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REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

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INTRODUCTION

1. The Budgetary and Finance Committee of the Governing Council of UNDP held 22 meetings between 2 and 27 June 1980 under the chairmanship of Mme. Suzanne Vervalcke (Belgium). Miss Miriam Al-Awadhi (Kuwait) was elected Rapporteur.
2. The recommendations of the Committee subsequently approved by the Governing Council appear in chapter XI of the report of the Governing Council (E/1980/42).

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I. REPORT OF THE INTERGOVERNMENTAL STUDY GROUP  
ON FUTURE FINANCING OF THE PROGRAMME

3. Under item 10(a) of the Council's agenda, the Budgetary and Finance Committee had before it the report of the Intergovernmental Study Group on Future Financing of the Programme (DP/451) which was referred to it by the Plenary for its consideration.

Summary of the discussion in the Committee

4. A preliminary discussion of this item took place early in the Committee's deliberations. At that time, a number of members expressed doubts about the recommendation contained in paragraph 12(f) of the report that the Study Group be reconvened. In addition, it was suggested that the question of future financing of the Programme was related to the Council's on-going consideration of third cycle IPFs. Following this preliminary exchange of views, further consideration of the item was postponed until later in the Committee's proceedings.

5. To facilitate the Committee's further discussion of this matter, a draft decision was prepared which recognized the need for resources planning by UNDP on a more stable, continuous and predictable basis, requested the Administrator to consult, in a manner deemed appropriate, with Governments on modalities to achieve their goal and authorized him to reconvene the Study Group when appropriate.

6. The Chairman of the Committee suggested that a possible way of moving forward with this proposal would be for the Administrator to appoint a consultant to undertake technical discussions with Governments, thereby paving the way for the development of a more concrete proposal which could then possibly be considered by the Study Group.

7. Several members felt that it would be sufficient for the Administrator to undertake consultations with individual Governments regarding their future voluntary contributions to the Programme and expressed doubts about the need for the reconvening of the Study Group. In particular, it was felt that it would be difficult to achieve a system of multiyear pledging and that it would be inappropriate to make reference to any similarity with the financing arrangements for such institutions as the International Development Association. In addition, one member stated that it would not be possible for a study to determine the capacity of a country to contribute to the Programme. This member suggested that it was not necessarily appropriate to relate voluntary contributions to UNDP to the wealth of a country. Moreover, in many countries there were constitutional impediments to achieving a system of multiyear pledging to UNDP.

8. Other members expressed the view that the Study Group should be reconvened. These members felt that there was a continuing need to examine ways and means of obtaining sustained contributions to the Programme. One member pointed out

that there was no link between the issue of the future of the Study Group and the decision on third-cycle IPFs which was under consideration by the Council. Some members who wished the Study Group to continue pointed out that there was a need for technical research into possible, improved modalities for resource mobilization, including investigations into the mechanisms used by other multilateral development institutions. These members therefore requested that the proposal contained in Annex I of document DP/451 be made a part of the decision.

9. One member proposed that the Administrator consult with Governments on the modalities for improved resources planning and that it might be possible to link these consultations with those relating to third cycle IPFs. It was suggested that the matter was one which required political rather than technical solutions.

10. Agreement was reached that the Administrator should undertake consultations with Governments in a manner deemed appropriate by him. On the basis of these consultations, the possibility of reconvening the Study Group could be considered by the Council at its next session.

Recommendation of the Committee

11. On the recommendation of the Budgetary and Finance Committee, the Governing Council subsequently adopted decision 80/47, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

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## II. ANNUAL REVIEW OF THE FINANCIAL SITUATION 1979

### A. Annual Review

12. Under item 10(b) of the Council's agenda, the Committee had before it for consideration the report of the Administrator (DP/490), which provided details of the financial activities of the Programme during 1979, the financial status at the end of 1979 and forecasts for 1980 and 1981. It also contained information on several other financial matters of recurring interest to the Council and identified items on which the Administrator sought the Council's guidance.

13. The Deputy Administrator, in his introduction, emphasized the satisfactory delivery achieved in 1979 in all programmes, including the Special Measures Fund for the Least Developed Countries. He indicated that, through the end of 1979, UNDP was on target with respect to both contributions and expenditures. He emphasized, however, that the level of pledges in 1980 was only 4 per cent more than in 1979 and that to achieve the target figure of \$3.4 billion in voluntary contributions for the second cycle, a very special effort on the part of both developed and developing countries would be required. He indicated that, at present, it would appear that the \$3.4 billion target may not be met.

14. The Deputy Administrator also highlighted those items on which the Council's guidance was sought, including a definition of the use of the Programme Reserve in the third cycle and a proposal by the Administrator concerning amounts of assessed programme costs outstanding at the end of 1980.

15. The Deputy Administrator also clarified the situation with respect to the accumulating non-convertible currencies and the further negotiations which had been undertaken since the preparation of DP/490.

### Summary of the discussion in the Committee

#### Income and expenditure

16. Most members expressed their satisfaction with the results achieved in 1979. One member indicated that UNDP's financial management and forecasting had obviously improved as both income and expenditure were very close to what had been projected. One member requested confirmation that UNDP's project approval process had improved and that the increased delivery did not reflect a lack of care in the approval of projects. Several members expressed their continued support of the Administrator's plan for balanced growth of the Programme which would utilize the balance of resources held by UNDP and facilitate the transition to the third cycle. One member requested clarification of the increase in unliquidated obligations and what it signified.

#### Cost sharing

17. Members were pleased to note that the level of cost sharing had remained constant and was controllable.

Special Measures Fund for the Least Developed Countries

18. Members were pleased to note the increased level of expenditure achieved during the year as requested by the Council.

Financial forecasts 1980-1981

19. Members generally shared the concern of the Administrator as to the level of 1980 contributions. Several members stated that the future looked sombre. Some members indicated that because of variations in the level of contributions, planning was difficult and that the basis for overcoming this was through multiyear pledging. One member indicated that improved budgeting and management alone could not solve the problem, if increased resources did not become available. Several members stated, in the light of the resource picture, that UNDP must plan within available resources and, if necessary, hold down project expenditure. One member requested information on how forecasts were prepared.

