Financing of UNDP cooperation with Gabon

Summary

Since 1987 Gabon has been required to assume net contributor status with UNDP.

This decision means that it must now reimburse IPF and local office costs.

Its contribution has therefore increased considerably, although the criterion on which that decision was based no longer applies to Gabon.

In view of the above, we request that the decision concerning net contributor status be abrogated.

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I. Background (first, second and third cycles)

We recall here very briefly the dates which have marked co-operation between Gabon and UNDP.

The first official technical assistance operations in Gabon began in 1961, the year in which the first resident representative of the Technical Assistance Board arrived in our country.

1.1. Basic agreement (first and second cycles)

In July 1972, the Governing Council of UNDP approved the first five-year programme of technical assistance in Gabon. This was an important development which formally instituted co-operation between the United Nations and Gabon as a factor in the country's economic, social and cultural development.

The agreement between the Gabonese Republic and UNDP was signed on 11 November 1974.

Gabon is now in its fourth programming cycle, and the respective country programme has been submitted to you for consideration.

Unfortunately, in view of your criteria for providing technical assistance, the indicative planning figure assigned to it has remained modest and has had an adverse impact on our economy.

The first programming cycle lasted from 1961 to 1971. UNDP committed $US 8,657,400 to finance its assistance during that period.

For the period 1972-1976, the Government requested UNDP to concentrate 40 per cent of the resources which it had been allocated on the exploitation of natural resources, and to give priority to projects related to the operation of the Trans-Gabon Railway. It requested UNDP to collaborate in administering the agencies responsible for the establishment and maintenance of infrastructures (15 per cent). The remainder was allocated to the intensification of training and human resources development.

UNDP encouraged Governments during that period to over-programme their indicative planning figures. Thus, at the time of the annual programme review in June 1975, Gabon was over-programming by some $US 2.2 million. As a result of UNDP's financial crisis, not only was that over-programming called into question, but in addition the budgets for projects in operation had to be reduced by about 45 per cent for 1976.

1.2. Cost-sharing

To alleviate that situation, the Government of Gabon proposed a cost-sharing system to UNDP, involving an appropriation of more than $US 1 million (including agency support costs). It was thus to save some projects, but the disruption caused by the UNDP crisis meant that many of them had to be scaled down or revised; in several cases, this had the effect of extending them beyond the original deadlines.
For the period 1977-1981, programmable resources amounted to $US 9,479,000, of which $US 1,170,000 was from cost-sharing (exclusive of 14 per cent agency support costs) concentrated over the two years 1977 and 1978, and $US 8,309,000 was from UNDP. A programme reserve of $US 1,066,000 (about 11 per cent of the total) was envisaged only as from 1980, because of lack of funds in previous years, to allow for various adjustments and overruns.

A very large proportion of the resources were programmed for the following sectors:

- Agriculture and forestry: 38 per cent
- Industry and mines: 27 per cent
- Education and vocational training: 18 per cent.

Owing to the limited nature in real value terms of available and foreseeable resources, with Gabon's IPF remaining the same as for the 1972-1976 cycle, i.e. at $US 1.5 million, it became necessary, on the one hand, to resort to cost sharing as a matter of urgency and, on the other, to consider no new projects until 1979. Attention must again be drawn here, to the delay caused by the UNDP crisis in the implementation of certain projects, which therefore had to be rescheduled and extended beyond the dates originally targeted. This has been a financial burden for our country.

For the 1982-1986 programme, resources taken into account amounted to 80 per cent of the IPF ($US 4,800,000) and 20 per cent were held in reserve ($US 1,200,000). Available resources therefore totalled $US 6,000,000. In that regard, it should be pointed out that, for this period, the total cost of identified needs proved to be higher than the resources available for programming. Accordingly, the Government of Gabon decided to provide supplementary funds, in a cost-sharing arrangement, to cover the cost of the projects adopted.

