



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

Distr.  
GENERAL

DP/1990/89  
15 May 1990

ORIGINAL: ENGLISH

Thirty-seventh session  
28 May-22 June 1990, Geneva  
Item 10 (d) of the provisional agenda

POLICY

OTHER MATTERS

LEAST DEVELOPED COUNTRIES

Participation of the United Nations Development Programme in  
the preparations for the Second United Nations Conference on  
the Least Developed Countries

Report of the Administrator

SUMMARY

The present report is in response to Governing Council decision 90/2 of 23 February 1990, in paragraph 5 of which the Council requested the United Nations Development Programme (UNDP) to assist the efforts of the least developed countries (LDCs) in economic recovery and development with appropriate programmes and resources and requested the Administrator to submit proposals on this subject to the Council at its thirty-seventh session with a view to making a significant contribution to the Second United Nations Conference on the Least Developed Countries in September 1990. This report complements and builds on previous reporting by the Administrator concerning the role of UNDP in the preparations for the Conference submitted to the Governing Council and to the preparatory meetings for the Conference held in Geneva under the auspices of the United Nations Conference on Trade and Development (UNCTAD) (A/CONF.147/DR/3/Add.10 and A/CONF.147/PC/3/Add.9).

Section I of this report contains UNDP's views of the priority needs of LDCs for the 1990s. Section II covers proposals for UNDP programmes and resources for the LDCs in the 1990s.

I. PRIORITIES FOR ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES IN THE 1990s

1. What are the special needs and requirements of the least developed countries (LDCs) to which priority should be given in the 1990s? There has been a lively debate and intense discussion of the failure of the LDCs and the international community to achieve the objectives of the Substantial New Programme of Action for the 1980s for the Least Developed Countries (SNPA) adopted at the First United Nations Conference on the Least Developed Countries in Paris in 1981. Closely related debates have taken place on the strengths and shortcomings of structural adjustment programmes sponsored by the International Monetary Fund (IMF) and the World Bank, particularly in Africa. In addition, the United Nations Development Programme (UNDP), the World Bank and some donor Governments and institutions, in co-operation with many developing countries, including several LDCs, have been taking a careful and critical look at the effectiveness and the problems of technical assistance. Out of these efforts there appears to be a clearer understanding of what has gone wrong, with some closing of the gap between developing countries and donors on this issue, and an emerging consensus on many basic issues as to what must now be done to achieve economic recovery and development for the LDCs.

2. Subsection A of this section presents what UNDP sees as the main development priorities for the LDCs in the 1990s, built on its experience of the previous decades. Subsection B elaborates further on a particular issue of special relevance for UNDP, namely, technical co-operation.

A. Development priorities in the LDCs

3. The emerging consensus on priorities for the development of LDCs is reflected in various documents that have been prepared during the past 10 months, frequently in the context of the preparation of the Second United Nations Conference on the Least Developed Countries to be held in Paris in September 1990. It will not be possible here to present a complete list of these national priorities, much less a full analysis of the related issues. From UNDP's perspective, the main priorities can be summarized as follows: economic management and aid co-ordination, effective management of technical co-operation, human resources development, and population and environment.

4. In the course of the 1980s, UNDP recognized more clearly the importance of improved economic management for the development of the LDCs. Its leadership role for the round-table process in many of these countries has led it to provide increased assistance in the area of policy analysis and economic management, while at the same time enabling it to appreciate more distinctly the prevailing weaknesses of the LDC institutions responsible for managing the economy and the external assistance received. The strengthening of these national institutions has been a priority for various UNDP sources of financing, such as the indicative planning figure (IPF), the Special Measures Fund for the Least Developed Countries (SMF/LDCs) or the Management Development Programme.

5. A number of LDCs have, in the course of the last decade, embarked on policy reforms and adjustment programmes. Because of their limited capacity in this particular area, these countries have found it particularly difficult to prepare, negotiate and implement effectively their adjustment programmes. UNDP has provided assistance to LDCs in this area, for instance through projects to strengthen ministries of planning and finance or, in Africa, through the Structural Adjustment Advisory Teams for Africa (SAATA). It is part of the emerging consensus that adjustment efforts in the future should be more in tune with these countries' long-term strategies and constraints, and should pay particular attention to the situation of the most vulnerable groups within the country. The latter point is linked to the issue of human resources development presented below. With regard to the first point, it should be a priority for LDCs in the 1990s to establish medium- and long-term development strategies to serve as a framework for these countries' ongoing adjustment efforts.

