

UNITED NATIONS  
DEVELOPMENT  
PROGRAMME



**UNDP**

Distr.  
GENERAL

DP/1983/ICW/2  
16 December 1982

ORIGINAL: ENGLISH

GOVERNING COUNCIL  
INTERSESSIONAL COMMITTEE OF THE WHOLE  
Second session  
9-11 February 1983  
Agenda item 3

REVIEW OF THE FINANCIAL RESOURCE SITUATION  
AND MEASURES TAKEN AND CONTEMPLATED REGARDING THE  
SHORTER TERM ASPECTS OF RESOURCE MOBILIZATION

Note by the Administrator

Summary

In this note, the results of the Pledging Conference held in November 1982 and their impact on the resource outlook for the third cycle, 1982-1986, are outlined, as are the serious implications for the programmes supported by UNDP. The need for urgent remedial action to improve the short-term resource situation in order to safeguard the immediate and firmly set programme plans of developing countries and to prevent permanent impairment of the viability of the Programme is emphasized. Finally, the attention of the Committee is drawn to the position of its bureau that the idea of a special effort for supplementary contributions involving Governments individually and collectively should be pursued urgently.

## Introduction

1. In document DP/1982/ICW/1 which was submitted to the first session of the Intersessional Committee of the Whole (ICW), the Administrator provided annualized forward planning tables corresponding to four different scenarios: (a) delivery of the full 100-per-cent IPF programme for the third cycle, 1982-1986; (b) a programme level at 80 per cent of IPFs as envisaged in approved country programmes (c) a programme level, at some 55 per cent of IPFs, forced by the adverse resource outlook, and (d) a programme level equal at least to that of the second cycle level in real terms. The Administrator suggested, in document DP/1982/ICW/3, that, for the short-term, the ICW should initially try to mobilize additional contributions of at least \$158 million for 1982 and total contributions of \$916 million for 1983 in order to deliver the same programme in real terms as in the second cycle and as a first step towards meeting the requirements of the full third-cycle programme.

2. With regard to this matter the ICW, at its first session, agreed that the Chairman, in consultation with the Administrator, would convene a meeting of the Committee's Bureau to examine which steps could be taken before the second session of the Committee with a view to bringing improvement in the short-term resource situation.

3. Since the first session of the ICW, the Bureau has met twice: on 28 September 1982 primarily for the purpose of setting the guidelines for the preparation of documentation for the second session, and on 23 November 1982 to review the results of the Pledging Conference and to discuss possible short-term steps to improve the resource situation. The Bureau is to meet again early in January to consider those steps further and the Chairman, as appropriate, will report to the ICW at its second session in February.

4. In the meantime, the Administrator provides in this note a brief report of the results of the United Nations Pledging Conference for Development Activities and their implications for the Programme.

## Pledging Conference results

5. At the Pledging Conference held on 8-9 November 1982, 98 countries announced pledges for 1983 totaling \$273.9 million. Taking account of anticipated pledges of some \$391.7 million from 45 other countries, the total 1983 pledges are estimated at \$665.6 million, a reduction of 0.2 per cent from the estimated 1982 pledges of \$666.8 million. 1/

6. While total pledges are extremely disappointing, 21 Governments fulfilled the target increase of 14 per cent or more in their pledges for 1983 expressed either in their national currencies or in United States dollars. 2/ It is of special interest to note that, of these, 17 are recipient countries and several of them are among the economically poorest of nations. The 21 Governments included 18 whose contributions, expressed in dollars, increased by or in excess of 14 per cent. In terms of pledges in national currencies, an increase of similar magnitude was registered by 8 Governments; in 5 of these cases, included in the 18 cited above, the dollar equivalents also registered an increase of 14 per cent or more. 3/

7. 1983 represents a third successive year of decline in nominal dollars for UNDP, after one year of a marginal gain from 1979, as the following table shows:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Pledges/contributions (million \$US)	697.1	716.6	673.6	666.8 <sup>4/</sup>	665.6
Percentage change		2.8	(6.0)	(1.0)	(0.2)

If the 1983 figure stands unchanged, it represents a significantly lower figure than the amount pledged four years ago for 1979. What is worse is that in real terms the 1983 figure would be well below the \$307.5 million pledged a decade ago for 1973.

