution among the intercountry programmes as shown below in table 2.

Table 2. Distribution of intercountry Indicative Planning Figures

	<u>Current distribution</u> %	<u>Fourth cycle distribution</u> %
Regional IPFs	79.5	75.0
Interregional IPF	8.0	8.0
Global IPF	<u>12.5</u>	<u>17.0</u>
Total	100.0	100.0

The amounts connected with the proposed distribution are reflected in annex 1.

C. Country Indicative Planning Figures: eligibility and universality

19. In the distribution of IPFs among countries, two issues have to be addressed first, eligibility and criteria.

20. On the question of eligibility, it should be noted that, while participation in the Programme is open to all members of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA), access to grant assistance from the Programme is a matter for the Governing Council to decide. In decision 80/30, operative paragraphs 6(d) and (e) ^{3/}, the Council chose not to bar any country from receiving grant assistance but instead urged countries with a per capita GNP above \$2,000 to make contributions to UNDP of at least 75 per cent of the annualized IPF by 1985, and countries with a per capita GNP above \$3,000 to become net contributors by 1985. While several countries have achieved net contributor status, it is equally clear that the majority of those countries are not likely to become net contributors during the current cycle. Updated information on the performance of countries in meeting these targets will be provided to the Council.

21. During consultations, many countries expressed the view that while all countries should be eligible to participate in the Programme, there should be some arrangement under which countries with a per capita GNP above, say, \$3,000 should reimburse the Programme for assistance provided. The Administrator would like to put forward an alternative formula whereby IPF

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assistance would be available to all countries participating in the Programme, but countries with a per capita GNP above \$3,000 would make voluntary contributions, to the general resources of the Programme in usable currencies, in amounts which are at least equal to the IPF assistance provided, including support costs. To ensure that this arrangement is being honoured, this Reimbursable Indicative Planning Figure (RIPF) available for each year would be no greater than the amount of voluntary contributions pledged by the country two years before the programme year. The initial amount would be set at the same level which is available for the third programming cycle and would be totally self-financing. Furthermore, these countries would be expected to continue to contribute beyond the amounts received under these RIPFs. For such countries, UNDP would still maintain a field office on the understanding that all costs, including support costs, other than the cost of the resident representatives are to be reimbursed by the country concerned. The field office would, of course, provide, on a cost reimbursement basis, services for cost sharing, trust funds and other similar programmes.

D. Criteria for Indicative Planning Figures

22. There would seem to be broad agreement to essentially retain the same types of criteria for the fourth cycle as were used for the third cycle, i.e. per capita GNP and population as basic criteria and a set of supplementary criteria.

23. Regarding the basic criteria, it is the Administrator's recommendation that the data source should continue to be the World Bank data on population and per capita GNP for 1982 where they are available. In the absence of such data, it should be left to the Administrator to determine and use the best available estimates. It will be noted that all the calculations are based on 1982 figures, but since these calculations relate to IPF resources for the period 1987-1991 every effort will be made to obtain the latest available data provided these are comprehensive and on a comparable basis. While some data for 1983 are expected to become available by June 1985, the Council will be asked to determine whether the 1983 figures, when available for all countries, are to be substituted for the 1982 figures.

E. Division between basic and supplementary criteria

24. For calculating the third cycle illustrative IPFs the weight ratio between basic criteria and supplementary criteria approximated 82 to 18. In several statements made to the Council, it has been pointed out that the per capita GNP measure is incomplete as a measure of level of development and/or needs for technical assistance. However, it would not appear that any comprehensive or credible alternative is available. This point was dealt with in paragraph 36 of document DP/1984/27. However, to reduce somewhat the impact of per capita GNP on the calculations, the Administrator proposes for the fourth cycle an increase in the weight of supplementary criteria to make the weight ratio 75 to 25 between basic and supplementary criteria.

25. The Administrator has examined a number of alternative functions for assigning weights to per capita GNP and population. He has selected the function which takes into account the wishes of the Council that weights

should be proportionately greater for lower income countries, which is interpreted as countries with per capita GNP below \$410. Countries with per capita GNP under \$805, as suggested in paragraph 39 of DP/1984/27 to replace the old limit of \$500 used for the third cycle, would receive 80 per cent of total resources available for country IPFs. For countries with per capita GNP above \$805, the weighting would be proportionately greater for countries in the group \$806 to \$1,500 than those in the group above \$1,500. This point is elaborated further in paragraphs 30 and 31.

