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P O L I C Y

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F O R E W O R D B Y T H E A D M I N I S T R A T O R

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FOREWORD BY THE ADMINISTRATOR

1. As the year 1986 unfolded, most developing countries found their economies in an unsettled state as the effects of slackening growth rates in the industrialized world took hold. Demand for their exports fell away and commodity prices sank to record lows. In many developing countries, capital inflows dried up or slowed to a trickle and, in several cases, there were net outflows. Debt payments claimed larger percentages of national earnings. As a result, revenues available for development declined and domestic investment levels dropped. For the United Nations Development Programme (UNDP), these stressful conditions posed new challenges in its mission to assist these countries to achieve and sustain economic progress.

2. There were, however, hopeful signs as well on the global economic scene. Many developing countries experienced lower than predicted levels of inflation. Cuts in the price of oil shaved substantial amounts from fuel import bills around the world, but also confronted oil-exporting developing nations with special difficulties. In Africa, the twin spectres of drought and hunger receded as rains returned to this troubled region and most sub-Saharan countries brought in bigger harvests.

The Programme in perspective

3. With countries in the developing world counting ever more on technical assistance, a further encouraging sign was the evidence of new growth and momentum in UNDP. During the year, for the first time in its history, the world development organization passed the \$1 billion mark in income received under its main programme, by the special-purpose funds it administers and through cost sharing. The new pledges announced in national currencies showed an average increase of 6.6 per cent. This increase was augmented by changed currency parities between the US dollar, the Programme's unit of account, and the currencies of non-dollar contributors. At year-end, the forecast for pledges in 1987, based on prevailing exchange rates, indicated another year of record contributions.

4. Resources garnered through co-financing also went up. This component of UNDP's income package has grown steadily over the past seven years and reached a new high of \$166.1 million during 1986. Co-financing merits careful consideration by donors as a practical means of strengthening UNDP's co-ordinating role at field level. At a time when the Programme has been asked to expand its co-ordination functions, this trend is felt to be all the more welcome.

5. The upturn in UNDP's receipts was matched by marked improvements on the delivery side. Thanks to a quickening rate of implementation and a stronger build-up of project approvals, project expenditures rose for the second consecutive year, climbing above 1985 levels to reach a total of \$689.2 million -- a 20.5 per cent increase. Behind this turn-around were significant increases in expenditures under the indicative planning figures (IPFs) and cost sharing.

6. This surge in delivery enabled UNDP to field 8,969 international experts and technical consultants during 1986. Another 3,481 national experts were recruited, 26 per cent more than the previous year. The increase in delivery also provided for more than 12,900 fellowships to developing country nationals for study abroad. UNDP funded equipment for projects in the amount of \$166.4 million and supported another \$90.6 million in work sub-contracted to consulting firms and other private and public institutions.

7. To preserve the quality of the product being delivered at this new pace, management moved to screen project proposals more rigorously. It also took steps to tighten up project budgeting practices and, through inter-agency consultations, to encourage UNDP's executing agency partners to follow suit. Our 112 country offices were alerted to step up their monitoring of progress in the field. Among other management actions:

- * UNDP established an in-house Action Committee of senior staff to co-ordinate programme policies and to review and approve all projects over \$400,000.
- * Appraisal groups in our regional bureaux were deployed to examine projects more closely and regular meetings of the UNDP Programme Review Committee were convened to inject new standards of quality into the design and crafting of country programmes.
- * In Africa, UNDP mounted a special effort to remove operational bottle-necks and restore momentum to a lagging project pipeline. Staff missions were fielded to more than 30 countries which account for 80 per cent of available IPFs in order to help clear the way for the delivery of quality programmes and support the region's climb out of crisis.

8. On other fronts, UNDP took action to streamline the organization's day-to-day business by cutting down on duplication of effort and reducing the volume of paperwork handled by field representatives and headquarters staff. Administration, staffing and financial management of the Programme were examined and, in several departments, UNDP introduced more cost-effective management principles. In an important move, UNDP decided to avoid any increase in posts financed from the core budget for 1987-1989. The budget has been prepared and presented accordingly.