#### Outlook for third cycle programmes

8. An updated forward planning table reflecting the results of the Pledging Conference for 1983 and an assumed average annual increase of 7.5 per cent after that for the years 1984 to 1986 is provided in annex II. This growth assumption is consistent with the annual increases between 1980 and 1982 if judged in contributing country currencies of major donors. It will be seen that anticipated resources on that basis will limit the possible programme level in the third cycle, 1982-1986, to not more than 55 per cent of the illustrative IPFs. 5/

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9. UNDP and its country partners had already been planning programmes for the third cycle on the basis of a reduction to 80 per cent of illustrative IPFs. Country programmes covering periods of the third cycle which were approved by the Governing Council so far or are now under preparation are also based on the 80 per cent framework. For 1982 and 1983 the Administrator, in order to remain within expected resources, had set a limit of \$550 million each year for IPF expenditures which was less than what the annualization of the 80 per cent level would have produced for these years. The Administrator has with much regret now informed all Governments that overall third-cycle programmes must now also be revised sharply downward to about 55 per cent of the illustrative IPFs. 6/
10. The implications of this drastic reduction for recipient country Governments, executing agencies and UNDP itself are serious. UNDP-supported operations cannot be wound down at short notice without severe disruption to the planning, recruitment and financing processes in Governments, agencies and UNDP. UNDP support is in almost all cases a key input into national project activities and when planned support is reduced or eliminated, it seriously upsets national budget and planning processes, not to speak of the hindrance and delay to the substance of the development activities concerned. While UNDP will fully respect commitments already entered into in the form of approved budgets, Governments may now choose to review their firmly planned UNDP-supported activities to see how best their revised priorities for such activities could be accommodated within the reduced programme targets with the least damage. UNDP field offices will give them full co-operation and assistance in this matter; but at best the exercise will be a painful and difficult one.
11. Apart from seriously impairing the process of country programming based on reasonably firm planning targets, the new programme reductions would also seriously call into question the relevance of continuous programming based on Governments keeping in reserve a part of the resources otherwise anticipated as available for planning. The reduction to 55 per cent of IPFs would mean not only the total erosion of any such reserve but also a downward adjustment of activities already programmed.
12. The planning and operations of UNDP's agency partners, especially in regard to the recruitment and retention of experts, are similarly thrown into disarray. Experts of proven quality are not kept in the system by promises any more than able national personnel wait on vague possibilities. Such drastic reductions from firmly planned targets threaten the credibility and managerial effectiveness of UNDP. They undermine the spirit of co-operation and consultation which UNDP must preserve with its government and agency partners if it is to carry on as an effective agent of technical co-operation.
13. The pace and dynamics of country programmes are also not such that they can be retarded or speeded up at will; they are inherently linked to the pace of national development planning and activity. What happens in the immediate

future of the next year at least cannot be arbitrarily contained at this late stage. Therefore, notwithstanding the programming cutback to 55 per cent of IPFs, the programme plans which have been firmly set for 1982-1983 are such that in order for them to be carried out, UNDP will require temporary resort to the operational reserve in the amount of an estimated \$70-\$80 million during that period. Even apart from the financing mechanics, it is essential that the Programme must meet the minimal planned needs of developing countries during the next year or two without significant reduction, in the interests of averting substantial interruptions in important development activities of those countries.

