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SUPPORT

OTHER MATTERS

The financial structure of the UNDP-administered system

Report of the Administrator

Summary

By decision 84/33 the Council requested the Administrator to submit a concise and comprehensive report on the structure, financing and interrelation of all funds administered by him. The report describes both the background of the different funds and programmes administered by UNDP and the types of financial contribution that can be made to these funds and programmes. The report further describes in some detail the concept of co-financing and the experience which UNDP has had with it in practice. In this respect the report may provide useful background material for the policy review agenda item to be discussed by the Council.

CONTENTS

| | <u>Paragraphs</u> | <u>Page</u> |
|---|-------------------|-------------|
| Abbreviations | | 3 - 4 |
| Introduction | 1 - 3 | 5 |
| I. THE STRUCTURE OF THE UNDP-ADMINISTERED SYSTEM | 4 | 5 |
| A. Legislative Background to the Funds and programmes Administered by UNDP | 4 | 5 |
| 1. Funds Established by the United Nations General Assembly, the Governing Council or the Secretary-General | 5 - 9 | 6 |
| 2. Funds Established by the Administrator | 9 - 10 | 7 |
| B. Types of Financial Contribution | 11 | 7 |
| 1. Contributions with no limitation as to use | 12 - 13 | 7 - 8 |
| 2. Recipient government contribution towards meeting local costs | 14 - 18 | 8 |
| 3. Country or project-specific contributions | 19 - 20 | 8 - 9 |
| C. UNDP-administered funds | 21 - 24 | 9 - 10 |
| 1. Funds characterized by specific developmental criteria | 25 - 29 | 10 - 11 |
| 2. Funds reflecting sectoral priorities | 30 - 32 | 11 - 12 |
| 3. UNCDF | 33 | 12 - 13 |
| 4. Special purpose funds | 34 - 45 | 13 - 15 |
| 5. Country-specific funds | 46 - 48 | 16 |
| 6. Funds and programmes oriented towards providing specific inputs | 49 - 51 | 16 - 17 |
| II. CO-FINANCING | | |
| A. The concept of co-financing | 52 | 17 |
| 1. Definition of co-financing | 53 | 17 |
| 2. Cost-sharing | 54 - 55 | 17 - 18 |
| 3. Trust funds | 56 | 18 |
| 4. Parallel financing | 57 | 18 |
| B. The experience with Co-Financing | 58 - 59 | 19 |
| 1. Cost-sharing | 60 - 62 | 19 - 20 |
| 2. Trust funds | 63 - 64 | 20 - 21 |
| 3. Parallel financing | 65 - 87 | 21 - 28 |
| III. CONCLUDING REMARKS | 88 - 90 | 28 - 29 |
| Glossary | | 1 - 2 |
| Annex - Summary table of UNDP financial structure data | | 1 - 2 |

Abbreviations

| | |
|---------|--|
| ABL | Approved budget level |
| AfDB | African Development Bank |
| CEAO | West African Economic Community |
| CIDA | Canadian International Development Agency |
| CILSS | Permanent Inter-State Committee on Drought Control in the Sahel |
| CGIAR | Consultative Group on International Agricultural Research |
| CRES | Solar Energy Research Centre |
| CSA | Committee of Sponsoring Agencies |
| DGIP | Division for Global and Interregional Projects |
| EDF | Economic Development Fund |
| EEC | European Economic Community |
| ESAP | Energy Sector Assessment Programme |
| ESMAP | Energy Sector Management Assistance Programme |
| FINNIDA | Finnish International Development Agency |
| IARM | Inter-Agency Resident Mission for the Eastern Caribbean |
| ICARA | International Conference on Assistance to Refugees in Africa |
| IDA | International Development Association |
| IDB | Inter-American Development Bank |
| IFC | International Finance Corporation |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| IMO | International Maritime Organization |
| IMPACT | International Initiative against Avoidable Disablement |
| IPF | Indicative planning figure |
| JPC | Joint Programme Committee |
| KFW | Kreditanstalt Fuer Wiederaufbau (Credit Bank for Reconstruction of the Federal Republic of Germany) |
| KBO | Kagera Basin Organization |
| LCBC | Lake Chad Basin Commission |

| | |
|-----------|--|
| LDC | Least developed country |
| NBA | Niger Basin Authority |
| OMVG | Organization for the Development of the Gambia River Basin |
| OMVS | Organization for the Development of the Senegal River Basin |
| OAS | Organization of American States |
| OPE | Office for Projects Execution |
| OPEC | Organization of Petroleum Exporting Countries |
| OPEX | Operational Personnel |
| PAHO | Pan-American Health Organization |
| PAL | Projects annotated listing |
| SIDA | Swedish International Development Authority |
| SPWP | Special Public Works Programme |
| SMF/LDC | Special Measures Fund for the Least Developed Countries |
| UNCDF | United Nations Capital Development Fund |
| UNDTCD | United Nations Department of Technical Co-operation for Development |
| UNEP | United Nations Environment Programme |
| UNFPA | United Nations Fund for Population Activities |
| UNFSSTD | United Nations Financing System for Science and Technology for Development |
| UNICEF | United Nations Children's Fund |
| UNRFNRE | United Nations Revolving Fund for Natural Resources Exploration |
| UNROB | United Nations Relief Operations in Bangladesh |
| UNSF/LLDC | United Nations Special Fund for Land-locked Developing Countries |
| UNSO | United Nations Sudano-Sahelian Office |
| UNV | United Nations Volunteers programme |
| USAID | United States Agency for International Development |
| WFP | World Food Programme |
| WMU | World Maritime University |

Introduction

1. At the thirty-first session of the Governing Council in 1984 a report was presented on the concept of extrabudgetary resources (DP/1984/55 and Corr. 1). This paper attempted to explain the background and rationale of the development of extrabudgetary resources in UNDP. The presentation considered in some detail the growth of 'non-core' activities; that is, the development of programmes and funds administered by UNDP financed separately from the voluntary contributions made to UNDP's core resources. Against this background, the Governing Council, in decision 84/33, requested the Administrator to submit a concise and comprehensive report on the structure, financing and interrelation of all funds administered by him.

2. There are two aspects to the UNDP-administered system's role in financing (primarily, though not exclusively) technical assistance activities. The first relates to the nature of the UNDP-administered system. This report provides an introduction to the legislative background of the funds and programmes administered by UNDP, a description of the types of financial contributions that can be made to these funds, and an analysis of the characteristics that distinguish each fund.

3. The second aspect relates to the UNDP-administered system's experience in packaging and developing co-financing arrangements. It is necessary, first, to define the types of co-financing arrangements in which the UNDP-administered system may engage. Equally important, moreover, is assessing UNDP's experience in this field through the presentation of concrete examples. With respect to UNDP's role in co-financing, the present report also attempts to be responsive to decision 84/44 which designated the subject "Co-ordination of external technical co-operation at the country level and examination of the steps taken by the United Nations Development Programme to strengthen co-ordination in practice" for the Governing Council's policy review at its thirty-second session. It is hoped that by describing UNDP's experience in the specific field of co-financing, this report might well make a useful contribution to the examination of the topic of co-ordination, in conjunction with the relevant report of the Administrator contained in document DP/1985/4.

I. STRUCTURE OF THE UNDP-ADMINISTERED SYSTEM

A. Legislative background to the funds and programmes administered by UNDP

4. The entities administered by UNDP consist of a number of funds and programmes established either by the United Nations General Assembly, by the Governing Council, by the Secretary-General, or by the Administrator.

1. Funds and programmes established by the General Assembly, the Governing Council or the Secretary-General

5. Funds and programmes established by the General Assembly, by the Governing Council, or by the Secretary-General which are currently operational are as follows: United Nations Financing System for Science and Technology for Development (UNFSSTD), United Nations Capital Development Fund (UNCDF), United Nations Trust Fund for Sudano-Sahelian Activities, United Nations Volunteers programme (UNV), United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE), UNDP Energy Account, United Nations Trust Fund for Assistance to Colonial Countries and Peoples, Special Measures Fund for the Least Developed Countries (SMF/LDC), United Nations Special Fund for Land-locked Developing Countries (UNSF/LLDC), the UNDP Development Study Programme.

6. The General Assembly has also established three 'country-specific' trust funds: the United Nations Trust Fund for Operational Programmes in Lesotho, the United Nations Trust Fund for Provision of Operational Personnel (OPEX) in Swaziland and the UNDP Trust Fund for the Nationhood Programme of the Fund for Namibia.

