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SUPPORT

OTHER FUNDS AND PROGRAMMES
UNITED NATIONS CAPITAL DEVELOPMENT FUND

Annual report of the Administrator for 1984

Summary

This report is submitted in accordance with General Assembly resolution 2186 (XXI) which established the United Nations Capital Development Fund (UNCDF) as an organ of the General Assembly, resolution 2321 (XXII) which entrusted the administration of UNCDF to the Administrator of UNDP in the capacity of Managing Director of the Fund, and resolution 36/200 which directed that, beginning in 1983, a broad policy review be undertaken on a biennial basis of those funds and programmes that are managed by the Administrator and are under the guidance of the Governing Council.

In addition to reporting on programme activities, the report summarizes the findings and conclusions resulting from evaluation studies of a number of ongoing and completed projects. Information is also provided on the Fund's financial status as well as on administrative matters.

The Council's attention is drawn to UNCDF's plan to initiate loan operations on a limited scale.

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I. PROGRAMME OPERATIONS IN 1984

A. Resources from voluntary contributions

1. As reported to the Council at its thirtieth session, the anticipated pledges for 1984, following the November 1983 Pledging Conference, amounted to \$21.6 million. Due primarily to the strength of the United States dollar, the pledges, which are made mostly in national currencies, were valued at \$21 million at year-end, of which paid-in contributions amounted to \$20.4 million. Furthermore, \$0.7 million was received in 1984 against pledges outstanding from 1983 and prior years.
2. At the Pledging Conference held in November 1984, 35 countries pledged voluntary contributions to UNCDF for 1985 totalling \$20 million while an additional \$1 million contribution is expected to be pledged early in the year, bringing total anticipated contributions for 1985 to \$21 million. Thus, the voluntary contributions to UNCDF general resources, which have been declining since 1982, appear to have levelled off at \$21 million. The following statistics illustrate this trend: 1982: \$26.2 million; 1983: \$24.3 million; 1984: \$21 million; 1985: \$21 million (anticipated).
3. It should be noted that eight of the Fund's 10 largest donors make their contributions in national currencies which are converted to the United States dollar equivalent, using the United Nations rate of exchange in effect on the date of payment. The strength of the United States dollar over the past three years has had the effect of substantially reducing the dollar equivalent of both pledges and the amounts paid-in. Pledges for 1985 of \$21 million, which by the dollar measure show no change from the 1984 level, reflect in reality increased support in national currencies of UNCDF donors which has been entirely offset by currency changes. Such increased support includes an increase of 14 per cent in the national currency pledge of Italy, a new pledge from France, and, for the first time since 1977, Belgium renewed its pledge. Norway made a supplemental contribution at year-end 1984 representing a 22 per cent increase above its initial 1984 pledge and maintained this level for 1985. The other major donors to UNCDF have also maintained the same level of national currency pledges for 1985 as in 1984.
4. The Administrator wishes to again express his appreciation for the continuous support of the international community to the Fund's activities. Despite the increased buying power of the United States dollar, this level of voluntary contributions will not allow the Fund to expand its response to the priority needs of the Least Developed Countries (LDCs). Therefore, during 1985, a significant effort for resource mobilization will be carried out to bridge the gap between the level of resources received from voluntary contributions and the programme needs which the Fund is being asked to satisfy.

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B. Resources from joint financing arrangements

5. In addition to voluntary contributions, UNCDF has funded some of its projects through various joint financing modalities. Annex II lists all the specific joint financing arrangements entered into by UNCDF since 1982. These arrangements by their nature are fully funded and are thus not included in annex III, Resource planning chart under partial funding for UNCDF programme (1985-1987). During 1984, \$0.6 million was paid in against trust fund and cost sharing arrangements while additional joint financing modalities for \$18.5 million were concluded during the year. Since 1981, UNCDF has entered into such arrangements totalling \$28.1 million, of which \$23.7 million is presently outstanding.

6. Trust funds. Following decision 83/5 of the Governing Council, which authorized the Administrator to continue to accept trust funds conditioned on procurement in the donor country, and as reported in document DP/1984/58/Add.1, UNCDF negotiated in 1984 one new tied trust fund of \$12.96 million from the Government of Italy for a project in Ethiopia. This is the fifth such trust fund accepted by UNCDF since 1982. The recipient countries continue to welcome such contributions which are viewed as additionality of assistance. The Administrator is presenting a detailed report on the subject in document DP/1985/59.

7. Cost-sharing. In 1984, UNCDF and the Arab Gulf Fund (AGFUND) concluded cost-sharing agreements under which AGFUND is contributing an additional \$0.5 million for two projects. This brings AGFUND cost-sharing contributions to \$2.6 million for six projects.

8. Funding for UNCDF projects from UNDP-administered trust funds. During the year, UNCDF obtained funding for a portion of 13 of its new projects from two UNDP trust funds, presented in document DP/1984/69, which were established by the Administrator in 1983. Twelve UNCDF projects will be funded in part by the UNDP Trust Fund for Developing Countries Afflicted by Drought, Famine and Malnutrition. As decided by the General Assembly in resolution 38/201, this Fund finances urgently needed projects, primarily in the food and agricultural sectors in countries afflicted by famine and malnutrition resulting from severe or prolonged drought. The contributions to UNCDF from this trust fund total \$4.8 million, of which \$4 million is allocated to nine projects in Africa. Furthermore, UNCDF has obtained \$2.5 million from the Special Netherlands Trust Fund for Least Developed Countries to fund a project in Haiti.