#### Need for immediate action

14. In the light of this exceedingly bleak outlook, the Administrator firmly believes that the ICW must act to ensure a steady and predictable resource base for the one technical co-operation programme which reaches across every sector of the development spectrum and has as its chief goal the building of self-reliance and self-generating development among the 154 developing countries and territories it serves. But in order to do this it is imperative to prevent the very low delivery levels to which the programme will be forced in the immediate future from permanently damaging the viability of UNDP co-operation with developing countries.
15. Following the September 1982 session of the Committee, the Administrator and the Bureau of the Committee considered the documentation to be prepared for the second session and the measures which could be taken without delay to ensure the viability of the UNDP programme in the immediate future. Particular attention was given to the resource needs for 1982 and 1983, if the most serious adverse consequences of the current shortfall in resources as described above were to be mitigated.
16. Support was expressed for a special supplementary contribution additional to whatever level of contribution Governments had already planned to announce at the November 1982 Pledging Conference, so that activities in 1982 and 1983 could be safeguarded. The Administrator undertook a vigorous series of consultations with high government officials who were in New York for the General Assembly. He also visited a number of capitals to seek renewed government support. The Chairman of the Committee held informal consultations with officials from major donor governments individually or in groups regarding the short-term as well as the long-term aspects of UNDP contribution requirements.
17. At its second meeting in November 1982, the Bureau assessed the results of the Pledging Conference as well as of the consultations carried out by the Administrator and the Chairman of the Committee. At the conclusion of the exchange of views, it was agreed that taking into account the seriousness of the situation, the idea of a special effort for supplementary contributions involving participating Governments individually and collectively had to be pursued further. To facilitate this, the Administrator was requested to present to the Bureau, at a meeting to be held in early January, proposals for the organization of this supplementary contribution effort, along the lines indicated at the Bureau meeting. Both the Administrator and the Chairman agreed that meanwhile they would actively pursue the consultations which they had previously initiated. The Bureau also agreed to report to the ICW on the outcome of the consideration, at the January meeting, of the measures designed to alleviate the current shortfall in resources.

Footnotes

1/ As of 1 November 1982. However, there is one known additional special contribution for 1982 of some \$8 million, of which approximately \$5 million would be for the general resources of UNDP and the balance for other UNDP-administered funds.

2/ This compares with 26 Governments which in November 1981 announced pledges for 1982 which were 14 per cent or more above their pledges for 1981 in terms either of their national currencies or of the US dollar.

3/ See annex I for list of countries.

4/ See footnote 1/.

5/ The safeguarding of even the 55 per cent programme requires that there be no erosion of the dollar value of 1983 pledges due to exchange fluctuations and that a 7.5 per cent average annual increase be maintained in the dollar value of the contributions for 1984, 1985 and 1986.

6/ If the present strength of the US dollar holds, there may be savings in many approved project budgets and the dollar value of the reduced programmes could result in a slightly smaller reduction of the programmes in real terms.

List of countries whose 1983 pledges  
are at least 14 per cent more than 1982 pledges,  
either in terms of local currency or US\$

Country	1982 Pledges (VC* & VPC*)		1983 Pledges (VC* & VPC*)		% Increase	
	LC	US\$	LC	US\$	LC	US\$
Algeria	-	731,500	-	834,000	-	14
Barbados	-	22,615	-	25,781	-	14
Belize	50,000	25,253	60,000	30,303	20	20
Democratic Yemen	-	7,606	-	8,987	-	18
Ecuador	-	406,813	-	686,997	-	69
Ethiopia	300,000	146,021	360,000	173,913	20	19
Finland	36,500,000	7,663,237	43,700,000	7,945,455	20	19
Guyana	397,600	132,533	600,000	200,000	51	51
Israel	980,000	32,290	2,194,500	72,306	124	124
Italy	33,000,000,000	23,239,437	37,600,000,000	26,020,761	14	14
Jamaica	-	77,495	157,754	88,626	-	14
Lesotho	-	38,916	-	45,000	-	16
Mozambique	-	43,583	-	50,000	-	16
**Peru	-	376,884	-	429,647	-	14
Poland	41,503,363	515,192	49,848,899	566,465	20	19
Spain	-	1,243,740	-	1,417,864	-	14
Sri Lanka	-	660,000	-	752,400	-	14
Togo	80,264,000	224,829	102,200,000	286,274	27	27
Turkey	-	1,035,765	-	1,200,765	-	16
Yemen	-	10,000	-	11,500	-	16
Zimbabwe	-	50,000	90,000	117,955	-	13
		36,683,709		40,964,999		