7. A number of funds are no longer fully operational. The accounts of two such funds were closed as of 31 December 1984: the Fund of the United Nations for the Development of West Irian and the United Nations Korean Reconstruction Agency - Residual Assets. Residual resources remain for the United Nations Relief Operations in Bangladesh (UNROB) and the Trust Fund Programme for the Republic of Zaire. The Administrator proposes to transfer any remaining balances as of 31 December 1985 with respect to these two funds as an add-on to the respective IPFs of the two countries. He recommends to the Governing Council that it make appropriate proposals to the General Assembly to effect the formal closure of the four trust funds referred to in this paragraph.

8. The legislative mandates of each of these funds is contained in relevant General Assembly resolutions or Governing Council decisions. While all these funds are under the authority of the Administrator, the relationship of each of them with UNDP varies considerably. UNFSSTD, while under the authority of the Administrator, remains a clearly distinct and separate fund from UNDP. Five of the other funds, (UNCDF, the Trust Fund for Sudano-Sahelian Activities, UNRFNRE, the Energy Account and UNV) responding to their own major mandates, tend to programme independently for the most part and have distinct secretariats.

2. Funds established by the Administrator

9. Currently operational trust funds established by the Administrator* are as follows: Trust Fund for the Special Netherlands Contribution for the Least Developed Countries; UNDP Trust Fund for Developing Countries Afflicted by Famine and Malnutrition; Trust Fund for Economic and Technical Co-operation among Developing Countries; Trust Fund for Training in the Union of Soviet Socialist Republics of Specialists from Developing Countries; Trust Fund for Training in Bulgaria of Specialists from Developing Countries; UNDP Trust Fund for Projects Financed by the Voluntary Fund for the United Nations Decade for Women; International Initiative Against Avoidable Disablement (IMPACT); the UNDP Trust Fund for Action on Development Issues; UNDP Fund for Assistance to Refugees in Africa; and UNDP Trust Fund to Combat Poverty and Hunger in Africa.

10. The arrangements that characterize the funds established by the Administrator again vary considerably. The legislative and institutional background to these funds, and the particular purposes that characterize each of them, defy easy generalization. However, it can be said that, over all, the degree of programming and administrative integration of these funds with UNDP is far greater than in the case of those funds established by the General Assembly.

B. Types of financial contributions

11. Contributions to the funds and programmes administered by UNDP may be categorized as being essentially of three types: those with no limitation as to use; recipient government contributions towards meeting local costs; and country or project-specific contributions.

1. Contributions with no limitation as to use

12. Voluntary contributions. These are contributions by Governments to UNDP's main resources or the central resources of other funds and programmes administered by UNDP which are made without any particular restrictions. Such contributions may be pledged on an annual basis or for a number of years; some are pledged at the annual United Nations Pledging Conference for Development Activities convened by the Secretary-General of the United Nations.

* Do not include project specific trust funds (i.e. for Sudano-Sahelian Activities, UNCDF and UNFSSD) established by the Administrator. Such trust funds really represent types of financial contributions made to UNDP or to the fund in question and are dealt with in paragraph 20 below.

13. Donations. These are contributions made by private organizations or individuals. Donations to UNDP's main resources may be made to a limit of \$25,000 without the prior approval of the Governing Council; they may also be made to most of the programmes and funds under the authority of the Administrator.

2. Recipient government contributions towards meeting local costs

14. Government cash counterpart contributions. Such contributions are made by Governments for specific items of local expenditure for the execution of a particular project. Such contributions are made to UNDP-financed projects as well as to projects financed from the funds administered by UNDP.

15. Government in-kind contributions. In-kind contributions may be made to projects financed by UNDP and its administered funds. It remains very difficult to arrive at an accurate estimate of the monetary value of in-kind contributions.

16. In addition, certain contributions are made specifically to UNDP.

17. Voluntary programme costs (to UNDP). Originally, assessed programme costs were charged to all recipient Governments at 8 per cent of project costs as a contribution to cover the local costs incurred in the execution of a project. Since 1977 this assessed charge has been replaced by voluntary programme costs.*

18. Local office costs (to UNDP). The Standard Basic Assistance Agreement, and its predecessor agreements, signed by the recipient Government, commit the Government to contributing towards the expenses of maintaining the UNDP mission in the country by paying annually to UNDP a mutually agreed lump sum. Certain local office costs may be provided in kind (e.g. office space).

3. Country- or project-specific contributions

19. Cost-sharing contributions. These are contributions made by Governments to finance, either in part or in full, specific national or intercountry projects or a programme in a recipient country. Such contributions may be made by the recipient country or by a third party. Cost-sharing contributions may be made to UNDP or to its administered funds. The resources are channelled to UNDP or its funds respectively as project or programme cost-sharing. Cost-sharing provides the mechanism that is the most integrated into UNDP's normal operational and programming procedures.

* UNDP maintains separate records for Voluntary Programme costs but combines these contributions with voluntary contributions in the financial statements.

20. Trust fund contributions. Such contributions are normally made for a specific project only when circumstances prohibit the use of the preferable cost-sharing mechanism. Thus, all project-specific contributions to UNCDF, the Trust Fund for Sudano-Sahelian Activities and UNFSSTD, conditioned on procurement in the donor country, were received in the form of separate trust funds. In addition, donors have occasionally preferred to make project-specific contributions in the form of a trust fund.

C. UNDP-administered funds

21. It is evident that the system comprising the UNDP-administered funds offers a broad range of vehicles by which to pursue development objectives. The vitality and growth of the central funding mechanism, as represented by UNDP main resources, remain critically important to the development of all the funds. For their part, these funds are distinguished by a wide range of characteristics.

22. In the first place, the institutional mandates of the funds are distinct. They range from the situation of UNFSSTD which is a separate autonomous fund under the authority of the Administrator only, to those funds which are managed as integral parts of the responsibilities of a particular bureau or division within UNDP. This is reflected in the fact that, while certain funds are administered by autonomous or distinct secretariats, others are managed by existing bureaux or divisions within UNDP. In addition, the funds can receive different types of contributions including voluntary contributions to some of the funds which are pledged at the annual United Nations Pledging Conference for Development Activities. Finally, while some of the funds are "open-ended", others are "closed" in the sense that they represent essentially a single source or one-time contribution. A presentation of these characteristics, including 1984 income and 1983 expenditure figures, is provided in the annex to this report.

23. For the purposes of this paper, the funds have been categorized according to functional objectives. Thus, certain funds (e.g. SMF/LDC, UNSF/LLDC, UNDP Trust Fund for Developing Countries Afflicted by Famine and Malnutrition) have been established with specific developmental criteria in mind; others (UNFSSTD, Energy Account, UNRFNRE) reflect sectoral priorities. Certain funds have very specific mandates and purposes (e.g. Trust Fund for Sudano-Sahelian Activities, UNDP Trust Fund to Combat Poverty and Hunger in Africa, UNDP Fund for Assistance to Refugees in Africa, Trust Fund for the Special Netherlands Contribution for the Least Developed Countries). UNCDF is specifically mandated to provide capital assistance. Other funds are oriented towards specific countries (e.g. Lesotho, Swaziland). Finally, certain programmes and funds are geared towards providing specific inputs (e.g. UNV).

24. While the mandates and institutional arrangements that characterize these funds and programmes vary significantly, they are all administratively serviced by UNDP central services in such areas as finance, personnel, administrative management, computers and audit. In ensuring this administrative rationalization, the Administrator has respected the principle enunciated by both the General Assembly and the Governing Council that the administrative management of the funds should benefit to the extent possible from economies of scale. The rationale and arrangements that characterize the resulting administrative system were described in detail in the report presented by the Administrator in 1984 on the concept of extrabudgetary resources (DP/1984/55).

1. Funds characterized by specific developmental criteria

25. Special Measures Fund for the Least Developed Countries. In 1971, the General Assembly adopted resolution 2678 (XXVI) which established a list of 'hard core' least developed countries and invited UNDP among other organizations to initiate action-oriented programmes in favour of these countries. In response, the SMF/LDC was established by the Governing Council in 1973. Although not specifically set up as a separate trust fund, income and expenditures are shown separately under the UNDP account. Currently, the SMF/LDC is constituted by separate voluntary contributions which may be pledged at the annual Pledging Conference. All support costs relating to SMF/LDC-financed projects are paid from UNDP's general resources.

26. SMF/LDC funds are allocated on a fully funded basis. These resources are being allocated to eligible countries, with the same criteria used for the distribution of IPF resources taken into account. Part of the resources are used for allocations to support the Special Public Works Programme and the LDC round-table conferences.