6. On this issue, the "Dhaka Document", adopted by the Ministers of the Least Developed Countries at their meeting held from 10 to 12 February 1990 in Dhaka, Bangladesh, states in section II B: "The Ministers noted that technical assistance to LDCs should aim at enhancing and strengthening their capacity to formulate and implement their national policies and programmes and to address the basic structural rigidities of their economies. They also noted possibilities for joint international action in the area of technical assistance in support of improved management capacity and development of infrastructure. Technical assistance should be demand-related and not supply-oriented." The document also states, in section V (1): "The Ministers also underscored the need to support LDCs to strengthen national capacity to formulate and implement their development plans and programmes".

7. It might also be useful to refer to a study commissioned by the United Nations Conference on Trade and Development (UNCTAD) as part of the preparation of the 1990 Paris Conference; this study, entitled "Aid co-ordination and effectiveness: least developed countries, 1981-1989", was distributed to the Preparatory Committee for the Conference (document UNCLDC II/4 dated 8 March 1990). The document stresses: (a) the need to focus aid co-ordination on longer term development strategies rather than limiting itself to shorter term structural adjustment programmes; (b) the need to shift away from the over-domination of donors and in favour of building the capability of LDCs to manage the totality of resources available to them, and thus to exercise primary responsibility for aid co-ordination; and (c) the need for major reforms in the programmes and practices of donor agencies which, in many cases, are not effectively directed to building the institutional and management capacities of the LDCs.

8. While human resources development has always been a priority for UNDP, its importance for a country's overall economic development has not always been universally understood. There is now none the less an increasing recognition of the critical role of human resources for development, in marked contrast with the situation at the beginning of the 1980s, when preoccupations with budgetary and balance-of-payment constraints had led many recipient and donor Governments to lose sight of the necessity, for the long-term development of a country, to develop the resources of its people.

9. In its report entitled Sub-Saharan Africa, From Crisis to Sustainable Growth - A Long-Term Perspective Study (November 1989), the World Bank sets out a strategy for sustainable and equitable growth in the region with the aim of providing jobs for a growing labour force. This will require an enabling environment of infrastructure services and incentives to foster efficient production and private initiative, as well as "enhanced capacities of people and institutions alike, from the village to the upper echelons of government and industry". The strategy proposed differs from earlier practices in that "it aims to release the energies of ordinary people by enabling them to take charge of their lives". In its report the World Bank notes that "the strategy should be people-centered. Human resource development and meeting basic needs are top priorities".

10. The first issue of the UNDP-sponsored Human Development Report 1990 (May 1990) lays particular stress on raising the priority of local and international support measures on how to manage economic growth in so far as it involves people - in particular ways to increase the capability of people to take care of themselves.

11. The 1980s also saw an improved understanding of the complex relationship between population growth and environment. The protection of the environment is now high on the development agenda of many recipient and donor countries. There is also an increasing recognition that rapid population growth might endanger the environment and that, in turn, a degraded environment can severely constrain the potential for economic and social development. The problem is particularly acute in the LDCs, which are frequently characterized by rapid population growth and a fragile ecological environment.

12. The World Bank, in its report on sub-Saharan Africa, points out that population of the region will double in the next 20 years if current rates continue. Even if gross domestic product (GDP) growth rates rise to 4 or 5 per cent per year, "incomes will improve little if population growth continues to soar". In paragraph 64 of its report to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries entitled "Elements for a programme of action for the 1990s for the least developed countries" (A/CONF.147/PC/5-TD/B/AC.17/33 dated 1 February 1990), UNCTAD notes that in most least developed countries "the high rate of population growth is a fundamental problem, adversely affecting their efforts to alleviate poverty, the allocation of economic resources and the quality of the natural environment. It therefore will be of utmost importance for the Governments of LDCs to turn around the alarming trend in population growth in the 1990s through the promotion of voluntary population control measures and the provision of appropriate support".

