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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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INTRODUCTION

1. The Governing Council of the United Nations Development Programme held its twenty-second session at the Palais des Nations, Geneva, from 15 June to 5 July 1976.
2. The Council's Budgetary and Finance Committee held 17 meetings between 14 June and 1 July 1976, also at the Palais des Nations, to consider administrative, budgetary and financial matters.
3. The Council's Committee on Technical Co-operation among Developing Countries held 7 meetings at the Palais des Nations, between 24 June and 2 July 1976.
4. The present report was adopted by the Governing Council at its 543rd meeting on 5 July 1976, for submission to the Economic and Social Council at its sixty-first session, in accordance with paragraph 4 of General Assembly resolution 2029 (XX).

I. ORGANIZATION OF THE SESSION

Attendance

5. Members of the Governing Council represented at the session, States represented by observers and organizations in the United Nations system and other intergovernmental bodies, as well as African liberation movements represented at the session are listed in annex I to the present report.

Agenda

6. At its 517th meeting, the Governing Council adopted the following agenda for its twenty-second session:

1. Opening of the session
2. Adoption of the agenda (DP/176, DP/177, DP/178, DP/179)
3. Country and intercountry programming and projects (DP/GC/ZAI/R.2 and DP/GC/ZAI/R.2/RECOMMENDATION, DP/GC/BUL/R.2 and DP/GC/BUL/R.2/RECOMMENDATION, DP/GC/JOR/R.2 and DP/GC/JOR/R.2/RECOMMENDATION, DP/GC/BRA/R.2 and DP/GC/BRA/R.2/RECOMMENDATION, DP/GC/NIC/R.2 and DP/GC/NIC/R.2/RECOMMENDATION, DP/GC/PAN/R.2 and DP/GC/PAN/R.2/RECOMMENDATION and Corr.1, DP/GC/VEN/R.2 and DP/GC/VEN/R.2/RECOMMENDATION, DP/GC/CUB/R.2 and DP/GC/CUB/R.2/RECOMMENDATION, DP/PROJECTS/R.6 and Add.1 and 2, DP/109)
4. Report of the Administrator for 1975 (DP/184 and Corr.1 and 2, DP/184/ANNEX I and Corr.1, DP/184/ANNEX II and Corr.1, DP/L.306 and Add.1, DP/L.307 and Corr.1 and 2)
5. Programme resources, Indicative Planning Figures and other costs 1977-1981 (DP/199, DP/L.308)
6. Financial situation of UNDP and related programme matters (DP/194 and Corr.1 and Add.1, DP/197)
7. United Nations Volunteers (DP/180, DP/208)
8. United Nations Capital Development Fund (DP/182 and Corr.1)
9. United Nations Revolving Fund for Natural Resources Exploration (DP/189, DP/190)
10. Budgetary, financial and administrative matters:
 - (a) Financial review for 1972-1976 with comprehensive report on

financial activities during 1975 and other related matters
(DP/195 and Corr.1 and 2)

- (b) Report on the question of expert standard cost procedure
(DP/196 and Add.1, Add.1/Corr.1 and Add.2)
 - (c) Custodianship of UNDP funds (DP/193)
 - (d) Reduction of 1976 budget estimates (DP/203)
 - < (e) Budget estimates for 1977 (DP/181 (Part I and Corr.1),
DP/181 (Part II), DP/206 and Corr.1)
 - (f) Outline of long-term staffing proposals for the second IPF cycle
(DP/201)
 - (g) Cost-sharing arrangements (DP/198)
 - (h) Overhead costs and related questions (DP/200 and Add.1 and 2, DP/207)
 - (i) Global procurement arrangements (DP/156)
 - (j) Other matters (DP/204)
11. Technical co-operation among developing countries (DP/202 and Add.1)
12. United Nations Fund for Population Activities:
- (a) Report by the Executive Director on 1975 activities and future
programmes (DP/183 and Corr.1, DP/183/ANNEX and Corr.1)
 - (b) Report on the implementation of UNFPA projects (DP/187)
 - (c) Report on the allocation of UNFPA resources (DP/186 and Corr.1)
 - (d) Proposed large-scale projects and country agreements
(DP/FPA/5 and Add. 6, Add.6/Corr.1 and Add.7-10)
 - (e) Report on the status of UNFPA country agreements (DP/FPA/5/Add.1-5)
 - (f) Request for approval authority (DP/185)
 - (g) Administrative budget for 1977 (DP/188, DP/205)
13. United Nations technical co-operation activities (DP/RP/17)
14. Information on the regular programmes of technical assistance of the
specialized agencies and the International Atomic Energy Agency in 1975
(DP/191, DP/191/ANNEX and Add.1)
15. Revision of the rules of procedure of the Governing Council (DP/192)
16. Other matters

17. Date and provisional agenda for the twenty-third session of the Governing Council
18. Draft report of the Governing Council to the sixty-first session of the Economic and Social Council (DP/L.309, DP/L.309/Annex, DP/L.309/Add.1, DP/L.309/Add.2, DP/L.309/Add.2/Annex, DP/L.309/Add.3, DP/L.309/Add.3/Annex, DP/L.309/Add.4, DP/L.309/Add.5, DP/L.309/Add.5/Annex, DP/L.309/Add.6, DP/L.309/Add.7, DP/L.309/Add.8, DP/L.309/Add.9, DP/L.309/Add.10, DP/L.309/Add.11, DP/L.309/Add.12, DP/L.310 and Corr.1, DP/L.310/Add.1 and Corr.1 and 2, DP/L.310/Add.2 and Corr.1, DP/L.310/Add.3 and Corr.1, DP/L.310/Add.3/Annex and Corr.1, DP/L.310/Add.4 and Corr.1 and 2, DP/L.310/Add.5, DP/L.310/Add.5/Annex, DP/L.310/Add.6 and Corr.1, DP/L.310/Add.7 and Corr.1, DP/L.310/Add.8/Rev.1, DP/L.311/Rev.1, DP/L.312)

Summary records of meetings

7. The summary records of the meetings of the twentieth session of the Governing Council were issued as documents DP/SR.517-543 and corrigendum.

Private meetings

8. Three private meetings of the Council were held to consider country programmes and projects submitted to the Council for approval under agenda item 3.

II. FINANCIAL SITUATION OF UNDP AND RELATED PROGRAMME MATTERS INCLUDING COST-SHARING ARRANGEMENTS

9. For its consideration of items 6, 10 (a), and 10 (g), the Council had before it:

(a) A report by the Administrator on the financial situation of UNDP and related programme matters (DP/194 and Corr.1 and Add.1, DP/197);

(b) A financial review for 1972-1976 with comprehensive report on financial activities during 1975 and other related matters (DP/195 and Corr.1 and 2), referred to the Council by the Budgetary and Finance Committee after preliminary discussion in the Committee (see paras. 317-337 below);

(c) A note on cost-sharing arrangements (DP/198).

10. The Administrator, in introducing the items under discussion, emphasized the importance of that particular session, which was taking place at a critical juncture in the evolution of the Programme. He stated that, while resources had been gravely reduced, the strategic capacity of UNDP to act more promptly and effectively to meet the needs identified by the developing countries had been dramatically demonstrated in the new country programmes and the projects which had been submitted to the twenty-second session of the Council.

11. He then outlined the results of his efforts to meet the financial problems which had arisen. He stated that he had tried to implement the Council's request to maintain the maximum programme level in 1976 consistent with available financial resources, by minimizing administrative costs, mobilizing additional resources and making reductions in project expenditures, after consultation with Governments, while trying to limit the impact of the cuts on the least developed countries. As a result of those efforts he felt that the programme expenditure ceiling for 1976 would be maintained.

12. He said that the reduction in expenditures under indicative planning figures (IPFs) had in part been offset by special cost-sharing arrangements, or through advances for project costs by developing countries against subsequent reimbursement from the IPF account. Some donor Governments had assumed the cost of certain projects on a bilateral basis. While those measures did not reduce the deficit, they contributed to about \$50 million of additional activity above IPF ceilings.

13. Outstanding receivables had been reduced from \$42 million in January to \$25 million at the end of May. Agencies had reduced the average amount of cash holdings. There were some hopeful indications regarding the use of non-convertible currencies. The administrative budget had been cut by \$2 million, particularly through stringent control of travel. The additional contribution of Sweden and those of a number of developing countries had further helped to reduce the deficit in 1976 to \$34 million. Measures for deferred payment had also been taken to reduce the deficit further, but those amounts would have to be substantially repaid in 1977, and were only valuable in meeting the short-term liquidity problems.

14. The Administrator stated that in spite of all those measures, the Programme was still vulnerable, and a financial gap in the last two months of the year was still predictable.

15. The Administrator then reviewed the performance of the Programme during the first development cycle. He noted that, by the end of 1976, the Programme would have, in spite of the difficulties currently faced by it, delivered the originally planned amount of assistance, with the agreed IPF distribution. During that period, UNDP had operated in almost every developing country and had contributed to their development through training programmes in almost every sector, through surveys opening new lands for cultivation, through surveys of mineral resources, attracting investment which would lead to enhanced export earnings, new industries and new employment, and through expanding educational resources and combating disease.

16. The expansion of activities in the field during the cycle was reflected in the growth and effectiveness of institutions such as the United Nations Fund for Population Activities (UNFPA), the United Nations Capital Development Fund, the United Nations Revolving Fund for Natural Resources Exploration, and the United Nations Volunteers programme, in the growing co-operation of UNDP with the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP) and the other agencies, as well as in the growth of dynamic concepts such as technical co-operation among developing countries, the new dimensions in technical co-operation, and a heightened consciousness of the role of women in development.

17. The lessons learned from the experiences of the first cycle included the need for a better early-warning system of the rate of real delivery and its effect on UNDP resources. In real terms, 1975 deliveries were only 2 to 3 per cent above the 1972 level; even a more sophisticated expenditure forecasting system could not have secured any higher aggregate value of UNDP technical assistance during the first cycle. However, if inflation had been accurately forecast, approvals of projects would have been lower in 1974 and 1975. On the other hand, even if there had been no expansion in 1975 and the delivery rate had been stable in 1975 and 1976, the first cycle would still have ended with a lower rate of real delivery than when it began.

18. The Administrator stated that that was not produced by management deficiencies; UNDP's programming system was based on indicative resource distribution which predicated a constant growth in resources. The problem lay not in short-term factors but in a longer-term deficiency of real resources.

19. The Administrator, turning to the first year of the second cycle, stated that 1977 would also have to be an austere year for the Programme. He stated that through reductions in staffing and other 1977 administrative costs and improved internal management, a net reduction of \$4 million had been achieved. However, even though further administrative economies would be made, the internal management of the Administration streamlined - and in that connexion, the Administrator referred to an ongoing study by an international management firm - and a more efficient system of information and forecasting of expenditure introduced, it would require the collaboration of participating Governments to overcome the difficulties still faced by the Programme in the utilization of accumulated currencies, payment of arrears and the elimination of the deficit in 1976. If those difficulties were carried over to 1977, the net effect of those factors, including the need to build up the Operational Reserve, would lead to a total of only \$358 million for programme expenditure in 1977.

20. The Administrator assured the Council that he would make every effort to mobilize additional resources and to utilize accumulated currencies, but he could not, bearing in mind the need to rebuild the financial health of the Programme, and in particular to replenish the Operational Reserve, recommend to the Council a higher level than the figure he had just mentioned.

21. That analysis confirmed that the most urgent problem facing the Programme was the need to increase resources in real terms at the level which the Council had agreed upon. The realization of the target growth rate in contributions was the fundamental answer to the financial situation facing UNDP, in the light of the needs of developing countries for technical co-operation, and in that respect the Pledging Conference later in the year would be of crucial importance.

22. In the current situation, the Administrator underlined the importance he attached to the proposal for short-term borrowing authority. He emphasized that the proposal was not prompted by the deficit that remained to be covered in 1976, which should be met from genuine new resources. He stated that it would be impossible for the Programme to match receipts and expenditures on a day-by-day or month-by-month basis; some payments would inevitably be delayed, and until such time as a liquid and sizable Reserve had been built up, the borrowing authority was prudent, responsible and absolutely necessary.

23. Turning to the prospects for the second cycle, the Administrator noted the changed circumstances of the Programme from the beginning of the first cycle. There were no reserves to draw upon; moreover, the Operational Reserve was depleted, the Programme was faced with a possible deficit, resources formerly assessed had become voluntary, and multiyear programming of expenditures continued to be faced with single-year pledges of income.

24. He then outlined the fundamental principles of the Programme, namely the respect for the sovereignty and self-reliance of the developing countries, universality of access to UNDP services, rather than resources, in grant terms, for all time, the country centred approach whereby the selection of priorities was the prerogative of countries themselves, and due differentiation of access to resources in relation to needs. He stated that the only strategy to maintain the fundamentals of the Programme was through the mobilization of additional resources as the highest priority, with a broader resource base. Increased resources did not, however, obviate the need for utmost ingenuity in the search for cost-efficiency.

25. He then referred to some important new concepts in the methods of delivering technical co-operation to the developing countries, such as greater and more effective use of short-term high-level expertise.

26. The Administrator then referred to the need to move faster and in a more integrated fashion on technical co-operation among developing countries. He stated that the logical outcome of this effort would be that a large number of UNDP programmes would take the form of TCDC. The Administrator also referred to the importance of the concept of Government execution of projects as a new dimension of technical co-operation.

27. In that connexion, the Administrator referred to a crucial issue currently facing the Programme, namely the relationship between UNDP and the agencies. He emphasized that the advent of Government execution of projects and direct execution of projects by UNDP should not result in any neglect of the advisory and technical

services of the agencies. It was the substantive standard-setting role of the agencies and the global experience of each of them in their sphere of technical competence that UNDP must draw upon and strengthen. The Administrator then expressed the hope that, in the spirit of partnership combined with acute concern for cost-efficiency, the new funding mechanisms that were in the process of being established would use UNDP to the utmost. Referring to the International Fund for Agricultural Development, for example, the Administrator said that he had placed the resources of the UNDP field office network at the disposal of the Fund.

28. In the context of the future direction of the United Nations development system, the Administrator then referred to the decision of the Director-General of the Food and Agriculture Organization of the United Nations (FAO) to phase out the current joint arrangements for Senior Agricultural Advisers/FAO Country Representatives. Finally, he stated that the current financial difficulties being faced by UNDP did not raise questions about the value of integrated country programming. On the contrary, the scarcity of external resources should lead the United Nations development system to integrate and co-ordinate such assistance within the national plans of developing countries so as to obtain maximum cost-benefit and impact. He stated that at a time when the restructuring of the entire system was being studied in order that it might respond more effectively to the New International Economic Order, increased fragmentation at the country level was untimely. There was no reason why the fundamental precepts of the Consensus of 1970, 1/ which established the co-ordinating and leadership role of UNDP within the United Nations system in the service of the developing countries, should now be weakened.

Summary of discussion

29. Members of the Council expressed their appreciation for the frank statement of the Administrator, and their support for the measures he had adopted to reduce administrative costs, mobilize additional resources and set the Programme on its way to financial health.

30. Members of the Council noted that the financial situation remained precarious, and that, in spite of the efforts made by the Administrator, the deficit remained in 1976. Most members agreed that the financial integrity of the Programme could be restored only by increased additional resources.

31. Members of the Council expressed their warm appreciation for the additional voluntary contributions to UNDP announced by several Governments during the course of the session. The efforts of several developing countries in increasing their 1976 contribution over earlier years, in spite of their serious economic difficulties, were also noted with appreciation. Several members, while appreciating the efforts of a number of countries in increasing their contributions, called for additional contributions for 1976 and subsequent years, particularly from those developed countries which had not yet reached the target of 0.7 per cent of gross national product (GNP) set for development assistance. Several members also said that developing countries in a position to do so should make every effort to reach net contributor status, either by increasing their voluntary contributions or by giving up their IPFs, partially or wholly.

1/ General Assembly resolution 2688 (XXV).

32. Several members felt that early payment of arrears and the prompt utilization of accumulated currencies could significantly assist the Programme in overcoming its current financial difficulties.

33. There was widespread recognition that the financial crisis of the past few months had both immediate and long-term effects on the development plans of developing countries. A number of developing country members of the Council described the effect of the cut-back in planned delivery levels in 1976 on their national development programmes and plans. UNDP projects were of critical and strategic importance to the development of many countries. Sudden and unexpected reductions in the anticipated delivery of external inputs inevitably affected carefully planned development activities in a number of key sectors and disrupted allocations of domestic resources. Several members described the steps they were taking, in collaboration with UNDP and often with other donors, to preserve as much as possible the planned level of programme activities for 1976. Members welcomed the efforts of the Administration to protect the level of programmes in the least developed countries, and stated that those countries should be protected as far as possible from the adverse impact of programme reductions.

34. Another aspect of the financial crisis was the erosion of confidence in UNDP, and a number of members agreed that strenuous efforts would be needed to restore the image of the Programme in developed and developing countries. They recognized the central role of UNDP in international development co-operation. They recalled that UNDP enjoyed the support of the international community because of its unique features of funding through voluntary contributions, providing untied grant assistance, and allocating its resources on the basis of objective and mutually agreed criteria. In drawing attention to UNDP's work in promoting the development of the developing countries, they cited UNDP's contribution to the achievement of the New International Economic Order, to the implementation of the new dimensions in technical co-operation, and to the strengthening of technical co-operation among developing countries. One member, supported by others, suggested that identifying the poorest countries as deserving highest priority had been a first step. The next step would be to direct increasing attention to the poorest strata of the population in each country. Some members felt that UNDP was particularly suited to play a key role in assisting in the development of the poorest strata of the population, and other members said that UNDP had a vital role in the development of human resources and in furthering the application of science and technology for development. One member, in referring to a recent referendum in his country, took the opportunity to reaffirm his Government's support of international development co-operation and the work of UNDP. The results of the referendum, that member stated, should not bring into question the principle of his country's continued participation in those international organizations of which it was a member.

35. A variety of views were expressed by members on the causes of the financial crisis. There was a wide measure of agreement that world-wide inflation was the major contributing factor, particularly in its impact on expert costs. Several members expressed considerable concern about the relative slow growth of programme costs as opposed to the growth in administrative, programme support and agency overhead costs. The data provided by the Administration in document DP/195 and Corr.1 and 2 made it clear that the field programme had borne by far the major share of the impact of inflation in the past few years. One member stated that, whereas costs generated in the metropolitan centre were protected against inflationary tendencies, field programmes and developing countries were not, and the benefits received from the Programme had declined in real terms.

36. Some members felt that one of the reasons for the financial crisis was the fact that the Programme held part of its resources in non-convertible currencies. If all contributions were in convertible currencies, they would be sufficient not only to liquidate the deficit but also to provide a start towards rebuilding a liquid Operational Reserve. Some members stated that the accumulation of non-convertible currencies had nothing in common with the financial difficulties of UNDP and that it occurred owing to the absence of a desire on the part of the former Administration to utilize those currencies.

37. One member felt that over-programming was a contributing factor to the current financial crisis, while some members stated that if expenditures had been fully consistent with usable resources, the crisis would not have arisen. Some members disagreed with the Administrator that the current difficulties of UNDP were not due to errors in management.

38. Several members noted with concern the virtual absence of any real growth in the Programme over the course of the first programming cycle, at a time when the needs of the developing countries for technical assistance were more apparent than ever. They drew attention to, and reinforced, the Administrator's plea for a considerable increase in real terms in resources to UNDP for the second programming cycle, 1977-1981.

39. The need for significant real contributions was recognized by the majority of members. However, some members felt that the assumed 14 per cent target growth rate was in fact not feasible, unless all countries, developed and developing, were prepared to shoulder equitably the burden of funding UNDP programmes. It could not be expected that donors whose contributions had increased very rapidly in the immediate past could continue to contribute at the same rate in future. The time might have come for a serious look at the possibilities for more equitable burden sharing among major contributors to UNDP, and some members suggested that the Administrator might wish to bring forward appropriate proposals at the twenty-third session of the Council. Another member stated that it was fully within the Administrator's mandate to undertake informal negotiations, which, while fully respecting the principle of voluntary contributions, might exert moral pressure for more equitable burden sharing. One member recalled that at a time when his country's contribution ranged as high as 45 per cent of all UNDP funds, it had been generally agreed that it was not healthy for the organization to be so heavily dependent on any one country.

40. A variety of other suggestions were made on the question of future contributions to UNDP and related matters. Some members suggested that technical assistance should be provided on a cost-reimbursable basis to those countries which could afford it, thus enabling UNDP resources to be concentrated in the poorest countries. Other members urged developing countries in a position to do so to achieve net contributor status as soon as possible. Still others suggested that some countries might voluntarily forgo their IPFs in the second cycle. However, some members felt that the universality of the Programme was one of its most important features and should be maintained at all costs. Those members did not agree with the Administrator that access to the services of UNDP should be universal, but not access to resources. In that connexion, one member felt that the "floor" concept, agreed to by the Council for the next cycle, should also extend to annual cost limits. Other members, also in referring to the Administrator's statement, felt that UNDP assistance should be maintained on a grant basis.

41. Some members felt that the Administrator might propose to the Council recommendations on resolving the problems arising from a system of multiyear expenditure commitments and annual funding. One member stated that it might be better to have a small but stable programme, rather than a large programme with uncertain sources of funding: the developing countries needed an assured source of funding in order to be able to plan their development effectively.

42. For the immediate future, some members questioned the rather conservative basis of the 1977 expenditure ceiling of \$358 million for programmes, which implied a negative growth, in both money and real terms, over the 1976 level of programme expenditures. In that respect, it was recalled that the Council had provisionally approved a growth rate target of 14 per cent in voluntary contributions. In the circumstances, several members felt that they could not support a monetary figure for 1977 which was \$12 million less in monetary terms than the 1976 figure, and which would result in a curtailment of development in the future programme. Other members felt that the 1977 expenditure ceiling figure was set at a realistic level, bearing in mind the need to restore the financial integrity of the Programme and to balance expenditure with resources. Nevertheless, several members noted that, the 1977 situation being more severe than that of the current year, all that reinforced the most urgent need to increase resources in real terms for UNDP.

43. Members of the Council expressed interest in the comments of the Administrator concerning the administrative restructuring of UNDP. Several members referred to the management study of the organizational structure and administrative processes of UNDP headquarters and requested the Administrator to keep the Council informed of the recommendations of the study and the extent to which the Administrator had felt able to implement them.

44. Finally, many members stated that the financial crisis of UNDP was resulting in centrifugal tendencies in the United Nations development system. Partly because of the financial difficulties of UNDP, some specialized agencies were trying to set up separate technical assistance programmes, thus fragmenting the effort at the country level. Those members recalled the provisions of the Consensus, and stated that those sectoral trends were likely to impair the credibility of, and effectiveness of, the resident representatives, and thus have adverse effects on the developing countries in their dealings with the United Nations development system as a whole. They felt that, since the same Governments were represented in the Governing Council and in the governing bodies of other agencies, a co-ordinated view should be taken, so that Governments of developing countries did not have to speak to a multiplicity of agencies at the field level. One member suggested that it was time to make a determined effort towards comprehensive programming and co-ordination at the country level of United Nations development assistance, including that of the World Bank group, the regular programmes of the specialized agencies, and eventually also the bilateral programmes. Other members requested a full report on the matter from the Administrator for the twenty-third session of the Council.

45. During the course of the debate many members of the Council expressed their warm appreciation of the work and contribution to UNDP of Mr. Bert Lindström, Deputy Administrator (Administrative). Members of the Council acknowledged Mr. Lindström's dedicated service to the Programme, and they wished him well in his new assignment.

Short-term borrowing authority

46. There was considerable discussion on the request of the Administrator, as outlined in paragraphs 21-38 of document DP/194, that he be authorized to borrow cash resources to maintain the financial stability of the Programme until such time as an adequate, fully liquid Operational Reserve could be built up. In making the request, the Administrator had assured the Council that every reasonable effort would be made to operate the Programme within the level of resources expected to be available, and that funds would only be borrowed when all other possibilities had been exhausted, so as to avoid interruptions of the Programme that would result from the lack of cash resources at any given time.

47. Differing views were expressed. Some members felt that they could not approve the request of the Administrator as long as there were still significant amounts of receivables outstanding, since if all receivables were collected and if there was prompt utilization of the accumulated currencies, then the 1976 deficit would disappear, thus obviating the necessity for short-term borrowing authority. Other members felt that approval of the request would weaken the efforts to restore the financial integrity of the Programme and would be contrary to the soundly conceived financial strategy endorsed by consensus at the twenty-first session of the Governing Council to overcome the current financial difficulties of the Programme (E/5779, 2/ para. 240). Some other members felt that if the Administrator was allowed to borrow there would be less urgency about replenishing the Operational Reserve, whose depletion was partly responsible for the current situation. It was pointed out that interest charges on short-term borrowing would necessarily reduce the funds available for programme activities. One member said that UNDP should thoroughly reorganize itself before the Council considered the request of the Administrator for short-term borrowing authority. Another member, although in general opposed to the request for borrowing authority, was nevertheless prepared to consider the proposal at a later date, should the financial circumstances of the Programme so require.

48. A few members, also generally opposed to the request for borrowing authority, were nevertheless prepared to have a full exploration of the various issues involved. One member stated that it should be for recipient countries to make the choice on the question.

49. A large number of members supported the request for borrowing authority. In general, they felt that resort to short-term borrowing to tide the Programme over periods of liquidity shortfall would be less costly to the developing countries than the sudden abrupt and unexpected curtailment of programme activities such as UNDP had experienced in the past few months. However, they accepted that some conditions should be laid down, limiting the borrowing authority to be granted. Some members felt that until such time as the Operational Reserve was restored, recourse to short-term borrowing authority was the only alternative. Some members felt that the Administrator should first approach organizations within the United Nations system before turning to Governments for loans. Others felt that loans should preferably be at low interest rates or interest-free.

50. It was emphasized that approval of the proposal did not in any way solve the major problem facing UNDP, namely the need for significant growth in real resources. Indeed, if contributions were forthcoming at the level the Council

had agreed upon, this would obviate the need for borrowing authority. In approving the request, albeit reluctantly, some members said that the authority should be used as a last resort; that the Administrator should borrow as a first priority from funds under his control and those under the authority of the Secretary-General of the United Nations, although liquid United Nations funds should not suffer any consequences of lending to UNDP; and that, above all, the granting of authority must not weaken the Administrator's efforts to mobilize additional resources, collect receivables, utilize accumulated contributions, and replenish the Operational Reserve.

51. Some members felt that authority should be granted for a limited time, some suggesting two years, others three years, and one member agreeing to set the time-limit at 1981, the end of the second cycle. Members said that if the request was approved, regular and full reports should be made to the Governing Council at subsequent sessions, when there would be an opportunity to review the Administrator's use of the authority granted to him. One member suggested that the United Nations Pension Fund, with significant capital assets, mainly invested in transnational corporations, should be used for the purpose of lending to UNDP for development activities. Funds borrowed by UNDP must be used for programme purposes, in the view of several members. One member said that if the request for borrowing authority was approved, it should only be granted on a once-and-for-all basis. Several members said that the authority to borrow on a short-term basis should be reduced pari passu as and when the Operational Reserve was replenished.

Size and composition of the Operational Reserve

52. Members recognized the need to replenish the Operational Reserve on a fully funded basis, although it was realized that that process could only begin in 1977 and thereafter. Some members felt that the proposals for the replenishment of the Operational Reserve would reduce funds for programme activities and that the Reserve should rather be replenished through the special additional contributions of donor countries. Other members said that they would present their views on the proposal of the Administrator for replenishment of the Reserve under agenda item 5 (see chap. VIII of the present report).

Expert variance account deficit for 1972-1975, and expert standard cost for 1976

53. The Council decided to discuss the item in plenary meetings after a preliminary discussion had taken place in the Budgetary and Finance Committee (see paras. 321-324 below).

54. Most members of the Council expressed their concern at the continued rapid increase in expert costs and some stated that, owing to the fact that expert costs formed 60 per cent of field expenditures, UNDP assistance was becoming one of the costliest forms of assistance. Some members suggested the need for a special study on ways and means of reducing the growth in expert costs and of ensuring the same quality of assistance, but at lower cost.

55. A variety of views were expressed on the Administrator's proposal for the apportionment of the expert variance account deficit for 1972-1975, as outlined in paragraphs 6-10 of document DP/195. Some members felt they were able to accept the Administrator's suggestion to charge IPFs on the basis of actual man-months of

expert services delivered during the years 1972-1975, although several suggested that countries should be given the option of determining whether they would wish to have the costs charged to their current IPF or to their new IPF in the second cycle. Other members were unable to accept that particular suggestion of the Administrator, and felt that the expert variance account deficit should either be written off or maintained in a special account for disposal at a later date. To charge the deficit to IPFs would be inherently inequitable as actual costs could not be determined. Also, it was pointed out that that fairly large amount, approximately \$50 million, would burden IPFs of the countries concerned, especially at a time of resource uncertainty. In any case, it would be an indirect way of adding to the standard costs chargeable to recipient countries.

56. The Administrator had also proposed to fix the 1976 level of the standard cost of experts at \$3,800 per month exclusive of travel costs. Some members said that they could endorse that proposal, while other members said that they could not agree to it and that the proposal needed further study.

57. A few members took the opportunity to express their thoughts about the proposal of the Administrator on the question of the expert standard cost procedure, as contained in document DP/196. Some members felt that they were able to accept the Administrator's proposal for a system-wide, multi-tiered expert standard cost for budgeting, with charging to project budgets at actual costs. Other members stated that they would make their views known on that proposal during the course of the discussion in the Budgetary and Finance Committee (see paras. 346-372 below).

58. One member referred to the Administrator's proposals in document DP/194 and Corr.1 on the assessment of the work of experts. In appreciating the Administrator's report, in paragraphs 53-55 of that document, the member requested the Administrator to instruct the resident representatives invariably to consult with Governments when assessing the work of experts.

Utilization of accumulated non-convertible currencies

59. The Council discussed the question of utilizing non-convertible currencies at some length. Several members stated that if Governments contributing non-convertible currencies would allow conversion into currencies that could be easily utilized by the Programme, then that would eliminate a large part of the currently anticipated deficit for 1976. Moreover, some members were extremely concerned that non-convertible currencies had further accumulated over the past few months in spite of the very laudable efforts of the Administrator and his colleagues to reverse the situation. Several members said that it was difficult to increase their contributions to the Programme when a significant part of the resources of the Programme was unutilized. One member referred to UNCTAD resolution 98 (IV), 3/ which called upon all donors to contribute to UNDP in convertible currencies.

60. Other members stated that they did not believe that the payment of contributions in non-convertible currencies was the cause of the financial difficulties of UNDP. Some members contributing in non-convertible currencies

3/ See TD/217, part one, sect. A.

stated that they were ready to assist the Administrator in his efforts to utilize their currencies. In that respect, several members expressed agreement with most of the proposals of the Working Group on Administrative and Finance Matters, and in particular proposals (a) to (f), summarized in paragraph 21 of document DP/195. The implementation of those proposals did not represent preferential treatment for countries contributing in non-convertible currency, as was suggested during the course of the debate by several members of the Council, but would rather help developing countries benefit from the availability of equipment and supplies from such countries.

61. One member stated that the "non-convertible currencies" contributed by the developing countries were for the promotion of mutual help and co-operation among the third world countries, and should not be limited within IPFs. Aid projects could be determined by UNDP, donor and recipient countries together through direct consultation. This member stated that his country had made positive efforts for the utilization of the contribution of his national currency (renminbi), which could be used to meet the expenses of the experts, equipment and technical training provided by his country as well as to buy air tickets for those utilizing the CAAC airlines to and from his country for study tours or technical training. His country also undertook to convert an equivalent amount of renminbi contribution into foreign exchange needed in sending experts and shipping equipment for the projects carried out by his country. Had the UNDP Administration taken the same positive attitude, the utilization of his country's national currency contribution could have been easily arranged.

62. A number of members said that the UNDP Administration must show a positive attitude to that problem and suggested, for example, direct discussions between representatives of the recipient countries, UNDP and the agencies, and the Governments contributing in non-convertible currencies. Appreciation was expressed for the work of the European Office of UNDP in its efforts to reach a clearer understanding between UNDP and the Governments contributing in non-convertible currencies.

63. Several members expressed concern that the decision of the Governing Council at its twenty-first session (E/5779, para. 193 (t)) concerning a return to the traditional practice of paying an expert a proportion of his salary in the currency of his country's pledge to UNDP had not been implemented. Members reiterated their strong feelings on the subject: they adhered to the understanding that a portion of an expert's salary should be paid in his or her home currency.

64. The Council decided that the Budgetary and Finance Committee would have to study the matter further (see paras. 339-342 below).

65. Several members, endorsing the suggestion in paragraph 21 (a) of document DP/195 on holding sessions of the Council in the countries concerned as one means of utilizing accumulated currencies, referred to the invitation of Cuba to hold a session of the Governing Council in that country, and hoped that the invitation would be accepted, thereby utilizing part of that country's non-convertible contribution. However, one other member did not agree with that proposal since the funds made available to UNDP should serve to finance programme activities. Some members said that, with continued patient work by the Administrator in collaboration with his colleagues in the United Nations system, and in close consultation with the Governments of the countries contributing in non-convertible currencies, the level of the accumulated holdings of non-convertible currencies

would be gradually reduced. Many members agreed with the view of the Working Group on Administrative and Finance Matters that the accumulation of non-convertible currencies was essentially a political problem and thus could not be resolved simply through administrative and financial measures.

Programme Reserve

66. Members agreed with the Administrator that the assistance received by Cuba was smaller than its fair share, particularly in contrast with other countries of similar size, populations and stages of development. They were therefore in a position to support the proposal of the Administrator in paragraph 31 of document DP/195 that he honour his commitment to the Government of Cuba to the effect that supplementary resources of \$3.5 million would be made available to Cuba should they be required.

67. At its fourteenth session, the Governing Council had decided that the Administrator should transfer \$12 million from the Programme Reserve to the Special Measures Fund for the Least Developed Countries, on the basis of \$3 million per year. However, in the light of the level of resources available in the Special Measures Fund, which had exceeded expectations, and because funds were currently required in the Programme Reserve to finance existing allocations, commitments and earmarkings, the Administrator had requested the Council to waive the transfer of the 1976 provision of \$3 million from the Programme Reserve to the Special Measures Fund.

68. Some members felt able to accept the proposal of the Administrator. Other members, however, found themselves unable to accept the proposal, and some recalled that their contributions were intended to be additional to the regular annual transfer from the Programme Reserve of \$3 million and that in any event the international community in general and the Governing Council in particular had determined that the least developed countries should receive preferential treatment in the allocation of international aid. Another member suggested deferring a decision on the matter until a subsequent session of the Governing Council.

Collection of assessed programme costs

69. At its twentieth session, the Council had recommended that the Administrator invite recipient countries to continue to contribute the funds in local currency previously made available under assessed programme costs as part of their voluntary contributions. Several members noted that their understanding of the decision was that the new approach to assessed programme costs would come into effect only in 1977, and that consequently the old system would apply for 1976. A few members referred to the years after 1977 when the voluntary payments of assessed programme costs would mark the extent to which developing countries would be able and willing to participate in the Programme.

Cost-sharing arrangements

70. Several members noted that the increasing interest shown by developing countries in cost-sharing arrangements with UNDP was a reflection both of the financial crisis of the past few months and the wish of countries to maintain and if possible expand the level of planned programme activities in their countries.

It was also a mark of confidence in UNDP as an efficient supplier of technical co-operation. Some members pointed out that cost-sharing augmented the total flow of resources to developing countries, and in that respect there was no need for the Council to consider the desirability of establishing a maximum level of cost-sharing arrangements through the UNDP machinery.

71. Other members felt, however, that although cost-sharing arrangements might be particularly useful currently, there should be an upper limit to the desirable level of cost-sharing. Some members pointed out that, with limited financial resources, UNDP and the agencies might well be devoting too much effort and resources to providing technical assistance to those developing countries able to participate in cost-sharing arrangements, which were usually countries with high incomes. One member said that cost-sharing arrangements which enabled affluent developing countries to purchase technical assistance from UNDP would make those countries less dependent on the amount of IPFs and might in due course lead to the release of additional reserves for the benefit of more needy countries.

72. There might well come a time when the growth of cost-sharing arrangements would weaken efforts to mobilize resources for the central funds of UNDP. Some members recognized that the current financial difficulties of UNDP had led to a significant growth in cost-sharing arrangements financed by third parties. However, it was felt that such cost-sharing arrangements should only be undertaken in exceptional circumstances and for a limited period of time, since an expansion of such arrangements might divert resources away from the central funds of UNDP. One member stated that cost-sharing arrangements financed by third countries were a form of bilateral assistance divested of political considerations and mainly influenced by the degree of the need of the recipient countries.

The execution of projects by Governments and institutions of the developing countries

73. The proposals of the Administrator as laid out in document DP/197 were submitted to the Governing Council in response to a request of the Council at its twenty-first session (E/5779, para. 193 (x) (iii)). As part of the Council's decision on new dimensions at its twentieth session, it had been decided that Governments and institutions in recipient countries should be increasingly entrusted with the responsibility for executing UNDP-assisted projects, and the Council at its twenty-first session had recommended that the implementation of that decision "should be expedited as a means of improving the quality and efficiency of the Programme ... and, inter alia, of reducing administrative and overhead costs" (ibid.).

74. The proposals of the Administrator received general endorsement. Members of the Council recognized that Government execution would constitute a further step towards decnetralization and a means of economizing on administrative costs and overheads. Some members said that Government execution of projects would help to enhance the capabilities of local institutions and expertise and would thus promote self-reliance in developing countries. Some members felt that the UNDP programme would be more effectively integrated with the national development effort if Governments were responsible for the execution of the UNDP-assisted projects. In this way, the indispensable role of Governments in their countries' own development would be strengthened. Other members said that Government execution would diversify the supply base of the UNDP programme and would promote technical co-operation among developing countries.

75. However, a few members, while endorsing the principle of Government execution and the general approach recommended by the Administrator, nevertheless felt that it would be appropriate to proceed cautiously and on a selective basis. It was important to preserve the multilateral character and the quality of technical assistance provided through UNDP, and in that respect the Administrator should endeavour to utilize the technical experience and knowledge of the specialized agencies. Furthermore, some members felt that projects should be executed according to clearly established rules and regulations approved by the Governing Council. One member felt that the proposals of the Administrator represented a major change in the nature of the UNDP system, particularly as far as the relationship with the specialized agencies was concerned, and that, in the first instance, projects for Government execution should be approved by the Governing Council and should be limited to a select number for each region. He also suggested that a full report on the approach and procedures for Government execution should be submitted for discussion by the Council at a subsequent session.

76. Several members requested the Administrator to submit a report to the Council, at subsequent sessions, on the progress made in implementing that important new dimension in technical co-operation; the report might review the experience gained from the use of the provisional guidelines, and recommend for the Council's attention what modifications, if any, were required either in the guidelines or in the Financial Regulations and Rules of UNDP.

77. In response to the discussion, other members stated that the proposals of the Administrator did include the possibility of requesting technical support and services from specialized agencies when that was appropriate. In the view of those members, the recipient countries were in the best position to advise the Council about the most effective manner for the implementation of UNDP projects and those countries warmly endorsed the proposals of the Administrator.

Forecasting and control of expenditures

78. Members of the Council welcomed the statement of the Administrator that there had been considerable improvements in the system of forecasting and control of expenditures in relation to forward planning and programme implementation. Members pointed out that, with a more sophisticated reporting system, it would be easier to balance resources with expenditure at any one time and to take any necessary corrective action without disturbing the smooth implementation of the programme.

Observations of the Administration

79. The Administrator, in replying to the debate, expressed his appreciation for the confidence which many delegations had placed in him and he said he would do his best to respond effectively to the trust the Council had in him.

80. He expressed his appreciation to all members for the useful and constructive debate which had just taken place. He also took the opportunity to renew his appreciation and gratitude for the additional contributions and pledges announced

by several members during the course of the debate, the renunciation of his future IPFs by one member, and the offers of co-operation he had received from many members in his efforts to collect receivables and to utilize accumulated currencies. He said that he would continue to do all that he could to mobilize additional resources so as to eliminate the anticipated 1976 deficit and to guarantee the field programme of \$370 million in 1976 as determined by the Governing Council at its twenty-first session.

81. With respect to his request for short-term borrowing authority, the Administrator assured the Council that if UNDP possessed adequate liquid reserves it would not be necessary to seek the highly limited borrowing authority he was requesting. He reminded the Council that his request should not be seen in relationship to the 1976 liquidity deficit; rather as a measure to use only under exceptional circumstances, such as delayed payments, so as to avoid costly and painful disruptions in the field programme of the kind experienced over the past few months.

82. The Administrator thanked members for their many helpful remarks concerning the provisional guidelines on Government execution of projects. He reminded the Council that the guidelines had been issued in response to the Council's decision at its twenty-first session. Safeguards had been built into the guidelines to preserve the accountability of the Administrator, but he had taken note of the remarks of members concerning such matters as procurement of goods and services and subcontracting. The Administrator said that, after a limited experimental period with the current set of guidelines, the Administration would seek the views of the Governing Council, the participating and executing agencies, and resident representatives in order to introduce such modifications as might be felt desirable.

83. Finally the Administrator referred to the remarks made by several members on technical co-operation among developing countries. He assured the Council of his close personal attention to the matter, which he regarded as of the utmost importance, and he thanked the Government of Argentina for its invitation to act as host to the United Nations Conference on Technical Co-operation among Developing Countries, to be held in 1977.

84. Mr. Lindström, Deputy Administrator (Administrative) then spoke and acknowledged with appreciation the many kind remarks made by a number of members about his work for the Programme and his future assignment. He would always remember with pleasure his years with UNDP.

85. The Deputy Administrator (Administrative) then described the new system which had been introduced, with the excellent co-operation of the agencies, on the information and forecasting of programme expenditures. The system was much more sophisticated than that previously in operation, and although there was still room for improvement, the forecasting system would now provide early and reliable information to management on the changing relationship between resources and expenditure. The Deputy Administrator then stated that members interested in the report of the Working Group on Information and Forecasting could obtain it from the Administration. Finally, the Deputy Administrator informed the Council that the current best estimate for the actual costs of experts for 1976 remained at \$3,800 per man-month, exclusive of travel costs.

