



**Governing Council  
of the  
United Nations  
Development Programme**

Distr.  
GENERAL

DP/1987/54  
22 April 1987

ORIGINAL: ENGLISH

Thirty-fourth session  
26 May-19 June 1987, New York  
Item 9 (a) of the provisional agenda

**POLICY**

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

ANNUAL REVIEW OF THE FINANCIAL SITUATION, 1986

Report of the Administrator

Summary

In this report, the Administrator provides a comprehensive financial review of the activities financed from the UNDP account during 1986 and of the financial position as at the end of that year. The report includes estimates of anticipated resources and expenditures for 1987 and 1988, as well as information on cost-sharing activities, the status of the Special Measures Fund for the Least Developed Countries and of Special Programme Resources, the placement of UNDP funds and the Operational Reserve and the utilization of accumulated non-convertible currencies. This report also provides information on agency support-cost arrangements, in accordance with paragraph 8 of decision 82/36; the status of the Reserve for Construction Loans to Governments and related matters, in accordance with paragraph 5 of decision 82/30; and management and other support services, in accordance with paragraph 4, section IV, of decision 83/5. A Council decision is requested on the level of the Operational Reserve and a plan for rental of household appliances to international staff. The report also includes a request regarding reimbursement of support costs from WMO.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
ABBREVIATIONS .....		4
INTRODUCTION .....	1 - 2	5
 <u>Chapter</u>		
I. ANNUAL REVIEW OF THE FINANCIAL SITUATION .....	3 - 36	5
A. Overview of financial situation .....	3 - 19	5
Table 1. Statement of actual and/or forecasts of income and expenditure as at 31 December 1986 for the years 1985 through 1988 .....		6
Table 2. Statement of actual and/or forecasts of net assets and liabilities as at 31 December 1986 for the years 1985 through 1988 .....		7
B. Cost-sharing arrangements .....	20 - 22	13
C. Special Measures Fund for the Least Developed Countries	23 - 24	14
D. Special Programme Resources .....	25 - 26	14
E. Placement of UNDP funds .....	27 - 31	14
F. Status of the Operational Reserve .....	32 - 34	16
G. Utilization of accumulated non-convertible currencies	35 - 36	17
II. AGENCY SUPPORT COSTS .....	37 - 46	17
A. Flexibility arrangements relating to agency support costs .....	37 - 39	17
B. Request by WMO for additional support-cost reimbursement .....	40 - 45	18
C. General .....	46	19
III. RESERVE FOR CONSTRUCTION LOANS TO GOVERNMENTS AND RELATED MATTERS .....	47 - 59	19
IV. MANAGEMENT AND OTHER SUPPORT SERVICES .....	60 - 65	21
Table 3. Management service agreements - 1986 .....		22

CONTENTS (continued)

Annex tables

	<u>Page</u>
Annex table 1: Status of accumulated non-convertible currencies as at 31 December 1986 .....	24
Annex table 2: Agency support costs in 1986 under flexibility arrangements: forecasts versus actuals for 1986 .....	25
Annex table 3: Forecasts of 1987 agency support costs under flexibility arrangements .....	26
Annex table 4: Status of the reserve for construction loans to Governments as at 31 December 1986 .....	27
Annex table 5: Contributions outstanding as at 31 December 1986 for 1986 and prior years .....	28
Annex table 6: 1986 expenditures by agency .....	32
Annex table 7 (a): UNDP main programme: Investments as at 31 December 1986	33
Annex table 7 (b): UNDP supplementary activities: Investments as at 31 December 1986 .....	34
Annex table 8 (a): Income received under cost-sharing arrangements .....	35
Annex table 8 (b): Income received under third-party cost-sharing arrangements .....	37
<u>Appendix.</u> Request by WMO for additional support-cost reimbursement .....	46

## ABBREVIATIONS

AFESD	Arab Fund for Economic and Social Development
AsDB	Asian Development Bank
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLA	Economic Commission for Latin America
ECWA	Economic Commission for Western Asia
ESCAP	Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organization of the United Nations
GCCC	Government Cash Counterpart Contribution
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMO	International Maritime Organization
IPF	Indicative planning figure
ITC	International Trade Centre
ITU	International Telecommunication Union
OPE	Office for Projects Execution
SIS	Special Industrial Services
SMF/LDC	Special Measures Fund for the Least Developed Countries
SPR	Special Programme Resources
UNCHS	United Nations Centre for Human Settlements (Habitat)
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNV	United Nations Volunteers
UPU	Universal Postal Union
USAID	United States Agency for International Development
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Tourism Organization

## INTRODUCTION

1. The Administrator presents in this report a comprehensive review of the financial situation of UNDP as at 31 December 1986. The report also covers activities financed from the UNDP account during 1986 and includes a forecast of activities during 1987 and 1988 and responds to the decisions of the Governing Council described below. The forecasts of activities presented in this report represent the best estimates of the Administrator as at March 1987. For this purpose, and as appropriate, the United Nations operational rates of exchange in effect as of March 1987 have been used in making projections of income and expenditure. Wherever necessary and appropriate, historical patterns and judgemental factors have been used in making projections of other financial elements.
2. The report is divided into four sections. The sections relate to information provided on an annual basis with respect to the review of the financial situation, flexibility arrangements for agency support costs (in response to decision 82/36 of the Governing Council), the status of the Reserve for Construction Loans to Governments and related matters (decision 82/30) and management and other support services (decision 83/5).

### I. ANNUAL REVIEW OF THE FINANCIAL SITUATION

#### A. Overview of financial situation

##### 1. Income and expenditure

3. As has been the practice in past years, the Administrator provides the Council, in this document, with comprehensive financial information on the activities financed from the UNDP account. It does not include information on trust funds administered by UNDP which is being provided to the Council in separate documents. Tables 1 and 2 below provide information on the status of the UNDP account in 1986. This can be compared with the forecasts presented to the Council at its thirty-third session. The results of 1985 are also provided for the purposes of comparison. In addition, the Administrator presents in these tables his forecasts for 1987 and 1988.

Table 1. Statement of actual and/or forecasts of income and expenditure  
as at 31 December 1986 for the years 1985 through 1988

(Millions of US dollars)

	1985 <u>Actual</u>	1986 <u>Forecast</u>	1986 <u>Actual</u>	1986 <u>Variance</u>	1987 <u>Forecast</u>	1988 <u>Forecast</u>
<b>I. INCOME</b>						
<u>Contributions from Governments</u>						
Voluntary pledges (cash receipts)	662.8	750.0	788.7	38.7	855.9	878.0
Less: Transfers to government local office costs	(3.8)	(4.0)	(3.4)	0.6	(3.5)	(3.5)
	<u>659.0</u>	<u>746.0</u>	<u>785.3</u>	<u>39.3</u>	<u>852.4</u>	<u>874.5</u>
Voluntary pledges for the Special Measures Fund for the Least Developed Countries	10.5	10.5	12.0	1.5	14.4	15.0
Cost-sharing contributions	92.0	95.0	108.9	13.9	115.0	120.0
Cash counterpart contributions for projects	6.6	8.0	7.3	(0.7)	9.0	8.5
	<u>768.1</u>	<u>859.5</u>	<u>913.5</u>	<u>54.0</u>	<u>990.8</u>	<u>1 018.0</u>
Exchange adjustments on collection of contributions	(0.8)	0.0	0.1	0.1	-	-
	<u>767.3</u>	<u>859.5</u>	<u>913.6</u>	<u>54.1</u>	<u>990.8</u>	<u>1 018.0</u>
UNDP extrabudgetary income	14.4	15.5	14.7	(0.8)	20.0	21.0
Miscellaneous income (net)	<u>91.3</u>	<u>60.0</u>	<u>128.1</u>	<u>68.1</u>	<u>90.0</u>	<u>30.0</u>
<b>TOTAL INCOME</b>	<u>873.0</u>	<u>935.0</u>	<u>1 056.4</u>	<u>121.4</u>	<u>1 100.8</u>	<u>1 069.0</u>
<b>II. EXPENDITURE</b>						
<u>Programme expenditure</u>						
From indicative planning figures	482.1	540.0	563.5	23.5	590.0	660.0
From Special Programme Resources	5.4	8.0	13.9	5.9	15.0	15.0
From the Special Industrial Services	2.7	2.7	3.9	1.2	2.8	3.0
From the Special Measures Fund for the Least Developed Countries	9.6	10.0	10.3	0.3	14.0	15.0
From cost-sharing contributions	64.6	80.0	90.1	10.1	100.0	110.0
From government cash counterpart contributions	7.3	9.0	7.5	(1.5)	9.0	9.5
	<u>571.7</u>	<u>649.7</u>	<u>689.2</u>	<u>39.5</u>	<u>730.8</u>	<u>812.5</u>
Agency support costs	73.0	86.8	83.6	(3.2)	89.0	99.0
Other costs	5.8	5.0	3.3	(1.7)	6.0	6.5
UNDP biennial budget expenditure	117.0	132.2	121.7	(10.5)	138.8	145.7
UNDP extrabudgetary expenditure	<u>10.6</u>	<u>13.9</u>	<u>13.2</u>	<u>(0.7)</u>	<u>18.7</u>	<u>19.5</u>
<b>TOTAL EXPENDITURE</b>	<u>778.1</u>	<u>887.6</u>	<u>911.0</u>	<u>23.4</u>	<u>983.3</u>	<u>1 083.2</u>
<b>III. EXCESS OF INCOME OVER EXPENDITURE</b>	94.9	47.4	145.4	98.0	117.5	(14.2)

Table 2. Statement of actual and/or forecasts of net assets and liabilities  
as at 31 December 1986 for the years 1985 through 1988 a/

(Millions of US dollars)

	1985 <u>Actual</u>	1986 <u>Forecast</u>	1986 <u>Actual</u>	1986 <u>Variance</u>	1987 <u>Forecast</u>	1988 <u>Forecast</u>
<b>I. ASSETS</b>						
<b>A. <u>Cash</u></b>						
Convertible currencies	1.0	3.0	1.2	(1.8)	1.5	2.0
Usable non-convertible currencies	0.4	0.3	2.1	1.8	3.0	3.0
Accumulated non-convertible currencies	35.9	36.7	37.7	1.0	39.0	36.5
Cash at field offices	9.1	10.0	16.9	6.9	14.0	15.0
Government letters of credit	3.3	0.0	1.9	1.9	1.0	1.0
Investments						
UNDP main programme	258.9	310.8	397.5	88.8	483.0	499.2
Supplementary activities	<u>235.8</u>	<u>259.0</u>	<u>278.3</u>	<u>17.2</u>	<u>291.1</u>	<u>300.8</u>
	<u>544.4</u>	<u>619.8</u>	<u>735.6</u>	<u>115.8</u>	<u>832.6</u>	<u>857.5</u>
<b>B. <u>Advances and accounts receivable</u></b>						
Operating funds provided by UNDP to participating and executing agencies	31.7	32.0	23.1	(8.9)	35.0	35.0
Other amounts receivable	<u>52.9</u>	<u>49.0</u>	<u>65.3</u>	<u>16.3</u>	<u>72.0</u>	<u>80.0</u>
	<u>84.6</u>	<u>81.0</u>	<u>88.4</u>	<u>7.4</u>	<u>107.0</u>	<u>115.0</u>
	<u>629.0</u>	<u>700.8</u>	<u>824.0</u>	<u>123.2</u>	<u>939.6</u>	<u>972.5</u>
<b>II. LIABILITIES</b>						
Unliquidated obligations of participating and executing agencies	143.0	160.0	167.6	7.6	178.0	197.4
Other amounts payable	111.5	115.0	107.1	(7.9)	104.7	112.7
Management services	56.1	60.0	85.5	25.5	95.3	105.3
	<u>310.6</u>	<u>335.0</u>	<u>360.2</u>	<u>25.2</u>	<u>378.0</u>	<u>415.4</u>
<b>III. UNEXPENDED CONTRIBUTIONS</b>						
For the Special Measures Fund for the Least Developed Countries	28.7	29.2	30.4	1.2	30.8	30.8
For government cost-sharing contributions	86.0	90.2	97.2	7.0	99.9	96.4
For government cash counterpart contributions	6.0	4.7	5.7	1.0	5.4	4.1
For extrabudgetary activities	<u>13.3</u>	<u>14.9</u>	<u>13.9</u>	<u>(1.0)</u>	<u>15.2</u>	<u>16.7</u>
	<u>134.0</u>	<u>139.0</u>	<u>147.2</u>	<u>8.2</u>	<u>151.3</u>	<u>148.0</u>
	<u>444.6</u>	<u>474.0</u>	<u>507.4</u>	<u>33.4</u>	<u>529.3</u>	<u>563.4</u>
<b>IV. NET ASSETS</b>						
Balance of general resources	184.4	226.8	316.6	89.8	410.3	409.1
Balance of general resources (Exclusive of accumulated non-convertible currencies)	148.5	190.1	278.9	88.8	371.3	372.6

a/ Exclusive of the Operational Reserve (\$200 million) and the Reserve Construction Loans to Governments (\$25 million).