13. The Dhaka Document, in section II A, also makes recommendations on environment, stressing the importance of the problem and raising some of the concerns of LDCs: "During the 1990s, LDCs would initiate, within their available capacity, measures to contain environmental deterioration without slowing the pace of their development. Measures in this regard would include improvement in the management of their renewable resources with a view to ensuring the greatest future benefit possible without adversely affecting present needs or reducing the carrying capacity of the environment. Supported by appropriate and adequate international support measures, it would be also one of the main endeavours of the LDCs to

achieve a balance between human demands on the natural resource base for future as well as present generations, and to maximize the ability of the environments to meet these demands."

#### B. Technical co-operation in LDCs

14. The main issues regarding technical co-operation in LDCs are beginning to be better understood. UNDP has contributed to this process through new efforts launched during the 1980s to assess and co-ordinate such assistance.

15. Technical co-operation appears to have been most successful, first, in improving the general skill levels of large numbers of people through training; and secondly, in meeting the immediate needs for filling gaps by performing tasks such as preparing feasibility studies, writing plans, supervising construction, etc. However, this has often failed to lead to self-sustaining national capability. More specifically, the following are major issues:

(a) Cost-effectiveness: There is widespread dissatisfaction on the part of both donors and recipients that not more has been achieved thus far. This is coupled with a growing realization of the magnitude of resources channelled to technical aid, now representing 25-30 per cent of all official assistance to LDCs, and reaching one third or more of total assistance in at least half of these countries. The value of technical co-operation grants exceeded \$100 million in five of the LDCs in 1986, and equalled 50 per cent or more of the value of merchandise exports in 17 of them;

(b) The inadequate impact of many technical co-operation projects in contributing to the long-term capacity of national institutions;

(c) The lack of absorptive capacity on the part of Governments to make use of technical co-operation. This is explained by the shortage of trained nationals that has led, for example, to a lack of counterparts, and by the inadequacies of civil service structure and remuneration;

(d) The lack of adequate attention paid to the socio-cultural context of technical co-operation activities;

(e) The perverse impact whereby development agencies and experts have learned more than recipient Governments and have in fact accumulated more data and know-how in many areas of development management;

(f) The process, planning, programming and implementation of technical co-operation may in all too many cases be donor driven. Recipient Governments tend to accept this as a price for obtaining capital resources, and as a means of augmenting the recurrent budget with personnel and operating funds;

(g) Technical co-operation has been provided in most cases on an ad hoc and project-by-project basis, without a sectoral or national programme framework;

(h) Training efforts under technical co-operation may not always address the priority needs of the country since the latter are not systematically identified;

(i) Finally, neither the data nor the theoretical concepts and constructs necessary to plan and manage technical co-operation have as yet been fully developed. For example, very little literature exists on methodologies for the appraisal and evaluation of technical co-operation, and few countries possess an inventory of technical aid received.

## II. PROPOSALS FOR UNDP PROGRAMMES AND RESOURCES FOR THE LEAST DEVELOPED COUNTRIES IN THE 1990s

### A. Proposed IPF priorities for the LDCs

16. In programming resource allocation for the fifth IPF cycle, and where recipient countries are in agreement, UNDP intends to give proper emphasis to the priorities outlined in section I, and to other priorities which may be formulated at the Second United Nations Conference on the Least Developed Countries in Paris. Four priorities have thus been identified:

- Priority 1. Economic management. Greatly strengthened internal economic management capacity, in the form of people and institutions, is an essential priority to meet the aspirations of the LDCs to control and direct their own development more effectively and to direct the larger flows of international support needed during the 1990s to implement these countries' own carefully worked out strategies.
- Priority 2. Management of technical co-operation. Closely linked to the priority for economic management is the priority need for overcoming the widely perceived shortcomings in the management of technical assistance.
- Priority 3. Human resources development. Every aspect of economic and social development requires enhancing the capacity of people to participate in and benefit from development efforts - including, *inter alia*, universal primary education of much higher quality, training in the technical skills required for development, greatly improved primary health care, achievement of universal access to safe water, meeting basic standards for nutrition and housing, strengthening grass-roots efforts at community self-help, and empowerment of women to participate fully in all aspects of development.
- Priority 4. Population and environment. Two other fundamental priority concerns, shaping and limiting the development possibilities of LDCs, and themselves closely linked, are population and environment. Efforts to lower the explosive rates of population growth are essential to achieve significant real per capita income growth and to avoid severe environmental degradation. Efforts to inject environmental considerations into development strategies and programmes are just beginning in many LDCs and are essential if growth is to be sustainable.