86. The Deputy Administrator (Programme) then commented on the remarks of a number of members. He understood the views of several members concerning the proposal of the Administrator to waive the transfer of \$3 million from the Programme Reserve to the Special Measures Fund for the Least Developed Countries. The Administration would be prepared to make the contribution to the Special Measures Fund as long as it was understood that expenditure against the contribution would be incurred at a later date when resources were actually available. The Deputy Administrator acknowledged that the proposed level of \$358 million for programme expenditures for 1977 (exclusive of Programme Reserve) was not satisfactory, but it was all the Administrator was able to propose in the light of the best estimates of anticipated income for 1977 and the need to restore the financial integrity of the Programme. Finally, the Deputy Administrator found the comments by several members on the Administrator's report on cost-sharing to be very helpful: the Administrator would be guided by those comments, and would report to the Council at a subsequent session.

87. The Director, Division of Finance, said the Administrator had noted the comments of several members regarding the currency of payment of salaries of experts. The Administrator would continue to carry out the decision of the Council, and UNDP offered its assistance in the matter to those agencies that wished to abide by the Council's decision.

Decisions of the Governing Council

88. At its 536th, 540th and 541st meetings, the Governing Council considered draft decisions (a) under agenda items 6 and 10 (a), on the financial review for 1972-1976 with comprehensive report on financial activities during 1975 and other related matters (see para. 94 below, decision I), (b) under agenda item 6, on borrowing authority (ibid., decision II), (c) under agenda item 10 (g), on cost-sharing arrangements (ibid., decision III), (d) under agenda item 6, on the implementation of new dimensions in technical co-operation (ibid., decision IV) and (e) on Government execution of projects (ibid., decision V).

89. One member, while applauding the compromise reached on the question of short-term borrowing, put forward a proposal which, in his view, could solve some of the most urgent financial problems facing the Programme without, of course, detracting from the very necessary measures under consideration in the Council. UNDP had witnessed a spectacular growth in its activities, but at the price of drawing down the Operational Reserve, accumulating receivables, and non-utilization of accumulated currencies. In an effort to overcome the current difficulties faced by the Programme, his Government would be willing, depending on its needs, to purchase from UNDP significant quantities of currencies of various national origins that, being non-convertible, had accumulated to an amount of \$30 million as of 31 December 1975. The offer made by that member would be subject to the condition that the countries of origin would agree to allow his Government to use the currencies in the countries of origin without restriction, and that the rates of exchange for purchase of those currencies from UNDP were at least as favourable as the rates of exchange at which those currencies were available in the country of origin.

90. The member expressed the hope that other countries which contributed in convertible currencies would endeavour to take similar steps. He emphasized that the offer was being made on a one-time basis, was restricted to UNDP and

was world-wide in its scope. It appeared to his delegation as a straightforward way of solving the liquidity crisis and of replenishing the Operational Reserve. His delegation was prepared to enter into appropriate consultation with other interested members.

91. Several members welcomed the proposal made by a major contributor to the Programme to purchase UNDP holdings of non-convertible currencies. One member, speaking on behalf of a group of countries, strongly supported the offer and urged the countries whose currencies had accumulated to accept the proposal with a minimum of delay. Several members supported that point of view. One member requested the Administrator to report on the progress made on the proposal.

92. Several members, however, in rejecting the proposal to purchase non-convertible currencies, considered that it gave a false impression of the reasons for UNDP's recent difficulties. Those were not caused by accumulations of non-convertible currencies but by such other factors as inflation, reduced voluntary contributions by a major donor for 1974 and 1975, and the quality of the previous Administration's management. The proposal on non-convertible currencies was not acceptable to those members because it concerned itself with financial transactions rather than with the true purpose of a voluntary and universal programme which required that all contributed currencies should be used directly for the purchase of inputs designed to facilitate the development of developing countries. The proposal was regarded as providing proof that the currencies in question were, in fact, fully usable. Some members indicated that the proposal also created legal and other problems, and that it was not properly before the Council for discussion and a subsequent report by the Administrator.

93. The representative of the Government making the proposal on the purchase of non-convertible currencies agreed that the information on that proposal had been provided to the Council for its information only, and that there was no need for a subsequent report on follow-up to the proposal. He stated that the proposal made was a most serious one in view of the current financial state of UNDP. A substantial amount of resources was involved and he noted that adverse statements on the proposal made at the current session had been made by representatives accounting for the minor part of the value of accumulated non-convertible currencies. The representative stated that his Government's voluntary contribution to the Programme for 1976 was \$100 million.

94. The Governing Council adopted the following decisions - decisions I and III at its 540th meeting on 2 July, decision II at its 536th meeting on 29 June, and decisions IV and V at its 541st meeting on 2 July 1976:

I

The Governing Council

(a) Noted the information provided by the Administrator in document DP/195 and Corr.1 and 2 on the financial review for 1972-1976 and other related matters, as well as the comments by members of the Council on the information furnished and the replies to questions provided by the Administrator;

(b) Expressed concern over the shortage of resources available to UNDP and called upon all participants in the Programme to make every effort to ensure that the voluntary contributions to be pledged for 1977 should allow for significant growth in expenditures under indicative planning figures as compared with 1976;

(c) Commended the Administrator for his efforts to effect economies in administrative costs and urged him to continue working in that direction;

(d) Decided to offset the expert variance account deficit against resources in excess of the agreed planned level for 1977-1981;

(e) Decided further that the procedure for that transaction would be agreed upon at the mid-term review in the light of the total availability of the resources of UNDP;

(f) Approved the Administrator's recommendation to increase the expert standard cost for 1976 to the level of \$3,800 per month, excluding the cost of travel on official business;

(g) Recommended that all future contributions to UNDP should, to the extent possible, be made in readily usable currencies and appealed to all Governments and Executing Agencies to co-operate with the Administrator in his efforts to utilize the UNDP holdings of non-convertible currencies without granting differing treatment to donors and recipients of voluntary contributions in non-convertible currencies as compared with others;

(h) Decided that the transfer of \$3 million from the Programme Reserve to the Special Measures Fund for the Least Developed Countries originally planned for 1976 should be effected as soon as possible in the course of the second IPF cycle;

(i) Endorsed the provision of \$3.5 million for projects in Cuba from the Programme Reserve with regard to 1976;

(j) Authorized the carry-over of \$1.6 million in Programme Reserve expenditure from 1975 to 1976;

(k) Reaffirmed its decision taken at its twentieth session regarding the voluntary contribution by recipient countries of funds previously made available under assessed programme costs 4/ and considered that the procedures suggested by the Administrator should be applied on an experimental basis and requested a report on the matter for its twenty-fourth session in June 1977;

(l) Urged Governments to pay all past due amounts;

(m) Called upon all Governments requesting cost-sharing arrangements with UNDP to make the necessary payments well in advance of the ensuing project expenditures and instructed the Administrator not to allocate funds to agencies for cost-sharing arrangements before receipt of such payments.

II

The Governing Council

(a) Took note of the report of the Administrator on the financial situation of UNDP (DP/194 and Corr.1 and Add.1);

4/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 314.

(b) Called upon all Governments to co-operate fully with the Administrator in implementing the decision of the Council taken at its twenty-first session on financial resources and related programme matters;

(c) Requested the Administrator to prepare a special report for distribution to Council members on his progress as of 30 September 1976 in implementing the present decision;

(d) Recognized the relationship between the size of the Operational Reserve and any need for borrowing authority to meet short-term cash requirements pending receipt of pledged contributions;

(e) Decided that the level of the Operational Reserve should be built up during the second cycle to a minimum level of \$15 million in 1977 and thereafter progressively built up each year to reach a fully funded liquid level of \$150 million by the end of 1980;

(f) Decided to defer action on the proposal relating to the granting of borrowing authority to the Administrator;

(g) Requested the Economic and Social Council, as a contingency measure, to recommend to the General Assembly the adoption of the following draft resolution:

"The General Assembly,

"Having considered the report of the Governing Council of the United Nations Development Programme on the work of its twenty-second session relating to the granting of short-term borrowing authority to the Programme,

"Recognizing the urgent need for UNDP to replenish its Operational Reserve on a funded basis fully mobilizable at sight or on short notice, to a level sufficient to ensure the financial integrity of the Programme,

"Recognizing the urgent need for participating Governments to pay promptly outstanding pledges and obligations to the Programme and to co-operate fully in measures undertaken by the Administrator, in conjunction with the Executing Agencies, to use accumulated currencies,

"Recognizing that, in the meantime, it may prove necessary to assist UNDP to meet short-term cash requirements, arising exclusively out of unavoidable fluctuations between payment of announced voluntary contributions and the immediate cash requirements of the Programme in any one year, which might jeopardize its approved programme,

"1. Authorizes the Governing Council of the United Nations Development Programme to grant to the Administrator of the Programme until the end of 1977, and on a case-by-case basis, authority to borrow monies for the purpose stated above and subject to the conditions and specifications stated below;

"(a) In order to borrow, the Administrator shall in each case seek the Governing Council's prior approval at a regular or at a special session;

"(b) The sources from which such funds may be borrowed are limited to voluntary Trust Funds of organizations within the United Nations system,

provided that the borrowing of such monies shall be made with the agreement, where appropriate, of the executive directors of the voluntary funds and shall in no way adversely affect the operations of the Trust Funds to which they have been contributed or the speedy implementation of the programmes concerned, it being understood that borrowings shall, in the first instance, be made from Trust Funds under the aegis of the Governing Council;

"(c) The Governing Council shall only grant a borrowing authority to the Administrator as an exceptional measure if, after a thorough examination of the financial situation of UNDP on the basis of comprehensive information provided by the Administrator, it is satisfied of the need to borrow, and is satisfied also regarding the repayment schedules of the anticipated borrowings; such comprehensive information shall include the status of assessed programme costs, voluntary contributions, including the status of accumulated currencies and shared programme costs, accounts payable, cash requirements for completing first cycle programmes and initiating second cycle programmes, including allocations to programme and administrative support costs and agency overhead costs;

"(d) Such borrowings shall not be used as a means to raise additional funds for UNDP over and above the pledged voluntary contributions and other approved income for any one year;

"(e) Repayments shall be made only from the funds voluntarily contributed to UNDP and shall be effected within 60 days of the borrowing;

"(f) If possible, borrowing shall be free of interest; if there is a need to pay interest, the rate paid should be the lowest possible rate and in no case higher than that paid by the World Bank for its short-term borrowing and to the extent possible it shall be paid from earned interest;

"2. Authorizes the Secretary-General to lend monies to the United Nations Development Programme from appropriate voluntary Trust Funds in his custody for the purpose and under the conditions specified in paragraph 1 above; however, in all such cases a consensus decision of the Governing Council of UNDP is required."

III

The Governing Council

(a) Took note of the note of the Administrator on cost-sharing arrangements (DP/198) and the observations made by members of the Council during the consideration of that item;

(b) Requested the Administrator to inform the Council regularly about all cost-sharing arrangements involving third country financing for its information and consideration of that kind of arrangement;

(c) Requested the Administrator to submit to the Council at its twenty-fourth session a report on cost-sharing and any similar arrangements as well as proposals for further activities in that field.

IV

The Governing Council,

Taking note of the report of the Administrator (DP/194 and Corr.1 and Add.1),

Recalling General Assembly resolution 3405 (XXX) and the Governing Council's decision on new dimensions in technical co-operation taken at its twentieth session, 5/

Requested the Administrator to continue his efforts and take further necessary measures to implement the decision on new dimensions and take appropriate measures to ensure that the concept of new dimensions should be reflected in the implementation of ongoing and new projects by the resident representatives in consultation with the recipient Governments, and thereafter to report to the Governing Council at its twenty-third session on the progress of implementation.

V

The Governing Council

(a) Took note of the report of the Administrator (DP/197);

(b) Recalled that one of the general guidelines on new dimensions in technical co-operation adopted at its twentieth session, and subsequently endorsed by the General Assembly in its resolution 3405 (XXX), provided that Governments and institutions in developing countries should be increasingly entrusted with the responsibility for executing UNDP-assisted projects;

(c) Appreciated that Government execution of projects could promote self-reliance by enhancing the capabilities of local institutions and expertise and diversifying sources of supply, and thus contribute to technical co-operation among developing countries and provide a useful additional means of making the most effective use of scarce resources;

(d) Emphasized the importance of preserving the quality of the programme and, therefore, the need for the Administrator to proceed with Government execution of projects on a carefully selected basis in close consultation, with high-level sectoral advice from, the organizations of the United Nations system or suitable outside sources if necessary;

(e) Authorized the Administrator to initiate Government execution of projects on a carefully selected basis pending submission of a detailed report to the Council at its twenty-third session on the criteria, evaluation and administrative procedures and changes in the financial rules necessary for the implementation of that new dimension on a regular basis.

5/ Ibid., para. 24.

III. REPORT OF THE ADMINISTRATOR FOR 1975

95. In his introductory remarks on item 4 of the agenda concerning the report of the Administrator for 1975 (DP/184 and Corr.1 and 2, DP/184/ANNEX I and Corr.1, DP/184/ANNEX II and Corr.1), the Deputy Administrator (Programme) observed that financial imperatives had somewhat overshadowed the work of the Programme in the past year. He none the less thought it worth noting that planned IPF expenditures under the first five-year programming cycle had been set at \$1,533 million and that actual expenditures at the end of that cycle would come to \$1,535 million, a difference of only \$2 million. With respect to the least developed countries, while planning expenditures over the same period had been set at \$290 million, actual expenditures would amount to \$309 million, as requested by the Council. Much of the Programme's activity in 1975, the Deputy Administrator noted, was geared to preparation for the next cycle. However, because of UNDP's financial difficulties, there had been a delay in preparing the regional, global and interregional programmes, which would be submitted for consideration by the Council in January 1977. Again, because of the Programme's financial difficulties, it had not been possible to launch many new projects and consequently there had been little opportunity to introduce the new dimensions in technical co-operation approved by the Council. However, some progress had been made and the new dimensions would be borne in mind in preparing country programmes for the second cycle.

96. The Administration had taken a number of steps to improve the programming capacity of UNDP through, inter alia, establishing better links between regional, interregional, global and country programmes and by improving the "memory" of UNDP. Some progress had also been made in evaluation, for instance, the evaluation of literacy projects in co-operation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) and of industrial planning projects in co-operation with the United Nations Industrial Development Organization (UNIDO). The revision of the Policies and Procedures Manual undertaken in 1975 had helped to clarify policies and make the Manual a more helpful instrument for planning and programming.

97. With respect to programme trends, the Deputy Administrator said that UNDP would be devoting increasing attention to the development of new technology, in co-operation with such agencies as UNEP and the World Health Organization (WHO). UNDP had offered its services in developing techniques for use in the secondary and tertiary sectors at the Tripartite World Conference on Employment, Income Distribution, Social Progress and the International Division of Labour, held in June 1976. The Programme would also continue its stress on integral rural development and on alleviating the plight of the poorer segments in society. With regard to direct execution, actual implementation of the global projects included under such execution had been done by research institutes and agencies, and UNDP had handled only the administrative and financial aspects of such activities. The Deputy Administrator concluded his introduction by calling attention to various administrative and management activities undertaken during the year, including a report on new personnel policies and procedures, another on the improvement of opportunities for women in UNDP, and a programme policy forum for staff members of UNDP and the continuation of staff training programmes.

Summary of discussion

98. The debate on agenda item 4 was somewhat discursive and covered a general overview of the Programme's activities since 1970. Many members felt that in spite of the current financial difficulties faced by UNDP, the first cycle was a record of achievements. The concept of integrated technical assistance to developing countries in response to their needs and priorities had been defined in the Consensus. That concept had, over the past 5 years, been refined with the adoption of decisions on new dimensions and technical co-operation among developing countries. Many members, therefore, welcomed the report of the Administrator for 1975 as a comprehensive account of UNDP's activities during the first cycle. In the words of one member, it also provided a good perspective from which the projected course of the second programming cycle could be viewed.

99. Some members noted, however, that the Programme's progress had suffered a severe setback in 1975, and that the failure which led to the crisis had not been sufficiently emphasized in the report. UNDP's failure to forecast the liquidity crisis early enough in 1975 was a managerial lapse which would have to be corrected. In that connexion, several members stated that there was no cause for complacency, and welcomed the strenuous efforts currently being made by the new Administrator to restore the financial health of the Programme. Several members noted the Administrator's proposals to utilize the expertise within the Programme and the recommendations of a firm of management consultants in order to increase co-ordination and improve management of the Programme.

100. Some members stated that the crisis had come as a rude shock to the Programme's reputation and prestige. In the view of various members, the Programme's first priority was therefore the restoration of its financial integrity and its credibility in the international community. The primary lesson to be learned from 1975, observed one member, was that Programme commitments should match the level of realizable and usable contributions. There was thus a need for more realistic planning, reflected by a more realistic management information system. As the leading multilateral technical co-operation agency, moreover, UNDP provided a unique forum for Governments to explore and share their experiences. That member felt that an exchange of information among those directly involved in the execution of projects would serve as a further input to the development and improvement of UNDP activity.

101. A number of members voiced their agreement with the general approach to the world economic environment for technical co-operation elaborated in the report for 1975. They agreed that the promotion of self-reliance in developing countries had emerged as a priority objective during the year. Many developing country members commented favourably on UNDP's activities in their countries, especially in the areas of agriculture, industrial development, transfer of technology and the building and strengthening of infrastructure. However, the impact of the financial crisis at the field level had disrupted normal development activities, as the reduction had not always been made with the concurrence of the Government concerned. One member stated that it was essential to safeguard the continuity of the Programme and he hoped that the countries which had considerable financial and technical resources would not seek to evade the moral imperatives that were the cornerstone of international co-operation.

102. One member, referring to the UNDP/FAO global project on southern oceans fisheries (GLO/75/006), recalled the comments made by several members of the Council

at the time of its consideration, as well as the decision by which it had been approved (E/5779, para. 269), according to which all the project activities to be carried out in the zones covered by the Antarctic Treaty should be in consultation with and agreed to by the signatory States, and those activities under the project to be carried out in the maritime zones under the national sovereignty and jurisdiction of States could only be undertaken after express approval by the respective Governments, in accordance with their laws and regulations.

103. One member stated that people were concerned about what direction UNDP should take, faced with the profound changes in the current international situation and the surging tide of the struggle of the people of the world against imperialism and hegemonism. It was absolutely necessary for UNDP to follow the orientation indicated in the Declaration and the Programme of Action on the Establishment of a New International Economic Order 6/ and to undertake a radical reform of its existing policies and rules. The key to the fundamental reform lay in making UNDP assistance truly serve the interests of the third world countries in their independent and self-reliant development of national economies instead of letting it be used to pave the way for the capital export of the super-Powers. UNDP activities should contribute to the unity of the developing countries, not hinder or damage it. The principle of full equality of all countries, big or small, rich or poor, must be applied in all UNDP activities instead of the power-politics theory that "he who makes more contribution has more say". (For a full account of the views of that member, see DP/SR.522, 527 and 543.)

104. In the view of some members, the improvement of the international political climate through an increasing reaffirmation of the principle of peaceful coexistence had made it possible for technical co-operation to further its effectiveness. The struggle for peace and mutually profitable international economic co-operation were critical elements in the UNDP enterprise, whose activities were increasingly shaped by the results of the sixth and seventh special sessions of the General Assembly and by the Charter of Economic Rights and Duties of States. 7/ Those members called for the strictest observance of each State's national sovereignty in the work of the Programme. (For a full account of the views of those members, see DP/SR.523, 527, 528 and 543.)

105. Members were virtually unanimous in their praise of the new Administrator. They pledged their support to him in his efforts to revitalize UNDP and stated that they had confidence that he would be able to achieve that objective.

Resources for technical co-operation

106. In their discussions under item 4, many members took the opportunity to reiterate the urgent need for additional resources. A number of them again called for energetic efforts by the Administrator to raise resources. One member from a developing country announced that, to help alleviate the Programme's financial distress, his country was giving up its IPF allocation forthwith and picking up the full costs of all projects in its country. Subsequently, the

6/ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

7/ General Assembly resolution 3281 (XXIX).

Administrator took the floor to express his sincere gratitude for that generous attention, which he said gave expression to the true spirit of co-operation which characterized the Programme.

07. Some members deplored the apparent inability of the Administration to make headway in the use of non-convertible currencies and referred to the urgent need for Governments to pay arrears of pledged contributions or assessed programme costs. In the view of one member, at least part of the non-convertible contributions being made should be paid in convertible currencies by the Governments concerned. Other members indicated, however, their reluctance to provide additional resources while their currencies were not being utilized by UNDP. It was wrong for any member to describe such currencies as "unusable" since they were being fully and successfully utilized in bilateral assistance programmes. One member stated that the policy of deficit budgeting by certain Governments was responsible for rising inflation, and that the blame for the current financial situation should not be placed on the socialist countries.

08. Another member stated that programming on a five-year cycle while funding on an annual basis should not be as much of a problem as the Administrator's report indicated, since the Programme's resources over its first cycle had actually exceeded the initial five-year target. Warning that the average annual increase of 13.5 per cent in contributions during the first cycle was due mainly to a few countries which were voicing their inability to continue major increases in the next cycle, one member wondered whether approval of IPFs for the next cycle based on a 14 per cent growth rate in resources was realistic.

09. Several members appealed to the Council for more equitable "burden sharing" in the years ahead. New donors would have to join with traditional contributors in expanding the Programme's base. More countries would have to attain net contributor status in the Programme. Such actions were required to sustain domestic support for UNDP in the countries which had been carrying the major burden of contributions. Those members stated that UNDP resources should be concentrated on assistance to the poorest countries. Some members stated, however, that the universality of UNDP was one of its unique features. While those members did not oppose special efforts for the poorest countries, they felt that it should not be at the cost of depriving other developing countries of UNDP assistance, especially the Latin American group of countries.

10. In their discussion of the resource issue, some members stressed the parallel need to improve the efficiency of the Programme, and particularly to improve its central management and its financial control and forecasting systems. One member doubted whether the Programme's financial information had actually improved, as stated in the report. Another member stated that unsatisfactory management was far more to be blamed for the Programme's difficulties than inflation, since most Governments and enterprises considered inflation as a normal accounting item to be budgeted for in their operations.

11. Such management deficiencies, several members maintained, had badly shaken confidence in the Programme. In the south Pacific, for example, widespread disillusionment with UNDP had followed upon cuts made in programmes without prior consultation with the Governments concerned. UNDP's liaison in the area obviously left much to be desired. Other members expressed the view that the Governing Council itself must share in any blame for the Programme's deficiencies, since it

had failed to provide proper guidance on management and programming in the past. In that connexion, one member felt that the Council had only itself to blame for having supported over-programming.

UNDP since the Consensus

112. There was general agreement in the Council that the Programme now had an adequate conceptual basis in the Consensus of 1970, in the new dimensions decision approved in 1975, and in decisions on technical co-operation among developing countries. As a result of the Consensus, the Programme had undergone a profound and successful restructuring, which had proved its merit. In that connexion, one member expressed the view that the time had now come for the Programme to enjoy a period of stability and respite from its arduous restructuring efforts which, in recent years, had witnessed a major decentralization effort and the adoption of the country programming system, among other major reforms. The key effort should be to keep the principles of the Consensus alive, in particular its concepts of multi-year programming and team leadership by Resident Representatives in the field.

113. One member stated that there was an apparent confusion in the Administrator's report between the so-called Capacity Study ^{8/} and the Consensus itself. The Capacity Study had not been endorsed by Governments and was not therefore a part of the Programme's legislative authority, yet it had been used as a benchmark to evaluate the progress of UNDP.

114. Many members agreed with the report in its estimation of decentralization as "one of the most remarkable successes" in the entire restructuring effort, and several made the point that the process should not be reversed because of the financial crisis. Others urged that similar delegation of authority was still required by the Executing Agencies. Many members also stressed the fundamental rule of Resident Representatives under the new system of delegated authority, which should be maintained and made even more dynamic. In particular, the co-ordinating power of those officers should be enhanced, headquarters retaining responsibility for the central financial, administrative and policy aspects of the Programme. One member observed that in the event of any difference of opinion between the Resident Representative and the Government of the country to which he was assigned, headquarters should lend its fullest support to the Resident Representative.

115. Another member reiterated a call for still further regional decentralization of the Programme and specifically urged the transfer of the Regional Bureaux to the various regions, leaving only essential minimal functions to be performed by headquarters, as defined by a working group established for that purpose.

116. A number of other members recalled their previous and continuing opposition to proposals recommending the transfer of the Regional Bureaux of UNDP to the various regions.

^{8/} A Study of the Capacity of the United Nations Development System
(United Nations publication, Sales No. E.70.I.10).

117. The representative of one Executing Agency noted that his organization was also widely decentralized, with considerable authority vested in six regional offices. The organization was fully collaborating with UNDP, in particular at the country level, where co-ordination efforts had also been delegated.

118. On the issue of interagency co-ordination, many members voiced their concern about certain centrifugal tendencies which had become apparent since the financial crisis and which should not be allowed to develop unchecked. In the view of one member the issue of UNDP's role in the system had emerged as the central theme of the session. The growth and size of the regular programmes of technical assistance among the agencies posed a real threat to the unity of the system and most particularly to the viability and effectiveness of the country programming system as laid down by the Consensus. UNDP's leadership function was being eroded. Another member indicated that the time had come to reaffirm UNDP's central role in the United Nations development system. He further urged that UNDP, if necessary, take over the implementation of projects being executed by other agencies as a means of halting the trend towards fragmentation.

119. As for the proposals that other agencies supply their own field advisers to UNDP field offices, another member said he doubted whether Resident Representatives needed such a "cabinet" of sectoral advisers. Even other funds being created to meet special development needs should use and rely on UNDP's field network for the implementation of their programmes. The main responsibility for maintaining the coherence of the system, it was said, lay with Member Governments which served on the Governing Council and in other legislative bodies of the United Nations system. Such unity and coherence meant efficiency and cost-benefits, and the principle of UNDP co-ordination was still the best guarantee to recipients of effective forward planning. In the light of the centrifugal tendencies noted, one member observed, the ongoing discussions regarding the restructuring of the United Nations economic and social sectors had become more essential. While some members welcomed the sharp focus in the Administrator's opening statement on the issue of agency relations, they felt that the relevant section in the report was rather bland and did not present a true picture of the situation.

120. On the whole, most members were of the view that there should be no fragmentation of the United Nations technical assistance effort at the country level. One member felt that the entire "fragmentation" issue was illusory, as the multifaceted United Nations system was a source of great vitality. As the annual report indicated, some Governments feared too tight a package of United Nations assistance and preferred a less rigidly structured flow of technical aid. One agency representative expressed his own apprehension over the so-called centrifugal tendencies, and said his organization understood the concern of the Council with respect to that matter. From the viewpoint of his agency, co-operation with UNDP in the spirit of the Consensus was in fact a viable reality. Reciprocal attitudes were evident on both sides, particularly at the country level. All were participants in a co-ordinated system in which each had a well-defined role to play.

121. Several members had stated their views on the subject under agenda item 6 (see chap. II of the present report) while others had done so under agenda item 14 (see chap. XIV).

New dimensions in technical co-operation

122. Virtually every member spoke in support of the trend established by the adoption of the decision on new dimensions in technical co-operation, with its emphasis on building self-reliance in the developing countries. Under that broad rubric, members discussed such issues as Government execution of projects, technical co-operation among developing countries, the integration of women in development and other relevant items.

123. Members noted with approval the fact that the Administration, in the midst of its financial difficulties, had sought to give further consideration to that important issue. The new dimensions decision constituted a "great leap forward", in the words of one member, and the time had come to intensify efforts toward its implementation so that the second cycle would see its full accomplishment. Because of certain cost savings likely from Government execution of projects, and technical co-operation among developing countries, the financial crisis should actually serve as a spur to the implementation of that decision.

124. Some members noted, however, the continued importance of maintaining a balance between traditional and new forms of technical co-operation. Others observed that UNDP field offices were still in the process of trying to decipher the new policies, and that detailed instructions on their implementation had only recently been issued. One member agreed with the report's assessment that the time to implement such policies was in the phase of project formulation, and agreed that the cutbacks on new projects were inhibiting the fullest response of the Programme to the decision. Yet another member perceived essential contradictions in the Programme's approach. The report indicated, on the one hand, that new dimensions could help overcome UNDP's financial problems. On the other hand, it noted with concern that no overwhelming changes in programming could be expected owing to those very same financial considerations. Such comments generally reflected the over-all sense of urgency with which most members viewed the importance of implementing those policies.

125. Even though the subject had been debated under agenda item 6, members had additional comments regarding the subject of Government execution of projects. Most spoke in favour of that new operational method, which they said would help husband the Programme's resources, further diversify its sources of supply and promote self-reliance and technical co-operation among the developing countries. The capabilities of developing countries for such responsibilities were clearly established. Several members stressed the importance of careful guidelines for that kind of execution and noted that the Administrator's over-all responsibility and agency backstopping would be essential components. But the concept was not inherently at odds with UNDP precepts. UNFPA had successfully proved the efficiency of Government execution on many occasions. The Administration should therefore carefully implement that concept, initially on a limited basis under guidelines approved by the Governing Council. One agency representative observed that his organization, too, fully supported the concept as a means of eliciting the direct involvement of countries in their development in line with established country programming principles.

126. A number of members also spoke strongly in favour of the concept of technical co-operation among developing countries, which was an important new dimension in

traditional forms of technical co-operation. A full debate on the subject took place under agenda item 11 (see chapter XII of the present report). Various members urged the Administration to promote technical co-operation among developing countries as an integral part of the Programme and to support all measures for its promotion. In that connexion, some members stressed the importance of the forthcoming United Nations Conference on Technical Co-operation among Developing Countries to be held in Argentina in 1977.

Programme trends and policies

127. Commenting on sectoral trends in the Programme's field operations, several members noted with approval the continuing stress on agriculture in planned country programme expenditures. Such emphasis, as one member put it, made eminently good sense, since the issue of job creation was challenging economic growth as a key target for development efforts. The Administration was also commended on its approach to integrated rural development, a complex task of great importance to the poorer segments of developing societies. Members looked forward to the continuing evolution of UNDP experience in that field. Another member, noting the Programme's efforts to apply agricultural research at the farm level and to strengthen rural institutions, urged closer co-ordination with the UNDP-administered United Nations Capital Development Fund in that area.

128. Various members also commended the Programme on its approach to intercountry projects and the principles underlying those projects. One observer made the point that industrialization was still the key to greater agricultural output and growth in other sectors, and urged UNDP to increase further UNIDO's share in programme implementation. Another member urged greater stress on the diffusion and application of technology as a key role for UNDP, particularly in view of some developing countries' reluctance to entrust that task to multinational corporations. One member felt that the performance of the Programme in the field of natural resources and energy development was not satisfactory over the past 25 years. Energy and raw materials now posed the greatest challenge to mankind, and UNDP should seriously consider the need to support and encourage national and regional projects for the development of indigenous energy sources in the energy importing developing countries. That member, supported by others, asked that a study be prepared by the Administration on the feasibility and prospects of UNDP's involvement in the search for conventional and new sources of energy in developing countries.

129. A number of members expressed satisfaction with the increasing emphasis on support for the least developed countries, which would absorb fully 31 per cent of total Programme field resources during the next cycle. That was dramatic testimony to the ability of those countries to absorb assistance effectively. Other members, while voicing their support for the needs of the least developed countries, wished to emphasize that efforts to categorize developing countries into different groupings were only attempts to disrupt the solidarity of the third world and to undermine the true universality of the Programme. UNDP, moreover, had become the most important single source of international technical assistance. It should therefore strive to play a balancing role in the allocation of its resources, leaving it to bilateral assistance agencies to concentrate on the poorest countries.

130. With regard to programme policies at the regional and intercountry levels, one member urged that there was no reason for UNDP to shift from institutional support to mere programme support. Some of the regional institutions provided major support for development infrastructure and would be adversely affected if institutional support was withdrawn.

131. For various members, it was evident from the report that the country programming system had proved its success and should be maintained and improved. At least one member expressed concern, however, about certain attempts by UNDP to modify country programmes or to impose external imperatives on their formulation. In that connexion, the member observed that the annual report seemed unduly concerned with the issue of reconciling global with national priorities. It was for the Governments alone to decide what their priorities for UNDP assistance should be, as the Consensus had made clear. The member echoed views expressed by other members on full respect for the sovereign rights of the countries being assisted. In that context, one member stated that if such a reconciliation were to take place, the Charter of Economic Rights and Duties of States should also be taken into account as a global priority.

132. In connexion with one UNDP-supported project, one member expressed surprise at the use of erroneous place names which he said appeared in the report. The historic name of the body of water involved was the Persian Gulf and the use of any other name was in violation of well established United Nations practice. Another member, in response, praised the Administration for taking account of the name favoured by other countries in the region.

133. The same member reiterated his country's opposition to the provision, by UNDP and other United Nations multilateral aid organizations, of aid in any form to the South Korean authorities and the Israeli Zionists. He firmly condemned the World Bank for still keeping the "representative" of the Chiang clique in its organization and refusing to comply with General Assembly resolution 2758 (XXVI), and was opposed to the participation of the World Bank in UNDP activities. Another member stated that the increasing role of the World Bank in the activities of UNDP was a cause of concern as more than a quarter of all subcontracts were executed by the Bank despite the fact that that was more expensive.

Programme delivery in 1975

134. Various members cited the remarkable increase in the activity of the Programme in 1975, noting the record 32 per cent increase in field delivery and the fact that total Programme expenditures for the first time exceeded \$1 billion. One member made the point that, despite the financial difficulties, it was essential that UNDP maintain a high rate of implementation and not neglect its field effort. Many members commented on the need to diversify sources of supply for the Programme. Several members stated that the possibilities of socialist countries in supplying experts and equipment in the execution of subcontracts and in the training of specialists from developing countries were not adequately used. Many members stated that the continuing small share of developing countries in providing Programme inputs - experts, equipment, fellowships, subcontracts - must be reversed. The bulk of those inputs flowed from a handful of industrialized countries, the shares of some of them rising by more than 200 per cent in 1975. In some cases, some members observed, certain developed countries were getting more out of the Programme in terms of contracts, etc., than they were contributing ..

in one instance double the contribution. In that sense, the Programme needed more "net suppliers", they said, since UNDP was not a profit-making organization. The Administration should prepare an input/output table or matrix comparing the volume of inputs supplied by countries with their contributions and should encourage more countries to become "net suppliers" to UNDP.

135. Other members, however, while expressing their support of efforts to diversify sources of supply, in particular procurement from developing countries, none the less felt that the principle of fair and equal opportunity to participate in supplies must be upheld and that quality and efficiency should be the major consideration. Only through free, open competition in the provision of inputs could the Programme obtain the best quality at the lowest prices, and only in that way could developing countries themselves preserve their freedom of choice as to sources of supply. In that sense, there should be no automatic or contrived connexion made between Programme suppliers and their contributions.

136. One member said that supplies should not be awarded on the basis of any market mechanism. The spirit of the Programme was one of co-operation and its main object was to help the developing countries in all ways possible. Other members called for greater respect by the Programme for the principle of geographic distribution and for maintenance of the international character of the Programme. One member sought clarification of a table contained in the annex to the report which indicated that Rhodesia and South Africa were recipients of experts and fellowships.

137. A number of members also addressed themselves to the issue of expert costs, which many deplored as being far too high. Expert costs absorbed more than 60 per cent of total field costs and such alarming expenditures, given other substantial administrative and support costs of the Programme, were not in the best interests of the Programme. One member felt that the question of expert costs was central to economies in the Programme and that ways and means should be found to make the input cheaper or to diminish and eliminate their use where necessary. In that connexion, the table of major suppliers in the report was revealing and the countries referred to there could help the Administration. The Programme's experts were becoming oases of affluence in deserts of poverty. They mingled with the élite and failed to appreciate the problems of the poorer people they were assigned to help. In the words of one member, they had become "intellectual mercenaries", who were overpaid and under-worked. The cost of experts, another member said, had risen faster than inflation. The Administration should make a proper comparison of the costs of developing country experts with that of traditional experts. There was a large pool of expertise available in the developing countries which could be tapped at lower costs. Those experts were more public-spirited and attuned to developing country attitudes and needs. Many intermediary projects could be helped by such experts. The Administrator was, therefore, invited to examine the matter in detail. Many members also made a plea for a lowering of the Programme's administrative costs, and urged the Executing Agencies to emulate the new Administration in cutting overhead budgets.

Implementation by UNDP

138. Various members noted - many with approval - the rapid increase in project execution by UNDP's Office for Projects Execution (OPE). In three years it had grown to the rank of sixth largest Executing Agency. Its work was speedy,

responsible, flexible and efficient. Its overhead costs had been held to 4.7 per cent, which, though not properly comparable to the overhead costs of the Executing Agencies, was none the less an interesting benchmark. It was clear that its success was based on its ability to recruit high-level experts and high-quality inputs at low cost, in response to requests of Governments.

139. Members agreed, however, that the work of the Office needed to be closely observed and developed carefully and that it should continue to function within the mandate given to it by the Council. It was appreciated that the Administration intended to evaluate the future role of OPE in the United Nations system. OPE should, one member said, confine itself to projects of an interdisciplinary and highly technical nature. Its overhead costs were lower, but OPE relied mainly on subcontracts in its work. Another member enquired as to the prorated share of OPE costs charged to UNDP administrative support. Another asked why two of the projects listed as being executed by UNDP could not have been carried out by UNIDO. It was important that the agencies' role in providing sectoral expertise not be undermined.

Management and administration

140. As at past sessions of the Governing Council, various members reiterated a plea for stronger evaluation efforts by the Programme. Many noted with satisfaction the major shift in evaluation efforts during 1975 from procedural to more substantive aspects of the Programme's work. The two special evaluation exercises undertaken in co-operation with UNESCO and UNIDO were praised as useful and result-oriented. One member suggested the establishment of a special evaluation unit within UNDP. Another proposed the creation of a working group on the subject composed of government and agency representatives and UNDP staff. That member observed that, in his view, tripartite reviews, designed to speed and improve implementation, actually consumed too much of the time of field offices, Executing Agencies and Governments involved. They often led, moreover, to financially burdensome requests for more experts and counterparts. The member suggested that such reviews be undertaken only annually and be confined to certain major projects. One member stated that the section on evaluation in the current report had not been satisfactory and that more was obviously required of the Administration on that score.

141. Other members noted with approval the issuance of a comprehensive Policies and Procedures Manual by UNDP in 1975. It would go a long way to improve programme management in the second cycle. Members also welcomed the system of technical advisory notes and departmental handbooks being issued by the Programme. One member requested copies of the Manual itself for his Government's use in the preparation of its next country programme.

142. Other members noted with approval the reorganization of the Programme's investment follow-up procedures in 1975, particularly their more decentralized character. One member, citing the impressive figure of \$3.4 billion in total direct and indirect investment commitments recorded as a result of the Programme's work in 1975, felt that unless the methodology of establishing those figures was known, his delegation was somewhat sceptical regarding the accuracy of the figures.

143. With respect to Programme personnel policies during the year under review, one member noted that two of the Resident Representatives appointed had lacked

field experience and, that, in order to be really effective, UNDP should not send such inexperienced people to the field. The member went on to say that he approved of the Programme's continued training activities.

Observations of the Administration

144. The Deputy Administrator (Programme), in his response to the members' wide-ranging discussion, stated that the new Administrator had not participated in the drafting of the annual report for 1975. Turning, point by point, to the issues raised by members, he first observed that in calculating investment follow-up figures for the year, some interpretation was clearly involved. The amounts included both local and foreign commitments, and the Administration was trying to improve their calculation.

145. Regarding the discussion of expert costs, the Deputy Administrator observed that more competition in the recruitment of experts was essential, but noted that recruiting agencies were required to offer the same salary to experts regardless of their country of origin. They could not discriminate and pay lower fees to developing country experts, for example. In that sense, there was nothing automatic in terms of savings to the Programme from technical co-operation among developing countries. Only if the Governments themselves contracted the experts, or if two institutes agreed to co-operate, could costs be saved. The initiative must be with the Governments on that issue. As to the suggestion that, despite inflation, expert costs should be fixed in money terms, he thought it neither right nor proper for the Executing Agencies to accept such an arrangement and said it would be difficult to implement.

146. One member had asked for clarification on the overhead cost borne by OPE, the Deputy Administrator noted. OPE's overhead of 4.5 per cent was charged against the general resources of the Programme and included other UNDP support costs. As for Government execution of projects, it was proposed that overhead savings accrue to the Programme's general revenues and not the IPF. He recalled in that connexion that the usual 14 per cent overhead cost was not currently charged to the IPF.

147. He had taken note of the various comments on evaluation, the Deputy Administrator said, and agreed that that function would not take a back seat at a time of financial distress. He recalled that the Council had already agreed that the Programme Reserve might be used in the next cycle to support evaluation and other programme development activities.

148. The Deputy Administrator went on to apologize for the apparent confusion in the report for 1975 between the Consensus and the Capacity Study. It was meant to refer to the Consensus throughout. As for the concern expressed by some countries on the issue of national versus global priorities, he said the Administration's view was simple: if the General Assembly or some other United Nations body set certain priorities for development, UNDP could advise Governments accordingly. How those priorities would be effected, however, was the responsibility of Governments themselves. UNDP advised, but the Governments concerned acted.

149. With regard to the issue of more net contributors to the Programme, the Deputy Administrator accepted UNDP's responsibility to urge others to follow the example of Kuwait and other countries which had reached that status. The Programme actively sought to persuade countries on that point. The idea put forward regarding an input/output matrix would require care, he added. In a multilateral programme, it would be wrong to establish contributor and source of supply relationships in such a matrix. He welcomed, however, the pledge of increased co-ordination with UNDP efforts in least developed countries, as made by one major donor.

150. He noted the concern expressed that the Consensus be kept alive, especially with respect to multi-year programming. Those suggestions were most valuable, but multi-year programming required sufficient resources and ample reserves. Anticipatory action required continuity in financing, otherwise country IPFs would be under-delivered. As for the suggestion that the regional commissions act as Executing Agencies for certain regional projects, it was his view that such projects should normally be within the competence of the United Nations in its role as Executing Agency, lest confusion arise.

