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IMPLEMENTATION OF THE FOURTH PROGRAMMING CYCLE 1987-1991

Note by the Administrator

SUMMARY

This report is divided into four parts and deals with related but distinct aspects of the implementation of various decisions of the Governing Council concerning the fourth cycle.

In part one (paras. 1-11), the Administrator highlights issues related to the net contributor requirements for certain recipient countries established in Governing Council decision 85/16 of 29 June 1985, reports on his consultations with Governments on the subject, and requests further guidance from the Council.

Part two (paras. 12-20) provides details on the status of Special Programme Resources (SPR) during the third and fourth cycles. Also, in response to decision 86/30, paragraph 5, the Administrator submits for the consideration of the Council proposals for the type of activities which could be considered for financing under the SPR category "contingencies".

Part three (paras. 21-53) is in response to decision 86/33 and contains the Administrator's report on specific measures taken by the United Nations Development Programme (UNDP) in favour of island developing countries. The report also deals with issues related to compliance with the contribution requirements contained in decision 85/16 and in doing so addresses the special problems encountered by island developing countries in their development efforts.

Part four of this report (paras. 54-60) provides details concerning the revision of certain country indicative planning figures (IPFs) resulting from subsequent decisions by the Governing Council on the fourth programming cycle, or the revision of the basic data used to calculate these IPFs.

Part One

NET CONTRIBUTOR OBLIGATIONS DURING THE FOURTH PROGRAMMING CYCLE 1987-1991

INTRODUCTION

1. In its decision 85/16, paragraphs 8-13, the Governing Council established criteria for the levels of voluntary contributions by recipient countries during the fourth cycle on the basis of their 1983 per capita gross national product (GNP). Paragraph 11 states that certain recipient countries with 1983 per capita GNP above $3,000 excluding island developing countries with a population of 1 million or less and with a 1983 per capita GNP between $3,000 and $4,200 have not yet achieved net contributor status and, calls upon the Administrator to take actions to ensure contributions equivalent to the IPF expenditure in each year, as defined. Those countries which achieved net contributor status in the third cycle are called on to continue to do so in the fourth cycle. Paragraphs 13 (a) and (b) of the decision establish the procedures to be followed by the Administrator to ensure that deficiency in voluntary contributions of an individual country at no time exceeds its IPF remains unspent. The decision also calls on the Administrator to monitor compliance with these provisions.

2. The decision further requires the Administrator to report to the Governing Council at the mid-term review of the cycle on the extent to which these and related arrangements have been fulfilled. However, in view of numerous issues raised during consultations with the respective recipient Governments, the Administrator has concluded that it is necessary to consult the Council in advance of the mid-term review and seek further guidance, particularly with respect to matters resulting from the indications of Governments that they cannot or do not intend to achieve net contributor status.

I. IMPLEMENTATION OF NET CONTRIBUTOR PROVISIONS

3. Prior to consultations with the respective recipient Governments on the net contributor provisions of decision 85/16, the Administrator sought the views of the United Nations Office of Legal Affairs on the matter of amending the Standard Basic Agreement, as required by the decision, in order to incorporate therein "measures to ensure contributions equivalent to the IPF expenditures in each year ...". The opinion rendered by the Office of the Legal Counsel was that under the terms of article I, paragraph 2, of the Standard Basic Agreement, and in compliance with a similar provision in the Special Fund Agreement, the relevant provision of decision 85/16 could be given effect without amending the Agreements concerned. The Council was so informed by the Associate Administrator at its Organizational Meeting in February 1986.

4. Thereafter, the Administrator initiated a process of consultations with the Governments required to achieve net contributor status during the fourth cycle. Of the 17 recipient countries whose 1983 per capita GNP was above $3,000 (above $4,200

for island developing countries with a population of less than 1 million), 13 did not become net contributors during the third cycle and were therefore consulted as to their intention to meet this target in the fourth cycle. These countries are listed below in table 1 by increasing order of per capita GNP; their 1984 and preliminary 1985 per capita GNP are given for comparison.

5. During the consultations with Governments, two issues emanating from decision 85/16 were clarified by the Administrator:

(a) IPF resources carried forward from the third to the fourth cycle will not be included in the target for voluntary contributions;

(b) Agency support costs will be included in calculating the cost of the delivered IPF, as described in paragraph 13 (a) of decision 85/16.

Table 1. Countries expected to achieve or maintain net contributor status in the fourth programming cycle

Country/territory	1983 GNP/Cap	1984 a/ GNP/Cap	1985 a/ GNP/Cap	Fourth cycle IPF
	Per capita GNP (In dollars)			(Millions of dollars)
A. To achieve net contributor status				
Iran (Islamic Republic of)	3 800	3 890	-	8.800
Gabon	3 950	3 580	3 340	2.640
Nauru b/	5 880	5 360	-	0.048
Territory of Hong Kong	6 000	6 370	6 220	0.275
Oman	6 250	6 910	7 080	1.760
Netherlands Antilles b/	6 320	6 220	6 110	0.596
Singapore b/	6 620	7 470	7 420	3.300
Trinidad and Tobago b/	6 850	6 240	6 010	2.200
Aruba b/	8 070	7 480	7 290	0.364
Libyan Arab Jamahiriya	8 480	8 060	7 500	2.200
Bahrain b/	10 510	10 490	9 560	1.100
Bermuda b/	13 320	11 920	13 070	0.352
Brunei Darussalam b/	21 140	18 910	17 580	0.467
			Subtotal	24.102
B. To maintain net contributor status c/				
Saudi Arabia	12 230	10 980	8 860	4.4
United Arab Emirates	22 870	21 830	19 120	.550
Venezuela	3 480	3 840	3 110	4.9
Qatar	21 210	19 010	15 980	.660
			Subtotal	10.010
			Total	34.112

a/ Unofficial World Bank estimate.