B. Improving the management and co-ordination of technical co-operation 1/

17. The National Technical Co-operation Assessment and Programmes (NaTCAP) process now under way for several African LDCs and similar overall technical assistance co-ordination efforts for LDCs at the country level in other regions are already proving to be an effective mechanism to co-ordinate and programme technical assistance as well as an important input to the round-table/consultative group co-ordination processes.

18. The underlying purpose of exercises such as NaTCAPs is to strengthen the ability of recipient Governments to direct, manage and control technical assistance. As such, it is a process and not a study by external consultants. The goal is that, over time, NaTCAPs will be internalized by Governments and will become a permanent element of the national socio-economic planning process. Ultimately, they should result in enhanced government capacity to manage and plan technical co-operation, making it a more co-operative process with donors, as well as a coherent medium-term national plan for human resources and institutional development into which technical co-operation is inserted as inputs.

19. The analytical methodology of technical co-operation assessment and programmes is still evolving and the substantive content will vary for each individual exercise. The key features include the following:

(a) An inventory of past and present technical co-operation is established and quantitative data are collected on major elements such as the number of experts and their area of intervention, the number of trainees, the nature of training and how such data are used;

(b) A qualitative assessment is made of the effectiveness of current technical co-operation and constraints are identified;

(c) Assessments are made of the current national human resources base and their utilization as well as the overall institutional capacities of the country, focusing particularly on the civil service;

(d) Technical assistance requirements and priorities are identified in terms of the implementation of the country's development strategy as expressed in its development plan, public investment programmes or structural adjustment programmes;

(e) The management system of technical co-operation is reviewed, including the mechanisms for its planning, programming and co-ordination, its policy basis, modalities for implementation and systems for monitoring and evaluation;

(f) In the subsequent "micro" phase the technical co-operation needs of specific sectors or areas are assessed, particularly by reviewing the organization and functioning of the institutions involved and the training personnel available.

20. The NaTCAP process provides a framework for recipient Governments to consider the complex policy issues raised by technical co-operation, and to set out clearly

the national priorities for technical co-operation resources so that donors can in turn respond appropriately and in a co-ordinated manner. The process, as it has now evolved, aims to formulate three outputs or instruments for improved management of technical co-operation: first, a data base; second, a policy framework; and third, rolling technical co-operation programmes.

21. NaTCAPs are now under way in 20 LDCs with four more being started in 1990. Surveys have been completed in 10 LDCs in regard to the data base on technical co-operation. The technical co-operation policy framework paper has now been prepared in seven LDCs. Preparation of technical co-operation programmes will be under way in five LDCs in 1990. In the course of the 1990s, UNDP will broaden the scope of NaTCAPs and similar exercises to other developing countries not yet covered. In so doing, it is proposed to give the priority to LDCs whose capacity to manage and programme the technical assistance they receive is the weakest.

C. Strengthening the United Nations Capital Development Fund (UNCDF) 2/

22. During the 1980s, UNCDF, which specializes in small grant (under \$5 million) capital assistance projects and which is devoted almost exclusively to LDCs, grew considerably in size and effectiveness. Net disbursements of fund resources increased to almost \$44 million in 1989 and new project commitments approved (including co-financing arrangements) came to \$74 million in 1988 and almost \$76 million in 1989.

23. A combination of special features makes the role of UNCDF in the multilateral financing system unique. The Fund's mandate and operational policies enable it to:

(a) Focus on the poor: UNCDF works at the grass roots with labourers, small farmers, micro-entrepreneurs, the unemployed, low-income urban dwellers and other vulnerable groups.

(b) Cover a broad range of social and economic sectors to: help meet basic needs for food, safe drinking water and sanitation, primary health care, education and low-cost housing; develop productive sectors and income-generating activities, especially in agriculture and small-scale industries; strengthen infrastructure such as rural transport and communications, water resources and energy development.

(c) Complement other sources of financing: UNCDF invests in small-scale projects - from \$200,000 to \$5 million - that are smaller than those usually considered by other multilateral financing institutions. By providing small-scale capital assistance, UNCDF fills a gap between pre-investment technical co-operation and large-scale capital financing from bilateral and multilateral development institutions. The relevance of the type of assistance provided by UNCDF was acknowledged by the Ministers of the Least Developed Countries at their Dhaka meeting. In section II B of the Dhaka Document the Ministers recognized "the effectiveness of providing small-scale capital assistance on a grant basis which benefits the lower income group such as that provided by UNCDF, and contributes to poverty alleviation. This form of assistance fosters local participation in national economic development and social progress while releasing people's full



potential through improved access to facilities for production and cost-effective social services".