4. Total income in 1986 amounted to \$1,056.4 million and total expenditure to \$911.0 million. This resulted in a surplus of income over expenditure of \$145.4 million, which is attributable to individual funds of the UNDP Account, as follows:

(Millions of US dollars)

(a) Surplus of income over expenditure relating to general resources	132.3
(b) Surplus of cost-sharing income over expenditure	10.2
(c) Surplus of income from Special Measures Fund for Least Developed Countries over expenditure	1.7
(d) Excess of government cash counterpart expenditure over income	(0.3)
(e) Surplus of extrabudgetary income over expenditure	<u>1.5</u>
Total surplus of income over expenditure	<u><u>145.4</u></u>

As a result of the surplus of main programme income over expenditure, the balance of the general resources of UNDP increased from \$184.4 million at 31 December 1985 to \$316.6 million at 31 December 1986.

5. As shown in table 1 above, total income in 1986 amounted to \$1,056.4 million, which was \$121.4 million higher than had been forecast. This is the first time that income to the UNDP account has exceeded \$1 billion. Income received from voluntary contributions alone was \$788.7 million. After application of the accounting linkage for local office costs, income amounted to \$785.3 million, which was higher than the forecast by \$39.3 million. This resulted from Governments meeting their commitments to UNDP for the year (over 95 per cent of pledges for 1986 were paid during the year), and also significantly reducing amounts outstanding from prior years (\$104.2 million for 1985 to \$83.9 million for 1986). The Administrator is grateful for the efforts made by Member States in this regard. Miscellaneous income, which is mainly composed of income from UNDP placements of funds in short-term financial instruments and adjustments resulting from exchange rate changes, amounted to \$128.1 million, again considerably higher than the forecast of \$60 million.

6. It is gratifying to report to the Council that after a period during which contributions to UNDP had remained in aggregate relatively static (1982-1985), an increase of 14.7 per cent was achieved in 1986. This increase reflects the substantial efforts of 31 countries, including 8 major donor countries, which increased pledges to the programme by 8 per cent or more in their national



currency. The value in United States dollar terms of voluntary contributions and miscellaneous income was also substantially increased by the continued weakening of the United States dollar during 1986. The value of pledges increased by \$40.9 million (or 6.0 per cent) as a result. The revaluation of national currencies held by UNDP resulted in increases in the value of these funds of \$73.3 million (9.8 per cent) during 1986. The latter is discussed further in Section E.

7. A word of caution, however, is appropriate. It must be stressed that the benefits gained over the past two years from the weakening United States dollar cannot be expected to continue over time. We have seen again during the third cycle the significant changes which can occur in exchange rate parities. In fact, as shown in the following table, the total value of pledges received over the third cycle (1982-1986) actually decreased by \$52.7 million in United States dollar terms from the expected level following the annual pledging conference. This was partly offset by gains of \$29.1 million in the value of funds held by UNDP during the same period.

Analysis of the impact of exchange fluctuations  
1982 through 1986 - gain (loss)

(Millions of US dollars)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
<u>Pledges</u>						
Value as at 31 December of preceding year <u>a/</u>	721.5	701.1	701.4	670.1	733.5	3 527.6
Value when actually received	<u>674.2</u> (47.3)	<u>676.3</u> (24.8)	<u>674.9</u> (26.5)	<u>675.1</u> 5.0	<u>774.4</u> 40.9	<u>3 474.9</u> (52.7)
<u>Revaluation of assets</u>						
Gain (loss) on exchange during year	<u>(40.6)</u>	<u>(18.8)</u>	<u>(28.4)</u>	<u>43.6</u>	<u>73.3</u>	<u>29.1</u>
Total	<u>(87.9)</u>	<u>(43.6)</u>	<u>(54.9)</u>	<u>48.6</u>	<u>114.2</u>	<u>(23.6)</u>

a/ These reflect the value of pledges for each fiscal year at the United Nations rates of exchange in effect on 31 December of the preceding year.

8. Similar fluctuations occurred in the second cycle, 1977-1981. Gains on exchange were recorded in 1977, 1978 and 1979 which were completely offset by losses in 1980 and 1981. While the Administrator does not feel it appropriate to significantly change planned activities based on a build up in resources which to a great extent is due to exchange rate changes, it appears at this point in time that there will be sufficient funds available over the balance of the cycle to fully meet the fourth-cycle IPFs the third-cycle carry forward.

9. Total expenditure in 1986 amounted to \$911.0 million, \$23.4 million higher than forecast. The increase occurred in field programme expenditures, including both the IPF and cost-sharing programmes. This is explained further in the analyses of the status of the individual programmes in Sections B through D.

## 2. Net assets and liabilities

10. A balance sheet variance analysis for 1986 is presented in the boxed section of table 2 above. The balance of the general resources of UNDP as at 31 December 1986 was \$316.6 million as against a forecast of \$226.8 million. This reflects the fact that a net surplus of income over expenditure relating to the main programme of \$132.3 million was actually realized in 1986, as compared with an expected surplus of \$42.4 million. Investments held on behalf of the main programme as at 31 December 1986 amounted to \$397.5 million. This balance primarily results from \$237 million in unutilized IPF funds being carried forward from the third cycle. Investments made on behalf of the Operational Reserve were \$200 million, and the Reserve for Construction Loans to Governments, \$25 million. The amount invested for supplementary activities amounted to \$278.3 million. This latter amount was held on behalf of the following activities:

### Investments as at 31 December 1986 - Supplementary Activities

(Millions of US dollars)

Unexpended resources for the Special Measures Fund, (SMF) cost sharing, cash counterpart contributions and extra-budgetary resources	147.2
Trust fund activities	22.7
Management service agreements	85.5
Advances received in respect of agencies' programmes	<u>22.9</u>
	<u>278.3</u>

11. The level of investments held by UNDP at any point in time should be viewed in relation to the magnitude of the financial liabilities and commitments which UNDP has entered into. At 31 December 1986, these included: (a) accounts payable of \$79.7 million, representing liabilities which will need to be met in the short term; and (b) unliquidated obligations of the executing agencies amounting to \$167.6 million, which will become due for payment during 1987.

### 3. Programme expenditures

12. Field programme expenditure in 1986 amounted to \$689.2 million, of which \$563.5 million represented expenditure against IPFs, \$90.1 million against cost sharing and \$35.6 million against supplementary programmes in the UNDP account. The details of expenditure by agency and source of funds are shown in annex table 6. IPF programme expenditures in 1986 of \$563.5 million represent an increase of 16.9 per cent over 1985 and exceed the forecast of \$540 million provided to the Council last year by \$23.5 million. The Administrator is therefore pleased to report that after a period of decline in programme delivery during 1982-1984, the pattern has been reversed and for the second year in succession, an increase in programme expenditure over the previous year has been recorded.

13. This increase in expenditure was achieved as a result of a stronger build-up in project approvals in 1986 compared with 1985 as well as of an increase in the rate of project implementation. The rate of implementation of IPF-financed projects, as measured against the maximum budget levels reached during the year, increased from 69 per cent in 1985 to 74.6 per cent in 1986. The increases in both the level of expenditures as well as the rate of implementation apply to most of the agencies, suggesting that improvements have occurred across-the-board in the implementation of UNDP-supported programmes. This increase in the rate of programme implementation can be attributed to several factors: (a) greater precision in project budgeting as a result of improvements introduced last year in budgeting practices; (b) an "end-of-the-cycle" effect by which some countries attempted to programme and expend the unutilized resources from the third cycle during that cycle itself, as 1986 was the last year of the third programming cycle; and (c) most importantly, vigorous follow-up by UNDP headquarters and efforts by resident representatives and several agencies to accelerate substantive delivery of projects. The weakening of the United States dollar vis-à-vis other currencies during 1986 has also contributed to the increase in programme expenditure when expressed in United States dollar terms.

14. The Administrator believes that the increase achieved in rates of implementation will be sustained during the fourth cycle. He recognizes, however, that in order to do so it is necessary to pursue and carry through to completion the various initiatives begun last year. Even so, as 1987 is the first year of the fourth programming cycle, the project build-up has necessarily been slower than in 1986. As a result, even though budget build-up has accelerated in recent months, it is not considered sufficient to anticipate an increase in programme expenditures comparable to that achieved in 1986.

#### 4. Financial forecasts

15. In tables 1 and 2 above, the Administrator presents his forecasts of programme activities in 1987 and 1988. The current estimate of voluntary pledges for 1987, using exchange rates as at 31 March 1987, is \$860 million which represents an increase of 11.0 per cent over the pledges recorded in 1986, including an estimated 5.5 per cent from changing currency parities. The Administrator also estimates that, based on the information available to him at this time, pledges for 1988 will approximate \$880 million using the same exchange rates. Based on these projections of pledges and on past payment patterns, it is expected that collection of contributions will amount to \$856.0 million in 1987 and \$878.0 million in 1988 prior to application of the accounting linkage for local office costs. It is also expected that cost-sharing income will amount to \$115 million and \$120 million in 1987 and 1988 respectively.

16. The Administrator is pleased to report that based on these resource forecasts for 1987 and 1988 and on conservative estimates of availability of resources for the years 1989 through 1991, the IPFs established for the fourth programming cycle as well as unutilized IPFs carried over from the third cycle would be fully financed during this period. Accordingly, the Administrator has formulated a strategy by which UNDP will achieve programme delivery during the fourth cycle equivalent to those IPFs. This strategy envisages IPF programme expenditure in 1987 of \$590 million which amounts to an increase of \$20 million over the target established and reported to the Council last year. While this level represents only a modest increase over IPF expenditures in 1986, the Administrator considers it to be a reasonable target based on two factors. First, programme build-up in the first year of a programming cycle has traditionally been slower than in later years. While the vigorous measures undertaken last year have resulted in a considerable increase in project budget approvals for 1987, it is nevertheless not considered likely that programme expenditures commensurate with such approvals will be generated during 1987. Second, country programmes for several countries have not yet been completed or were only recently approved; consequently, project approvals for these countries, in accordance with the new programmes, will begin to occur only later in 1987. Thus, UNDP will continue its efforts at project identification, formulation and build-up of project pipelines, and seek to achieve a level of programme expenditure in 1987 in excess of that achieved in 1986.

17. As for 1988, the Administrator has established a target of \$660 million which represents an upward revision of \$60 million or 10 per cent from the forecast of \$600 million established last year. This revised level represents approximately one quarter of the IPFs which will remain to be delivered during the four years 1988 through 1991. Continuation of this level of delivery, with modest annual increases in the later years of the fourth cycle, will make it possible to fully deliver the IPFs for this cycle, and as circumstances permit, the unutilized IPFs from the third cycle.

18. On the basis of these forecasts, the balance of resources of UNDP (exclusive of accumulated non-convertible currencies) at the end of 1987 and 1988 would amount to \$371.3 million and \$372.6 million, respectively. It is expected however that these balances will be drawn down by the end of the cycle, as programme expenditures reach levels envisaged for the latter years of the cycle. It should

be noted that the balances mentioned above include an amount of \$237 million earmarked for the financing of the unutilized IPFs of several countries from the third cycle. Should these countries and any others not fully expend the resources earmarked for them, those IPFs and the funds set aside for them will be carried forward to the subsequent programming cycle.

19. The Administrator would also like to state, in this context, that should resource availability in future years show increases beyond the conservative levels included in the current forecasts, it will become possible to deliver expenditures in excess of the IPFs established for this cycle. If it appears, following the pledging conference in 1987, taking into account the exchange rate situation at that time and any other relevant factors, that an upward revision of the fourth-cycle IPFs seems feasible, the Administrator will provide this information to the Council at its session in February 1988. He will seek the Council's guidance to determine whether proposals or a review of IPFs should be submitted to the Council at its thirty-fifth session in June 1988.