Investments

20. One member drew attention to the fact that the gains on exchange were of a book nature and not necessarily an actual gain in resources. He concurred in the Administrator's statement that such gains may not continue in the future. Several members expressed satisfaction with the increase in the amounts placed with financial institutions for the benefit of developing countries. One member asked why UNDP had only placed funds with the World Bank and not with regional development banks.

Programme Reserve

21. After very preliminary discussion early in the session, the Chairman agreed to set the Programme Reserve aspect of agenda item 10(b) aside until several items with respect to natural disasters and the report of the High-level meeting on technical co-operation among developing countries had been acted upon by the Plenary and/or referred to the Budgetary and Finance Committee.

22. In re-opening the item, the Assistant Administrator and Director, Bureau for Finance and Administration, stated that the Administrator's objective in submitting DP/GC/XXVII/BFC.2/Add.1 had been to simplify and rephrase current guidelines, after taking into account Governing Council decisions on natural disasters and on TCDC.

23. An observer stated that his delegation at the High-level meeting had opposed the funding of any kind of TCDC activity from the Programme Reserve. He wished to reiterate that position in the Budgetary and Finance Committee. Another member expressed concern about part (iv) of the draft decision, in that it did not specifically limit this authorization for financing promotional activities of technical co-operation among developing countries to the decisions of the Governing Council in this regard. In this connexion, specific reference was made to the increase from \$1 million to \$1.5 million in allocations from the Programme Reserve for TCDC activities, which was to be authorized for the remainder of the second IPF cycle, 1977-1981, under the action taken by the Budgetary and Finance Committee on DP/GC/XXVII/BFC/CRP.18/Rev.1

at the present session. This problem was solved by adding the following phrase at the end of part (iv) of this draft decision: "within the specific limits set by the Governing Council". Thereafter, the draft decision was adopted, as amended.

#### Accumulated non-convertible currencies

24. Several members expressed concern at the amount of non-convertible currencies still held in spite of the efforts of the Administrator. One member indicated that those Governments contributing accumulated non-convertible currencies should contribute fully convertible currencies, because recipient countries had a right to receive full value for all contributions. Several members indicated that improvement had, in fact, been made. One delegate said that countries with national non-convertible currencies had the right, according to the financial rules of UNDP, to make their voluntary contributions in their national currencies and indicated that his Government was prepared to study additional ways for the more efficient use of its currency. He also stated that the holdings of his country's currency had decreased by 25 per cent during the last two years. Another member indicated that the reference to contributions in readily useable currencies in UNDP's Financial Regulations was not subjective but objective. He stated that readily useable currencies if not fully convertible, were meant to be those of recipient countries which UNDP could utilize for programme purposes. One member drew attention to the decision taken at the twenty-third session which called for the Administrator to take steps to ensure that all payments for goods and services in countries contributing accumulated currencies were made exclusively in their currencies and to make a detailed status report on the measures taken or problems encountered if any.

#### Collection of receivables

25. One member inquired as to whether the high level of receivables outstanding might be due in part to the inability of recipient countries to obtain hard currency. Several members agreed with the Administrator's proposal to charge the respective country IPF with any amount of assessed programme costs which remained outstanding at the end of 1980.

#### Response of the Administration

26. The Director of Finance responded to the questions raised during the discussion. With respect to the increase in the level of unliquidated obligations, he stated that these were firm commitments of the Executing Agencies, which were primarily for equipment. The increase corresponded to the significant increase in the programme delivery of 25.5 per cent in 1979. The Director of Finance reiterated the comments of the Deputy Administrator with respect to the difficulties encountered in decreasing the amounts of accumulated non-convertible currencies and indicated that although the arrangement with one Government, to convert a portion of UNDP's holdings for readily useable non-convertible currencies, had not been completed, it was anticipated that the balance to be converted would take place in 1980. The Director of Finance also explained that each of the development banks had been approached with respect to placement of funds with them and that all specific proposals received would

be considered. It was hoped that placements with these organizations would result.

27. The Deputy Administrator confirmed that sufficient resources were available to deliver the second cycle programme based on present estimates, but that it would, in the future, be necessary to tailor the size of the programme to available resources. The Deputy Administrator further indicated that with respect to the accumulated currencies, many countries refused to accept a charge to their IPF to support an increased utilization of these currencies.

#### Recommendation of the Committee

28. On the recommendation of the Budgetary and Finance Committee, the Governing Council subsequently adopted decision 80/48, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

#### Comment in the Committee after adoption of the recommendation

29. One delegate, on behalf of a group of others, declared that they had accepted the draft decision in document DP/GC/XXVII/BFC/CRP.2 in the spirit of consensus. At the same time, he pointed out that paragraph 5 of this draft decision, which proposed even in the amended form that contributions to UNDP be made in convertible currencies, was unfounded. It discriminated against the national currencies of the Socialist countries and of a large group of developing countries and undermined the basic principle underlying UNDP activities: the voluntary nature of the donor countries' contributions to the Programme. Accordingly, the delegate stressed that had this paragraph been put to a vote a considerable number of delegations would have voted against its adoption.

#### B. Supplementary budget estimates for 1979

30. Under item 10(b) of the Council's agenda, the Committee also had before it document DP/495 which contained supplementary budget estimates for 1979 in the amount of \$2.4 million (including the ISIP adjustment), and document DP/503, Report of the Advisory Committee on Administrative and Budgetary Questions on those estimates.

31. The Director, Division of Finance, in introducing the item and referring to the justifications therein, stated that the origin of the problem went back to the spring of 1979. Although the raw data on cost increases indicated at that time that a supplementary appropriation of some \$4.5 million would be required to meet inflationary costs through the end of 1979, the Administration had decided, based on more optimistic economic forecasts, to request not the indicated \$4.5 million, but the conservative figure of \$1.8 million, which was granted. World-wide inflation, however, had spiralled upward as the year progressed. This resulted in unanticipated increases in costs beyond the control of the Administrator, and the appropriated amount proved to be inadequate. Members were informed that it was not until after the close of the budget year 1979 and well into the accounts closing process (February 1980)



that the full impact and magnitude of the deficit became known.