C. Project commitments

9. In 1984, UNCDF approved a total of \$38.9 million in commitments, of which \$36.8 million was for 27 new projects and \$2.1 million was for six grant increases in existing project budgets. Of the total amount approved in 1984, \$20.6 million was funded directly from UNCDF general resources while the remaining portion of \$18.3 million was funded by joint financing arrangements. Total outstanding commitments funded by general resources amounted to \$120.3 million at year end. This level of commitments has been adjusted downward by \$0.2 million as a result of a \$0.2 million cost sharing

arrangement concluded in 1984 that was applied to a project approved in 1983 and funded by general resources. Outstanding UNCDF commitments at year end, including joint-financing arrangements, amount to \$144.0 million.

10. UNCDF commitments were reduced in 1984 by \$13.8 million as a result of both project savings and de-obligations. The savings were derived from the provision of project inputs at lower than budgeted costs; these and the de-obligations of three projects were finalized in consultation with the concerned recipient Governments.

11. As reported to the Governing Council at its thirtieth session in document DP/1983/33, the Fund expected to approve \$20 million from its general resources in 1984. The Fund actually approved \$20.6 million. In doing this, the Fund has adhered to the financial control formula on commitment levels presented to the Governing Council in document DP/1982/39, but excluding the operational reserve. This approval level, however, fell far short of adequately addressing the large number of requests from beneficiary countries for capital assistance.

D. Project expenditures

12. UNCDF began 1984 with 194 ongoing projects with \$143.7 million in outstanding commitments (excluding trust fund and cost sharing arrangements). These projects were located in 41 countries and were designed to be implemented primarily by Government agencies. Some of these projects required specialized assistance which was provided by eight co-operating agencies of the United Nations system. Project expenditures, exclusive of delivery under trust fund and cost-sharing arrangements, amounted to an estimated \$30 million as compared with \$24.8 million for the previous year. An additional \$1 million was disbursed against trust fund and cost-sharing arrangements.

13. The 1984 expenditures of \$30 million were higher than the 1983 level, and almost reached the \$31.3 million target for the year. An analysis of the expenditures identified the following principal factors affecting the disbursement level which kept expenditures from going beyond the year-end target:

(a) The continued strength of the United States dollar in 1984 resulted in procurement at lower than budgeted costs. Approximately \$4 million in economies were made during the year as a result of the favourable exchange rate of the United States dollar;

(b) Ambitious project design overestimating management and delivery capacity of implementing agencies combined with complex logistic arrangements for the delivery of inputs in remote areas resulted in lower than anticipated disbursements.

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14. When reviewing expenditures over the last three years, a general pattern between outstanding commitments and expenditures is seen. As shown in table 1 below, expenditures for the three-year period 1982-1984 as a percentage of outstanding commitments from the preceding year have varied between 16.8 per cent and 23.4 per cent with an average of 20.4 per cent. As long as the nature of UNCDF projects is such that implementation is spread over a number of years, expenditures are expected to be a similar percentage of outstanding commitments.

Table 1. Annual expenditure levels as percentage of outstanding commitments for the period 1982-1984 (excluding trust fund and cost sharing arrangements)

Year	Outstanding commitments from preceding year (\$US million)	Annual expenditures (\$US million)	Expenditures as % of outstanding commitments
1982	118.7	27.7	23.4
1983	148.0	24.8	16.8
1984	143.7	30.0	20.9

E. Programme developments

15. In 1984, UNCDF continued to adapt its programme to the priority needs of the LDCs and to co-ordinate effectively its activities with other concerned institutions. In programming its assistance, UNCDF gave priority to the drought-affected areas in Africa and to projects that would help (a) to increase food production and facilitate its distribution; and (b) to improve primary health care services as well as community water-supply systems. Of the 27 new projects and six grant increases approved in 1984, 19 such projects and increases are assisting 12 LDCs in the Africa region.

16. The concentration of UNCDF assistance in 1984 continued to be directed

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towards the rural areas. As shown in figure 1 below, agriculture and water for agriculture account for almost one third of the total cumulative commitments.

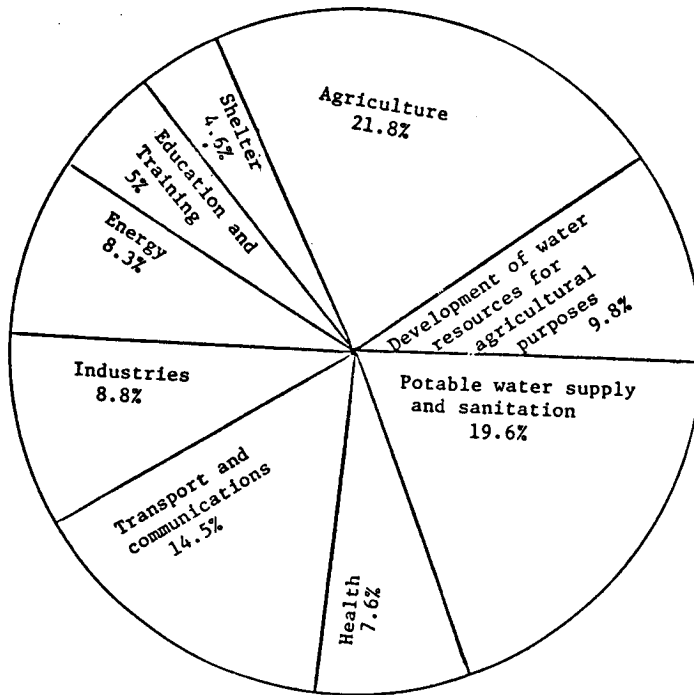


Figure 1: Distribution of UNCDF cumulative commitments, by major sector (as of 31 December 1984)