151. The Deputy Administrator took note also of the suggestion of one member on educating UNDP staff more fully with regard to new dimensions. He promised to try to clear up any misunderstandings the Programme might have aroused in the countries of the south Pacific. He said that the listing of Rhodesia and South Africa in the annex to the report was attributable to people living outside those countries as members of national liberation movements. And he noted the request of one member that the next annual report focus on the extent to which the Consensus was being implemented.

Decisions of the Governing Council

152. At its 534th, 538th and 541st meetings, the Governing Council considered draft decisions relating to: the coherence of the United Nations development system (see para. 158 below, decision I); evaluation of the field programme (see para. 162, decision II), and the transfer of the Regional Bureaux to the field (see para. 167, decision III).

Decision I

153. Reservations were expressed by one member on several parts of the draft decision concerning the coherence of the United Nations development system. Referring to the words "clearly emerges" in the second preambular paragraph, he stated that that was a matter of interpretation. The United Nations development system in 1976 was not the same as it had been in 1970 when the Consensus resolution, General Assembly resolution 2688 (XXV), was adopted, he said, and he did not wish to endorse only one facet of what had become an even more complex structure. He suggested also the deletion of subparagraph (b) because it seemed to be, in effect, an attempt by the Governing Council to impose coherence on the system by "fiat". In his view, government representatives in the governing bodies of other United Nations organizations acted responsibly and did not need to be reminded of the content of previously adopted General Assembly resolutions.

154. The member questioned, too, the wording of subparagraph (c) which, he felt, was gratuitously reflective of the view that some Governments were lacking in the political will to support the multilateral technical co-operation efforts of the United Nations development system. Another member supported that view. Similarly, he expressed reservations on subparagraph (d) which appeared to encroach upon the mandate of the Ad Hoc Committee on the Restructuring of the Economic and Social Sectors of the United Nations System. With regard to subparagraph (f), finally, he stated that it was for the Economic and Social Council to request the heads of Executing Agencies to circulate the text of the decision to the governing bodies of their respective organizations.

155. Several members, in response, emphasized that the draft decision was essentially an expression by the Council of confidence in UNDP as the central co-ordinating organization of the system and that the views of the Council should not be regarded as instructions to other organizations. Other members expressed agreement with some of the reservations stated. Following informal consultations, it was agreed that in subparagraph (b), the words "Called upon" should be replaced by the words "Suggested that, where appropriate"; that the words "to bring" should be replaced by the words "should consider bringing"; and that the words "governing bodies of" should be deleted.

156. It was agreed, too, that subparagraph (f) should be revised to invite the Economic and Social Council to take the desired action.

157. After adoption of the draft decision, one member stated that, in view of the fact that his Government had not been represented in the General Assembly at the time resolution 2688 (XXV) was adopted, further study of the resolution was required. He said also that the fundamental objective of the United Nations system was to carry out the radical reforms necessary to implement the Programme of Action on the Establishment of a New International Economic Order. He stated further that efforts to co-ordinate the activities of the system should be subordinated to that essential task.

158. At its 541st meeting on 2 July 1976, the Governing Council adopted the following decision:

The Governing Council,

Recalling General Assembly resolution 2688 (XXV) of 11 December 1970 on the capacity of the United Nations development system, designed to bring about a co-ordinated and integrated approach to technical assistance rendered by the United Nations development system based on country programmes established according to the priorities of recipient countries and the system of allocating multilateral technical assistance according to indicative planning figures,

Stressing in particular the role of the United Nations Development Programme as the central funding and co-ordinating body in this field, as it clearly emerges from General Assembly resolution 2688 (XXV), including the over-all responsibility of the Resident Representative, as set out therein as regards the co-ordination of all inputs of the United Nations system,

Bearing in mind the work being conducted by the Ad Hoc Committee on the Restructuring of the Economic and Social Sectors of the United Nations System,

Recognizing that where additional resources are available from within the United Nations development system, their use at the country level should be within the framework of the countries' development plans and co-ordinated by the UNDP resident representatives,

Taking into account that since the adoption of resolution 2688 (XXV) a number of further programmes and separate funds for multilateral technical co-operation have come into being regarding which documents DP/191 and DP/191/ANNEX provide useful and timely information,

(a) Considered that, as a consequence, there is a greater need than ever for proper co-ordination of multilateral technical co-operation programmes at both the headquarters and the field level, including a closer relationship between the field representatives of agencies and resident representatives in the interest of efficiency in the use of scarce multilateral resources directed towards meeting the needs of developing countries;

(b) Suggested that, where appropriate, the Governments of States members of the Council, in view of the continuous need to preserve and promote coherence in the system of multilateral technical co-operation, should consider bringing the fundamental principles of General Assembly resolution 2688 (XXV) to the attention of their representatives in the relevant United Nations organizations in which they are represented;

(c) Requested the Economic and Social Council, in its capacity as the central co-ordinating body of the United Nations system in the economic and social fields, to recommend to United Nations organizations concerned that they take appropriate steps designed to maintain and improve current efforts of co-ordination both at the headquarters and the country level in accordance with the basic Consensus, including in particular joint arrangements for the functioning of senior advisers within the framework of the offices of the resident representatives and with a view to avoiding tendencies which might have ultimately adverse effects on the continuing support of some Governments for multilateral technical co-operation rendered by the United Nations system;

(d) Requested further the Economic and Social Council to bring the matter to the attention of the General Assembly in order to stimulate thorough consideration of that crucial issue concerning the maintenance of the spirit of General Assembly resolution 2688 (XXV) by the whole membership of the United Nations, taking into account its strenuous ongoing efforts to rationalize the system and its operational activities, particularly those of the Ad Hoc Committee on the Restructuring of the Economic and Social Sectors of the United Nations System, and without prejudice to the results of the restructuring exercise;

(e) Requested the Administrator:

(i) To consult in the Inter-Agency Consultative Board with heads of Executing Agencies on ways and means of securing improved headquarters and field co-ordination and to submit a report on the matter to the Governing Council at its twenty-fourth session;

- (ii) To continue his research into the characteristics of the variety of funding channels existing within the United Nations development system, and their relation to UNDP programming at the country and intercountry levels, with a view to refining further the data and analysis, and to report to the Council not later than the twenty-fourth session;

(f) Invited the Economic and Social Council at its sixty-first session to bring the text of the present decision to the attention of the specialized agencies with the request that it be circulated at their next sessions as appropriate.

Decision II

159. Reservations were expressed by several members on the wording of the third preambular paragraph of the draft decision. Reference was made to the political considerations which might be inferred. The sovereign right of Governments in connexion with all aspects of technical co-operation activities being carried out in their countries was stressed. Several members emphasized, however, that the thrust of the draft decision was to have a report by the Administrator on the question for consideration at the twenty-third session of the Council.

160. Agreement was reached ultimately on the replacing of the word "Endorsing" by the word "Noting", on the substitution of the phrase "interested representatives of selected member Governments" by the phrase "representatives of interested member Governments", and the insertion of the word "prior" before the word "approval" in the preamble of the draft decision.

161. Agreement was also reached on the addition of the words "bearing in mind the comments made during the twenty-second session" and the word "prior" before the word "approval" in the operative paragraph of the draft decision.

162. At its 541st meeting on 2 July 1976 the Governing Council adopted the following decision:

The Governing Council,

Cognizant of the responsibility of the Council for the quality and relevance of the field programme,

Noting the need for the Council to have more frequent and more thorough opportunities to consider the effectiveness of the field programme and the lessons to be learned therefrom, including the need for its more systematic evaluation both by the Administration and by the Council,

Noting the suggestion that the Administrator may invite representatives of interested member Governments, to be financed from resources at their disposal, to visit selected field offices and projects with the prior approval of the Governments concerned, in order that they may study the results of the implementation of the programme and projects and report to the Council on their assessment of the situation,

Requested the Administrator to present to the Council at its twenty-third session, bearing in mind the comments made during the twenty-second session of the Council, various alternative suggestions as to how the Council might best meet its responsibility for considering, on a regular basis, the quality and relevance of the field programme, including suggestions as to how UNDP and member Governments might facilitate field visits to projects by members of the Council interested in making such visits, with the prior approval of the Governments concerned.

Decision III

163. One member submitted a proposal (DP/GC/XXII/CRP.5/Rev.1) calling for the transfer of the Regional Bureaux from headquarters to the field. In introducing the draft decision, he stated that the idea of siting the Regional Bureaux in the respective regions was not a new one as there had been considerable sentiment in favour of it at the time of the adoption of the Consensus. In fact, the compromise was accepted on the understanding that it would be open to subsequent re-examination.

164. He stated that, in the view of his delegation, location in the field would enable the Regional Bureaux Directors to solve regional problems at their source and to have a better understanding of regional development programmes as well as country programmes. The principal reason for the proposal, he said, was to achieve speedy delivery of projects at the regional and country levels. He stated that the existing arrangements had not worked to the best interests of developing countries and that the beginning of the second development cycle was an opportune moment to take such a decision. He further stated that the proposal of his delegation was without prejudice to the restructuring exercise currently being undertaken, and that his delegation did not foresee any additional staff being employed.

165. Finally, he stated that his delegation would be satisfied if the Governing Council could transmit the draft decision to the General Assembly through the Economic and Social Council as he appreciated the fact that many delegations were not prepared to take action on the decision at the current session.

166. Most of the members who spoke on the subject were, however, unable to accept that the decision even be transmitted to the General Assembly. Some stated that they were opposed to the substance of the draft decision and that, in any case, there had been no discussion of it. To transmit it to the General Assembly without comment would imply an acceptance in principle. Some members stated that action on such a decision could further the fragmentation of UNDP and might, in fact, lead to the creation of five UNDPs. Though that view was contested by some members, there was general agreement that the Council could not accept the draft in any form. It was, therefore, agreed that the Council could only take note of the presentation of the draft.

167. At its 538th meeting on 30 June 1976, the Governing Council adopted the following decision:

The Governing Council,

Having considered the report of the Administrator for 1975 (DP/184 and Corr.1 and 2),

Took note of the presentation of document DP/GC/XXII/CRP.5/Rev.1 and the discussions in the Council thereon, as reflected in the summary record of the relevant meeting (DP/SR.534).

IV. UNITED NATIONS VOLUNTEERS

168. Under item 7 of its agenda, the Governing Council had before it a report by the Administrator (DP/180) on the United Nations Volunteers (UNV) and a note by the Administrator on financing (DP/208). The agenda item was considered in conjunction with agenda item 4.

169. In his introductory statement, the Co-ordinator of UNV said that the financial crisis of UNDP had seriously affected the growth in the activities of the United Nations Volunteers programme.

170. The Co-ordinator noted, however, that, owing to the previous modest reserve in the Special Voluntary Fund, UNV had been able to increase its total volunteer placements to a figure of 300 in the field compared to 250 at the same time the previous year. In the same context, the concentration of placements in the least developed countries had increased, and the proportion of volunteers recruited from developing countries had increased from 40 to 47 per cent. Progress had been also achieved in other areas, especially in the field of youth and domestic volunteer programmes. A project jointly financed by UNV and UNDP had been launched in Latin America and an ad hoc advisory group for domestic volunteer groups in Asia was being established. In addition, certain other functions had been taken over by UNV following the dissolution of the International Secretariat for Voluntary Service.

171. With regard to the future, the Co-ordinator stated that while new requests from least developed countries for UNV assistance were gaining momentum, requests from countries where volunteers were financed from IPFs had fallen drastically. He stated that it would be possible to place 400 volunteers in the field by the end of 1976, but that would leave UNV without any funds. UNV could provide much more assistance to the least developed and newly independent countries, which did not have easy access to other similar kinds of assistance, but was unable to do so due to the lack of finances.

172. The Co-ordinator added that UNV was concentrating its efforts in the most disadvantaged countries and the most disadvantaged groups within the countries. With 50 per cent of the United Nations volunteers from developing countries, the programme conformed to the proposals on technical co-operation among developing countries. Furthermore, UNV's role in the field of youth and domestic volunteer services had assumed increasing importance. In that context, Economic and Social Council resolution 1966 (LIX) on youth policies and programmes, awaiting final adoption by the General Assembly later in the year, was intended to enlarge the scope of UNV activities in that field.

173. On the question of financial requirements, the Co-ordinator stated that to maintain a minimum programme of 400 volunteers in the field, UNV would need approximately \$2.5 million in 1977 and 1978 to cover recruitment costs for volunteers in developing countries and to meet in-country costs in the least developed countries. A programme of 500 volunteers, which the Governing Council had at its previous session established as a goal, would require \$3 million in 1977 and \$3.3 million for 1978. In addition, some \$300,000 would be needed to finance the domestic development service and youth programmes.

174. The Co-ordinator referred to the Administrator's proposals, contained in document DP/208, for UNV funding, which were presented in response to the request by the Council at its twenty-first session. Among those, UNV was seeking authority for extended use of the Special Voluntary Fund to complement funding of in-country costs in least developed countries, previously provided from the Programme Reserve. At the same time, the Administrator required formal endorsement for the use of \$1 million from the Programme Reserve for the year 1977 for in-country costs in least developed countries. The Administrator also sought approval of the principle that UNV in-country costs should be charged to the IPFs for all new placements after 1 January 1979, thus enabling least developed countries to receive assistance in 1977 and 1978 and to phase into the new system in 1979 and 1980. The Administrator was also requesting the authority to use the Special Voluntary Fund to meet in-country costs in selected newly independent countries, particularly those in difficult economic circumstances.

175. Finally, the Co-ordinator stressed the need for substantive increase in contributions to the Special Voluntary Fund. He noted that unless the main interested countries were able to give the necessary commitment and make UNV's financial position more secure, the programme could not develop and contribute as was expected of it.

Summary of discussion

176. There was a broad measure of support for the United Nations Volunteers programme. There was general acknowledgement that, in the light of the useful services rendered by young qualified persons at modest cost, the programme needed to be sustained and encouraged. Most members were pleased to note that, in keeping with the previous directives of the Governing Council, the least developed countries had emerged as the major recipients of UNV assistance and volunteers were recruited extensively from developing countries in addition to those from industrialized countries as stipulated under the mandate of the programme.

177. Members generally expressed regret at the likelihood of a curtailment in the programme's activities arising from the financial crisis, which might prevent the attainment of a target figure of 500 volunteer placements in the field, with 300 in least developed countries. It was stated that the projected target of 500 volunteers was particularly modest in relation to perceived needs and potential capacities to contribute and thus every effort should be made to find the necessary funds in order to increase their deployment in least developed countries which would not only serve UNDP policy objectives, but would also be cost-effective.

178. Several members supported the initiatives taken by UNV in the field of youth programmes and domestic development services. While the Special Voluntary Fund was accepted as a legitimate means for financing projects in that area, it was stated that in the light of limited resources such activities should be undertaken on a modest basis. One member underlined the need to equip and strengthen the Fund so that it could respond effectively to Economic and Social Council resolution 1966 (LIX).

179. In the discussions on the modality of financing UNV operations, members expressed divergent views. In the opinion of a number of members, United Nations volunteer assignments should be treated like other development inputs and thus

charged to the IPFs of all recipient countries. They felt that this method should be extended to cover least developed countries as well since the Programme Reserve could not be regarded as a satisfactory long-term solution for funding such costs. There was, however, general recognition that immediate implementation of that measure was likely to impose a strain on the least developed countries and an appropriate transitional period was therefore desirable during which in-country costs would continue to be financed both from the UNDP Programme Reserve and the Special Voluntary Fund. There was, therefore, support for the Administrator's recommendation, in paragraph 12 of document DP/208, seeking approval for \$1 million from the Programme Reserve to finance in-country costs in least developed countries in 1977. Further proposals to establish a deadline of 1 January 1979 for the application of IPF funding for all new assignments, as well as continued use of the Special Voluntary Fund to meet in-country costs in least developed countries were also endorsed by those members.

80. Several other members opposed the proposal to finance in-country costs in least developed countries from IPFs. The view was advanced that that proposal would throw additional burdens on least developed countries and the programme's stated objective of increasing its placements in that group of countries would be severely compromised. One member also noted that, while in principle he could see the merit of IPF funding for all countries, in practice the availability of bilateral assistance in the form of associate experts and volunteers at no cost to IPFs would place UNV at a considerable disadvantage. In the light of those difficulties and the need to arrive at a satisfactory long-term funding arrangement, the same member urged the Administrator to submit specific proposals to the Council at its twenty-fourth session regarding the long-range funding of UNV which would examine fully the relative costs and benefits of using United Nations volunteers, bilateral volunteers and associate experts in UNDP-assisted projects.

81. Certain members said that they would welcome more detailed information on UNV, specifically a report evaluating the work of volunteers with reference to the countries and fields to which they were assigned. It was noted by one member that qualitative aspects had not received sufficient attention under UNV and, in that context, such matters as proper identification of suitable volunteer posts and careful preparation of job descriptions were considered especially important in order to ensure effective action.

82. Representatives of two specialized agencies, FAO and WHO, informed the Council about their organizations' experiences in utilizing volunteers. The representative of FAO observed that his organization was the biggest user of United Nations volunteers in projects executed by it; a total of 110 volunteers coming from 33 different countries were assigned to FAO projects during 1976. Those volunteers were largely university graduates and worked in diverse fields, in agronomy, fisheries and animal husbandry. FAO had maintained close links with project managers who supervised volunteers and were very satisfied with the quality of the UNV input. He further noted that greater use of volunteers would have been made had there been no financial crisis. Finally, the FAO representative said that there was a genuine need for increasing allowances to the volunteers since they sometimes suffered financial hardships in certain situations.

83. The representative of WHO said that his organization had carried out an assessment on the use of volunteers in health programmes in the Yemen Arab Republic

where, out of some 60 United Nations volunteers, 18 were active in the health field. The volunteers comprised nurses, health technicians and sanitary engineers. The conclusions from that evaluation were quite positive and the volunteers were keen to provide valuable support to WHO-assisted technical co-operation projects and in some cases in undertaking specialized work. The low cost of volunteers was another positive factor. The use of volunteers, on a larger scale than before, was therefore envisaged in WHO-assisted projects.

184. In the course of the discussion, the representatives of Austria, Belgium, Canada, Denmark, the Netherlands, Switzerland and the United States of America indicated their Government's intention to contribute to the Special Voluntary Fund. Specifically, the representative of the Netherlands announced that, in addition to his Government's contribution of \$125,000 for 1976, the following was authorized for 1977: (a) on the basis of 500 volunteer placements, with 70 per cent in least developed countries and 50 per cent recruitment from developing countries, a contribution of \$235,000 would be made; (b) if the target was lowered to 400 volunteer placements with similar proportions in least developed countries and recruitment from developing countries, the contribution would be \$200,000; (c) in case of stabilization at current levels, not less than \$125,000 would be contributed.

Observations of the Administration

185. The Co-ordinator thanked members for their expression of support to UNV and, in particular, those who had given indications about forthcoming pledges to the Special Voluntary Fund. He added that an evaluation would be prepared on UNV activities although a broad-based study, concerning costs and benefits of associate experts, bilateral volunteers and United Nations volunteers in UNDP-financed projects, as called for by one member, would be difficult to prepare. On the question of financing, the Co-ordinator stated that in the light of inadequate resources, all new placements in least developed countries would need to be charged to IPFs earlier than the proposed date of January 1979. He proposed therefore to introduce IPF funding for selective larger programmes in least developed countries early in 1977. Although it was difficult to assess the precise effects of this proposal, he expected that the programme's growth would slow down. The Co-ordinator added that a brief report on the financial situation would be presented at the twenty-fourth session of the Council, at which time a clearer idea on funding based on requests for 1977 would be obtained.

Decision of the Governing Council

186. At its 538th meeting on 30 June 1976, the Governing Council adopted the following decision:

The Governing Council,

Taking note of the Administrator's report on the United Nations Volunteers (DP/180) and the Administrator's note on the financing of the United Nations Volunteers programme (DP/208),

Recognizing that the activities of the programme would be adversely affected by inadequate resources,

(a) Approved the utilization of \$1 million from the Programme Reserve to finance in-country costs in least developed countries in 1977;

(b) Authorized the continued use of the Special Voluntary Fund to meet in-country costs in least developed countries in 1977 and 1978;

(c) Requested the Administrator to plan towards the funding of in-country costs from country IPFs by 1978;

(d) Authorized the use of the Special Voluntary Fund for in-country volunteer costs in newly independent countries meriting special consideration in 1977;

(e) Requested the Administrator to continue to assess the activities of the United Nations Volunteers programme and its capacity to respond effectively to requests for assistance from developing countries, in particular from least developed countries, and to submit an evaluation report to the Governing Council at its twenty-fourth session;

(f) Requested the Economic and Social Council to recommend to the General Assembly the adoption of the following draft resolution:

"The General Assembly,

"Recalling its resolution 2659 (XXV) of 7 December 1970 and Economic and Social Council resolution 1966 (LIX) of 30 July 1975,

"Noting the expanding role of the United Nations Volunteers in the field of domestic development following the decision taken by the Governing Council of the United Nations Development Programme in 1974 to set up a unit within the United Nations Volunteers programme to deal with these activities,

"Aware that the International Secretariat for Volunteer Service (ISVS) is in the process of being liquidated under the direction of an interim board appointed by the ISVS Council, and that ISVS has terminated its activities in the field of international volunteer work and domestic development services,

"Noting that a number of ISVS activities have already been taken over, at the request of the ISVS interim board, by the United Nations Volunteers,

"1. Requests the Administrator of the United Nations Development Programme:

(a) To develop further and expand the activities of the United Nations Volunteers in the field of domestic development services;

(b) To ensure that the United Nations Volunteers shall actively promote the formation of regional advisory groups for domestic development services and subsequently co-operate to the fullest possible extent with such groups;

(c) To ensure that the United Nations Volunteers shall prepare and publish relevant material on volunteer and domestic development services activities;

"2. Appeals to Governments to take into account the growing number and widening scope of the United Nations Volunteers activities and, consequently, to consider contributing, or increasing their contribution, as the case may be, to the United Nations Volunteers Special Voluntary Fund."

V. UNITED NATIONS CAPITAL DEVELOPMENT FUND

187. Under item 8 of its agenda, the Council had before it the annual report of the United Nations Capital Development Fund (DP/182 and Corr.1). Item 8 was considered in conjunction with item 4 of the agenda.

188. Introducing the item, the Assistant Administrator (Programme) referred to the Council's decision of June 1974 when the new orientation of the Fund was approved. At that time, he said, the Fund had had \$11 million in resources and one project, compared to more than \$30 million currently, of which \$23 million had been paid in, and 28 projects, with an additional 20 projects expected to be approved in 1976. Of the 59 Governments contributing to the Fund, 55 were themselves developing countries. Activities were being supported in 17 countries, most of them among the least developed, and overhead costs were equivalent to about 2 per cent of annual project approvals.

189. Emphasizing the distinctive character of the Fund's operations, the Assistant Administrator pointed out that the Fund's projects were often associated with ongoing UNDP technical assistance activities, that a number of projects were linked to capital assistance from larger institutions and other donors, and that local credit intermediaries were used whenever possible to channel small loans to individuals and groups who would otherwise be ineligible for other available credit. He also stressed that the grass-roots development supported by the Fund required the application of technologies suited to local conditions which the people were able to use and perfect themselves. In that connexion, he stated that the Fund, concentrating on the needs of deprived population groups, was instrumental in making a contribution in areas of development often neglected by other efforts.

190. The Assistant Administrator expressed the belief that the United Nations Capital Development Fund could now manage an annual programme of between \$40 and \$50 million compared to the current year's resources of \$11.6 million, without any increase in proportional overhead costs. He said that the Administrator wished to commend the Fund to the special attention of Council members, with a view to encouraging a substantial increase in resources.

Summary of discussion

191. Council members addressing themselves to the question generally expressed their great satisfaction with the functioning of the Fund. Several members from countries where the Fund was operating stated their approval of the activities being carried out, making particular reference to that aspect of Fund-supported projects which enabled the people to help themselves. Some members remarked that such approval was the best testimony to the Fund's efficiency, while one expressed concern regarding the operational methods of the Fund by which it involved itself directly with the population of the countries without channelling its assistance through the Governments concerned. There was general accord, too, that though the level of voluntary contributions was acceptable, additional resources, particularly from a larger number of the developed countries, would be welcomed.

192. The increase in project approvals was commented on favourably by several members, though reference was made to the lag in the disbursement of actual funds. Hope was expressed that the rate of disbursement would substantially increase at a later stage in the development of project activities.

193. Some members referred to the establishment of an operational reserve and deemed the move to be evidence of sound financial management. The question of evaluation of activities was also referred to and, though there was general agreement that it was too early to make an over-all assessment of the impact of the work being carried out through the Fund, the expectation was expressed that such an assessment would be forthcoming in future on a continuing basis. One member said that his delegation intended to propose that a decision be taken by the General Assembly to the effect that the Fund assume responsibility for its own administrative costs.

194. Another member, while expressing satisfaction with the Fund's activities, inquired whether any requests for assistance had been received from countries other than those among the least developed.

Observations of the Administration

195. The Assistant Administrator (Programme) expressed his appreciation for the various statements made in support of the activities of the Fund.

196. Referring to the comment regarding the relatively low level of disbursements in 1975, the Assistant Administrator explained that in the kind of investment project supported by the Fund it was quite normal to disburse slowly in the initial stages, especially when equipment with long lead times had to be ordered from abroad. Another factor was that Fund-supported projects typically depended on Government execution and local initiatives, which in a number of instances had to be developed. Though steps had been taken to help accelerate the momentum of project activity, notably through the appointment of a Regional Implementation Adviser for Africa, the Assistant Administrator cautioned against taking over the implementation of projects for the purpose of more rapid disbursement since that would be contrary to one of the main purposes of the Fund.

197. In reply to the query of one member, the Assistant Administrator stated that, though the emphasis of the Fund was clearly on the least developed countries, requests for assistance from other countries could be considered if such assistance were designed for the benefit of the poorest sectors of the population. He remarked that the capacity of the Fund to respond to such requests depended on the availability of resources.

Decision of the Governing Council

198. At its 538th meeting on 30 June 1976, the Governing Council:

(a) Took note with appreciation of the annual report for 1975 of the United Nations Capital Development Fund (DP/182 and Corr.1), and of the statement made by the Assistant Administrator (Programme);

(b) Took note of the comments made by members during the discussion in the Council;

(c) Welcomed the increased activity of the Programme and expressed satisfaction with the Fund's increasing orientation towards smaller-scale capital funding projects at the village level;

(d) Encouraged the Administrator to provide in future annual reports comprehensive information on the implementation of projects, including an assessment of achievements;

(e) Noted with interest the assessment by the Administration that the Fund currently had the capability effectively to handle a substantially increased volume of activities;

(f) Invited all members to consider contributing to the Fund's resources, especially those members that so far had not contributed to the Fund.

VI. ASSISTANCE TO COLONIAL COUNTRIES AND PEOPLES AND TO NEWLY INDEPENDENT COUNTRIES

199. In accordance with a decision taken at the twenty-first session of the Governing Council, information on UNDP assistance to colonial countries and peoples was included within the framework of the Administrator's annual report. In addition, the Council had before it document DP/L.307 and Corr.1 and 2, which contained information on relevant developments which had taken place since January 1976.

200. Introducing the subject, the Assistant Administrator and Regional Director for Africa informed the Council that he wished to provide clarification on two aspects of the information contained in document DP/L.307: namely, co-operation with the Government of Angola, and assistance to national liberation movements in the field of health.

201. Regarding the first point, the Assistant Administrator stated that the question of UNDP assistance to Angolan liberation movements formerly recognized by the Organization of African Unity (OAU) had been the subject of discussions between the Prime Minister of Angola and himself as recently as the previous month. He assured the Council that no action on the part of UNDP or one of its Executing Agencies could be inconsistent with the desires of the Angolan Government. Certain activities, particularly the granting of fellowships, which had been initiated before Angola had gained its complete independence, could not suddenly be interrupted, especially since the Government itself considered such activities as beneficial to Angolan nationals regardless of the liberation movement to which they belonged. The Assistant Administrator pointed out, too, that continuation of those activities would obviously have to be authorized by the Government, the case of each beneficiary being reviewed particularly with a view to ascertaining that UNDP resources were properly used. Furthermore, the activities in question would have to be financed from the IPF for Angola rather than the resources of the liberation movement Trust Funds.

202. With regard to the question of co-operation in the field of health between UNDP and national liberation movements recognized by OAU, the Assistant Administrator stated that he felt that additional information was desirable in view of the debate on the subject which had recently taken place in the governing body of WHO. Emphasizing the importance which UNDP attributed to health problems, the Assistant Administrator informed the Council that any difficulties encountered in the provision of assistance in that field to national liberation movements were largely due to factors beyond the Programme's control. He referred to two such factors. One was a disagreement which had arisen between the Executing Agency and the Liberation Committee of OAU concerning arrangements for implementation. That difficulty now seemed resolved. A second factor was the seemingly contradictory information received by UNDP concerning the wishes of the liberation movements concerned. The Assistant Administrator stated that in order to overcome those difficulties completely, he was suggesting, with the concurrence of the Executive Secretary of the Liberation Committee of OAU, that a meeting of representatives of OAU, the liberation movements concerned, WHO and

himself be held during the current session of the Council. He expressed the hope that the result of such a meeting would be the elimination of misunderstandings which were impeding the effective delivery of much-needed health care assistance to the national liberation movements.

203. The Assistant Administrator concluded his introductory remarks by informing the Council that the Administrator and he had recently participated in a meeting of the Sub-Committee on Petitions, Information and Assistance of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, as well as in a meeting of the African group of the United Nations. At both meetings detailed information on UNDP assistance to newly independent countries and to national liberation movements recognized by OAU was provided to the participants. The Assistant Administrator stated that the respective delegates at those meetings warmly praised the work being carried out by UNDP in that area.

Summary of discussion

204. Following the Assistant Administrator's statement, the United Nations Commissioner for Namibia addressed the Council, reviewing briefly the situation in that country. Referring to the special position of Namibia as being the only territory in the world under the direct jurisdiction of the United Nations, the Commissioner emphasized the critical importance of the United Nations Institute for Namibia and its role in training nationals of the Territory to enable them to undertake the administration of their country when it gained its independence. He stated that the budget for the Institute for the five-year period 1977-1981 was estimated at \$17 million. In view of the fact that UNDP was one of the Institute's major supporters, the Commissioner urged that the IPF for Namibia of \$3.75 million for 1977-1981 be revised upward. He expressed the hope, in fact, that the figure would be doubled.

205. At the invitation of the President, the representative of the Council for Namibia also addressed the Governing Council. Outlining the history of the involvement of the United Nations in Namibia, the representative of the Council for Namibia provided detailed information on the current political, economic and social situation in the Territory. Stressing the ruthless exploitation of the land and its people by the illegal South African régime occupying the country, he described the measures taken by the Council and the United Nations Fund for Namibia to support Namibians in their struggle for freedom. UNDP, he stated, was the main contributor to the Fund and sincere appreciation was expressed for the Programme's financial assistance, the major purpose of which was support for the Institute for Namibia.

206. Regarding the IPF for Namibia for 1977-1981, the representative of the Council for Namibia made two suggestions. First, he pointed out that data on the Territory's GNP and population were provided by the South African régime and were inaccurate, to the detriment of the Namibian people. The African population was higher and its real share of the GNP much lower. A revision of these figures, he felt, would allow a consequent revision upward of the Namibian IPF for 1977-1981.

207. Second, he suggested that, though the country was not yet fully independent, Namibia be added to the list of newly independent countries and, thus, be able to benefit from the modest formula by which the IPFs of those countries would be increased by 15 per cent plus \$500,000, in accordance with the relevant decision

taken at the twenty-first session of the Governing Council and as proposed by the Administrator in document DP/199, paragraph 5. He stressed that the special responsibility of the United Nations and its organizations for Namibia fully warranted approval of that proposal. The representative of the Council for Namibia concluded his statement with an appeal for the replenishment of the liberation movement Trust Funds and an expression of hope that, in future, requests for assistance would be met more promptly.

208. At the invitation of the President, representatives of the national liberation movements and of OAU who were participating in the Governing Council's consideration of the question initiated the discussion.

209. The Executive Secretary of the Liberation Committee of OAU expressed the appreciation of his organization for the help UNDP had provided over the past four years. Noting, however, the disparity between amounts of money allocated for projects and the sums actually spent, he hoped that greater flexibility could be introduced into administrative procedures so that funds could be released more quickly for the purposes for which they were intended. The Executive Secretary acknowledged that a certain number of difficulties and delays were inevitable. He was confident, though, that goodwill and understanding would resolve these problems to the betterment of the needy peoples of Africa. Expressing surprise at the statement in subparagraph 14 (e) of document DP/L.307, he said that there had never been separate requests for assistance in the field of health from liberation movements and from the OAU Liberation Committee. All such requests, he stated, had been channelled through OAU in accordance with relevant General Assembly resolutions. Regarding the participation of representatives of national liberation movements in proceedings of the Governing Council concerning them, the OAU representative expressed the hope that the necessary invitations and financial support could be extended automatically from the outset without the need to wait for approval at each Council session. He also urged the Council to seek information required for the calculation of IPFs from the liberation movements themselves rather than from the colonial administrations. He appealed, too, to UNDP not to review or cancel any projects without first consulting the concerned liberation movement or OAU, so that causes of misunderstanding and friction could be avoided. Referring to the generous contributions made by the Nordic and other peace-loving countries to assist the national liberation movements, the Executive Secretary of the Liberation Committee of OAU expressed his organization's sincere gratitude and appreciation.

210. The representative of the African National Council (ANC Zimbabwe) emphasized that the needs of liberation movements were immediate and required immediate assistance to meet them. He stated that bureaucratic entanglements often delayed urgently-needed help and he appealed to the Council to waive the formalities normally applied in the approval and delivery of UNDP aid. Stressing the exclusively humanitarian purposes of the assistance requested, the ANC Zimbabwe representative also sought authority to use funds for purposes which might be different from those for which the allocations were originally approved. Liberation movements should be enabled to divert project funds to meet more urgent needs when necessary, he stated. Citing as an example a project for administrative organization and training approved in December 1974, he said that the \$31,200 allocated still had not been spent since agreement could not be reached on a request to divert the sum to the purchase of blankets which were more urgently needed at that moment. The representative of ANC Zimbabwe also expressed disappointment at the delay in approval

of a request for health care assistance submitted to the WHO office at Lusaka. He welcomed, therefore, the suggestion of the Assistant Administrator to discuss and clarify the situation during the current session of the Governing Council. The representative referred to the problem of fellowships, most of which had to be taken up in African countries where shortages of school and university places were acute. The hope was expressed that resources could be made available to enable liberation movements to avail themselves of educational facilities in Europe and North America. He paid particular tribute to the socialist countries in that regard, and to the Scandinavian countries also for the prompt delivery of their aid. He urged UNDP to be equally rapid in the disbursement of its assistance.

211. The representative of the African National Congress (ANC South Africa) reviewed in detail the events in southern Africa which had led to the independence of Angola and Mozambique and which, he stated, would lead to freedom for Zimbabwe, Namibia and for the African people of his own country. Condemning the ruthless policy of oppression being carried out by the current régime, he emphasized that the system of education in South Africa was instrumental in frustrating the black majority's aspirations. He appealed, therefore, to all United Nations organizations to provide fellowships for South African students, particularly those expelled from institutions in their country because of their opposition to apartheid. In addition, he expressed the hope of his organization that UNDP would give prompt and favourable consideration to all project requests ANC South Africa had submitted.

212. The representative of the South West Africa People's Organization (SWAPO) stated that the placement in 1975 alone of more than 150 SWAPO students in secondary schools and universities in east and west Africa demonstrated UNDP's commitment to assist national liberation movements. Referring to the flight of many Namibians into Angola, he informed the Council that his organization was requesting, in consultation with OAU and subject to the approval of the host Government, assistance in the establishment there of a centre for medical care and basic health education similar to the one already existing in Zambia. The SWAPO representative said that intensive material support was urgently needed by the national liberation movements and appealed to UNDP to make every effort to provide its assistance funds as quickly as possible.

213. The representative of the Pan Africanist Congress (PAC South Africa) stressed that the question of UNDP aid to national liberation movements was never more serious. Associating himself with previous speakers, he urged the Programme and its Executing Agencies to do their utmost to ensure that the assistance approved was delivered in the shortest possible time. On the matter of co-operation with OAU, he informed the Council that no requests were made by that organization's Liberation Committee without full and prior consultation with the liberation movement concerned. He stated, moreover, that consultations from time to time among all the parties involved would be wise.

214. The representative of the Somali Coast Liberation Front (FLCS) expressed his organization's gratitude to the Council for its invitation to participate in the proceedings of the twenty-second session. Describing briefly the situation in his country, the representative emphasized the critical need of the people for scholarships both at the secondary school and university levels. He stated that in over a hundred years of colonial administration not a single university or other high-level institute had been established in the Somali Coast. In view of

this, he attached great importance to the request for a project of educational assistance currently under review by UNESCO and urged that immediate and effective steps be taken to ensure its prompt approval and implementation.

215. The representative of the Liberation Movement of Djibouti (MLD) gave special thanks to the UNDP Resident Representative at Addis Ababa for having helped make it possible for him to attend the Council's session. Emphasizing the critical need of his people and their future State for trained personnel, he informed the members of the Council that of the several countries promising assistance in the field of vocational training, only Ethiopia had fulfilled its pledge, providing study and training facilities for several young people from Djibouti. With only 7,000 children attending primary school and barely 1,000 attending secondary school - out of a population of over 300,000 - the situation called for urgent remedial measures. He appealed to UNDP to make certain that the needs of the people of Djibouti were not forgotten.

216. Members of the Council participating in the discussion were virtually unanimous in expressing appreciation for the statements of representatives of national liberation movements and in expressing their support for continued and expanded assistance to those movements as well as for more intensive aid to newly independent countries. The appeal by the several liberation movements and by the representative of the Liberation Committee of OAU for more flexible procedures in the processing of requests and for more prompt delivery of assistance was noted by many members, who urged the Administration to take the appropriate necessary measures. The large gap between the allocations approved and the funds actually disbursed was referred to specifically by several members, who expressed the hope that the underlying problems involved would be speedily resolved.

217. One member indicated his disappointment that no provisions seemed to have been made as yet for meeting the needs of national liberation movements from the regular resources of the Programme. Pointing out that his Government had made a special contribution for just that purpose, the member formally proposed that the Council consider allocating an appropriate amount from the Programme Reserve on a yearly basis beginning in 1977. Several other members warmly supported that proposal.

218. Regarding the special situation in Mozambique, many members joined in urging the Administration to make every effort to see that aid to that country was maximized to the extent possible. One member, referring to the effect on his country of the situation in Mozambique, appealed to the Council to authorize an upward revision of his country's IPF in accordance with the formula relating to newly independent countries. He also requested the Programme's assistance in gathering the required data.

219. Several members, in connexion with the information provided in document DP/L.307 and Corr.1 and 2 questioned references to assistance provided to a particular Angolan liberation movement in view of the fact that the country was now independent with a unified Government. Some expressed the view that mention of the liberation movement should be deleted. Others expressed satisfaction with the clarification provided by the Assistant Administrator. They all emphasized that any assistance, ongoing or otherwise, should be provided only with the approval of the Government. Another member, however, stating that Angola was still suffering from foreign armed intervention, expressed the view that it was inappropriate for UNDP to render assistance to only one organization in that

country. He said further that his delegation would not participate in the procedure for approving the programme of assistance to Angola and that his Government's contributions to United Nations development system organizations should not be used to provide assistance to only one organization there. In response, several other members expressed their full support for the Angola country programme and were critical of what they referred to as attempts to subvert the provision of assistance to the newly independent Governments.

220. Many members made specific reference to Namibia as particularly worthy of special attention and stated that appropriate measures designed to provide additional assistance would have their full support.

221. In connexion with the statements made by the representatives of FLCS and MLD, one member informed the Council that his Government did not recognize the right of those organizations to speak for the people of the Territory in question. He also stated that the term French Somaliland was incorrect. Another member, in response, rejected those contentions.

222. At the invitation of the President, the representative of the World Health Organization addressed the Council, informing members of the status of several projects of assistance to national liberation movements. Emphasizing the complex nature of negotiations in the early stages of preparing those health care assistance activities, the WHO representative stated that progress in improving the implementation of projects was being realized thanks, in part, to direct dialogue in official WHO meetings with representatives of the national liberation movements. He welcomed, too, efforts on the part of UNDP to simplify its procedures relating to the approval and delivery of assistance to liberation movements.

Observations of the Administration

223. In reply to the proposal that a specific sum be allocated on a yearly basis from the Programme Reserve, the Deputy Administrator (Programme) stated that in his view it would be preferable to provide for a separate budget line for such an allocation rather than to depend on the uncertainty of the Programme Reserve. The funds could be made available from IPFs for newly independent countries during the period 1977-1981.

224. Responding to the various other comments made during the discussion, the Assistant Administrator and Regional Director for Africa stated, first, that the purpose of annex II to document DP/L.307 was to provide an over-all review of the assistance approved and expenses incurred. In the interest of historical accuracy, certain projects could not be deleted even though the recipient liberation movement might no longer be recognized by OAU or even exist. He again noted that during his discussion with the Prime Minister of Angola it was agreed that the beneficiaries were all Angolans and that UNDP assistance should continue on the understanding that the Government's approval should be sought in every case.

225. With regard to the proposal that projects assisting national liberation movements be financed through the central resources of the Programme, the Assistant Administrator pointed out that projects costing \$3.7 million had already been approved, while the resources of the liberation movement Trust Funds amounted

to only \$2.8 million. Obviously, the difference would have to be made up from the Programme's central resources.

226. Turning to the question of project execution, the Assistant Administrator expressed his deep concern with the manner in which assistance to national liberation movements was being implemented. He reminded the Council that the previous year one of his colleagues of the Regional Bureau for Africa had been sent to the field and to the Executing Agencies' headquarters for the specific purpose of determining exactly where the problems lay, and that every effort would be made to narrow the gap between approval and delivery. Explaining that the situation was even more complicated than with the normal country project in that five parties - the liberation movement concerned, OAU, the host Government, the Executing Agency and UNDP - were involved, the Assistant Administrator nevertheless assured the Council that improvements would be effected. In that connexion, he informed the Council that two meetings to which he had earlier referred had now been held. Representatives of the liberation movements, OAU, WHO, the United Nations Children's Fund (UNICEF) and he himself had participated and, following necessary and welcome clarifications, agreement had been reached on a programme for implementation of health care assistance.