27. The Fund's exclusive reliance on the established UNDP machinery both at headquarters and in the field provides for an efficient use of resources and proper co-ordination with other sources of financing.

28. The United Nations Special Fund for Land-locked Developing Countries. By resolution 3504 (XXX), the General Assembly established the Special Fund for Land-locked Developing Countries in 1975. The purpose of the Fund was essentially to compensate land-locked developing countries for their additional transport and transit costs. The resources of the Fund consist of voluntary contributions which may be pledged at the annual United Nations Pledging Conference for Development Activities. The limited resources available have been allocated to the regional bureau concerned on the basis of the relative share of the IPFs of the land-locked developing countries in a region compared to the total IPFs of all land-locked developing countries. Funds are allocated on a fully funded basis. As with the SMF/LDC, from an

administrative and operational perspective, land-locked funds are fully integrated into UNDP's country programming framework. Executing agency support costs are chargeable to the Fund.

29. Trust Fund for Developing Countries Afflicted by Famine and Malnutrition. By resolution 38/201, the General Assembly decided to liquidate the United Nations Emergency Operation Trust Fund and to transfer 70 per cent of the remaining balances of that Fund to UNDP for the purpose of financing urgently needed projects in countries afflicted by famine and malnutrition. Special emphasis was placed on Africa. Allocations were made to eligible countries on the basis of a weighted formula taking into account the incidence of famine and malnutrition, gross national product per capita and population. Programming and administrative arrangements with regard to these resources are fully integrated into regular UNDP procedures. One particular feature is that project approval was undertaken by a specially constituted Projects Approval Committee. The Fund may be regarded as 'closed' in the sense that no further resources are expected. Projects have been allocated on a fully funded basis.

2. Funds reflecting sectoral priorities

30. United Nations Revolving Fund for Natural Resources Exploration. UNRFNRE was established as a trust fund in 1973 and placed in the charge of the Secretary-General in accordance with General Assembly resolution 3167 (XXVIII). It is administered by the Administrator of UNDP on behalf of the Secretary-General. UNRFNRE resources consist of voluntary contributions normally pledged at the annual Pledging Conference and, to date, of a single cost-sharing contribution. The Fund works exclusively in the field of exploration of mineral and geothermal resources and associated pre-investment, broadly defined. It is distinguished from other forms of assistance provided by the United Nations system by its revolving nature stemming from the requirement of replenishment contributions from successful exploration projects based on the proceeds of production, as well as reimbursement for feasibility studies carried out by the Fund. Projects are selected on the basis of their technical and economic viability, due consideration being given to the equitable distribution of the Fund's resources and to the special situation of LDCs. The Fund in principle operates on a full-funding basis. In consideration of its special characteristics, however, a formula has been established allowing approval of projects for a greater sum than total resources available (see Governing Council decision 81/24.). The Fund is headed by a Director who reports to the Assistant Administrator, Bureau for Special Activities. It maintains a core of technical staff and is advised on all major project decisions by a Joint Operations Group consisting, in addition to the Director, of representatives from the World Bank, UNDTCD and UNDP.

31. Energy Account. The Governing Council established the Energy Account in 1980 by decision 80/27. The Administrator was authorized to seek and accept voluntary contributions in cash or in kind to undertake special projects designed to help meet urgent needs for assistance to developing countries, especially the poorest countries, in the energy sector. Special emphasis has been given to the need to harmonize programmes with the country programming process and with the activities of the World Bank, UNRFNRE and UNFSSTD. The resources of the Account are derived essentially from voluntary and cost-sharing contributions and are allocated on a fully funded basis. The Account is managed by the Energy Office which is headed by a Director who reports to the Associate Administrator. This office maintains a particularly close working relationship with the UNDP Division for Global and Interregional Projects in view of the latter's responsibilities with respect to the Joint UNDP/World Bank Energy Sector Assessment Programme and the Energy Sector Management Assistance Programme.

32. United Nations Financing System for Science and Technology for Development. General Assembly resolution 34/218 in 1979 established the Financing System to support activities intended to strengthen the endogenous scientific and technological capabilities of the developing countries. The resources of the Financing System are primarily derived from voluntary contributions normally announced at the annual Pledging Conference and from trust funds. A unique feature of the Financing System is that negotiations concerning financial arrangements have been predicated on the separate character of core and non-core resources: the former being traditional, untied contributions to general resources; the latter being, for example, loans and contributions tied to procurement from the donor country. The Financing System is headed by a Director who reports to the Administrator. Policy guidance is provided by the Intergovernmental Committee on Science and Technology for Development. Present arrangements for the UNFSSTD are provisional; longer-term organizational arrangements are under negotiation.

3. United Nations Capital Development Fund

33. UNCDF was established in 1966 by General Assembly resolution 2186 (XXI) as an organization within the United Nations system. In 1967, by resolution 2321 (XXII), the Administrator of UNDP was requested to perform the functions of the Fund's Managing Director. The Fund is responsible for assisting first and foremost the least developed countries by providing capital assistance designed to bring early and direct benefits, particularly to low-income or other vulnerable groups. UNCDF programmes its assistance on the basis of periodic programming missions and an annual management plan. While due care is exercised to ensure reasonably equitable distribution of UNCDF resources among eligible countries, primary consideration is also given to certain basic economic and social criteria. Project proposals are reviewed by an internal appraisal committee and then submitted to the project approval committee attended by concerned representatives from UNDP. In respect of general

resources UNCDF operates on the basis of partial funding. The resources of UNCDF consist of voluntary contributions normally pledged at the annual Pledging Conference, cost-sharing contributions and project-specific trust funds principally representing contributions conditioned on procurement in the donor country. UNCDF is headed by an Executive Secretary who reports to the Assistant Administrator, Bureau for Special Activities.

4. Special purpose funds

34. United Nations Trust Fund for Sudano-Sahelian Activities. As noted in General Assembly resolution 3054 (XXVIII), a Special Sahelian Office (later to become the United Nations Sudano-Sahelian Office (UNSO)) was established in 1973 within the United Nations Secretariat. At the same time, the Secretary-General set up the United Nations Trust Fund for Sudano-Sahelian Activities. In 1976, UNSO was placed under the authority of the Administrator of UNDP. UNSO has been given two mandates. The first is to assist the drought-stricken countries of the Sahel and their regional organization, CILSS, in the implementation of their medium-term and long-term drought recovery and rehabilitation programmes. The second is to assist, on behalf of UNEP and under a joint UNEP/UNDP venture, a group of designated countries of the Sudano-Sahelian region in the implementation of the United Nations Plan of Action to Combat Desertification. The resources of the Trust Fund consist of voluntary contributions normally pledged at the annual Pledging Conference, cost-sharing contributions and project-specific trust funds principally representing contributions conditioned on procurement in the donor country. It is noteworthy that the great majority of its resources are in the form of cost-sharing and project specific trust fund contributions. In addition, resources specially earmarked by the Governing Council and UNEP currently are allocated to finance a portion of administrative and programme costs of the Joint Venture under UNSO's second mandate in shares borne equally by the two organizations. UNSO is headed by a Director who reports to the Administrator.

35. Trust Fund for the Special Netherlands Contribution for the Least Developed Countries. This fund was established in 1983. The immediate objectives of the Fund are to: enhance the effectiveness of the LDC round-table conferences; mobilize additional developmental resources for the implementation of projects and programmes identified in the round-table conference process; and contribute to the achievement of development goals identified in LDC country programmes for which UNDP resources are lacking. Specific inputs to be financed are identified on a case-by-case basis as and when individual countries submit a request to UNDP. The principle of equitable distribution of the funds available between regions and between countries is observed. The Fund is managed by the Co-ordinator of Assistance to LDCs. Allocations are made on a fully funded basis. This Trust Fund represents a "closed" trust fund which is not open to financing from other donors.

36. UNDP Trust Fund for Economic and Technical Co-operation among Developing Countries. General Assembly resolution 38/201 transferred 12 per cent of the remaining balances of the United Nations Emergency Operation Trust Fund to UNDP for the purpose of promoting economic and technical co-operation among developing countries according to the priorities set by them. Projects are approved on the basis of a process of consultation with the recipient countries. The Fund is "closed".

37. UNDP Fund for Assistance to Refugees in Africa. This Fund was established in 1984 by the Administrator for the purpose of financing refugee-related infrastructural projects of a developmental nature as a result of General Assembly resolution 37/197 and the Declaration and Programme of Action of the Second International Conference on Assistance to Refugees in Africa (ICARA II). Allocations of contributions without limitation are made on the basis of project proposals with due consideration being given to the equitable distribution of available resources. The Fund is managed by the Regional Bureau for Africa.