17. In 1984, UNCDF fielded six programming missions to six countries to identify new projects. As a follow-up to these and earlier project identifications, the Fund dispatched 26 formulation missions to 14 countries, which resulted in the approval of 15 projects. The remaining projects will be considered in 1985. There were also 29 monitoring and technical review missions fielded to 26 countries. These missions identified and corrected operational bottle-necks and sought to assist Governments in critical stages of project implementation.

18. UNCDF participated in four round-table meetings organized by the Governments of Burundi, Comoros, Lesotho and Malawi, with the assistance of UNDP. These meetings offer a useful opportunity to explore possibilities of co-financing with other financing institutions.

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19. In 1984, UNCDF continued to seek complementarity between capital assistance provided by the Fund and other types of assistance administered by UNDP. At year end, there were 89 UNCDF-financed projects, as compared to 76 in 1983, receiving technical assistance financed by UNDP through the resources of the Indicative Planning Figure (IPF) and the Special Measures Fund for Least Developed Countries (SMF). In addition, there were 24 ongoing projects benefiting from parallel financing arrangements provided by bilateral agencies including those of Canada, Denmark, the Federal Republic of Germany, Finland, the Netherlands, Norway, Sweden, Switzerland and the United States, and by other multilateral financing institutions such as the World Bank, the African Development Bank (ADB), and the European Development Fund (EDF).

F. Loan operations

20. To date, UNCDF assistance has been provided exclusively in the form of grants, irrespective of the type of projects. Such an operational policy is entirely appropriate for projects in the social sector intended to meet the basic needs of low-income groups. However, in recent years, recipient countries have increased their requests for economic infrastructure and productive sector projects. Since 1981, in line with General Assembly resolution 36/196, the Fund has followed a policy of achieving a balance between resources allocated for meeting basic needs and those allocated for strengthening the productive sectors with a view to promoting national self-reliance.

21. In recent years, UNCDF has considered the possibility to use a portion of its resources through the provision of loans under concessional terms and conditions for small-scale, economically and financially viable projects in the productive sectors. This approach is in conformity with General Assembly resolution 2186 (XXI), which inter alia states that the purpose of the Fund is "to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans, particularly long-term loans made free of interest or at low interest rates".

22. The activation of the concessional loan authority should result in:
(a) UNCDF financing of small-scale, financially viable productive projects of a pilot nature, which may be replicated, if appropriate, on an even larger scale, by other financing institutions; (b) eventual expansion of the programme through the recycling of a portion of the Fund's limited resources; (c) availability of a useful tool for the improvement of the recipient countries' internal management capacities; and (d) achievement of a closer and more productive collaboration with other loan agencies.

23. Following the review of the recommendations of various studies commissioned by the Fund in 1983 and 1984 on the desirability to initiate loan operations, it is envisaged to introduce this financing modality on a gradual basis and with the existing staff resources. It is planned that loans approved in any given year should not exceed 33 per cent of the voluntary contributions for that year and that loan commitments should be fully funded. The selection of projects for loan assistance will be based on: (a) the macro-economic situation and absorptive capacity of the recipient country; (b) the project's estimated contribution to the development of the country's productive sectors; (c) the project's estimated capacity to generate foreign exchange income and to repay the loan from its profits; and (d) the standard considerations applied in the appraisal of projects.

24. The Administrator will report to the Council on the use of this financing modality in next year's annual report.

II. EVALUATION OF PROJECTS

A. Description of evaluation activities

25. Until 1984, the UNCDF project evaluation activities were limited to the review of ongoing projects and the assessment of the efficiency of their implementation. Evaluation of completed projects is a relatively new activity for UNCDF since 75 per cent of its 64 completed projects at the end of 1983 were completed only in 1982-1983.

26. At the end of 1983, UNCDF developed a systematic approach to evaluation. Its project evaluation system is consistent with that of UNDP and is based on the same approach, concepts and terminology. It has been agreed with the UNDP Central Evaluation Office that the Fund's special evaluation features emerging from its legislative mandate and operational activities will be included, as appropriate, in an annex to the UNDP Manual on Policies and Procedures for Evaluation.

27. In embarking on a systematic evaluation of its ongoing and completed projects, UNCDF will continue to seek ways and means to enhance the quality of its programme. More specifically, the objectives of UNCDF project evaluation are to assist the Governments, UNCDF and, as appropriate, the concerned co-financing, co-operating or executing agencies to: (a) improve the efficiency, effectiveness, relevance and impact of the UNCDF-funded projects; (b) provide feedback to all parties to improve the policy, planning, project formulation, appraisal and implementation phases; and (c) report on the results achieved to the respective governing bodies and the public in general.