b/ Indicates island developing countries.

c/ Para. 10 of decision 85/16 calls upon these countries to continue to be net contributors during the fourth cycle.

II. COMMENTS BY GOVERNMENTS

6. On the basis of both formal and informal communications, the responses of Governments which are expected to achieve net contributor status fall within the following categories:

(a) Three Governments have indicated that they intend to meet the net contributor obligations established by the decision;

(b) One Government has requested that implementation of the net contributor provisions be deferred as, for reasons of economic hardship, its contributions to the programme are not likely to reach the level required for the fourth cycle;

(c) Six Governments have expressed objections to the net contributor provisions and for a variety of reasons are not likely to achieve net contributor status. In one instance the Government may not accept the IPF on the basis established by decision 85/16;

(d) Four Governments have not indicated their position with regard to the net contributor provisions; one Government has not concluded its consideration of the matter; another has not yet accepted its IPF; and a third is contesting the validity of the 1983 GNP data used for calculating its IPF.

7. The comments and issues raised by Governments during the consultations, including those Governments which agreed to meet the net contributor obligations, are summarized below:

(a) The most common issue raised relates to the serious economic decline which has occurred since 1983, which has often resulted in a drastic reduction in government revenues and foreign exchange earnings. Some of those countries which had previously experienced substantial economic growth for an extended period reported economic contraction during 1985-1986, requiring austerity measures for the near term. In this connection, some Governments noted that the world-wide drop in commodity prices was, in large measure, responsible for economic stagnation in many recipient countries with a narrow economic base. In this regard, they noted that the economic decline itself may be more significant than whether or not it results in per capita GNP falling below $3,000 ($4,200 for island developing countries);

(b) The use of 1983 per capita GNP as the single means of determining the net contributor obligations of decision 85/16 was questioned. Whereas a base year of GNP data was required for establishing IPFs, it was suggested that 1983 GNP data becomes increasingly distant from the economic realities of the ensuing years. Governments also argue that a static per capita GNP is inadequate to represent the level of development achieved by individual countries, particularly under conditions of economic deterioration;

(c) Some Governments maintained that the unique problems and circumstances applicable to specific recipient groups, for example, those referred to in decision

86/33 of 27 June 1986, dealing with the special needs of island developing countries, should be considered in connection with the net contributor obligations;

(d) One Government questioned the validity of including office costs in the net contributor provisions of the decision, whereby a shortfall in the payment of government local office costs would be deducted from the available IPF resources;

(e) An issue relating to the staffing of field offices has been raised by some Governments that have interpreted the provision in paragraph 11 of decision 85/16, which excludes the cost of the resident representative and the deputy from the other financial obligations, as a requirement that UNDP must provide and finance the additional post of deputy even in cases where such a post had not been previously established;

(f) One country questioned the obligation to achieve net contributor status on the basis of IPF resources which it intended to share with other countries, or, similarly, which it dedicated to intercountry or regional Technical Co-operation among Developing Countries (TCDC) activities.

III. ISSUES ON WHICH THE GUIDANCE OF THE GOVERNING COUNCIL IS SOUGHT

8. In view of these responses, the Administrator is representing further guidance from the Governing Council at its present session, in advance of the mid-term review on the following issues.

9. In accordance with paragraph 13 (a) of decision 85/16, the Administrator will make deductions from fourth cycle IPFs to compensate for shortfalls in contributions beginning in 1989, and will annually advise Governments which may be subject to such deductions, in accordance with paragraph 13 (b). However, in the light of responses provided by recipient countries and the certainty that a number of them will not achieve net contributor status, certain conditions are likely to emerge in 1989 and future years which the Administrator would like to make known to the Council:

(a) As a result of the planned use of IPF resources in 1987 and 1988, IPF deductions from 1989 onwards which will be required to compensate for shortfalls in contributions could result in serious disruptions to ongoing project activities;

(b) As IPF expenditures in 1987 and 1988 will be incurred prior to undertaking deductions for shortfalls in contributions, it may happen that the total contributions received during the cycle are less than the IPF expenditure in 1987 and 1988, regardless of the reduction to IPFs imposed in 1989 and thereafter. In such a case, the country would remain a net recipient and the Administrator would be unable to conform to the intent of paragraph 13 of decision 85/16.