227. Regarding the manifold needs of the liberation movements, the Assistant Administrator stressed that, understandably, UNDP could not meet all of their requirements. The Programme must, therefore, stick to technical assistance activities relevant to its mandate, leaving to other organizations in the United Nations system the satisfaction of those needs more in line with the respective organizations' special mandates and expertise. UNDP, however, could be expected to help finance the relevant activities of other organizations.

Decision of the Governing Council

228. At its 533rd meeting on 25 June 1976 the Governing Council:

(a) Took note with appreciation of the special report of the Administrator on assistance to colonial countries and peoples and to newly independent countries (DP/L.307 and Corr.1 and 2), the additional information brought to its attention by the Assistant Administrator and Regional Director for Africa, and the statements made by the representative of the United Nations Council for Namibia and the United Nations Commissioner for Namibia;

(b) Took note also of the statements made by members of the Governing Council, the representative of the Organization of African Unity (OAU), and the representatives of the African liberation movements recognized by OAU who participated in the discussion;

(c) Considered that UNDP should continue to support actively the humanitarian programmes of the African liberation movements recognized by OAU;

(d) Requested the Administrator henceforward to invite the representatives of African liberation movements recognized by OAU to take part in the work of the Governing Council as observers throughout the Council's sessions;

(e) Requested the Administrator to do everything possible to ensure that assistance by UNDP and the Executing Agencies to African liberation movements recognized by OAU should be furnished rapidly and with maximum flexibility;

(f) Decided that, in order to ensure implementation of programmes of assistance to African liberation movements recognized by OAU, the Administrator should use, in addition to the resources of the liberation movement Trust Funds, funds available in respect of undistributed indicative planning figures provided for future participants during the period 1977-1981, and not exceeding \$6 million.

VII. ASSISTANCE TO DROUGHT-STRICKEN AREAS OF AFRICA AND ADJACENT AREAS

229. In its continuing consideration of item 4 of the agenda, the Council had before it documents DP/L.306 and Add.1, concerning assistance to the drought-stricken areas of Africa and adjacent areas.

230. Introducing the subject, the Assistant Administrator and Regional Director for Africa said he wished to make five points. First, the situation in the drought-stricken zone was changing, and only in October would it be possible to judge whether sufficient rains had helped further to alleviate the plight of the people and livestock in the area. Second, he drew the Council's attention to the situation in Ethiopia and Somalia. In Ethiopia, torrential rains and flooding were violent in some areas. Elsewhere rainfall seemed good and well distributed. In general, however, information for those two countries was scanty. But after a prolonged drought, sufficient rains were not the only requirement. Rats and other predators had invaded Senegal. The restoration of flocks and herds took much time.

231. Third, regarding the programming of UNDP assistance, it was the view of all concerned that preparation of country programmes for the six Sahelian States should take place at the same time in order to co-ordinate assistance on a regional basis. The Assistant Administrator said the programmes for those countries would be submitted in 1977.

232. Fourth, he said that co-operation between UNDP and the United Nations Sahelian Office had been good since the Administrator had assumed over-all responsibility for the operations of that Office. There were weekly co-ordinating meetings in New York. Fifth and finally, information provided by different aid sources to the drought zone would be covered in the next annual report of the Administrator.

Summary of discussion

233. Members thanked the Assistant Administrator for his presentation of the important issue. One member observed that the Administrator's report on the drought situation was a useful supplement to the report on the Programme's work in the area. He expressed his Government's support for UNDP's efforts in that regard.

234. Another member, however, expressed disappointment with the report, as it had not taken into account the views expressed by his delegation at the previous session. The report indicated that rainfall had been good, but that was not the case. The information submitted by his country had not been taken into consideration. He asked for more data on the problem at the next session. One member also pointed out that, with reference to the recent rains, "one swallow does not make a summer". In his own drought-stricken country, the cereal supply was still meagre. Imports to supplement food needs were very costly. Still another member urged UNDP to perfect and widen the scope of its activities in

the drought zone. The problem was a recurrent one, and efforts should be made to forestall future disasters.

235. One member requested the Administration, henceforth, to submit its reports on drought-related items as part of the Administrator's annual report. The information in document DP/L.306 was inadequate. The matter required more thorough treatment. He requested proper reports from now on on the short-term and long-term efforts being made.

Observations of the Administration

236. In his response to those comments, the Assistant Administrator said it had been difficult to report positively and quickly on the request of the Council, made in January, for medium-term and long-term efforts and analyses. He pledged to do better in the following year's annual report. He appealed to the States concerned to provide maximum information in that respect. A provisional list of UNDP activities in the area would give only a partial view, at the current stage. If other information was not forthcoming, he said, the Programme would perforce confine itself to United Nations system aid. The next report would strive to give an over-all view of the past three or four years, he further pledged.

Decision of the Governing Council

237. At its 537th meeting on 29 June 1976, the Governing Council:

(a) Took note of the report by the Administrator on assistance to drought-stricken areas of Africa and adjacent areas (DP/L.306 and Add.1);

(b) Noted the statements made by the delegations of the countries concerned and the views expressed by members of the Council during the consideration of the question;

(c) Welcomed the establishment of the "Friends of the Sahel Club", which would enable the donor countries and organizations to provide, both on a national basis and within the Permanent Inter-State Committee on Drought Control in the Sahel, medium-term and long-term support for the recovery efforts of member States, and considered that initiatives of that kind should be encouraged;

(d) Requested the Administrator, in his next annual report, to provide:

(i) A description of the general development since 1973 of the situation in those countries in the light of the sectoral activities carried out by the organizations, if necessary with reference to certain relevant studies, giving detailed information concerning the trends observed and concerning the new problems which had appeared and the measures taken to solve them;

(ii) A balance-sheet of the activities undertaken by organizations in the United Nations system, particularly by UNDP, to assist in the medium-term and long-term solution of the problems created for those countries by the drought;

(iii) A tabulation of the assistance which the countries concerned were receiving from other sources of assistance for the implementation of their medium-term and long-term reconstruction programmes;

(e) Requested all States to continue to give active support to the emergency programmes and to programmes and projects for the rehabilitation and medium-term and long-term development of all the drought-stricken countries of Africa.

VIII. PROGRAMME RESOURCES, INDICATIVE PLANNING FIGURES
AND OTHER COSTS, 1977-1981

238. Under item 5 of the agenda, the Deputy Administrator (Programme) introduced a report (DP/199, DP/L.308 and DP/GC/XXII/CRP.1), which included the Administrator's recommendations pertaining to the Council's final decision for individual country indicative planning figures and for regional IPFs for 1977-1981 as well as for the allocation of resources among major cost categories. The Deputy Administrator, in recalling that the Council had discussed over an extended period the determination of IPFs for 1977-1981, said that, in the Administrator's view, the IPFs approved in principle by the Council at its twenty-first session and contained in table 1 of document DP/199 provided an appropriate basis for planning UNDP activities in the second development cycle, since the distribution of the IPFs reflected a rational and equitable approach to resource allocation. He further stated that, owing to the effect of inflation, the aggregate amount of IPFs involved might permit only a modest increase in the aggregate of real delivery in the second cycle. Due to the constraints on the over-all growth in resources the IPFs, based on a 14 per cent rate of growth per annum, would have to be treated as indicative and actual commitments would have to be governed by resources actually in sight.

239. In commending the approach laid down in document DP/199, the Deputy Administrator drew the Council's attention to a number of points. First, the Administrator had recommended a way of securing an improvement in the IPFs of newly independent countries, in view of their special and acute needs. If the Council agreed with the approach suggested by the Administrator, this would involve an amount in aggregate for the second cycle of \$12.5 million, and the Council would need to indicate how that sum was to be financed. In that context the Council would probably also wish to consider how to treat the IPF for Namibia, and assistance for the national liberation movements recognized by OAU.

240. Second, the Deputy Administrator, in referring to document DP/L.308, said that the Government of Portugal had requested that an IPF be established for Portugal for 1977-1981. If the Council agreed to that request, then the Administrator would recommend an IPF of \$4 million, which amount had been calculated in the same manner as that used in establishing the IPFs of other countries. Third, in document DP/199, UNDP assistance for Niue was included under "undistributed IPF for Asia and the Pacific". However, the Deputy Administrator said that the Administrator now recommended for the Council's approval that Niue should have a separate IPF of \$1 million for 1977-1981, to be transferred out of the undistributed IPF for Asia. Fourth, in determining the IPF for Cuba, the Deputy Administrator said that the Council would have to decide what level of expenditure during 1972-1976 should be used as a basis for applying the "floor" concept. The Deputy Administrator then recalled the Council's agreement that decisions on individual 1977-1981 country IPFs would be subject to modification if it was clear that definitive data on population and per capita gross national product differed significantly from those used in the preparation of the IPF calculation presented in table 1 of document DP/199. However, it was the Administrator's understanding that that data might be used for any such

recalculations would have to be those which had been developed on an internationally comparable basis.

241. In turning to the other major cost components, the Deputy Administrator invited the Council's attention to the Administrator's proposals for the Programme Reserve - \$39.5 million, including \$1 million as a bridging facility for UNV, and \$17.5 million for Special Industrial Services (SIS). The Council had already determined at its twentieth session that Programme Reserve funds should be used for programme development in addition to meeting unforeseen requirements.

242. With respect to administrative and programme support costs, he stated that the Council might feel that it was too early to take a firm decision on the precise amounts for that cost category over the entire period of the second cycle, bearing in mind the current financial situation of the Programme and the Council's preoccupation with effecting material changes in such costs in the short term. The Deputy Administrator said that the perspective suggested in document DP/199 was that the average annual cost of administrative and programme support costs during 1977-1981 should, in real terms, be held to the reduced level to be achieved in 1977. With respect to agency overhead costs, the Deputy Administrator recalled that the Governing Council had agreed to consider the level of such costs in the second cycle at its twenty-fourth session.

243. In the same light, the Deputy Administrator suggested that the Council might wish to recommend a broad range of resources allocations for the purpose of replenishing the financial reserves of the Programme, building up its working capital to an acceptable level, and making suitable provision for contingency facilities if the financial integrity of the Programme were to be threatened or if the planning assumptions embodied in document DP/199 proved to be invalid. The obvious dilemma, however, was that, while a more rapid accumulation of reserves would permit the smoother and more efficient operation of the field programme, yet the reserves could only be built up by diverting resources from the already severely restricted field programme.

244. Finally, the Deputy Administrator said that, should the Council agree to a new field programme of \$2,511 million, and with allowance for the likely magnitude of other programme costs, then there would be a requirement of \$3.3 billion in voluntary contributions. That amount was consistent with an annual growth rate in contributions of 14 per cent. The growth rate was expressed in current values, thus including an element for inflation. The Council would have to recognize that its achievement would require an equitable pattern of voluntary burden sharing. He said, however, that the obvious constraints on the over-all growth in resources emphasized the need to regard the IPFs laid out in document DP/199 as indicative, and that actual commitments would have to be governed by the resources actually available at any one time.

Summary of discussion

245. Members of the Council said that the determination of the distribution of resources over the period of the second development cycle was fundamental to the future of UNDP and one of the most important decisions before the Council at its current session. The Council recalled the decision it had taken in principle on the matter at its twenty-first session and felt that the time had come for the

Council to take its final decision. There had been no qualitative change in the situation since the twenty-first session of the Council such as might suggest that a final decision should be postponed. Many members, in urging the Council to take its final decision on the allocation of IPFs at the current session, referred to the adverse consequences on recipient countries of a further delay, since such countries must know the level of their IPFs in order to prepare their country programmes. A few members, while endorsing in principle the proposals laid down in document DP/199, suggested that the Council's final decision might be postponed until later in the year, when, for example, the results of the Pledging Conference would be known and when there might be further developments in respect of certain recipient countries' voluntarily foregoing all or part of their IPFs for the second cycle or achieving net contributor status. One member of the Council suggested that it might be advisable for the Council to consider including those countries with a certain minimum IPF in the undistributed category, thereby offsetting the adverse impression created by a substantial increase in the number of countries receiving assistance from UNDP in the second cycle.

246. Members of the Council endorsed the Administrator's proposals for the distribution among individual countries and regions of UNDP programme resources for the second development cycle. The Council recognized that the proposed IPF distribution reflected a rational approach to resource allocation with emphasis on greater equity. Many members of the Council warmly welcomed the structural shift in the allocation of resources in favour of the least developed countries and of other low income countries. Indeed some members said that they would be prepared to support an even greater shift in favour of the poorest countries, bearing in mind the need of such countries for technical assistance and the generally accepted thinking by the international community on the equitable distribution of official development assistance.

247. Some members of the Council, while noting that the IPFs were indicative in current prices, nevertheless drew attention to the rapid rate of world-wide inflation and said that there would be little growth in real terms in UNDP assistance to developing countries in 1977-1981 when compared with the 1972-1976 level. In that respect, of course, the needs of all developing countries for technical assistance would remain much greater than that which could be provided by UNDP.

248. Most members of the Council said that they endorsed the criteria for the allocation of the country and regional IPFs that had been laid down through lengthy discussions at previous sessions of the Council. They stated that it would not be appropriate to reopen the discussion on the criteria in any of its aspects. However, while endorsing the concept embodied in the IPF calculation, some members took the opportunity to express a variety of views. One member, in recalling the criteria which had been developed for the determination of countries most seriously affected by the recent economic crisis, said that a somewhat broader set of criteria would be desirable for the IPF calculation - for example, the extent of the openness of the economy, sharp increases in import prices, and the level of the debt service burden. Some members questioned the very concept central to the IPF calculation, namely per capita gross national product, saying that it presented a very distorted view of a developing economy since it failed to take into account a host of other factors affecting the level and rate of development. One member suggested that the IPF criteria might be modified to include the concept of a minimum "floor" for each country, perhaps of the order of \$5.0 million. Other members suggested that, consistent with the concept of

effecting a structural shift in the allocation of resources to the poorest countries, the Council might wish to consider the possibility of replacing the "floor" concept with one which permitted an increase in the IPFs for all countries but at a much faster rate for countries at the lower end of the income scale. In the same light, one member said that to freeze the IPFs, which had happened in the case of more than one third of the recipients of UNDP assistance, was damaging to the countries concerned and particularly so in the case of several small countries. The same member suggested that if country IPFs were to be frozen then the countries so affected should be permitted greater access to the regional programmes, which was particularly beneficial to them.

249. One member stated that the Middle East region did not receive a fair share of regional IPFs because it was linked to the industrially advanced countries of Europe and requested that IPFs be allocated separately to the region of the Middle East, which should receive a fair share of the resources of the Programme.

250. In referring to the shift to the poorest countries, which the Council supported, some members suggested that the interests of such countries should be protected at all stages during the second development cycle, and in particular during the allocation of resources in the first years of the cycle. In fact, these members felt that the "floor" concept might be too expensive in the long run. Some members, in referring to the intercountry distribution of resources with the emphasis on greater equity, said that in their view UNDP resources should be channelled to those sections of the community with the greatest need. In their view, renewed emphasis must be placed on social objectives and on the fulfilment of basic human needs, including meaningful employment and the satisfaction of the basic needs of the populations of developing countries.

251. The Council, in recalling that it had decided that the IPFs of newly independent countries should be recalculated in order to provide them with increased resources to meet their special acute needs, endorsed the proposals of the Administrator in document DP/199. Some members said that the additional sum of money suggested by the Administrator, \$12.5 million, would not be sufficient to meet the needs of the newly independent countries but that they would be prepared to accept it. A few members said that the additional sum should be made available when the general financial position of UNDP had improved or, alternatively, through the provision of special contributions. Other members said that the sum required should be allocated from the same source as used to finance intercountry IPFs. There was broad agreement on the calculation of the additional resources to be made available to the newly independent countries. A few members felt that it would be more equitable to establish the special needs of those countries as proportional to the IPFs approved in principle for them. The majority of members, however, felt that it would be more appropriate to calculate the additional sum on the basis of a fixed amount of \$500,000 plus 15 per cent of the IPF approved in principle for 1977-1981. Members of the Council also said that Namibia should be treated in a similar manner for the purposes of increasing its IPF in the same manner as the Administrator was suggesting for newly independent countries.

252. Members of the Council took the opportunity to renew their support for the proposal to allocate \$6 million from the same source as funds used to finance the IPFs for assistance to the national liberation movements recognized by OAU. One member stated that, in allocating IPFs, justice should be meted out to all peoples,

including those which had not been able to exercise their right to self-determination and independence in their homeland and regardless of the policies of some of the traditional donors.

253. The request of Portugal to become a recipient of the Programme during the course of the coming programme cycle received the support of many members of the Council, though some stated that it should strive to achieve net contributor status as soon as possible. One member referred to the decision of the Development Assistance Committee of the Organisation for Economic Co-operation and Development to include Portugal in the list of developing countries. The observer for Portugal, speaking at the invitation of the President of the Council, expressed his Government's warm appreciation for the support the Council had given to his country's request for inclusion as a recipient of the Programme. He referred to the difficult economic problems his country was facing and described his Government's efforts to improve the standard of living of all the Portuguese people. As soon as possible his country would strive to achieve net contributor status in the Programme.

254. Several members of the Council said that it would be appropriate to calculate the IPF for Cuba on the basis of the corrected figures of the first cycle. Members accepted the proposal that Niue should be allocated an IPF for 1977-1981 of \$1 million, to be made available from the undistributed IPF for Asia.

255. One member wondered, in view of the decisions the Council had taken concerning the admission of new recipients to the Programme, additional assistance to the newly independent countries and the African national liberation movements, and bearing in mind the possibility that further recipients would join the Programme in the course of the second cycle, whether the amount proposed in table 1 of document DP/199 "for future participants, etc." would be sufficient. Some members expressed their opposition to the proposed assistance from UNDP to Chile and South Korea.

256. One member stated that his country had always supported the just struggle of the Angolan people. It was impossible for the Angolan people independently to build up their own country when Angola was still subjected to social-imperialist aggression and intervention. If the programme of assistance to only one organization in Angola was put to a vote, his delegation would not participate in the voting.

257. Other members stated that UNDP should provide assistance to the Government of Angola. One member stated that increased support by UNDP should be given to the newly independent Governments of Guinea-Bissau and Cape Verde.

258. Another member suggested that "front-line" countries, like Swaziland, had special need of additional technical assistance from UNDP, so that they could strengthen their economies to withstand any economic onslaught from neighbouring racist countries like South Africa.

259. One member and one observer, speaking at the invitation of the President of the Council, presented cases for an increase in their IPFs for the second cycle, one on the ground that the data used in the calculation of the IPF were artificially distorted through deliberate manipulations by the metropolitan power, the other on the ground that its current IPF had been set at an historically low figure.

260. Members of the Council supported the Administrator's proposals concerning the basis on which any individual IPF might be recalculated during the course of the second cycle. Should more definitive data than those used in regard to population and per capita GNP for 1973-1974 become available which would result in a materially higher IPF than presented in table 1 of document DP/199, then the Administrator should present appropriate proposals for recalculation of an individual country IPF to the Governing Council at subsequent sessions. However, the Council felt that the data used in any recalculations should be based on an internationally comparable methodology. One member said that, should additional data become available with respect to the supplementary criteria used for the calculation of IPFs - for example, with respect to social justice - then that might be incorporated in any recalculation of an individual country IPF. Another member suggested that, should the World Bank find a country's exchange rate to be over-valued, then the shadow parity might be used when converting national income estimates from local currency into the equivalent dollar amount.

261. The Council was generally supportive of the Administrator's proposals with respect to the Programme Reserve, and to SIS. One member said that the proposal to increase the SIS provision should be considered only when the necessary resources were available; other members supported the proposed increase since in their view the SIS programme was particularly useful. One member said that the SIS provision might be reviewed if and when the Industrial Development Fund were to be established.

262. With respect to other Programme costs for 1977-1981, i.e. agency overhead costs, UNDP administrative and programme support costs, and the Operational Reserve and working capital, the Council took note of the various proposals suggested by the Administrator. The Council was concerned at the significant amount of resources that would be required to finance agency overheads and UNDP administrative and programme support costs. Several members of the Council emphasized the importance of reducing the level of administrative support and agency overhead costs, so as to release resources for programme activities. Other members, while recognizing the need for economies, nevertheless said that it was important to ensure that the Programme could be efficiently implemented and effectively supported.

263. In referring to the high level of overhead and administrative and programme support costs, some members of the Council suggested that the time had come for a thorough cost-effectiveness study of the Programme, particularly in the light of the continuing rapid increase in the unit costs of expert services. One member referred to the proposed study for the Governing Council and General Assembly on the use of experts and other services from developing countries in the technical co-operation programmes of the United Nations system and said that a shift to such sources of supply should result in a programme delivered with the same quality but at lower cost. Some members referred to the possibility of economies in administrative and overhead costs that might be brought about through the introduction of such new dimensions as Government execution of projects and as a result of decisions resulting from the possible restructuring of the operational activities of the United Nations system.

264. The Council recalled that it had decided to undertake at its twenty-fourth session a comprehensive assessment of the overhead costs of agencies required to carry out UNDP programmes and projects. For that reason members of the Council

felt that they could agree to the proposals of the Administrator to establish a target range for agency overhead costs, on the understanding that the formula would be reviewed in depth at a later date. Furthermore, in the view of some members, a certain flexibility should be built into the formula for the level of overhead costs with respect to the smaller agencies.

265. Several members of the Council welcomed the efforts of the Administrator to introduce economies in UNDP administrative and programme support costs and to improve the management of the programme. They noted his proposal to hold the average level of the UNDP budget for 1977-1981 to approximately \$60 million at 1977 prices. One member suggested that rather than fixing the budget in financial terms, and in relationship to the field programme, the Council might wish to consider establishing the size of the budget in terms of the staff level needed. Several members felt that in view of the many unknown factors at the current stage, including the extent to which the Administrator would be able to effect further economies in the administrative costs consequent upon the management study currently in progress, they would support the Administrator's proposal that the Council should recommend a target range for UNDP's administrative and programme support costs for 1977, or 1977-1978. However, there should be a full review of the situation at a later date.

266. Members of the Council recognized the necessity to rebuild the financial integrity of the Programme, and various views were expressed on the several proposals of the Administrator presented in document DP/199. Members recognized the dilemma facing the Programme, namely that building up the financial reserves of the Programme meant diverting resources from programme activities. One member stated that the first responsibility of the Council and the Administrator was to maintain the level of IPFs, since UNDP was not a banking institution but a vehicle for development. Some members regretted the necessity of building up reserves out of current income, but felt that there was no other feasible alternative. One member pointed out that holding too large an amount in liquid reserves in an inflationary situation meant that a significant portion of the reserves would lose their real value: a balance therefore had to be struck between the necessity for liquid reserves and the maintenance of their real value in the interests of the Programme as a whole.

267. Many members emphasized the importance of replenishing the Operational Reserve in a fully liquid and funded form as soon as possible. Some members suggested that that endeavour should receive first priority. Some members suggested that as a minimum target the Operational Reserve should be built up, in a fully liquid fashion, by \$50 million by the end of 1977 or 1978; others suggested that the Council might wish to establish a time-table for its replenishment, in a liquid form, to a level of \$150 million by 1981. Other members suggested that the Council should first agree on replenishing the Operational Reserve to a level of \$150 million and thereafter discuss whether there was a need to increase the level still further. Other members said that, while they recognized the need to replenish the Operational Reserve, that should not be done at the cost of the field programme, which must be maintained as a first priority.

268. A number of comments were expressed on the proposal of the Administrator that the Programme required a reserve to reflect the fact that at any point in time a significant level of resources pledged had either not been received by UNDP or were not readily usable. Many members, in regretting the necessity for such a

reserve, said that the proposal, which they supported, was a sad commentary on certain countries contributing to UNDP. One member could go along with the proposal only on a short-term basis since the real alternative was for contributions to be paid on time in a readily usable currency. Some members stated that they could not agree with the view that contributions paid in non-convertible currencies were not readily usable and therefore considered that the Operational Reserve should be raised to \$400 million.

269. Several members said that the important issue for the Council to decide was the rate at which the Operational Reserve should be built up and its composition, rather than on the absolute size. In that respect, members felt that it would be desirable for the Council to recommend a broad target range for the increase of UNDP reserves for 1977, or 1977-1978.

270. Members of the Council noted the Administrator's conclusion, in document DP/199, that the total resources required to sustain the Programme's activities in 1977-1981 would be close to \$3.5 billion. Taking into account various other sources of income, including additional voluntary contributions to replace assessed programme costs, the requirement to be met by the main source of finance - regular voluntary contributions - would be about \$3.3 billion. That amount was consistent with an annual average growth rate of regular voluntary contributions of 14 per cent during 1977-1981, assuming a 1976 base for that calculation of \$438.5 million.

271. The Council recognized that the proposed annual average growth rate in contributions presented a considerable challenge to all participants in the Programme. Some members noted that its achievement would require a more equitable pattern of voluntary burden sharing, while others said that the Council should realize that the proposed growth rate in voluntary contributions implied that the level of annual contributions would have to double over the course of the second development cycle. Some members recalled General Assembly resolution 2973 (XXVII), which called for a 15 per cent annual growth rate in contributions to UNDP. Several members took the opportunity to say that while they were prepared to endorse an over-all growth rate of 14 per cent per annum in voluntary contributions, they were not in a position to make any commitment to increase their individual contributions by that amount. They were of course prepared to continue to contribute to UNDP, but their contributions to the technical assistance programmes of the United Nations system in general and to UNDP in particular would have to be seen in the context of their over-all national budgetary situation and in the light of alternative claims on their resources for bilateral and multilateral development assistance. In that context, some members drew attention to the adverse consequences of the proliferation of development funds within the United Nations system and they expressed the hope that that would not adversely affect their contributions to UNDP. One member said that his country's contribution to UNDP might well be enhanced if it could be shown that UNDP was doing more for the least developed countries and for the poorest strata of the population.

272. A number of members wondered whether the growth rate of 14 per cent in voluntary contributions on the basis of current contribution patterns was in fact realistic and attainable; they drew attention to the relatively stagnant growth in contributions from some of the traditional donors to UNDP, to the relatively little progress made in increased contributions from developing countries in a

position to do better, and to the difficulties in making timely use of contributions made in non-convertible currencies. Moreover, it should not necessarily be assumed that those donors which had been responsible for a disproportionately large share of the increase in resources in the first cycle would be able to shoulder a similar increase in the future. While those donors would endeavour to make a maximum contribution to UNDP in the second cycle, they were disturbed that contributions from countries in a position to do much better were lagging. In their view, the situation facing UNDP called for an act of political will from all groups of countries in order to place the Programme on a much firmer financial basis. They would be prepared to enter into informal consultations with a view to securing a broader and more equitable basis for future financial contributions to the Programme and some members requested the Administrator to present proposals on the matter to the Council at a forthcoming session. Some members reiterated their previous statements on the question of an institutionalized form of burden sharing. They said that such a step was not realistic, and that a negotiated form of burden sharing would be contrary to the fundamentally voluntary nature of UNDP. Some members said that, should resources not be forthcoming at the rate foreseen, the cuts in the individual country IPFs should not be made across the board, but that the IPFs of the poorer countries should be safeguarded.

273. In a related matter, several members drew attention to what in their view was the fundamental financial problem facing UNDP, namely that of multiyear commitments and annual income, and suggested that the time had come for an examination of the possibilities of introducing a system of multiyear pledging to correspond to multiyear commitments. One member wondered whether the Council should authorize the Administrator to proceed with programme planning, based upon an assumed level of contributions, without any guarantee that the required level of contributions would in fact be forthcoming.

274. Several members, recalling that the IPF was merely an indicative figure of the resources likely to be available, drew attention to the need to continually balance expenditure with the resources available at any one time. In that respect the Administrator would need to be cautious during the course of the second development cycle. In the light of the resources situation, some members questioned whether the technique of "over-programming" should still be utilized. While recognizing the necessity for annual expenditure ceilings, some members wondered whether that approach, although fool-proof in restricting expenditure to the level of resources available at any one time, was in fact consistent with the concept of multiyear commitments and country programming. One member suggested, therefore, the possibility of rolled expenditure plans, perhaps over a three-year period, in which it would be guaranteed that the resources available in the third year would not be less than those available in the first year. That member made clear that his proposal was not to roll IPFs but expenditures. Another member said that the concept of long-term planning must be kept alive and the unduly conservative approach of the Administrator with respect to the mobilization of funds should be replaced by a more imaginative attitude if UNDP was to preserve the integrity of established programming concepts. Another member called for the early establishment of the 1977 expenditure ceilings to facilitate programme planning by developing countries and Executing Agencies.

275. One member suggested that in view of the acute needs of the least developed countries for technical assistance, contributions to the Special Measures Fund for

the Least Developed Countries should be made at a level over and above the assumed rate of 14 per cent for voluntary contributions to the main field programme of UNDP.

276. Some members suggested that should certain donors receive - in the form of subcontract or equipment orders - more than they contributed to the Programme, then the balance should be returned in the interests of all participants in UNDP.

277. Many members expressed the hope that developing countries at the upper end of the income scale and others in a position to do so would increase their contributions to the Programme as rapidly as possible. Some members noted that the current aggregate of annual voluntary contributions to UNDP of recipient countries with a per capita GNP of above \$500 was little more than one quarter of the annual level of their IPFs endorsed for 1977-1981. Members noted that there were several ways in which recipient countries might increase their contributions, for example, by voluntarily forgoing all or part of their IPFs. In that respect, the announcements by two recipient countries that they would forgo all or a major part of their IPFs was warmly welcomed by members of the Council, who expressed the hope that other countries would follow that lead. One member suggested that even though developing countries had voluntarily forgone their IPFs, they would still need help in securing experts and equipment, and such assistance might be forthcoming from international organizations on a fee-paying basis, and that a task force could be set up to assist the Administrator in his efforts to help those countries. Several developing country members of the Council, while recognizing their responsibilities to the Programme in the spirit of co-operation with other developing countries, nevertheless said that the decision voluntarily to forgo the IPF was one for the country concerned to take in accordance with its own national situation and circumstances. Some members drew attention to the advantages for the Programme if more countries achieved net contributor status. Some countries requested the Administrator to report to the Governing Council at subsequent sessions on the utilization of resources released through countries' voluntarily forgoing all or part of their IPFs.

278. Several members said that contributions to the Programme should be made in currencies that were readily usable. One member suggested that the Council might wish to consider the possibility of recipient countries' drawing a proportion of their IPFs in their own or in another country's non-convertible currency. Other members drew attention to the need to implement the Governing Council's decision on the question of the currency payment of salary of an expert, in spite of the decision of the Consultative Committee on Administrative Questions. Other members said that they would continue to contribute in their own currencies to UNDP; moreover, those countries which were primarily responsible for the world-wide inflation of the past few years, which had retarded the real growth of the UNDP programme, should be primarily responsible for contributing to UNDP so as to ensure an expanding real delivery of the programme in the second cycle.

279. One member described his delegation's views of the role of UNDP in the United Nations development system. The central role of UNDP, in which UNDP acted as the team leader, catalyst and co-ordinator, would be affected by the fragmentation of institutions and the proliferation of funds. That weakened efforts to achieve an integrated approach to multidisciplinary problems. Co-ordination within the United Nations system should start at the field level and

UNDP would need appropriate levels of expertise to perform effectively its role in the United Nations development system. The Administrator might wish to present his thoughts on that very important matter to the Governing Council at a subsequent session.

280. Members recognized the necessity for a mid-term review of all the matters referred to in document DP/199, on both the resources side and the expenditure side, and there was a general feeling that that review should be held not later than June 1979.

Observations of the Administration

281. The Deputy Administrator (Programme) thanked the members of the Council for their very helpful comments and constructive remarks on the important item before the Council. The Administration had taken note of those comments, which would require further analysis, and the Deputy Administrator said that at the current stage he would like to respond to those questions directed to the Administration during the course of the discussion.

282. Although all contributions pledged to the Programme constituted part of the IPF system, the Deputy Administrator said, in response to the suggestions of one member, that the Administration would be prepared to use accumulated currencies to finance activities outside of the annual expenditure ceilings as long as, of course, the IPF allocation was fully respected.

283. In response to the direct question of one member on the problem of fragmentation of the United Nations development system, the Deputy Administrator said that the Council should be assured that the Administrator would not stand idly by. The Administrator had already made known his views on a variety of occasions on the question of restructuring the operational activities of the United Nations system and he was sure that the Administrator would appreciate any assistance the Governing Council could offer so as to preserve the central role of UNDP in the system. The Deputy Administrator, in referring to the statement of one member, said that certain information on technical assistance activities financed from the regular programmes of the specialized agencies was before the Council under agenda item 14 (see chap. XIV of the present report).

284. In response to a specific request from one member, the Deputy Administrator confirmed that countries, if they so wished, could include an unprogrammed reserve in their country programme, so as to take account of unforeseen developments and contingencies. Likewise, country programmes were expected to contain an element to guard against inflation.

285. The Deputy Administrator confirmed that the additional resources the Governing Council was in the process of allocating to augment the IPFs of the newly independent countries, including Namibia, and additional resources for the national liberation movements recognized by OAU could be accommodated within the total amount foreseen for main programme activities as laid down in table 1 of document DP/199.

286. The Deputy Administrator confirmed that the Administration was in the process of establishing the 1977 expenditure ceilings by country, and he agreed with one member that it was important to establish such ceilings as early as possible.

287. The Deputy Administrator explained that UNDP was not competent to undertake an intercountry comparison of national income estimates, and that for that purpose UNDP needed to use internationally comparable data on per capita gross national product. He reminded the Council that the national income estimates used for the calculation of the IPFs referred to the years 1973-1974 and that those estimates could not be changed following an exchange rate adjustment in a subsequent year.

288. Finally, the Deputy Administrator said that he took note of the comments of several members concerning the need for continuous programming, which he agreed was essential to the concept of country programming and IPFs. In that respect, the first step to be taken would be the creation of stable reserves or the establishment of a borrowing authority, so that continuous programming would then be possible.

Resumed consideration by the Governing Council

289. At its 539th meeting, the Governing Council considered a draft decision prepared during informal consultations among members of the Council (for the text, as adopted, see para. 292 below).

290. One member, although accepting the principle of channelling aid to where the need was greatest, nevertheless regretted that the proposed allocation of Programme resources would have dangerous implications for the principle of universality in UNDP. Moreover, the model for resource allocation was intransigent, in that it did not allow for flexibility in its treatment of special circumstances unique to certain economies such as his own, which was small, weak and open, and still directly dependent on factors dating to its colonial past. He regretted that the Council was not approaching the issue with an open mind, and that he therefore was obliged, very reluctantly, to withdraw the amendment he had tabled to the draft decision (see DP/SR.539).

291. One member said that, although her delegation accepted the current consensus, it did not regard the recommendation in the decision concerning contributions to UNDP as obligatory in character. Contributions to UNDP would have to be assessed in the context both of other contributions to the Programme, and in the general increase of official development assistance in line with the target of the International Development Strategy. Another member said that he wondered whether the growth rate in voluntary contributions of 14 per cent per annum was feasible and attainable; although he subscribed to the consensus embodied in the decision, his delegation could not accept any commitment of a growth rate of individual contributions to the Programme that might be implied by the decision.

Decision of the Governing Council

292. At its 539th meeting on 1 July 1976, the Governing Council adopted the following decision:

The Governing Council,

Recalling resolution 3362 (S-VII) adopted by the General Assembly at its seventh special session, in which the Assembly stated, inter alia, that the resources of UNDP should be increased,

Recalling the decisions of the Governing Council at its seventeenth, eighteenth, nineteenth, twentieth and twenty-first sessions relating to criteria for the allocation of indicative planning figures,

Taking note of the report by the Administrator (DP/199), as well as the views expressed by members of the Council on that subject,

(a) Decided, for purposes of forward planning by Governments and the UNDP Administration, to confirm the 1977-1981 country and intercountry indicative planning figures (IPFs), totalling \$2,455 million, based on the major assumption of an over-all average annual 14 per cent growth rate in voluntary contributions in 1977-1981, each nation determining its own contribution, that were endorsed in principle at the twenty-first session; 9/

(b) Decided further that within the above-mentioned financial planning level:

- (i) Each recipient country that had gained independence since the start of 1973 should have its IPF increased in the amount of \$500,000 plus 15 per cent of the IPF as shown in document DP/199, table 1, and totalling \$12.5 million, and that the same approach should be taken immediately in the case of Namibia, totalling \$1 million, and, in the future, to other recipients as they achieve their independence;
- (ii) National liberation movements recognized by the Organization of African Unity in accordance with the relevant decisions of the UNDP Governing Council should have an IPF not to exceed \$6 million;
- (iii) Portugal should have an IPF of \$4 million;
- (iv) Cuba should have \$1.5 million in addition to the IPF shown in document DP/199, table 1, totalling \$13.5 million;
- (v) Cook Islands and New Hebrides should be included in the category of "undistributed IPF for Asia and the Pacific" and Niue should be transferred out of the same category and be given a separate IPF of \$1 million;

(c) Decided further to charge the allocations mentioned in paragraph (b) to "future participants, etc." as indicated in document DP/199, table 1;

(d) Approved the allocation for 1977-1981, for forward planning purposes, of \$17.5 million for Special Industrial Services and \$39.5 million for the Programme Reserve, the latter to be used for purposes defined by the Council at its twentieth and twenty-second sessions;

(e) Requested, in the meantime, the Administrator to take the necessary steps to start the planning and implementation of field programmes for 1977-1981 in a manner which would ensure that:

9/ For the IPFs approved by the Council for 1977-1981, see annex II to the present report.

- (i) The concept of long-term programming based on estimates of anticipated resources should be continued;
 - (ii) Expenditures should be kept within the financial resources available;
 - (iii) For the benefit of the poorer recipient countries, the pattern of expenditures should not be contrary to the spirit of the decision on the reallocation of IPFs in the second cycle;
- (f) Invited the Administrator to recommend to the Council any proposed changes in 1977-1981 IPFs resulting, in particular:
- (i) From recalculations requested by the affected country, should more definitive internationally comparable data on per capita gross national product and population for 1973-1974 and the applicability of the supplementary criteria result in a materially higher IPF than that currently calculated;
 - (ii) From requests of current participants with changed political status or of countries wishing to become new recipient participants in the Programme;
 - (iii) From the voluntary forgoing of a part or the totality of their IPFs by individual countries in a position to do so;
- (g) Welcomed the decisions of some countries to forgo all or part of their IPFs for 1977-1981 and recommended that other countries in a position to do so should make their best efforts to take similar action and communicate their decisions to the Administrator as soon as possible;
- (h) Decided to undertake a mid-term review not later than June 1979 which would include a detailed review of all expenditures and resources with respect to the UNDP second cycle programme, taking into account the needs of all developing countries and without prejudice to established criteria;
- (i) Bore in mind that during the period 1972-1976 voluntary contributions increased by 68 per cent while country project expenditure increased by only 31 per cent, project expenditure for multinational projects by 47 per cent, administrative expenditure and programme support by 75 per cent, agency overhead costs by 74 per cent, and the cost of experts by 67 per cent;
- (j) Decided that during the next cycle, 1977-1981, project expenditures of the Programme should increase more or less at the same rate as voluntary contributions increase;
- (k) Decided to review periodically the orders of magnitude proposed by the Administrator for agency overheads as well as UNDP administrative and programme support and requested the Administrator to present, in consultation with the Executing Agencies, a comprehensive and concrete plan designed to decrease significantly total administrative costs in relation to field programme costs;
- (l) Endorsed in principle the increase of all financial reserves of the Programme in the order of magnitude and for the purposes suggested by the Administrator in document DP/199;

- (m) Invited all donor countries to assist in the achievement of the dynamic growth of the Programme's activities in 1977-1981, based on the need for an equitable sharing of the total effort required with regard to the level, timeliness and usability of voluntary contributions to the Programme;
- (n) Requested donors whose institutions and firms derived substantial benefit through the supply of inputs to UNDP to make their best efforts to increase voluntary contributions;
- (o) Further urged the Administrator in the spirit of the activities in technical co-operation among developing countries, the relevant paragraphs of General Assembly resolution 3461 (XXX) and the new dimensions, to foster a fair and broader basis for the supply of inputs for UNDP-financed projects; the Administrator make sure that full information regarding potential suppliers of goods and services is available to contracting authorities to facilitate equitable participation;
- (p) Reiterated its recommendation that all donor countries currently making relatively small contribution in relation to their capacity to pay should in that context consider a marked increase;
- (q) Reiterated its recommendation that those countries at the upper end of the per capita GNP scale in a position to do so become, in accordance with the decision of the Governing Council at its sixteenth session, 10/ net contributors as early as possible; for that purpose, those countries should consider additional contributions and/or support for UNDP through a variety of means open to them. Reiterated also its recommendation that recipient countries at the upper end of the per capita GNP scale in a position to do so, other than those referred to in this paragraph, consider additional contributions and/or support for UNDP through a variety of means open to them;
- (r) Reiterated that the Administrator should consult with donor countries, both developed and developing, with the aim of achieving a stable and realistic financial basis for the Programme's activities in the second cycle, and submit a report thereon to the Council, preferably at its twenty-third session; Governments in a position to do so should consider the possibility of supplementing firm pledges for the first year of the cycle with reasonably reliable indications of contributions during subsequent years.

10/ See Official Records of the Economic and Social Council, Fifty-fifth session, Supplement No. 2A, para. 90.

IX. COUNTRY AND INTERCOUNTRY PROGRAMMING AND PROJECTS

293. Under item 3 of its agenda, the Governing Council had before it eight country programmes - for Brazil, Bulgaria, Cuba, Jordan, Nicaragua, Panama, Venezuela and Zaire - as well as a global project recommended by the Administrator and a project for assistance to Guatemala for reconstruction and rehabilitation following the February 1976 earthquake (DP/PROJECTS/R.6 and Add.1 and 2) which were submitted to it for consideration and approval at the twenty-second session.

Summary of discussion

294. During the consideration of country programmes and projects in public meeting and following the Council's decisions (see paras. 297 and 298 below), one member raised a general point with regard to the procedure for approval of country programmes. Recalling the decision taken on the matter at the twenty-first session of the Council (E/5779, para. 283), he inquired whether during the course of future sessions the Council could expect to be provided with information on particular problems and trends of a general policy nature relating to the proposed country programmes, and also with information on the actual implementation of previously approved country programmes.