38. UNDP Trust Fund to Combat Poverty and Hunger in Africa. The Administrator established this Fund in 1984 as a result of his deep concern and that of the international community for the economic and social crisis affecting many countries in Africa. The resources of the Fund are to be used primarily in the following priority areas: food self-sufficiency, water, energy for household use, primary health care, rural roads and anti-desertification and reforestation. Fund resources may also be used for emergency assistance to countries in Africa when it is determined by the Administrator that exceptional circumstances warrant such action. The Fund is managed by the Regional Bureau for Africa in collaboration with the Regional Bureau for Arab States.

39. Trust Fund for Assistance to Colonial Countries and Peoples. This Fund was established in order to facilitate the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples in accordance with a number of relevant resolutions adopted by the General Assembly. Its purpose was and is to finance humanitarian assistance projects of national liberation movements recognized by the Organization of African Unity. The resources of the Fund are very limited and it is expected that it will soon cease to finance any activities.

40. International Initiative against Avoidable Disablement - IMPACT. The trust fund was established in 1983 by the Administrator as a follow up to the International Year of Disabled Persons (IYDP) and as a complementary action to the proposed World Programme of Action concerning Disabled Persons. The purpose of IMPACT is to provide the incorporation of low-cost disability-prevention measures within existing programmes and services rather than the creation of any new structures. It is headed by a Director who works through the existing structures provided by UNDP, UNICEF and WHO.

41. UNDP Trust Fund for Projects Financed by the Voluntary Fund for the United Nations Decade for Women. The Voluntary Fund for the United Nations Decade for Women was established by General Assembly resolution 31/133 in 1976. In 1980, a memorandum of understanding between the Administrator and the Secretary-General established the UNDP Trust Fund for Projects Financed by the Voluntary Fund. The Voluntary Fund has an independent secretariat. Voluntary contributions may be pledged at the annual Pledging Conference. At the pre-approval stage, consultations take place with the substantive units concerned in UNDP with respect to project proposals. Once projects are approved by the Voluntary Fund, the resources are then transferred to UNDP in order to administer the implementation of the projects.

42. It should be noted that, responding to General Assembly resolution 39/125, negotiations are under way to transfer responsibility for the Voluntary Fund for the United Nations Decade for Women to the Administrator at the latest by 1 January 1986. The activities of the Voluntary Fund will be continued through the establishment of a separate and identifiable entity in autonomous association with UNDP. The existing UNDP Trust Fund for Projects Financed by the Voluntary Fund for the United Nations Decade for Women would be liquidated and the assets transferred to the new fund.

43. The UNDP Development Study Programme. The Administrator was requested to establish this programme by the Governing Council in decision 81/30. The purpose of the programme is to promote a greater understanding of the issues concerning development and technical co-operation, to generate new ideas and resources and to strengthen public and government support for development. The activities of the Programme take such different forms as seminars, lectures and informal discussion groups. Participants are drawn from among high-level national policy-makers, government representatives, senior officials of the United Nations development system, leaders of public and private enterprises, representatives of the media and academics.

44. The programme may be financed from voluntary contributions of Governments, as well as international public and private institutions and foundations. Contributions may include the provision of hosting facilities and collaboration in organizing joint seminars and meetings. Support services are provided by the secretariat of the Governing Council (Division of External Relations/UNDP). All support costs relating to the programme are borne by the programme.

45. UNDP Trust Fund for Action on Development Issues. The Administrator established the Trust Fund in 1983 with the objective of achieving practical progress and effective action on a limited number of pressing development-related issues. The Fund is used to help to finance meetings of the InterAction Council of Former Heads of Government and the preparation of substantive support services and material.

5. Country-specific funds

46. UNDP Trust Fund for the Nationhood Programme of the Fund for Namibia. General Assembly resolution 31/153 in 1976 launched a comprehensive assistance programme within the United Nations system in support of nationhood for Namibia. The Office of the United Nations Commissioner for Namibia was designated as the co-ordinating authority for the nationhood projects under the direction of the Committee of the United Nations Fund for Namibia. Nationhood programme projects are financed from the UNDP Trust Fund that was established for this purpose on the basis of an agreement between the Commissioner for Namibia and the Administrator. Projects are approved by the Council for Namibia; subsequent to approval, the necessary funds are transferred to UNDP in order to administer project implementation.

47. United Nations Trust Fund for Operational Programmes in Lesotho. The Government of Sweden and the United Nations entered into an agreement in 1967 to finance technical assistance operational programmes in Lesotho. Responsibility for the fund was delegated to the Administrator in 1968. The fund finances a number of posts in Lesotho of an operational and administrative type covering a variety of fields. Within UNDP, the management of the fund has been entrusted to the Regional Bureau for Africa.

48. United Nations Trust Fund for Provision of Operational (OPEX) Personnel in Swaziland. This fund was entrusted to the Administrator in 1969 on the basis of principles strictly analogous to those cited in paragraph 47 above relating to the Trust Fund for Lesotho.

6. Funds and programmes oriented towards providing specific inputs

49. United Nations Volunteers. The UNV programme was established in 1970 by resolution 2659 (XXV). The programme is responsible for providing technical assistance to developing countries in the form of middle-level expertise under volunteer conditions of service. The programme has been given particular responsibilities in the fields of youth and domestic development services. The external costs of all volunteers from developed countries are financed by the donor country. The external costs of volunteers from developing countries are financed from voluntary contributions to the Special Voluntary Fund. Such contributions are normally made at the annual Pledging Conference. In-country costs are chargeable to the project budget in question. The UNV programme is headed by an Executive Co-ordinator who reports to the Assistant Administrator, Bureau for Special Activities. The UNV secretariat is financed from the UNDP biennial budget.

50. The USSR/UNDP Trust Fund for Training in the Union of Soviet Socialist Republics of Specialists from Developing Countries. This Fund was established by the Administrator in 1982. Its purpose is to train specialists from

developing countries in a variety of fields in institutions in the USSR. The Fund is financed from contributions from the Soviet Union. It is administered in UNDP by the Planning and Co-ordination Office.

51. The Bulgaria/UNDP Trust Fund for Training in Bulgaria of Specialists from Developing Countries. The Administrator established this Fund in 1984 for purposes and according to principles analogous to those cited in paragraph 50 above.

II. CO-FINANCING

A. The concept of co-financing

52. A distinction has consistently been made between the funds and programmes that have been established under the authority of the Administrator and the types of contributions that can be made to these funds and programmes. A further basic distinction can be made between resources that represent voluntary contributions and resources that are made up of contributions in the form of either cost-sharing or project-specific trust funds. These two latter types of contribution represent different types of co-financing activity. Since the definitions of cost-sharing and trust fund as types of contribution are peculiar to UNDP, it may for the sake of clarity be worthwhile to also consider the World Bank's terminology in this respect.

1. Definitions of co-financing

53. The World Bank uses the term co-financing to refer in general to any arrangement under which funds from the Bank are associated with funds provided by other sources outside the borrowing country in the financing of a particular project. Applied to UNDP, this principle would mean that co-financing would refer to all three mechanisms discussed below: namely, cost sharing, trust funds and parallel financing. It is the intention of the Administrator in future to use the term co-financing to refer to all three. In the case of UNDP, it should be noted that recipient government cost-sharing is not in accord with the World Bank's definition of co-financing since the source is the country being assisted. However, recipient Government cost-sharing may be appropriately considered a form of co-financing since the purposes for which the resources are being provided are not limited to local inputs.

2. Cost-sharing

54. The World Bank uses the term 'joint financing' to refer to a co-financing operation for which there is a list of common goods and services and where the financing of and disbursement for all or certain items are shared between the Bank and the co-lender in agreed proportions. Procurement procedures must be acceptable to the Bank. Conceptually, joint financing is analogous to

cost-sharing, the term used by UNDP. Thus, inputs financed from cost-sharing funds are not separately identified or accounted for. Total project expenditure is apportioned between the respective sources of financing. Cost-sharing funds that are surplus at the end of the project are disposed of in agreement with the donor. As the term 'cost-sharing' is well established in UNDP there is no need to change it.