#### B. Cost-sharing arrangements

20. Total cost-sharing expenditure during the year amounted to \$90.1 million, exclusive of support costs. Of this amount, \$63.1 million were expended as project cost sharing; \$6.5 million as programme cost sharing; and \$20.5 million as third-party cost sharing. There was a considerable increase in total cost-sharing expenditure over the 1986 forecast, \$10.1 million more than the expected \$80.0 million. The \$90.1 million also represents an increase of 22.6 per cent over the highest level previously achieved in 1984 of \$73.5 million.

21. As shown in annex table 8 (a), income from cost-sharing contributions amounted to \$108.9 million in 1986, of which \$73.5 million was contributed to project cost sharing by recipient Governments; \$10.8 million as programme cost sharing; and \$25.7 million as third-party cost sharing. Annex table 8 (b) (third-party cost-sharing income by donor) provides further information on cost-sharing income during 1986. The following summarizes the movement in the balances of cost-sharing contributions held by UNDP during 1986:

(Millions of US dollars)

Balance as at 31 December 1985		86.0
Cost-sharing income during 1986		108.9
Cost-sharing expenditure during 1986	(90.1)	
Support cost thereon	( 8.7)	(98.8)
	10.1	
Adjustment to prior years' balance		<u>1.1</u>
Increase in balance held		<u>11.2</u>
Balance as at 31 December 1986		<u>97.2</u>

22. It is expected that the total cost-sharing programme will maintain its growth pattern in 1987 and 1988. It is thus estimated that cost-sharing income during 1987 and 1988 will amount to \$115 million and \$120 million respectively. Correspondingly, cost-sharing expenditures during these years are forecast to amount to \$100 million and \$110 million respectively.

#### C. Special Measures Fund for the Least Developed Countries

23. The balance of resources for this Fund as at 31 December 1985 was \$28.7 million; an additional amount of \$12.0 million was pledged and paid during 1986. The expenditures for 1986 amounted to \$10.3 million, against the forecast of \$10 million predicted in DP/1986/56. The balance of the resources available as at 31 December 1986 was therefore \$30.4 million. The information is summarized below and discussed further in DP/1987/22.

(Millions of US dollars)

Balance as at 31 December 1985		28.7
Income received during 1986	12.0	
Expenditures during 1986	<u>(10.3)</u>	
Increase in balance held		<u>1.7</u>
Balance as at 31 December 1986		<u><u>30.4</u></u>

24. The SMF/LDC is managed on a fully funded basis so that the balance held covers commitments to the full value of approved projects.

#### D. Special Programme Resources

25. During 1986, expenditure under SPR increased substantially. While this is in part due to end of the cycle increase, it is in particular a reflection of the enhanced activities from this source of funds. Expenditures in 1986 amounted to \$13.8 million compared with \$5.4 million for 1985. Of this amount, \$6.6 million was expended for disaster related programmes and \$7.2 million was spent for other activities. Virtually, the whole amount of third-cycle SPR, including the carry over from the second cycle, has been committed.

26. Document DP/1987/22, dealing with fourth-cycle programme matters, provides additional details, both narrative as well as tabular on the status of third and fourth-cycle SPR.

#### E. Placement of UNDP funds

27. For the financial year 1986, the total return on UNDP investments was \$127.7 million (17.1 per cent). This resulted from interest earnings of \$54.4 million, or 7.3 per cent, plus an appreciation of \$73.3 million, or 9.8 per cent, in the value of funds held by UNDP due to changes in exchange rate

parities. This compares with a total return in 1985 of \$96.7 million (16.5 per cent) of which \$51.0 million (8.7 per cent) was from interest earnings and \$45.7 million (7.8 per cent) from revaluation of funds held by UNDP.

28. In 1986, interest rates generally continued their downward trend, so that, as expected, the interest yield was lower in 1986 than in 1985. However, in 1986 the United States dollar continued to decrease in value relative to most major currencies in a trend which began in 1985. This resulted in a significant appreciation in the United States dollar value of funds held by UNDP. The gains can be attributed to the following four sources: (a) non-United States dollar holdings in the Operational Reserve which, as previously reported to the Council, is invested in a basket of currencies, as shown in the summary in Section F below; (b) holdings of accumulated non-convertible currencies; (c) currencies held by UNDP in the currency of payment of the pledge, to be utilized in that currency for operational purposes; and (d) realized gains on exchange, resulting from conversions of currencies and other transactions. The analysis of the total return in 1986 was as follows:

#### ANALYSIS OF TOTAL RETURNS

(Millions of US dollars)

	<u>1985</u>	<u>1986</u>
Investment income	51.0	54.4
Exchange adjustments on revaluation of national currency holdings:		
Operational Reserve	16.9	20.2
Accumulated non-convertible currency holdings	2.4	2.6
Currencies held for operational purposes	<u>21.6</u>	<u>49.8</u>
	40.9	72.6
Realized gains/(losses) on exchange	<u>4.8</u>	<u>0.7</u>
	<u>45.7</u>	<u>73.3</u>
Total return	<u><u>96.7</u></u>	<u><u>127.7</u></u>

29. It should be noted that the exchange adjustments arising from the revaluation of currency holdings above can be considered of a "book" nature. As the United States dollar value of the funds held by UNDP in other currencies appreciate, the United States dollar value of expenditures in those currencies increases at the same rate. To the extent that contributions in currencies other than United States dollars are expended in those currencies, and provided that the purchasing power of these currencies remains relatively constant, there is no change (neither gain nor loss) in UNDP resources in real terms.

30. Placements for the benefit of developing countries amounted to \$48.0 million as at 31 December 1986, as compared with \$47.4 million as at 31 December 1985.

These were held primarily in World Bank bonds, the proceeds of which are used for the benefit of developing countries and were held on behalf of the Operational Reserve.

31. Details of the investments held by UNDP, other than those held on behalf of the Operational Reserve, are provided in annex tables 7 (a) and 7 (b).

F. Status of the Operational Reserve

32. As authorized by the Governing Council in its decision 79/31, the Operational Reserve is currently funded at the level of \$200 million. The composition of the Operational Reserve as at 31 December 1986 compared with 31 December 1985 is as follows:

(Millions of US dollars)

<u>Investment</u>	<u>31 Dec. 1985</u>	<u>31 Dec. 1986</u>
Canadian dollars	10.0	10.0
Deutsche marks	40.0	40.0
Japanese yen	20.0	20.0
Netherlands guilders	15.0	20.0
Swiss francs	10.0	6.0
Pounds sterling	5.0	4.0
United States dollars	<u>100.0</u>	<u>100.0</u>
Authorized level	<u>200.0</u>	<u>200.0</u>

33. With respect to the level of the Operational Reserve, the Administrator is required under financial regulation 12.2 to maintain reserves at levels established by the Council. In decision 80/50, the Council established the level of the Operational Reserve for each year of the third cycle, 1982-1986, at 25 per cent of estimated contributions or expenditures for that year, whichever may be the higher; the level shall be rounded off to the nearest \$10 million. The Administrator recommends that the Operational Reserve in the fourth cycle, 1987-1992, be maintained on the same basis.

34. Notwithstanding acceptance of this proposal, the Administrator asks the Council to recall that in decision 85/16, paragraphs 5 (c) and 17, it earmarked \$40 million, \$20 million for the global programme and \$20 million for Special Programme Resources, from resources which otherwise would have been set aside to increase the Operational Reserve to the authorized level. It would therefore be the Administrator's intention to maintain the Operational Reserve at \$200 million until the formula would call for a level in excess of \$240 million. Thereafter, increases would be in accordance with the formula less the \$40 million set aside for the specified activities.



G. Utilization of accumulated non-convertible currencies

35. UNDP holdings of accumulated non-convertible currencies amounted to \$37.7 million as at 31 December 1986. (This includes an amount equivalent to \$1.1 million, which represents the balance of contributions to the trust funds for the training of specialists from developing countries in the Union of Soviet Socialist Republics and in Bulgaria.) This balance, as indicated in annex table 1, represents a net increase of \$1.8 million from 31 December 1985 and is \$1.0 million higher than the level of \$36.7 million projected in DP/1986/56. This net increase includes the effect of appreciation in terms of United States dollars in the value of UNDP holdings of these currencies amounting to \$2.6 million. It may be noted that in the absence of the impact of the changes in exchange rates, the value of these currencies would have actually decreased to \$35.1 million as at 31 December 1986. Assuming the same level of pledges and constant exchange rates, it is projected that the holdings of these currencies will amount to \$39.0 million at 31 December 1987.

36. The Administrator is pleased to inform the Council that Yugoslavia will not be reported on the list of holding of accumulated non-convertible currencies after 1 January 1987 as previous holdings have been completely utilized.

II. AGENCY SUPPORT COSTS

A. Flexibility arrangements relating to agency support costs

37. In accordance with Governing Council decision 81/40, adopted at the Council's twenty-eighth session, executing agencies whose annual delivery does not exceed \$15 million are eligible for support-cost flexibility. UNDP arrangements relating to reimbursement of support-cost flexibility are contained in detailed guidelines issued by the Administrator in January 1982 and appended to his report on support-cost flexibility arrangements (DP/1982/93) submitted to the Council's twenty-ninth session.

38. Annex table 2 shows a comparison of forecast and actual amounts relating to delivery of UNDP-financed projects and associated support costs for the five agencies eligible for support-cost flexibility in 1986. The forecast of approximately \$4.8 million for total support-cost reimbursement to these agencies was based on detailed data submitted by agencies early in 1986 for that year and represents the amount initially authorized by the Administrator. The total amount initially approved was approximately 19 per cent of project expenditures for 1986. By comparison, actual reimbursement for 1986, on a provisional basis, amounted to approximately \$4.5 million and represents an average of 19 per cent of project expenditures for these agencies.

39. Estimates of 1987 project expenditures and related support-cost reimbursements for agencies likely to be eligible for flexibility are provided in annex table 3. The table also shows a breakdown of the estimated 1987 total support-cost reimbursements as between the standard 13 per cent rate and the flexibility portion. For these agencies, taken as a group, UNDP is expected to provide support

costs at an average of 19 per cent of estimated project expenditures, as compared with the standard 13 per cent for agencies under the normal arrangements. The table further indicates that the reimbursement to these agencies, including flexibility payments, is expected to finance an average of 74 per cent of the total costs which agencies expect to incur in support of UNDP-financed projects. The remaining 26 per cent will be met by agencies from sources other than UNDP.

B. Request by WMO for additional support-cost reimbursement

40. In its decision 86/49, paragraph 1, adopted at its thirty-third session in June 1986, the Governing Council requested the Administrator to review the impact of fluctuating exchange rates on the support-cost earnings of the agencies covered by flexibility arrangements and to make recommendations thereon at its thirty-fourth session.

41. The current support-cost flexibility arrangements were approved by the Council in its decision 81/40. The guidelines for the practical application of the flexibility formula were presented to the Council at its twenty-ninth session in June 1982.

42. The question of the adequacy of the present arrangements was brought up at the last session of the Council in the context of projected deficits foreseen by one agency, the World Meteorological Organization (WMO), in its support-cost reimbursement from UNDP for 1986 and 1987 as a result of the weakening of the value of the United States dollar vis-à-vis the Swiss Franc, which is the currency of the headquarters location of the agency.

43. WMO has subsequently discussed with UNDP a number of possible ways by which this problem might be alleviated and has provided UNDP with a working paper, the Appendix to this document, which describes the background to its situation and puts forward two specific alternative proposals for consideration by the Council.

44. Regarding these proposals, the Administrator would like to make the following general observations:

(a) In its decisions 80/44 and 81/40, the Governing Council established a system for reimbursement of agency support costs which it intended would be enforced for the 10-year period 1982-1991;

(b) In its decision 81/40, the Council provided a formula for additional support costs to be payable in the event of a significant weakening of the United States dollar vis-à-vis the currency of an agency's headquarters' location. However, it limited the application of this formula to those agencies which are not eligible for support-cost flexibility arrangements. Accordingly, any agreement to reimburse additional support costs to smaller agencies as a result of exchange rate fluctuations, as proposed for example in WMO's "option 2", would represent a departure from that decision;

(c) Paragraph 2 (d) of decision 80/44 provided that "in those cases where actual support costs can be identified, no agency shall be reimbursed in excess of the support costs associated with the execution of projects funded by UNDP". "Option 1" proposed by WMO involves payment of amounts for the years 1981-1985 which would be in excess of the actual support costs incurred by WMO and would thus be inconsistent with this decision.