9. The year was also one of active transition as Governments, UNDP and agencies of the United Nations development system geared up for the fourth programming cycle. With its partners, UNDP proceeded with the task of drawing up the new country programmes of medium-term technical assistance for 152 countries that would go into effect over the five-year period 1987-1991. Between June 1986 and February 1987, 73 country programmes worth more than \$1.6 billion went forward to the Governing Council for consideration and approval -- 30 of them from Latin America and the Caribbean, 20 from Asia and the Pacific, 10 from Africa, 7 from Europe and 6 from the Arab States. Also approved in this same period were new regional programmes for Asia and the Pacific (\$213.5 million), Latin America and the Caribbean (\$49.7 million), Europe (\$9.7 million) as well as a \$127 million Global and Interregional Programme.

10. Trends in the new programmes reflected both the impact of today's global economic conditions on developing nations and the strategies they are now adopting in response. With government revenues down as a result of shrinking demand for exports and deteriorating terms of trade, for many countries cutbacks in recurrent and investment expenditures have become the order of the day and structural adjustments have become virtually obligatory.

11. The continuing vulnerability of developing country economies to external shocks has brought home to Governments a number of shortcomings in their policy-making processes and management systems. Their first response has been to try and overcome these inadequacies and to make more judicious use of technical co-operation resources. In Africa and Latin America and the Caribbean, in particular, UNDP is being asked to assist countries to manage their economies more efficiently and to help boost agricultural and industrial production. In Asia and the Pacific, where impressive gains have been made in food self-sufficiency, the emphasis is now heavy on human resources development and the use of technology in development solutions.

12. At the same time, the Programme maintains its emphasis on major global objectives. The alleviation of poverty, food security, women's role and share in development, environmental protection, the supply of clean drinking water and sanitation and technical co-operation among developing countries (TCDC) all feature priorities for the new cycle.

13. Much of UNDP's work in 1986 could be seen as a drive to help developing countries to manage and make the best use of all resources available for their development. This includes their human and natural resources as well as the financial resources which are channelled to them through development assistance. The Programme continued to take up this important challenge across a spectrum of global development activities, some of which are described in other documentation presented to the Governing Council. The focus of this foreword is on progress achieved in three selected areas where UNDP is moving ahead with new initiatives. During a year of many varied activities:

- * UNDP gave institutional shape to its efforts to bring the intellectual abilities and talents of women and the energies of non-governmental organizations (NGOs) into mainstream development. The Programme also pressed forward with initiatives for unleashing the skills and know-how of the private sector as further major assets in development;
- * UNDP's role in co-ordinating development assistance flows was examined and clarified; and
- * Management took a fresh look at UNDP's long record in helping to preserve the natural environment for development and pledged itself to a more intensive effort.

Women in development

14. A statistical snapshot of the situation of women around the world shows the scope which exists for utilizing their true potential and improving their lives. Women make up more than 50 per cent of the world's population, perform two thirds of its work, receive one tenth of its income and own less than 1 per cent of its property. Women grow about half the world's food but own hardly any land. They are one third of the official labour force but they earn less than three quarters of the wage of men doing similar work. Despite a school enrolment boom that is closing the education gap between girls and boys, women illiterates still outnumber men three to two.

15. These inequities call for a concerted and practical response from Governments and international organizations. In 1986, UNDP established a Division for Women in Development. Ms. Ingrid Eide of Norway was appointed to head the new division which will be responsible for seeing that women's needs and capabilities are systematically considered and reflected in project designs and programming.

16. Action extended to the country level. In each UNDP country office, one national and one international officer will be given special responsibility for strengthening women-in-development activities. Two women-in-development staff officers will also be designated in all major operational departments in UNDP. These staff members will assist the new division to monitor the degree to which principles and priorities are incorporated in UNDP-supported projects and programmes. Every new project presented for approval will include an analysis of that project's contribution to increasing women's share and role in development.

17. These new measures were announced at the Inter-Organizational Top Management Seminar on Women in Development, organized in December 1986 by the Joint Consultative Group on Policy (JCGP), which endorsed consolidated action along these lines by UNDP, the United Nations Children Fund (UNICEF), the United Nations Fund for Population Activities (UNFPA) and the World Food Programme (WFP).