295. In reply, the Deputy Administrator (Programme) said that close consideration had been given to that question and that it had been decided that the introduction of the Assistant Administrators and Regional Directors provided the best way to furnish members of the Council with the information called for. He noted that at the current session the country programmes submitted for consideration and approval were relatively few. When, at future sessions, the number of such programmes was large, the Deputy Administrator said, a separate document in which the relevant problems and trends were drawn together would be issued for the information of the Council.

296. At the invitation of the President, the representative of the European Economic Community (EEC) addressed the Council, informing the members that since its inception his organization had always made an effort to maintain special relations with the developing countries. The Lomé Convention 11/ gave specific expression to that intention, focusing on the improvement of trade relations as well as on financial and technical co-operation. Referring to the responsibility of the Commission of EEC for co-ordination with bilateral and other multilateral development co-operation organizations, he stated that contacts with UNDP resident representatives and representatives of agencies in the United Nations system were maintained on a continuing basis. The representative further informed the Council of EEC's interest in UNDP country programmes, particularly that for Zaire, since the Community's own programme of financial assistance for that country was currently under discussion. Stressing the special importance of the agricultural, transportation and communication sectors, he underlined the usefulness of co-operation among the Government, UNDP and the Commission of EEC.

11/ See A/AC.176/7.

Decisions of the Governing Council

. Following discussion of the individual country programmes and projects in private meetings, the Governing Council, at its 531st meeting on 24 June 1976:

- (a) Approved the proposed UNDP country programmes for Brazil, Bulgaria, Cuba, Ecuador, Nicaragua, Panama, Venezuela and Zaire for the duration of their respective programme periods and within the limits of their IPFs for the 1977-1981 period, to be approved later, 12/ taking into account the balance of over-expenditure or under-expenditure of their 1972-1976 IPFs;
- (b) Authorized the Administrator to proceed with appraisal and approval action on requests for assistance falling within the outlines of the respective country programmes, while ensuring, in accordance with the decision of the Governing Council at its eighteenth session, 13/ that expenditures shall be kept in reasonable conformity with the relevant IPFs and shall be contained within the financial resources available at any given time.

. At the same meeting, the Governing Council also:

- (a) Approved the Special Programme for Research and Training in Tropical Diseases (Preparatory Assistance) (GLO/75/011) and authorized the Administrator to make the appropriate arrangements with the World Health Organization for the execution of the project;
- (b) Approved the Rehabilitation and Reconstruction Programme for Guatemala for a total of \$3 million from the Programme Reserve, bearing in mind that disbursements would be subject to the availability of resources.

12/ IPFs for 1977-1981, subsequently approved by the Governing Council at its 531st meeting on 1 July 1976, are shown in annex II to the present report.

13/ See Official Records of the Economic and Social Council, Fifty-seventh Session, Supplement No. 2A, para. 31.

X. UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

299. Introducing item 9, the Assistant Administrator (Programme) said that two projects were being recommended for approval by the Governing Council under the United Nations Revolving Fund for Natural Resources Exploration, one in Ecuador (DP/189) and the other in the Dominican Republic (DP/190).

300. The Assistant Administrator informed the Council of the progress in establishing the Fund. With respect to the two projects the Council had approved at its twentieth session, ^{14/} it was anticipated that final negotiations on the Sudan project would take place soon. Some difficulties had been experienced with the Bolivian project but efforts to overcome the problems were continuing. The operational procedures for the Fund were now in effect and project proposals had been received from a number of countries. It was to be expected that several of those proposals - which were currently being subjected to a detailed review - would be presented for Governing Council approval at subsequent sessions.

301. The staff of the Fund had been kept small, in line with the current level of operational activity, and the Fund worked closely with the Centre for Natural Resources, Energy and Transport, with legal assistance from the World Bank. Funds in hand amounted to \$6.8 million and, with payment of pledges due and of interest during 1976, the total would rise to a level of \$11.4 million. At the current stage, availability of funds was not yet a limitation on project activity, although as additional projects were processed over the coming months the Fund might reach the limits of its financial capacity fairly quickly.

302. The Assistant Administrator then introduced the two proposals submitted for the approval of the Council. The Ecuadorian project would concentrate on exploration for silver, for which the market was very strong, and the evidence available to the Fund suggested that the San Bartolomé area offered favourable opportunities.

303. The main objective of the Dominican Republic project would be the location of new mineral deposits within a selected area considered to offer high potential for the discovery of copper, molybdenum, iron, cobalt and other metals. The geological indications were considered favourable and the Dominican Republic had in recent years established a strong mining industry.

304. The project agreement had been signed with the Government of Ecuador and final negotiations were in progress with the Dominican Republic. Both project agreements contained a clause to the effect that the agreements would come into operation only after the Governing Council had approved the projects.

305. Finally, the Assistant Administrator brought to the Council's attention the need for the Fund to exercise considerable caution in undertaking new commitments because of the uncertainty that existed at the start of a project as to the precise magnitude of resources that would be required. The Fund faced a dilemma between the principle of full funding to the limit - with the danger of funds lying idle for many years and the imprudence of earmarking funds only in an amount sufficient to finance minimum work programmes, since it was to be expected that in a substantial number

^{14/} Ibid., Fifty-ninth Session, Supplement No. 2A, para. 536, sect. II.

es exploration activities would continue beyond the minimum work programmes. In practice, therefore, actual expenditure by the Fund would lie somewhere between the total amount authorized by the Governing Council and the aggregate level corresponding to minimum work programmes. That meant that the Fund would have to be very conservative in undertaking new commitments and that might mean erring substantially on the side of under-expenditure rather than over-expenditure, implying in turn that the Fund would have to ask for additional funds long before resources already in hand had been fully obligated for project activities. The Assistant Administrator said that when further experience had been gained, the Governing Council would be consulted as to the methods of financial planning appropriate for the Revolving Fund.

Summary of discussion

6. Members supported the two proposals submitted for approval to the Governing Council. One member felt that, in future, project descriptions contained in the documents submitted to the Council might be expanded, both with respect to information provided on the geological framework as well as to project implementation and financing. The need for additional information would become important when the number of projects being considered increased to the point where choices and/or modifications had to be made. The same member went on to say that although he was able to support both requests, the project in Ecuador appeared to be all at the margin of the responsibilities of the Revolving Fund: the Fund should be reserved for the initial broad reconnaissance type of exploration. The member affirmed his support for the Fund and said that his Government was contemplating contribution to the Fund within the near future.

7. Another member stated that in the view of his delegation the Revolving Fund did not constitute technical co-operation among developing countries as maintained in paragraph 88 of the Administrator's report (DP/184). He stated that the developed countries contributed to the Fund in order to assure themselves of a supply of raw materials and that could lead to the exploitation of developing countries. Another member, in supporting the projects, and the revolving character of the Fund, said that when the Fund realized its full potential, it would become an effective instrument of mutual economic co-operation among developing countries. The member rejected allegations that contributions to the Fund by donor countries were motivated by a desire to develop dependable sources of raw materials in developing countries, since recipient Governments were in a position to decide, at their own discretion, when and how the actual production of mineral resources should be carried out, following a successful project assisted by the Fund. He called upon Governments to support and contribute to the Fund. Another member stated that the operational procedures of the Fund could be revised in order to adapt them fully to the needs of developing countries and to provide a mechanism through which UNDP could contribute to the development of indigenous energy sources in energy-deficit developing countries.

Decision of the Governing Council

8. At its 531st meeting on 24 June 1976 the Governing Council:

(a) Approved the project: Mineral Exploration in the Cordillera Central, Dominican Republic (DOM/NR/76/001), involving a minimum work plan of \$755,000 as

an obligation of the United Nations Revolving Fund for Natural Resources Exploration, and possible additional expenditures for further activities following the minimum work plan up to a maximum of \$1,534,500, bringing total possible expenditures to \$2,290,000;

(b) Approved the project: Detailed Investigation of the San Bartolomé and Rio Angas Mineral Prospects, Ecuador (ECU/NR/76/001), involving a minimum work plan of the equivalent of \$1,216,000, as an obligation of the United Nations Revolving Fund for Natural Resources Exploration, and possible additional expenditures for further activities following the minimum work plan, bringing total possible expenditures to the equivalent of \$2,400,000 at San Bartolomé and Rio Angas.

XI. BUDGETARY, FINANCIAL AND ADMINISTRATIVE MATTERS

309. During the session, the following questions under item 10 of the Council's agenda were referred for preliminary consideration to the Budgetary and Finance Committee, which reported thereon to the Governing Council (DP/L.310 and Corr.1, DP/L.310/Add.1 and Corr.1 and 2, DP/L.310/Add.2 and Corr.1, DP/L.310/Add.3 and Corr.1, DP/L.310/Add.3/Annex and Corr.1, DP/L.310/Add.4 and Corr.1 and 2, DP/L.310/Add.5, DP/L.310/Add.5/Annex, DP/L.310/Add.6 and Corr.1, DP/L.310/Add.7 and Corr.1, DP/L.310/Add.8/Rev.1).

- (a) Financial review for 1972-1976 with comprehensive report on financial activities during 1975 and other related matters (agenda item 10 (a));
- (b) Question of expert standard cost procedure (agenda item 10 (b));
- (c) Budget estimates for 1976 and 1977 and long-term staffing proposals for UNDP (agenda items 10 (d), (e) and (f));
- (d) Overhead costs and related questions (agenda item 10 (h));
- (e) Custodianship of UNDP funds (agenda item 10 (c));
- (f) Global procurement arrangements (agenda item 10 (i));
- (g) Financial arrangements for the participation of representatives of African liberation movements recognized by the Organization of African Unity in meetings of the Governing Council (agenda item 10 (j)).

310. At the opening meeting of the Budgetary and Finance Committee, the Chairman informed the Committee of the informal meeting of the Council, held in New York on 7 June 1976, at which certain views were expressed which had a bearing upon the work of the current session. He suggested that the Committee might, as a preliminary measure, seek clarification on any points concerning the financial review for 1972-1976 (DP/195) which would facilitate the general statement to be made in plenary meeting so as to avoid repetition or duplication of statements being made in plenary meeting and in the Committee. The Chairman further suggested that members, in seeking clarification or elaboration, might find it useful to link the subjects under item 10 (a) (DP/195 and Corr.1 and 2) with any related points under agenda item 6 (DP/194 and Corr.1 and Add.1). Finally the Chairman enumerated the various points under agenda item 10 (a) which would require a decision.

311. The Administrator introduced item 10 by making some general comments on the various subjects to be covered by the Committee.

312. He began by briefly reviewing the current financial position of UNDP. In that regard he said that Governments had been extremely helpful in a number of respects. Many Governments had already effected their payments to the Programme, some progress had been made on the reduction of past due accounts receivable, and the Administrator was hopeful that progress would be made with respect to the utilization of non-convertible currencies. Administrative expenses had been reduced by \$2 million for 1976.

313. In spite of the progress which had been made, UNDP still faced a critical financial situation. Although the Programme had avoided a cash deficit in the first half of 1976, there might be a problem towards the end of 1977 when the remaining uncovered deficit would need to be financed. That called attention to the fact that even though the Administration had made energetic efforts to mobilize additional resources, in the last analysis the elimination of the 1976 deficit would be dependent upon additional special voluntary contributions from Governments. Nevertheless, the Administrator was confident that the Programme expenditure of \$370 million authorized by the Council for 1976 was assured subject, of course, to the availability of the additional resources to which he had just referred.

314. Turning to the future, the Administrator informed the Committee that he had been successful in reducing the estimates for the 1977 administrative and programme support budget by \$4.1 million as the Council had recommended. The number of internationally recruited personnel employed by UNDP would be reduced from the current level of 610 to 577 by the end of 1977. Stringent control had been instituted on the travel of UNDP staff. All in all, the 1977 administrative and support budget was a very lean and austere document.

315. With respect to the replenishment of the Operational Reserve, which the Governing Council had indicated at its twenty-first session should be initiated, the process of restoration had not yet begun, due to the financial austerity facing the Programme as a whole in the first six months of 1976. However, the Administrator was proposing that the process of restoration should be commenced by the modest amount of \$15 million for 1977.

316. Turning to the question of assessed programme costs, the Administrator requested a clear decision from the Governing Council. He recalled that the Council had decided that assessed programme costs would become voluntary during the next cycle, 1977-1981. However, some Governments appeared to have assumed that assessed programme costs had been discontinued for 1976 as well. It was important, as for any other resource, that assessed programme costs be paid for 1976. The Administration would welcome the support of the Governing Council to ensure that payments of programme costs did not drop off drastically in the next cycle because of the voluntary character of the contributions.

A. FINANCIAL REVIEW FOR 1972-1976 WITH COMPREHENSIVE
REPORT ON FINANCIAL ACTIVITIES DURING 1975 AND
OTHER RELATED MATTERS

Summary of discussion in the Committee

317. Following introductory statements by the Chairman and the Administrator on agenda item 10, the discussion in the Committee focused on the information contained in document DP/195 and Corr.1 and 2. A number of members requested clarification of the rationale which had led the Governing Council to introduce the principle of overplanning which resulted in the projected shortage of resources as indicated in paragraph 4 of document DP/195.

318. As mentioned frequently in the past, several members commented again in the increase in UNDP administrative costs, although there was general appreciation of the Administrator's efforts to reduce the UNDP administrative costs by \$2 million.

in 1976 and \$4 million in 1977. One member expressed concern about the increasing gap between the growth of administrative costs and operational activities. He referred to a study recently completed by his Government which indicated that during the period 1969-1974 the administrative costs had more than doubled while growth in operational costs was lagging far behind. He urged the Administrator to reverse that trend and control the magnitude of administrative costs. Concern was voiced over the inability of the Executing Agencies to reduce overhead cost in the light of the current resource shortage. In that connexion one member noted that the current formula of a flat 14 per cent rate for reimbursing agencies for overheads did not give UNDP sufficient controls to reduce such costs even if it so desired. Reference was made to the possibility of reducing the 14 per cent overhead rate at a later stage.

19. One member pointed out that services and assistance provided to individual bilateral programmes could well be the cause of UNDP's increased administrative costs.

20. Other members reiterated the view expressed at the twenty-first session of the Council that UNDP should take the necessary steps to charge the organizations concerned for those functions performed by UNDP field offices on behalf of organizations and other programmes.

21. On the question of how to deal with the accumulated deficit in the expert variance account, divergent views were expressed. Some members were in support of deferring a decision on the elimination of the deficit in the expert variance account until later in the second IPF cycle, while other members were in favour of the Council's taking a decision on the elimination of the deficit at the current session. Several requests were made for additional information on the implications of the two alternatives proposed by the Administrator in document DP/195, paragraphs 7 (c) and (d), namely:

- (i) Deferring the total first cycle deficit for 1972-1976 until the next development cycle, 1977-1981, and charging the amounts against new IPF;
- (ii) Charging the yearly deficit to IPFs during the first cycle on the basis of actual expert-months used on projects during each year, 1972-1974.

22. It was noted that those two alternatives were initially presented by the Administrator at the twentieth session of the Council, at a time when it would have been possible to apportion the deficit to IPFs for the first cycle. However, it was now clear that either alternative would have the same effect at the current stage, namely to charge the deficit to the 1977-1981 IPFs, since in a number of cases the IPFs of the current cycle were fully committed. In any case, the 1976 spending ceilings were inadequate to absorb the expert variance account deficit without further disruption to the 1976 programme.

23. The suggestion was made that the expert variance account deficit should be kept on the UNDP books indefinitely in a special account created for that purpose since it would not be equitable to apportion the deficit among recipient countries at the current stage. However, several members felt that the deficit should be apportioned against individual country IPFs as proposed in paragraph 7 (d) of document DP/195 since it was the most equitable way of disposing of the expert variance account deficit. UNDP had already disbursed the funds in order to cover

the deficit in the normal course of reimbursing agencies for the actual costs of expert services incurred on projects during 1972-1975.

324. On the subject of the expert standard cost rate to be used for 1976, there was a consensus in the Committee that expert costs were increasing too rapidly. A number of members noted that since agencies were involved in the operation of the expert standard cost system, their views on the matter could facilitate the deliberations in the Committee. It was suggested that agencies might inform the Committee as to what they were doing to reduce expert costs. Agencies' views on the subject are reflected under the discussion on agenda item 10 (b) (see paras. 53-58 above). The majority of members of the Committee felt that it would be desirable for the standard cost for 1976 to be set at a realistic figure and thus were in support of the Administrator's proposal for \$3,800 per month.

325. In considering the utilization of accumulated non-convertible currencies, some members inquired why UNDP had not been more successful in the steps taken to make maximum use of the non-convertible currencies. Other members expressed serious concern over the continued accumulation of non-convertible currencies and remarked that they could not support proposals such as those in paragraph 21 of document DP/195 calling for special efforts to be taken in order to maximize the use of non-convertible currencies, since such efforts would grant preferred treatment to certain countries and run contrary to the universal multilateral nature of the Programme. They felt that special efforts rewarded those countries attempting to further bilateral activities through multilateral channels. It was observed that it appeared very unlikely that the accumulated non-convertible currencies could be counted upon as a possible contribution to resolving the current liquidity shortage or the 1976 deficit. One member observed that the countries which paid their contributions to UNDP in non-convertible currencies which were accumulating in UNDP accounts were, in fact, also contributing less than the amount they should contribute. One member, on behalf of some others, stated that the proposals of the Administrator to maximize the use of non-convertible currencies were not of a preferential character to socialist countries and would not affect the multilateral nature of the programme. Several members drew attention to the recommendations of the Working Group on Administrative and Finance Matters as outlined in paragraph 21 of document DP/195, and felt that the Administrator should follow as many of the recommendations as possible. With regard to the holding of sessions of the UNDP Governing Council in countries making contributions in non-convertible currencies, some members felt that such action could possibly assist in the utilization of non-convertible currencies. Some members stated that in their view such a use would be most inadvisable.

326. Most members reiterated their concern over the current condition of the Operational Reserve and urged the Administrator to proceed with the restoration of the Operational Reserve as soon as possible, to the \$150 million level established following the Consensus and to ensure that the Reserve would be kept fully liquid at all times. The view was also expressed that the Administrator should provide the Council at future sessions with a precise detailed statement of the composition of the Operational Reserve showing the true picture, rather than continue to follow the current practice of including miscellaneous assets, in particular the accumulation of non-convertible currencies, in the Reserve account.

327. The majority of members of the Committee felt that the Council should not waive the 1976 transfer of \$3 million from the Programme Reserve to the Special

Measures Fund for the Least Developed Countries and that the transfer should be made even if made from 1977 Programme Reserve resources. One member noted with concern the slow rate of implementing projects from the resources available for the Special Measures Fund and requested additional information as to why the programming of the Special Measures Fund had not been at a faster rate. There was general agreement with the Administrator's request for the Council's approval of the carry-over of \$1.6 million in 1975 Programme Reserve expenditures to 1976. Several members also endorsed the Administrator's plans to honour his commitment to provide supplemental resources for projects in Cuba from the Programme Reserve.

328. On the subject of assessed programme costs, most members felt that the decision taken by the Council at its twentieth session, which provided that assessed programme costs for the 1977-1981 cycle would be on a completely voluntary basis, should be maintained. Several members noted that the method of levying assessed programme costs might be improved if the assessment were computed on the basis of actual expenditure, rather than according to the current formula of 8 per cent of the respective country's IPF. Several members felt that to discontinue the principle of assessed programme costs for UNDP could possibly further erode the important concept of burden sharing by all parties and result in fewer resources for the Programme. Many members emphasized that the decision on the voluntary character of assessed programme costs in the second cycle in no way affected obligations arising from the period 1972-1976 and, consequently, all outstanding amounts due with respect to the IPF cycle should be paid as soon as possible.

Observations of the Administration in the Committee

329. The Administrator informed the Committee that the increase in the UNDP administrative budget over the years should be viewed in conjunction with the increased functions assigned to UNDP by the General Assembly. Such functions include the administration of several special United Nations Trust Funds and the increased responsibility which the Resident Representatives assumed as team leaders in developing countries for United Nations development assistance. Both of those occurrences had led to increased administrative support costs both at UNDP headquarters and in the field offices.

330. The Administrator also informed the Committee that he had engaged an international consulting firm to review the organizational structure of UNDP and that it had already prepared a preliminary draft report for discussion purposes which was being studied by UNDP. The Administrator stated that he would take the necessary action on the consultants' recommendations as soon as the final report was received. In response to several queries regarding the size of the Programme in 1977, the Administrator stated that total 1977 expenditures were currently planned at \$540.1 million, with main programme costs of \$367.8 million envisaged for 1977. He was not advocating another planning deficit for 1977 as had occurred in 1976.

331. The Assistant Administrator (Operations and Procurement) responded to questions raised in the Committee on the rationale for the original overplanning or "over-programming", as reflected in paragraph 4 of document DP/195, by stating that it had been assumed by the Council that agencies would not reach the planned programme targets since traditionally there had always been an element of slippage in project delivery. He further recalled the extent to which the subject of

overplanning was discussed at the fourteenth and fifteenth sessions of the Council and stated that the Council had acted in full awareness that such a practice, if adopted, could lead to a programme deficit. However, it had also been assumed that voluntary contributions might exceed the 9.6 per cent target, as indeed had been the case, and thus a part of the deficit would be covered by increased contributions.

332. The Deputy Administrator (Administration) in replying to questions related to the increased cost of expert services and possible solutions for offsetting the expert variance account deficit, pointed out that the information on expert costs for the first four months of 1976 clearly demonstrated a decline in the number of experts to be financed by UNDP for the year 1976. With the exclusion of travel on official business from the cost of expert services, there was every reason to believe expert costs in 1976 would be stabilized at about an average of \$3,800 per month for all agencies. The Deputy Administrator further informed the Council of the actions taken by UNDP to limit the travel of project personnel with a view to reducing the cost of expert services, and emphasized the importance to UNDP for the Council to take a decision at the current session on the treatment of the balance in the expert variance account so as to prevent future complications from arising on account of the deficit.

333. The Deputy Administrator (Programme) explained to the Committee the situation regarding the programming of the funds for the least developed countries. He stated that the Special Measures Fund had been originally envisaged at a level of \$35 million but that subsequent additional voluntary contributions had brought the level of resources up to \$45.2 million, exclusive of the \$3.0 million transferred from the Programme Reserve in 1976. Since only \$35 million had been envisaged at the time of establishing the Fund, the original programme had been designed on the basis of \$35 million. He went on to state that, while the Special Measures programme had been approved in late 1972, expenditures during 1973 had been minimal. It was only in the beginning of 1974 that the programme for least developed countries had really got off the ground and expenditures had begun to increase. Expenditures were \$1.0 million in 1973, \$5.4 million in 1974 and \$8.3 million in 1975. It was noted that the delay in getting the programme started, plus the lag in implementation even after the programme started, would undoubtedly result in residual funds being available at the end of the first IPF cycle to be carried over to 1977. However, the Committee was assured that the balance carried over in the Special Measures Fund would be made available for projects in 1977 and would most likely be spent in that year.

334. In response to questions raised on assessed programme costs, the Deputy Administrator stated that although the Council had decided to make assessed programme costs voluntary in the 1977-1981 cycle, the need remained for UNDP to make reliable forecasts of the likely level of resources to be obtained each year on account of assessed programme costs. In the light of current resource shortages it might be desirable to continue the assessment of programme costs in local currency for one or two more years, at least until the mid-cycle review, at which time the Council might decide how to resolve the problem.

335. The Director of the Division of Finance provided the Committee with clarification of those points raised regarding the detailed information contained in document DP/195. He explained that the information provided in the various tables conformed to the format and content which had been requested by the Council, and especially the apportionment of the expert variance account deficit as reflected

able 3 of document DP/195. The Director also explained that the deficit in the expert variance account was already in a type of special account on UNDP books and if the Council approved the deficit's remaining in a special account temporarily, that would not increase the projected deficit at the end of 1976. On the specific question whether funds held by agencies and field offices, as shown in annex I to document DP/195, were liquid or non-liquid assets, it was explained that those funds were no longer available to UNDP itself for expenditure. Once the funds had been transferred either to the agency or to a field office, where commitments for those funds had already been entered into, they should not be considered liquid by UNDP.

336. It was also explained to the Committee that the UNDP External Auditors might be concerned over the accumulation in the expert variance account since the funds involved had been expended and should not continue to be shown on the UNDP balance sheets either as an asset or a liability.

337. On questions raised concerning the composition of the Operational Reserve, the Director of the Division of Finance assured the Committee that the presentation of the authorized level of the Reserve of \$150 million in future reports would show the true picture of the Reserve on the basis of a separate funded account, as seemed to be desired by members of the Committee. The true balance would be shown even though it might be less than the \$150 million authorized level. Restoration of the Reserve during 1977-1981 would be maintained in a fully liquid state exclusive of such non-liquid assets as accounts receivable, agency or field office imprest balances and non-usable non-convertible currencies.

Question of payments to experts in their home currencies

338. After the conclusion of the preliminary discussion of subitem 10 (a) of the agenda in the Budgetary and Finance Committee, the subitem was forwarded to the Governing Council for further consideration in plenary meeting, together with agenda item 6 (see chap. II of the present report).

339. The Council subsequently referred to the Committee for further consideration the question of payments to experts in their home currencies. In that connexion, reference was made to the Council's decision at its twenty-first session in January 1976 on the payment of a proportion of an expert's salary in the currencies in which his country's pledge was made (see paras. 63 and 64 above).

340. Several members of the Committee expressed serious concern that the Council's decision at its twenty-first session had not been implemented by the Administrator and the Executing Agencies. One member questioned whether it was proper for the Consultative Committee on Administrative Questions (CCAQ), an entity of the secretariats of specialized agencies, not to adhere to a decision taken by a duly constituted intergovernmental body such as the Governing Council. He pointed out that CCAQ was an advisory body that could not adopt policy decisions. It was noted that the Council had been entrusted by the General Assembly with the responsibility for managing the resources of UNDP and that CCAQ should have complied with the Governing Council's request regarding the payment of a portion of an expert's salary in home country currency. Reference was also made to the specific endorsement of the Council's January 1976 decision by the Governments contributing non-convertible currency to the Programme with respect to experts from those countries. The view was strongly reiterated that the Administrator and CCAQ should implement the Council's decision without delay.

341. On behalf of the major agencies, one representative recalled that the organizations belonging to the United Nations common salary system had agreed to change the procedures for the currency of salary payments, from 1 January 1976, to ensure non-discriminatory uniform treatment of all staff at any duty station, irrespective of the country of assignment, home country, nationality or funds from which their salaries were paid. Following the Council's request at its twenty-first session to introduce the practice of paying a part of the emoluments of UNDP-financed experts in their countries' currencies, if those were accumulated in UNDP, the organizations at the March 1976 meetings of CCAQ had examined three possible ways of responding to the Council's request and had agreed to revert to the matter at the September 1976 session. The representative of a small Executing Agency said that his agency was extremely grateful for assistance received from UNDP and that it was sure it would do everything possible to follow the policy of the Governing Council.

Consideration by the Governing Council

342. During the Council's consideration of the report of the Budgetary and Finance Committee on item 10 (a) (DP/L.310/Add.1 and Corr.1), one member stated that he interpreted the phrase "without delay" in the recommended decision (see para. 34 below), to mean immediately upon approval of the decision by the Governing Council. Furthermore, the "lump-sum, non-convertible currency adjustments" should be within the levels requested by the agencies and should not increase those levels above the amounts at which they would otherwise stand.

Decision of the Governing Council

343. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Instructed the Administrator to implement, without delay, the decision taken at its twenty-first session (E/5779, para. 193 (r)) urging him, in those cases where the Programme had accumulations of non-convertible currencies, to return to the traditional practice regarding the proportion of payment made to an expert in the currencies in which his country's pledge was made;

(b) Called upon all Executing Agencies to co-operate with the Administrator in utilizing accumulated non-convertible currencies on UNDP-financed projects and for overheads; in those instances where agencies did not follow the traditional practice, the Administrator might at his discretion make appropriate lump-sum, non-convertible currency adjustments in remitting funds to those agencies.

B. QUESTION OF EXPERT STANDARD COST PROCEDURE

344. Under agenda item 10 (b), the Budgetary and Finance Committee had before it for consideration documents DP/196 and Add.1, Add.1/Corr.1 and Add.2, which contained:

(a) A report by the Administrator providing his recommendations to the Governing Council based upon the report of the Working Group on the Review of the Standard Cost System (DP/196);

(b) The report of the Working Group on the Review of the Standard Cost System (DP/196/Add.1 and Corr.1);

(c) Comments of the Executing Agencies on the report of the Working Group on the Review of the Standard Cost System (DP/196/Add.2).

5. The Deputy Administrator (Administrative) introduced the item and expressed appreciation for the work performed by the Working Group which reviewed the standard cost system. He referred to the importance of the item by stating that expert costs represented over 60 per cent of the programme and, as such, it was imperative that a new system be introduced which could capture the real cost of expert services so as to enable UNDP to identify accurately the actual cost of that component of the programme. The Deputy Administrator also pointed out that the variation between the cost of experts in individual countries, which had been one of the reasons for establishing a standard cost procedure for charging projects, had apparently diminished over the years. He further pointed out that under any system of budgeting and charging for expert services used on UNDP-financed projects, there would invariably be some disadvantages in the system.

6. The Director of the Division of Finance informed the Committee of the approach taken by the Working Group in its review of the standard cost system. He explained that the Working Group had concluded that regardless of the system used for charging expert services to projects, some type of average estimated cost would be required for budgeting purposes. The Director of the Division of Finance pointed out that the main issue arising from the standard cost system as applied to UNDP was the method to be used for charging the cost of expert services to project budgets. The Council was being requested to take a decision as to the preferred system for charging project budgets for expert services. The Deputy Administrator had proposed an actual cost system in order to avoid a recurrence of the variance account's accumulating a balance to be disposed of at a later stage.

Observations of Executing Agencies in the Committee

7. At the Committee's request, representatives of several Executing Agencies provided explanations of the various steps they were taking in order to reduce the cost of expert services in their individual agencies. Representatives of the Food and Agriculture Organization of the United Nations, the International Telecommunication Union, the Universal Postal Union, the International Labour Organisation (ILO), the United Nations and the United Nations Educational, Scientific and Cultural Organization (UNESCO) stated that they also shared the concerns expressed in the Council; but went on to state that they saw very little margin for reducing the cost of expert services used on UNDP-financed projects in the present circumstances.

8. However, they informed the Committee that their agencies had taken the following steps in order to reduce expert costs in their respective agencies:

(a) Avoidance of cash payments for the commutation of experts' annual leave;

(b) Control of hiatus financing;

(c) Limitation of official travel for experts, both within and outside the respective country of assignment;

(d) Elimination of the briefing and de-briefing of experts unless absolutely necessary;

(e) Increased efforts to reassign experts terminated on UNDP projects to their sources of financing, such as the regular programme or trust funds.

Summary of discussion in the Committee

349. The majority of members expressed their concern over the increasing cost of expert services on UNDP-financed projects and indicated that the main objective of the Council should be directed towards reducing such costs.

350. Most members expressed their appreciation for the comprehensive report of the Working Group, and a few others observed that the report had not quantified in monetary terms the savings that might accrue from the adoption of any of the nine concepts explained by the Group in its report.

351. Most members of the Committee stated that they had difficulty in understanding why agencies appeared to be resisting a change from the standard cost system to an actual cost system. The views reflected in document DP/196/Add.2 all supported keeping the current system. It was noted that agencies were stressing the importance of a simple system rather than being concerned with a solution that would assist in the effective administration and control of the expert costs used on UNDP-financed projects.

352. One member refuted the argument that inflation alone was responsible for the rising cost of experts. Another member drew attention to annex II to document DP/196/Add.1, where it was clearly shown that the majority of agencies followed a system of actual expert costs for their regular programme activities and for trust funds. For that reason, the views presented by agencies in support of maintaining the current standard cost system were not very convincing.

353. Some members noted the lack of uniformity in the various systems used by the Executing Agencies, the variations in expert costs between agencies and the large number of individual cost elements included in the current standard cost system for experts. One member requested the standardization of expert standard costs and the imposition of a ceiling on such costs.

354. A number of members expressed the view that recipient Governments should have a more active role and should participate in the selection of experts, with full information of the respective cost of individual experts.

355. A number of members noted that the current standard cost system was lacking in proper financial control and equitable distribution of the costs between the countries concerned and therefore favoured tendencies towards increased costs, which would explain in part UNDP's current financial difficulties. The view was also expressed that since agencies were able to calculate the actual cost for establishing the deficit in the expert variance account, they should not find it difficult to report such costs against individual projects.

356. A large number of members were interested in knowing why experts were categorized in the United Nations as regular international civil servants and

requested the background information on how experts came to be assimilated to the status of regular staff members. Most members felt that experts should not be categorized as regular staff and expressed concern at their numerous fringe benefits aside from their regular salary and allowances. Several members felt that the lump-sum formula for paying experts could lead to a reduction of administrative costs relating to experts and that the matter should be studied in greater depth. The Committee therefore supported the Working Group's proposal to have the matter referred to the International Civil Service Commission for review, as proposed in document DP/196/Add.1, paragraph 23.

357. One member noted that a system of charging the actual cost of experts to project budgets would undoubtedly result in a more rational utilization of resources and inquired why concepts II and VIII were not also recommended by the Administrator. The same member also expressed support for classifying experts as regular staff members, and referred to the need for a more co-ordinated system of accounting for all aspects of the programme. It was proposed that the matter of expert classification be considered by the Administrative Committee on Co-ordination (ACC). Another member proposed that the Working Group should continue to meet and submit more proposals on the question of the expert standard cost procedure.

358. The view was also expressed that UNDP should study the role of experts with a view to determining whether or not the traditional method of rendering technical assistance was still valid. One member, speaking on behalf of some others, further proposed that UNDP, after consultation with Executing Agencies, prepare an independent study of the problems and, in that connexion, requested the Administrator to submit a paper, setting out his views on the matter, to the Governing Council at its twenty-third session.

359. As an interim measure for budgeting and charging expert services to project budgets, a number of members supported the application of concept VI as recommended by the Administrator in paragraph 9 of document DP/196. Other members supported concept IX. One member stated a preference for concept II. Regardless of the system adopted, it was suggested, the Administrator should implement the recommendations contained in document DP/196/Add.1, paragraphs 15-19, as far as possible.

360. Several concerns were expressed over possible negative effects on the programme of adopting an actual cost system, since it was felt that some recipient Governments would be inclined to choose the least costly experts while overlooking the quality of expertise that might be obtained, and that it might discriminate against experts on the grounds of their personal circumstances. One member suggested that this was a legitimate operation of a market mechanism.

361. Several members felt that if an actual cost system was adopted, UNDP and Executing Agencies should ensure that recipient Governments were informed as to the cost and quality of experts to be employed on the individual projects. Some members also felt that any costing concept adopted should be limited to an experimental period only and that the Governing Council should review the matter after two years.

362. There was general support for the Administrator's proposal, contained in paragraph 22 of document DP/196, to terminate the standard cost system used for budgeting and charging fellowships.

363. Some members felt that the question of expert standard cost procedure should be postponed pending submission of sufficient information to enable the Council to make a decision.

Observations of the Administration in the Committee

364. The Deputy Administrator (Administrative) pointed out that while agencies might differ in their reaction to a possible change from the standard cost to an actual cost system, he did not envisage that there would be any significant additional cost involved in adopting a new system. He noted that a large number of experts were short-term experts who could easily be paid at actual cost. He felt that it was evident from the views expressed in the Committee that a change in agencies' respective systems was contemplated. The Deputy Administrator informed the Committee that the study on the broader question of the use of experts in developing countries as suggested by the Nordic countries would require outside consultants and he stated that no provision for that purpose had been made in the 1977 budget estimates.

365. The Director of the Division of Finance explained to the Committee that since early 1974 there had been several interagency reviews of the standard cost system. He drew attention to document DP/173, which had been provided to the Council at its January 1976 session, in which the origin and application of the standard cost procedure had been fully covered. He explained the difference in contractual status between short-term and long-term experts and noted that the former type of expert could be more costly to the programme in view of the daily subsistence allowance payments required under some short-term contracts.

366. The Director of the Division of Finance explained that the proposed lump-sum payment formula could reduce the administrative costs of backstopping and servicing experts since their emoluments would not include the various entitlements and cost elements which currently required an elaborate accounting system in most agency headquarters.

367. In response to the question why concept VI had been recommended by the Administrator, the Director explained that the decision had resulted from extensive discussions within UNDP, discussions held between senior UNDP staff and Resident Representatives, both at headquarters and in the field, and with representatives of several agencies. He stated that although concept IX had a number of advantages, it was felt that, on balance, concept VI was more advantageous to all parties to the system, namely Governments, agencies and UNDP. Regarding the financial implications resulting from a change in the system, he stated that it was difficult for UNDP to assess the additional requirements prior to the Council's authorizing the change in the system, since most of the adjustments would be required in the agency operations. The Committee was informed, at its request, of the Executing Agencies from which the participants in the Working Group had come but it was also noted that although the members of the Group were employed by individual agencies, they had participated in the Working Group in their individual personal capacities.

Further observations of Executing Agencies in the Committee

368. Following the specific request of the Committee for comments on the standard cost question, representatives of the World Bank, UNESCO, the ILO, FAO, the

International Civil Aviation Organization (ICAO), the World Meteorological Organization (WMO), the World Health Organization (WHO), the United Nations Industrial Development Organization (UNIDO), and the United Nations explained the position of their agencies. Most representatives noted that a change from the current standard cost system to a system of actual cost would increase the accounting and administrative work in their respective headquarters. One agency representative stated that the additional cost required to revise its computer systems would be very significant. Some agencies indicated they could accept either concept VI or concept IX.

369. A number of agency representatives explained that a change in the budgetary and costing system for experts would not result in a reduction in the cost of experts. The change in the system might not justify the additional costs in the long run. One representative, responding to the request for historical background explained that experts became assimilated to the status of regular international civil servants on the basis of several General Assembly decisions.

370. Several representatives of agencies agreed with the proposal made by the Working Group that the Governing Council launch a review of the lump-sum formula for paying experts since it might contribute to a reduction in the accounting and administrative work currently required to record the various cost elements included in expert costs. The majority of agency representatives felt that, with certain modifications, the current standard cost system should continue. Only one representative stated that his agency was in favour of changing the current system from a standard cost to an actual cost system for budgeting and charging project budgets.

371. The agencies emphasized the importance of a simple system which would not generate substantial increases in administrative costs; they felt that the operation of the standard cost system could be improved so as to provide for the effective administration and control of expert costs used on UNDP-financed projects.

Decision of the Governing Council

372. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council adopted the following decision:

The Governing Council,

Taking note with appreciation of the report of the Working Group on the Review of the Standard Cost System (DP/196/Add.1 and Corr.1),

Emphasizing the need for financial discipline and cost-consciousness,

Stressing the importance of ensuring that the high quality of experts is maintained,

Reiterating the view that steps must be taken to reduce the actual costs now being incurred on account of experts employed on UNDP-financed projects,

(a) Endorsed the continuation of practices within the United Nations system which maintain equity in the selection of experts from all countries without undue emphasis on the number of dependants, the exercise of entitlements or the distance from the home country to the duty station;

(b) Decided to discontinue the practice of indefinitely accumulating balances in an expert variance account;

(c) Requested the Administrator, after consulting with the Executing Agencies, to develop accounting methodology which would enable the salary costs of experts to be charged to projects in accordance with the following principles:

(i) Salary items associated with service at the duty station on the basis of actual costs;

(ii) Salary items and allowances of a personal nature and unique to the individual expert on the basis of average actual costs;

(d) Authorized the Administrator, after consulting with the Executing Agencies, to use either concept VI or IX as modified above, for budgeting and charging expert costs to project budgets, on an experimental basis, effective 1 January 1977;

(e) Requested Executing Agencies to provide Governments of recipient countries with realistic projections of the costs of experts when submitting to them their names for their consideration and subsequent selection and to provide thereafter the actual cost of the experts incurred on the projects for which they were selected;

(f) Requested the Executing Agencies to provide, on a regular basis, information on expenditures incurred on expert costs in order to enable the Governing Council continuously to monitor the composition of and trends in actual expert costs;

(g) Took note of the Administrator's proposal to consult with the Board of Auditors and Panel of External Auditors and other concerned parties in order to prepare and issue comprehensive audit guidelines;

(h) Invited the Administrator, after consulting with the Executing Agencies, to develop standardized and compatible budgeting and charging procedures that might be applicable to UNDP-financed projects as well as to other funds and programmes in the United Nations system;

(i) Invited the Administrator, after consultation with Executing Agencies and if possible with the International Civil Service Commission, to prepare for submission to the Governing Council at its twenty-third session a note setting out his views on alternative approaches to existing concepts and principles regarding the use and recruitment of UNDP-financed experts including the feasibility of reducing their costs through a new system of payments to experts on the basis of the level of expertise, inter alia, by "lump-sum" payments, the prospects of reducing the high costs of experts, taking into consideration the opinions expressed at the twenty-second session, as well as an outline of an independent in-depth study on the role of experts in development assistance, taking into account relevant aspects of new dimensions in technical co-operation and the need for increased efficiency in terms of costs;

(j) Concurred with the Administrator's proposal to budget fellowships at estimated actual costs and charge project budgets at actual cost, effective 1 January 1977;

(k) Invited the Administrator to submit a report to the Governing Council at its twenty-sixth session, reflecting experience gained in implementing the new system;

(l) Decided to review the matter at the twenty-sixth session of the Governing Council.

C. BUDGET ESTIMATES FOR 1976 AND 1977 AND LONG-TERM STAFFING PROPOSALS FOR UNDP

373. Since agenda items 10 (d), (e) and (f) were interrelated, it was decided that the discussion of the items in the Committee would be facilitated if they were considered concurrently. For its consideration of those items, the Committee had before it the reduced budget estimates for 1976 (DP/203), the budget estimates for 1977 (DP/181 (Part I and Corr.1), DP/181 (Part II)) the related comments of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (DP/206 and Corr.1), a note from the Executive Director of the United Nations Industrial Development Organization proposing an increase of Senior Industrial Development Field Adviser (SIDFA) posts to a minimum of 38 for 1977, and the Administrator's outline of long-term staffing proposals for the second IPF cycle (DP/201).