10. The proposal to treat countries expected to achieve net contributor status on the basis of dynamic data rather than the static data of 1983 GNP would suggest that other countries which may realize economic growth compared to their 1983

per capita GNP will become responsible for the financial obligations referred to in paragraph 13 of decision 85/16. Thus, if a different basis for establishing net contributor obligations were adopted, the issue would not be restricted to the current group with 1983 per capita GNP above $3,000 (above $4,200 for island developing countries with a population of less than 1 million).

11. The issues raised by some Governments on the staffing of field offices, are mentioned in paragraph 7 (e) above. The Administrator is of the view that paragraph 11 of decision 85/16 did not impose an obligation to establish new deputy resident representative posts where such were not already established, but refers only to the obligation to finance such posts from UNDP resources when newly established. The Administrator seeks confirmation of his position in this regard.

Part Two

SPECIAL PROGRAMME RESOURCES

INTRODUCTION

12. In its decision 86/30 of 27 June 1986, the Governing Council requested the Administrator "to submit to the Council at its thirty-fourth session a proposal as to the type of activities which could be considered for financing under the category of 'contingencies', taking into account the views expressed by the Council". It will be recalled that the Council, at its thirty-third session, had before it numerous requests for SPR financing from third and fourth cycle funds. The approval of the requests resulted in the commitment, before the beginning of the cycle, of a substantial amount of fourth cycle SPR from the amount earmarked for "contingencies", thus leaving for the whole cycle only a modest unallocated balance. An extensive debate was held in the Budgetary and Finance Committee on the subject, in particular prior to the confirmation by the Committee of the earmarking of $6 million for the Transport and Communications Decade in Asia and the Pacific, which several members considered as an extension of regular technical co-operation activities. Given the views that (a) such activities should normally be financed from other resources available under the Programme and (b) that the activities for which SPR resources are to be authorized should represent real contingencies for which other financing could not be made available under ongoing programming procedures, the Council requested that certain broad criteria be reviewed and adopted to aid its future review of proposals for financing under the contingencies category of the SPR.

I. SPECIAL PROGRAMME RESOURCES CONTINGENCIES

13. Most of the SPR activities authorized during the previous cycles under the heading of contingencies dealt with special development issues or to provided technical assistance to special target audiences, in pursuance of General Assembly resolutions or Governing Council decisions asking for special action by UNDP and/or the United Nations system in general. In some cases, allocations were made for the support of special programmes of a regional or interregional character. In many

cases, other resources were not available for financing the authorized activities, either because of their special nature or because other resources which could perhaps have been considered for the purpose were already fully committed. These allocations were related to special programmes in the following areas: (a) the combat against desert locusts; (b) assistance to the Palestinian people; (c) the enhancement of the economic and social integration of disabled persons; (d) the strengthening of the UNDP capacity to provide financial support for pre-investment activities; (e) the financing of selected operational activities undertaken within the context of the International Drinking Water Supply and Sanitation Decade (IDWSSD) and (f) activities covered by the United Nations Transport and Communications Decade in Africa. SPR allocations for locust combat and transport and communications activities in Africa were in addition to allocations made available for these purposes from UNDP country, regional and interregional IPFs.

14. While no formal criteria for the authorization of resources under the heading of contingencies existed, implicit principles did evolve. Many of these activities were authorized in response to the special calls of the General Assembly or other United Nations bodies, and since unallocated funds were available at that time under SPR contingencies, it was possible for the Council to authorize them without raising matters of principle.

II. PROPOSALS

15. In view of the early commitment of a substantial portion of the fourth cycle funds under this heading, and in response to the Council request, the Administrator now proposes for the consideration of the Council the following broad criteria for future SPR allocations on the category of contingencies:

(a) The proposed activities must clearly be of a priority nature, requiring special action by UNDP, within the context of special programmes and/or initiatives undertaken by the donor and/or recipient community at large;

(b) The proposed activities must aim at addressing either specific or sectoral development issues; the need for special action to address such issues should have been identified within the context of resolutions and decisions adopted by the General Assembly, the Governing Council or other international fora dealing with development issues;

(c) The proposed activities would not normally qualify for financing from IPF or other resources available to UNDP, in accordance with the criteria for such financing;

(d) The proposed activities must be geared towards the special needs of regional or other selected target audiences which ordinarily might qualify for alternative sources of financing in UNDP, but for which funds are not readily or immediately available under those programmes; in these cases bridge financing could be approved for a limited period of time which, unless otherwise specified, would be reimbursable to SPR.

16. While these criteria are sufficiently broad to accommodate important activities for which there is sufficient priority interest, and for which IPF or similar financing is not readily available, they would not encourage a proliferation of SPR allocations for what should be considered normal country or intercountry technical assistance activities.

17. The Administrator recommends that the Council approve the criteria for the type of activities which could be considered for financing under the category of contingencies.

III. FOURTH CYCLE CARRY-OVERS

18. In paragraph 2 of decision 86/30, the Governing Council authorized the carry-over from the third to the fourth cycle of both the unallocated SPR funds as well as those allocated but not budgeted as at 31 December 1986. To these two categories authorized by the Council is added the category of amounts budgeted but not expended. Table 2 shows the amounts carried over to the fourth cycle.