24. There is no doubt that the Fund could expand its financing activities, given its large current pipeline of projects awaiting commitment. However, present funding levels will sustain annual commitments of \$65 million to \$70 million only through 1991 and will force a decline to about \$45 million thereafter. At this rate, the pipeline could not be fully funded before 1992. An appropriate solution to this problem would be to increase substantially the resources of the Fund as proposed during the recent session in Geneva of the Preparatory Committee for the Paris Conference.

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

25. The Governing Council, in decision 90/2, paragraph 6, requested the Administrator of UNDP to redefine the mandate of SMF/LDCs "in the light of the outcome of the Second United Nations Conference on the Least Developed Countries and in the light of decision 90/4 of 23 February 1990 on the preparations for the fifth programming cycle and to submit to the Council at its thirty-eighth session (1991) specific proposals on the subject aimed at mobilizing contributions".

26. While it is not possible to prejudge the decisions of the Paris Conference, the discussions at the meetings of the Preparatory Committee for the Conference, held in Geneva from 26 March to 6 April 1990, showed an emerging consensus that UNDP and particularly its SMF/LDCs have a special role to play in strengthening the institutional capacities of LDCs with regard to aid co-ordination and economic management. Another idea would be that this Fund should assist the LDCs in preparing and participating in the intergovernmental meetings that will presumably be called to monitor at the global level the programme of action that will be agreed in Paris, in the same way that SMF has assisted these countries in the preparation of, and participation in, the mid-term review of SNPA in 1985 and the Second Paris Conference.

#### E. Aid co-ordination and the round-table process

27. UNDP has been at the forefront of one of the most important achievements of SNPA, i.e., the improved co-ordination of aid to the LDCs during the 1980s, including particularly the organization of round-table conferences for some 23 of the LDCs and full participation of UNDP in World Bank-sponsored Consultative Group arrangements involving 10 other LDCs. UNDP now has the lead role in co-ordinating technical co-operation at World Bank Consultative Group meetings, as well as at UNDP-sponsored round tables. In addition to the round-table conferences (held in Geneva as a rule), UNDP is also assisting LDC Governments in preparing sectoral or thematic meetings, which are usually organized in the recipient countries. Finally, UNDP has increased its efforts to assist the Governments of LDCs in the co-ordination of donor activities in the field, through the activities of its field offices as well as through the implementation of various projects.

28. Since 1985 UNDP has established for the round tables it sponsors a new format, intended to make the process more effective. The whole philosophy of the round-table meetings was modified by putting the emphasis in the documentation and the debates squarely on economic strategies, structural adjustment and policy reforms, priority actions and the related bilateral and multilateral financial support.

29. Round-table meetings should not merely provide an opportunity for discussion: they should result in firm commitments which can be monitored - on the part of the recipient Governments, concerning the policies they are going to implement, and on the part of their aid partners, regarding the support they will give to the implementation of these policies. Another necessary condition is that a mechanism be established to monitor compliance with the commitments made by all participants. This, in fact, has not always been sufficiently the case in past round-table conferences (and consultative groups), thus leading to insufficient monitoring of the decisions taken. In this respect, it is desirable that, in the course of future donor meetings, the structure for monitoring be systematically identified, its capacity assessed and, whenever necessary, arrangements be made to reinforce this structure to enable it to carry out this additional function.

30. In its new format, the round-table mechanism and its succession of meetings constitute a cyclical process. When it was launched in 1985, a periodicity of two to five years for the cycle was envisaged; however, it now seems clear that shorter intervals are desirable. For example, sub-Saharan African countries in increasing numbers have embarked on far-reaching programmes, modifying significantly their economic policies in the process. To be successful, these adjustment programmes must be closely monitored by the Governments and their aid partners; at times of rapid change, the dialogue should be more frequent and better informed. In the 1990s, it would therefore appear desirable to increase the frequency of round-table conferences. UNDP proposes to hold them on an average of every two years for the countries actively involved in the round-table process.