F. Supplementary criteria

26. Regarding supplementary criteria, the Council had adopted (decision 80/30, operative paragraph (1) (c) for the third programming cycle the following supplementary criteria:

- "(i) The special needs of least developed countries, land-locked countries, island developing countries, newly independent countries, countries suffering from acute ecological and geographical disabilities, and front-line and most seriously affected countries, taking into account General Assembly resolution 34/217 of 19 December 1979, that do not benefit from other supplementary criteria;
- (ii) The magnitude of the country's development effort, the extent to which the Government is making structural changes to promote the development process, and the distribution of income and other elements of the establishment of social justice;
- (iii) A country's cumulative debt burden and overall balance of payments deficit and the chronic deterioration of the terms of trade".^{4/}

27. The Administrator would apply these supplementary criteria on the basis of the same principles applied for the third cycle. With regard to the criteria noted in paragraph 26 (i) above, the Administrator would propose deletion of the term "most seriously affected countries" since this concept is no longer applicable. With regard to paragraph 26 (ii), the Administrator wishes to remind the Council of the understanding that these are subjective criteria in which judgements are made on the management of economies by Governments and that he would not be required to disclose his categorizations of particular countries.

28. As mentioned in paragraph 23 above, the Administrator proposes to increase the weight of supplementary criteria to 25 per cent in order to de-emphasize the reliance on the per capita GNP concept. Furthermore, the Administrator proposes a change in the present methodology of calculating the supplementary amount which is totally correlated to the size of the basic IPF and which therefore incorporates any bias inherent in the per capita GNP measure. The Administrator now proposes to divide the amount for a point under supplementary criteria into two parts: 25 per cent for a fixed part and a 75 per cent variable part correlated to the basic IPF. This would further modify the reliance on the per capita GNP concept.

29. To sum up the question of supplementary criteria, the Administrator recommends that, for the fourth cycle, the following supplementary criteria be applied for countries:

- (a) Inclusion in the list of countries designated as least developed among developing countries or, by decision of the Governing Council, to be treated "as if" it had been included in that list;
- (b) The country is a land-locked developing country;
- (c) The country is an island developing country;
- (d) A country has acceded to independence during the second programming cycle or thereafter;
- (e) A country is a front-line State not benefiting from any other supplementary criteria;
- (f) A country suffers from acute ecological or geographical disabilities;
- (g) The magnitude of a country's development effort, the extent to which the Government is making structural changes to promote the development process and the distribution of income and other elements of social justice;
- (h) The country's total annual debt service payments exceeds 20 per cent of total export earnings on goods and services, in 1982;
- (i) the country's current account deficit exceeds 10 per cent of its gross domestic product or national income for at least two out of the three-period 1980-1982;
- (j) The country's continued deterioration of terms of trade measured as a decline by more than 15 per cent in at least two out of the three-year period 1980-1982.

30. As an overriding expression of priority, the Governing Council, in decision 80/30 prescribed that 80 per cent of the total amount of available for country IPFs were to be allocated to countries with a per capita GNP of up to \$500, with proportionally higher increases for countries with a per capita GNP of up to \$250. During the informal consultations, it became quite clear that there is broad support for maintaining this profile in favour of the low-income countries. It was equally perceived that there is broad support for raising the level to \$805 to take into account inflation in the intervening period and to harmonize with the cut-off point for concessionary loans from the World Bank's International Development Association. The effect of raising the level is that, compared with the third cycle, two countries which were previously in this category would be deleted from the priority list and seven would be added for a total of 67 (see annex II). The higher rate of increase is applied to countries with a per capita GNP of up to \$410, which coincides with the World Bank definition of low-income countries and also takes into account the inflation since 1978.

31. It was also stated during the informal consultations that special attention must be given to those countries immediately above the dividing line of \$805, to avoid a threshold effect. A separate group of 26 countries with a per capita GNP from of \$806 up to \$1,500 has therefore been given higher rates of increases than the per capita GNP group of \$1,500 to \$3,000.

G. The "floor" concept

32. In its decisions regarding criteria for the calculation of IPFs for the second programming in a following cycle, the Council introduced the concept that the IPF should not be less in a following cycle than in a previous cycle regardless of intervening changes in the underlying criteria. This has generally been referred to as the "floor" concept. In decision 80/30 regarding the third programming cycle, the Council reduced this "floor" to 80 per cent of the previous cycle IPFs for countries with a per capita GNP above \$3,000 excepting island developing countries. The Council, in the same decision, decided on a flat across-the-board percentage reduction in the IPFs of all countries in supersession of any criteria that may interfere with the share of the respective countries, if resources were to fall short of the target for the third cycle. With the reduction of all programmes (except the smaller IPFs noted in Governing Council decision 83/14, section VI) to 55 per cent of the original illustrative IPFs, the "floor" was effectively reduced.