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28. Given the nature of the programme, the operational responsibility for project evaluations is shared by (a) UNCDF, (b) the Government, (c) the office of the UNDP resident representative, and (d) as appropriate, United Nations system co-operating agencies and co-financing organizations. Since most UNCDF-funded projects are Government-executed, UNCDF will ensure that the concerned Government agencies play a vital role in project evaluations. To assure adequate participation by the Government agencies in the evaluation process, UNCDF will try to strengthen, when necessary, their evaluation capabilities.

29. Since the quality and efficiency of project evaluation is largely dependent on a common understanding of the evaluation approach and methodology and on the availability of information, UNCDF has given high priority to pre-evaluation activities which consist of three steps. First, a Desk Review Report is prepared to collect all information on the project design and implementation and results achieved. This is then reviewed by all the concerned parties (Government authorities, UNDP regional bureaux, field offices, executing agencies) to establish project evaluation objectives and methodologies. Thereafter, Terms of Reference are prepared and evaluators are selected. It is expected that this approach will be more cost-effective by eliminating the time needed by the evaluators to collect basic information and allowing them instead to focus on the evaluation itself.

30. In 1984, UNCDF decided to start with a limited number of projects so as to enable it to test the evaluation methodology and progressively refine the approach. So as not to overburden the Government and the UNCDF staff, emphasis was placed on ongoing projects with operational problems and on completed projects in the sectors of agricultural production and credit, low-cost housing, community water supply and sanitation. By the end of the year, evaluation of nine ongoing and four completed projects in nine countries had been conducted through 11 missions. In addition, 14 desk review reports were prepared for forthcoming evaluations in 1985.

31. The cost of a project evaluation has varied between \$10,000 and \$23,000, corresponding to from 0.4 per cent to 2 per cent of the cost of the UNCDF-funded inputs. Since the size of UNCDF-funded inputs varies considerably from project to project (from \$200,000 to a maximum of \$5 million), the relative weight of the cost of a project evaluation fluctuates accordingly. To keep the evaluation cost at the lowest possible level and to avoid undue burden on the Government and UNCDF staff, the Fund has resorted, whenever possible, to the utilization of UNDP staff and locally recruited consultants, joint missions with co-financing agencies, and coverage of more than one project by one mission.

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B. Evaluation: main findings

32. Based on evaluation activities carried out so far, it is possible to summarize the major findings only on a preliminary basis. These will be subsequently reviewed and incorporated into comprehensive sectoral policy papers and operational guidelines.

33. The most significant and frequently observed shortcomings were:

(a) Pre-project analyses did not always provide a sufficient basis for the project design;

(b) Project work plans were often too optimistic and did not take into account fully the time needed for the strengthening of institutional capacity;

(c) Institutional arrangements lacked clear definition;

(d) Logistical problems and bottlenecks in the delivery of inputs and the management of outputs occurred because projects were often located in remote areas;

(e) Project monitoring often focused more on financial aspects than on substantive activities;

(f) Project outputs were not always used to their full capacity.

34. In general, the evaluation has already proved useful. The findings and recommendations have led to rapid and efficient corrective action by Government agencies, United Nations system co-operating organizations and UNCDF. Evaluation has also helped in the reorientation of ongoing projects, where needed, thus compensating for initial project design shortcomings and thereby contributing to better project implementation.

35. Positive conclusions outweighed shortcomings and included the following:

(a) Implementation of projects by Government agencies has contributed to strengthening their technical and managerial capacity. For example, in Cape Verde the Government agency responsible for poultry production was able to expand and systematize its operations in two years;

(b) Projects responded quickly and directly to the needs of low income groups in providing access to basic social services and to productive inputs. After 1979, Uganda experienced a serious scarcity of hoes which affected the production of food and cash crops. A UNCDF-financed project addressed this critical need by providing a total of 1.2 million hoes. The hoes were sold at controlled prices and benefited over 800,000 farm families. The project also helped to increase agricultural production. The proceeds from the sale of hoes will be utilized to finance the provision of other agricultural inputs to the farmers;

(c) Models and approaches developed in small-scale projects were found to be replicable by Governments even in an expanded manner. In Haiti, a UNCDF project concerned with upgrading an existing slum area developed a successful approach in low-cost housing and attracted the Federal Republic of Germany bilateral and World Bank investment for the Government to replicate and expand the programme in similar low-income areas;

(d) The promotion of self-help was found to be an effective means for generating local support and facilitating implementation. A Gambia primary health care project called for the construction of sub-dispensaries and health posts with the provision of "aided self-help" by motivating 68 communities in often remote areas to participate in construction activities by organizing two mobile building brigades. These arrangements combined with high quality management and logistic support resulted in an excellent rate of construction and the achievement of the project targets on a timely basis;

(e) The provision of a comprehensive financing package, if necessary through co-financing arrangements, contributes significantly to project impact. UNCDF participated with the Government of Japan and UNDP in the financing of a project in the artisanal fishery sector in Tonga. While the Government of Japan provided boat engines and other equipment, UNCDF financed the construction materials and UNDP supported technical assistance through a FAO-executed project. The project is concerned with the establishment of two boatyards, the construction and equipping of 70 artisanal fishery boats and the training of fishermen. The project will increase substantially Tonga's fishing capacity and decrease its import of fish.