45. While the Administrator recognizes the difficulties encountered by WMO as a result of the decrease in the value of the United States dollar in 1986, he is aware that similar difficulties are to be faced by other executing agencies, both large and small, as a result of this and other factors. The Administrator is accordingly reluctant to recommend to the Council that an exception be made for one agency alone to the principles of support-costs reimbursement established in 1980/1981.

### C. General

46. The level of agency support costs has been raised in several interagency meetings over the past several months. Should any specific proposal be presented to the Administrator which requires consideration by the Council, it will be presented as an addendum to this report.

### III. RESERVE FOR CONSTRUCTION LOANS TO GOVERNMENTS AND RELATED MATTERS

47. In accordance with decision 86/42 of the Council, a report on the Reserve for Construction Loans to Governments and related matters is included in this review. Annex table 4 shows a list of loans made and investments held on behalf of the Reserve as at 31 December 1986. The balance of loans outstanding amounted to \$6,807,193.

48. Three new allocations totalling \$5.3 million were approved in 1986 to the Comoros (\$1.6 million), Uganda (\$1.7 million) and Zambia (\$2.0 million). Disbursements from these amounts started in early 1987 when construction activities commenced. Of the total of \$5.3 million, \$2.2 million has been granted as loans for office construction while the balance of \$3.1 million is being used in the construction of houses by UNDP in accordance with decision 86/42, paragraph 7, which noted "the intention of the Administrator to engage in the purchase and construction of housing in a prudent manner in line with the authority granted to him in Council decision 82/30 of 18 June 1982".

49. Negotiations are also under way with six countries for assistance in both housing and office construction in the amount of \$6.55 million. These negotiations are expected to be completed before the end of 1987 within the framework of decision 82/30, paragraph 3, which "authorizes the Administrator to utilize up to 20 per cent of the Reserve for Construction Loans to Governments for the provision of field office accommodation" and decision 86/42 (refer to para. 48). It is necessary to emphasize that the construction of housing units by UNDP which will be

financed from the Reserve would not affect the principle of the revolving nature of the Reserve. Replenishment of the Reserve will be made from rents received by UNDP. The Administrator will continue to enter into loan agreements whenever this is feasible.

50. It should be noted, however, that since the adoption of decision 86/42, Governments are showing greater interest in taking advantage of the resources available under the Reserve for Construction Loans to Governments. Housing conditions for field personnel continue to constitute a serious problem with detrimental consequences to the Programme.

51. Another area of concern which the Administrator wishes to bring to the attention of the Council is the difficulties international personnel are encountering relating to the purchase of household appliances.

52. In paragraph 13 (b) of DP/383 dated 12 April 1979, the Administrator had proposed that in the execution of a housing loan, equipment and furniture form part of the loan to be granted. Governing Council decision 79/43 took note of the Administrator's recommendation and established the Reserve for Construction Loans to Governments at a maximum level of \$25 million. However, funds disbursed from the reserve (annex table 4) do not include procurement of equipment such as household appliances. Staff members are required to procure these items on their own.

53. In the last few years, one of the major constraints faced by staff members who are posted in the field is their inability to buy these basic items locally especially in duty stations experiencing severe economic difficulties. In duty stations where such items are available, the costs are prohibitive ranging from as much as three to five times the cost to import the same items into the country.

54. The appliances in question include stoves, refrigerators, freezers and air-conditioners. UNDP has been looking into this problem for some time now and has found that UNICEF has been operating a system for the past few years whereby eligible internationally recruited staff members in the field could rent these appliances from the organization. It is recommended that the Council approve a similar arrangement for UNDP internationally recruited staff members.

55. Basically, the proposal would provide for UNDP to purchase the appliances from resources in the Reserve for Construction Loans. Eligible staff members would rent the appliances from UNDP at a rate which would amortize the purchase price over a seven-year period and provide funds for required maintenance. Rents would be paid in advance, in United States dollars, semi-annually. UNDP would retain ownership of the appliances and be responsible for maintenance. Based on surveys of staff who would wish to participate, it is estimated that the total initial cost would approximate \$650,000. This would enable UNDP to provide appliances in 56 countries where such a need exists.

56. The advantage to the organization in terms of savings relates to the cost of shipping personal effects. These could be significant. The organization may reduce the staff members' shipping entitlement by at least 500 kg. if they decide

to participate in the plan. The advantage to the staff members in terms of convenience and avoiding the expenditure of large sums of money prior to their departure to the new duty station on reassignment would also be considerable.

57. UNICEF, which already has the infrastructure to facilitate easy procurement and shipping arrangements, has agreed to act as an agent for UNDP, thus avoiding additional overhead expenditures from the administrative budget.

58. In addition, the Council may wish to take note that the plan would be a continuing one and the principle of the revolving nature of the housing loan reserve would also apply to this proposal. In other words, the proposal will be self-financing with no additional cost to the organization.

59. It is the intention of the Administrator to implement the above plan in UNDP through the utilization of existing funds available from the Reserve for Construction Loans to Governments.

#### IV. MANAGEMENT AND OTHER SUPPORT SERVICES

60. Governing Council decisions 83/5 and 84/35 authorized the Administrator to provide, at the request of recipient Governments, a full range of management and other support services. In subsequent discussions on this item in the Budgetary and Finance Committee, a number of members welcomed the activities to date and encouraged the Administrator to actively pursue the provision of management services.

61. In providing these services, the Administrator has remained extremely careful to differentiate clearly between the concept of multilateral resources on the one hand, and of servicing bilateral or multi-bi programmes on the other. He has constantly re-emphasized that resources channelled through UNDP to provide services to a bilateral or multi-bi programme are not considered multilateral resources and are therefore treated separately from UNDP regular resources. Management services provided by UNDP fall into three basic categories which are reflected in the following table.

62. The number of management services agreements signed in 1986 has substantially increased compared with previous years which is indicative of UNDP's ability to effectively and efficiently perform useful functions both for recipients and donors. A summary of the agreements entered into during 1986 is provided below:

Table 3. Management service agreements - 1986

Recipient country/donor	Agreement description	Date of signature	Budget (Millions of United States dollars)	Duration
<b>I. <u>World Bank</u></b>				
Ecuador	Public Sector Management Programme	July 1986	2.44	4 years
Pakistan	Primary Education	July 1986	0.19	2 years
Papua New Guinea	Transitional Training Unit	Sept. 1986	1.09	2 years
Costa Rica	Technical Assistance	Dec. 1986	2.40	1-1/2 yrs
Brazil	Public Sector Management Programme	Dec. 1986	2.56	5 years
Argentina	Institutional Building of the Public Sector	Dec. 1986	15.58	4 years
Indonesia	National Agricultural Extension	Nov. 1986	0.39	1 year
<b>II. <u>Inter-American Development Bank (IADB)</u></b>				
Argentina	Strengthening of Agricultural Research and Extension	Oct. 1986	15.24	3 years
<b>III. <u>Bilateral programmes, Government of Italy</u></b>				
Thailand	Strengthening Programme in Exploration & Engineering Geology-AIT	Aug. 1986	0.71	2 years
Regional Latin America	Programme Identification Mission	Sept. 1986	0.16	2 years
Regional Africa	Translation & Publication of Food Technology Books	Nov. 1986	0.20	2 years
El Salvador	Reconstruction of Low-Cost Housing	Nov. 1986	4.63	3-1/2 yrs
India, Tunisia, Nigeria, United Arab Emirates, Ghana, Sri Lanka, Philippines, Zimbabwe, Kenya, Brazil, United Republic of Tanzania, Guatemala, Peru, Colombia, Venezuela	Third World Economic Network for Investment Support	Nov. 1986	1.98	3 years
Total			<u>47.57</u>	

63. Additionally, further increases of \$34.2 million were made by the Government of Italy in its contributions towards the programmes in the Sudan and Chad. Total budgets for these two programmes under management services agreements now stand as follows:

	<u>(Millions of US dollars)</u>
Sudan - Rehabilitation and Development, Dafur	74.7
Chad - Rehabilitation and Development, Lake Kanem	54.5

64. As reported in DP/1986/56, UNDP also provides supervisory functions for a number of loans by IFAD. At the end of 1986, UNDP was responsible for supervising project activities and certifying project budgets totalling some \$180 million in 17 countries in Asia, Africa and Latin America for 20 projects. The increase in 1986 was \$20 million.

65. As for management fees charged by UNDP for the services it renders, the amounts agreed upon have ranged, as in the previous years, between 5 to 8 per cent of the value of the programmes concerned and cover the costs incurred by headquarters, field offices and, in each case, steps have been taken to ensure the self-financing nature of the activities.

Annex table 1. Status of accumulated non-convertible currencies  
as at 31 December 1986

(Thousands of US dollars)

	Balance as at <u>31 Dec. 1985 a/</u>	Balance as at <u>31 Dec. 1986 b/</u>	Estimated 1987 receipts b/ c/	Estimated 1987 expenditures b/ d/	Estimated balance as at <u>31 Dec. 1987 b/</u>
Albania	104	115	9	-	124
Bulgaria	3 263	3 068 e/	659	247	3 480
Cuba	3 342	4 538	1 251	1 433	4 356
Czechoslovakia	2 112	2 559	481	566	2 474
German Democratic Republic	3 698	4 731	500	371	4 860
Hungary	656	6	750	638	118
Iran, Islamic Republic of	2 974	910	-	910	-
Poland	1 086	845	449	309	985
Romania	1 790	1 575	542	447	1 670
USSR f/	<u>16 844</u>	<u>19 314 g/</u>	<u>4 715</u>	<u>3 119</u>	<u>20 910</u>
Total	<u>35 869</u>	<u>37 661</u>	<u>9 356</u>	<u>8 040</u>	<u>38 977</u>

a/ Based on United Nations rate of exchange in effect 31 December 1985.

b/ Based on United Nations rate of exchange in effect 31 December 1986.

c/ Non-convertible portion.

d/ Based on 1986 utilization.

e/ Includes the balance of the contribution to the trust fund for the training of specialists from developing countries in Bulgaria of approximately \$18,000.

f/ Includes Byelorussian and Ukrainian Soviet Socialist Republics.

g/ Includes the balance of the contribution to the trust fund for the training of specialists from developing countries in USSR of approximately \$1.1 million.



Annex table 2. Agency support costs in 1986 under flexibility arrangements: forecasts versus actuals for 1986

(Thousands of US dollars)

	<u>IAEA</u>	<u>IMO</u>	<u>UPU</u>	<u>WIPO</u>	<u>WMO</u>	<u>Total for all agencies</u>
1. <u>Delivery of UNDP-financed projects</u>						
Forecast	2 500	5 000	2 400	2 600	12 500	25 000
Actual	2 452	5 303	1 735	2 151	12 595	24 236
2. <u>Standard support costs</u>						
Forecast	325	650	312	238	1 625	3 250
Actual	318	689	226	270	1 635	3 138
3. <u>Flexibility requirement</u>						
Forecast	225	450	216	234	375	1 500
Actual	221	411	156	203	365	1 356
4. <u>Total support costs (item 2 + item 3)</u>						
Forecast	550	1 100	528	572	2 000	4 750
Actual	539	1 100	382	473	2 000*	4 494
5. <u>Percentage of total support costs to programme delivery (item 4/item 1)</u>						
Forecast	22%	22%	22%	22%	16%	19%
Actual	22%	21%	22%	22%	16%	19%

\* Provisional amounts.