Non-governmental partners

18. Our partnership with non-governmental organizations (NGOs) received fresh impetus in 1986 with our decision to establish a new Division for Non-governmental Organizations. This strengthening of ties between UNDP and NGOs comes at an interesting moment in our respective courses of evolution. NGOs appear to be moving from their focus on humanitarian and relief activities towards longer-run development goals while, at UNDP, we are concentrating more on people in our mainstream programming. A closer relationship will therefore be mutually beneficial and, together, we can work to make a greater impact on developing self-reliance among the poorest of the poor.

19. As partners, NGOs and UNDP are in agreement that the days have passed when development could be seen exclusively in terms of large-scale projects based on economic models which were chiefly concerned with the growth of gross national product (GNP) and not with its distribution. There is broad agreement that, to succeed, development must respond to basic human needs at the local level.

20. Our partnership is off to a good start, as our current joint activities suggest. UNDP and NGOs are co-operating at the policy level where major decisions on development are made. As part of the round table process in Africa, UNDP has organized special policy consultations for NGOs with four African nations and more are planned in other countries of the region. On such sectoral issues as forestry, UNDP and other international organizations have jointly sponsored regional workshops in Panama, Thailand and Kenya which have brought NGOs concerned with social forestry into a policy dialogue with Governments and multilateral agencies. As a result, forestry strategies incorporating NGO views have been hammered out and will be tabled at the Global Meeting on Tropical Forests to be held at Bellagio, Italy, in July 1987. With the World Bank, UNDP has also sponsored a sectoral consultation with NGO participants to discuss the financing of education programmes in eastern and southern Africa.

21. As we co-operate with NGOs on policy issues, so we plan to build up our existing project-level ties. We will continue to support the use of national grass roots funds to finance mini-projects proposed by community groups and the expansion of successful initiatives. We will work to expand the United Nations Volunteers (UNV) Domestic Development Services (DDS), which have provided for the exchange and training of young developing-country NGO personnel in Asia, the Caribbean and Africa. And we will entrust more projects that are suitable to NGOs for implementation. In a new departure, where appropriate, we will also bring NGOs into the design, planning and evaluation stages of projects.

22. To get new activities on the ground up and running, towards the end of 1986 we decided to establish a new "Partners in Development Fund" to support small-scale development activities by local NGOs. This new Fund will award grants of up to \$50,000 for highly innovative community initiatives. We are looking forward to sponsoring new initiatives in such areas as food production, preservation and storage; water supply, sanitation and irrigation; primary health care; education; and income and employment generation. In selecting projects, emphasis will be placed on sustainability and replicability. It is hoped that this measure will help to bring the creative energies of the NGO community to bear on UNDP programmes and thus make a powerful but under-utilized resource more of a factor in mainstream development.

The dynamism of the private sector

23. In many developing countries, the private sector has been recognized as a considerable force for economic progress. Many Governments have expressed the conviction that their countries would benefit from an improved climate for private sector activity and investment. In these cases, UNDP can assist by providing unbiased expertise to advise on policy questions relating to a healthy environment for the private sector. Answers to such questions as whether tax policies inhibit or encourage exports, whether pricing policies motivate farmers to remain on their lands or move to the crowded cities, and whether licensing procedures bolster existing industry or block entrepreneurial activity can point the way to important policy changes.

24. In Africa, UNDP is now responding actively to new interest in the accelerated development of the private sector. The regional programme for the fourth cycle and several country programmes will support the preparation of private investment proposals including privatization. They will also provide advisory services to help improve the climate for investment in specific countries as well as training in marketing, management and related activities.

25. The Africa Project Development Facility, established in May 1986 by UNDP, the International Finance Corporation (IFC), several donor Governments and the African Development Bank (AfDB), is an example of UNDP's new thrust. This venture aims to provide technical and advisory services to African entrepreneurs who are ready to move from trading activities to manufacturing or who need help in scaling up cottage industries and small businesses. By the end of 1986, the Facility had opened offices at Abidjan and Nairobi and was giving close consideration to over 70 proposals from African entrepreneurs and Governments.

26. The model for this African initiative, the UNDP-supported Caribbean Project Development Facility (CPDF), continues to make progress. By end-1986, after four years of operations, the CPDF had prepared investment feasibility studies for 58 projects at a total estimated cost of \$180 million in 17 different Caribbean States. Some \$35 million in follow-on financing had been secured and an estimated 3,000 jobs created by new investments.