Table 2. Fourth cycle carry-overs

(In millions of dollars)

Earmarked	Allocated	Carry-over
54.590	54.519	0.071 a/
Allocated	Budgeted	
54.519	50.544	3.975 a/
Budgeted	Spent	
50.544	32.000	18.544 b/
Total carry-over		22.590

a/ These two amounts are covered by Governing Council decision 86/30.

b/ This amount represents a firm commitment and is thus subject to automatic carry-over.

19. The table in annex I shows the third cycle SPR status as at 31 December 1986. Third cycle allocations for natural disaster relief have exceeded the earmarkings for the cycle by a small amount. This was necessary in order to respond to the many and urgent requests in this important area. At the same time, the Administrator ensures that allocations do not exceed the total resources available under SPR. The excess of allocations over earmarkings in the natural disasters category will become an offset to the notional earmarking for this category in the fourth cycle SPR.

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20. The Council will recall that the total notional authorized figure under contingencies and TCDC is $32.4 million, of which $20.0 million was earmarked on the basis of Governing Council decision 86/8. Further earmarkings have been made in accordance with decision 86/30, paragraphs 3, 4 (a), 4 (b) and 4 (c), as follows: $6 million for the Transportation and Communications Decade for Asia and the Pacific; $1.28 million for IDWSSD; $1.6 million for information support activities in connection with TCDC; and $0.112 million for administrative costs for the focal point for short-term advisory services. Thus, the balance of unearmarked contingency resources for the fourth cycle SPR is $3.408 million.

Part Three

SPECIAL NEEDS OF ISLAND DEVELOPING COUNTRIES

INTRODUCTION

21. In its decision 86/33, the Governing Council requested the Administrator to report to the thirty-fourth session: (a) on his evaluation of the role of the United Nations Development Programme in the implementation of specific measures in favor of the island developing countries, in particular their efforts to achieve self-sustaining economic growth; (b) in the preparation of the report requested in paragraph 13 (d) of its decision 85/16, to bring to the attention of the Council any special problems encountered by island developing countries in complying with paragraphs 8-13 of that decision.

22. The first part of this report briefly addresses the longer-term development issues related to efforts by island developing countries to achieve self-sustaining economic growth as well as the recent economic conditions experienced by small island developing countries and the potential effects on them of paragraphs 8-13 of Governing Council decision 85/16. The second part identifies the measures taken by UNDP in favour of island developing countries within the context of the IPF system and other programmes.

I. DEVELOPMENT ISSUES OF PARTICULAR RELEVANCE TO SMALL ISLAND DEVELOPING COUNTRIES

23. Economies with populations of less than 5 million are generally classified as small by international organizations such as the World Bank. Further subdivision by size designates as very small those economies with populations below 1.5 million. The very small economies with a population of less than 300,000 are designated as microstates.

24. While this paper identifies the special measures taken by UNDP in favour of all island developing countries, its main analytical focus is on small island developing countries, since the discussions of the Council concentrated mostly on these countries. More than half of the IPF recipients classified as small are island countries, while 40 island economies are very small of which 32 are microstates. Of the 19 island economies which fall under paragraphs 8-13 of

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Governing Council decision 85/16, a total of 17 would be classified as very small or microstates. The table in annex II provides a statistical background for these island countries.

25. Various international organizations have focused attention on the special problems and needs of these economies, including the Commonwealth Secretariat, the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the International Monetary Fund (IMF), and the United Nations Department of Technical Co-operation for Development (DTCD). The latter has devoted particular attention to the development planning problems experienced by small island economies. The following paragraphs provide a summary of the particular generic circumstances which act as constraints in the long-term development prospects of these small island economies. This brief summary is based on the detailed analysis and findings of a report prepared by an expert consultant for the Administrator.

Constraints to economic growth

26. Many of the problems encountered by small island economies in achieving self-sustaining economic growth are typical to all small economies, while some are very specific to island countries, in particular the smaller ones. Among the constraints are the dependence on the exploitation of non-renewable resources, limited natural resources, diseconomies of scale, distance from markets, economic vulnerability to external events, limited access to capital and dependence on external financial institutions, proneness to natural disasters, and inadequate communications networks. In general terms, the negative impacts of many economic contraints tend to be inversely proportional to population, that is, the smaller the island economy, the greater the impact of the constraint.

27. In most cases, small island developing countries show excessive dependence on external events. Therefore, the Governments of these countries face great difficulties in projecting the expected course of macroeconomic variables which determine viable medium-term development strategies. As the exports and imports of these economies are small in volume, they have no power to influence their terms of trade. Their export concentration on a single or narrow range of exports increases the volatility of their export earnings. Alternatively, as they import a high proportion of basic commodities, including their food requirements, their import bills tend to remain constant. The maintenance of foreign currency reserves to provide for prolonged periods of trade imbalance is often beyond the capacity of the Governments. The macroeconomic policy instruments of open market operations and interest rate variation are either unavailable or ineffective. While invisible earnings are often derived from tourism, the import component of the sector for small island developing countries is usually high and benefits to the economy are often limited to small sectoral value-added activities. This constraint also operates in the case of small-scale manufacturing involving imports of intermediate products.