31. The study commissioned by UNCTAD already mentioned ("Aid co-ordination and effectiveness: Least developed countries, 1981-1989") also stresses the necessity of formulating and monitoring more rigorously the commitments reached during round-table (and consultative group) meetings. Similarly, it insists on the necessity of more regular and frequent donor meetings.

32. As was apparent during the discussions in the Preparatory Committee meetings held in March-April 1990 in Geneva, it is likely that the forthcoming Paris Conference will lay great stress on improved aid co-ordination efforts. UNDP proposes to contribute to the process by supporting more frequent and more effective round-table and consultative group meetings, and to the closer linkages to the global monitoring mechanism which the Conference will presumably call for.

F. Providing for substantial growth in the allocation of UNDP's resources to LDCs

1. Growth in country IPF allocations to LDCs in real terms during the 1980s

33. UNDP's strong emphasis on support for the implementation of SNPA during the 1980s is reflected in the IPFs for the third (1982-1986) and fourth (1987-1991) UNDP programming cycles. The least developed countries <sup>3/</sup> have benefited from the allocation formulas for basic IPF resources which have stressed greater support for lower income and smaller countries. This basic resource allocation has been supplemented by additional resources for particular geographic or economic handicaps which hamper development, especially of the LDCs. In addition, an extra allocation (based on the assignment of three "supplementary points" to each LDC) has resulted in a further substantial increase in IPF resources for most LDCs.

34. The extra allocation to each LDC of three supplementary points has increased the total IPF allocation to the 42 LDCs by an estimated \$285 million for the fourth programming cycle, which is a gross increase averaging about 25 per cent per LDC. <sup>4/</sup> (For the fifth cycle, it is proposed to increase these supplemental points for LDC status to four, as indicated in the note by the Administrator on preparations for the fifth programming cycle (DP/1990/8).)

35. Table 1 summarizes the growth from the first through fourth five-year programming cycles in support for the LDCs through the country IPFs, which represent the great bulk of UNDP resources. There were already quite substantial gains for LDCs in the second cycle (1977-1981), reflecting UNDP's initial efforts to concentrate its resources on poorer countries in general, particularly the smaller and especially handicapped ones, with additional emphasis on LDCs. However, the table focuses on the changes that have occurred during the 1980s - that is, on a comparison of the fourth cycle (1987-1991), covering the end of the decade, with the second cycle (1977-1981), which was just ending at the time of the First United Nations Conference on the Least Developed Countries. In current nominal terms the total country IPF resources rose by 45 per cent while those for LDCs grew by almost twice as much. If account is taken of inflation, overall country IPF resources declined in constant dollars by about 8 per cent while resources for LDCs rose by 19 per cent. If account is also taken of devaluation of the United States dollar projected between the two cycles, then overall real resources dropped by 15 per cent while LDC resources gained by 10 per cent in real terms.

36. Of equal importance is the changing share of total resources allocated to LDCs. The share of the original group of LDCs grew from 30.8 per cent to 38.8 per cent while the additional group was up from 5.2 per cent to 8.0 per cent; the total group of 42 LDCs thus rose from 36.1 per cent to 46.8 per cent over the decade.

Table 1. Allocation of UNDP resources to the least developed countries (LDCs) according to the indicative planning figures (IPFs) for the first through fourth programming cycles

	31 LDCs (on list as of end of 1981)	11 additional LDCs (added to list 1982-1988)	Total 42 LDCs (on list at end of 1989)	For reference: Total (for all recipient countries) a/
<u>First cycle (1972-1976)</u>				
Amount	295.0	47.1	342.1	1 288.3
Percentage share of total	22.9	3.7	26.6	100.0
<u>Second cycle (1977-1981)</u>				
Amount	628.1	106.7	734.8	2 036.1
Percentage share of total	30.8	5.2	36.1	100.0
<u>Third cycle (1982-1986)</u>				
Amount	810.2	156.6	966.8	2 164.3
Percentage share of total	37.4	7.2	44.7	100.0
<u>Fourth cycle (1987-1991):</u>				
<u>Original allocation</u>				
Amount	975.1	191.7	1 166.8	2 524.4
Percentage share of total	38.6	7.6	46.2	100.0
<u>Revised allocation (June 1989)</u>				
Amount	1 143.0	235.5 b/	1 378.6 b/	2 943.0 b/
Percentage share of total	38.8	8.0	46.8	100.0
<u>Percentage change during the 1980s:</u> (Second cycle to revised fourth cycle)				
In current dollars	+82.0	+120.7	+87.6	+44.5
In constant dollars c/	+15.7	+ 40.3	+19.3	- 8.1
In constant dollars and exchange rates d/	+ 7.0	+ 29.8	+10.3	-15.0

a/ Excluding unallocated country IPFs, national liberation movements and multi-island programmes, as well as regional, interregional and global IPFs.