55. Regarding UNDP, another feature of cost-sharing is that, while UNDP charges the standard, relevant agency support costs, it absorbs the remaining administrative costs incurred by it in supporting the cost-sharing activities in cases where these activities represent less than 25 per cent of the IPF. Over 25 per cent of the IPF, UNDP attempts to secure the financing necessary to support the activities. In this regard, interest earnings are used to finance all support costs relating to cost-sharing activities in excess of 25 per cent of the IPF.

3. Trust funds

56. The use of the term 'trust funds' to denote a certain type of contribution is a hybrid concept in the context of the World Bank's terminology. The trust fund modality has features characteristic of both joint financing and parallel financing (as defined below). Insofar as the contribution is made to the UNDP-administered system and the resources are in effect being entrusted to that system (hence, UNDP's Regulations and Rules would apply), the trust fund concept is analogous to cost-sharing and joint financing. However, in the case of trust funds, inputs are separately identified and accounted for, which is a characteristic of parallel rather than joint financing. Any interest earned on trust fund balances is credited to the trust fund concerned. The corollary of this is that in principle trust funds have to pay fully for the services provided. This means payment not only for the executing agency support costs, but also for the costs incurred by the headquarters of UNDP or of the fund in question, and by UNDP field offices in supporting the trust fund activities.

4. Parallel financing

57. Parallel financing is used by the World Bank to refer to a co-financing operation in which the Bank or the co-lender agree in advance on the parts of the project to be financed by each. The Bank administers procurement related to its part of the project and the co-lender does likewise with respect to its part. The same terminology can and will be applied within the UNDP-administered system. In this case, the co-financed resources are not being entrusted to UNDP or to its funds. The arrangements that characterize the overall co-ordination and management of the separate resources can vary significantly. They range from a situation where a bilateral project is being implemented parallel to a separate UNDP-administered project to cases where co-financing arrangements have been institutionalized in the form of overall consultative frameworks.

B. The experience with co-financing

58. UNDP's vantage point as a central funding system for technical assistance with a global network of field offices has enabled it to perform a useful function in contributing towards bringing together recipient requirements and potential financing available from donors. One specific contribution that UNDP has made in providing an overall framework in which co-financing for technical assistance can be pursued is the publication of the Projects Annotated Listing (PAL) which was first circulated in the donor community in December 1983. The project summaries included in PAL derive from unmet requirements arising from the continuous country programming exercise carried out by UNDP with the Government and projects identified by the funds. As such, they represent projects already identified as priorities by the recipient Government. PAL projects can be financed by a donor through the cost-sharing mechanism or alternatively through the other types of co-financing arrangements.

59. The different types of co-financing activities that UNDP engages in are identified below and examples are given of the great variety of specific arrangements that have been devised. The examples provided focus primarily on the financial and institutional parameters that define UNDP's partnership with the sources of co-financing. No attempt is made to describe the critical roles played by the recipient Governments and by the executing agencies; in this respect it is particularly important to note that government inputs, often very significant, have not been alluded to.

1. Cost sharing

60. The cost-sharing modality developed as a result of the search for sources of financing for technical assistance activities arising from the country programming process that would be in addition to the central resources made available by UNDP. The gap between project requirements and available resources became particularly striking with the reduction in the third programming cycle, 1982-1986, of the approved budget level (ABL) to 55 per cent of the IPF.

61. Many donors have made significant contributions to cost-sharing programmes. In this respect, significant contributions have been made by the recipient countries themselves. Thus, for example, the Government of Indonesia decided to finance the gap between the ABL and the IPF through its own cost-sharing resources. For its part, the Government of Jamaica decided to implement a 'matching fund' cost-sharing scheme by which it provides resources in local currency that have the effect of restoring the IPF to more than 100 per cent. Matching contributions are sought from donors to cover the foreign exchange costs of the projects that are identified. In countries where UNDP is purchasing local currency in substantial quantities and on a regular basis, it has been possible for UNDP under specific conditions to

accept local currency contributions to cost-sharing schemes. Recipient Government cost-sharing has also been financed in numerous cases from multilateral and bilateral loans, in particular from the World Bank, the Inter-American Development Bank, other regional banks and the United States Agency for International Development. Finally, with respect to schemes for recipient government cost-sharing, the 100 per cent cost-sharing programmes financed by Kuwait and Qatar are noteworthy. In view of the Administrator's present proposals concerning the concept of reimbursable IPFs (RIPFs), this form of co-financing arrangement can be expected to assume increased significance in the future.

62. Third party cost-sharing contributions have been made by many donors in substantial amounts. Although the majority of these have been project-specific, a number have been oriented towards the financing of broad programmes. A case in point is the Suez Canal Zone Feasibility and Design Studies Project for which a special cost-sharing arrangement was devised enabling 13 donor Governments to make contributions to finance specific studies identified for priority implementation. Another example is provided by the UNDP/World Bank Energy Sector Assessment (ESAP) and Energy Sector Management Assistance (ESMAP) Programmes. Together with financing from the World Bank and the UNDP interregional programme, substantial cost-sharing contributions have been made by some 12 donors through the Energy Account and by other means to these programmes. Alternatively, the cost-sharing mechanism has sometimes been used to finance specific identified inputs. Thus, the United States, Norway and Finland financed through cost-sharing contributions over 20 United Nations volunteers in a project designed to assist refugee relief activities in Somalia. In sum, recipient and third-party cost-sharing contributions together represent an important component to the UNDP-administered system's co-financing activities.

2. Trust funds

63. By far, the majority of project-specific trust funds established to date have been contributions to UNFSSTD, UNSO and UNCDF conditioned on procurement in the donor country. Such trust funds, for example, are being financed by contributions from the Governments of Italy and Norway (through the African Development Bank), and from AfDB itself, to UNSO and UNCDF for road construction and maintenance programmes in Senegal and the Niger. In these cases more complex financial packages have also been arranged involving cost-sharing contributions from the Netherlands, Kreditanstalt Fuer Wiederaufbau (Federal Republic of Germany) and the general resources of UNSO and UNCDF.

64. In addition, donors have on occasion, even when their contributions have not been conditioned on procurement, preferred to use the trust fund modality. For example, a trust fund agreement was reached between UNCDF and a German non-governmental organization, MISEREOR, in 1982 for a project relating

to drinking water supply and sanitation in western Nepal. Although the agreement with MISEREOR did not require that procurement originate in a designated country, the items to be provided under the MISEREOR contribution were specified. For this purpose, a trust fund agreement was signed.

3. Parallel financing

65. In the first place it should be recognized that UNDP and its funds play a significant role in the mobilization of external resources independently of any parallel financing activities. This is by definition true of any pre-investment activities and can be applied to many of the feasibility studies and other types of activities engaged in by the UNDP-administered system. It may also be true of the resident representative's role at the field office level depending on a wide range of circumstances. Both of these types of activity may be considered to provide particular perspectives on UNDP's potential for a co-ordination role. The description of the UNDP-administered system's experience of co-financing activities that follows does not include such activities.

66. Parallel financing is being used to denote a strictly financial relationship in which at least two parties are making separate but related financial contributions to an activity. Even within this rigorous definition, parallel financing has been undertaken in a great variety of ways. The complexity of the programme or project being developed, the extent to which it has been formulated and is ready for implementation, the variety of financial or other resources being made available, the management structure of the programme or project and the roles to be played by the concerned parties are all important elements to be considered.

67. The financial attribution to UNDP of external resources mobilized in part through its efforts is not a concern of this report. Even within the context of co-financing, as it is defined in this paper, the attribution of credit to UNDP for the external, parallel resources mobilized may distort or oversimplify the nature of UNDP's relationship with its partners. No financial figures are therefore being provided. The purpose of this report is to give concrete examples of the types of co-financing arrangements that UNDP and its administered funds have entered into.

68. For the sake of clarity and for the purposes of this paper only, co-financing activities have been categorized as being of a number of different types, ranging from relatively simple to highly complex arrangements.

69. Case 1: a bilateral project being implemented parallel to a separate UNDP-administered system project which together constitute a single overall activity. A good case in point is a programme for the construction and maintenance of feeder roads in Mauritania. In the first phase of the project, UNSO financed the preliminary technical studies and other technical assistance

costs and UNCDF financed equipment costs to build a sector of the road. After a further feasibility study was financed by UNSO, USAID, at the invitation of UNSO, agreed to finance a further portion of the road. A Joint Declaration was signed to this effect between USAID, UNSO and UNDP defining respective responsibilities and implementation modalities. An interesting feature of this arrangement was that, although a distinct and quite separate project was being implemented, UNSO and UNDP/OPE, as executing agency, were requested to remain responsible for the overall co-ordination and supervision of the USAID portion of the project. Subsequently, a joint USAID/UNSO/OPE/Government evaluation mission took place.