Integrated structure of production

28. It is only the attainment of an integrated structure of production that enables an economy to maximize the domestic value-added activities from all stages of production. Secondary production activities, i.e., manufacturing, are only minor in these economies as a direct result of the inability to achieve levels of production necessary to reap economies of scale. This inability reflects the limitations of the domestic market and the inability to compete in overseas markets.

29. The inability to exploit scale economies because of their small size not only limits the development of production activities but also raises the cost of infrastructure provision. This results in high unit costs of productive sector infrastructure and in high unit costs of social overhead capital. In addition, the maintenance costs of such infrastructure continue to drain current revenues after the initial investment has been made. This high unit cost of infrastructure, caused by the lack of scale economies, represents a significant problem for the Governments of all small economies.

30. While the small island States cannot fully exploit economies of scale or achieve an integrated structure of production, neither can they pursue viable strategies of diversification since the economy is too small to support anything other than a range of small-scale manufactures. Moreover, the direction of technological advance in manufacturing tends to limit small-scale manufactures to relatively primitive technologies. This places further constraints on Government options to introduce import substitution strategies and precludes export promotion strategies for manufacturers.

31. Where primary resources are absent, these economies depend to a large extent on income from invisible exports such as tourism. This service sector is often accompanied by other service sector operations such as offshore banking, insurance and ship registry, the ownership and performance of which is almost entirely determined by foreign sector interests.

Constraints to human resources development

32. As in the case of production specialization, the constraints on human resources development derive mainly from the economic principle that the degree of specialization is limited by the size of the market. This imposes severe skill development constraints on these economies.

33. In addition to skill development constraints, further diseconomies result from managerial indivisibilities. Government administration requires a range of specialized functions to be performed independent of the scale of the economy. Hence, while wage rate differentials can, to some extent, offset such diseconomies, the per capita cost of maintaining a minimum range of Government activities tends to be higher the smaller the economy.

Review of economic conditions

34. The analysis and findings prepared by the consultant to the Administrator indicates that the recent economic performance of small island developing countries and their conditions of development vary appreciably. An indication of the degree of economic variability may be ascertained from the relative movement of per capita GNP is contained in annex II. Thus, the data derived from the study does not lend itself to a definitive conclusion other than the broad suggestion that many small island developing countries are under greater financial pressure currently than in the recent past, i.e. 1983. In general, this is because of the economic constraints already noted, and in particular, to the numerous external forces which influence economic activity in small island economies.

35. Similarly, on the question of quantifying the financial obligations imposed by paragraphs 8-13 of decision 85/16, the financial impact would appear to be modest because of the size of these amounts compared to the overall budgetary responsibilities of Governments. However, it may be of relevance that many of these economies have recorded successive budgetary deficits in recent years.

II. SPECIAL MEASURES IN FAVOUR OF ISLAND DEVELOPING COUNTRIES

A. UNDP indicative planning figures for island developing countries

36. UNDP policies and actions towards small island developing countries fully recognize the constraints imposed on their development efforts and therefore provide compensatory mechanisms through IPF calculations, special programmes of assistance to individual or groups of countries, and other actions which are described briefly in the following paragraphs.

37. In its decision 85/16, the Governing Council made, as in the past, several special provisions in favour of island developing countries. The first relates to the calculation of IPFs for the fourth programming cycle (1987-1991). The Council stipulated that one of the supplementary criteria to be used in the calculation of country IPFs would be dedicated to island developing countries. During the fourth programming cycle, a total of 50 island developing countries benefit from this supplementary criterion, amounting in the calculation of country IPFs for island developing countries, to $25 million for 1987-1991. Furthermore, by Governing Council decision 85/16, the relative weight given to the supplementary criteria in the calculation of country IPFs was increased to 25 per cent of the US dollar value of country IPFs compared to 18 per cent previously.

38. In its decision 85/16, the Governing Council mandated special treatment for island developing countries with a population of 1 million or less and with 1983 per capita GNP between $3,000 and $4,200. First, in establishing the supplement mentioned in paragraph 5 (d) (iii), the Council included such countries. Secondly, with regard to the expected level of contributions to the programme, the decision equates such countries with countries having per capita GNP of between $2,000 and $3,000.

39. Furthermore, in paragraph 16 of its decision 85/16, the Governing Council decided to maintain ongoing subregional projects aimed at enhancing multi-island co-operation and therefore, without prejudice to the allocation of regional IPFs, to allocate an amount of $2.5 million for a separate IPF for that purpose for the fourth programming cycle.

40. A review of comparative figures on IPFs for island developing countries reveals that their total population represents 7.5 per cent of the population of all recipient countries. During the fourth cycle, country IPFs for island developing countries will total $288 million, which represents 12.6 per cent of total country IPFs resources distributed during the cycle. This figure yields an average IPF per capita of $34.80, significantly higher than the overall average IPF per capita of $13.73. With regard to small island developing countries, namely those with a population below 5 million, they constitute 0.4 per cent of total population of recipient countries with a total of 3.3 per cent of country IPFs or $82.7 million (an average of $40.12 per capita).