374. In introducing the item, the Deputy Administrator (Administrative) drew attention to the Administrator's statement at the Committee's opening meeting explaining the reasons why he was not submitting the detailed budget for 1977 until the Council's twenty-third session in January 1977. He then commented on the note regarding Senior Industrial Development Field Advisers, which had been circulated at the request of the Executive Director of UNIDO, and informed the Committee that a representative of UNIDO would also comment on the UNIDO note.

375. The Deputy Administrator said that the Administrator was aware of the Lima Declaration and Plan of Action 15/ and also recognized the contribution of SIDFAs in the implementation of UNIDO's policy to attack the problems of industrial development on several fronts. However, if the proposal of the Executive Director contained in his note was accepted by the Council, it would raise a budgetary question, i.e. how to accommodate the extra cost of about \$1.1 million required for the 15 additional SIDFAs to be financed. Reference was also made to the conclusion of a joint review of SIDFA operations which had been initiated by UNDP and UNIDO and which was now available to both organizations but was still under consideration. Pending a final decision on the matter, the Administrator suggested that optimum use be made of the limited resources available, which he felt would not be the case if funds were applied to fill the seven SIDFA posts now vacant, as stated in paragraph 13 of document DP/181. Previous experience indicated that from five to eight SIDFA posts had remained vacant during the course of the year. Since the Council had requested the Administrator to make reductions in administrative costs, he felt compelled to inform the Executive Director of UNIDO that budgetary provision could not be made in 1977 for all 30 SIDFA posts which had been budgeted for 1976, but that provision would be made for 23 posts in 1977.

15/ See A/10112, chap. IV.

376. Should the Council decide to fund additional SIDFA posts from UNDP resources, other related questions would arise apart from the question of their financing. At a time when UNDP resources could not accommodate the authorized number of Senior Agricultural Advisers/FAO Country Representatives, when there had been no extension of the senior adviser arrangement to other agencies, and strong economy measures had been instituted within UNDP to achieve a budget reduction of \$4 million, the Administrator found it difficult to justify the funding of 15 additional SIDFA posts.

377. The Director of the Division of Finance informed the Committee that the Administrator had prepared his 1977 budget estimates in accordance with standard procedures endorsed by the Council and the estimates had been submitted to ACABQ for review. In paragraph 19 of the ACABQ report (DP/206) it was suggested that the Council might wish to consider provisional approval of an amount sufficient to carry the Programme until such a time as the resubmitted estimates for 1977 were approved - i.e. \$10 million gross for two months to cover January and February 1977. The 1977 gross budget was \$77,278,500; thus the associated gross authorization for two months should be about \$13 million. The \$10 million quoted by the Advisory Committee represented one sixth, i.e. two months of the net budget of \$60 million. A decision along the lines suggested by ACABQ might create certain difficulties which the Committee might wish to take into account. Since 80 per cent of the UNDP budget covered salaries and related costs, with the remaining 20 per cent covering mainly non-flexible costs related to long-term commitments for rental of premises and equipment and for utilities, etc., adoption of the ACABQ recommendation might prevent the Administrator from entering into commitments for the balance of 1977 on the basis of the \$59,942,800 requested. Unless the Administrator were authorized to enter into commitments beyond February 1977, he foresaw possible difficulties. Assurances were given by the Administrator that detailed information on the 1977 budget would be submitted in good time for both ACABQ and the Council's review and consideration. The Administrator would endeavour to limit expenditures and commitments for 1977 to the \$59,942,800 requested.

378. The representative of UNIDO informed the Committee that his Executive Director's proposal requesting more SIDFAs was intended to consolidate and reinforce the UNDP capacity to act in industrial development activities as the focal point and co-ordinator of the whole system as established by the Consensus. In requesting that the number of SIDFAs be increased to 38 in 1977, the Executive Director referred in his note to a previous recommendation of the Industrial Development Board which had been endorsed by the General Assembly at its twenty-eighth session, and which aimed at obtaining 60 SIDFAs by the end of 1977. The proposal for 60 SIDFAs also reflected the new commitments of UNIDO after the Lima Declaration and Plan of Action.

379. The representative of UNIDO explained that the Executive Director felt that his proposal, now being presented to the Council, reflected the financial constraints UNDP was facing, since it recognized that the number of SIDFAs could not be increased at the rate earlier envisaged.

380. The total of 38 SIDFAs now being proposed by UNIDO for 1977 included 23 for Africa (16 with one country coverage, 7 multicountry, the objective being to have single SIDFA coverage in practically all African countries by 1982), 7 SIDFAs for Asia (3 for regional coverage), 3 for Europe and 3 for Latin America

(basically all for regional coverage). The representative of UNIDO expressed the desire of the Executive Director of UNIDO to have the issue considered as broadly as possible in the hope that one way or another a source of financing could be found.

Summary of discussion in the Committee

Reduction of the budget estimates for 1976

381. In agreeing to approve the proposed reduction of \$2.0 million in the 1976 budget estimates for the administrative and programme support services, most members commended the Administrator's excellent work, in the three months since he had assumed office, in reducing the 1976 budget to such an extent. It was noted that the reductions proposed in document DP/203 had taken fully into account the wishes of the Council and would result in the maximum use of UNDP resources for programme purposes. Members noted with satisfaction the demonstration of what could be achieved by an all-out effort to achieve economies in the administrative and programme support services and the contribution of such efforts to alleviating the pressure on the central resources of UNDP. It was stressed that the economy efforts should be continued in future budgets. One member pointed out that even though the 1976 budget was reduced in the initial estimates, it had increased 9.9 per cent over 1975 and 31.5 per cent over 1974.

382. A number of members stated that they were not satisfied with the presentation of and the separate references to technical co-operation among developing countries as distinct from UNDP's normal activities. They sought assurances that technical co-operation among developing countries would not be shown separately in future budget presentations but would be regarded as an organizational unit within the regular UNDP budget.

Budget estimates for 1977

383. In commenting upon the 1977 budget estimates, a number of members were appreciative of the Administrator's efforts to make reductions in the administrative and programme services budget for 1977 but expressed concern because a large part of the savings would be achieved through a strict control over posts that fell vacant in 1977. The planned reductions of 90 international staff members in 1977 represented a cut of about 13 per cent in the UNDP professional staff strength and would reduce the number of posts to about the 1971 level at a time when the second programming cycle was about to commence. Some members wondered whether such a large reduction might not hamper UNDP operations. It was noted that the reduction of posts as a result of attrition might hamper functions which were essential. Other members understood the Administrator's proposal to mean that the particular posts vacated through the normal processes of retirement or other forms of separation from service need not necessarily be frozen and that, if the functions were to continue, the vacated post could be filled by redeployment of a staff member and that latter post, or another post, could be frozen.

384. Since the major share of costs was represented by staff costs, the importance of keeping maximum control on staff levels at all times was stressed. The Administrator's policy in that respect received general endorsement, although

a number of members requested the Administrator to keep in mind the danger that an undue or precipitate reduction in any services might have a negative effect on the Programme.

385. Several members referred to the hard decisions in human and organizational terms the Administrator faced in carrying out a policy of non-recruitment, strict observance of retirement at age 60, and limited promotions. The fact that the administrative budget was still about 13 per cent of the projected programme in 1977 was noted. The Administrator was requested to continue along those lines. In a period of increasing costs and with a stable programme, in dollar terms, it was recognized that it was particularly difficult for the Administrator, but hopes were expressed that if the budget could not be reduced further the relative percentage should be stabilized.

386. A number of members expressed an interest in obtaining details about the restructuring referred to in paragraph 19 of document DP/181 and the various studies referred to in paragraph 20 of the same document. In that connexion, it was noted that the programme budget with the detailed staffing tables and supporting information had been deferred until the twenty-third session. It was requested that the additional submission reflect the decisions taken on the basis of the internal and external studies and that any further economies be made where possible.

387. Members commented on several individual items in the budget, including the cost of reimbursement of national income tax, the cost of maintenance, operation and alteration of premises, and special translation costs. The marked increase in the cost of UNDP's participation in jointly financed activities of administrative co-ordination was also noted.

388. Concerning services rendered to other agencies and programmes, members enquired whether the estimates summarized in paragraph 14 of document DP/181 could be elaborated upon and presented in a more detailed form. Some members sought information as to what services were performed and for whom, and what could be done to obtain reimbursement for administrative services unrelated to UNDP activities. Other members indicated that the provision of such services was a necessary price to be paid by UNDP for its central role in accordance with the Consensus.

389. Several members welcomed the increased host Government support towards local field office costs but cautioned that UNDP should take into account the economic situation of the host country, particularly in the case of the least developed countries. The trend towards increased Government responsibility for local costs was welcomed.

390. Some members drew attention to the management study on the administrative structure of UNDP and requested more details on the matter at the twenty-third session.

391. Others suggested that there should be a continuing practice of replacing international staff with local staff.

392. As was the case during the consideration of the 1976 budget estimates (see para. 382 above), a number of members sought assurances that technical co-operation among developing countries would no longer appear as a separate item under other UNDP activities but would be considered as an organizational unit within UNDP, similar to the Division of Finance and other units considered as regular UNDP activities.

393. Regarding the United Nations Volunteers programme, the suggestion was made that those costs should be charged against regional and country IPFs rather than be considered as a part of the UNDP administrative and programme support services budget.

394. With regard to the United Nations Capital Development Fund, a number of members also proposed that, in view of the growth of the Fund, the time had come to provide its administrative budget costs as a charge against its own resources. One member pointed out that the Council could not take a decision on the matter since the General Assembly had decided on that point. However, it was felt that the Assembly should be asked to consider the matter again.

395. With regard to the proposal on Senior Agricultural Advisers/FAO Country Representatives and SIDFAs, most members were firm in their support of the Administrator's position on budgetary grounds. Several members expressed concern with the Administrator's proposal to reduce the number of Senior Agricultural Advisers. A number of members, however, regretted the tendency towards fragmentation which appeared to be developing, and hoped that the reduction in sectoral support would in no way impair the co-ordinated approach to development which had evolved over the past years under the provisions of paragraph 63 of the Consensus. It was stressed that the United Nations technical co-operation system should operate in a co-ordinated, coherent manner under the leadership of UNDP. That was not dependent upon UNDP's meeting all the costs of sectoral field advisers assisting the Resident Representative. It was not the source of finance within the United Nations system which was the principal issue, but the application of the system's cumulative expertise to the solution of development problems at the country level. One member expressed the view that it was a delicate matter which went beyond the framework of the Budgetary and Finance Committee and that the matter should be discussed in the Council in connexion with the current work on the restructuring of the economic and social sectors of the United Nations.

396. Members were generally opposed to the establishment of separate agency field offices and did not wish to have a situation where Governments had different locations for contacting the United Nations. In so far as those broad issues found expression in paragraphs 10-13 of document DP/181, it was strongly suggested that further consultations should be held by the Administrator with the Director-General of FAO and with the Executive Director of UNIDO. The question of sectoral agricultural advisers had been reviewed by the Council a few years before and the conclusion reached that the arrangements were functioning satisfactorily.

397. Regarding the proposal to augment the number of SIDFAs, it was generally agreed that there was a need for expansion, particularly in the least developed countries, and that in the current financial circumstances optimum use should be made of the limited funds available. One member suggested, however, that the interests of developing countries would be better served by recruiting experts and consultants on an ad hoc basis. Several members suggested that perhaps UNIDO might wish to fund those posts from its Industrial Development Fund. It was proposed by those members that the 30 SIDFA posts established by the Council should be maintained for 1977.

398. Several members requested that information be provided to the Council at its twenty-third session on the scope, role and purpose of sectoral advisers, including the criteria for their selection and deployment. Pending consideration of that information and the outcome of the further discussions to be held by the

Administrator with the Director-General of FAO and with the Executive Director of UNIDO, it was agreed that a decision on the UNIDO request for an increase in SIDFAs should be deferred.

399. Several members expressed the view that the role of the Office for Projects Execution (OPE) should be limited to guidelines originally laid down so as to avoid any duplication of the responsibilities assigned to the specialized agencies.

400. Since the overhead requirements of OPE were lower than those of the Executing Agencies, some members stated that beneficial results might be obtained if the role of OPE was enlarged in a manner which would foster a desirable form of competition among the agencies.

401. With respect to the estimates for the United Nations Revolving Fund for Natural Resources Exploration, one member considered that the new posts requested for the Fund should not be filled until adequate justification had been provided in support of those new posts and the Council had approved the staff increase.

402. Members reiterated and reinforced the concerns of ACABQ regarding consultants' services, contractual printing, public information supplies and services, and contractual and other services for field offices. Stress was placed upon the need for constant vigilance in the use of consultant services, in particular for fund-raising, technical advice, public information and related activities and for the evaluation and assessment of UNDP projects. The budget request for public information supplies and services required additional explanations, in the view of some members, particularly with respect to the use of the services and facilities of the United Nations Office of Public Information (OPI) and the Centre for Economic and Social Information (CESI) and the information services of Executing Agencies. One member noted in that connexion that OPI employed some 700 persons and accounted for about 8 per cent of the United Nations budget, while the information supplies and services for UNDP headquarters (exclusive of staff and other costs and field expenditure) were going to cost another \$220,000. Members hoped that the programme budget presentation would show the full costs of information services within UNDP. Several members referred to special translation costs for country programmes as an item which should perhaps be reconsidered, and some expressed a willingness to re-examine the current practice of translating the country programmes into all working languages. One member stated that in her opinion the country programmes should continue to be translated into all working languages, as a number of recipient or donor countries were not English-speaking.

403. Members of the Committee were in general agreement with the recommendation of ACABQ in paragraph 19 of its report (DP/200). One member proposed that the budget be approved subject to further confirmation at the Council's twenty-third session since such a procedure would avoid the difficulties inherent in the Advisory Committee's suggestion. Members looked forward to the presentation at the twenty-third session of a 1977 budget document prepared in a programme budget format and reflecting the revised organizational structure.

Outline of long-term staffing proposals for the second IPF cycle

404. Most members welcomed the results of UNDP's first manpower planning exercise, as submitted to the Council in document DP/201, and recognized the projections as an indicative outline only of the possible shape of future UNDP staffing. The

indicative trends received general endorsement, particularly the progressive increase in locally recruited national professional officers and senior general service staff from 90 in 1976 to 130 in 1981. One member thought the number of headquarters staff could be reduced still further, to 150 in 1981, and also though the balance would still weigh heavily towards headquarters. Several members pointed out that the recruitment of national staff should take place in close consultation with recipient Governments and take into consideration each country's own priorities. Concern was expressed that inadequate attention had been paid to the human resources side of the Programme and it was hoped that the first indicative trends would lead to a more comprehensive and definite form of manpower planning within UNDP. The outline of long-term staffing trends touched on the quantitative aspects of manpower planning in UNDP but equally important were the qualitative aspects, which should not be overlooked by the Administrator.

405. The question of long-term staffing requirements should be reviewed periodically by the Council. A suggestion was made that UNDP should establish a systematic job classification system, similar to those of the United Nations and the ILO, for both the field and headquarters organizational units. One member felt that UNDP should take the lead in manpower planning among the organizations of the United Nations development system, as it had in programming technical assistance inputs, and provide the intellectual incentives needed to accomplish the task. Some members stated that all efforts should be made to keep the number and quality of field offices at the current level. Still another member suggested that the staff level in the field offices should be as thoroughly reduced as that at headquarters.

Observations of the Administration in the Committee

406. Responding to comments by members as to whether the programme's work would be hampered by the staff reductions of 90 posts by the end of 1977, the Deputy Administrator (Administrative) drew attention to foot-note 1 of document DP/181 (Part I), stating that in the short run the reductions in posts were not expected to have serious adverse effects on UNDP's ability to support and monitor the projected level of the field programme.

407. Whether, as asked by one member, the planned headquarters staffing strength could be reduced even further to 150 posts at the end of the second cycle in 1981, would of course be dependent upon the functions still attributed to headquarters at that time. Reference was made to the report of the working group on the minimum functions necessary at headquarters, and to the external consultants' recommendations as providing inputs to the decision-making process in the initial stages of the restructuring.

408. Members were assured that the field office staffing pattern had been closely reviewed in recent months by the Directorate of the respective Regional Bureaux in association with the UNDP Management Review and Audit Division and representatives of the Divisions of Personnel and of Finance. From those deliberations a tentative staffing plan for each field office over the coming five years had emerged. The field office figures quoted in document DP/201 were built up from that review. As to the effect on salary costs of utilizing more locally recruited national officers, members were informed that there were considerable variations in the salary scales for national professional officers. In some countries, those

were almost at the level paid to international officers, but substantial savings could be realized on international travel costs and some personal allowances not paid to a national officer. The impact of the increased use of national professional officers would of course be reflected in the annual budget estimates as one of the items in the usual analysis of cost increases and decreases.

409. Regarding the United Nations Volunteers programme, the Committee was informed that the UNDP Management Review and Audit Division had examined that programme in the last quarter of 1975. A number of specific proposals, including some staffing adjustments, were made better to adapt the organizational structure to its functions and those were reflected in table II-5 of document DP/181 (Part I).

410. The Director of the Division of Finance replied to the questions of members regarding the presentation of the budget estimates for technical co-operation among developing countries. He confirmed that in the future programme budget presentations technical co-operation among developing countries would be shown as an organizational unit within the UNDP regular budget similar, for example, to the Division of Finance. Members were also informed that the budget estimates for that category in document DP/181 (Part II) did not include the costs of the United Nations Conference on Technical Co-operation among Developing Countries. The annexes to documents DP/202 and Add.1 did, however, contain the financial implications to UNDP for organizing and co-ordinating the Conference. The additional financial implications to the United Nations were not to be included in the UNDP budget. A decision on the final arrangements for the United Nations costs and the source of financing would have to be taken in the General Assembly.

411. Regarding the question of national income tax and its treatment by UNDP, which had been raised by a number of members, the Director of the Division of Finance explained that the UNDP system differed in that connexion from the United Nations system. Payroll preparation and processing were still the responsibility of the United Nations, which also calculated the amount of taxes due. The United Nations operated a tax equalization account to which was credited the staff assessment for United Nations staff and against which payments of national income tax were charged. The balance for most countries was refunded. UNDP did not have access to the tax equalization account nor did it operate a similar system. The UNDP administrative budget was stated at gross and included an expenditure item for national income tax, while the section for miscellaneous income included the full amount deducted for staff assessment. The amount to be budgeted in any year obviously varied, as it was linked to the number of tax-paying staff members and their allowances. The United Nations payroll service provided UNDP with an estimate of the amount to be included for national income tax in the budget. As members might have noted, the amounts had varied considerably for the past several years and UNDP was currently working out a more precise method to obtain estimates for that expenditure.

412. One member asked about the possibility of achieving additional savings in 1976 as a result of the expenditure controls which had been introduced. Obtaining \$2 million reduction in 1976 was in itself going to be a difficult task; UNDP had settled accounts for four of the first five months and appeared to be on target. However, it was not envisaged that there would be any sizable savings over the \$2 million to which the Administrator was committed. An assurance was given that all possible savings would, however, be sought. As to the differences in 1976 figures in documents DP/203 and DP/181, those were explained as the result of the changed treatment of the host Government contribution in cash for 1977. Although

now fully included in the respective budget items and in the income section, those had always been taken into account previously and shown also as an information annex in the annual budget documents. On the subject of the increases/decreases for individual countries, the Director of the Division of Finance, explained that although there were indeed decreases for a number of different reasons, the over-all general upward trend was encouraging. The Administrator would, of course, continue his efforts to obtain increased contributions from host Governments towards local office costs.

413. A fairly detailed report was received from 106 field offices on the quantity, type and level of services provided to other agencies and programmes in support of non-UNDP-financed activities. Those had been analysed and resulted in the summary percentages quoted in paragraph 14 of document DP/181. A more detailed analysis had been undertaken of the information provided by 16 field offices (some 15 per cent of the total), 6 in Africa, 4 in Europe, Mediterranean and the Middle East, 3 in Asia and the Pacific and 3 in Latin America. The percentage for that sample was almost the same (27.4 per cent). The sample had also been broken down under the three main areas of support, namely programme and financial and administrative services. Types of services identified included the processing of fellowships for regular programme activities, co-ordination of agency Funds-in-Trust projects, services provided to consultants and advisers, such as correspondence with Government on arranging meetings with senior Government officials, assistance at local seminars, direction of United Nations Information Centres or supervision in the absence of the Centre Director, payments of per diem and salaries of visitors, consultants and experts, disbursement and accounting functions provided to the various organizations for activities located in the field duty station, assistance given to visitors and experts regarding visas, tickets, hotel accommodation, transportation, residency permits, vehicle registrations, driver licences and clearing of personal effects, liaison between visitors and Governments, correspondence handled for United Nations organizations and assistance given to refugees.

414. Regarding consultant services, the Director of the Division of Finance explained that there were instances where there was a need for contacting special sources or consultants with special language ability or a knowledge of individual governmental procedures in certain countries, in which case highly selective use would be made of the provision for fund-raising consultancies. Technical advisory services were not available within UNDP for all disciplines and it was for that reason that from time to time there was a need to obtain the short-term services of a highly specialized consultant. As regarded evaluation, similarly, a certain capability existed within UNDP but was largely dedicated to the development of evaluation techniques and procedures; on-the-spot evaluation might require special expertise. Some very interesting results had been obtained from such missions, usually in association with one or more agencies.

415. Members were informed that special translation costs was an item which perforce had to be included in the budget in case the United Nations was not able to accommodate the translation of the country programme documents within the normal workload. If it was unsuccessful in that respect and the translation had to be contracted out, such costs would be for the account of UNDP.

416. The 15 per cent turnover rate commented upon by a number of members and by ACABQ was not an estimate figure but the by-product of a series of detailed

costing exercises for encumbered and vacant posts. In the reworked 1977 budget estimates, a different presentation would be made, however, showing all the elements.

417. As to how inflation was taken into account in the budget estimates, the Director of the Division of Finance explained that, since UNDP operated in a global network of field offices, it must rely upon the Resident Representatives for detailed estimates for his local expenditure items, including provisions for increased costs and inflation. Those were examined at headquarters and adjustments made or additional information or justification requested of the Resident Representative. On the advice of the Fifth Committee, a study on the methodology for calculating inflation was under way in which UNDP would participate. The resulting recommendations would be followed, certainly for the main UNDP locations, and efforts would be made to try to apply the methodology to all duty stations.

418. The Director of the Division of Finance informed the Committee that the 1976 and 1977 estimates submitted for the UNDP Division of Information were \$35,000 less than the amount originally requested for 1976 in document DP/125. UNDP had discontinued some time previously the producing of "glossy" publications. The public version of the Administrator's report was the only one still produced on high-quality paper; all others were produced on cheaper stock and by the most economical methods. Members were informed that the UNDP Division of Information did indeed co-operate very closely with OPI and CESI; however, there was still the need to have an in-house capability to produce the information for inclusion in the publications of those bodies. The degree of co-operation was illustrated by the fact that all publications aimed at non-governmental organizations were fully discussed between OPI, CESI and UNDP. The importance of being able to present the facts about UNDP correctly was given as an important role of the UNDP Division of Information. UNDP information costs were quoted as 21 per cent of the total budget as compared to a figure of 8 to 10 per cent in some other organizations.

419. The Director of the Division of Finance stated that he was not aware of precedents for the appropriation modality suggested by ACABQ in recommending that the total budget not be approved. Some problems might arise, as potentially the Administrator could be placed in the situation of not having spending authority beyond February 1977. There were perhaps legal ramifications in operating under such a limited spending authority, which at the gross level should be \$13 million and not \$10 million for two months. The suggestion which had been made by one member regarding the provisional approval of the full amount subject to confirmation in January 1977 offered a satisfactory solution.

420. Concerning the Geneva Office, members were advised that the 1976 budget provided 10 professional and 24 general service staff costing, in total, \$1.2 million. The 1977 detailed budget by office, including Geneva and also other offices separately, would be a part of the programme budget presentation being produced for the twenty-third session of the Council.

421. The Director of the Division of Finance also recalled that the phrase "reasonable limits" had been discussed at the twentieth session and it was his understanding that it was for ACABQ to establish what it would consider reasonable and what not reasonable in connexion with the transfer of credits between appropriation sections.

Consideration by the Governing Council

422. At the 531st meeting of the Council on 24 June 1976, the Administrator provided the Council with a progress report on studies of UNDP headquarters by internal UNDP staff groups and an external consultant firm. While he had intended initially to seek the advice of a small experienced group of people, with direct knowledge of development and the United Nations system, about improvements to be adopted to achieve policy and management objectives many of which had been requested by the Governing Council, because of the time constraints he had retained an established and reputable consulting firm, McKinsey and Company, to advise him about the management needs of the Programme through a diagnostic study of existing UNDP headquarters organization structure and management processes, and to assist him in establishing priorities among the major and immediate problems identified that would be susceptible of early remedial action.

423. While the study had not yet been completed, it had identified a number of priority needs:

(a) The need for stronger central leadership and direction and for improved co-ordination arrangements;

(b) The need for clearer definition and streamlining of decision-making processes, based on systematic analyses of implications of alternative decisions, especially in the decision process linking financial and programme planning, and financial management with operational controls;

(c) The need for the organizational structure to provide for certain functions more adequately - such as more integrated resource management and planning support, the elimination of duplication of efforts in the area of information collection and analysis and a more rational grouping of organizational units;

(d) The need to define working relationships more clearly to facilitate more effective interunit collaboration;

(e) The need to overcome some mismatching of staff skills and job requirements and the resulting under-utilization of talent;

(f) The need for a clear enunciation of an adequate management information policy and arrangements for consistent information.

424. The report had suggested certain approaches to overcome those management weaknesses: they included achieving sharper differentiation between headquarters and field office functions; the need for the better articulation of substantive programme goals and priorities; strengthened linkages between the technical, sectoral advice available at headquarters and Programme activities; and the establishment of a small office to undertake planning and co-ordination for the Administrator. There were also several suggestions concerning financial management reporting and control to overcome a cleavage between financial planning and programming, and the recommendation that there be a further review of the details of financial monitoring procedures, particularly as regarded the Participating and Executing Agencies, by someone who was familiar with the accounting procedures of those agencies. Finally, improvements were suggested in external relations with

regard to resource mobilization, liaison with the agencies, and liaison with bilateral agencies on programme and policy issues.

425. The Administrator stated that the report would have to be studied further. In the meantime, he had taken some specific steps to improve management of UNDP. First, in response to the concern expressed by the Governing Council and the preliminary suggestions in the McKinsey study, as well as his own analysis of the needs of UNDP, he had retained the services of Professor Milton P. Siegel, who had for many years been Assistant Director-General of the World Health Organization for Administrative, Financial and General Services, for a period of no more than six months. Professor Siegel would utilize the analyses already carried out with a view to making proposals for better reporting and monitoring of UNDP expenses in relation to its resources, more effective financial management control, more adequate monitoring of financial functions designated to the specialized agencies and proposals related to the application of more modern management techniques. Secondly, he intended to manage with one Deputy Administrator after Mr. Lindström's departure. Thirdly, he hoped for the support of the Council for a proposal to increase and heighten the activities of the UNDP Office in Europe, which would have greater autonomy and independence in programming and monitoring while reporting directly to him. He stated that, as he foresaw that, it would be on an experimental basis, and would involve an increase of the Geneva Office's responsibilities in the areas of external relations with Governments, agencies, other intergovernmental organizations and voluntary agencies and in a more effective information role in Europe. Fourthly, he stated that he intended to draw together in an Office of Special Activities several non-regional operational elements of the programme which required closer supervision and better co-ordination with other components of UNDP. Fifthly, he stated that he intended to rearrange staffing assignments in order to locate in his own Office a small functional group to assist him in providing more effective supervision and co-ordination of all appropriate functions of UNDP, particularly the co-ordination of programme, finance and treasury functions. It would also provide the substantive units at headquarters with guidance as to forward planning work.

426. The Administrator reiterated that he had based those first conclusions not only on the McKinsey study, but also the advice of formally constituted panels composed of UNDP staff members who had provided him with three valuable studies on UNDP personnel policies and practices, on equal opportunities for women in UNDP, and on the essential minimum functions to be performed at headquarters. He said that he had also established a mechanism for younger staff members of UNDP to channel innovative ideas to him and to become more fully involved in the choices facing UNDP. He indicated that he would report more fully to the Council at its twenty-third session on those matters, and that he would look forward to receiving the Council's guidance.

Decisions of the Governing Council

427. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary Finance Committee, the Governing Council adopted the following decisions:

The Governing Council,

Having considered the 1976 revised budget estimates for administrative and programme support services of the United Nations Development Programme (DP/203),

(a) Decided that the gross appropriations totalling \$69,596,000 to be allocated from the resources of UNDP approved at the twentieth session for the 1976 budget be decreased by \$2,682,700 as follows:

Section	Amount appropriated at the twentieth session	Increase (Decrease)	Total revised estimates
	US dollars		
Salaries and wages	41 886 500	(3 825 400)	38 061 100
Common staff costs	17 059 100	1 324 900	18 384 000
Travel and transportation	1 341 600	(100 000)	1 241 600
Permanent equipment	789 900	(100 000)	689 900
Other general expenses	7 537 300	95 800	7 633 100
Special expenses	981 600	(78 000)	903 600
	<u>69 596 000</u>	<u>(2 682 700)</u>	<u>66 913 300</u>

(b) Decided that, should the consultations between the Administrator and the Director-General of FAO result in the need to maintain additional posts for Senior Agricultural Advisers in 1976, the supplementary credits required could be presented to the Council at its twenty-third session;

(c) Agreed that the Administrator should be authorized to transfer credits between appropriation sections of the 1976 budget, within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions;

(d) Decided that the estimated income totalling \$9,977,200 to be credited to the resources of UNDP be decreased by \$642,800 to \$9,334,400.

II

The Governing Council,

Having considered the 1977 budget estimates for administrative and programme support services of the United Nations Development Programme (DP/181 (Part I and Corr.1), DP/181 (Part II)) and the related report of the Advisory Committee on Administrative and Budgetary Questions (DP/206 and Corr.1),

(a) Authorized the Administrator to incur expenditures for the first three months of the financial year 1977 to cover the costs of UNDP, the Office

for Projects Execution, and the United Nations Revolving Fund for Natural Resources Exploration as follows:

- (i) \$20,000,000 (gross) to cover the administrative and programme support services costs of UNDP, to be allocated from the general resources of the Programme;
 - (ii) \$460,000 (gross) to cover the costs of the Office for Projects Execution, to be financed from overhead received on projects executed by UNDP;
 - (iii) \$109,000 (gross) to cover the costs of the United Nations Revolving Fund for Natural Resources Exploration, to be allocated from the resources of the Fund;
- (b) Authorized the Administrator to enter into commitments for the balance of the financial year 1977 to the extent necessary on the basis of the budget estimates for 1977 (DP/181 (Part I and Corr.1), DP/181 (Part II));
- (c) Took note of the Administrator's plan to submit to the Governing Council at its twenty-third session, through the Advisory Committee on Administrative and Budgetary Questions, additional information in support of the 1977 budget request following the revised organizational structure and in a programme budget format.

III

The Governing Council

- (a) Took note of the report of the Administrator on the outline of long-term staffing proposals for the second IPF cycle (DP/201);
- (b) Requested the Administrator to take into account the views expressed the Budgetary and Finance Committee when implementing his long-term staffing proposals and to report to the Council as appropriate on the matter.

D. OVERHEAD COSTS AND RELATED QUESTIONS

428. Under agenda item 10 (h), the Committee had before it for consideration the following documents: DP/200 which contained the Administrator's report on criteria relating to overhead flexibility arrangements for smaller agencies; DP/200/Add.1, containing the comments of the Advisory Committee on Administrative and Budgetary Questions on the request of the International Telecommunication Union (ITU) for special overhead reimbursement for the year 1974; DP/200/Add.2, reproducing a letter from the Chairman of ITU's Administrative Council to the President of the Governing Council containing the observations of the ITU Administrative Council on the comments of ACABQ; and DP/207, which provided the Council with comments of the Administrative Committee on Co-ordination on the Joint Inspection Unit report on the cost measurement system.

429. The representative of the International Telecommunication Union stated that the comments of ACABQ regarding the case of ITU did not accurately reflect the

concerns of ITU and pleaded with the Committee to consider their position favourably. He stated that ACABQ in its last report indicated that the \$10 million expenditure ceiling established for overhead flexibility entitlement was inadequate and further stressed that ITU 1974 expenditures had reached only a modest level of \$11 million.

30. The representative also drew attention to the fact that the Joint Inspection Unit, in its last report on certain aspects of ITU's activities, supported a further extension of the flexibility arrangements to ITU.

Summary of discussion in the Committee

31. Most members supported the request of ITU and remarked that the \$10 million expenditure ceiling established for flexibility appeared to be inadequate and should therefore be reviewed in conjunction with the comprehensive review on the whole question of agency overhead to be undertaken by the Council at its twenty-fourth session.

32. The view was also expressed that the Council should examine fully the criteria for granting flexibility provision to smaller Executing Agencies. One member expressed sympathy for ITU's position, but noted that the favourable response of a majority of members was based on the persistence of ITU in bringing the matter before the Council rather than its strict legal right or entitlement to additional overhead payment. He also stated that the questions raised by ACABQ were quite germane to the case before the Committee yet, he noted, the questions were still unresolved. Another member felt that an exception granted to ITU could set a precedent which could jeopardize the established formula for overhead reimbursement. Some members felt that if the Council were to grant the request made by ITU, that could lead to similar requests from other smaller agencies.

33. Another member stated that there seemed to be no corollary between an agency's administrative costs and the extent of its programme delivery; consequently, he felt it would be unwise to make an exception for any agency until the criteria of overhead flexibility were reviewed. While some members requested postponement of a decision, a majority of members reiterated their support for the ITU request and favoured a positive response by the Council.

Decision of the Governing Council

34. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

- (a) Took note of documents DP/200 and Add.1 and 2 and DP/207;
- (b) Authorized the Administrator to reimburse an amount of \$136,733 to ITU representing a special overhead reimbursement in respect of the year 1974;
- (c) Decided that the granting of the additional overhead to ITU should be considered as an exceptional case in the particular circumstances, and should

not be viewed as a precedent which would prejudice future overhead payments to small agencies nor as a review of the question of agency overhead costs.

E. CUSTODIANSHIP OF UNDP FUNDS

435. Under agenda item 10 (c), the Budgetary and Finance Committee had before it for consideration document DP/193, which provided the Committee with the latest developments on the question of custodianship of UNDP funds and a tabulation of the financial services provided by the United Nations Secretariat on behalf of UNDP.

436. The Director of the Division of Finance introduced the item and informed the Committee of the historical background on the question of custody of UNDP funds. He reminded the Committee that the subject had been reviewed at several previous sessions and noted that it was also placed on the provisional agenda for the twenty-third session, but stated that the Administrator anxiously awaited a positive decision by the Council. The Director further informed the Committee that the United Nations Controller had hoped to be present for the discussion in the Committee but unfortunately he had not yet arrived at Geneva.

Summary of discussion in the Committee

437. One member, speaking on behalf of a group of countries, stated that that group of countries could readily agree to the transfer of custodianship of UNDP funds from the Secretary-General to the Administrator but that such a decision should have the positive recommendation of the Advisory Committee on Administrative and Budgetary Questions and be based upon favourable consultation between the Secretary-General and the Administrator.

438. A large number of members voiced their disappointment at the slow progress being made on the implementation of the Council decision taken at its twentieth session requesting the Secretary-General to delegate increased authority to the Administrator for the custody of UNDP funds. 16/ Several members supported the view that the Council should have up-dated comments from ACABQ on the question before further consideration by the Council. In addition, one member suggested that the further discussion should take into due account the opinion of ACABQ as the competent body of the United Nations and that the Chairman of ACABQ should be invited to the next session of the Governing Council to participate in the discussion on the custody of UNDP funds and present the views of the Advisory Committee. One member recalled that the Chairman of ACABQ had been invited to the Council and enquired as to the reason why he had not attended. Her delegation's position that the custodianship of UNDP funds should remain with the United Nations Secretary-General was restated.

16/ See Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A, para. 405.

Observations of the Administration

439. The Director of the Division of Finance explained that the Chairman of ACABQ was unable to attend the current session of the Council because the Advisory Committee was currently in session in New York in connexion with its responsibilities for the forthcoming General Assembly. He also stated that the separation of the custodianship functions was causing unnecessary difficulties to UNDP during the current financial difficulties. The Administrator remained firm in his belief that he should have full custody of UNDP funds.

Decision of the Governing Council

440. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of the progress report submitted by the Administrator on the subject of custodianship of UNDP funds (DP/193);

(b) Reconfirmed its decision taken at the twentieth session of the Council requesting the Secretary-General to delegate to the Administrator sufficient authority to permit the Administrator to fulfil properly the responsibilities entrusted to him in paragraph 30 of the Consensus, 17/ particularly responsibility for the management of UNDP funds;

(c) Requested the Administrator to report to the Council at its twenty-third session on progress made in that regard, including an account of the views of ACABQ on the matter.

F. GLOBAL PROCUREMENT ARRANGEMENTS

441. Under agenda item 10 (i), the Committee had before it for consideration document DP/156, which provided a brief historical background to the developments on global procurement arrangements, including a review of previous Governing Council decisions taken thereon.

442. The Assistant Administrator (Operations and Procurement) introduced the item and remarked that the Executing Agencies in general were not in favour of UNDP's implementing a global procurement system. He stated his belief that there should be a facility for central purchasing which could also be used as a focal point for consultation with Executing Agencies on procurement matters. The Assistant Administrator said that, through its Office for Projects Execution (OPE), UNDP was increasing its participation in procurement arrangements and that with the upcoming TCDC arrangements and direct execution by Governments of projects, the need for a central procurement facility had increased. He felt that consideration should be given to the establishment of such a service even if only on an experimental basis; the cost of the facility could be included in the 1977 budget estimates for the Office for Projects Execution, under the same financing arrangements as pertained to OPE.

17/ General Assembly resolution 2688 (XXV).

Summary of discussion in the Committee

443. One member, speaking on behalf of several members, remarked that UNDP should enter into consultations with Executing Agencies with a view to streamlining the whole procurement system. He stated that the information flow under the current decentralized system was insufficient and the total operation in and of itself did not satisfy the needs of participating Governments. He indicated that United Nations procurement might give preference to developing countries along the lines of the World Bank formula. The same member supported the proposal for global procurement arrangements for reasons of cost-efficiency and improved utilization of resources.

444. Several members expressed the view that the proposed procurement system should take into account the thrust towards technical co-operation among developing countries so as to enhance participation of developing countries in the functions of the system. It was further stated that the process of equipment standardization under any central procurement system should work in conjunction with the efforts of developing countries to standardize their own equipment and should take into consideration local prevailing conditions in each case.

445. One member requested information on the administrative costs which would be incurred in implementing the scheme and also on the arrangements contemplated to accommodate stockpiling of equipment.

446. Several members supported the establishment of a central procurement system on an experimental basis, to be operated on a limited scale and under frequent review by the Governing Council. Other members suggested that a decision on the question be postponed until the twenty-third session, at which time the Council would have had sufficient time to make a closer review of the proposal. Most members felt that the Administrator should proceed with the establishment of a pilot programme for central procurement and stockpiling of "common user" items and urged that careful consultations with Governments precede the purchasing of such equipment.

447. The International Labour Organisation informed the Committee of its efforts to involve all interested parties in purchasing activities: the ILO Senior Advisers, the UNDP Resident Representatives and the substantive counterpart staff of recipient countries. The representative of the ILO also registered his reservation on the timing for establishing a global procurement scheme in view of the scarcity of programme resources and the efforts towards decentralization of administrative activities.

Observations of the Administration in the Committee

448. The Assistant Administrator (Operations and Procurement) informed the Committee that the proposed central procurement scheme was based on a recommendation of the Procurement Officers Group in which the majority of agencies participated. The Assistant Administrator also pointed out that UNDP had already held negotiations with UNICEF, which had considerable experience in the field, for utilizing their stockpiling and ordering facilities. In addition, he stated that advantage would be taken of the stockpiling experience of the United Nations in connexion with peace-keeping activities. Manufacturers' special arrangements could also be worked out, as proven by past experience, and there would also be

possibilities for procurement through local suppliers in developing countries in certain cases. He further stated that the supervisory costs of the arrangement would be covered under the normal entitlement to overhead costs reimbursement earned by the Office for Projects Execution.

Resumed consideration by the Committee

449. Following the conclusion of the substantive consideration on agenda item 10 (i), the Chairman was requested to obtain the Committee's approval to allow the representatives of the United Nations, the Food and Agriculture Organization of the United Nations and the United Nations Educational, Scientific and Cultural Organization to make statements for the record on global procurement. Subsequently, the discussion on the item was reopened in the Committee.

450. The representative of the United Nations stated that at an interagency meeting in late 1975, several Executing Agencies, including the United Nations, suggested that the consultants' report on global procurement should be referred to a meeting of interagency procurement officers for additional review and for a final recommendation. Such an interagency review of the consultants' report had not been held as the procurement officers had recommended. It was the unanimous feeling among the major agencies that the consultants' report was very inadequate, fell considerably short of identifying the problem, and that the recommendations made were not sound. Under those circumstances they strongly recommended that the consultants' report be referred to a meeting of the agency procurement officers before a decision was taken to institutionalize the concept of global procurement.

451. The representative of FAO recalled that the subject of global procurement had been discussed a number of times between UNDP and the agencies. He went on to state that his agency had not changed its opposition to the concept of global procurement by UNDP. It should also be noted that current circumstances were completely different from those in which the issue had at first been considered since it should be recalled that at that time agencies were being requested to accelerate the delivery of UNDP projects and to decentralize their operations. Centralized procurement also went against the latter of those goals. It should further be noted that (a) genuine standard items, common to all agencies, constituted a very small part of total purchases; (b) FAO's purchasing staff had very serious doubts that bulk purchasing by UNDP would lead to financial savings; (c) costs of warehousing and handling of bulk purchased items was likely to be high; and (d) the current problem facing agencies was the shortage of available equipment rather than obtaining items at discount prices. Central procurement required interagency standardization of items, which would also oblige standardization between countries. FAO also had reservations concerning the consultants' report and felt that its conclusions were not all backed by sufficient and convincing justification. FAO recommended that UNDP proceed with the co-ordination of policy matters regarding procurement in collaboration with agencies and that the Administrator be requested to consult again with agencies concerning other aspects of global procurement.