36. The Fund's evaluation experience has revealed the importance of establishing a realistic annual evaluation plan commensurate with available staff and work-load considerations. Pre-evaluation activities, selection of experienced evaluators and appropriate briefing of the parties concerned have proven to be the most critical factors for the efficiency of the evaluation process. Allowing sufficient time for the evaluation, including field work, has also proven to be of critical importance in contributing to the quality of the evaluation endeavour. This is especially the case when an external evaluator is recruited.

37. In conclusion, it has been confirmed that evaluation forms an integral part of the project process. To the extent that information developed at each stage of the project cycle is comprehensive and of good quality, the project evaluation process can be most meaningful and cost-effective. Therefore, the efforts undertaken by UNCDF in recent years to improve its planning, project identification, appraisal and monitoring activities should in the future contribute to optimizing evaluation results and reducing the cost of project evaluation. In turn, the feedback from the evaluations should help to improve the planning and implementation processes.

III. FINANCIAL STATUS

38. The Governing Council, in decision 82/22, authorized UNCDF to continue its operations under a partial funding system and requested the Administrator to report on the Fund's operations under this system.

A. Financial situation of the Fund

39. In the beginning of 1984, the outstanding commitments funded from general resources totalled \$143.7 million. As mentioned in chapter I, the partial funding system enabled the Fund to approve \$20.6 million in new project commitments. Project expenditures of \$30 million and the previously discussed \$13.8 million in project savings and de-obligations reduced the year-end commitments to a level of \$120.3 million. As shown in table 2 below, these commitments are within the limits of the financial control formula wherein the Fund's commitment level cannot exceed the sum of available resources, exclusive of the operational reserve, plus two years of expected annual contributions as determined by the level of contributions from the preceding year. The difference between outstanding project commitments (\$120.3 million) and the available resources exclusive of the operational reserve (\$79 million) of \$41.3 million is expected to be covered by the resources pledged to the Fund for 1985 and by part of the anticipated contributions for 1986.

40. The available resources (exclusive of the operational reserve) of \$79.0 million represent an increase of \$3.9 million over the previous year. Despite the fact that expenditures were greater than income, which would normally lower resources, the decrease in the operational reserve (due to lower commitment levels) boosted this measure of resources and offset the higher level of expenditures. However, total available resources, which include the operational reserve, did indeed decrease by \$0.7 million to \$103.1 million.

Table 2. UNCDF financial position 1983-1985
(excluding trust fund and cost-sharing arrangements)
(Millions of US dollars)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>
Available resources, exclusive of the operational reserve <u>a/</u>	75.1	79.0	76.7
Fully-funded operational reserve	28.7	24.1	23.7
Total available resources <u>a/</u>	103.8	103.1	100.4
Total outstanding commitments	143.7	1.120.3	118.7
Difference between outstanding commitments and available resources, exclusive of the operational reserve	68.6	41.3	42.0

a/ Excluding non-convertible currencies amounting to \$1.7 million at the end of 1983 and \$1.3 million at the end of 1984 and 1985.

41. Thus, after five and one half years of operating under the partial funding system, the financial position of the Fund continues to be sound and the various controls and measures, as described in document DP/1982/39, which are designed to safeguard the Fund's financial integrity, continue to work effectively. The partial funding system has enabled the Fund to expand the flow of assistance to beneficiary countries beyond the level that would have been otherwise possible.

B. 1985-1987

42. The Fund's resource planning table (Annex III) which has been prepared using the financial control formula. Based on the resource and commitment figures thus available, project expenditures are projected at \$30 million, which represents 24.9 per cent of the preceding year's commitment level. This percentage is slightly higher than the 1982-1984 levels since commitments were reduced in 1984, as previously mentioned, by \$13.8 million in project savings and de-obligations. Based on the financial control formula for determining commitment levels, new project commitments funded from general resources in 1985 would be \$30.9 million.

43. However, in order for the Fund to maintain the scope and momentum of its programme to respond to the priority needs of the LDCs, the Fund will make maximum efforts to mobilize additional resources. Its major thrust, of course, will be to obtain increases in voluntary contributions to its general resources. UNCDF has found, however, that for projects which it has developed with the recipient countries but for which its own resources are inadequate, cost sharing with other sources of finance or donors provides a good mechanism to respond to the recipient countries' needs. UNCDF plans to pursue vigorously this financing mechanism as required. Furthermore, UNCDF offers a suitable channel for providing trust fund assistance from contributing countries in cases where additional needs of specific recipient countries can be met only through supplemental financing. This category of financing, as it will be noted, has been expanding recently. Taking into account all such sources of finance, the Fund expects that total 1985 approvals will be in the vicinity of from \$35 million to \$40 million.

44. On a final note, it should be mentioned that the financial control formula under partial funding, while serving as a valuable tool in determining expanded commitment levels beyond those possible under full funding, has, on the other hand, been a constraint on expenditures and, consequently, a factor in increasing liquidity. As was noted in the section on project commitments, a pattern has emerged between expenditures and commitments and, as long as the nature of UNCDF projects remains the same, expenditures are expected to be in the magnitude of 20-25 per cent of outstanding commitments from the

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previous year. Thus, to significantly expand project expenditures, UNCDF would have to significantly expand its commitment levels. This expansion of commitments funded by general resources could take place through an increase in voluntary contributions and/or through a possible revision of the financial control formula in such a manner that it would still safeguard the financial integrity of the Fund. The first possibility will be actively pursued with donors while the latter subject is presently under study..