B. Use of special programme resources for island developing countries

41. The special programme resources have been established by the Governing Council to enable the Administrator, *inter alia*, to respond to requirements resulting from natural disasters. Island developing countries are by nature especially susceptible to natural disasters, and during the third programming cycle (1982-1986) several island developing countries were stricken by such disasters. Seventeen island developing countries during the third cycle received a total of $4.1 million in essential technical assistance in support of longer-term rehabilitation and reconstruction projects, and $0.660 million in short-term emergency relief assistance.

C. Special Measures Fund for the Least Developed Countries

42. The Special Measures Fund for the Least Developed Countries (SMF/LDC) was established by the Governing Council to channel additional amounts of technical co-operation assistance directly to LDCs. Of the 43 countries currently designated as LDCs, nine are island countries which have received a total of $7.4 million in SMF/LDC technical co-operation assistance during the period 1973-1986.

D. Specific measures in favour of island developing countries in Asia and the Pacific

43. Within the UNDP intercountry programme for Asia and the Pacific, the special focus on the Pacific island countries and the Pacific component of the intercountry programme have grown substantially. During the fourth cycle, $26.8 million is allocated to the Pacific island development component of the intercountry programme for Asia and the Pacific. This represents an increase of over $21.1 million compared to similar programmes during the first IPF cycle (1972-1976), which then

amounted to $5.7 million. This increase of 370 per cent compares to a 52 per cent increase in total country IPFs between these cycles. This amount exceeds the total country IPF for all island developing countries in the region and, considering the relatively small population of the Pacific island developing countries, provides a significant share of the available resources under this programme.

44. UNDP has taken other special initiatives with respect to individual Pacific island developing countries. This has included assistance with the formulation of and technical support for the financing of a $26 million Trust Fund for Tuvalu intended to generate sufficient income to meet basic Government recurrent budgetary expenses. In addition, assistance with the promotion of round-table investment strategies and strengthened national planning and economic management is being offered to Pacific countries with least developed status.

E. UNDP assistance to the island developing countries in the Caribbean

45. In addition to their programmes financed from the IPF, the island developing countries of the Eastern Caribbean benefit from activities carried out under subregional projects in the areas of agricultural development, statistical development, and vocational training financed from the Caribbean Multi-Island allocation.

46. The Caribbean island developing countries also participate in Caribbean regional projects financed from the regional IPF for Latin America and the Caribbean. For the fourth cycle, the subregional share for Caribbean island developing countries is in the order of $10.0 million, or approximately 25 per cent of the total allocation for Latin America and the Caribbean. The Caribbean Group for Co-operation in Economic Development (CGCED) which is jointly sponsored by UNDP, the World Bank, the International Monetary Fund (IMF), the Caribbean Development Bank, the Inter-American Development Bank (IDB) and the Organization of American States (OAS), has served as an important mechanism for the co-ordination of assistance to the island developing countries of the region. Within this framework, UNDP has co-operated with Governments and the World Bank in the preparation of comprehensive technical co-operation programmes for ongoing and projected activities which are included in the World Bank economic memoranda for the various countries. In so doing, UNDP has sought to develop an approach which will ensure a closer integration of overall technical assistance needs in the development process, and thus create the basis for more effective co-ordination among external aid agencies. UNDP has also agreed to finance an aid information system on capital and technical assistance inputs for the Caribbean region as part of the overall effort to enhance the utilization of limited resources.

F. Measures in favour of African island developing countries

47. The six island developing countries in the African region have their priority programme needs met through the regional country programming process. Of the six countries, five have special consultative arrangements with the donor community. Three LDCs have requested UNDP to serve as lead agency for the round-table process.

III. REVIEW OF FINDINGS

48. In reviewing this analysis of island economies and the special measures taken by UNDP, the Administrator believes that several observations should be brought to the attention of the Governing Council for its consideration.

49. First, the substantial recognition given to the unique development problems of island developing countries in IPF levels and in the numerous special programmes undertaken is clearly reflected in their IPF allocations: $34.80 per capita IPF for island developing countries ($40.00 per capita IPF for small island developing countries), which is six or seven times the average IPF per capita of $6.27 for all other small economies with a population of less than 5 million. Other special programmes listed in the chapter are over and above these provisions.

50. During the consultations with Governments on the net contributor provisions of decision 85/16, which is the subject of a separate section of this paper, the Administrator received numerous comments from island Governments relating to the treatment afforded island developing countries under the decision and also dealing with the ability of those Governments to meet the financial obligations contained in the decision. In summary, those comments and related observations state that the Governments of island developing countries, in general, view paragraphs 8-13 of decision 85/16 as not adequately recognizing the unique development problems of island developing countries. In particular, five of the eight island developing countries expected to achieve net contributor status expressed objections to these provisions and indicated as unlikely that they would be able to meet the financial obligation. The sixth raised no objection to the provision but indicated it, too, would not be able to achieve net contributor status.

51. The argument has been made unofficially that while the special treatment accorded island developing countries, in particular the smaller ones, provides results in increased IPFs as well as in other programmes of assistance (see paras. 36-47 above), a similar treatment is not accorded to them in respect of their contributory obligations. The single differentiation favouring island developing countries lies in equating their voluntary contributions to those of other countries with 1983 per capita GNP of over $3,000.