Annex table 3. Forecasts of 1987 agency support costs under flexibility arrangements

(Thousands of US dollars)

	<u>IAEA</u>	<u>IMO</u>	<u>UPU</u>	<u>WIPO</u>	<u>WMO</u>	<u>Total for all agencies</u>
1. Estimated delivery of UNDP-financed projects	2 700	5 000	2 500	3 800	13 900	27 900
2. Standard support cost at 13 per cent	351	650	325	494	1 807	3 627
3. Flexibility requirement	243	450	225	342	278	1 538
4. UNDP-reimbursable support costs on UNDP-financed projects (item 2 + item 3)	594	1 100	550	836	2 085	5 165
5. Percentage of UNDP-reimbursable support costs to delivery of UNDP-financed projects (item 4/item 1)	22%	22%	22%	22%	15%	19%
6. Total agency support costs on UNDP-financed projects	866	1 521	1 267	1 216	2 085	6 955
7. Percentage of UNDP-reimbursable support costs to agency's total support costs on UNDP-financed projects (item 4/item 6)	69%	72%	43%	69%	100%	74%

Annex table 4. Status of the Reserve for Construction Loans to Governments  
as at 31 December 1986

(US dollars)

A. Construction Loans

<u>Borrower</u>	<u>Repayment period of loan</u>	<u>Allocation</u>	<u>Balance 31 December 1985</u>	<u>Additional advances made in 1986</u>	<u>Repayments received in 1986</u>	<u>Balance 31 December 1986</u>	<u>Analysis of Loan Balance</u>	
							<u>Due for 1986 and prior years</u>	<u>Due for future years</u>
Botswana, Government of	1975-89	-	204 478	-	73 374	131 104	-	131 104
Malawi, Government of								
- Phase I	1975-90	-	87 799	-	18 609	69 190	-	69 190
- Phase II	1976-91	-	76 439	-	12 941	63 498	-	63 498
- Phase III	1980-95	-	44 698	-	3 147	41 551	-	41 551
- Phase IV a/		976 636	946 129	-	-	946 129	-	946 129
East African Community b/	1976-90	-	390 279	-	-	390 279	-	390 279
Lesotho, Government of	1976-90	-	257 866	-	65 459	192 407	-	192 407
Rwanda, Government of	1976-90	-	66 731	-	12 823	53 908	-	53 908
Swaziland, Government of	1976-90	-	177 703	-	33 247	144 456	-	144 456
Burundi, Government of								
- Phase I	1976-91	-	163 124	-	12 300	150 824	15 196	135 628
- Phase II a/		970 776	819 339	129 218	-	948 557	-	948 557
Democratic Yemen, Government of	1984-99	-	1 079 150	-	60 681	1 018 469		1 018 469
Angola, People's Republic of	1984-99	-	2 090 702	-	179 984	1 910 718	-	1 910 718
Equatorial Guinea, Government of a/		1 157 430	950 375	61 271	265 543	746 103	-	746 103
Comoros, Islamic Federal Republic of		1 600 000						
Uganda, Government of		1 700 000						
Zambia, Government of		2 000 000						
<b>Total</b>		<b>8 404 842</b>	<b>7 354 812</b>	<b>190 489</b>	<b>738 108</b>	<b>6 807 193</b>	<b>15 196</b>	<b>6 791 997</b>

B. Investments

<u>Type</u>	<u>Currency</u>	<u>Interest rate</u>	<u>Amount</u>
Time-deposits	United States dollars	6.0000	7 420 932
	United States dollars	6.0625	10 000 000
	United States dollars	7.0000	771 875
Total		(Statement II)	18 192 807
Grand Total			<u>25 000 000</u>

a/ New housing loan repayments period will start when construction is completed.

b/ The "Mediation Agreements" which was signed in 1984 provided for settlement of the liabilities of the former East African Community including payment of the Housing Loan to UNDP. UNDP has received payment under the terms of the "Mediation Agreements" in February 1987 and this will be reflected in the 1987 Financial Statement.

Annex table 5. Contributions outstanding as at 31 December 1986  
for 1986 and prior years

(US dollars)

Country or organization	Voluntary contributions	Voluntary programme costs	Special Measures Fund for the Least Developed Countries	Government cash counterpart contributions	Cost sharing	Total
Afghanistan	3 182	-	-	-	-	3 182
Algeria	36 878	-	-	2 572 281	1 468 380	4 077 539
Antigua and Barbuda	-	99 713	-	-	-	99 713
Arab Gulf Programme for UN Development Organizations	-	-	-	-	1 006 214	1 006 214
Arab Maritime Transport Academy	-	-	-	-	250 000	250 000
Argentina	3 721 116	-	-	-	7 096 012	10 817 128
Bahrain	-	-	-	-	33 684	33 684
Bangladesh	250 800	-	-	-	-	250 800
Barbados	-	-	-	-	17 500	17 500
Belgium	15 309 524	-	-	-	4 262	15 313 786
Benin	547	-	-	-	1 028 504	1 029 051
Bolivia	155 000	248 000	-	-	109 003	512 003
Botswana	-	-	-	-	176 997	176 997
Brazil	2 503 394	-	-	593 584	873 086	3 970 064
Burkina Faso	7 903	-	-	-	-	7 903
Burma	-	-	-	326	-	326
Burundi	26 808	-	7 257	-	-	34 065
Cameroon	121 581	136 778	-	301 112	346 416	905 887
Canada	-	-	-	-	2 214 576	2 214 576
Cape Verde	5 000	-	-	-	-	5 000
Cayman Islands	5 000	-	-	-	-	5 000
Central African Republic	-	-	-	247 368	-	247 368
Chile	-	-	-	-	222 673	222 673
China	-	-	-	-	87 033	87 033
Colombia	754 257	406 459	-	445 403	754 718	2 360 837
Comoros	1 000	-	-	-	-	1 000
Congo	33 435	-	-	-	1 388 306	1 421 741
Cook Islands	5 000	-	-	-	32 147	37 147
Costa Rica	105 000	10 255	-	-	30 002	145 257
Côte d'Ivoire	-	-	-	-	155 106	155 106
Czechoslovakia	-	1 469	-	-	-	1 469
Democratic Kampuchea	1 454	-	-	-	-	1 454
Denmark	-	-	-	-	114 070	114 070
Djibouti	-	-	-	-	81 546	81 546
Dominica	17 007	28 915	-	-	9 000	54 922

Annex table 5 (continued)

Country or organization	Voluntary contributions	Voluntary programme costs	Special Measures Fund for the Least Developed Countries	Government cash counterpart contributions	Cost sharing	Total
Dominican Republic	236 972	-	-	-	36 952	273 924
Ecuador	98 805	92 719	-	-	-	191 524
Egypt	-	-	-	494 634	1 897	496 531
El Salvador	187 031	534 694	-	-	-	721 725
Finland	-	-	-	-	6 642	6 642
Gabon	-	-	-	-	5 547 768	5 547 768
Gambia	5 222	-	-	-	-	5 222
Germany, Federal Republic of	-	-	-	-	325 287	325 287
Greece	147 960	-	-	143 606	-	291 566
Grenada	13 078	57 051	-	-	-	70 129
Guatemala	14 231	68 206	-	6 628	21 563	110 628
Guinea	21 000	-	-	-	-	21 000
Guinea Bissau	-	-	-	-	107 172	107 172
Guyana	2 012	-	-	-	9 000	11 012
Haiti	-	-	-	-	161 322	161 322
Honduras	28 250	-	-	218 137	268 793	515 180
India	-	-	-	43 395	-	43 395
Indonesia	-	-	-	-	173 874	173 874
Inter-American Development Bank	-	-	-	-	512 150	512 150
International Finance Corporation	-	-	-	-	175 000	175 000
Iran, Islamic Republic of	50 000	-	-	1 807	-	51 807
Iraq	-	-	-	-	438 771	438 771
Italy	-	-	-	-	887 905	887 905
Jamaica	-	-	-	10 806	310 725	321 531
Jordan	-	-	-	-	58 921	58 921
Kenya	147 240	-	-	80 144	-	227 384
Lebanon	-	-	-	-	15 258	15 258
Lesotho	20 270	-	-	-	-	20 270
Liberia	175 000	-	-	-	26 848	201 848
Libyan Arab Jamahiriya	-	-	-	-	421 966	421 966
Madagascar	-	-	-	-	38 250	38 250
Malawi	-	-	-	-	115 000	115 000
Malaysia	-	-	-	10 592	29 380	39 972
Mali	-	-	-	441 170	73 850	515 020
Mauritania	-	52 951	-	-	-	52 951
Mexico	-	-	-	-	204 166	204 166
Miscellaneous	-	-	-	-	176 947	176 947
Monsterrat	11 111	12 057	-	-	-	23 168
Morocco	188 324	-	-	983 549	138	1 172 011
Mozambique	-	-	-	55 329	-	55 329

Annex table 5 (continued)

Country or organization	Voluntary contributions	Voluntary programme costs	Special Measures Fund for the Least Developed Countries	Government cash counterpart contributions	Cost sharing	Total
Nepal	57 500	-	-	-	4 393	61 893
Nicaragua	15 000	69 584	-	-	136 903	221 487
Nigeria	144 509	-	-	47 688	-	192 197
Oman	-	-	-	-	103 741	103 741
Organization of Petroleum Exporting Countries	-	-	-	-	882 751	882 751
Panama	418 040	240 000	-	-	279 000	937 040
Papua New Guinea	25 641	-	-	-	67 482	93 123
Paraguay	-	-	-	15 005	374 592	389 597
Peru	429 647	80	-	-	61 160	490 887
Philippines	639 069	-	-	-	33 051	672 120
Poland	-	-	-	18 343	-	18 343
Portugal	-	-	-	-	19 033	19 033
Qatar	-	-	-	-	576 715	576 715
Republic of Korea	-	-	-	-	401	401
Rwanda	-	-	-	-	162 126	162 126
Saint Christopher and Nevis	-	27 845	-	-	69 000	96 845
Saint Lucia	-	74 220	-	-	27 189	101 409
Saint Vincent and the Grenadines	16 675	69 120	-	-	-	85 795
Samoa	-	-	-	-	36 000	36 000
Saudi Arabia	-	-	-	-	235 435	235 435
Senegal	536 679	-	-	80 280	-	616 959
Sierra Leone	51 467	-	76	-	5 985	57 528
Singapore	-	-	-	-	521 706	521 706
Solomon Islands	5 000	-	-	-	-	5 000
Somalia	611	-	-	536 013	-	536 624
Spain	-	-	-	-	75 521	75 521
Sri Lanka	857 736	-	-	-	55 154	912 890
Sudan	600 000	-	-	217 306	12 568	829 874
Suriname	55 000	-	-	-	-	55 000
Swaziland	-	20 271	-	-	13 464	33 735
Sweden	-	-	-	-	68 753	68 753
Switzerland	-	-	-	-	217 390	217 390
Syrian Arab Republic	-	-	-	-	17 974	17 974
Thailand	-	-	-	-	79 300	79 300
Togo	-	-	-	-	406	406
Tonga	20 000	-	-	-	-	20 000
Trinidad and Tobago	111 111	-	-	-	-	111 111
Trust Territory of the Pacific	-	-	-	-	242 748	242 748
Tunisia	-	-	-	697 548	248 062	945 610
Turkey	932 194	198 709	-	177	6 446	1 137 526

Annex table 5 (continued)

Country or organization	Voluntary contributions	Voluntary programme costs	Special Measures Fund for the Least Developed Countries	Government cash counterpart contributions	Cost sharing	Total
Uganda	18 011	-	-	6 988	48 753	73 752
United Arab Emirates	675 000	-	-	-	200 274	875 274
United Nations	-	-	-	-	73 645	73 645
United Nations Childrens' Fund (UNICEF)	-	-	-	-	100 000	100 000
United Nations Center for Human Settlements (Habitat)	-	-	-	-	20 239	20 239
United Nations High Commissioner for Refugees (UNHCR)	-	-	-	-	104 994	104 994
United Republic of Tanzania	8 421	10 526	-	-	-	18 947
United States of America	6 528 750	-	-	-	1 641 711	8 170 461
Uruguay	363 000	-	-	3 529	448 995	815 524
Vanautu	-	-	-	-	381	381
Venezuala	200 000	-	-	22 866	84 922	307 788
Viet Nam	1 996	-	-	-	-	1 996
World Bank	-	-	-	-	330 000	330 000
Yemen Arab Republic	18 041	-	-	-	13 045	31 086
Yugoslavia	338 795	-	-	-	270 000	608 795
Zambia	3 832	-	-	17 313	-	21 145
Zimbabwe	-	-	-	-	15 133	15 133
<b>TOTAL</b>	<b><u>37 482 117</u></b>	<b><u>2 459 622</u></b>	<b><u>7 333</u></b>	<b><u>8 312 927</u></b>	<b><u>35 631 321</u></b>	<b><u>83 893 320</u></b>