b/ Adjusted to include increment to the IPF of Mozambique, which was added to the list of the LDCs by the General Assembly on 20 December 1988 (decision 43/431).

c/ Adjusted to constant dollars by using the implicit price deflator for the United States GNP, and assuming a 3.2 per cent annual growth for this index during the period 1987-1991 - for an increase of 57.3 per cent between the two cycles.

d/ Adjusted to constant exchange rates by using the average ratio of the United States dollar to the special drawing right (SDR), and assuming that the 1988 average level remains unchanged during the period 1989-1991 - for an increase of 8.1 per cent in the value of SDR between the two cycles.

## 2. Other UNDP allocations to LDCs

37. Resources from the country IPFs on behalf of the 42 LDCs during the period of the fourth programming cycle (1987-1991) were considerably augmented by funds from other UNDP programmes - up by an estimated 35 per cent or about \$490 million, to a total of almost \$1.9 billion. (See the table in annex II of document DP/1990/43, entitled "Preparations for the fifth programming cycle and net contributor status".) The three largest sources are UNCDF (\$211 million), the United Nations Sudano-Sahelian Office (\$121 million), and SMF/LDCs (\$70 million). The share of LDCs in total UNDP country-specific resources (as shown in annex II of document DP/1990/43) for the period of the fourth cycle amounts to about 50 per cent (as compared to 47 per cent for the country IPFs alone).

## 3. Implications of alternative UNDP funding scenarios for the IPFs of the LDCs in the fifth cycle

38. The report of the Administrator submitted to the Governing Council last year (DP/1989/9, para. 34 (a)) suggested possible UNDP initiatives to be considered for the LDCs for the 1990s and included the "possible increase in IPF resource allocation to LDCs for the fifth programming cycle by 10 or 15 per cent in real terms".

39. Similarly, the Dhaka Document and UNDP's report to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries ("Development in the 1980s and proposals for the 1990s" (A/CONF.147/DR/3/Add.10, sect. II)) propose a substantial increase in the share of UNDP resources going to LDCs. The UNDP report adds that, "whatever the level of real resources available to UNDP, as a minimum, allocations to LDCs during the fifth cycle should not be permitted to decline in real terms".

40. How do the various alternative scenarios proposed to the Governing Council for the allocation of country IPF resources for the fifth cycle measure up to these aspirations for greater UNDP funding for the LDCs?

41. With respect to the scenarios contained in tables 2, 3 and 5 of document DP/1990/43/Add.1, "Options for the allocation of resources to individual indicative planning figures", table 2 below summarizes their implications for the group of 42 LDCs according to the four assumptions made regarding the growth of IPF resources and the five scenarios concerning the distribution of these resources among countries. (The data shown here thus differ slightly from the data on LDCs in document DP/1990/43/Add.1; the latter cover 45 countries, including the three "as if" countries which UNDP treats as LDCs but are not included in the General Assembly's list.)

Table 2. Fifth cycle IPF scenarios compared to fourth cycle (Analysis of scenarios in document DP/1990/43/Add.1, tables 2, 3, 4 and 5):  
Group of 42 LDCs compared with total allocated country IPFs