32. The Director also pointed out that the new "Appropriations and Allotment Control and Expenditure Projection System", already designed and to become operational in 1980 (with retroactive effect to 1 January 1980), had been designed to assist in preventing just the type of appropriation over-expenditure, without advance warning, which occurred in 1979.

33. The practical aspects of handling the conditionally approved ISIP appropriation of \$485,000 for 1979 were explained by the Director. UNDP had expected to be able to absorb the ISIP expenditure through savings in 1979 (paragraph 4(iii) of decision 79/42) and had accordingly informed the Advisory Committee in November 1979 that it did not believe the conditionally approved appropriation (paragraphs 4(iv) and 5, decision 79/42) would be required. When the deficit situation had become known, the Advisory Committee was informed (February 1980) that UNDP had incurred a deficit and as soon as the exact figures were available would, in accordance with the UNDP Financial Regulations and Rules, request the review and report of the Advisory Committee on the supplementary requirement and, in accordance with paragraph 5 of decision 79/42, would request the comments of the Advisory Committee on the conditionally approved ISIP appropriation of \$485,000. Document DP/495, copies of which were sent to the Advisory Committee, also so indicated in paragraph 15.

34. In view of the comments of the Advisory Committee in paragraphs 10 and 11 of its report, the Administrator was now requesting the Council:  
(a) to remove the conditions attached to the conditionally approved ISIP appropriation of \$485,000, and (b) to approve the remaining supplementary appropriation for 1979 of \$1.9 million.

#### Summary of the discussion in the Committee

35. Regarding the deficit, a number of members noted the explanations given in DP/495 and referred also to the ACABQ report. General understanding was expressed for the inflationary pressures which had led to the over-expenditure. Because of this - despite concern about the 1979 outcome - several members stated they could accept the request for supplementary appropriations, including removing the conditions on the amount authorized for ISIP. Another member recorded his Government's dissatisfaction with the handling of this matter. He stated that he thought it a highly unusual procedure and noted the Secretariat's late awareness of the over-expenditure which indicated weaknesses in the control system. The same member made particular mention of the situation on the supply material and equipment budgets and called attention to relevant paragraphs of the ACABQ report and also to paragraph 4 concerning ex post facto approval. He indicated, however, that his Government could go along with the approval recommendation in paragraph 7 of the ACABQ report. He stressed that in the future the Administrator should consult the ACABQ as soon as possible in order to obtain comments much earlier than they had been received on this occasion.

36. One member enquired whether the Administrator had sought additional special voluntary contributions for ISIP. Several members stressed that the new systems and their early warning features, discussed in paragraph 13 of DP/495, should not only provide a higher degree of control but also that they would be effective in preventing ex post facto supplementary requests.

37. A number of members commented on the increase in administrative expenditures and made a plea for a reduction in costs in percentage terms, in order to make more funds available for programming purposes.

38. One representative said that his delegation was alarmed by the considerable size of the supplementary appropriations to the estimates for 1979. He pointed out that the practice of making supplementary appropriations each year could not be fully explained as being due to the effect of inflation. The absence of appropriate control over the planning and utilization of available resources should also be viewed as an important cause of over-expenditure. He requested the Administrator to offer guarantees of some kind concerning the limitation of over-expenditure and the more efficient use of resources, above all by the restriction of administrative management and other non-productive costs connected with programme implementation. In that connexion he called upon the Administrator to improve the efficiency of financial control over administrative, management and other non-productive expenditure with a view to doing away completely, or reducing to a minimum, in future the supplementary annual appropriation needed to cover the Programme's budget deficit.

#### Response of the Administration

39. The Deputy Administrator assured the Committee that the Administrator had indeed approached Governments, considered to be likely contributors, for additional special voluntary contributions for ISIP. The replies indicated that ISIP had reached a stage where it should be considered as a normal responsibility of UNDP and no additional contributions were forthcoming.

40. Regarding the conditionally approved appropriation of \$485,000 for ISIP, the Director, Division of Finance, clarified for members that this amount was a part of the \$1,080,000 authorized by decision 79/42 for 1979 expenditure. The question was "would it be covered by additional voluntary contributions, by savings or by the conditionally approved appropriation". The Advisory Committee's comments were required to be sought only with respect to the conditionally approved appropriation. The comments of ACABQ could not be sought in 1979, it was not determined until 1980 that the amount could not be absorbed through savings. The Advisory Committee's comments were then sought and would hold a hearing in 1980. Because of the comment of that Committee in paragraph 11 of its report, however, the Administrator had decided to ask the Governing Council to remove the conditions on the ISIP amount, rather than to take such action under his authority. The Director also confirmed that improved control of appropriations, allotments and

expenditure projections was an important major feature of the new systems, which had been designed and would go into effect during 1980.

41. In responding to members' comments on seeking further reductions in the ratio of administrative costs in UNDP, the Director assured members that this was a constant preoccupation of the Administrator.

Recommendation of the Committee

42. On the recommendation of the Budgetary and Financial Committee, the Council subsequently adopted decision 80/49, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

### III. OPERATIONAL RESERVE

43. Under item 10(c) of the Council's agenda, the Committee had before it for consideration, the Administrator's proposal contained in documents DP/469 and DP/469/Add.1, which included additional information requested by the Committee. Introducing this item, the Assistant Administrator and Director, Bureau for Finance and Administration stressed the need for an adequate level of liquid resources in the Operational Reserve balanced against the concern that a substantial level of funds not be diverted from programming. Accordingly, funds for liquidation of the Programme were not recommended as an element to be covered by the Operational Reserve.

#### Summary of the initial discussion in the Committee

44. The Committee expressed appreciation for the Administrator's comprehensive proposal on the criteria for the Operational Reserve, which had been requested by the Committee, as well as the additional recommendations on the purposes of the Reserve, the modalities for utilization and the reporting thereon. Most members thought that the timing of the proposal was appropriate, because discussions were simultaneously being held on preparations for the third cycle.