70. Another example relates to a UNDP-supported project to help Chinese technicians and experts in need of language training to undertake further study abroad. Under the UNDP-supported project, three foreign language training institutes are being assisted to teach English for special purposes. On the basis of the success of these institutes, the Government of Australia has provided parallel financing to extend their work.

71. Case 2: a situation in which a donor provides specific inputs bilaterally to a single project which are to be combined with UNDP-administered inputs. Although the separate inputs are for the same project, the inputs from the bilateral donor are never contributed through the UNDP-administered system. Examples of such arrangements, which commonly provide a context in which the role of UNDP-administered assistance can better be appreciated, are numerous.

72. In a population census project in Burma, UNDP provided advisory services and equipment while UNFPA provided further equipment, Norway contributed paper and ink and USAID provided a demographic adviser. In Ethiopia, the Government requested both UNCDF and the Finnish International Development Agency (FINNIDA) to assist in the dairy sector. The project was designed to ensure an adequate supply of high quality pasteurized milk and other milk products in the Addis Ababa market and to provide dairy farmers with a remunerative outlet. A joint FINNIDA/UNCDF feasibility mission was fielded resulting in a FINNIDA decision to finance technical assistance and some capital inputs and a UNCDF-supported project to finance complementary inputs including equipment, supplies and vehicles. In the related areas of emergency pest control and the strengthening of plant protection services in Viet Nam, large quantities of supplies provided by the Swedish International Development Authority (SIDA) and FINNIDA were associated with and made contingent upon technical assistance financed by UNDP.

73. Other examples testify to more complex arrangements. In the case of a geothermal exploration project in Djibouti, the Energy Account is financing the personnel needed for the overall management, co-ordination and supervision of the project, as well as specialized consultancy services, the training of local technicians in specialized geothermal institutions outside the country,

and the purchase of limited supplies. Major parallel inputs are being provided essentially in the form of equipment and project personnel by IDA, the Government of Italy, AfDB, the OPEC Fund for International Development and the Arab Islamic Bank.

74. The regional project, Education and Training of Allied Health (Paramedical) Personnel in the Commonwealth Caribbean, may be cited as a final example of this type of co-financing arrangement. The primary purpose of the UNDP contribution is to provide international experts to train health personnel at five regional training centres in the Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago. Complementary financing from the United Kingdom, UNICEF, PAHO/WHO, CIDA, the Commonwealth Fund for Technical Co-operation and the People-to-People Foundation has provided fellowships to enable students from the least developed countries of the Caribbean to study at the five regional centres.

75. Case 3: an institution which is supported and perhaps to some extent initially developed partly through the use of UNDP-administered resources and which at the same time receives support bilaterally from other sources. The co-financing arrangements are of the same type as those described above, except that the recipient of the external assistance can clearly be identified as an institution.

76. In Sri Lanka, the Government proposed the establishment of a National Technical Teacher Training College (NTTTC) to improve the quality of technical and commercial training and to ensure the availability of the appropriate type, quality and numbers of skilled workers to support industrial and economic development. UNDP, which is financing the entire overseas training component for NTTTC staff, assisted the Government in the negotiation of other critical inputs from bilateral sources. The Asian Development Bank is financing the construction of the principal facilities and providing equipment, while SIDA is to provide consultants and additional equipment.

77. In Yemen, UNDP and WHO have assisted the Government in the establishment of the Institute of Health Manpower Development to train medical personnel. The premises in the capital city, Sana'a, were financed from external donors and related centres in other locations have been established. UNDP inputs are helping to strengthen training programmes while United Nations volunteers supplement the Institute's teaching staff. There is further close collaboration with health programmes supported by such bilateral and non-governmental groups as MISEREOR, Swedish and British Save the Children, Danchurchaid, Catholic Relief Services, the United States Peace Corps and volunteers from the Netherlands and the Federal Republic of Germany. Future graduates will find jobs in rural health centres to be constructed with technical assistance furnished by UNICEF, WHO, UNV and UNDTCD. UNCDF for its part will be providing for the construction of 24 health sub-centres and the equipping of 120 primary health care units.

78. The arrangements that characterized the establishment of the World Maritime University (WMU) in Malmo, Sweden, are particularly complex. In 1982 a Memorandum of Understanding was signed between the Administrator of UNDP and the Secretary-General of the International Maritime Organization concerning WMU. UNDP was to finance the technical assistance required to set the programme up on a sound financial and administrative basis and to develop the curricula and other aspects of the programme. Many parallel contributions of different types were secured. The City of Malmo made available buildings and housing facilities for the students and the Government of Sweden made a financial contribution. WMU was established as an international organization to which the privileges and immunities ordinarily extended to specialized agencies of the United Nations would be applied. Students, who were recruited using UNDP's global field office network, were financed from a number of sources. Some students were financed by their national Governments, or by shipping companies in their own countries, or through the use of the IPF resources at the disposal of their countries; others were financed through fellowships provided by the Commonwealth Secretariat, Norway, Italy, Greece, Denmark, Sweden, France, the United Kingdom and the Federal Republic of Germany. Still other contributions, for example in the form of equipment for training, have been made from public and private sources. For example, one private source donated a radio simulator while the Fort Schuyler Merchant Marine Academy in New York has offered a number of fellowships and courses.

79. While the arrangements that supported the establishment of WMU actually led to the creation of a new international organization, other co-financing ventures have been developed to support institutions and committees of an intergovernmental nature. In 1980, UNDP played a catalytic role in prompting the Governments of the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS) and the West African Economic Community (CEAO) to co-ordinate their energy policies. The Economic Development Fund (EDF) of EEC, France and the Federal Republic of Germany contributed to the feasibility study for the creation of a Solar Energy Research Centre (CRES). On the one hand, a donors' conference and on the other hand, the Heads of State of the countries concerned reviewed the programme. Consequently, AfDB, EDF, the OPEC Fund, France and the Federal Republic of Germany decided to contribute to the capital costs of establishing the centre. UNDP, EDF, France and the Federal Republic of Germany have agreed to finance elements of the programme to be launched. UNDP is essentially providing technical assistance to train the staff at the Centre, consultants to help in setting up the appropriate administrative and financial structures, technical expertise and support for an information/documentation centre. CEAO has been made the executing agency and the Secretary-General of CEAO has been entrusted with the responsibility for the centre by the States members of both CEAO and CILSS.

80. Another instance of co-financing arrangements relating to support for an intergovernmental organization is the assistance UNDP has provided to the Committee for Co-ordination of Joint Prospecting of Mineral Resources in the

South Pacific Offshore Areas. The objectives of the Committee are to carry out specific nearshore and offshore surveys in connection with potential hydrocarbon deposits and various metalliferous materials and, while doing this, to train nationals of the Pacific region and assist in the progressive setting up of the Committee as a permanent technical organization. UNDP has provided technical assistance with respect to particular activities and, more particularly, the UNDP project manager functions as the head of the Technical Secretariat of the Committee and as such is active in mobilizing bilateral resources. Australia, France, the Federal Republic of Germany, Japan, the Netherlands, New Zealand, Norway, the United Kingdom, the United States and the USSR have provided technical advisory services and large contributions to the Committee, both in cash and in kind. The most significant of these inputs has been the financing by Australia, New Zealand and the United States of vessels which have been made available for the purposes of the Committee.

81. Case 4: the institutionalization of co-financing arrangements into a consultative framework in which the recipient and donor countries and international organizations including UNDP engage in a continuous dialogue. Such arrangements appear to characterize, in particular, ambitious long-term programmes that require the support of the international community as a whole.

82. The Consultative Group on International Agricultural Research (CGIAR) is an example of one such framework. CGIAR had its origins during the course of 1969-1970 when a number of major national and international funding agencies reviewed the opportunities for co-operation in increasing food production in developing countries. As a result, CGIAR was established in 1971 under the joint sponsorship of the World Bank, FAO and UNDP. The Bank provides CGIAR with its chairman and secretariat. FAO provides a secretariat for the group's Technical Advisory Committee. UNDP, FAO and the World Bank share the total costs of all the operations of the Technical Advisory Committee. CGIAR represents an informal association of Governments, international and regional organizations and private foundations dedicated to supporting a system of agricultural research centres and programmes around the world. While CGIAR actively reviews and co-ordinates the programmes and seeks to mobilize financial support for the system, it does not itself contribute resources. These are made on a bilateral basis between an individual member and one of the system's 13 specialized centres. By 1985, donor members represented 24 countries, 10 international agencies and 5 private foundations. In addition to the donors, 10 developing countries are elected by the FAO Regional Conferences to represent as members the views of the five regions of the developing world.