	IPFs for 42 LDCs a/	Total allocated IPFs a/	42 LDCs as percentage of total	Percentage of nominal increase	Percentage change fourth to fifth cycle  Percentage of real increase (assuming 6 per cent inflation rate)
Fourth cycle IPF	1 378.6	2 943.0	47.0		
Fifth cycle IPF					
(Assuming 4 per cent growth in resources)					
(6) (85/16)	1 378.6	2 943.0	47.0	+0.0	-25.3
(7) (70:15:10:5)	1 371.4	2 866.8	47.8	-0.5	-25.7
(8) (70:15:10:5, MOD)	1 340.0	2 867.3	46.7	-2.8	-27.4
(9) (60:40-\$1 million)	1 652.3	2 867.3	57.6	+19.9	-10.4
(10) (60:40 R)	1 654.4	2 867.3	57.7	+20.0	-10.3
(Assuming 6 per cent growth in resources)					
(6)	1 382.2	3 079.8	44.9	+ 0.3	-25.1
(7)	1 468.1	3 070.8	47.8	+ 6.5	-20.4
(8)	1 436.3	3 070.8	46.8	+ 4.2	-22.2
(9)	1 769.6	3 070.8	57.6	+28.4	- 4.1
(10)	1 774.9	3 070.8	57.8	+28.8	- 3.8
(Assuming 8 per cent growth in resources)					
(6)	1 462.9	3 312.0	44.2	+ 6.1	-20.7
(7)	1 592.6	3 319.3	48.0	+15.5	-13.7
(8)	1 553.8	3 319.3	46.8	+12.7	-15.8
(9)	1 912.7	3 319.3	57.6	+38.7	+ 3.7
(10)	1 927.9	3 319.3	58.1	+39.8	+ 4.5
(Assuming 10 per cent growth in resources)					
(6)	1 587.1	3 563.7	44.5	+15.1	-14.0
(7)	1 716.6	3 574.4	48.0	+24.5	- 7.0
(8)	1 674.5	3 574.4	46.9	+21.5	- 9.2
(9)	2 059.7	3 574.4	57.6	+49.4	+11.6
(10)	2 073.0	3 574.4	58.0	+50.4	+12.4
(Assuming 12 per cent growth in resources)					
(11) Real floor	1 844.5	3 967.0	46.5	+33.8	+ 0.0

a/ IPF amounts in millions of United States dollars. Data on LDCs in document DP/1990/43/Add.1, tables 2, 3, 4 and 5, cover 45 LDCs, including the three countries treated "as if" they were least developed (Angola, Nicaragua and Senegal); data shown here are limited to the 42 LDCs classified by the General Assembly.

42. At a growth rate of UNDP voluntary contributions of only 4 per cent or 6 per cent per annum, none of the five basic scenarios shown provides sufficient funding to the group of 42 LDCs to enable them to maintain in real terms the IPF levels achieved in the fourth cycle, assuming an inflation rate of 6 per cent per annum in the cost of UNDP's services. If overall UNDP resources grow at 8 per cent, only scenarios (9) and (10) enable the 42 LDCs as a group to maintain approximately the level of real IPF resources achieved in the fourth cycle. Even with an overall UNDP resource growth of 10 per cent per annum, only scenarios (9) and (10) provide for any increase in real terms to the LDC group - this time by 12 per cent. All the other scenarios imply declines in real terms.

43. With regard to the share of IPF resources going to LDCs, scenarios (6), (7) and (8) do not lead to any significant increase. The corresponding percentage remains below 50 per cent, irrespective of the growth of the total resources; in certain cases it even drops below the level corresponding to the fourth cycle (46.8 per cent). In the case of scenarios (9) and (10), the resulting percentages (57 per cent to 58 per cent) almost reach the 60 per cent target.

44. To conclude, it appears that only scenarios (9) and (10) and the assumption of a high growth rate (10 per cent of total IPF resources) are consistent with the aspiration of providing significantly higher IPF funding for the LDCs. If a growth rate of 10 per cent for IPF total resources were not reached, then it would be necessary to skew IPF resources in favour of LDCs even more than in scenarios (9) and (10) to ensure an increase in real terms of the IPF funding for these countries.

#### Notes

1/ UNDP submitted a report entitled "Technical co-operation in the development of the least developed countries" to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries (A/CONF.147/PC/3/Add.9-TD/B/AC.17/31/Add.9 dated 21 February 1990).

2/ A more extensive statement by UNCDF was submitted to the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries (A/CONF.147/PC/3/Add.2 dated 23 October 1989).

3/ At the time of the First United Nations Conference on the Least Developed Countries in 1981, the General Assembly had classified 31 countries as least developed. Since then 11 additional countries have been added to the list, for a new total of 42 countries. For its part, UNDP, in allocating its resources, has treated a few other countries "as if" they were least developed - currently these include Angola, Nicaragua and Senegal.

4/ If the three supplementary points were not allocated to LDCs, their IPF allocation would be reduced by \$285 million, but that sum would then be reallocated among all countries based on the remaining criteria for supplementary shares, and a part (perhaps half) of this sum would thus be reallocated to LDCs.