33. As the 55 "floor" countries in the third cycle were all to be found among the 87 countries/territories with above \$500 per capita GNP which shared 20 per cent of total available country resources, the burden of its financing fell on the remaining 33 "non-floor" countries in that category. Table 3 below illustrates the impact of the "floor":

Table 3 Impact of the "floor" concept on third cycle
Indicative Planning Figures

GNP per capita group 1978 \$	No. of "floor" countries	Total no. of countries	Illustrative IPF				"Cost of "floor"	
			with "floor" 100% (\$ million)	55% a/ (\$ million)	without "floor" 100% (\$ million)	55% a/ (\$ million)	\$ million	%
501-1 500	23	53	237.7	132.2	160.9	89.9	42.3	47
1 501-3 000	18	18	154.2	84.9	34.8	20.3	64.6	318
3 000-	14	16	56.1	31.2	19.0	11.2	20.0	179
Total	55	87	448.0	248.3	214.7	121.4	126.9	105

a/ Including small IPFs at 80 per cent in accordance Governing Council decision 83/14, section VI.

34. Many voices have been raised for the abolition of the "floor" for the fourth cycle. However, given the sometimes sharp reductions that would follow, the Administrator proposes a gradual reduction of the "floor" as follows:

<u>GNP per capita 1982 (US\$)</u>	<u>"Floor" level"</u>
- 1,500	100% ^{a/}
1,501 - 3,000	80% ^{a/}
3,001 -	Reimbursable IPF only

^{a/} Of 55 per cent of illustrative IPF or as decided by Governing Council in decision 83/14, section VI.

A further proposal is that no "floor" would apply for the fifth programming cycle.

H. The "ceiling" concept

35. In its decision 80/30, operative paragraph 1(f) (iii), the Council decided that each country with a per capita GNP of above \$1,500 should receive a third cycle country IPF not in excess of its IPF for the second cycle. The Administrator proposes that the same principle should apply to the fourth cycle.

I. National liberation movements (NLMs)

36. A separate issue relates to the IPF for national liberation movements (NLMs). The NLM IPF for the current cycle is \$8.25 million at the 55 per cent level. The beneficiaries are currently South-West African People's Organization (SWAPO), African National Congress (ANC) and Pan-African Congress (PAC). The NLM programme is controlled directly by UNDP headquarters and project implementation is supervised by the Resident Representatives in Angola, United Republic of Tanzania, and Zambia. Funds are used exclusively for food production, education and health projects. While it is difficult to estimate the needs into the fourth cycle, the Administrator proposes that the NLM IPF be increased in the same proportion as the total increase of IPFs for countries with a per capita GNP below \$805.

J. Regional indicative planning figures

37. By decision 80/30 the Council decided that in calculating the regional IPFs for the third cycle, the same general methodology used for the second cycle would be retained. This included allocation to the various regions on the basis of country IPFs allocated to the region and on the basis of nine

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supplementary criteria. The relative weights were 85 per cent for aggregate country IPFs and 15 per cent for supplementary criteria. Furthermore, there were to be no negative changes from the second to the third cycle in any regional IPF.

38. The Administrator proposes to retain the third cycle methodology for the calculation of the regional IPFs for the fourth cycle with the modification that the category "most seriously affected countries" which do not benefit from other supplementary criteria, be deleted on the same grounds as those advocated under paragraph 27 above regarding supplementary criteria for calculating country IPFs.

39. Despite the general principle of discontinuing subregional or undistributed IPFs for the third cycle, the Council requested the Administrator (decision 80/30, operative paragraph 12) to maintain, wherever possible, ongoing subregional projects aimed at enhancing multi-island co-operation. This resulted in an undistributed multi-island IPF for certain islands in the Caribbean regions of \$2.484 million for 1982-1986 (at the 55 per cent level). The Administrator proposes that for the fourth cycle an amount of \$2.5 million be set aside for a multi-islands IPF for Island in the Caribbean region.