## Annex table 6. United Nations Development Programme account

## 1986 expenditures by agency a/

(Thousands of US dollars)

Agency	Indicative planning figures (IPFs)				IPF Add-on Funds	Special Programme Resources	Special Industrial Services	Special Measures Fund for the Least Developed Countries	Cash counterpart	Subtotal	Programme support costs	Total	
	Country	Regional	Inter- regional	Global									Total
UNITED NATIONS	96 020	3 852	434	-	100 306	-	271	-	717	1 809	103 103	12 806	115 909
ECA	-	4 689	-	-	4 689	-	(14)	-	70	-	4 745	664	5 409
ECE	-	303	-	-	303	-	-	-	-	-	303	42	345
ECLAC	-	1 424	-	-	1 424	-	-	-	-	-	1 424	200	1 624
ESCWA	-	544	-	-	544	-	-	-	-	-	544	71	615
ESCAP	-	7 659	-	-	7 659	-	-	-	-	-	7 659	996	8 655
UNIDO	64 893	2 400	70	-	67 363	-	11	3 888	360	479	72 101	9 415	81 516
UNCTAD	3 309	3 727	844	-	7 880	-	-	-	-	-	7 880	1 104	8 984
UNCHS	11 820	95	-	-	11 915	-	161	-	644	14	12 734	1 654	14 388
ILO	39 336	4 659	305	-	44 300	-	103	-	1 324	184	45 911	6 426	52 337
FAO	111 401	14 177	770	365	126 713	-	382	-	1 665	1 362	130 122	17 901	148 023
UNESCO	28 851	6 094	-	-	34 945	-	-	-	174	7	35 126	4 854	39 980
ICAO	27 948	6 945	-	-	34 893	-	-	-	574	217	35 684	4 683	40 367
WHO	8 874	3 602	376	1 480	14 332	-	186	-	308	-	14 826	2 057	16 883
WORLD BANK	26 322	8 608	5 783	2 926	43 639	-	(19)	-	186	1 920	45 726	4 323	50 049
UPU	1 199	519	-	-	1 718	-	17	-	-	-	1 735	528	2 263
ITU	17 235	5 152	-	-	22 387	-	6	-	178	21	22 592	3 064	25 656
WMO	9 099	3 429	-	-	12 528	-	-	-	53	15	12 596	2 000	14 596
IMO	2 001	3 063	150	-	5 214	-	-	-	89	-	5 303	1 100	6 403
WIPO	912	1 140	-	-	2 052	-	-	-	-	100	2 152	473	2 625
IAEA	1 778	673	-	-	2 451	-	-	-	-	-	2 451	539	2 990
ITC	7 355	1 945	920	-	10 220	-	-	-	216	(1)	10 435	1 354	11 789
WTO	1 328	482	-	-	1 810	-	-	-	-	-	1 810	236	2 046
AFESD	-	175	-	-	175	-	-	-	-	-	175	23	198
AsDB	4 563	-	-	-	4 563	-	-	-	621	-	5 184	685	5 869
GOVERNMENTS	30 990	5 871	145	-	37 006	394	3 019	-	713	398	41 530	354	41 884
UNV	4 651	1 332	101	-	6 084	-	605	-	339	371	7 399 b/	198	7 597
UNDP	27 182	6 607	1 257	10 292	45 338	254	9 659	-	2 129	600	57 980 b/	5 911 b/	63 891
<b>TOTAL (inclusive of cost sharing)</b>	<b>527 067</b>	<b>99 166</b>	<b>11 155</b>	<b>15 063</b>	<b>652 451</b>	<b>648</b>	<b>14 387</b>	<b>3 888</b>	<b>10 360</b>	<b>7 496</b>	<b>689 230</b>	<b>83 661 c/</b>	<b>772 891</b>
Charged to: Sources of funds as per column heading	445 278	95 236	7 670	14 701	562 885 d/	648 d/	13 851 d/	3 888 d/	10 324 d/	7 496 d/	599 092	75 043	674 135
Cost sharing	81 789	3 930	3 485	362	89 566	-	536	-	36	-	90 138 d/	8 618	98 756
<b>TOTAL (inclusive of cost sharing)</b>	<b>527 067</b>	<b>99 166</b>	<b>11 155</b>	<b>15 063</b>	<b>652 451</b>	<b>648</b>	<b>14 387</b>	<b>3 888</b>	<b>10 360</b>	<b>7 496</b>	<b>689 230</b>	<b>83 661 d/</b>	<b>772 891</b>

a/ Includes cost-sharing expenditure, where applicable.

b/ As shown in Statement V to the nearest United States dollar.

c/ Includes \$153,782 charged to Government cash counterpart contribution (Statement IV).

d/ As shown in Statement I to the nearest United States dollar.



Annex table 7 (a). UNDP main programme

Investments as at 31 December 1986

(US dollars)

<u>Type</u>	<u>Currency</u>	<u>1985</u>	<u>1986</u>
<u>Interest-bearing current accounts</u>			
	Austrian schillings	2 623	21 844
	Belgian francs	18 556	10 712
	Canadian dollars	362 128	91 842
	Danish kroner	15 394	31 147
	Deutsche marks	74 668	665 672
	Finnish markka	117 648	21 330
	French francs	44 744	125 766
	Israeli shekels	111 854	8 101
	Italian lire	8 347	7 711
	Japanese yen	141 429	465 230
	Netherlands guilders	1 731 146	1 009 059
	Norwegian kronor	36 439	247 344
	Pounds sterling	40 117	201 127
	CFA francs (Senegal)	1 184	1 362
	Swedish kronor	36 538	590 260
	Swiss francs	29 074	191 046
	United States dollars	<u>19 178</u>	<u>141 991</u>
	Subtotal	2 791 067	3 831 544
<u>Interest-bearing accounts</u>			
	United States dollars	18 640 301	5 883 682
<u>Call accounts</u>			
	United States dollars	1 250 000	485 000
	Australian dollars	0	412 903
	Austrian schillings	135 593	183 099
	Belgian francs	229 412	140 476
	Canadian dollars	699 275	1 293 478
	Danish kroner	11 049 451	307 658
			376 667
	Deutsche marks	1 662 000	352 500
	Finnish markka	293 578	545 918
	French francs	2 032 680	467 275
	Irish pounds	110 429	164 159
	Italian lire	480 175	439 948
	Norwegian kronor	1 343 046	565 563
	Spanish pesetas	0	319 699
	Swedish kronor	8 771 242	589 130
	Swiss francs	377 990	252 976
	Pounds sterling	<u>3 353 116</u>	<u>1 107 143</u>
	Subtotal	31 787 987	8 003 592
<u>Deposit at notice</u>			
	Japanese yen	1 569 000	1 546 875
<u>Time deposits</u>			
	United States dollars	97 126 688	67 143 256
	Australian dollars	5 741 379	3 225 806
	Austrian schillings	0	2 464 789
	Belgian francs	6 176 471	238 095
	Canadian dollars	13 599 638	3 768 116
	Danish kroner	0	10 040 000
	Deutsche marks	21 160 050	41 450 064
	Finnish markka	642 202	4 489 796
	French francs	10 326 797	29 375 951
	Italian lire	615 160	13 848 921
	Japanese yen	26 750 000	64 531 250
	Netherlands guilders	21 785 714	47 888 890
	Norwegian kronor	1 576 159	14 602 650
	Spanish pesetas	0	3 007 519
	Swedish kronor	882 353	48 769 565
	Swiss francs	311 005	22 752 380
	Pounds sterling	<u>571 429</u>	<u>571 429</u>
	Subtotal	206 693 616	378 168 477
	TOTAL	<u>261 481 971</u>	<u>397 434 170</u>

Annex table 7 (b). UNDP supplementary activities  
Investments as at 31 December 1986

(US dollars)

<u>Type</u>	<u>Currency</u>	<u>1985</u>	<u>1986</u>
<u>Deposit at notice</u>			
<u>Time deposits</u>			
	United States dollars	178 200 000	150 035 812
	Canadian Dollars		5 000 000
	Deutsche marks	10 000 000	30 000 000
	Italian lire	3 000 000	25 000 000
	Japanese yen	20 000 000	25 000 000
	Netherlands guilders	10 000 000	25 000 000
	Norwegian kronor	2 000 000	5 000 000
	Swedish kronor	5 000 000	12 100 000
	Swiss francs	<u>5 000 000</u>	<u>1 200 000</u>
	Subtotal	<u>233 200 000</u>	<u>278 335 812</u>

Annex table 8 (a). United Nations Development Programme Account: Income  
received under cost-sharing arrangements  
 (Thousands of US dollars)

Country	Project Cost Sharing		Programme Cost Sharing		Third-Party Cost Sharing	
	received in 1986	cumulative total	received in 1986	cumulative total	received in 1986	cumulative total
Afghanistan	44	1 121	-	-	-	580
Algeria	1 947	16 326	236	732	-	-
Angola	-	350	-	-	-	-
Argentina	12 609	21 370	-	-	-	-
Bahamas	-	1 133	-	-	-	-
Bahrain	839	11 087	-	-	-	-
Bangladesh	-	-	-	-	-	2 473
Barbados	9	109	-	-	46	46
Belize	28	109	-	-	-	-
Benin	467	660	-	-	-	-
Bermuda	-	125	-	-	-	-
Bhutan	-	-	-	-	-	749
Bolivia	1 035	9 276	-	-	6 710	8 291
Botswana	101	398	700	3 837	192	536
Brazil	3 651	25 865	711	21 601	-	27
British Virgin Islands	-	120	-	-	-	-
Brunei Darussalam	-	69	-	-	-	-
Bulgaria	-	36	-	-	-	-
Burma	-	-	-	-	-	83
Burundi	52	2 417	-	-	333	1 840
Cape Verde	229	229	-	-	-	-
Cameroon	1 136	10 149	-	-	-	-
Cayman Islands	6	109	-	-	-	-
Chad	-	-	-	-	58	1 442
Chile	501	2 485	-	-	15	35
China	2 505	8 809	-	-	50	10 083
Colombia	4 095	13 670	-	-	-	-
Comoros	-	-	-	-	9	9
Congo	-	554	2 635	9 706	-	-
Cook Islands	69	315	-	-	-	-
Costa Rica	45	1 916	-	-	10	267
Côte d'Ivoire	261	4 534	-	4 996	171	217
Cyprus	50	144	-	-	-	-
Czechoslovakia	-	220	-	-	-	-
Democratic People's Republic of Korea	-	150	-	-	-	-
Democratic Yemen	-	890	-	-	247	467
Djibouti	20	377	-	-	106	106
Dominica	-	-	-	-	-	50
Dominican Republic	56	1 466	-	-	-	-
Ecuador	5 358	10 837	-	-	1	1 001
Egypt	1 458	5 364	-	-	1	11 407
El Salvador	-	839	-	-	30	30
Ethiopia	330	378	-	-	-	40
Gabon	2 127	11 829	(1 019)	1 599	-	-
Gambia	-	-	-	-	-	210
Ghana	-	113	-	-	-	-
Greece	45	582	-	-	-	-
Grenada	204	204	-	-	-	-
Guatemala	(14)	3 337	-	-	-	-
Guinea	-	469	-	-	-	-
Guinea-Bissau	-	3	-	-	(1)	1 062
Guyana	50	322	-	-	-	250
Haiti	227	1 726	-	-	-	629
Honduras	1 953	10 685	-	-	773	4 166
Hong Kong	54	54	-	-	-	-
Iceland	-	132	-	-	-	-
India	193	7 234	-	-	-	-
Indonesia	2 897	8 351	2 346	15 211	500	514
Iran	-	28 527	-	398	-	-
Iraq	450	8 274	-	-	30	30
Jamaica	1 831	4 211	554	3 544	100	361
Jordan	305	3 157	-	-	105	133
Kenya	-	363	-	-	1 474	2 672
Kuwait	2 375	17 593	-	-	-	-
Lao People's Democratic Republic	-	-	-	-	62	62
Lebanon	-	827	-	-	-	48
Lesotho	-	-	-	-	(1)	1 304
Liberia	247	387	-	-	-	1 134

/...