452. The representative of UNESCO supported the views expressed by FAO and drew the Committee's attention to the views of agencies contained in document DP/156.

He stated that UNESCO gave preferential treatment to purchase from developing countries whenever possible, and had increasingly had recourse to local purchase of items for UNESCO-executed projects. Subject to approval by its General Conference at its forthcoming nineteenth session, UNESCO would propose a specific programme designed to provide advisory services to recipient Governments wishing to procure their own equipment. UNESCO was of the view that most of the activities of the proposed central procurement office could be taken care of by a composite group with the participation of UNDP and the agencies. In such a case, the Administrator could report to the Council as to the progress made by that group in its work. Finally, UNESCO suggested that a decision by the Council on global procurement should be deferred at the current stage and that the Administrator should be requested to consult again with agencies on the subject.

453. Following the statements made by the agency representatives, members of the Committee restated their positions on the subject of establishing a central global procurement facility within UNDP. Some members felt that the information presented by the agencies in their statements reopening the debate added additional elements to be taken into account by the Committee. A number of members preferred to defer consideration of the Administrator's proposal for establishing a small central procurement unit within UNDP because of the lack of adequate information on benefit elements, and suggested that the Administrator should continue his consultations with the agencies. Some members stated that the specialized agencies should be given the opportunity of producing evidence in support of their reservations and that the Administrator should express his views thereon before a final decision was taken.

454. A number of other members expressed surprise that the agencies had chosen to intervene in the Committee debate after the substantive discussion had been concluded. They still felt that the modest proposal before the Committee should be approved. The view was stated that the proposed pilot programme did not carry a risk of getting out of hand as it could be terminated if necessary. It would provide an opportunity to prove or disprove the claims that had been made in favour of a system of global purchasing of certain types of items. The planned system had certainly not been designed with a view to "narrowing the bread" of the procurement divisions of agencies, since its sole aim was to be of benefit to the Programme.

455. It was felt that the experiment would not become a disappointment, based upon the results already achieved by OPE in project execution. Those members were of the opinion that OPE could in a similar way effect savings in the field of procurement.

Decision of the Governing Council

456. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council:

(a) Took note of the report of the Administrator on global procurement arrangements (DP/156);

(b) Requested the Administrator to continue his consultations with the Executing Agencies on a system for centralized procurement of UNDP equipment, including the establishment, on an experimental basis, within the Office for Projects Execution, of a central procurement facility, possibly staffed in part by personnel seconded from Executing Agencies;

(c) Requested the Administrator to report to the Council at its twenty-third session on the outcome of his consultations and submit proposals for an experimental facility, together with an estimate of the financial implications and of expected savings to be obtained.

G. FINANCIAL ARRANGEMENTS FOR THE PARTICIPATION OF REPRESENTATIVES OF AFRICAN LIBERATION MOVEMENTS RECOGNIZED BY THE ORGANIZATION OF AFRICAN UNITY IN MEETINGS OF THE GOVERNING COUNCIL

57. Under agenda item 10 (j), the Committee had before it for consideration document DP/204 concerning the question. It authorized the Chairman of the Committee to report orally to the Council, informing it of the Committee's recommendation concerning the travel expenses and subsistence costs of the representatives of African liberation movements recognized by the Organization of African Unity (OAU) invited to participate in the twenty-first and twenty-second sessions of the Council (see para. 459 below).

58. At its 533rd meeting, the Governing Council inter alia, requested the Administrator thenceforward to invite the representatives of African liberation movements recognized by OAU to take part in the work of the Governing Council as observers throughout the Council's session (see para. 228 (d) above). The Budgetary and Finance Committee recommended a further decision for adoption by the Council in that connexion (see para. 459 below).

Decisions of the Governing Council

59. At its 517th meeting on 15 June 1976, the Governing Council, on the recommendation of the Budgetary and Finance Committee, approved, in order to cover the travel expenses and subsistence costs of the representatives of African liberation movements invited to participate in the twenty-first and twenty-second sessions of the Council, an amount of \$30,000 to be charged against that portion of the Programme Reserve set aside for provisional IPFs for the liberation movements in question.

60. At its 540th meeting on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council decided that, in order to cover the travel expenses and subsistence cost of the representatives of African liberation movements recognized by the Organization of African Unity invited to attend the twenty-third and twenty-fourth sessions of the Council, an amount of \$50,000 was to be charged against that portion of the Programme Reserve set aside for provisional IPFs for the liberation movements in question.

XII. TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES

461. Under item 11 of its agenda, the Governing Council had before it the report of the Administrator on the proposed organization and financing of a world conference on technical co-operation among developing countries (TCDC) to be held in 1977 (DP/202 and Add.1). The item was referred for preliminary consideration to the Council's sessional Committee on Technical Co-operation among Developing Countries, which met to consider the arrangements, discuss a proposed agenda and review the recommendations in the report of the Working Group on Technical Co-operation among Developing Countries (DP/69) and their implementation thus far by UNDP.

462. In his opening statement to the Committee, the UNDP Administrator reiterated his personal commitment to the concept of TCDC and recalled his pledge, made earlier in the Council's opening session, to intensify UNDP's role in the matter. He noted the Committee's particular concern with the United Nations Conference on TCDC to be held in 1977, to which the Government of Argentina had offered to act as host. Expressing appreciation to that country, the Administrator pledged to do his utmost to make the Conference a success. Despite the conservative financial provision proposed, which stemmed in part from UNDP's need to constrain administrative costs, Conference preparatory requirements would be fully met.

463. The Administrator declared that the implementation of TCDC must move ahead faster and in a more integrated fashion. He intended to consult the agencies to that end. He would follow the work of the Committee with close attention.

464. The Assistant Administrator (Programme) noted that, in accordance with decisions of the Governing Council at its twentieth and twenty-first sessions, the Committee had two major issues before it: one was the organizational and financial aspects of the Conference; the other was an exchange of views on the recommendations in the report of the Working Group on TCDC.

465. Turning to the first of those, the Assistant Administrator said that the proposed provisional agenda took into account the agenda of the regional meetings, the recommendations of the Working Group, decisions of the Governing Council and the General Assembly on TCDC and the discussions and recommendations of the two regional TCDC meetings held to date in Asia and Latin America. After reviewing the results of those two regional meetings, including the proposed establishment of a regional TCDC project in Latin America designed to identify new methods for promoting TCDC, the Assistant Administrator suggested that the Conference should examine the broadest implications of TCDC for development and propose specific measures for its promotion. The Conference would provide an excellent opportunity to define the role of the United Nations system as well as other public and private institutions in TCDC activities, and might consider and approve a plan of action in all those respects.

466. With respect to the second issue - the review of recommendations by the Working Group - the Assistant Administrator said that the Administrator would report fully to the Council at its twenty-third session in January 1977. Since the last session, plans for the Information Referral System had been completed and a

questionnaire had been sent to Governments. Resident Representatives and field personnel of the Executing Agencies were prepared to provide assistance in responding to the questionnaire. The Governing Council's earlier request for inclusion of information on equipment producers from developing countries in the system was encountering difficulties, as expected, but efforts were being made to find a solution.

467. Another study on the practices followed by the United Nations development system in recruiting experts, subcontracting, procuring equipment and providing fellowships, requested by the General Assembly in its resolution 3461 (XXX), would be submitted to the Governing Council at its twenty-third session. TCDC had become a regular item on the agenda of the interagency Programme Working Group and the Inter-Agency Consultative Board. It had been agreed that UNDP would present the agencies with an appropriate outline or format for use in reporting to the Council at its twenty-third session. Certain proposals by developed countries for promoting TCDC had received a favourable response in the Programme Working Group and efforts were being made to obtain special financing for that purpose.

468. The Administrator considered that TCDC should be an integral element of UNDP activity and that every project should be examined at its earliest stages for possible TCDC applications or at least for possible employment of inputs from developing countries. A special memorandum had been issued to that end to all UNDP headquarters and field staff and to all agencies and regional commissions. The memorandum also offered UNDP assistance to developing country Governments in organizing and evolving their TCDC activities. UNDP's own activities in response to the recommendations of the Working Group on TCDC fell into four broad categories: (a) promotional, such as the holding of regional TCDC meetings and the proposed United Nations Conference; (b) co-ordinative, such as collaboration with the agencies and commissions; (c) operational, such as the design and support of TCDC projects; and (d) administrative, such as the establishment of the Special Unit for TCDC.

469. UNDP had been making a special effort to develop regional and interregional projects of a TCDC nature. The Assistant Administrator provided recent examples of such projects in Africa, Asia and Latin America. He saw merit in the idea reflected in paragraph (37) of the Working Group's report (DP/69, chap. II), that Governments might use part of their IPFs to finance key inputs for TCDC projects. Those could be supplemented by intercountry funds. Such projects might well also lend themselves to Government execution. UNDP was far from satisfied with the amount of use being made of developing country experts, training facilities, equipment and consulting services, though some progress had been made.

Summary of discussion in the Committee

470. Members expressed their appreciation to the Administrator and Assistant Administrator (Programme) for their penetrating and concise presentations of the subject and their sincere interest in TCDC, and thanked them for their pledge to increase TCDC activities in close co-operation with the agencies with a view to increasing the self-reliance, individually and collectively, of the developing countries.

471. Many members said that TCDC was indeed a historic step forward in international

co-operation for the promotion of closer relations among developing countries and for encouraging greater self-confidence among developing countries and a better appreciation of their capacities. Several members observed that TCDC was part of a wider scheme of economic co-operation among developing countries and a fundamental part of the New International Economic Order called for in the Declaration and the Programme of Action adopted by the General Assembly at its sixth special session 18/ and of the Charter of Economic Rights and Duties of the States. 19/ TCDC was a means of strengthening the technological capacity of the developing countries as a whole. TCDC was intended to supplement and improve upon, rather than to replace, traditional forms of assistance; it should evolve, building upon existing experience. One member said that technical co-operation among developing countries was a new thing in international economic relations and a kind of mutual co-operation among the poor friends who had been subjected to prolonged exploitation and plunder. That co-operation was based on the respect for each other's sovereignty, independence and self-reliance, and aimed at promoting the self-reliance of various countries.

472. With respect to the United Nations Conference on TCDC, the representative of Argentina announced that the invitation had now been formalized. 20/ He had express instructions to submit the following information to the Committee: the suggested time for the Conference was the second half of August and first half of September 1977. The suggested site was the San Martin Cultural Centre at Buenos Aires, which was equipped with all the necessary facilities for the work of the Conference, and which was also surrounded by facilities for the accommodation and best comfort of the delegates. Provision would be made for the work of the press, both national and international.

473. Several members commended the results of the Asian and Latin American regional meetings already held preparatory to the Conference on TCDC. It was pointed out that the Bangkok meeting had identified several areas suitable for TCDC activities such as agriculture, energy, food and socio-economic problems of the region, while the Lima meeting had agreed upon a TCDC project among members of the region, to be assisted and financed by UNDP, which would eventually be co-ordinated with the other regions of the developing world. In that connexion, some members thanked the Administration of UNDP, and in particular the Regional Bureau Directors, for the facilities and support provided for the regional meetings, which had contributed to the successful results achieved. While TCDC had been advanced at the regional level, in the view of some members more interregional co-operation was needed. To that end, they felt that the regional commissions should be more closely associated with TCDC and the results of the four regional meetings integrated. The Special Unit for TCDC also had an important role in that respect. Members looked forward to the two remaining regional meetings to be held in Africa and western Asia.

474. Several members referred to the Conference on Economic Co-operation among Developing Countries to be held in September 1976, at Mexico City, and expressed the hope that the United Nations Conference on TCDC would benefit from it.

475. Several examples of existing TCDC activities in the developing regions of the world were mentioned. In that connexion, one member announced the forthcoming

18/ General Assembly resolutions 3201 (S-VI) and 3202 (S-VI).

19/ General Assembly resolution 3281 (XXIX).

20/ See A/31/82.

ormal opening of the Centre for Economic and Social Studies of the Third World at Mexico City and the meeting on intermediate technology being held there. Another member discussed concrete examples of TCDC activities in western Asia.

76. It was pointed out that the developing countries should play a key role in the preparations for the Conference on TCDC, in particular with regard to the formulation of a Plan of Action to be considered and adopted by the Conference.

Conference arrangements

77. All members expressed their appreciation to the representative of Argentina and his Government for the generous offer to act as host to the Conference, and welcomed the formalization of the invitation and the suggestions put forward by the representative of Argentina in relation to the arrangements being made by his Government.

78. Members then turned to a wide-ranging discussion of the document before them (DP/202 and Add.1). Many comments were made regarding the adequacy of the suggested arrangements. Some members noted that no provision had been made for the Secretary-General of the Conference and therefore requested the personal involvement of the Administrator of UNDP in the preparations for the Conference. Another suggested greater stress on interregional consultations, perhaps through the UNDP Regional Bureau Directors and advance consultations among the regional commissions. Another member thought early September would be a better date for the start of the Conference, since August was a month of standstill in many countries. Two representatives of the specialized agencies pledged the full support of their organizations to the Conference and offered whatever services they could provide.

79. Members generally agreed on certain key arrangements. It was agreed that the Preparatory Committee on TCDC should act as the Preparatory Committee for the Conference, with the latter open to other interested Governments, although some members wondered whether the Preparatory Committee's membership should be so large. The Preparatory Committee would also be fully responsible for conference arrangements, and there would be close co-operation among the regional commissions. It was generally agreed that there should be two, and possibly three meetings of the Preparatory Committee, since every member wished to take all necessary steps to ensure the Conference's complete success. Some members suggested that the exact number of meetings be left an open option, however, to be decided as needs dictated or at the twenty-third session of the Governing Council. A few members expressed the view that three or four meetings of the Preparatory Committee should be organized. In the light of financial stringencies, one member also suggested that local services be employed to maximum advantage, including, if possible, translators, typists, printing of materials, etc. in the Conference. Such local servicing would be in line with the Conference's theme, and several members voiced their agreement with the suggestion.

80. The Committee agreed to recommend to the Governing Council that, in line with the Committee's recommendation (see para. 511 (b) (iii) below) the Council should devote the first week of its twenty-third session to the Preparatory Committee in order to facilitate its work.

Conference financing

481. A number of issues were raised with respect to conference financing. Various members, while expressing their awareness of UNDP's financial difficulties, nonetheless voiced concern lest the proposed budget for the Conference fall short of meeting all actual needs. One member remarked that the presentation of the budget (DP/202/Add.1) lacked clarity. More detail regarding services was required. Would the UNDP Regional Bureaux be involved? The member stressed that the preparatory work should not be confined solely to the Special Unit for TCDC, but that all of UNDP should be involved. However, the central co-ordinating role of the Special Unit in preparation of the Conference was stressed by several members.

482. Concerning paragraph 14 of document DP/202, entitled "Structure and Duration", a number of members said that while they had no objections to sound recordings being made of the plenary meetings of the Conference, they were opposed to sound recordings being made of the working groups' deliberations, believing that such recordings might be counterproductive to a free full exchange of views and to the drafting of the Plan of Action.

483. Some members congratulated the Administrator for keeping the budget at a reasonably low level, while one found it particularly commendable in view of UNDP's financial difficulties. He wanted further discussion of exactly where the funds would come from. Another member said that although he was fully aware of the current financial difficulties of UNDP, in his opinion, because of the importance of the subject of the Conference, the Administration of UNDP should be mindful of the importance of providing for the preparation of the Conference a reasonable amount of resources in order to ensure its success. Some members suggested that the recruiting of new staff for the Conference be avoided by relying on the services of UNDP's own staff. There was general agreement on the need for assistance from the Economic and Social Council secretariat in view of its extensive conference experience. Still others pointed out that most conferences of such scope provided for at least one consultant for each agenda item, whereas the budget proposed provided only one consultant. Several expressed concern that for such a large conference the budget was too small. There was particular concern that sufficient resources would not be provided for complete but succinct documentation.

Conference documentation

484. The Committee discussed the issue of documentation for the Conference at considerable length, in view of its importance to the ultimate success of the Conference.

485. Several members expressed the view that documentation should be kept to a minimum, since excessive volumes of paper were expensive and time-consuming. Several others stressed that sufficient documents should be prepared according to the needs and should reach participants well in advance of the Conference itself so that delegates would have ample time to prepare themselves. A number of members expressed concern that the cost of documentation in terms of translation, reproduction, etc. should be kept under tight rein.

486. While members agreed that a minimum of documents was desirable, all attached importance to the development of a permanent body of information on the needs and

hods of TCDC. Several emphasized the importance of one clear and concise summary presentation for general discussion. The Conference documents would greatly influence the exchange of views. In that sense, they should not be limited to UNDP's experience alone, but should contain broadly-based suggestions and proposals. Several members suggested that national documents should be prepared depicting the experiences gained in countries which had embarked on TCDC activities. Others stated that the possibilities of translating and reproducing documents should be examined. The participation of other United Nations organizations and of the Governments themselves in documentation was vital, whether they related to specific agenda items or not. Some members considered that documentation by the secretariat should not contain proposals to the Conference, since that was a matter for Governments alone. Other members, while recognizing that the submission of proposals to the Conference was the responsibility of the Preparatory Committee, expressed the view that the secretariat could assist the Preparatory Committee by preparing drafts for its consideration.

Conference participants

7. Several members made the point that a wide spectrum of international organizations should be invited to participate. Some private academic institutions, for example, might take part, for it was important to get as wide a range of ideas and proposals as possible, and participation should not be confined only to the United Nations system. Several other members, however, suggested that participation be limited to governmental organizations or to organizations with government representation. Another member noted that in one of the two regional meetings on TCDC held thus far, there was also a large presentation of, and preparation of documents by private institutions and regional organizations. There was praise for the active preparation of the Governments of Latin America for their regional meeting, exemplified by their presentation of documents on their own national experience and approach to TCDC. Several members stressed the particular importance of participation by organizations of the United Nations development system. Several members stated that the role of the specialized agencies was very important in the preparation of the Conference, but what was more important was the co-ordination between UNDP and the specialized agencies so as to avoid any duplication or overlapping of activities in respect of TCDC. One member made the point that very few agency representatives were present at the sessional meetings of the Committee, which was indicative of their interest in TCDC. Another member, while referring to the same fact, expressed the hope that the absence of representatives of the specialized agencies could not be considered as an indication of their lack of interest in the subject. In response, two representatives of organizations of the United Nations system said that their organizations would participate fully and actively in preparing Conference documentation.

Proposed provisional agenda

8. Much of the Committee's time was given over to a discussion of the draft provisional agenda. The view was expressed that some of the proposed agenda items had more like statements of principle than issues for discussion. Some items seemed over-ambitious in their scope, while others seemed too vague. Several members endorsed the suggestion of one member that the time had come clearly to

define precisely what a TCDC project was. Others felt that it was counterproductive to try to reach such a definition since TCDC should influence all projects. A number of specific changes, additions or deletions were also discussed.

439. Several members proposed that the paragraph inviting Governments to submit papers under the various agenda items be amended to cover any item relating to TCDC. In that respect, it was suggested that national committees be formed in developing countries, or national co-ordinator or liaison officers be appointed, in order to generate interest for the Conference and organize national preparations for the Conference, including national documents. Another member asked what was meant by the phrase "evolution of a new concept of reciprocity" in item 1 (b) of the proposed agenda (DP/202, para. 9). Several other members defended the use of the phrase and cited past applications of it, or variations on it. Other members agreed, however, that the phrase "mutual co-operation" might serve better. In a similar vein, one member expressed surprise to read, under item 1 (c) of the proposed agenda, the phrase "economic, scientific and cultural co-operation". He suggested that the word "social" be substituted for "cultural", as a broader rubric encompassing the latter word. Other members favoured retention of the word "cultural", however, and as a compromise one member suggested that the phrase read "economic, scientific, social and cultural co-operation".

490. Various members pointed to certain omissions in the proposed agenda which they felt should be rectified. A number of members agreed that the role of women in TCDC should be added as an agenda item. One member questioned whether that would be appropriate as TCDC was concerned with relations among States; however, that member stated that she was willing to consider agenda items which referred to projects which were relevant to the role of women in development. Another member pointed out, however, that various General Assembly resolutions and Governing Council decisions enjoined all development programmes and United Nations meetings and conferences to take account of that important issue. It should therefore be an integral part of TCDC subjects. Yet another member pointed out that inclusion of the item would tie in with the current United Nations Decade for Women 21/ and with the spirit of the Declaration of Mexico adopted by the World Conference of the International Women's Year. 22/

491. Another member urged that the utilization of goods and services of developing countries by the United Nations system be included as a separate item. Other members expressed agreement with that proposal, but some questioned whether the subject was not too narrow an aspect of TCDC, which really went far beyond such issues to embrace common needs and methods.

492. Responding, another member made the point that the use of such goods and services in the traditional activities had already been identified as one of the aspects of TCDC because of the exchange of knowledge and experience it provided.

Information activities

493. While members expressed general satisfaction with respect to conference service provisions, there was considerable discussion with regard to the item

21/ See General Assembly resolution 3520 (XXX).

22/ E/CONF.66/34 (United Nations publication, Sales No. E.76.IV.1), chap. I.

covering publicity and information activities for the Conference. To provide advance publicity for the Conference, which many members thought of great importance, one member suggested that the Governing Council recommend to the General Assembly, through the Economic and Social Council, that the United Nations Office of Public Information be requested to make TCDC one of its five items of special emphasis for the year 1977, consulting fully with UNDP on the matter. That proposal received support from many members who fully endorsed it. Other members expressed concern that the proposed budget headings failed to give assurance of sufficient information support. Some expressed concern over the costs and content of the proposed "backgrounders" and the leaflet. The leaflet, moreover, was said, inter alia, to advance proposals on TCDC. Was that a proper information function? Was it not for Governments to make proposals? One member responded that with regard to such an important issue as TCDC, all proposals should be welcome, whatever the source. Other members requested further information as to the objectives of the proposed leaflet.

494. One member enquired about progress in arranging the regional meeting for western Asia, which had yet to be held. Another member mentioned that due to the unfortunate situation at Beirut, the headquarters of the Economic Commission for Western Asia, arrangements for the regional meeting for western Asia had not yet been finalized. It was to be hoped that an announcement would be made soon, and that the meeting would be held before the end of 1976.

Observations of the Administration in the Committee

495. In replying to the discussion, the Assistant Administrator (Programme) said he believed that the regional meeting for western Asia would be held by the end of the year, though some difficulties had been experienced.

496. The Assistant Administrator went on to observe that the word "reciprocity" as used in the proposed agenda, was taken in the context of paragraph (23) of the report of the Working Group (DP/69, chap. II). He agreed with the view that organizations outside the United Nations system could present papers to the Conference, but asked for guidance on principles of selection. He thought the word "propose", used in connexion with the leaflet, was improper, as members had suggested. The leaflet was mainly designed to inform, publicize and generally heighten consciousness of TCDC. He was confident of the full co-operation of the Economic and Social Council secretariat, provided the Conference did not conflict with the General Assembly or the Economic and Social Council.

497. The Assistant Administrator said that the Administration would not have presented the proposed budget if it had not believed the financial provision adequate for a successful Conference. Nevertheless, views might differ as to the amount of documentation required, and clearly the decision on the matter was in the hands of the Committee, though it should be borne in mind that unless additional resources could be mobilized for the Conference, expenditure on the Conference out of UNDP funds inevitably competed with field programmes.

498. As to the role of the agencies, the Assistant Administrator said that they would be involved in every possible way. The Committee should state its wishes in that respect but give the Administration flexibility as to the mode of co-operation. In response to the various remarks by the Administration, members

generally agreed that the main areas of concern had been greatly clarified. One member asked that it go on record that his delegation thanked and congratulated the excellent staff of the Special Unit and expressed heartfelt appreciation of their work.

Recommendations of the Working Group on TCDC

499. Having completed its discussion of conference arrangements, the Committee undertook a preliminary discussion of the recommendations contained in the report of the Working Group on TCDC (DP/69).

500. Reviewing implementation by UNDP of the recommendations of the Working Group, the Assistant Administrator said that progress had been made on many of the items. Noting, however, that members had asked for specific indications of obstacles encountered and recommendations not carried out, he cited two major difficulties: first, a lack of information on the capacities of developing countries; secondly, the problem of attitudinal barriers, both in developing countries and in international organizations.

501. Turning to specific recommendations that posed problems, he said, with regard to paragraph (24) of the Working Group's report, that thus far UNDP's experience of TCDC was too limited to justify encouraging the training of junior professional staff in UNDP, and that no requests for such training had been received. Regarding paragraph (36) (a), it was not clear whether a sizeable proportion of intercountry and global funds was being devoted as yet to the TCDC effort, although the fact that there were many important intercountry projects of a TCDC character was clear from the examples cited from all regions in his opening statement to the Committee. Paragraph (36) (b) would create difficulties if it necessitated a segregation of funds for TCDC. In relation to paragraph (36) (c), he referred to the Governing Council's decision contained in paragraph 314 (i) of the report on its twentieth session. ^{23/} As regarded the recommendation in paragraph (39), no additional resources had thus far been made available along the lines envisaged. In relation to paragraph (43) (d), UNDP was still far short of the target envisaged. As to paragraph (46), there was a question whether TCDC should be regarded as a vehicle for the earning of convertible currencies.

502. The Assistant Administrator concluded by saying that other recommendations of the Working Group were generally being implemented, although the degree of success achieved naturally varied from recommendation to recommendation.

Summary of discussion in the Committee

503. One member stated that it was important to complete, as early as possible, the review of the recommendations of the Working Group on TCDC and their implementation, so that there could be a clear agreement on the recommendations before the Conference. That member stated that her delegation could not accept any move to postpone the review until during the Conference.

504. One member found the Administration's remarks disturbing, in that progress, or the lack of it, was being reported on those very recommendations about which reservations had been expressed. He said the Administration lacked such authority

^{23/} Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A.

for implementation. That member stated that the Administration's response confirmed his delegation's desire to get down to reviewing the recommendations, and in particular the reservations of the developed countries, at the earliest possible opportunity. In response, other members denied that the Administration was thus exceeding its authority. There were two Governing Council decisions and two General Assembly resolutions applicable, which called for the implementation of the recommendations; consequently the authority was there.

505. Many members expressed appreciation for the Assistant Administrator's summary. He had lucidly explained many obstacles to implementing the Working Group's recommendations, but some members would have preferred to hear more in a positive vein about the progress attained. Some found an overtone of pessimism in his remarks. They suspected that more progress had been made than was apparent. Several members cited specific projects in Africa and Latin America which were TCDC oriented. There were many such activities. A more exhaustive study of positive aspects would reveal them.

506. Various members then proceeded to comment upon certain recommendations. With reference to the recommendation in paragraph (17) of the Working Group's report, it was agreed that developing countries had started to implement programmes of co-operation among themselves through the activities and programmes of the non-aligned movement, and through meetings such as the one it was proposed to hold in Mexico that year. In that respect, a member indicated also the important progress made by Latin America for approving a regional project that would facilitate the promotion of TCDC among countries in the region and at the interregional level. Regarding the recommendation in paragraph (18), it was noted that it was not proposed to create any new institutions: however, there was a need to broaden efforts in the promotion of interregional co-operation. In reviewing the recommendation in paragraph (19) of the Working Group's report, it was noted that efforts should be made to identify if possible such national projects in the least developed countries that could be expanded to the regional and interregional level. Due to a lack of time, it was agreed to continue the review of the recommendations at the twenty-third session of the Council when the Committee would be in possession of a detailed document from the Administration.

507. Some members noted their continuing reservations on the wording and substance of some of the recommendations. One member stated that his Government had reservations on the recommendations in paragraphs (36), (39) (a), (39) (c), (43) (d) and (46) of document DP/69, as they might introduce rigidities in the system. He hoped that those reservations could be eliminated by an appropriate rewording of the recommendations concerned. Another member expressed his opposition to the creation of any new fund, because of the additional administrative costs which would be incurred. That member specifically expressed reservations on the following recommendations of the Working Group: (36) (b) concerning target figures; (21) on a possible special fund for TCDC; (39) (a) concerning additional cash contributions from developed countries for TCDC purposes; (43) (d) concerning the target figure in connexion with the list of experts submitted to Governments; and (46) concerning payments for supplies and equipment in fully convertible currency, in case there were UNDP holdings in local currency. Several of those members, addressing themselves to the point of funding of TCDC, expressed the view that technical co-operation among developing countries, being an integral part of UNDP activities, should draw from the general resources of the Programme and not be confined to special amounts.

508. The Chairman of the Committee on Technical Co-operation among Developing Countries informed the Committee that as he would shortly be taking up a new assignment, he would not be able to participate in subsequent sessions of the Committee. He wished the Committee well in its future work, and in the preparations for the United Nations Conference on TCDC. Members of the Committee placed on record their appreciation of the work of the Chairman in efficiently directing their discussions over the past year, and in furthering the cause of technical co-operation among developing countries.

Observations of the Administration in the Committee

509. In responding to the comments in paragraphs 503-507 above, the Assistant Administrator said he had intended no overtone of pessimism in his remarks. At the request of members, he had addressed himself only to the recommendations in respect of which specific difficulties had been encountered. On all other recommendations, progress was being made. He also assured members that nowhere in its implementation efforts had the Programme reached a point of conflict with expressed reservations. There might well be cases in which UNDP resources should be used to finance goods and services supplied by developing countries, but the total volume of resources for TCDC would be greater if such goods and services were provided by developing countries out of their own resources, while UNDP funds were used to furnish supplementary inputs. As to the question raised about TCDC projects at the interregional level, he said that one or two projects of major importance had been developed along those lines, but in the nature of the case progress had been less than at the regional level.

Guidelines for the Administrator's report to the Governing Council at its twenty-third session

510. Members were then asked to suggest guidelines by which the Administration could draw up its report on the implementation of the Working Group's recommendations for the January 1977 session of the Governing Council. After a brief discussion, it was generally agreed that the guidelines should include the following:

- (a) The report should follow the order of the recommendations;
- (b) It should describe the activities undertaken in implementing each: what had been achieved, what difficulties had been encountered and why;
- (c) It should include observations by the Executing Agencies and the regional commissions;
- (d) It should pay particular attention to those recommendations on which reservations had been expressed by members at the Council's eighteenth session;
- (e) Full account should be taken of documents submitted by Governments to the regional TCDC meetings and of the reports of those meetings.

511. In addition, the report of the Secretary-General, requested in General Assembly resolution 3461 (XXX), with respect to the practice throughout the United Nations system for recruitment of experts, equipment, procurement, subcontracting and

fellowships from developing countries should also be reflected in the documentation submitted to the Council at its twenty-third session. Members expressed the hope that at their next session, with the help of the above documentation, they would come to a full consensus on the recommendations made by the Working Group, especially in view of their implementation to date, it being understood that most of the recommendations and the actions requested under them posed no difficulties.

Decisions of the Governing Council

512. At its 543rd meeting on 5 July 1976, on the recommendation of the Committee on Technical Co-operation among Developing Countries, the Governing Council adopted the following decisions:

I

The Governing Council,

Recalling General Assembly resolutions 3251 (XXIX) of 4 December 1974 and 3461 (XXX) of 11 December 1975, and other pertinent resolutions of the Assembly,

Recalling further the relevant decisions adopted at its eighteenth, nineteenth, twentieth and twenty-first sessions,

Taking note with appreciation of the statement made by the Administrator at the opening of the Committee on Technical Co-operation among Developing Countries, reassuring the Committee of the support of the United Nations Development Programme for the United Nations Conference and of his interest in its success,

Taking note also with appreciation of the introductory remarks on the item by the representative of the Administration in the Committee,

- (a) Took note of the report of the Administrator (DP/202 and Add.1);
- (b) Decided to recommend to the General Assembly at its thirty-first session, through the Economic and Social Council, that it:
 - (i) Convene the United Nations Conference on Technical Co-operation among Developing Countries to be held at Buenos Aires from 23 August to 6 September 1977;
 - (ii) Designate the sessional Committee on Technical Co-operation among Developing Countries of the Governing Council of UNDP as the Preparatory Committee for the Conference, which should be open to the participation of all members and hold two, and if necessary three sessions, before the Conference;
 - (iii) Request the Secretary-General of the United Nations to convene the first session of the Preparatory Committee for the Conference in January 1977;

- (iv) Request the Secretary-General of the United Nations and the Administrator of UNDP to consult as to the best means of ensuring adequate servicing of the Conference, taking into account the experience gained by the United Nations in the organization of world conferences;
- (v) Request the Secretary-General of the United Nations to provide the necessary funds under the regular budget of the Organization to cover the costs of providing conference servicing facilities for the meetings of the Preparatory Committee as well as for the Conference, including provision of facilities for the Conference in the Arabic, Chinese, English, French, Russian and Spanish languages, so as to ensure the effective organization of such meetings and of the Conference;
- (vi) Take note of the provisional agenda contained in the report of the Administrator (DP/202, para. 9), which should be finalized by the Preparatory Committee at its first session in the light of the comments and suggestions made at the twenty-second session of the Governing Council of UNDP and of the results of the regional intergovernmental meetings held in preparation for the Conference;
- (vii) Request the Administrator of UNDP to involve the Participating and Executing Agencies in the preparatory process of the Conference, including in the preparation of the main documents, and to that end approve the convening of an interagency task force within the framework of the Inter-Agency Consultative Board (ibid., para. 17);
- (viii) Further request the Participating and Executing Agencies and the regional commissions to participate fully in the preparations for the Conference in close co-operation and co-ordination with UNDP and to submit reports on their activities for promoting technical co-operation among developing countries to the Preparatory Committee, together with suggestions and recommendations for possible inclusion in the Plan of Action to be prepared for the Conference;
- (ix) Call upon the Governments of Member States, in particular from developing countries, to participate actively in the preparations for the Conference and, to that end, to designate a co-ordinator or liaison officer at the national level and make other arrangements, as appropriate, in order, inter alia, to prepare national documents on their experience and capacity in regard to technical co-operation among developing countries for submission to the Conference; for that purpose, UNDP should prepare standards to facilitate uniformity in the format of the documents;
- (x) Request the Secretary-General of the United Nations and the Administrator of UNDP to take all necessary measures to include technical co-operation among developing countries as a main feature of the United Nations Office of Public Information and of UNDP regular public information activities in 1977, in order

to ensure world wide awareness of and interest in the Conference and its objectives;

- (xi) Request the Secretary-General of the United Nations to invite all Member States of the United Nations and members of organizations of the United Nations system to participate in the Conference, as well as other participants in accordance with resolution 3438 (XXX) of the General Assembly and with resolution 1982 (LX) of the Economic and Social Council (ibid, para. 15).

II

The Governing Council

- (a) Took note of the report of the Administrator (DP/202 and Add.1);
- (b) Decided to allocate an amount of \$180,000 from the general resources budget of UNDP to cover the cost to be borne by UNDP of preparations for the United Nations Conference on Technical Co-operation among Developing Countries;
- (c) Approved, to that end, additional appropriations of \$60,000 for 1976 and \$120,000 for 1977 to be included in the respective administrative budgets of UNDP to finance the costs to be borne by UNDP of the preparations for the Conference;
- (d) Requested the Administrator to submit, if necessary, a revised budget to the Preparatory Committee at its first session, taking into consideration the concern expressed at the twenty-second session of the Governing Council for the need to ensure the necessary level of resources for the effective preparation and success of the Conference;
- (e) Requested the Administrator to start the preparation of the documentation for the Conference on the basis of the provisional agenda (DP/202, para. 9); giving special attention to data on possible sources for the financing of technical co-operation among developing countries, including possible financial arrangements in the context of UNDP that would promote such co-operation, and taking into consideration the reports of the regional intergovernmental meetings as well as the relevant comments and suggestions made by the Governing Council at the present session;
- (f) Requested the Administrator to revise document DP/202 in the light of the comments and suggestions made at the twenty-second session of the Governing Council of UNDP and of the results of the regional intergovernmental meetings held in preparation for the Conference, and to submit the revised document to the Preparatory Committee at its first session;
- (g) Further requested the Administrator to mobilize the Regional Bureaux of UNDP as well as the central supporting and co-ordinating services of the Programme for their effective participation in the preparations for the Conference;
- (h) Requested the Administrator to consult with the Secretary-General of the United Nations in order to make the necessary arrangements for the meeting of the Preparatory Committee for the Conference in January 1977 at the time of the twenty-third session of the Governing Council.

XIII. UNITED NATIONS TECHNICAL CO-OPERATION ACTIVITIES

513. Under item 13 of its agenda, the Council had before it for consideration the annual report of the Secretary-General on technical co-operation activities (DP/RP/17).

514. Introducing the item, the Director of the United Nations Office of Technical Co-operation pointed out that in 1975 technical co-operation assistance provided by the United Nations totalled some \$95 million, an increase of 35 per cent over 1974. Eliminating elements due to inflation, the real increase was in the neighbourhood of 20 per cent. Several new trends in the 1975 programme were worth noting: in the area of development planning, the completion of basic studies had, in several instances, been followed by the identification of investment projects; there had been an increase in requests for assistance in computer technology; Governments had shown a growing interest in environmental problems; the level of assistance by Government agencies in project execution had increased; and five additional Governments were now participating in the associate experts scheme.

515. Of the experts working on United Nations technical co-operation projects, 40 per cent were recruited from developing countries, and the United Nations Technical Assistance Recruitment Service (TARS) had taken steps to increase that percentage. Plans were being made to further decentralize projects to the regional commissions and four projects were being transferred to the regional commissions for direct execution effective 1 July 1976.

516. The UNDP financial crisis had had a serious impact on technical co-operation assistance provided through the United Nations; for example, 238 posts for experts which had been open for recruitment in January 1976 had now had to be cancelled. The result of the financial crisis had been a substantial decrease that year compared with the original level of 1976 budgets for UNDP/United Nations-executed projects (\$68 million instead of \$88 million - a decline of 23 per cent). Regular programme funds were still having to be used for projects, or parts of projects, which UNDP was to have picked up on 1 January 1976. Certain activities in the regular programme would have to be phased out in 1976, for example, support for United Nations development advisory teams (UNDATS).

517. The interregional advisory service was to be strengthened through the employment of more interregional advisers on a short-term basis to increase the number of disciplines covered. Missions of interregional advisers would be more closely co-ordinated with the regional advisory functions of the regional commissions. Under the regular programme, the United Nations was working to establish regional projects for technical co-operation among developing countries which would bring together, in the same undertaking, the expertise and experience of several neighbouring countries.

Summary of discussion

518. One member stated that, although his country was a contributor to the regular programme, no experts of his country were employed under the regular programme, as

shown by table 11 of document DP/RP/17. Furthermore, the number of experts from his country employed by the United Nations in UNDP-funded projects was very small when compared to the number of experts employed from other developed countries. That member stated that he hoped greater efforts would be made to utilize accumulated roubles in the carrying out of technical co-operation projects. He particularly emphasized the holding of seminars in his country. His Government was prepared to implement in the immediate future a number of seminars but they had not yet been implemented because the United Nations was making difficult demands regarding immunities and visas.

519. Another member said that his Government fully supported plans to orient technical co-operation projects towards innovative projects in the least developed countries.

Decision of the Governing Council

520. At its 537th meeting on 29 June 1976, the Governing Council took note of the report on United Nations technical co-operation activities (DP/RP/17) and the observations made during the discussion.

XIV. INFORMATION ON THE REGULAR PROGRAMMES OF TECHNICAL
ASSISTANCE OF THE SPECIALIZED AGENCIES AND THE
INTERNATIONAL ATOMIC ENERGY AGENCY IN 1975

521. Under item 14 of its agenda, the Council had before it a note by the Administrator (DP/191), which included statistical data on the sectoral and geographical distribution of the agencies' non-UNDP-supported technical assistance activities, as well as a summary of agency responses to a questionnaire requesting information on co-ordination between UNDP-financed activities and agency activities financed from their regular programmes and from other sources. The Council also had before it documents DP/191/ANNEX which contained detailed replies of agencies to the questionnaire and DP/191/ANNEX/Add.1 which contained the reply of the Universal Postal Union to the questionnaire.

522. Introducing the item in the Council, the Deputy Administrator (Programme) pointed out that that year the documentation was of more significance than in the past in that it highlighted co-ordination between the agencies' regular programmes of technical assistance and those activities financed from UNDP resources. Referring to the special questionnaire which focused on qualitative as well as quantitative aspects of the relevant information, he expressed his gratitude to the agencies for their co-operation in providing prompt and detailed responses.

523. The considerable increase in regular programme technical assistance activities over the past few years was noted by the Deputy Administrator, who remarked that that alone would require the close attention of the Council. Several factors were mentioned as possible reasons for that growth. Such activities as FAO's Sahelian relief programme, for example, indicated that perhaps the rate of growth was in part at least transitory and might have been lower in more normal times. The Deputy Administrator questioned whether that special programme and others similar were technical assistance activities in the strictest sense. He referred also to the desire of donors themselves increasingly to support multilateral activities as a not insignificant factor. Another reason, he suggested, might be that the line of demarcation between technical assistance activities and normal activities under the regular programmes was not always clear. Programme and project development was offered as an example of a large borderline area of activity. Finally, the Deputy Administrator pointed out, there was an understandable need for agencies to seek out other sources of financing for their planned programmes when UNDP resources proved to be insufficient.

524. Whatever the reason or combination of reasons, the remarkable growth warranted consideration by the Council from the viewpoint of co-ordination, he said. Remarking that the opportunities for achieving effective co-ordination were greater when funds were channelled through UNDP, the Deputy Administrator suggested that the question whether it made sense for UNDP to accept multilateral contributions deserved attention in view of the fact that the Programme did not earmark its general resources for specific purposes whereas the agencies did. He also raised the question, however, of whether such mechanisms as joint-financing and cost-sharing were not in essence the same as multilateral contributions. The problem of co-ordination raised the issue, too, in concrete terms, of the function of the

UNDP resident representative. The Deputy Administrator stressed that whereas the co-ordinating responsibility of the resident representative was unqualified when funds came from UNDP, it was considerably less so when funds came from other sources.

525. Citing the Consensus, the Deputy Administrator emphasized that the one mechanism for co-ordination that remained was the UNDP country programme, regardless of the source of funds. In that connexion, he stated that in order to realize effective co-ordination at the country level, the integration of agency representatives in the field in the office of the resident representative was imperative. Concluding his remarks, the Deputy Administrator stated that, though the importance of co-ordination could not be gainsaid, it was much easier to talk about than to effect. In that latter respect, the guidance of the Council was earnestly solicited.