83. The National Household Survey Capability Programme has developed 19 national programmes involving co-financing arrangements with 9 donors. The programme was launched in 1979 in order to provide developing countries with the statistical data needed to be able to plan effectively. UNDP, UNFPA and UNICEF contribute to the functioning of a Central Co-ordinating Unit in

UNDTCD. Missions are financed which formulate appropriate country programmes; further financing is then sought on a bilateral basis. FAO, ILO, WHO and the United Nations regional commissions provide technical staff specifically for the programme in their areas of competence. Periodic reviews and consultations between the donors, the recipients and the participating organizations provide the framework for a continuing dialogue on the co-financing arrangements in place. The programme represents both a framework in which co-financing is pursued and a major co-operative effort within the United Nations system.

84. Very similar arrangements characterize the Special Public Works Programme (SPWP) established in 1975 by UNDP and ILO. SPWP is designed to break the poverty cycle by making extensive use of unemployed or underemployed workers to develop available resources and to build basic infrastructure. The UNDP/ILO programme provides an integrated support system of research, exchange of experience, advisory services, assistance for project identification, formulation and management, training, monitoring, evaluation and resource mobilization. At the national level, UNDP-assisted projects have enabled developing countries to build up a solid core group of senior and middle-level administrators, economists and civil engineers. Australia, Austria, Denmark, the Federal Republic of Germany, Finland, Italy, the Netherlands, Norway, Sweden and Switzerland have made contributions to SPWP. Further support has come from a cost-sharing contribution from OPEC, from WFP which has provided 'food for work' to specific country projects, from EEC and from ILO itself. With respect to UNDP resources, financing has been secured from country and regional IPFs, from the SMF/LDC and from the Trust Fund for Developing Countries Afflicted by Famine and Malnutrition. In the sphere of technical co-operation, ILO experts, associate experts, United Nations volunteers and bilateral experts have all been employed in different SPWPs. The programme is carried on within a framework of annual consultations between the programme countries, donors, ILO and UNDP. These consultations provide both the opportunity to review ongoing and completed programmes and to secure co-financing arrangements.

85. The Onchocerciasis Control Programme in the Volta River Basin area of Africa was elaborated as a consequence of a preparatory mission, financed largely by UNDP, requested by the seven countries concerned. Guided by a Steering Committee made up of the World Bank, WHO, FAO and UNDP, the mission prepared a report as a result of which the programme was launched in 1974. A second phase of this programme was initiated in 1980 on the basis of the Onchocerciasis Fund Agreement and a Memorandum of Understanding on the programme. The Agreement was ratified by Belgium, France, the Federal Republic of Germany, Japan, Kuwait, the Netherlands, Switzerland, the United States, AfDB, the OPEC Special Fund, UNDP, WHO, FAO and the World Bank. All contributions including UNDP's are made directly to the Fund. The Fund Agreement and Memorandum provide for certain institutional arrangements. While the World Bank administers the Fund, WHO as the executing agency is

responsible for the implementation of the programme. A Joint Programme Committee (JPC) consisting of representatives of all participating and contributing Governments and of the World Bank, WHO, UNDP and FAO (the sponsoring agencies), exercises general supervision over programme policy and adopts annually a plan of action and budget. JPC is advised by a Committee of Sponsoring Agencies (CSA) which makes recommendations to it, and by an Expert Advisory Committee, appointed by CSA, which acts as a technical advisory body. A final feature of the arrangements relates to the national onchocerciasis committees set up by each participating Government to ensure co-ordination and follow up at the national level.

86. UNDP has also played a catalytic and continuing role in the packaging of external assistance from numerous sources for the integrated development of large river basins in Africa. The schemes involved are the Organization for the Development of the Senegal River Basin (OMVS), the Organization for the Development of the Gambia River Basin (OMVG), the Niger Basin Authority (NBA), the Lake Chad Basin Commission (LCBC) and the Kagera Basin Organization (KBO). Some 16 recipient countries are involved. Austria, Belgium, Canada, the Federal Republic of Germany, Finland, France, Italy, the United Kingdom and the United States are among the major donors. Each organization has its own characteristics and the pace of the progress made in each case varies due to a wide range of factors; none the less, the UNDP role in each case shares by and large certain common characteristics. Impetus has largely come from UNDP surveys carried out over the last decade which has made it possible to outline strategies for development. On the basis of these surveys, UNDP has co-ordinated large technical missions enabling the interested donors, together with the recipients, to consider and programme comprehensive action plans. These have related mostly to pre-investment surveys, leading to capital investments. Different types of donor conferences have subsequently been held to review the programmes and attempt to mobilize the resources required. Apart from its role in co-ordinating the donor community and providing a framework for a continuing dialogue, UNDP has made substantial financial contributions to support the intergovernmental river basin organizations concerned in order to assist them in playing their central roles effectively. With respect to the implementation of these action plans, the joint Italian/Austrian commitment to finance the feasibility study for the railway network in the programme for the development of the Kagera Basin points to a significant UNDP role. UNDP was requested to provide the terms of reference for the Italian/Austrian consortium and to provide the necessary co-ordination. UNDP serves as an interface between KBO, acting as a counterpart to the project, and the Italian/Austrian consortium. Finally, UNDP was asked to act as an auditor on behalf of KBO.

87. Other examples of co-financing arrangements involve UNDP in much more specific roles. A good case in point is the UNDP contribution to the activities of the Caribbean Group for Co-operation in Economic Development. The World Bank, UNDP, IMF, IDB, OAS and the Caribbean Development Bank (CDB),

are the sponsoring institutions of the Group which was formed in 1977 to mobilize additional resources for the development of the countries in the region. While the Group has met annually, an Ad Hoc Advisory Group has met intersessionally to provide broad policy guidance. In addition, meetings of the major donors and the sponsoring institutions are held just prior to the meeting of the Group. There are now some 18 donors participating. While UNDP makes an important contribution in respect of the technical assistance needs of the various national programmes covered by the Group, it has been assigned a special responsibility for the co-ordination of certain regional technical co-operation programmes. Two such regional projects are the Caribbean Project Development Facility (CPDF) and the Inter-Agency Resident Mission for the Eastern Caribbean (IARM). CPDF is designed to assist participating Governments to identify, develop and promote suitable private and public sector projects for external financing. The project is executed by the World Bank/International Finance Corporation and is financed by cost-sharing contributions from USAID, IDB, CDB, CIDA and the Netherlands as well as from UNDP regular resources and by the International Finance Corporation. Priorities, financial considerations and the relationship between this facility and other programmes in the region that the donors support or may wish to support are the subject of periodic reviews in the context of meetings of the Group. Furthermore, an Advisory Committee for this specific project convenes under the chairmanship of UNDP once or twice a year to provide broad policy guidance on implementation. One particular feature is that negotiations are under way for CPDF to establish a charge of 2.5 per cent of the total costs of those projects that are successfully financed in order to ensure a mechanism for recycling the financial resources at the disposal of the Facility. IARM for its part is designed to assist the smaller islands of the Eastern Caribbean to prepare their public sector investment programmes and to improve monitoring of their economic performance. Cost-sharing contributions from the World Bank, IMF, USAID and CIDA in support of the Resident Mission programme have been supplemented by further contributions in kind from the World Bank, IMF, IDB, OAS, CDB and the United Kingdom. IARM also benefits from UNDP regular resources. The arrangement has enabled the development within a single institutional framework of a joint venture combining the staff expertise of the World Bank, IMF, OAS, CDB, UNDP and a number of external consultants.

III. CONCLUDING REMARKS

88. The role the UNDP-administered system plays and will perform in the future is determined largely by the vantage point enjoyed by UNDP as the central funding mechanism for United Nations system technical assistance activities. In particular, its global field office network gives UNDP a capacity for assisting recipient Governments in developing programmes and developing financial packages that can make a major contribution to the matching of needs with resources. The continued vitality of the central funding principle is the indispensable starting point for any wider role UNDP may be in a position to assume.