45. Most members agreed with the Administrator's proposals. Several members, however, thought that it would be more appropriate to base the level of the Operational Reserve on anticipated expenditures, rather than on anticipated voluntary contributions.

46. One member, while agreeing with the first four elements proposed to be covered by the Operational Reserve, stated that his Government did not agree that the fifth element, "(e) such other requirements as may be decided by the Governing Council," should be included in the criteria. Several members requested the Administrator to provide additional calculations which would indicate the level of the reserve at different percentage rates applied both to anticipated contributions and to expenditures. This information was furnished in DP/469/Add.1.

#### Observations of the Administration in the Committee

47. The Assistant Administrator, responding to the queries of members, pointed out the level of uncertainty on which UNDP operated. He stated that, at the end of April 1980, three major donors had not officially pledged for the year so that the level of resources for 1980 was still uncertain. In addition, because Governments either delayed payments of pledges or paid pledges in instalments, as at the end of April, income was substantially less than anticipated, while disbursement was slightly higher. He stated further that by the end of April 1980, some \$60 million of the Operational Reserve would have had to be used, if UNDP had had only the Operational Reserve as a buffer at the end of 1979. Under those circumstances, the balance in the Operational Reserve as at 30 April would have been able to cover less than two months' disbursement.

48. (At this point the Chairman suspended the discussion on the Operational Reserve pending further developments on the third cycle IPFs by the Working Group on IPFs and by the Plenary.)

Summary of the resumed discussion in the Committee

49. After the discussions on the IPFs for the third cycle had reached a more advanced stage, the Committee returned to agenda item 10(c). A member reiterated the points which he had made earlier on relating the level of the Operational Reserve to the general level of contributions or disbursements. He stated that if the volume of contributions increased substantially, an operational reserve established at the level of 25 per cent would be too high. The member made a specific proposal that the level of the operational reserve for the years 1982-1986 be set out in draft paragraph 4 of DP/GC/XXVII/BFC/CRP.3 (before issuance of Corr.1) at \$200 million, \$230 million, \$260 million, \$290 million and \$330 million, respectively, and that these figures might be qualified by the following phrase: "or 25 per cent of contributions for each year which ever is the smaller". He stated that this would make more money available for programme purposes, while providing an Operational Reserve of a sufficient level to cover the needs of the Programme. If the contribution levels continued to increase, the level would be adequate; and if contributions were to decrease, the amounts specified would provide the necessary safeguard. This proposal, while attracting some support, was considered as providing an inadequate reserve level by a number of other contributors, who stated that levels of 25 per cent or higher were maintained by many financial institutions in their countries. Twenty-five per cent was considered by these members as the minimum desirable percentage.

50. In response to a question, the Assistant Administrator indicated that the dollar figures above previously suggested by the member were based upon 20 per cent of estimated contribution levels for the third cycle. In making a plea for the higher rate of 25 per cent, he reiterated the experience through the end of April 1980, when some \$60 million had been drawn down from the Operational Reserve to compensate for delayed receipt of contributions and increased programme expenditures. In the opinion of the Assistant Administrator, although the figure of 25 per cent of contributions was rather conservative, when coupled with the flexibility proposed in DP/GC/XXVII/BFC/CRP.3/Corr.1, which related the amount of the Reserve to either contributions or expenditures, the risk factor would be minimized. The adoption of a 20 per cent level would pose problems, and accordingly, he requested members to consider the percentage carefully.

51. After an exchange of views, the text of paragraph 4 of DP/GC/XXVII/BFC/CRP.3/Corr.1 was agreed to, but subject to an additional paragraph stating that the level of the Operational Reserve would again be reviewed at the twenty-ninth session.

52. Supported by others, the member who had proposed 20 per cent as the appropriate level for the operational reserve stated that accepting the higher level had been in the interest of reaching consensus. He wished to have duly reflected in the report the fact that there had been considerable support for the lower level. The member referred to DP/469/Add.1 which, he stated, at the level of 25 per cent, would always be above the specific levels he had proposed for the years 1982-1986. The member continued to hold the view that the levels which he had proposed provided an adequate level for the operational needs of the Programme, given all of the uncertainties in respect of both projected contributions and expenditure for 1982-1986.

Recommendation of the Committee

53. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/50, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

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#### IV. INTEGRATED SYSTEMS IMPROVEMENT PROJECT PROGRESS REPORT

54. Under item 10(d) of the Council's agenda, the Committee had before it for its consideration, the progress report of the Administrator (DP/471) on the work done on the Integrated Systems Improvement Project (ISIP). In the report, the status of ISIP, the arrangements for the final stages of the systems work, the practical advantages of the new UNDP systems, and the utilization of funds were described.

55. Introducing the item, the Deputy Administrator reiterated that ISIP was by and large on target, both in terms of its schedule and the commitment of resources for 1979 and 1980. The attention of the Committee, however, was called to the fact that the development of information systems in general, and particularly of such a complex system as the UNDP General Ledger/Financial Reporting System, could run into problems which might make a greater level of effort necessary. He stated that even if this should occur, it would be unlikely that the total additional cost would exceed \$150,000 which, hopefully, could be absorbed within the 1980-1981 administrative budget.

56. The Deputy Administrator expressed the gratitude of UNDP for the foresight and guidance of the Committee and for the contributions made by a number of member Governments. The co-operation of the Participating and Executing Agencies and the Inter-Organization Board (IOB) also contributed significantly to this effort.

57. The Deputy Administrator invited members of the Committee to focus on the future of the UNDP systems developed under ISIP. In this connexion, he announced that while an internal re-alignment of the Division of Management Information Services (DMIS) within existing budgetary limits was currently in progress, the new Assistant Administrator and Director, Bureau for Finance and Administration, was to take a personal interest in this matter, particularly in regard to the aspects of relevance, timeliness and cost effectiveness. The Assistant Administrator together with the newly appointed Director of DMIS, would review the role and functions of DMIS from 1980 onwards, the level of staff and the funds required for the retention of outside expertise, and such other steps as may be necessary to ensure the success of the ISIP programme. The decisions reached and additional resources required, if any, would be brought to the Council's attention at its twenty-eighth session.