Annex table 8 (a) (continued)

Country	Project Cost Sharing		Programme Cost Sharing		Third-Party Cost Sharing	
	received in 1986	cumulative total	received in 1986	cumulative total	received in 1986	cumulative total
Libyan Arab Jamahiriya	2 418	15 670	-	-	-	-
Madagascar	-	138	-	8	-	-
Malawi	-	292	-	-	-	-
Malaysia	19	648	1 000	4 501	-	-
Maldives	-	-	-	-	-	585
Mali	-	100	-	-	1 070	3 273
Mauritania	-	-	-	-	65	65
Mexico	192	3 882	-	-	-	-
Miscellaneous	-	-	1	1	1 757	4 257
Morocco	462	1 766	-	-	-	-
Mozambique	-	51	-	-	-	324
Namibia	-	-	-	-	40	40
Nepal	757	2 521	-	-	-	1 170
Netherlands-Antilles	-	117	-	3 100	-	-
Nicaragua	45	943	-	-	349	390
Niger	-	-	-	-	-	502
Nigeria	15	13 356	501	22 545	-	-
Oman	714	8 150	-	-	-	-
Pakistan	-	747	-	-	-	-
Palestinian People	-	-	-	-	825	935
Panama	1 126	4 252	-	2 400	-	-
Papua New Guinea	188	1 303	-	-	-	-
Paraguay	158	3 154	-	-	-	132
Peru	1 060	3 797	-	-	6	114
Philippines	186	287	-	-	-	-
Poland	-	274	-	-	-	-
Portugal	187	2 278	-	-	-	-
Qatar	676	8 370	1	195	70	80
Republic of Korea	2	2	-	-	-	-
Rwanda	143	817	-	-	-	441
Saint Lucia	-	-	-	-	-	120
Saint Vincent and the Grenadines	-	27	-	-	-	-
Samoa	52	112	-	-	-	-
Sao Tome & Principe	30	110	-	-	-	-
Saudi Arabia	10 661	68 700	(2)	1 219	-	-
Sierra Leone	-	-	-	-	1	746
Singapore	198	500	-	-	-	-
Somalia	(4)	50	-	-	592	1 907
Sri Lanka	3	944	-	-	-	15
Sudan	258	4 425	5	255	200	4 999
Suriname	-	32	57	271	-	150
Swaziland	-	1 763	-	-	134	596
Thailand	17	267	-	-	-	-
Togo	-	190	-	-	-	170
Tokelau Islands	-	75	-	3	-	-
Trinidad & Tobago	-	95	2 695	16 746	-	-
Trust Territory of the Pacific Islands	70	517	-	-	-	-
Tunisia	190	1 028	-	136	(40)	31
Turkey	309	15 040	-	-	-	-
Turks & Caicos Islands	-	3	-	-	-	-
Uganda	-	1 945	-	-	-	-
United Arab Emirates	840	17 285	-	-	-	132
United Republic of Tanzania	-	5 152	-	22	-	68
Uruguay	15	2 692	-	355	-	-
Vanuatu	-	47	-	-	-	45
Venezuela	1 082	17 131	-	94	299	531
Viet Nam	-	-	-	-	100	100
Yemen	34	10 789	-	-	466	27 553
Zaire	-	182	-	-	-	-
Zambia	-	59	-	-	(649)	76
Zimbabwe	28	200	-	-	(228)	110
Africa Regional	-	2 904	-	-	2 063	15 749
Arab Regional	445	8 619	-	-	35	10 824
Asia Regional	149	4 262	-	-	1 000	3 530
Europe Regional	207	207	-	375	-	77
Latin America Regional	23	1 700	-	-	878	11 836
Interregional	6	6	-	-	5 177	13 980
Global	-	-	-	-	423	4 069
<b>Total</b>	<b>72 806</b>	<b>502 359</b>	<b>10 421</b>	<b>113 850</b>	<b>25 654</b>	<b>162 076</b>

Annex table 8 (b). Income received under third-party cost-sharing arrangements

By Donor

(Thousands of US dollars)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Algeria	Africa Regional	-	199
	Interregional	-	25
	Subtotal	-	224
Arab Fund for Economic Social Development	Arab States Regional	35	121
Arab Gulf Programme for United Nations Development and Organizations	Democratic Yemen	-	200
	Egypt	-	170
	Guinea-Bissau	-	500
	Haiti	-	629
	Jordan	105	105
	Maldives	-	585
	Mali	350	1 350
	Niger	-	502
	Palestinian People	500	500
	Sierra Leone	-	400
	Global	-	850
	Subtotal	955	5 791
Arab Maritime Transport Academy	Arab Regional	-	790
Asociacion Chilena de la Propiedad Industrial	Chile	15	15
Australia	Egypt	-	227
	Vanuatu	-	45
	Honduras	5	11
	Vietnam	100	100
	Subtotal	105	383
Austria	Egypt	-	420
Belgium	Kenya	179	501
	Mali	(28)	1 075
	Subtotal	151	1 576

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Canada	Burma	-	38
	Democratic Yemen	-	20
	Egypt	-	1 000
	Jamaica	-	36
	Sudan	-	1 045
	Tunisia	-	31
	Zambia	(1)	77
	Global	69	84
	Interregional	2 060	4 643
	Latin America Regional	<u>94</u>	<u>1 487</u>
	Subtotal	<u>2 222</u>	<u>8 461</u>
Caribbean Development Bank	St. Lucia	-	120
	Latin America Regional	-	<u>170</u>
	Subtotal	-	<u>290</u>
Central African Development Bank	Africa Regional	-	<u>252</u>
Central American Bank for Economic Integration	Latin America Regional	<u>36</u>	<u>36</u>
Denmark	China	-	200
	Democratic Yemen	247	247
	Egypt	-	498
	Africa Regional	<u>167</u>	<u>167</u>
	Subtotal	<u>414</u>	<u>1 112</u>
East African Development Bank	Africa Regional	-	<u>46</u>
Economic Commission for Europe	Lesotho	-	152
	Yemen	-	3 009
	Arab Regional	-	123
	Europe Regional	-	<u>77</u>
	Subtotal	-	<u>3 361</u>

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Finland	Bolivia	123	313
	Lebanon	-	48
	Somalia	-	98
	Africa Regional	-	500
	Interregional	-	20
	Subtotal	<u>123</u>	<u>979</u>
France	Egypt	1	113
	Nicaragua	-	41
	Zimbabwe	32	32
	Africa Regional	<u>985</u>	<u>985</u>
	Subtotal	<u>1 018</u>	<u>1 171</u>
Germany, Federal Republic of	Jordan	-	28
	Paraguay	-	108
	United Republic of Tanzania	-	43
	Yemen	-	1 611
	Asia Regional	-	62
	Interregional	710	1 441
	Global	<u>89</u>	<u>196</u>
	Subtotal	<u>799</u>	<u>3 489</u>
Greece	Egypt	-	<u>500</u>
India	Interregional	-	<u>50</u>
Indonesia	Interregional	-	<u>100</u>
Inter-American Development Bank	Bolivia	704	835
	Latin America Regional	<u>400</u>	<u>1 784</u>
	Subtotal	<u>1 104</u>	<u>2 619</u>
International Finance Corporation	Africa Regional	<u>52</u>	<u>52</u>
International Fund for Agricultural Development	Venezuela	299	520
	Latin America Regional	-	<u>901</u>
	Subtotal	<u>299</u>	<u>1 421</u>

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
International Labour Organisation	Interregional	<u>155</u>	<u>155</u>
International Monetary Fund	Latin America Regional	<u>-</u>	<u>375</u>
International Telecommunications Union	Brazil	<u>-</u>	<u>27</u>
Iran	Arab States Regional	<u>-</u>	<u>2 003</u>
Israel	Latin America Regional	<u>-</u>	<u>50</u>
Italy	Bolivia	5 606	6 646
	China	-	9 833
	Egypt	-	237
	Honduras	768	1 152
	Kenya	944	1 618
	Africa Regional	-	1 427
	Global	200	300
	Interregional	<u>-</u>	<u>210</u>
	Subtotal	<u>7 518</u>	<u>21 423</u>
Japan	Egypt	-	1 000
	Asia Regional	1 000	1 000
	Interregional	<u>86</u>	<u>86</u>
	Subtotal	<u>1 086</u>	<u>2 086</u>
Junta del Acuerdo de la Cartagena	Peru	<u>6</u>	<u>6</u>
Kuwait	Interregional	<u>-</u>	<u>30</u>
Latin American Association for Integration	Latin America Regional	<u>-</u>	<u>264</u>
Latin American Centre for Development Administration	Latin America Regional	<u>-</u>	<u>67</u>



Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Latin American Institute for Economic and Social Planning (ILPES)	Paraguay	-	24
			<u>97</u>
Libyan Arab Jamahiriya	Africa Regional	-	
Miscellaneous	Chad	1 724	4 042
	Latin America Regional	33	215
	Subtotal	<u>1 757</u>	<u>4 257</u>
Morocco	Africa Regional	-	64
Netherlands	Afghanistan	-	580
	Bangladesh	-	257
	Bhutan	-	749
	Bolivia	-	171
	Botswana	192	192
	Costa Rica	-	257
	Côte d'Ivoire	171	171
	Ecuador	-	1 000
	Egypt	-	2 000
	Guinea-Bissau	-	418
	Honduras	-	2 863
	Indonesia	150	150
	Lesotho	(1)	1 152
	Liberia	-	1 134
	Nepal	-	1 140
	Nicaragua	349	349
	Peru	-	108
	Sudan	-	1 234
	Suriname	-	150
	Swaziland	134	596
United Republic of Tanzania	-	25	
Yemen	465	17 270	
Africa Regional	350	565	
Europe Regional	-	46	
Latin America Regional	-	200	
Subtotal		<u>1 810</u>	<u>32 777</u>

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Norway	Egypt	-	543
	Namibia	40	40
	Somalia	-	54
	Interregional	<u>1 674</u>	<u>3 482</u>
	Subtotal	<u>1 714</u>	<u>4 119</u>
Organization of Petroleum Exporting Countries	Egypt	-	1 500
	Africa Regional	-	7 110
	Arab Regional	-	7 642
	Asia Regional	-	2 000
	Latin America Regional	-	3 500
	Interregional	-	1 899
	Global	-	<u>2 281</u>
	Subtotal	-	<u>25 932</u>
Saudi Arabia	Yemen	<u>1</u>	<u>5 001</u>
Spain	Bolivia	<u>167</u>	<u>167</u>
Sweden	Bolivia	-	10
	Egypt	-	920
	Guinea-Bissau	(1)	144
	Kenya	351	553
	Mozambique	-	65
	Sri Lanka	-	15
	Sudan	-	2 332
	Interregional	71	410
	Africa Regional	<u>509</u>	<u>745</u>
	Subtotal	<u>930</u>	<u>5 194</u>
Switzerland	Bangladesh	-	2 216
	Bolivia	-	14
	Burundi	333	1 840
	Chad	58	119
	Chile	-	20
	Côte d'Ivoire	-	46
	Egypt	-	500
	Nepal	-	30
	Rwanda	-	441
	Asia Regional	-	31
	Global	65	325
	Interregional	<u>161</u>	<u>782</u>
		Subtotal	<u>617</u>

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Tunisia	Palestinian People	<u>12</u>	<u>24</u>
United Kingdom of Great Britain and Northern Ireland	Egypt	-	1 770
	Guyana	-	250
	Honduras	-	140
	Yemen	-	<u>662</u>
	Subtotal	-	<u>2 822</u>
United Nations	Comoros	9	9
	Djibouti	106	106
	Ecuador	1	1
	Mauritania	65	65
	Mozambique	-	259
	Latin America Regional	34	34
	Global	-	<u>33</u>
Subtotal	<u>215</u>	<u>507</u>	
United Nations Centre for Human Settlements	Barbados	46	46
	Bolivia	85	85
	Burma	-	45
	Costa Rica	10	10
	Dominica	-	50
	Lao People's Dem. Rep.	62	62
	Qatar	-	10
	Sierra Leone	-	45
	United Arab Emirates	-	132
	Zimbabwe	-	<u>78</u>
Subtotal	<u>203</u>	<u>563</u>	
United Nations Children's Fund	Bolivia	25	50
	Ethiopia	-	40
	Iraq	30	30
	Mali	100	200
	Qatar	70	70
	Sudan	200	200
	Interregional	-	<u>50</u>
	Subtotal	<u>425</u>	<u>640</u>

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
United Nations Educational, Scientific and Cultural Organization	Jamaica	40	46
	Venezuela	-	10
	Subtotal	<u>40</u>	<u>56</u>
United Nations Environment Programme	Indonesia	-	<u>14</u>
United Nations Fund for Drug Abuse Control	Jamaica	-	<u>132</u>
United Nations Fund for Population Activities	China	<u>50</u>	<u>50</u>
United Nations High Commissioner for Refugees	Sudan	-	188
	Arab Regional	-	<u>145</u>
	Subtotal	-	<u>333</u>
United Nations Industrial Development Organization	Interregional	-	<u>75</u>
United Nations Trust Fund for Sudano-Sahelian Activities	Somalia	-	294
	Africa Regional	-	<u>2 600</u>
	Subtotal	-	<u>2 894</u>
Office of the United Nations Disaster Relief Co-ordinator (UNDRO)	Chad	-	200
	El Salvador	<u>30</u>	<u>30</u>
	Subtotal	<u>30</u>	<u>230</u>
United States of America	Botswana	-	344
	Chad	-	1 123
	Indonesia	350	350
	Jamaica	60	147
	Mali	648	648
	Sierra Leone	1	301
	Somalia	592	1 461
	Togo	-	170
	Zambia	(648)	-
	Zimbabwe	(260)	-
	Africa Regional	-	400
	Asia Regional	-	400
	Latin America Regional	-	2 396
	Interregional	<u>260</u>	<u>260</u>
Subtotal	<u>1 003</u>	<u>8 000</u>	

/...