89. The analysis offered of the financial characteristics of the UNDP-administered system points to a consideration of two complementary developments. The first relates to the emergence of a wide range of programmes and funds under the authority of the Administrator. Each fund may be viewed from at least three perspectives: they may be analysed as a function of its mandate; in terms of its resources; and in terms of its organizational arrangements. With respect to their mandates, it is evident that the range of funds have provided the system with a capacity and flexibility that has enabled the Administrator to be fully responsive to changing needs and priorities. The many different types of contributions that can be made by donors to these funds have provided flexible and adaptable mechanisms for resources mobilization. Finally, regarding organizational arrangements, the Administrator has been given repeated mandates to ensure administrative rationalization and economies of scale relating to services provided by UNDP central resources (finance, personnel, etc.). Similarly, field offices by and large have represented a focal point for all UNDP-administered activities at the country level. On the other hand, the Administrator would require guidance of the Governing Council as to whether, within the framework of the existing mandates of the funds, a review were warranted of current organizational arrangements that characterize the Administrator's management of the funds.

90. The second development concerns the co-financing arrangements that have been devised in cases where resources were not channelled centrally through UNDP, but where none the less UNDP has been required to play a substantive or co-ordination role. Many different types of co-financing arrangements have been described. It is sufficient to conclude that UNDP has already gained considerable experience in assembling complex financial packages for programmes primarily in the field of technical assistance. In this connection, the financial structure and arrangements described above may provide useful perspectives on UNDP's potential role in the co-ordination of external technical co-operation at the country, regional and even global levels.



GLOSSARY

The definitions in the Glossary are for the purposes of this report only.

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| Co-financing | Generic term covering cost-sharing activities, trust fund activities and parallel financing arrangements |
| Country- or project-specific contributions | Contributions made in the form of cost-sharing or trust funds in order to finance, either in part or in full, specific national or intercountry projects or a programme in a recipient country. Such contributions are normally made in the form of cost-sharing. Trust fund contributions are normally for a specific project only if circumstances prohibit the use of the cost-sharing mechanism. |
| Cost-sharing | Co-financing operation for which the inputs financed from cost-sharing funds are not separately identified or accounted for. Cost-sharing is analogous to "joint financing". |
| Donations | Contributions made by private organizations or individuals to programmes and funds under the authority of the Administrator |
| Full funding | Availability of funds in the form of cash on hand or irrevocable letters of credit |
| Government cash counter-part contributions | Cash contributions made by Governments to UNDP for locally available inputs to a project as may be agreed in the project document |
| Government in-kind contributions | Provision by recipient Governments of goods and services, including capital assets |
| Local office cost | Contributions of the host Government towards the contributions local costs of maintaining the field office in the form of cash, or by provision in kind, of specific goods, services and facilities |

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| Parallel financing | Co-financing operation in which UNDP and its partners agree in advance on the parts of the project to be financed by each. The resources of the co-financier are not entrusted to UNDP. |
| Partial funding | Authority to allocate funds against anticipated future years' income |
| Recipient Government contributions towards meeting local costs | There are four different types of contribution that recipient Governments may make in order to meet local costs. These are government cash counterpart contributions, government in-kind contributions, voluntary programme costs (to UNDP) and local office costs (to UNDP). |
| Trust fund | Co-financing operation in which the project inputs are separately identified and accounted for while being financially fully entrusted to the UNDP-administered system |
| Voluntary contributions | Contributions made by Governments to UNDP's general resources or to the general resources of the funds and programmes administered by UNDP without any particular restrictions |
| Voluntary programme costs | Contributions made by Governments to UNDP to cover a percentage of the local costs incurred in the execution of UNDP-financed projects |

Summary table of UNDP financial structure data

| | 1983 expenditures (Millions of US dollars) | 1984 Income | Open/ closed fund ^{b/} | Participation in Pledging Conference | Types of contributions that can be made | Organizational arrangements |
|---|--|----------------|---------------------------------------|--|--|---|
| <u>UNDP^{a/}</u> | 739.5 | 746.4 | Open | Yes | VC,CS,TF,D | |
| <u>A. Funds characterized by specific developmental criteria</u> | | | | | | |
| SME/LDC's | 11.5 | 13.6 | Open | Yes | VC | Financial resources allocated by PCO. Programme managed by Regional Bureaux. |
| UNSF/LLDC | .2 | .1 | Open | Yes | VC | Financial resources allocated by PCO. Managed by regional bureaux. |
| Trust Fund for Developing Countries Afflicted by Famine and Malnutrition | - | .04 | Closed | No | - | Financial allocations supervised by PCO in line with recommendations of Project Approval Committee and in close co-operation with the regional bureaux. |
| <u>B. Funds reflecting sectoral priorities</u> | | | | | | |
| UNFSSTD | 9.9 | 5.1 | Open | Yes | VC,CS,TF,D | Autonomous secretariat under authority of Administrator only. |
| Energy Account | 3.2 | 3.7 | Open | Yes | VC,CS,TF,D | Separate secretariat reporting to the Associate Administrator. |
| UNRFNRE | 5.8 | .2 | Open | Yes | VC,CS,TF,D | Separate secretariat reporting to the AA/BSA. |
| <u>C. United Nations Capital Development Fund</u> | | | | | | |
| | 30.6 | 21.8 | Open | Yes | VC,CS,TF,D | Separate secretariat reporting to AA/BSA. |
| <u>D. Special purpose funds</u> | | | | | | |
| UNSO | 12.4 | 16.9 | Open | Yes | VC,CS,TF,D | Separate secretariat reporting to the Administrator. |
| UNDP Fund for Assistance to Refugees in Africa | - | 5.0 | Open | No | VC,CS,TF,D | Managed by RBA. |
| UNDP Trust Fund to Combat Poverty and Hunger in Africa | - | - | Open | No | VC,CS,TF,D | Managed by RBA in collaboration with RBAS. |
| Trust Fund for Assistance to Colonial Countries and Peoples | .2 | - | Open | Yes | VC,CS,TF,D | Managed by RBA. |
| Trust Fund for the Special Netherlands Contribution for LDC's | - | - | Closed | No | - | Managed by Co-ordinator of Assistance to LDC's under Director, PCO. |
| UNDP Trust Fund for Econ. and Tech. Co-operation among Developing Countries | - | .007 | Closed | No | - | Administered by PCO under the direction of Associate Administrator. |

^{a/} UNDP expenditure and income relate to voluntary contributions, voluntary programme contributions, government cost-sharing contributions, government cash counterpart contributions and extrabudgetary activities.

^{b/} See definition on page 9.

| | 1983 expenditures (Millions of US dollars) | 1984 Income | Open/ closed fund ^{b/} | Participation in Pledging Conference | Types of contributions that can be made | Organizational arrangements |
|---|--|----------------|---------------------------------------|--|---|---|
| IMPACT | .2 | .2 | Open | No | VC, D | Managed by Project Director who reports to Associate Administrator. |
| UNDP Trust Fund for VFUNDW | 2.1 | 2.9 | Closed | No | Resources earmarked for approved projects CS,TF | At the pre-approval stage consultations are held with the appropriate substantive units. At the post approval stage, financial and administrative services are provided by BFA. |
| UNDP Develop- ment Study Programme | 0.4 | .04 | Open | Yes | VC, D | Administered by DER. |
| UNDP Trust Fund for Action on Development Issues | .4 | .8 | Open | No | VC, D, | Administered by DER. |
| <u>E. Country-specific funds</u> | | | | | | |
| UNDP Trust Fund for the Nationhood Programme for Namibia | 2.3 | .8 | Closed | No | Resources earmarked for approved projects. CS,TF | Administered by RBA. |
| UN Trust Fund for Operational Programmes in Lesotho | .5 | .2 | Closed | No | - | Managed by RBA. |
| UN Trust Fund for Provision of OPEX Personnel in Swaziland | .1 | .2 | Closed | No | - | Managed by RBA. |
| <u>F. Funds and programmes oriented towards providing specific inputs</u> | | | | | | |
| UNV | 1.7 | .7 | Open | Yes | VC,CS,TF,D | Separate secretariat reporting to AA/BSA. |
| USSR/UNDP Trust Fund for Training in the USSR of Specialists from Developing Countries | 1.2 | 1.5 | Closed | No | - | Managed by PCO. |
| Bulgaria/UNDP Trust Fund for Training in Bulgaria of Specialists from Developing Countries | - | .1 | Closed | No | - | Managed by PCO. |
| <u>Legend</u> | | | | | | |
| VC | Voluntary contribution | PCO | Planning and Co-ordination Office | AA | Assistant Administrator | |
| CS | Cost-sharing | DER | Division of External Relations | RBAS | Regional Bureau for Arab States | |
| TF | Trust Fund | BSA | Bureau for Special Activities | BFA | Bureau for Finance and Administration | |
| D | Donation | RBA | Regional Bureau for Africa | | | |