#### Summary of the discussion in the Committee

58. Members of the Committee expressed appreciation for the Deputy Administrator's clear and comprehensive presentation of the subject, while simultaneously referring to the difficulty in evaluating the highly technical data contained in document DP/471. Several members reiterated their support for efficient information systems in UNDP and were glad to note that most of these systems would become operational by the end of 1980. A number of delegations

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expressed the hope that these new systems would make it possible for the Administrator to increase the financial and operational control of the Programme, so as to make UNDP a more effective organization.

59. Several members stated that, while being very satisfied with the accomplishment of the ISIP group, they were pleased to note UNDP's intention to entrust the responsibility for further systems development and enhancement to DMIS, thus providing for on-going internal management of the systems, fully integrated within the UNDP Administrative Budget.

60. One member, in associating himself with previous speakers, emphasized the importance of the cash management, cash forecasting and the appropriation control systems, the importance of which could not be overemphasized in view of recent experiences.

#### Response of the Administration

61. The Deputy Administrator, in expressing his appreciation for the comments made, agreed that DP/471 was indeed quite technical. He further stated that UNDP ~~was~~ always willing to arrange for ad hoc meetings between governmental representatives and UNDP officials to provide for detailed briefings on the technical aspects of the systems. The Deputy Administrator, while repeating that ISIP was and would continue to be mostly on target, indicated that many variables were involved and it was therefore virtually impossible to forecast final results without a margin of error. He said that while he was confident that targets would be met, the possibility of slippage, as mentioned in his introductory statement, could not be excluded at this stage. Should this occur, they would be duly reported to the Governing Council.

#### Recommendation of the Committee

62. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/51, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

V. HEADQUARTERS STAFFING REVIEW

63. Under item 10(e) of the Council's agenda, the Committee had before it for consideration a Note by the Administrator on Headquarters Staffing Review (DP 476). Introducing this item, the Deputy Administrator outlined developments since the Administrator had informed the Governing Council at its twenty-sixth session that he planned to undertake a study of headquarters and representative field offices. In referring to the timing of the actions connected with these studies, the Deputy Administrator informed members that the planning and fact-gathering phases of the field survey were expected to be completed by about the end of 1980 and, if all went well, that the Administrator's conclusions and recommendations could begin to emerge by the middle of 1981. The Administrator's decisions on the combined headquarters and field studies, therefore, would not be available for submission to the Council's June 1981 session, nor could the 1982-1983 biennial administrative budget, with its March 1981 publication deadline, be prepared on the basis of such decisions. The difficulty was how to deal satisfactorily with the problem of timing while minimizing any possible duplication of work for the Council.

64. The Deputy Administrator said that there were other uncertainties to be considered, as well as the size of the Programme in future years, the way in which new IPF allocations might affect allocation of staff between headquarters and the field, the role of the Resident Co-ordinators and the completion of the ISIP exercise for improved financial and programme management. There were already growing pressures for staff increases to carry out the much higher level of delivery. Meanwhile, the Administrator was attempting to avoid requests for staff increases pending the results of the headquarters and field surveys.

65. The Administrator therefore proposed that the results of these studies and the related budgetary submissions for 1982/83 might be handled as follows:

1980-1981

(a) The Administrator would direct his staff to prepare the 1982-1983 biennial budget at the usual time, beginning in the late fall of 1980, with a view to permitting its review by the Administrator and the submission of the final documentation for translation and distribution for the Council in March 1981.

(b) This budgetary submission would be prepared, taking into consideration the views expressed by the Council with respect to format and improvements at its twenty-sixth session, largely on the basis of the present organizational arrangements and staffing patterns both at headquarters and in the field. However, having due regard to the Field Office aspects of the survey, it might be advisable to show those staffing figures in the budget in aggregate terms. It would be submitted for the Council's review and approval at its twenty-eighth session, together with the comments of the Advisory Committee.



(c) The budget would essentially be submitted on a zero-growth basis that is in real terms, it would provide for existing staff plus cost increases associated with that staff. It would probably also be necessary to propose increases in staff when they were for newly approved functions, including new field offices (if any), and for other true exigencies. In each case, the Administrator would personally decide that the increase was absolutely essential to carrying out the workload of the Programme.

#### 1982

(d) The Administrator would submit to the Council's session in 1982, such revisions to the budget as he found necessary from a management, staffing and operational standpoint. The report would include full information on both the headquarters and field studies and would relate the conclusions and recommendations flowing from these studies to the proposed revisions in the 1982-1983 biennial budget.

(e) In view of the time-consuming nature and the cost and the documentation involved, this 1982 submission would be made in as simplified a form as possible. It would avoid presenting again a full-scale budget document emphasis, where applicable, would be on the reason for shifts in staff and resources and the effect therefore.

#### Discretionary authority for the Administrator

(f) In order to keep UNDP functioning as effectively as possible between now and the Council's consideration of the budget in 1981 and the review scheduled for 1982, it would be necessary for the Administrator to have the Council's understanding that during this period, he would expect to redeploy staff and resources between headquarters units, from headquarters to the field and, as necessary, from field location to field location as in his judgement might be required. Inherent in this would be his authority to take such subsidiary administrative actions as might become necessary.

66. The Deputy Administrator concluded by stating that the objective was to make it possible for the Administrator to carry out his administrative responsibilities effectively during the next two years, while ensuring that the Council was in a position to exercise its review and oversight functions during this period. He asked the Committee to note and approve these modalities.