52. In addition, it has been construed as an oversight that the Council did not award special treatment to island developing countries with a 1983 per capita GNP between $2,000 and $3,000. This would have equated them to other developing countries with per capita GNP of $1,500-$2,000. If such treatment were to be accorded, its effect on five island developing countries would be as follows:

(a) For their voluntary contributions in the fourth cycle, it would give effect to paragraph 8 instead of paragraph 9 of decision 85/16;

(b) Their contributions to local office costs would not include the cost of international travel and the cost of international staff.

53. In summary, the Administrator considers that the extent to which the net contributor provisions may exacerbate the special problems of island developing

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countries and inhibit the achievement of self-sustaining economic growth is difficult to assess, since relatively small magnitudes of development assistance funds are involved. The financial obligations of achieving net contributor status may be viewed as one component of the overall budgetary responsibilities and choices of Governments. From the data reviewed, and from the statements of Governments, it appears that some of the island developing countries face greater pressure in their choice of budgetary priorities because of declining economic performance since 1983.

Part Four

PROGRAMME PLANNING: THE FOURTH PROGRAMMING CYCLE 1987-1991

INTRODUCTION

54. Following Governing Council decison 85/16, of 29 June 1985, IPFs for the fourth cycle were calculated on the basis of the detailed guidelines contained in the decision and published in Governing Council document DP/1986/1. Subsequent decisions by the Council and additional data have effected the calculation of certain country IPFs which are explained below.

REVISED INDICATIVE PLANNING FIGURES

55. In its decision 86/9 of 21 February 1986, the Governing Council replaced the supplementary criterion "front-line State" by the designation "economically disadvantaged States in southern Africa". Lesotho, Swaziland and the United Republic of Tanzania were each awarded one supplementary point as new beneficiaries under this category. The effect of this calculation of the IPFs is shown in paragraph 57.

56. In its decision 86/54 of 27 June 1986, the Governing Council approved the inclusion of Mauritania, Kiribati and Tuvalu in the list of least developed countries. It should be pointed out, however, that Mauritania had already been included in the list as if it were an LDC, and its IPF calculated on this basis in accordance with General Assembly resolution 3054 (XXVIII) of 17 October 1973. Therefore no operational change has occurred in its IPF calculation and it is not, therefore, listed in paragraph 57. Three additional supplementary points were awarded each to Kiribati and Tuvalu.

57. The Government of Suriname informed the Administrator that a two year review of its national accounts had resulted in a revised estimate of 1983 GNP. The World Bank has confirmed that the 1983 per capita GNP for Suriname has been revised from $3,420 to $2,750. On this basis, the fourth cycle IPF for Suriname has been recalculated with the result that paragraph 5 (d) (iii) of decision 85/16 has been given effect; this provides that Suriname will receive no less than 100 per cent of its IPF for the third cycle. The recalculated IPF is reflected in paragraph 58 below.

58. The recalculation of IPFs on the bases noted above yields the following results:

Table 3. Recalculated indicative planning figures

(In millions of dollars)

	IPF as per DP/86/1	Recalculated IPF	Change
Kiribati	1.778	1.778	.000 a/
Lesotho	12.943	12.943	.000 a/
Tuvalu	0.955	0.955	.000 a/
Suriname	1.540	1.925	.385
Swaziland	3.875	3.875	.000 a/
United Republic of Tanzania	48.872	51.896	3.024

a/ In accordance with paragraph 5 (d) (vi) of Governing Council decision 85/16, the cap intended to limit the amount given for supplementary criteria to a maximum of 50 per cent of the amount given for basic criteria results in no net IPF increase for these countries.

59. The additional IPF increase resulting from the above recalculation will be financed from funds set aside for these purposes under unallocated resources.

60. The Administrator will provide, following the thirty-fourth session of the Governing Council, a corrigendum to DP/1986/1 listing fourth cycle IPFs calculated on the basis of Governing Council decision 85/16 and taking into account any subsequent decisions on the matter.

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Annex I

Status of Special Programme Resources as at 31 December 1986

(In thousands of dollars)

Category	1982-1986 allocations Total	Budgeted	Expended	Allocated but not budgeted (2-3)	Unspent budgets (3-4)	Planning figures and allocations 1987-1991 a/
Disaster relief, longer-term	21 557	19 090	9 085	2 467	10 005	20 000
Disaster relief, emergency	2 529	2 409	2 090	120	319	4 000
Programme development	6 729	5 968	5 010	761	958	20 000
Others and contingencies						
1 Transport and Communications Decade in Africa	3 000	3 000	2 178	0	822	5 000
2 Transport and Communications Decade in Asia and the Pacific						6 000
3 Assistance to the Palestinian people	12 621	12 621	8 818	0	3 803	8 000
4 Pre-investment	1 100	457	332	643	125	2 000
5 TCDC	4 350	4 341	3 342	9	999	5 000
6 Other allocations	2 633	2 658	1 145	-25	1 513	3 000
7 Unallocated contingencies	71 b/ c/					3 400
Total	54 590 d/	50 544	32 000	3 975 c/	18 544 c/	76 400

a/ Exclusive of carry-over from the third cycle.

b/ An amount of $71,000 was not allocated during 1982-1986 and was carried forward to the fourth cycle as unallocated SPR resources.

c/ Total carry forward to the fourth cycle is the sum of the fifth column, $3,975 million, the sixth column, $18,544 million, and the unallocated amount of $.071 million: $3.975 + $18.544 + .071 = $22.590 million.

d/ Total allocations for the third cycle include $8.7 million carried over from the second to the third cycle.