Summary of discussion

526. Many members had addressed themselves to the item during the debates under agenda items 4 and 6 (see chaps. II and III of the present report), when the role of UNDP, its relation with the agencies and the coherence of the United Nations development system were discussed. Some members, however, spoke on item 14 and expressed their general appreciation for the information contained in the Administrator's note and the annex, thereto, as well as for the informative comments of the Deputy Administrator, particularly with regard to the problem of co-ordinating multilateral co-operation with other programme activities.

527. Two members, however, referring to the presentation of the data, suggested that a deeper and broader analysis of the information provided by the agencies should have been undertaken, including suggestions as to how co-ordination could be improved. In that regard, it was proposed that the Administrator submit such an analysis together with his conclusions and policy recommendations to the Governing Council at its twenty-fourth session in order to give the Council an over-all view of all United Nations assistance, similar to the over-all view at the country level taken by the resident representatives.

528. One member mentioned specifically the response of WHO to question 1 (b) of the questionnaire, in which that organization suggested the establishment of an interdisciplinary group of agency representatives which would be available to the Administrator at headquarters on a continuous basis for the purpose of providing advice on sectoral and intersectoral aspects of international co-operation. The member stated that the proposal might well be sound, and indicated his interest in learning the preliminary reaction of the Administrator. The member also suggested that the matter might be taken up on the Inter-Agency Consultative Board and that the Council be informed of the results of such a discussion. The Administrator's comments on that and other interagency consultations could be included in his report on the item to the Council at its twenty-fourth session.

529. Another member, emphasizing the prerogative of recipient Governments to co-ordinate the technical assistance activities being carried out on their behalf, observed that over-all co-ordination should thus take place in the field. Moreover, it was incumbent on the United Nations system, she added, to ease the burden of developing countries in that respect by considering jointly all relevant technical

assistance activities during the preparation of the respective country programmes. The mere exchange of information was not enough. In addition, she observed that fragmentation, high overheads and duplication of effort could lead to a diminution of confidence in the value of multilateral assistance, a consequence which would affect all organizations in the system.

530. Commenting on the responsibility of UNDP resident representatives, another member stated that in her view the resident representative was responsible to the Government concerned for the co-ordination of all United Nations assistance, but not for such assistance as might be provided through bilateral or multilateral sources. The co-ordination of their assistance, she said, was the sole concern of the Government itself. Although expressing a favourable view towards any changes in programming procedures of United Nations assistance which would lead to greater efficiency, she stated that Governments must be kept informed at all times.

Observations of the Administration

531. The Deputy Administrator expressed his appreciation for the comments of members which, he said, had been noted carefully and would be considered seriously. He remarked that the matter was of such a nature as to make an immediate reply difficult. He assured the members, though, that the agencies would be consulted thoroughly with respect to the suggestions made during the discussion and that every effort would be made to satisfy the Council's wishes in that regard.

Decision of the Governing Council

532. At its 537th meeting on 29 June 1976, the Governing Council took note of the information provided on the regular programmes of technical assistance of the specialized agencies and IAEA in 1975 (DP/191 and DP/191/ANNEX and Add.1), and of the observations made during the course of the discussion.

XV. REVISION OF THE RULES OF PROCEDURE OF THE
GOVERNING COUNCIL

533. Under item 15 of its agenda, the Council had before it a note by the Administrator (DP/192) to which was annexed proposed revised rules of procedure of the Governing Council drawn up on the basis of the current rules, the decisions and practice of the Council since the adoption of those rules in January 1966 and, where applicable, the newly revised rules of procedure of the Economic and Social Council.

Decision of the Governing Council

534. At its 538th meeting on 30 June 1976, the Governing Council adopted the revised rules of procedure annexed to the note of the Administrator (DP/192) with the deletion of the words "and the Secretariat" in rule 21, paragraph 1. 24/

24/ The revised rules of procedure of the Council will be issued as DP/1/Rev.1.

XVI. UNITED NATIONS FUND FOR POPULATION ACTIVITIES

535. Under item 12 of its agenda, the Council had before it:

- (a) A report by the Executive Director of UNFPA on 1975 activities and future programmes (DP/183 and Corr.1, DP/183/Annex and Corr.1);
- (b) A report on the implementation of UNFPA projects (DP/187);
- (c) A report on the allocation of UNFPA resources (DP/186 and Corr.1);
- (d) Proposed large-scale projects and country agreements (DP/FPA/5 and Add.6, Add.6/Corr.1 and Add.7-10);
- (e) A report on the status of UNFPA country agreements (DP/FPA/5/Add.1-5);
- (f) Request for approval authority (DP/185);
- (g) Budget estimates for the administrative and programme support services for 1977 (DP/188), together with the relevant comments of the Advisory Committee on Administrative and Budgetary Questions (DP/205).

536. The UNFPA budget estimates for 1977 were considered by the Budgetary and Finance Committee, which reported thereon to the Council (DP/L.310 and Corr.1).

Consideration by the Governing Council

537. Introducing the item, the Executive Director of UNFPA noted that virtually all major donors to UNFPA were increasing their pledges in 1976 and that, following the recommendation of the League of Arab States that Arab States contribute \$25 million to UNFPA, pledges from those States had reached some \$10 million, with many countries not yet heard from. With income from investment and unallocated resources and pledges still anticipated, UNFPA would endeavour to reach the 1976 resources target of \$90 million. For 1977, he hoped that a total of \$100 million could be reached.

538. The Executive Director therefore recommended that the Council approve, still provisionally, UNFPA's 1976 approval authority at \$90 million, and authorize a provisional approval authority for 1977 at \$100 million, \$50 million for 1978 and \$17 million for 1979. He assured the Council he would in no circumstances commit funds not formally pledged to UNFPA.

539. He said that the Fund was constantly attempting to find additional resources; that UNFPA had not over-programmed; that it had continued to use actual costs of experts and not standard costs; that it had continued to be able to meet all its obligations and had maintained its reserves intact. Personnel costs in UNFPA projects stood at 47 per cent in 1975, significantly lower than in other technical assistance programmes, because of growing direct support to country programmes

rather than traditional methods of technical assistance; 27 per cent of project expenditures were for expert costs, while 20 per cent were for national personnel.

540. That, he continued, was indicative of a major change taking place in international development assistance: many countries no longer required international experts to carry out development programmes since there were an increasing number of national experts to direct and manage such programmes. In the population field, a further reduction in the importance of international experts could be foreseen, with an increasing share of assistance funds being channelled directly to recipient Governments for the execution of development programmes.

541. After the Council, at its twenty-first session, had given interim approval to multi-bilateral funding arrangements, UNFPA was now conducting discussions with donors, executing agencies and prospective recipient Governments to explore practical possibilities in that direction. Proposals for such funding arrangements were now being discussed with recipient Governments; he hoped that arrangements would be arrived at that would expand the capacity of population assistance globally. Multi-bilateral funding was envisaged for two projects now submitted for approval - in Mexico and Haiti.

542. The Executive Director emphasized that current requests for assistance exceeded UNFPA's financial capacity. Aid-worthy requests for 1976 stood at \$109 million and were likely to be \$120 million in 1977. Thus there was already a shortfall of \$17 million against the resources target of \$90 million in 1976 and that would become even greater in the event the 1976 resources target were not to be reached; multi-bilateral arrangements were not likely to close the gap. As a result, it had been thought desirable that criteria be established to define priorities, with a view to coping with the problem on available resources and requests.

543. On the question of priorities, he summarized the report (DP/186 and Corr.1), which he said, had been reviewed informally with Governments, organizations and individuals, and which had been formulated with the World Population Plan of Action 25/ in mind. The chief portion of resources would be devoted to country programmes, mainly in response to Government requests. A core programme, in accordance with the Fund's mandate, was outlined; within that core programme it was suggested that minimum assistance programmes be established. UNFPA had already initiated work on those lines and, with the approval of the Council, intended to move further. High priority was proposed for countries with special needs in view of their demographic situation; however, countries not in the high priority group would still be eligible for assistance at a more modest level. The proportions of funds for regional, interregional and global projects would be determined after a thorough review of all such past activities. The approach suggested would enable UNFPA to concentrate resources in areas of the greatest need, with the aim of building self-reliance in developing countries, of assisting disadvantaged population groups and of promoting international strategies such as the World Population Plan of Action.

25/ E/CONF.60/19 (United Nations publication, Sales No. E.75.XIII.3), chap. I.

544. The Executive Director noted that in 1976, for the first time, UNFPA was submitting in one document the annual report for 1975 and the work plan for the coming four-year period. He stated that that year the Fund was presenting five biennial reviews of country programmes or projects covering progress in Bangladesh, India, Kenya, Pakistan and Turkey. In addition, the document on implementation (DP/187) contained three reviews of large-scale projects for the Dominican Republic, Sri Lanka and Thailand - inaugurated before the obligation of Governing Council approval was established. UNFPA was also submitting two country agreements with Jordan and the Syrian Arab Republic and three large-scale projects for approval at the current session, including one in Mexico which would authorize UNFPA to accept a Trust Fund of \$2,032,000 from Sweden.

545. He said that at the beginning of 1976 UNFPA had launched a new monitoring system; tripartite reviews had been completed in several countries and additional ones were scheduled for the remainder of the year.

546. He said that the 1975 implementation rate stood at 77.6 per cent, a slight decline from 1974; total project expenditures in 1975 were \$66.4 million, a 23 per cent increase over the previous year.

547. He noted that, as suggested by the World Population Conference, UNFPA had produced a comprehensive Guide to Sources of International Population Assistance; in addition to that Guide, a new edition of the Inventory of Population Projects in Developing Countries had also been issued; several monographs on individual countries and areas were being prepared, with one on Singapore already published. Through those and other publications, UNFPA was endeavouring to spread awareness of the population factor in social and economic development.

548. The Executive Director said that UNFPA was coming of age and was discharging increasing responsibilities vis-à-vis UNDP: it was taking over headquarters financial management of directly funded projects executed by recipient Governments. He said he was negotiating with the Administrator of UNDP new modalities of rationalizing personnel management that affected UNFPA.

549. The Executive Director drew attention to his recently published book, People: An International Choice, which contained the story of UNFPA, and stated that all royalties would be paid to UNFPA.

Summary of discussion

550. The Council in general expressed satisfaction with the quality of the Fund's performance, and all members voiced continued support to the Fund's activities. Several commented on the increasingly important role UNFPA was called upon to play in co-ordinating population assistance in the United Nations system and on its crucial role in the implementation of the World Population Plan of Action adopted by the World Population Conference.

551. Several members stressed that UNFPA should concentrate on building self-reliance in recipient countries; one member, in that context, remarked that UNFPA could not grow indefinitely but that it must prepare the ground for recipient countries' taking over population programmes.

documentation, in particular on the new format of the Executive Director's report, which combined the annual report for the previous year with the work plan for the next period. One member urged that in future the introduction to that report contain a review of major developments in the field of population.

553. Many members expressed concern over the growing gap between UNFPA's resources and the increasing demands on its assistance. Several members expressed the hope that contributions from traditional donors would continue to increase, while others urged that non-traditional donors, such as the Arab countries, should increase their support to the Fund. Increased contributions were the only response that could satisfy the growing awareness in developing countries of the importance of the population factor in development. Appreciation was expressed to the Executive Director for his continued fund-raising efforts. One member asked for information on the advisory committee on resources referred to in the document.

554. While some members supported the Executive Director's request for a 1977 approval authority of \$100 million, some others urged caution with regard to the anticipated level of resources. Several urged that the ceiling be set at \$95 million, while some thought a ceiling of \$90 million more prudent. Several members urged the Executive Director to continue limiting allocations for projects to pledges firmly in hand; it was also suggested that the approval authority for 1977 be reviewed at the twenty-third session in the light of the resource situation at that time.

555. Several members felt that the Executive Director should be given greater autonomy in personnel questions; one member, however, felt that personnel management should remain under the Administrator of UNDP.

556. Several members urged that UNFPA phase out infrastructure support to its executing agencies; one requested that such support be completely terminated by 1979. Some members raised the question whether UNFPA field co-ordinators should not be financed from the administrative budget rather than from the programme support budget; they expressed the fear that project funds were being diminished under the current practice. Others felt that the current practice should be maintained. On the whole, members voiced satisfaction with the continued low proportion of administrative expenses in the UNFPA budget.

557. Several members endorsed the concept of multi-bilateral funding arrangements for projects which could not be funded from UNFPA's limited resources. It was urged that such arrangements enlarge UNFPA's total volume of activities and not become a substitute for increased support to the Fund, and that UNFPA concentrate on a limited number of high-quality multi-bilateral undertakings. One member felt that such funding should not substitute for other bilateral aid; he cautioned that objectivity, which was the advantage of multilateral funding, might be diluted.

558. In the discussion on priorities in the future allocation of UNFPA resources, many members stated that they could support most of the principles and recommendations contained in document DP/186 and Corr.1. It was pointed out by some that the drafting of the report was a courageous, if difficult exercise, and that the principles and recommendations should be further refined. Some also urged that the proposed criteria not be applied too rigidly, and that UNFPA maintain flexibility in the setting of priorities. One member urged that UNFPA not approve new projects which might delay the application of the new priorities once they were agreed upon.

559. There was general agreement that UNFPA should concentrate on building awareness of population matters among women, youth, and leaders at the grass-roots level. In that context, favourable comments were made on the special effort UNFPA was making to involve women in population activities, as described in the Executive Director's report (DP/183 and Corr.1). There was general support for the five basic principles contained in paragraph 16 of document DP/186, especially those stating that UNFPA should build self-reliance and support activities of special benefit to disadvantaged population groups. One member stated however, that the sovereignty of nations could not and should not be qualified; UNFPA's task was to assist the Governments of developing countries in the attainment of national objectives. Another member stated that UNFPA should assist developing countries only in areas where international legislation had laid down priorities.

560. Some members requested due attention for the ethical aspect of population policies and referred in that respect to General Assembly resolution 2211 (XXI) and General Assembly resolution 2542 (XXIV), which declared that "parents have the exclusive right to determine freely ... the number and spacing of their children".

561. Members generally supported the proposed core programme for UNFPA; one member suggested that it be made more specific and operational. Flexibility in its application was urged by several members. One member questioned the exclusion of clinical trials of new contraceptives from the core programme, while another felt that maternal and child health programmes were important enough to be included in the core programme. The concept of a minimum programme for individual countries was generally supported, but several members felt that the preparation should be undertaken in close co-operation with the recipient Governments and that the study which it was proposed that the Executive Director undertake should be made available to the Council.

562. A review of regional, interregional and global activities as proposed in document DP/186 and Corr.1 was fully endorsed. Several members urged UNFPA to decrease even further the proportion of its allocations to such activities, but some members felt that such projects, which benefited country programmes, should not be unduly cut.

563. Regarding the criteria for setting priorities, members generally supported the recommendations in the Executive Director's report. Some, however, objected to giving priority only to countries with populations of one million or more, pointing out that small countries might also have serious population problems and that that would exclude many island countries in the Pacific and the Caribbean, where UNFPA assistance had proved valuable. The number of countries on the priority list was also questioned by some members. One member proposed that the concept of most seriously affected countries be taken into account in selecting high priority countries.

564. Some members objected to the suggestion in document DP/186 (para. 26 and Annex III) that a time-limit be set on UNFPA support of a particular programme, after which the Government should take over the programme. One member pointed out that, first, the document was itself contradictory in that respect and, secondly, that only after a basic population programme was established in a country did UNFPA assistance become crucial. Some members felt that a time-limit could be applied in a flexible manner.

565. Several members requested UNFPA to submit a report on the application of the criteria, preferably to the Council at its twenty-third session.

566. Council members expressed approval for the two new country agreements and three large-scale projects (DP/FPA/5 and Add.6, Add.6/Corr.1 and Add.7-10). Members remarked on the improvement in the presentation of project proposals. One member, whose country was to participate in the funding of one project (DP/FPA/5/Add.9), said that his Government's contribution under a multi-bilateral arrangement would not affect its regular contributions to UNFPA. One member suggested that, where several agencies were listed as executing agencies for UNFPA projects, one be designated as the co-ordinating core agency. UNFPA was requested to resubmit the proposed projects for review after two years.

567. Members voiced support for continuing the five country agreements submitted for biennial review (DP/FPA/5/Add.1-5), and agreed that the Fund should continue implementing them under the ceilings originally approved. Some members, however, felt that more detailed information should be supplied in the biennial reviews. Two members stated that the reviews of some of those programmes were not satisfactory. The programmes were described too summarily, so that judgement on the quality of their implementation was difficult and they did not show the integration of the population programmes into development plans; quantitative implementation thereby became too much of an overriding criterion.

568. Commenting on the Executive Director's note on the evaluation of UNFPA projects (DP/187), several members stressed the importance of qualitative evaluation over quantitative evaluation. Some requested that UNFPA supply full information on the implementation rate for 1975 as soon as possible. One member, however, questioned the value of the implementation rate since, in his view, it simply reflected higher expenditures. One member said that the evaluation of projects should influence future project formulation. Some members expressed satisfaction with the new monitoring system introduced by UNFPA in 1976. Some members stated that the mid-term review, as evidenced from the ones contained in document DP/187, was an excellent means of evaluating and monitoring programmes and projects.

569. Some members expressed doubts regarding the continuation of the World Fertility Survey - the evaluation of which was contained in document DP/187 - in view of its high cost. Others pointed to the absurdity of having two headquarters for the World Fertility Survey and wondered whether they could not be merged. Some members stated that it was important that more consultants and experts from developing countries be appointed to the World Fertility Survey. Others supported the work of the Survey.

570. Members expressed appreciation for the Inventory of Population Projects in Developing Countries, and the Guide to Sources of International Population Assistance, published by UNFPA. One member felt that there was no need to up-date the Inventory every year and that it could be issued every 2 or 3 years. Others, however, favoured its annual publication.

571. Several members announced increased pledges for UNFPA.

Observations of the UNFPA Administration

572. The Executive Director, thanking the Council for the support expressed to UNFPA, noted that collaboration between UNFPA and UNDP was excellent; UNDP support was particularly appreciated in the field services. He felt there was a good basis for future collaboration in the delivery of development assistance. Replying to questions raised, he stated that his current negotiations with the UNDP Administrator referred to the advisory bodies for appointments and promotion. UNFPA had no intention of separating itself from UNDP, and one personnel administration for both organizations was certainly economical. But some issues had arisen with regard to the Executive Director's prerogatives concerning staff appointment and promotion, and when UNFPA personnel was considered, UNFPA should have a dominant voice on the respective bodies. The Administrator, in any case, would have the final say.

573. He said that he agreed with some of the members that UNFPA should be prudent in setting its approval authority; he would accept a ceiling of \$95 million for 1977, if that was agreeable to the Council. Arab countries so far had pledged a total of \$8 million, \$5.5 million in hard currency, and \$2.5 million in non-convertible currency. He was now confident that, with increased contributions from traditional donors, the target of \$95 million in 1977 could be reached. He acknowledged that the figure would remain provisional, subject to review at the twenty-third session. UNFPA in no case would allocate more than the total of actual pledges.

574. Replying to other questions, the Executive Director said that UNFPA had not yet established an advisory committee on resources but that it had hired consultants on an ad hoc basis to help with fund-raising. He noted that there had never been a Council decision for UNFPA to end infrastructure support to executing agencies; the Council might, however, eventually decide to give such instructions. Meanwhile, agencies were being informed that they had to absorb infrastructure costs and were taking steps in that direction. A report on that question would be submitted at the twenty-third session. He also said that UNFPA co-ordinators were posted in relation to programme size, and that some were handling as many as 12 countries. UNFPA would like to maintain flexibility in that respect by keeping the co-ordinators under the project budget. The total of those expenses, in any case, was shown in the administrative budget estimates.

575. The Deputy Executive Director (Policy and Programme Development), replying to the questions, said that the criteria for selecting projects for evaluation were: whether projects were considered for future funding; whether they required new directions; whether UNFPA inputs were likely to vary substantially; and whether results of an evaluation could influence substantially decision-making for the over-all programme. As to the World Fertility Survey, he said that a proposal for further funding would be submitted at the twenty-third session. The project had been kept within the funding limit approved by the Council and interest in it had exceeded anticipation. The maintaining of two headquarters for the survey had proved useful.

576. Regarding observations about comparatively low percentages of family planning support in Africa, the Middle East, and the Mediterranean, he pointed out that such assistance was also covered under the headings of communication and education. Assistance in those regions had increased considerably in past years and, in any case, the pattern reflected the countries' own priorities.

77. He agreed that the Guide would not be published annually but, in view of the great interest shown and the relatively low expenses involved, UNFPA felt that the Inventory should be up-dated every year. He agreed that the annual report, in future, would contain more information on recent developments in the field of population.

78. Regarding priorities, he expressed appreciation for the favourable reaction and the constructive comments. He agreed with the emphasis laid in the debate on projects to increase awareness of population issues among women, youth and local leaders, and assured the Council that UNFPA was strictly abiding by the principle of sovereignty of nations and voluntary participation in population programmes. Clinical trials of contraceptives were actually supported by UNFPA in the context of other programmes; it was, however, not considered a primary objective in view of the high cost of such activities. Minimum country programmes would be fully established in consultation with the Governments concerned. He noted the reservations expressed regarding the exclusion of countries with populations of under one million among the high priority countries, but noted at the same time that several members had suggested that the total number of proposed high priority countries was too high. Application of additional indicators had been explored but abandoned in view of a lack of data for all countries, or a high correlation with demographic indicators already applied.

79. The Deputy Executive Director (Operations), said that UNFPA was prepared to give more information in future biennial reviews, and that monitoring would be used for such reviews. He recalled that the concept of multi-bilateral funding had been initiated by donors who had legislative limits on multilateral assistance. It was understood that such arrangements would never be a substitute for multilateral aid. Over-all 1975 implementation rates had been contained in the Executive Director's statement, and detailed figures would be submitted at the next session. He said, in reply to a question, that the tripartite review process was also applied in projects which entailed direct funding to Governments, and that detailed financial rules covering methods of payment, accounting and audit were used in all direct funding activity.

Consideration by the Budgetary and Finance Committee

80. The Committee had before it the UNFPA budget estimates for the administrative and programme support services for 1977 (DP/188) and a report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the UNFPA budget estimates (DP/205).

81. The Executive Director, in introducing the budget estimates, said that UNFPA's history had been different from that of other similar United Nations organizations in that it had not been created by one specific action of a world conference, but that it had grown by a series of consequential decisions which each needed intergovernmental approval. It had been set up first as a trust fund of the Secretary-General, under UNDP administration, and in 1972 it was made a fund of the General Assembly administered by the UNDP Governing Council operationally, and by the Economic and Social Council in basic policy matters. The adoption of separate Financial Rules and Regulations had given the Fund further strength and flexibility. UNFPA was still in the process of making its organizational structure more rational, to achieve the highest possible effectiveness.

582. He said that UNFPA's financial

\$20 million had not been touched, and its administrative budget was one of the lowest in the United Nations system. Its implementation rate was high and its staff was being kept at the smallest possible number.

583. The Executive Director said that the major consideration before the Council in the 1977 budget for administrative and programme support services was his request for a number of reclassifications. He noted that he was not asking for any new posts, but he felt that certain posts should be reclassified properly to reflect added duties and responsibilities. The additional personnel expenses involved in his request amounted to \$73,425. In requesting the upgrading of his two deputies to the level of Assistant Secretary-General, the Executive Director said he was following practice in other United Nations organizations having similar tasks. Another reason he had proposed the upgradings at all levels was to give support to individual staff and create prospects of growth for them. The reclassifications requested for lower staff were just as important as those for top-level offices.

584. The Executive Director said that the principle he had always believed he should follow was to make proposals on management matters to the Governing Council which then gave him directives. Within those parameters he felt free to utilize personnel in such a manner that the Fund could be run as effectively and efficiently as possible. That was why he doubted that it was appropriate for ACABQ to say in advance that there should be no reclassifications at all. He appealed to the Council not to accept ACABQ's view.

585. He said that of the 10 vacancies mentioned in the ACABQ report, five were filled by consultants or had candidates selected; he noted that the recruiting process was often very long. He also rejected the view that the Fund was top-heavy; in fact, only 31 per cent of UNFPA posts were at the P-5 level or above. The request for reclassifications was not based on the increased workload but on the fact that the management of a \$100 million programme required greater responsibility on the higher management level.

586. He also said that while ACABQ recommended that UNFPA field co-ordinators be financed from the administrative budget, in his view the current arrangement - namely, financing those posts from the programme budget - gave the Fund greater flexibility.

Summary of discussion in the Committee

587. Members of the Committee generally expressed approval for the budget estimates presented by the Executive Director. Several members stated that the presentation of the budget had improved in comparison with previous years, but one felt that the ACABQ recommendation to follow the UNDP chronological sequence in the presentation of the tables should be adopted. Several members urged that the budget estimates should contain information on overhead costs paid by UNFPA to its executing agencies.

588. Regarding the proposed reclassification of UNFPA posts, agreement with the Executive Director's proposals was expressed by several members. Some members felt that one rather than two posts at the Assistant Secretary-General level should be created. Other members stressed that UNFPA's sound financial situation and its

low administrative expenses should allow it to make adjustments in grades which the Executive Director found necessary. Several members stated that they did not feel that the UNFPA headquarters staff was top-heavy. One member said UNFPA's apron strings to UNDP should be detached. The view was also expressed that, contrary to what the ACABQ report had suggested, the question of vacancies existing in UNFPA should not be linked with that of reclassification.

589. Some members said that they could not support all of the reclassifications the Executive Director had proposed. Other members declared that they did not oppose upgradings at the lower level. One member expressed concern that extensive reclassification would eventually lead to demands for new posts. Several members felt that the question of reclassification should be further studied and that the Executive Director should submit a more detailed justification for his request, including a functional analysis of UNFPA staff duties, especially at the higher level. One member stated that a decision on reclassification would be easier after UNFPA's priorities were approved. Some members urged that the 10 vacancies in UNFPA be filled and the existing staff fully utilized before reclassification was considered. One member expressed apprehension over possible top-heaviness in the Fund. Some members felt that the Executive Director should have some flexibility in the reclassification of posts and that the posts in question should be examined individually on their merits. One member questioned the rationale for the reclassification of staff proposed by the Executive Director.

590. One member raised questions regarding some items in the budget estimates, such as printing costs, special translation costs, office supplies, and overtime. Some members stated that field Co-ordinator costs should continue to be covered by the UNFPA programme budget, while one stated that he was open-minded about bringing them under the administrative budget.

Observations of the Executive Director in the Committee

591. The Executive Director, in response to questions raised in the discussion, stated that overtime was needed only occasionally and that not all budgeted money for that purpose had been utilized in the past year. Printing costs included the annual report and the Inventory of Population Projects in Developing Countries, as well as some country monographs. For translations, normally, United Nations facilities were used but extra expenses had arisen for translation of UNFPA publications into Arabic, as part of the fund-raising drive in Arab countries. The increase in office supplies came about because the United Nations was now charging UNFPA for stationery.

592. On the question of reclassification, the Executive Director said that, while he appreciated the rationale underlying requests for more information, the question had been reviewed in detail in UNFPA and had already been brought before the Council the previous year. He would supply more information on higher level staff but he noted that several members had supported the reclassification of lower level staff. He therefore suggested that the reclassifications to the Assistant Secretary-General and D-2 levels be deferred, as well as one of the three suggested reclassifications from P-4 to P-5, one from G-4 to P-1, and three out of the nine proposed reclassifications from G-4 to G-5. Thus, nine reclassifications would be deferred and UNFPA would ask only for 15 instead of 24.

593. The Executive Director, in reply to a question, said that he was at the time reasonably certain of \$85.6 million in pledges for 1976 which would include increased pledges by traditional donors, a \$3 million pledge from the League of Arab States and an anticipated additional \$8 million from Arab countries; he believed additional pledges from other sources would bring the 1976 total to some \$90 million. For 1977, a 19 per cent increase in contributions from traditional donors was hoped for, as well as \$14 million from Arab countries, to bring the total resources for 1977 to some \$100 million. He said that he was also undertaking other fund-raising initiatives.

Decisions of the Governing Council

594. At its 538th meeting on 30 June 1976, the Governing Council, taking into account the comments made during the consideration of item 12:

(a) Took note of the report of the Executive Director of UNFPA on 1975 activities and future programmes (DP/183 and Corr.1, DP/183/ANNEX and Corr.1);

(b) Approved the following comprehensive country programmes and projects in the amount of \$1 million or more, with the understanding that, where applicable, the amounts for the third and following years, after a progress review, would be submitted to the Council for approval:

- (i) Agreement with the Government of Jordan (DP/FPA/5/Add.6 and Corr.1) in the amount of \$2,400,000 for an estimated period of four years;
- (ii) Agreement with the Government of the Syrian Arab Republic (DP/FPA/5/Add.7) in the amount of \$3 million for an estimated period of four years;
- (iii) National family planning programme in the public health sector and promotion of the status of women in Morocco (DP/FPA/5/Add.8) in the amount of \$2,932,000 for an estimated period of two years;
- (iv) Support to the national programme of sex education in Mexico (DP/FPA/5/Add.9) in the amount of \$2,032,000 contributed by the Government of Sweden under a funds-in-trust arrangement with UNFPA, for an estimated period of four years;
- (v) Family planning and maternal and child health programme in Haiti (DP/FPA/5/Add.10) in the amount of \$3,500,000 for an estimated period of three years;

(c) Took note of the review reports on the following previously approved country agreements, requested the Executive Director to bear in mind the comments made thereon in the Council at its twenty-second session in preparing review reports in the future, approved allocations to those programmes for the remainder of their duration:

- (i) Agreement with the Government of Bangladesh (DP/FPA/5/Add.2);
- (ii) Agreement with the Government of India (DP/FPA/5/Add.3);

(iii) Agreement with the Government of Kenya (DP/FPA/5/Add.4);

(iv) Agreement with the Government of Pakistan (DP/FPA/5/Add.5);

(v) Agreement with the Government of Turkey (DP/FPA/5/Add.1);

(d) Took note of the Executive Director's report on priorities in the allocation of UNFPA resources (DP/186 and Corr.1), and:

(i) Requested the Executive Director to apply the five general principles outlined in paragraph 16 of his report;

(ii) Endorsed the core programme of UNFPA assistance outlined in section IV of the report;

(iii) Requested the Executive Director to develop, in consultation with Governments and organizations concerned, minimum programmes in each sector of population activities at the country level, and to identify the types of assistance needed;

(iv) Approved in principle the criteria for establishing priorities as outlined in paragraphs 53 to 55 of the report, with the modification that high priority countries would be designated irrespective of the size of their population and adjusted so that UNFPA resources would be further concentrated, in accordance with minimum requirements of national programmes, in countries with most urgent population problems;

(v) Requested the Executive Director to undertake a review of inter-country activities supported in the past, develop an over-all integrated strategy for such assistance in the future, and submit a report thereon to the Governing Council at its twenty-fourth session;

(vi) Requested the Executive Director to submit a report on the application of the criteria for setting priorities at the twenty-third session;

(vii) Invited the Economic and Social Council to review the policy implications of the report (DP/186 and Corr.1), and reconfirm the UNFPA aims and purposes established in resolution 1763 (LIV), with the possible exception that the term "sustained assistance" might be redefined;

(e) Took note of the Executive Director's report on the implementation of UNFPA projects (DP/187), and requested him to continue submitting such reports on both quantitative and qualitative implementation.

(f) Requested the Administrator of UNDP and the Executive Director of UNFPA to develop new management modalities which would give the Fund a larger role and responsibility with respect to appointment of and promotion policies and procedures for its personnel;

(g) Decided to give the Executive Director additional approval authority of \$50 million for 1977, bringing the total for that year to \$95 million, \$33 million for 1978, and \$15 million for 1979, on the understanding that the Executive Director would limit the approval of projects to the availability of resources.

595. At its 540th meeting, on 2 July 1976, on the recommendation of the Budgetary and Finance Committee, the Governing Council, having considered the 1977 budget estimates for administrative and programme support services for UNFPA, and accepting the proposal of the Executive Director to defer the reclassification of nine existing posts:

(a) Approved the revised appropriations totalling \$4,405,760 (net) to be allocated from the resources of UNFPA to finance the 1977 budget as follows:

Section 1 - Salaries and wages	\$3,077,900
Section 2 - Common staff costs	887,600
Section 3 - Travel and transportation	181,500
Section 4 - Permanent equipment	15,000
Section 5 - Other general expenses	538,600
Section 6 - Reimbursement to UNDP	363,060
	<hr/>
TOTAL GROSS	\$5,063,660
 <u>Less</u>	
Section 7 - Estimated income	657,900
	<hr/>
	<u>\$4,405,760</u>

(b) Requested the Executive Director to submit to the Governing Council at its twenty-third session a report containing an analysis of the top organizational structure and related post requirements of UNFPA;

(c) Approved the continuation of the practice of funding the UNFPA field co-ordinator posts from project funds.

XVII. ARRANGEMENTS FOR THE TWENTY-THIRD SESSION OF THE
GOVERNING COUNCIL

596. At its 541st meeting, on 2 July 1976, under item 17 of its agenda, the Governing Council agreed on the following provisional agenda for its twenty-third session:

1. Opening of the session
2. Election of officers
3. Adoption of the agenda
4. Financial situation and related matters
5. Country and intercountry programming and projects
6. Arrangements for the evaluation of the UNDP field programme including co-ordination, harmonization and supervision of the use of Junior Professional Officers and Associate Experts in the UNDP programme
7. Report of the Administrator on the implementation of new dimensions in technical co-operation
8. Report of the Administrator on government execution of projects
9. United Nations Revolving Fund for Natural Resources Exploration
10. Budgetary, administrative and financial matters:
 - (a) Budget estimates for the year 1977
 - (b) General outline of budget estimates for 1978
 - (c) Recruitment and use and prospects of reducing the costs of UNDP-financed experts
 - (d) Global procurement
 - (e) Revision of UNDP Financial Regulations and Rules
 - (f) Custodianship of UNDP funds
 - (g) Audit reports
 - (h) Other matters
11. Technical co-operation among developing countries
12. United Nations Fund for Population Activities
13. Action taken in 1976 by organs of the United Nations and related agencies
14. Other matters
15. Date and provisional agenda of the twenty-fourth session of the Governing Council
16. Draft report of the Governing Council to the Economic and Social Council at its sixty-third session

597. In connexion with item 16 of the agenda, the Governing Council decided to postpone until its twenty-third session the question when to resume its consideration of the draft Statute for the Programme and to include the Standard Basic Agreement with Governments on the provisional agenda for its twenty-fourth session.

598. With respect to the time and place of the Council's twenty-third session, the representative of Cuba renewed the invitation extended by her Government to act as host to the January 1977 session of the Governing Council at Havana, and expressed its appreciation to Council members who had welcomed its offer.

Decision of the Governing Council

599. At its 541st meeting on 2 July 1976, the Council adopted the following decision with regard to its twenty-third session:

The Governing Council,

Recalling the invitation of the Government of Cuba, the decision taken at its twenty-first session, and the expressions of gratitude in the Governing Council and the General Assembly,

Bearing in mind the need for consultations, particularly with the Committee on Conferences, in view of the length of time likely to be required to complete consideration of the items on its provisional agenda, while allowing for a full week at the beginning of its session for the meetings of the Committee on Technical Co-operation among Developing Countries, serving as a Preparatory Committee for the United Nations Conference on Technical Co-operation among Developing Countries,

(a) Requested the Administrator to consult with the Committee on Conferences

(b) Decided that thereafter further consultations would be held among the States members of the Governing Council concerning the dates and venue of the twenty-third session, so that a decision might be taken in time for the General Assembly to take it into account in the pattern of conferences for 1977.

Annex I

REPRESENTATION AT THE TWENTY-SECOND SESSION

Members of the Governing Council

Argentina, Austria, Belgium, Benin, Brazil, Bulgaria, Canada, Central African Republic, Chad, China, Colombia, Cuba, Denmark, Finland, France, Germany (Federal Republic of), Ghana, Guyana, Hungary, India, Indonesia, Iran, Italy, Japan, Kuwait, Lesotho, Malawi, Mali, Malta, Mexico, Netherlands, New Zealand, Niger, Norway, Pakistan, Peru, Philippines, Poland, Sierra Leone, Somalia, Sri Lanka, Sweden, Switzerland, Tunisia, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yemen.

States represented by observers

Algeria, Australia, Bangladesh, Bhutan, Chile, Egypt, Ethiopia, German Democratic Republic, Guatemala, Guinea-Bissau, Jamaica, Libyan Arab Republic, Honduras, Ireland, Israel, Mongolia, Mozambique, Nicaragua, Panama, Portugal, Romania, Syrian Arab Republic, Swaziland, Turkey, Venezuela, Yugoslavia, Zaire.

United Nations and related bodies

United Nations, United Nations Children's Fund, United Nations Commissioner for Namibia, United Nations Conference on Trade and Development, United Nations Council for Namibia, United Nations Development Programme, United Nations Environment Programme, United Nations Fund for Population Activities, Office of the United Nations High Commissioner for Refugees, United Nations Industrial Development Organization, United Nations Institute for Training and Research, Office of the United Nations Disaster Relief Co-ordinator, United Nations Volunteers programme.

Specialized agencies and International Atomic Energy Agency

International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization, World Bank, International Civil Aviation Organization, Universal Postal Union, International Telecommunication Union, World Meteorological Organization, Inter-Governmental Maritime Consultative Organization, World Intellectual Property Organization.

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International Atomic Energy Agency

Other intergovernmental organizations

Arab Fund for Economic and Social Development, Asian Development Bank, European Economic Community, Inter-American Development Bank, Organization of African Unity, Organization of American States.

Non-governmental organizations

International Council of Voluntary Agencies.

African national liberation movements

African National Congress (ANC South Africa), African National Council (ANC Zimbabwe), Liberation Movement of Djibouti (MLD), Pan Africanist Congress (PAC South Africa), Somali Coast Liberation Front (FLCS), South West Africa People's Organization (SWAPO).

Annex II

INDICATIVE PLANNING FIGURES FOR 1977-1981 APPROVED BY THE
GOVERNING COUNCIL AT ITS TWENTY-SECOND SESSION

(Million dollars)

Afghanistan	38	Ethiopia	42
Albania	4.25	Fiji	5
Algeria	20	Gabon	7.5
Angola	10.25	Gambia	7
Argentina	20	Ghana	19
Bahrain	2.5	Gilbert Islands and Tuvalu	1.1
Bangladesh	65.5	Greece	7.5
Barbados	2.5	Guatemala	7.5
Belize	1	Guinea	21.75
Benin	16.25	Guinea-Bissau	5.75
Bhutan	12.25	Guyana	5
Bolivia	15.5	Haiti	18.75
Botswana	7.5	Honduras	9.25
Brazil	30	Hong Kong	0.5
Bulgaria	7.5	Hungary	3.5
Burma	41.5	Iceland	1
Burundi	18.75	India	97
Cape Verde	3.75	Indonesia	69.5
Central African Republic	11.75	Iran	20
Chad	19	Iraq	15
Chile	20	Ivory Coast	15
Colombia	20	Jamaica	7.5
Comoros	5.75	Jordan	15
Congo	7.5	Kenya	27.5
Costa Rica	5	Lao People's Democratic Republic	17.75
Cuba	13.5	Lebanon	10
Cyprus	5	Lesotho	12.25
Czechoslovakia	2.5	Liberia	10
Democratic Kampuchea	25.5	Libyan Arab Republic	5
Democratic Yemen	14.5	Madagascar	23.75
Dominican Republic	7.5	Malawi	19.75
Ecuador	15	Malaysia	15
Egypt	31.5	Maldives	2.5
El Salvador	9.25	Mali	24
Equatorial Guinea	4	Malta	2.5

Annex II (continued)

Mauritania	9.75	Sudan	33
Mauritius	5.25	Surinam	3.5
Mexico	20	Swaziland	5.75
Mongolia	10	Syrian Arab Republic	15
Morocco	20	Thailand	29.5
Mozambique	18	Togo	11
Namibia	4.75	Tonga	2
Nepal	32.5	Trinidad and Tobago	5
Nicaragua	5	Trust Territory of the Pacific Islands	1
Niger	19.75	Tunisia	15
Nigeria	45.5	Turkey	20
Niue	1	Uganda	30
Oman	4	United Arab Emirates	1
Pakistan	52.5	United Republic of Cameroon	17.25
Panama	7.5	United Republic of Tanzania	33.5
Papua New Guinea	8.75	Upper Volta	23.75
Paraguay	7.5	Uruguay	10
Peru	15	Venezuela	10
Philippines	30.5	Western Samoa	5.25
Poland	7.5	Yemen	23.75
Portugal	4	Yugoslavia	7.5
Qatar	1.5	Zaire	34.5
Republic of Korea	18	Zambia	15
Republic of South Viet-Nam	30	Undistributed Africa <u>a/</u>	0.3
Romania	7.5	Undistributed Asia <u>b/</u>	3.8
Rwanda	19.75	Undistributed Latin America <u>c/</u>	21.55
Sao Tome and Principe	1.4	NLMs <u>d/</u>	6
Saudi Arabia	10	Future participants, etc.	74.05
Senegal	11.75	Regional Africa	105.9
Seychelles	0.95	Regional Asia and the Pacific	95.7
Sierra Leone	13.25	Regional Europe, Mediterranean	
Singapore	7.5	and the Middle East	44.3
Solomon Islands	2.3	Regional Latin America	63
Somalia	18.25	Interregional	30.1
Sri Lanka	31.5	Global	50.2
		Total <u>e/</u>	2 454.9

(Foot-notes on following page)

(Foot-notes to annex II)

a/ French Territory of Afars and Issas (this Territory is referred to by United Nations bodies dealing with decolonization as French Somaliland).

b/ Brunei, Cook Islands, Nauru, New Caledonia, New Hebrides, Tokelau Islands and Wallis and Futuna Islands.

c/ Antigua, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Dominica, French Antilles, Grenada, Montserrat, Netherlands Antilles, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Turks and Caicos Islands.

d/ National liberation movements recognized by the Organization of African Unity in accordance with the relevant decisions of the UNDP Governing Council.

e/ The Council at its twenty-second session also approved \$39.5 million for the Programme Reserve and \$17.5 million for Special Industrial Services for 1977-1981.