#### Summary of the discussion in the Committee

67. A number of members stressed that they looked forward to a more rational use of human resources in UNDP as well as to more decentralization. They emphasized that, notwithstanding the increase in programme, staff increases - and therefore administrative budget expenditure - should be kept to a minimum. Several members also stated that, in the desk-to-desk study and in the Integrated Systems Improvement Project, the Administrator had been given extremely powerful tools with which

to effect changes in personnel policy, financial procedures and the over-all management, control and organization of UNDP. An observation made at the twenty-sixth session of the Council was recalled by one member who said that the desk-to-desk study should not be used simply as a justification for staff increases, but rather as a mechanism to review the efficiency and effectiveness of UNDP. Hope was expressed that the Administrator would continue to take this point of view into account.

68. One member, while expressing appreciation for DP/476 and for the Deputy Administrator's statement, regretted that a fuller account of the study was not possible at present. The member further agreed that a "zero growth" basis for staffing in the interim was welcomed and looked forward to the separate document in 1982 giving the survey's conclusions. The member expressed the hope for general staff reductions in the long run. Another member, while indicating agreement with the Administrator's proposal, asked for further information on the discretion requested to redeploy staff during the period in question, since it was his understanding that the Administrator already possessed that flexibility. Still another member referred to the role of the Resident Co-ordinators, one of the uncertainties mentioned by the Deputy Administrator, and requested clarification with respect to their function.

#### Response of the Administration

69. The Deputy Administrator noted that while the Administrator possessed flexibility in borrowing and in shifting posts, a major redeployment of staff might be considered to be within the competence of the Council and that was the reason for the Administrator's setting forth the information contained in (f) above with respect to the authority he would have to exercise to ensure maximum benefits from these studies. He further observed that while the Secretary-General had issued detailed descriptions of the Resident Co-ordinators' functions, the time required to carry out these functions by UNDP staff, as well as their effect on the staff, could not yet be estimated accurately. This issue might become clearer over the next year, as Resident Co-ordinators assumed their posts.

70. In concluding the item, the Chairman noted that the report on both headquarters and field surveys would be submitted for the Council's consideration at its twenty-ninth session (1982), with the biennial budget for 1982-1983 being considered at its twenty-eighth session (1981) on the basis described by the Deputy Administrator.

#### Recommendation of the Committee

71. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/52, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

VI. CONCEPT FOR INTERIM YEAR ADMINISTRATIVE  
BUDGET REPORT

72. Under item 10(f) of the Council's agenda, the Committee had before it for consideration the report of the Administrator (DP/491) on the concept for an interim year report on the administrative budget. This document provided the Council with examples of the kinds of subjects which could be included in such a report on either a recurrent or on an ad hoc basis.

73. Introducing the subject, the Assistant Administrator and Director, Bureau for Finance and Administration, said that he considered the document as a tour de horizon of the subjects which could possibly be dealt with in the interim year rather than as specific proposals by the Administrator. He stressed that it was also desirable, to the greatest extent possible, that any new reports should be a by-product of management information needed by the Administrator, and that even then, the production of such reports should be weighed against the criteria of essentiality and cost effectiveness.

Summary of the discussion in the Committee

74. One member compared the possible interim year report to the Performance Report produced by the United Nations, and also drew a parallel to the request before the Committee for a 1979 supplementary appropriation. He stated that recourse to a supplementary appropriation should only be taken in very exceptional circumstances.

75. Several members indicated subjects which they believed could usefully be covered in such a report; information on new developments which come to the fore as the budget period progresses; information on abnormal experience with inflation or currency movements; and information on management or staffing studies and the like. The conclusion which emerged from the debate was that the determination of the subjects to be covered should be left to the discretion of the Administrator.

Response of the Administration

76. The Assistant Administrator assured the Committee that specific points where consultation or Council decisions were required would be submitted to the Council. He further assured the members that no automaticity was envisaged in the submission of supplementary estimates, but added that should developments indicate a potential problem, the intent would be to give a clear signal to the Council as early as possible, which outlined the problem and the Administrator's proposed action to deal with it.

Recommendation of the Committee

77. On the recommendation of the Budgetary and Finance Committee, the Governing Council subsequently adopted decision 30/37, the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

VII. INTERAGENCY PROCUREMENT SERVICES UNIT (IAPSU):  
INTERIM REPORT OF THE ADMINISTRATOR

78. Under item 10(g) of the Council's agenda, the Committee had before it, for consideration, the Interim Report of the Administrator on the Interagency Procurement Services Unit (DP/492). Introducing the item, the Acting Assistant Administrator, Bureau for Special Activities, emphasized that the Unit had achieved savings far beyond its administrative costs. He also pointed out that the Executing and Specialized Agencies had been making increasing use of the Unit's services. He stressed that IAPSU concentrated on certain areas of procurement so as not to stretch its staffing resources too thinly. He also referred to the Unit's progress in utilizing non-convertible currencies and in generating greater procurement of common user items from the developing countries. He closed by calling attention to the opportunities for co-operation with the Special Unit for TCDC and stated that though much had been accomplished, much remained to be done.

Summary of the discussion in the Committee

79. Members of the Committee were virtually unanimous in their expression of satisfaction with the work of the Unit. In particular, the common approach to procurement and the substantial savings realized were emphasized as having justified the Unit's operation. Several members also referred to the increase in procurement from developing countries and the greater use of non-convertible currencies as being worthy of commendation. Other members, however, stated that, in their view, concentration on the utilization of non-convertible currencies should not be to the detriment of other suppliers. All members agreed that the most effective way to promote more equitable geographic distribution of suppliers was to improve the flow of project information and to expand relevant information activities in general.

80. One member referred positively to the recent decision of the High-level meeting on TCDC, which called for continued surveys to identify suppliers in developing countries. He also urged that information officers be posted in the developing countries and that the Committee recommend field surveys for this purpose. Several members, referring to the Unit's efforts to redress the geographic imbalance of procurement practices, stated that such activities were instrumental in helping to implement General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) on the establishment of the new international economic order. Several other members, while expressing their satisfaction with the progress made towards more equitable geographic distribution of suppliers, emphasized that quality and cost should remain the prime considerations. Still on the subject of geographic distribution, one member referred to a study undertaken by the Secretary-General which indicated that firms located in the headquarters cities of Agencies were shown preference with respect to procurement.