II. Gabon as net contributor (fourth cycle)

From 1974, Gabon's co-operation with UNDP was governed by a basic agreement that in 1980 was supplemented by a cost-sharing agreement under which Gabon assumed responsibility for most of the budget necessary for the implementation of projects entrusted to UNDP.

2.1. An increased financial burden for Gabon

This agreement was amended by decision 85/16 of 29 June 1985. Since 1987 Gabon, which had a per capita GNP of $3,990 in 1983, has therefore been financing the entire UNDP programme carried out in that country.

This means that it bears all expenses connected with specific projects either in the form of cost-sharing or reimbursable IPF, or yet in the form of administrative costs plus the cost of the UNDP Office at Libreville.

Before 1987, Gabon's contribution corresponded to the shared part of project costs plus a voluntary contribution covering the cost of the Libreville Office. The IPF was not reimbursable but a UNDP donation to Gabon. Since 1987, however, our financial obligations towards UNDP have increased as follows:
Reimbursement of the IPF, namely, $528,000 per year, plus agency costs equal to 13 per cent, making a total of $596,640 per year; and

Reimbursement of the entire cost of UNDP Office in Libreville, whereas before 1985 the amount paid was fixed by Gabon itself.

In short, UNDP's 1985 decision means that, in respect of the same programme level, we have to pay CFAF 200 million more per year despite the fact that the country's resources have declined considerably.

Moreover, Gabon's voluntary contribution in 1987 amounted to $546,000 and for 1988 it is estimated at $683,000. Contrary to what is indicated in document DP/1988/70, therefore, and bearing in mind the fact that we have completed the third cycle with available resources of $1,894, our country will maintain its position as a creditor in respect of UNDP even if it has a debit for the 1987-88 period.

The situation is accordingly not as serious as suggested by the policy document, since Gabon's voluntary contribution amounts to more than $1.2 million over two years.

Nevertheless, this policy document raises questions of substance which deserve detailed examination so as to ensure that none of the interests involved are affected adversely.

During the 1985-1988 period, payments to UNDP were maintained at a uniform level; they even increased slightly and amounted to CFAF 1.7 billion in 1987.

The relative weight of United Nations system projects rose significantly, from 4.1 per cent of the investment budget in 1985 to 14.1 per cent in 1988.

Although our commitment to the United Nations system is obvious, it is a fact that this co-operation is becoming more and more costly both in absolute and relative terms.

It is estimated that, at the present time, a UNDP expert costs Gabon an average of CFAF 45,650,000 per year.

This total comprises:

<table>
<thead>
<tr>
<th>Description</th>
<th>CFAF</th>
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</thead>
<tbody>
<tr>
<td>Expert costs:</td>
<td>$110,000</td>
</tr>
<tr>
<td>Agency costs:</td>
<td>+ 13 per cent</td>
</tr>
<tr>
<td>Housing:</td>
<td>300,000 per month</td>
</tr>
<tr>
<td>Car:</td>
<td>1 million CFAF per year</td>
</tr>
<tr>
<td>Contribution to costs:</td>
<td>5 million CFAF per year</td>
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<tr>
<td>Local office:</td>
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</table>

The decision to make Gabon a net contributor increases the cost per expert for Gabon by CFAF 7 million per year.
At present it is just as expensive for Gabon to co-operate with UNDP as to use the services of private consulting firms, except in the case of associate experts working within the framework of UNDP projects but financed by the country of origin.

A comparison between UNDP co-operation and bilateral co-operation - assuming that the benefits derived from such co-operation are identical - reveals that UNDP is much more, if not infinitely more, expensive. Indeed, the greater part of this assistance is made available to us in the form of subventions and does not entail any counterpart expenditure by the State.

Another part of technical assistance has to be paid for, but on conditions such that costs are shared equitably between Gabon and its partners.