IV. ADMINISTRATIVE MATTERS

45. At its thirty-sixth session, the General Assembly decided (resolution 36/196) that the Fund's administrative and programme support costs shall be met from the Fund's general resources while UNDP will continue to provide field support services as well as all headquarters administrative services to the Fund. The Council will also recall that by its decision 80/19, it endorsed a policy whereby the costs of administrative services rendered by UNDP to funds administered by it were to be distributed among such funds.

A. Administrative and programme support costs

46. The Fund's direct administrative costs in 1984 covering salaries, common staff costs, consultant costs, official travel and general operating expenses amounted to \$1.8 million and the cost of services rendered by UNDP was \$0.4 million. Thus the total administrative costs for 1984 met from the Fund's general resources amounted to \$2.2 million. This is approximately the same (\$2 million) as shown in the resource planning chart (annex III). These costs are projected to remain constant during the period 1985-1987, with adjustments for inflation to be made annually.

47. As reported to the Council in document DP/1982/38, UNCDF introduced programme support services in 1981. These services are charged to the projects and totalled \$1.1 million in 1984. The bulk of these expenses covered the cost of field and headquarters project development and implementation services provided to Governments. These costs during 1985-1987 are also projected to remain constant with adjustments for inflation to be made annually.

B. Staffing

48. The Fund's manning table for the 1984-1985 biennium as approved by the Governing Council at its thirtieth session consisted of a core staff of 14 Professionals and 14 General Service posts financed under the administrative budget. It may be noted that the Fund's volume of operations has continued to

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expand while there has been no increase in staff. The Fund managed 194 projects during 1984 with outstanding commitments at the start of the year, funded from general resources, totalling \$143.7 million. A slightly larger staff of 15 Professionals and 14 General Service was deemed appropriate in 1980 when the Fund's programme totalled 102 ongoing projects, with outstanding commitments at the start of the year totalling \$78.1 million. Thus a somewhat smaller staff is being asked to handle a larger, more demanding programme with the additional aspects of project evaluations, loan operations and co-financing arrangements.

49. In 1984, the Administrator, in his capacity as Managing Director of UNCDF, reviewed the Fund's personnel requirements in conjunction with the Fund's budget submission for 1986-1987. Since contributions to the Fund's general resources for 1984 and 1985 have not increased, and in light of the zero-growth budgetary policy of UNCDF and UNDP, it was decided to keep the staffing at the currently authorized levels. However, should the general resources of the Fund increase significantly during the 1986-1987 biennium, the Administrator will review the staffing situation and will report to the Council accordingly.

Annex I
NEW PROJECTS APPROVED BY UNCDF IN 1984

DP/1985/45
English
Annex I
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<u>Country/ Project title</u>	<u>Total cost</u> \$	<u>Government contribution</u> \$	<u>UNCDF Contribution</u>		<u>Other contributions</u> \$
			<u>General Resources</u> \$	<u>Other Resources</u> \$	
<u>Bhutan</u>					
Flood Protection Paro Valley	812 000	422 000	57 000	333 000	-
<u>Bolivia</u>					
Integrated Rural Development	1 405 780	774 280	331 500	300 000	-
<u>Botswana</u>					
Food Stores for Drought Relief	1 818 000	1 108 000	310 000	400 000	-
<u>Burundi</u>					
Installation of Grinding Mills	1 465 000	246 000	107 000	530 000	UNDP: 580 000
<u>Chad</u>					
Seed Production in Sahelian Region	2 078 000	157 000	1 124 000	-	UNDP: 651 000 WFP: 146 000
Rehabilitation of N'jamena Polyclinic	601 576	215 276	374 300	-	-
<u>Democratic Yemen</u>					
Water-Supply for Socotra Island	1 306 000	731 000	120 500	454 000	-
<u>Equatorial Guinea</u>					
Improvement of Water- Supply for Malabo, Bata and Moka	232 000	2 000	30 000	200 000	-

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<u>Country/ Project title</u>	<u>Total cost</u> \$	<u>Government contribution</u> \$	<u>UNCDF</u> <u>Contribution</u>		<u>Other contributions</u> \$
			<u>General</u>	<u>Other</u>	
			<u>Resources</u> \$	<u>Resources</u> \$	
<u>Ethiopia</u>					
Small Irrigation Schemes	5 819 000	3 759 000	885 000	1 070 000	UNDP: 105 000
Sor Hydroelectric Plant	21 844 000	7 384 000	1 500 000	12 960 000	-
Comprehensive Health Care	9 971 000	5 000 000	1 017 000	-	UNICEF: 3 954 000
<u>Guinea-Bissau</u>					
Rural Water Supply Programme in the Eastern Region	3 025 000	123 000	1 371 000	-	UNDP: 895 000 UNICEF: 636 000 WFP food rations
Construction of Improved Wells in Cacheu	148 500	28 500	70 000	50 000	-
Construction of Access Ramps on the Cumbija River	178 000	8 000	20 000	150 000	-
<u>Haiti</u>					
Credit Cuarantee Fund for Co-operatives	669 000	-	320 000	250 00	99 000
<u>Lao People's Dem. Rep.</u>					
Small Rice Mills for Saravane and Attopeu Provinces	1 191 000	440 000	751 000	-	-
Development of Agricultural Co-operatives	583 000	67 000	474 000	-	UNDP: 42 000