IV. USE OF RESOURCES FOR PURPOSES OTHER THAN IPF

A. Special programme resources

40. So far, for each cycle the Council has decided to set aside a specific amount essentially for emergency assistance in response to natural disasters and for unforeseen contingencies under the heading Special Programme Resources (SPR) (previously, the Programme Reserve). For the second and third cycles, these funds could also be used for financing activities related to programme development and financing of promotional activities of technical co-operation among developing countries. The Administrator proposed, in document DP/1984/27, to enlarge the scope and size of the SPR in order to enable the Administrator to respond to urgent needs of an intercountry nature, in special priority areas, as they become identified. During the informal consultations, it became clear that while there is considerable support for a modest increase in the share of total resources for the SPR, the purpose and use of such an increase needs to be further elaborated. The Administrator, therefore, proposes an increase from the current level of 1.24 per cent of total resources to 2 per cent and will submit a separate report and proposal to the Council at its thirty-second session, detailing the purpose and use of the SPR.

B. Special Industrial Services

41. Provision of Special Industrial Services (SIS) originates in General Assembly resolution 2823 (XXVI) in the context of the Special International Conference of the United Nations Industrial Development Organization (UNIDO) in 1970 which urged the Governing Council of UNDP to plan the level of its programme reserve so that a minimum of \$2 million could be retained annually for financing the SIS programme. The SIS programme has been administered by UNIDO with annual allocations provided by UNDP. With the changing status of

UNIDO it can be questioned whether the financing of this programme should not be borne by UNIDO. Pending also a further review of the cost-effectiveness of the SIS programme and the question of UNIDO's status, the Administrator proposes a provisional sum of \$15 million be set aside for SIS in the fourth cycle (compared with \$13.75 million in the third cycle).

C. Sectoral support

42. Sectoral support has been extended by UNDP, in accordance with Governing Council decisions, annually or biennially to the organizations in the United Nations system to provide advisory services to Governments in certain locations. The major part of the funds has been used to finance Senior Industrial Development Field Advisors (SIDFAs). The Administrator will be presenting an in-depth review to the thirty-second session of the Council on the costs and benefits of providing these services. In the meantime, the Administrator proposes setting aside a provisional sum of \$25 million for the fourth cycle (compared with \$20.6 million in the third cycle).

D. Increased Operational Reserve/Programming Reserve

43. The Administrator, in document DP/1984/27, paragraph 17, proposed an increase in the level of the Operational Reserve and a broadening of its scope, in order to provide funds for more flexibility in programming levels in response to unanticipated changes in contributions. While the general response to the Administrator's proposal has been favourable, it has been pointed out that the purpose of such a reserve would be different and separate from that of the Operational Reserve and should therefore have a different title. The Administrator, therefore, proposes that the Operational Reserve should remain as at present and subject to the present rules regarding its size and its use. For the purposes mentioned in paragraph 19 of DP/1984/27, he proposes the establishment of the Programming Reserve. The Administrator will submit a separate report to the thirty-second session of the Council, providing detailed description of the functions of such a reserve. In the meantime, an amount of \$75 million has been set aside provisionally for this special purpose.

E. Agency support costs

44. By decision 80/44 ⁵/ the Governing Council decided to establish a rate of 13 per cent of annual project expenditures for reimbursement by UNDP of agency support costs for operational activities in respect of the years 1982 to 1991. In the presented calculations for the fourth cycle, amounts corresponding to 13 per cent of the IPF, SPR and SIS have been set aside for these purposes.

F. Shortfall or surplus in the mobilization of resources

45. As the actual outcome of voluntary contributions over the fourth cycle is likely to be considerably different from any established target, it is important that the Council should, in advance, decide how to deal with any significant shortfall or surplus. The Administrator recommends that the approach taken for the third cycle should also be applied to the fourth

cycle. This would mean that the Administrator would, in the case of a significant deviation from the established target, increase or reduce all the planning figures by a flat across-the-board percentage change, superseding all other criteria. The only exception would be the UNDP biennial budget where the Council decides biennially on appropriations.

G. UNDP administrative and programme support costs

46. All the presented alternatives are based on the assumption of no real growth in staffing and a 4.3 per cent annual inflation factor in United States dollars.

Notes

1/ See Official Records of the Economic and Social Council, 1984, Supplement No. 10 (E/1984/20), Annex I.

2/ Ibid., 1983, Supplement No. 9 (E/1983/20), Annex I.

3/ Ibid., 1980, Supplement No. 12 (E/1980/42/Rev.1), Chapter XI.

4/ Ibid.

5/ Ibid.