It should, moreover, be noted that our partners, aware of the crisis we are experiencing and the efforts made by our Government to cope with the situation, have agreed to increase their technical assistance contributions in order to reduce Gabon's counterpart contribution. This is highly appreciated.

2.2 Deterioration of the economic situation

For the following reasons, therefore, we would request a review of the criteria for providing UNDP assistance:

Up to 1956 timber was the driving force behind Gabon's development. From the end of the 1970s Gabon's financial resources were bolstered by its mineral production, namely, petroleum, manganese and uranium, for which the international context was favourable.

In 1974 our country using its increased income from petroleum, embarked upon the more rapid expansion of basic economic sectors, since nothing had been done in these vital spheres during the period of colonization.

Unfortunately for us, Gabon's economic situation deteriorated in a spectacular manner in 1986 despite the fact that over 95 per cent of the objectives of its 5-year plan, which began in 1984, had been achieved. During this disastrous year for our economy, the average price of Gabon's crude, expressed in CFAF, fell by 64 per cent. This trend was triggered by the collapse of petroleum prices and the decline in the value of the United States dollar in relation to the CFAF. In 1987 the nominal GDP declined by 14 per cent, after having dropped 29 per cent in 1986. In the non-petroleum sectors that depend on public investment - which, in 1987 amounted to only one-fifth of that in 1985 - real growth declined by 20 per cent in 1987. The result was a drastic decline in per capita GNP, from $3,900 in 1985 to $2,590 in 1987.

We would point out that this new situation constitutes a serious obstacle to the continuation of our development and prevents us from finding suitable solutions for our difficulties, namely:

The lack of an adequate infrastructure notwithstanding the major efforts made by our country to construct ports, airports and the Trans-Gabon Railway. Much still remains to be done in respect of roads, river transport, telecommunications, etc.
The lack of qualified personnel, which means that we have to take on expatriate staff who are very costly.

The weakness of the agricultural sector, which is aggravated by the exodus from rural areas. An important point in this respect is that Gabon produces only 20 per cent of its food requirements and that the need to make good the other 80 per cent has a dangerous impact on its balance of payments.

The accelerated development of our country has resulted in a shortage of savings and the need for systematic recourse to loans to finance any project, to such an extent that the public debt has become an extremely heavy burden.

For all these reasons we hope that UNDP's Governing Council will grant our request to:

Abrogate the net contributor obligations imposed on Gabon;

Abrogate the requirement that Gabon should bear all costs connected with the local office; and

Increase the IPF.

We are convinced that, in this way, our co-operation with UNDP will be able to develop.

INVESTMENT BUDGET AND PAYMENTS TO UNDP (1985-1988)

(in million CFAF)

<table>
<thead>
<tr>
<th>1. Investment budget</th>
<th>403 500</th>
<th>303 400</th>
<th>97 200</th>
<th>83 000</th>
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<tbody>
<tr>
<td>Payments to UNDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Cost-shared projects</td>
<td>910</td>
<td>469</td>
<td>1 018</td>
<td>472</td>
</tr>
<tr>
<td>3. Other projects (CIAM)</td>
<td>496</td>
<td>584</td>
<td>568</td>
<td>500</td>
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<tr>
<td>4. Voluntary contribution</td>
<td>250</td>
<td>160</td>
<td>160</td>
<td>200</td>
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<tr>
<td>5. Total payments (2 + 3 + 4)</td>
<td>1 656</td>
<td>1 213</td>
<td>1 746</td>
<td>1 172</td>
</tr>
<tr>
<td>UNDP donations ($)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Non-reimbursable IPF ($)</td>
<td>556 800</td>
<td>556 800</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7. Total ($) (6)</td>
<td>556 800</td>
<td>556 800</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8. Total (7)</td>
<td>283</td>
<td>182</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9. Proportion of UNDP projects in the investment budget (per cent) (5/1)</td>
<td>4.1</td>
<td>4</td>
<td>18</td>
<td>14.1</td>
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