<u>Country/ Project title</u>	<u>Total cost</u> \$	<u>Government contribution</u> \$	<u>UNCDF Contribution</u>		<u>Other contributions</u> \$
			<u>General</u>	<u>Other</u>	
			<u>Resources</u> \$	<u>Resources</u> \$	
<u>Lesotho</u>					
Construction of Food Aid Stores	535 600	170 600	67 000	298 000	-
<u>Malawi</u>					
Expansion of Seasonal Credit	1 476 000	180 000	656 000	640 000	-
Rural Low-cost Housing	1 145 100	396 100	400 000	-	UNDP: 349 000
<u>Mali</u>					
Improvement of Basic Health Care Facilities, Mopti	2 357 100	778 000	969 100	-	UNDP: 318 000 UNICEF: 292 000
Construction of a Water Adduct- ion System in Koutiala	1 469 295	339 250	1 130 045	-	-
<u>Rwanda</u>					
Rehabilitation of Pyrethrum Refinery, Ruhengeri	2 100 000	600 000	750 000	-	UNDP: 750 000
<u>Sierra Leone</u>					
Rural Water- Supply	2 223 400	585 000	1 586 000	-	UNICEF: 52 400

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SomaliaDevelopment of
North-West Coast
Fisheries

5 574 000

2 589 000

1 305 000

-

UNDP:
1 680 000TogoDevelopment of
Irrigated Agric.
in Maritime
Region

1 235 060

303 387

291 673

640 000

-

YemenDhawran Post
Earthquake Housing
Reconstruction

3 654 714

877 522

2 510 662

-

UNDP:
257 500

TOTAL

18 527 780^{a/}
=====18 275 500^{b/}
=====

a/ To this should be added \$2.1 million in grant increases which brings total new commitments from general resources to \$20.6 million.

b/ An additional cost sharing arrangement of \$0.25 million was concluded in 1984 for a project approved in 1983 and funded from general resources. Total joint financing arrangements requiring full funding which were concluded in 1984 amount to \$18.5 million.

Annex II
JOINT-FINANCING ARRANGEMENTS REQUIRING FULL FUNDING

DP/1985/45
English
Annex II
AMOUNT OF T/F AND C/S
CONTRIBUTION

TYPE OF CONTRIBUTION/ PROJECT NO.	PROJECT TITLE	UNCDF PROJECT COST \$	UNCDF GENERAL RESOURCES CONTRIBUTION \$	JOINT FINANCING CONTRIBUTION \$	CONTRIBUTION EXPENDITURES AT 12/31/84 \$
I. Cost-sharing					
AGFUND					
GOI/80/C02	Moheli Health Centre	780 000	-	780 000	14 140
SAM/81/C01	Village Rainwater Tanks	753 000	253 000	500 000	284 891
GUI/82/C03	Low-Cost Housing	1 036 000	536 000	500 000	350 900
RWA/80/C03	Community Water Fountains	493 000	243 000	250 000	53 564
PDY/84/C02	Water-Supply for Socotra Island	575 000	120 500	287 500	-
GAM/83/C02	Primary Health Care Facilities	860 000	610 000	250 000	-
		<u>5 735 000</u>	<u>2 529 461</u>	<u>3 038 539</u>	<u>703 495</u>
EEC					
MDV/78/C01	Improving Health Conditions	1 238 000	766 961	471 039	-
Sub-total cost-sharing:		<u>5 735 000</u>	<u>2 529 461</u>	<u>3 038 539</u>	<u>703 495</u>
II. Trust funds					
Austria					
MLI/83/C06	Rice Cultivation - Timbouctou	650 000	150 000	500 000	179 565
Belgium					
MLI/82/C04	Abattoirs	1 904 000	1 597 471	306 529	125 328
Italy					
NER/82/C06	Secondary Roads	4 491 390	2 397 390	2 094 000	2,093 779
SOM/81/C03	Rural Water Reservoirs	3 000 000	-	3 000 000	748 518
ETH/82/C08	Sor Hydroelectric Plant	14 460 000	1 500 000	12 960 000	-
MISEREOR					
NEP/80/C02	Water-Supply Western Region	1 956 000	756 000	1 200 000	599 721
Sub-total trust funds:		<u>26 461 390</u>	<u>6 400 861</u>	<u>20 060 529</u>	<u>3 746 911</u>
III. Funding from UNDP Administered Trust Funds					
Netherlands Trust Fund for LDCs					
HAI/84/C02		570 000	320 000	250 000	-
UNDP Trust Fund for Developing Countries afflicted by Drought, Famine and Malnutrition					
BHU/84/C01	Flood Protection, Paro	390 000	57 000	333 000	-
BOL/84/C01	Integrated Rural Development	650 000	350 000	300 000	-
BOT/84/C01	Food Stores for Drought Relief	710 000	310 000	400 000	-
PDY/84/C02	Water Supply for Socotra Island	575 000	120 500	167 000	-
ETH/82/C05	Small Irrigation Schemes	1 800 000	730 000	1 070 000	-
LES/84/C01	Construction of Food Stores	365 000	67 000	298 000	-
MLW/82/C02	Seasonal Credit	1 296 000	656 000	640 000	-
TOG/84/C01	Irrigated Agr. Maritime Reg.	1 076 718	436 718	640 000	-
EQG/84/C01	Rural Water Supply	230 000	30 000	200 000	-
GBS/84/C01	Improved wells in Cachen	120 000	70 000	50 000	-
GBS/84/C02	Access Ramps, Cumbija River	170 000	20 000	150 000	-
BDI/84/C03	Co-operative Grinding Mills	637 000	107 000	530 000	-
Sub-total:		8 019 718	2 954 218	4 778 000	-
Sub-total funding from UNDP-Administered Trust Funds:		<u>8 589 718</u>	<u>3 274 218</u>	<u>5 028 000</u>	<u>4 450 406</u>
GRAND TOTAL		<u>40 211 108</u>	<u>12 084 040*</u>	<u>28 127 068</u>	<u>4 450 406</u>