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Annex II

Fourth cycle indicative planning figures for island developing countries in accordance with Governing Council decision 85/16

Countries and territories (in ascending order of 1983 per capita GNP)	Population (in thousands) 1978	1983	1985	Per capita GNP (in dollars) 1978	1983	1985	IPFs (in thousands of dollars) Third cycle	Fourth cycle
Samoa	0.16	0.16	0.16	325	290	660	2.888	3.809
Comoros	0.39	0.38	0.40	180	300	280	6.600	6.783
Haiti	4.83	5.30	5.45	260	300	350	20.900	28.175
Madagascar	8.30	9.50	10.21	250	310	250	26.950	33.902
Sao Tome and Principe	0.09	0.10	0.11	490	310	310	1.200	2.867
Sri Lanka	14.35	15.42	16.14	190	330	370	41.800	41.800
Cape Verde	0.32	0.31	0.33	160	360	430	6.188	6.188
Maldives	0.15	0.17	0.18	150	380	290	3.850	3.850
Kiribati	0.06	0.06	0.06	690	460		1.040	1.778
Tokelau	.00	.00		325	540		0.760	1.013
Indonesia	135.99	155.70	162.21	360	560	530	58.300	58.300
Tuvalu	0.01	0.01		175	600		0.912	0.955
Anguilla		0.01			630		0.640	0.902
Solomon Islands	0.21	0.25	0.27	430	640	510	2.200	2.831
Turks and Caicos Islands	0.01	0.01		656	680		0.680	0.822
Vanuatu	0.10	0.13	0.13	540	700		1.200	1.612
Papua New Guinea	2.93	3.20	3.50	560	760	710	7.425	8.356
Philippines	45.64	52.10	54.73	510	760	600	25.300	25.300
Tonga	0.09	0.10	0.10	430	780	730	1.375	1.375
Grenada	0.11	0.09	0.10	530	840	970	1.200	1.200
Saint Vincent	0.11	0.10	0.12	380	860	840	1.788	1.788
Saint Christopher and Nevis	0.05	0.05	0.04	660	950	1 520	1.200	1.200
Dominica	0.08	0.08	0.08	440	980	1 160	1.265	1.265
Trust Territory of the Pacific Islands	0.13	0.15	0.16	1 230	1 000		0.800	0.965
Niue	0.01	.00		500	1 030		0.800	0.800
Saint Lucia	0.12	0.13	0.14	630	1 060	1 210	1.200	1.200
Cook Islands	0.03	0.02		875	1 160		1.120	1.120
Mauritius	0.92	0.99	1.04	830	1 160	1 070	3.850	3.850
Jamaica	2.13	2.26	2.23	1 110	1 300	940	4.125	4.125
Dominican Republic	5.13	6.00	6.26	910	1 370	810	6.600	6.600
St. Helena		0.01			1 480		0.264	0.440
Antigua	0.07	0.08	0.08	950	1 710	2 030	1.200	1.200
Fiji	0.60	0.67	0.70	1 440	1 790	1 700	2.750	2.750
Cuba	9.72	9.88	10.10	810	1 910		11.275	11.275
Montserrat	0.01	0.01	0.01	614	2 360		0.560	0.560
Seychelles	0.06	0.07	0.07	1 060	2 400		1.200	1.200
British Virgin Islands	0.01	0.01		1 750	2 600		0.240	0.240
Cayman Islands	0.01	0.02		1 250	2 860		0.448	0.448
Malta	0.34	0.36	0.36	2 160	3 490	3 300	1.375	1.375
Cyprus	0.65	0.66	0.66	2 110	3 680	3 790	2.750	2.750
Barbados	0.25	0.25	0.25	1 940	4 050	4 680	1.375	1.375
Bahamas	0.22	0.22	0.23	2 620	4 060	7 150	1.320	1.320
Nauru	0.01	0.01		28 742	5 880		0.048	0.048
Netherlands Antilles	0.25	0.25	0.26	3 150	6 320	6 110	0.745	0.596
Singapore	2.36	2.50	2.56	3 260	6 620	7 420	4.125	3.300
Trinidad and Tobago	1.14	1.14	1.19	2 910	6 850	6 010	2.750	2.200
Aruba	0.06	0.06	0.06		8 070	7 290	0.455	0.364
Bahrain	0.37	0.40	0.42	4 100	10 510	9 560	1.375	1.100
Bermuda	0.05	0.06	0.08	9 260	13 320	13 070	0.440	0.352
Brunei Darussalam	0.17	0.21	0.22	10 640	21 140	17 580	0.584	0.467
Caribbean Multi-island							2.48	2.50
Total	238.757	269.633	281.391				271.919	290.590