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81. With respect to the currency of payment, several members stated that payment to countries with accumulated non-convertible currency balances should be made in the respective countries' own currencies. One member specified that in his view, there should be no payments in convertible currencies to countries with accumulated non-convertible currencies. Another member stated that since his Government contributed to UNDP in both convertible and non-convertible currencies, payments to his country should be made in both kinds of currencies.

82. At the invitation of the Chairman, the representative of the International Trade Center (ITC) briefly summarized the relevant activities undertaken by his organization in co-operation with a number of United Nations system organizations. He pointed out, however, that because of limited resources available from the ITC Trust Fund, it was becoming increasingly difficult to participate in IAPSU's programme.

#### Recommendation of the Committee

83. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/53, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

### VIII. SECTORAL SUPPORT

84. For the consideration of item 10(h) of the Council's agenda, the Committee had before it document DP/480 containing the report of the Administrator summarizing the results of UNDP/UNIDO studies of the country-by-country needs for Senior Industrial Development Field Advisers (SIDFAs).

85. Introducing the item, the Acting Assistant Administrator, Bureau for Programme Policy and Evaluation, recalled that a Consultant's study on the effectiveness of the SIDFA programme <sup>1/</sup> had been referred to the previous session of the Council by the Industrial Development Board. As a result of its consideration of this item at its twenty-sixth session, the Council had requested the country-by-country study which was before the Committee. He also referred to two points which had been raised earlier in the plenary <sup>2/</sup>, saying that both expert advisers and Junior Professional Officers (JPOs) could, under certain circumstances, fulfil some of the functions of SIDFAs, although other complementary inputs would be required to ensure that all aspects of the SIDFA service were covered.

#### Summary of the discussion in the Committee

86. Members generally welcomed the report of the Administrator. Several members expressed the view that the report demonstrated the need for an increase in the number of SIDFA posts: some of these endorsed the Administrator's view that the number should be 44 (as proposed in document DP/480), while others supported the proposal put forward in the Consultant's study <sup>3/</sup> and endorsed by the Industrial Development Board that the number of posts should be 50. Those supporting an increase in the number of SIDFA posts pointed, first, to the importance of industrialization to the development of developing countries, and, second, to the contribution of the United Nations system, including SIDFAs, to such industrial development. One member said that the financing of one SIDFA post by her Government attested to the importance which it attached to the SIDFA programme.

87. Other members indicated that they did not consider that the case for an increase in the number of SIDFA posts had been adequately demonstrated and they considered that 36 posts continued to be sufficient. One member, welcoming the distinction between the SIDFA service and SIDFA posts, commented that the report of the Administrator demonstrated the need for the SIDFA service but did not give justification for additional SIDFA posts. This member pointed out, at the fourteenth session of the Industrial Development Board, that Group B countries, while joining in the consensus for an increase in the number of SIDFAs, had expressed their reservations about the proposed increase to the particular level of 50 posts.

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<sup>1/</sup> See ID/B/228 Annex.

<sup>2/</sup> See DP/SR.681, paragraph 11.

<sup>3/</sup> See ID/B/228 Annex, paragraph 2.

88. When addressing the question of the desirable number of SIDFA posts, most members also gave their views on the most appropriate source of financing for the SIDFA programme. Some members felt that UNIDO should assume this responsibility. These members expressed the view that some of the activities of SIDFAs were representational in nature and consequently should be financed from the UNIDO regular budget. One member compared the situation with that of FAO Country Representatives and commended FAO for having assumed the financial responsibility for those posts under its regular budget. Others pointed out that UNIDO was not yet a Specialized Agency and consequently could not finance additional posts from its own budget. Some others noted that some of the functions of SIDFAs listed in the Annex to document DP/480 corresponded to those which Agencies were expected to finance from support costs. One member remarked on the similarity between the listing of SIDFA activities in document DP/480 Annex with those identified by the Joint Inspection Unit (JIU) in its report on support costs as being an integral part of project support and back-stopping.

89. A second group of members argued that the costs of the SIDFA programme should be borne by UNDP. One member expressed the view that such an arrangement was in keeping with UNDP's role as the central funding organization for technical co-operation activities. Another member suggested that UNDP should bear the cost because UNIDO, still being part of the United Nations, could not necessarily arrange for the financing of SIDFAs from its regular budget, a contrast with the position of other Agencies which had control over their own regular budgets. A third member suggested that it was necessary to associate the costs of the SIDFA programme with the benefitting organization. To the extent that a SIDFA assisted in the country programming process for example, the relevant costs should be borne by UNDP, but any costs associated with activities purely of concern to UNIDO should be attributed to that organization. Another member suggested that some of the proposed SIDFA services referred to in the Annex to the report should be the responsibility of the recipient government. A further member, supported by two others, proposed that countries benefitting from the services of a SIDFA should contribute to the cost of the post from their national IPFs. Some delegations noted, notwithstanding, that many developing countries would be unable to utilize their IPFs to cover these costs.

90. Most members considered the question of the quality of SIDFAs to be of paramount importance and stressed that particular attention should be given to this dimension of the SIDFA programme. It was pointed out that quality should be maintained when increasing the quantity of SIDFAs. One member stated that greater emphasis should be given to the selection process than to the speed of selection. Another member expressed doubt as to whether a Junior Professional Officer (JPO) could be an adequate substitute for SIDFAs, saying that the experience and expertise required of the post necessitated a senior person. Attention was also drawn to the extensive experience of the socialist countries in industrialization and it was suggested that this experience could be put to use in the developing countries. In making this proposal, one member said that SIDFAs should be drawn from a wider range of countries. Another member suggested that more SIDFAs should be recruited from developing countries.