\* Voluntary contribution and voluntary programme costs

\*\* Voluntary contribution only

## ANNEX II

Resource Planning Table for UNDP Main Programme 1977-1986: Current Alternative (7.5 Annual Growth Vol. Contrib. 1984-1986)

Line		1977	1978	1979	1980	1981	Total 1977-81	1982	1983	1984	1985	1986	Total 1982-1986
	<u>Availability of resources</u>												
1	I. Available from previous year	(22.5)	129.2	172.0	191.0	115.9	(22.5)	(2.8)	0.0	0.0	0.0	0.0	(2.8)
	II. Resources made available												
2	- Voluntary contributions	524.6	597.2	697.1	716.6	673.6	3,209.1	670.0	665.0	715.0	768.6	826.3	3,644.9
3	- Other income	25.8	49.6	62.5	48.7	28.5	215.1	10.0	15.0	15.0	15.0	15.0	70.0
4	Total resources	527.9	776.0	931.6	956.3	818.0	3,401.7	677.2	680.0	730.0	783.6	841.3	3,712.1
	<u>Use of resources</u>												
	I. Programme expenditure												
	Field programme												
5	- IPF	285.8	387.5	482.8	590.7	649.8	2,396.6	525.0	530.0	500.0	525.0	555.0	2,635.0
6	- SPR	4.2	2.3	2.5	3.3	4.5	16.8	4.5	8.0	10.0	12.0	18.5	53.0
7	- SIS	3.5	3.6	4.7	3.9	1.6	17.3	4.0	3.0	2.0	2.0	2.8	13.8
8	Sub-total	293.5	393.4	490.0	597.9	655.9	2,430.7	533.5	541.0	512.0	539.0	576.3	2,702.8
9	- Sectoral support	3.6	3.6	4.7	5.1	5.6	22.6	5.9	4.4	2.9	2.9	3.0	19.1
10	- UNDP/UNEP venture	-	-	-	0.4	0.4	0.8	0.5	0.5	-	-	-	1.0
11	- Agency support cost etc.	43.8	55.4	70.5	83.0	89.9	342.6	74.6	75.7	71.7	75.5	80.2	377.7
12	Sub-total field programme	340.9	452.4	565.2	686.4	751.8	2,796.7	614.5	621.6	586.6	617.4	656.3	3,096.4
13	UNDP administrative and programme support expenditure	55.4	60.0	71.4	91.6	104.6	383.0	105.0	113.4	122.5	132.3	142.9	616.1
14	Total programme expenditure	396.3	512.4	636.6	778.0	856.4	3,179.7	719.5	735.0	709.1	749.7	799.2	3,712.5
	II. Changes in reserves etc.												
15	- Transfer to operational reserve	15.0	85.0	50.0	25.0	25.0	200.0	(25.2)	(55.0)	20.9	33.9	42.1	16.7
16	- Transfer to UNV and SME/LDC	4.0	1.0	0.8	0.5	0.2	6.5	-	-	-	-	-	-
17	- Change in working capital	(16.6)	5.6	31.2	36.9	(60.8)	(3.7)	(17.1)	-	-	-	-	(17.1)
18	- Transfer to construc. loan res	-	-	22.0	-	-	22.0	-	-	-	-	-	-
19	Total use of resources	398.7	604.0	740.6	840.4	820.8	3,404.5	677.2	680.0	730.0	783.6	841.3	3,712.1
20	<u>Balance of resources</u>	129.2	172.0	191.0	115.9	(2.8)	(2.8)	0.0	0.0	0.0	0.0	0.0	0.0