27. UNDP's experiment in providing short-term advisory services (STAS) on an enterprise-to-enterprise basis is an exciting dimension of technical co-operation. It shows promise of enhancing the flow of specialized skills to the production, commercial and service sectors of developing countries. By early 1987, some 18 months after its launch, the STAS operation had taken up 85 of the 103 requests it had received from 36 countries and 1 regional body. Twenty-five assignments had been completed, another 5 were in progress and requests for 55 consultants were in the pipeline.

28. During 1987, UNDP will be examining various forms of private sector co-operation in order to see how it might enhance its contribution to this dynamic growth area in development.

29. As part of this exercise, we will be organizing a series of regional working group sessions where decision-makers from several Governments and representatives of the private sector can share their experience of what does and does not work in attracting private investment and enhancing entrepreneurship.

Co-ordinating assistance flows

30. UNDP holds the view that the developing countries themselves are responsible for determining their own policies and priorities and that the central responsibility for aid co-ordination therefore lies with each recipient Government. However, the evidence suggests that many developing countries do not at present possess the capacity to co-ordinate aid activities effectively. It is therefore necessary for there to be the fullest collaboration within the United Nations development system, and among bilateral donors and recipient Governments if aid is to be effective.

31. Accordingly, in addition to supplying an appreciable proportion of its resources for the strengthening of planning units and aid co-ordination facilities in several developing countries, UNDP has devised a series of mechanisms to help them in this endeavour. In 1986, the UNDP Governing Council stated that "Governments and the specialized agencies should consider using the country programme of the United Nations Development Programme as a mechanism appropriate for promoting a more coherent and co-ordinated approach to technical co-operation activities by the United Nations development system." UNDP has moved to ensure that all the separate funds it administers are jointly programmed. Discussions will also be held between UNDP, the specialized agencies and the Governments of certain countries to try and see that at least in selected countries, the UNDP country programme is used as a frame of reference for United Nations system programming.

32. UNDP has also increasingly utilized the device of National Technical Assistance Assessments and Programmes (NATCAPs) in the year under review. Between December 1985 and August 1986, various phases of the NATCAP exercise were conducted in seven countries: Zambia, Burundi, the Central African Republic, Guinea, Guinea-Bissau, Côte d'Ivoire and Swaziland. Preliminary missions to plan NATCAPs are to be mounted soon in Ghana, Sierra Leone and Mauritania. Each phase of the NATCAP process is intended to end with the determination of priority needs and a strategy which outlines the action necessary to carry out a technical assistance programme, irrespective of the source of funds. NATCAPs also encourage donors to act more uniformly in matters of technical co-operation.

33. The new improved format for round table meetings was also developed in 1986 and was adopted in three African countries (Chad, Sao Tome and Principe and Cape Verde) and four Asian countries (Bhutan, the Lao People's Democratic Republic, Maldives and Samoa). Round table conferences were under preparation at the end of 1986 for Niger, Burkina Faso, Sierra Leone, the Central African Republic and Equatorial Guinea.

34. The round table process assumes particular importance in Africa where UNDP is actively supporting the efforts of countries to restructure their economies through co-ordinated planning. In 1986, the United Nations General Assembly adopted the historic Programme of Action for African Economic Recovery and Development which provides a complementary framework for these efforts. UNDP is helping African Governments to see that programmes of assistance designed through the round table process accord with priorities emphasized in the Programme of Action. UNDP is closely associated with the United Nations system's response to this landmark agreement. The Director of UNDP's Regional Bureau for Africa acts as secretary to a steering committee which meets under the chairmanship of the Director-General to stimulate system-wide support for its implementation by African Governments.

Environmental management

35. Environmental issues moved up the development agenda in 1986 amid mounting evidence that ecological deficits are undermining progress in many parts of the world. As part of this new concern, UNDP took stock of its 15-year involvement with environmental matters which has been serious, substantial and sustained. Examples of this involvement are featured in the illustrated annual report for 1986. Dating from the beginning of the first programming cycle in 1972 (coincidentally, the year which saw the first global Conference on the Human Environment take place at Stockholm), UNDP has financed close to 1,800 environment-related projects at a total cost to the Programme of over \$1 billion.