* Project PDY/84/C02 has both cost-sharing and trust fund arrangements total avoids double counting of this element.



Annex III

RESOURCE PLANNING CHART FOR UNCDF PROGRAMME (1985-1987) UNDER PARTIAL FUNDING*
(millions of US dollars)

	ACTUAL					PROJECTED		
	1980	1981	1982	1983	1984	1985	1986	1987
I. Availability of resources								
Available from previous year <u>a/</u>	50 9	66 8	60 3	65 9	75 1	79 0	76 7	74 3
Voluntary contributions pledged <u>b/</u>	28 6	31 0 ^{c/}	26 2	24 3	21 0	21 0	21 0	21 0
Adjustment in pledges (+ -) <u>d/</u>	+ 0 9	- 1 3	+ 1 8	- 0 2	+ 0 1	-	-	-
Voluntary contributions received	29 5	29 7	28 0	24 1	21 1	21 0	21 0	21 0
Other income <u>e/</u>	9 1	12 5	13 1	10 7	10 0	8 5	8 3	8 2
Total	89 5	109 1	101 4	100 7	106 2	108 5	106 0	103 5
II. Use of resources								
Project expenditure <u>f/</u>	19 3	48 2	27 7	24 8 ^{g/}	30 0	30 0	30 0	30 0
Administrative costs <u>h/</u>	-	-	2 1	2 0	2 2	2 2	2 2	2 2
Total	19 3	48 2	29 8	26 8	32 2	32 2	32 2	32 2
Change in operational reserve (+ -)	1 8	0 6	6 3	- 0 9	- 4 6	- .4	- 0 5	- 0 5
Change in non-convertible currencies	1 6	- 0 1	- 0 6	- 0 3	- 0 4	-	-	-
Total	22 7	48 7	35 5	25 6	27 2	31 8	31 7	31 7
III. Available resources exclusive of operational reserve	66 8	60 3	65 9	75 1	79 0	76 7	74 3	71 8
IV. Operational reserve <u>i/</u>	22 7	23 3	29 6	28 7	24 1	23 7	23 2	22 7
V. Non-convertible currencies	2 7	2 6	2 0	1 7	1 3	1 3	1 3	1 3
VI. Project commitments outstanding <u>j/</u>	111 6	118 7	148 0	143 7^{k/}	120 3^{l/}	112 7	116 3	113 8
VII. Project commitments in excess of available resources exclusive of operational reserve	22 1	35 1	52 5	39 9	17 2	18 3	18 8	19 3
VIII. Annual project approvals	52 2	71 1	60 0	23 9	20 6^{m/}	30 9	27 6	27 5

* This chart is based on the financial control formula. Other assumptions are listed in the notes on following page. This chart 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 1985 are based on announced and anticipated pledges.

c/ Includes special contribution for 1981 (\$4.3 million) from Government of Norway.

d/ Annual adjustments will be made for pledges for 1985-1987.

e/ Represents interest and other income. Interest income is assumed at approximately 8 per cent of the 1985-1987 average annual resources during the year.

f/ Improved project expenditures estimates for 1985-1987 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 (\$0.4 million as at 31 December 1984) which is maintained at 20 per cent of guaranteed commitments outstanding (\$2.1 million as at 31 December 1984).

j/ Outstanding commitments are net of cost-sharing and trust fund commitment expenditures, savings and de-obligations (1980 - \$0.5 million; 1981 - \$15.8 million; 1982 - \$3 million; 1983 - \$0.1 million; 1984 - \$13.8 million). These amounts, however, include guaranteed commitments amounting to \$2.1 million as of 31 December 1984, which, though of contingent nature, are nevertheless included in outstanding commitments to reflect total liabilities of the Fund. Cumulative joint financing commitments amounting to \$23.6 million as at 31 December 1984 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.

l/ Adjustment of \$0.2 million for a cost sharing arrangement concluded in 1984 and applied to a project approved in 1983 and funded by general resources.

m/ Total UNCDF project approvals in 1984 amounted to \$38.9 million out of which \$20.6 million were funded from UNCDF general resources and \$18.3 million made possible as a result of 15 joint financing arrangements concluded in 1984.

n/ The 1985 project approvals and commitment levels take into account an expected savings of \$2.5 million.