Annex table 8 (b) (continued)

Donor	Recipient country/region	Amount in 1986	Cumulative amount 1975-1986
Venezuela	Egypt	-	10
West Africa Development Bank	Africa Regional	-	539
World Bank	Gambia	-	210
	Asia Regional	-	37
	Interregional	-	216
	Latin America Regional	314	572
	Subtotal	314	1 035
World Health Organization	Tunisia	(40)	-
	Palestinian People	313	411
	Subtotal	273	411
	TOTAL	25 654	162 076

APPENDIX

Request by WMO for additional support-cost reimbursement

Background

1. The total technical co-operation programme delivery by WMO in meteorology and hydrology has been running about \$21-22 million per year since 1981 with a little more than one half being funded by UNDP and the balance through WMO'S Voluntary Co-operation Programme (VCP) (about \$6 million) and the rest through Trust Funds. The policy of the WMO Congress and its Executive Council in connection with technical co-operation is to pay from the regular budget of the Organization:

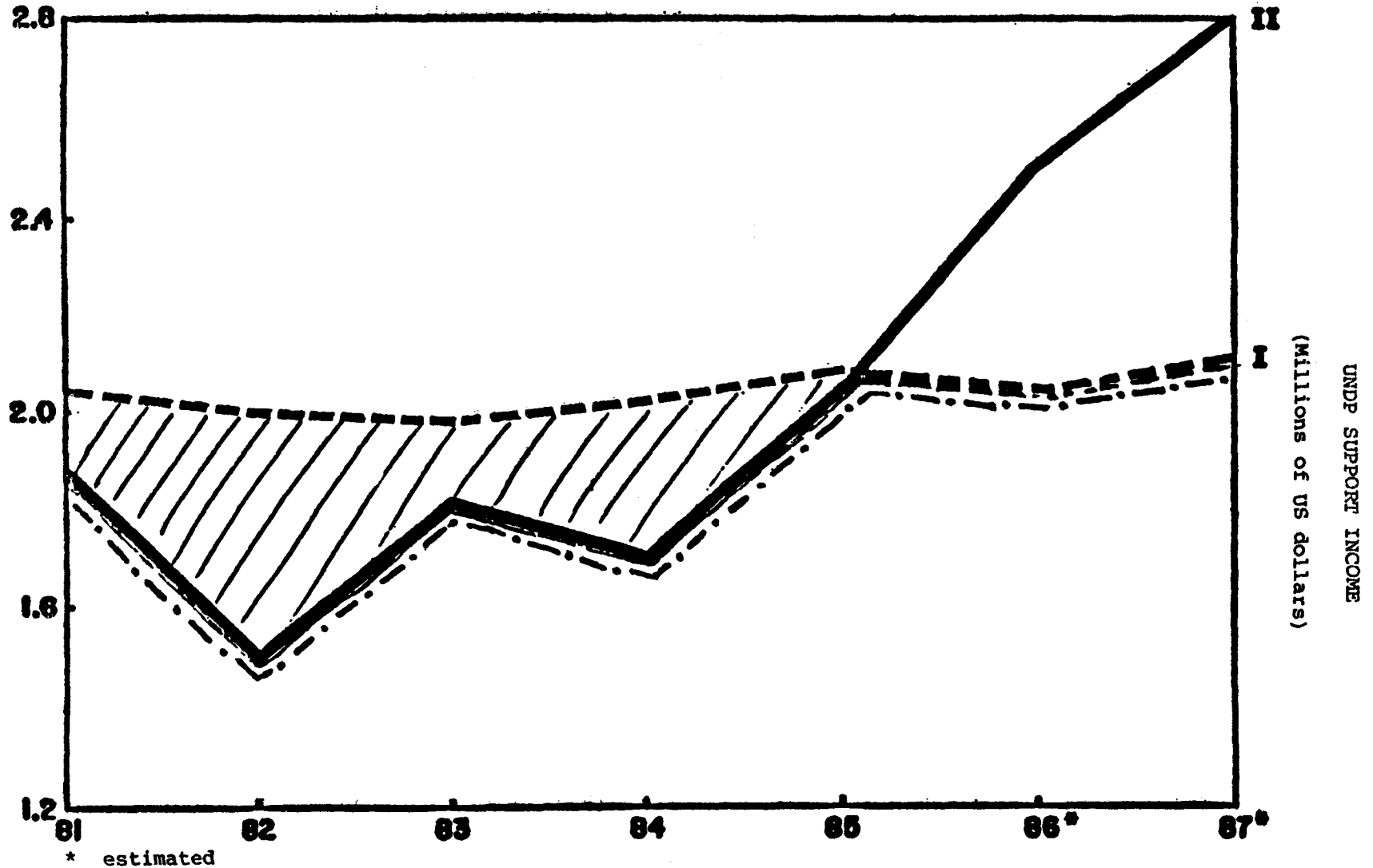
- (a) Salaries of staff providing specialized technical input and backstopping of all projects, including UNDP;
- (b) Salaries and other costs for management of the VCP;
- (c) About \$1 million in training and fellowships per year.

2. Management and administrative costs for Trust Funds are, of course, self-supporting, through overhead costs charged to each project. Thus the support cost which WMO claims for UNDP projects are direct costs of management and administration. About 95 per cent of these costs are incurred in Swiss francs because they primarily involve salaries, travel of headquarters staff and common services, all in Swiss currency. Thus, we are very much affected by the United States dollar/Swiss franc exchange rate fluctuations.

Budget calculations

3. The procedures used by UNDP to calculate support costs are to provide to agencies which have deliveries less than \$15 million, the lesser of "actual support costs" or the amount calculated by a formula. Figure 1 shows the effects of currency exchange fluctuations on support costs paid by UNDP to WMO. For the period 1981-1985, while the United States dollar was high, WMO received its "actual support costs" (as noted above, only direct management and administrative costs are included - not technical backstopping) and this was considerably less than the formula computed amount. The average exchange rate of the period 1981-1985 was Swiss francs 2.17 to \$US 1. In 1986 and projected for 1987, when the dollar has fallen drastically, WMO support costs have, of course risen greatly, when measured in United States dollars. However, according to UNDP practices we would only get the lesser value, i.e. the formula-computed amount, as shown in the dashed line, figure 1.

WMO TECHNICAL CO-OPERATION ACTIVITIES



\* estimated

Yearly comparisons

- - - Maximum support-cost entitlements (G/C decision 80/44).
- . - WMO entitlement under UNDP flexibility formula.
- \_\_\_\_\_ Actual WMO direct project support expenditures for UNDP activities.

4. In 1986, in order to continue to manage the UNDP/WMO projects, the deficit, particularly in the latter part of the year was made up by (1) stringent economy measures including not refilling six vacant posts and (2) an "emergency" transfer of up to \$500,000 from the WMO regular budget.\* In 1987, the deficit in support costs for UNDP projects, if no changes in procedures are made by UNDP, are estimated in the attached table. If the United States dollar remains at its present low level (1.60) the deficit we face would be \$623,000, a very large amount for a small agency. We shudder to contemplate the impact of an even lower dollar.

#### Programme impact

5. The current non-filling of six positions for technical co-operation and drastic constraints on travel funds, while tolerable for a short period, could have a serious impact on the quality and quantity of programme delivery if maintained for a year or more. But with present (January 1987) exchange rates and no change in UNDP procedures for support costs calculation, or in WMO policies, we will not only be unable to restore support to previous levels but will have to make further cuts in staff with still further deterioration in our ability to effectively deliver.

6. The crisis faces us at a time when an increasing number of regions and countries have recognized the importance for national economies and for safety of populations of meteorological services, agrometeorological applications and a sound knowledge of water availability and flood potential through hydrology programmes. Both the UNDP and total project funding for 1987 are now projected to be at a record high level for WMO. We believe that these are valuable and important projects, but we desperately need some relief from the currency fluctuation problem to manage them for maximum benefit and with optimum efficiency in expenditure of project funds. WMO has established itself through many years of satisfactory performance as an efficient and effective executing agency and we would want to continue to deserve such a reputation.

#### Possible remedial actions

##### Option 1: Without change in the previous basic procedure

Apply the calculated flexibility formula on a longer term basis than annually. Thus in cases when "actual costs" are less than formula calculations due to a high value of the United States dollar, an agency would accumulate "credits". These credits would then be used to assist during the periods when the United States dollar is low and thus support costs are high. In WMO's case this would mean that, in Figure 1, the shaded area (from 1981-1985) totalling \$998,000 would be a credit which could be used to provide "actual costs" in 1986 and 1987.

---

\* Note: Exchange rate flexibility arrangements for WMO's regular budget will be reviewed by WMO Congress in May 1987. Unless additional funds are made available at that time the ability of the regular budget to provide further emergency funds to technical co-operation will be sharply curtailed.



Option 2: Adopt a modification to the procedures

A suggestion is as follows:

Special hardship with respect to currency fluctuations is noted for any agency under the flexibility rules: (1) which does not receive as much in support costs as the calculated flexibility formula amount in those years when the United States dollar is high (e.g. 1981 to 1985) against its "operating currency"\* because it receives only actual support costs; and (2) which delivers more than \$12 million, so that its benefit from the flexibility formula is small.

7. In such cases, the agency may be partially compensated, when the average annual value of the United States dollar against its operating currency declines by more than 11 per cent from the average 1981-1985 level, by an increase of 1 per cent of programme delivery for each 3 per cent decline in the United States dollar value in excess of 11 per cent.

8. Any reasonable variation on this procedure which would provide WMO with an increase in support cost about the size of the projected deficits (table 1) would be, of course, satisfactory.

PROJECTED IMPACT OF EXCHANGE RATE ON WMO'S TECHNICAL CO-OPERATION  
SUPPORT COSTS FOR UNDP PROJECTS IN 1987

	<u>\$US</u>
I. Maximum income expected from UNDP	2 085 000
II. Less: Expenditures of 5 per cent in United States dollar	<u>- 104 250</u>
III. \$US available for 95 per cent of expenditures in Swiss francs	1 980 750

---

\* "Operating currency" is the currency of agency headquarters location, and this clause applies provided that more than 80 per cent of the support expenditures are made in this currency.

IV. Impact of exchange rate upon expenditures in Swiss francs

US dollar	Exchange Rate	Swiss Fr.	Change in		Cumulative deficit in US dollars
			Swiss Fr.	US dollar	
1 980 750	2.17*	4 298 228	-	-	-
	2.00	3 961 500	-336 728	-168 364	-168 364
	1.90	3 763 425	-198 075	-104 250	-272 614
	1.80	3 565 350	-198 075	-110 042	-382 656
	1.70	3 367 275	-198 075	-116 515	-499 171
	1.60**	3 169 200	-198 075	-123 797	-622 968

\* Average exchange rate (1981-1985) and budget required to maintain past level of support effort.

\*\* Swiss bank exchange rate on 12 January 1987. This rate for the United States dollar was still declining at the time of writing.

-----