36. These projects have spanned the spectrum of UNDP operations occurring in areas ranging from agriculture and aquaculture to natural resources, population and human settlements. It is clear, however, that today environmental considerations merit closer attention from UNDP and other development organizations. The world's food-yielding croplands are under pressure and are becoming more scarce. Studies indicate that by the end of this century developing countries will have an average of only 0.19 hectares of cropland per person. Without positive action to replenish soils, food output from this diminishing base will also decline. Another major food source -- fish -- is also threatened. By the end of the century, world demand will outstrip supply by 20 million tonnes unless countries put an end to overfishing, pollution and waste.

37. Biologically rich tropical forests are vanishing at the rate of some 11 million hectares a year, leaving precious topsoils exposed to the ravages of harsh weather. This is partly because the estimated 1.5 billion people who depend entirely on fuelwood to meet their energy needs are cutting down wood faster than it can grow back. In addition, more than 3 billion hectares of rangeland, rainfed cropland and irrigated lands -- virtually a quarter of the earth's land area -- are subject to some form of desertification. Another billion hectares are threatened. In parts of the Sahel, deserts are now over running farms, towns and villages at the rate of ten miles a year. And, notwithstanding gains achieved in the Water Decade, an estimated 25,000 people still die each day as a result of water shortages and contamination.

38. World population is now growing by some 80 million people a year and is expected to reach 5 billion in 1987. More significantly, rates of population growth vary widely in different parts of the world. Between 1950 and 1985, the population of the developed world went from 800 million to 1.2 billion while that of developing countries grew from 1.7 billion to 3.7 billion. Attempts to meet growing populations' food and energy demands place heavy pressure on the natural environment. Unequal access to resources, uneven distribution and low levels of technology in most developing countries, when combined with rapid population growth, exacerbate the disparities between developed and developing countries even further.

39. The dramatic contemporary problems of unemployment, exceeding 20 per cent in many countries, and of underemployment, of twice that percentage and higher, continue unabated. Too many families in the world are larger than the resources available to them or their communities to support minimum standards of health, nutrition and human dignity. These trends underline the urgent need for population policies.

40. Through some 230 ongoing projects in the International Drinking Water Supply and Sanitation Decade (IDWSSD), UNDP continues to promote environmental health. Through another 152 projects, we are currently helping to fight air, soil and water pollution caused by chemical wastes and industrial effluents. In 70 countries, 154 UNDP-supported projects are currently combatting deforestation. These projects and others like them now command an increasing share of UNDP's overall approvals. In 1976, projects specifically oriented towards environmental issues were valued at \$42.5 million and accounted for 10.7 per cent of the total UNDP programme of \$398 million. In 1986, environment-oriented projects costing \$123.3 million represented 19.9 per cent of our field programme of nearly \$620 million.

41. While these efforts appear modest in relation to the size of the environmental problems faced by countries, they hold considerable promise as the basis of more vigilant large-scale capital investments. Technical assistance for such activities as the design of irrigation schemes, the management of watersheds and the planning of land use can help to see that macro-projects in these areas are fully attuned to potential environmental consequences. UNDP assistance could move further in this direction if Governments and investment-oriented development institutions collaborate more closely with the Programme in this respect. Meanwhile, since environmental issues cut across sectors, UNDP's short-term task is to intensify its multidisciplinary approach to project design so that its own initiatives contribute to better resource management through the right mix of activities.

42. New projects will benefit from additional environmental guidelines now being circulated to staff concerned with project design and monitoring. UNDP will also prepare training programmes for its operational personnel, as well as for middle-level national officials, to see that this policy is carried out effectively. We will strengthen our co-ordination, monitoring and evaluation functions in order to contribute to better environmental management. We recently conducted an assessment of the environmental impact of projects in

the UNDP project monitoring system. Where actual or potential harmful side-effects were detected, corrective action was identified and project authorities were asked to respond. And finally, we will continue to press the case for balanced resource management in our dialogue with Governments and international agencies.

43. Working in these ways, UNDP enters a new generation of technical assistance ready to help countries to optimize their most valuable resources and promote sustainable development.

A handwritten signature in black ink, appearing to read "William H. Draper III". The signature is fluid and cursive, with a prominent flourish at the end.

William H. Draper III
Administrator