91. The representative of UNIDO invited to address the Committee drew the attention of members to the statement by the Executive Director in the plenary in which the question of SIDFAs was addressed at length <sup>4/</sup>. The UNIDO representative pointed out that three studies - the Consultant's report, the UNIDO/UNDP desk study and the UNDP questionnaire - had all demonstrated the need for additional SIDFA posts. He stated that, at each session of the Industrial Development Board and at UNIDO III, UNIDO was requested to provide additional SIDFA posts, funded either by the United Nations regular budget or by UNDP. The UNIDO secretariat was in a dilemma since sufficient financing was not forthcoming from either source and consequently the expressed needs of the developing countries were not being met. He commented that JPOs could not substitute for SIDFAs because they lacked the high level expertise required, whereas project personnel were project-oriented and could not replace a SIDFA in providing advice to the government, both as and when required and in co-operation with the Resident Representative. He pointed out that not all the costs of the SIDFA programme were met by UNDP: some \$300,000 of travel costs were being provided from the UNIDO Regular Budget. With regard to the view that part of the costs of the SIDFA programme should be met from support costs, he indicated that UNIDO's support costs already amounted to 21 per cent of programme expenditures. With only 14 per cent being met by UNDP, the balance was charged to the UNIDO regular budget and it would be difficult to increase this amount further, since the United Nations regular budget was constrained to zero growth.

92. One member took exception to the charge by the UNIDO representative that financing had not been forthcoming, pointing out that, in fact, UNDP financing for SIDFA services had been available to date at a level above the delivery of actual services.

93. After the discussion, the Committee approved the draft decision contained in DP/GC/KXVII/BFC/CRP.10/Rev.1.

Recommendation of the Committee

94. On the recommendation of the Budgetary and Financial Committee, the Council subsequently adopted decision 80/32, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

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<sup>4/</sup> See DP/SR.678, paragraph 6 to 7.



IX. FINANCIAL REGULATIONS

95. After a brief introduction of document DP/499 by the Deputy Administrator, there followed an equally brief exchange of views with two delegations. Assurances were sought that the revised financial regulations would not further detract from the Council's prerogatives and would indeed ensure conformity with existing United Nations financial regulations.

96. The Committee was reassured on these points and the Deputy Administrator confirmed that the revised financial regulations, together with ACABQ comments thereon, would be submitted to the twenty-eighth session in June 1981.

Recommendation of the Committee

97. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/38, the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

## X. AUDIT REPORTS

98. Under item 10(j) of the Council's agenda, the Committee had for its consideration document DP/441, which included the audited reports of the Executing Agencies for the year ended 31 December 1978 and the results of consultations by the Administrator with the External Auditors as requested in Governing Council decision 79/47. In his introductory remarks, the Director of Finance, in addition to commenting on the audit reports and observations, presented the results of the consultations with the External Auditors.

### Summary of the discussion in the Committee

99. Members of the Committee appreciated the fact that the External Auditors, in respect of the Council's requests in decision 79/47, had commented on those matters in their audit reports. Members acknowledged that the Auditors preferred to mention only matters which needed correction or further attention, and also accepted the fact that it would be unlikely that all audit reports could be made available to the Governing Council at each following session, if these were held in June each year. One member requested that, in the future, the Administrator provide a brief abstract of the salient comments and observations as part of the Administrator's report to the Council on the audit reports of Executing Agencies. One member requested the Administrator to obtain the assurances of the commercial external auditors, used by certain organizations, that in future audit reports they, too, intend to include observations on substantive matters and on the items referred to in paragraph 3 of Governing Council decision 79/74. One member referred to the discussion at the twenty-sixth session, particularly of the "grey area" discussed at that session, and asked for further clarification. One member indicated that the External Auditors should report on improvements in the management field and suggested that his Government would be prepared to provide additional resources to enable the External Auditors to do so. Another member indicated that the Administrator's report should include comments on the substantive observations of the External Auditors and on the action taken by UNDP and the Participating and Executing Agencies to follow up on the observations of the Auditors.

### Observations of the Administration in the Committee

100. The Director of Finance responded to the members' questions, indicating that UNDP had in fact followed up on the observations contained in the audit reports of the Participating and Executing Agencies and was satisfied that the thrust of the audit observations were being complied with. With respect to the "grey area" discussed last year, this involved, principally, the fact that, with respect to the expenditure of and accounting for UNDP funds, the Agencies were governed by their own financial regulations and rules. This was specifically acknowledged by UNDP's financial regulation 1.6. However, the Administrator was authorized to require reports from the Agencies needed by him in carrying out his functions. Moreover, he was not stopped from requesting additional information to follow up on or to clarify substantive observations raised by the External Auditors in their report with respect to the use and management of UNDP funds. The Administrator was prepared to comment in the future on such substantive observations. The question of the scope of the comments provided by the commercial external auditors

had been informally raised with the Panel of External Auditors last year. While it would be desirable for the commercial external auditors to provide the coverage desired by the Governing Council, it appeared to be necessary for the Administrator to make a separate approach to them on this matter.

Recommendation of the Committee

101. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/39 the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

XI. REPORT OF THE WORKING GROUP ON SUPPORT COSTS

102. Under item 10(k) of the Council's agenda, the Committee had before it the report of the Intergovernmental Working Group on Support Costs (DP/WGOC/32) and the decision of that Group contained in DP/WGOC/32/Add.1. The Budgetary and Finance Committee decided to recommend that the Governing Council adopt this report and decision in the light of the Working Group's discussions as finally reflected in documents DP/WGOC/32/Corr.1 and DP/WGOC/32/Add.1/Corr.1.

Recommendation of the Committee

103. On the recommendation of the Budgetary and Finance Committee, the Council subsequently adopted decision 80/44, the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

## XII. SUPPORT COSTS AND RELATED QUESTIONS

104. Under item 10(1) of the Council's agenda, the Committee had before it the following documents dealing with support cost flexibility matters: Support costs and related questions (DP/473 and Corr.1); and a request by the International Telecommunication Union (ITU) for additional support costs reimbursement for 1979 (DP/502).

105. Introducing the item, the Director of Finance reported that the level of flexibility paid in 1979 to Agencies, whose project implementation was less than \$10 million, was some \$800,000 less than had been projected because their actual programme expenditures, on which 14 per cent regular support costs were paid, had been substantially higher than originally projected by these Agencies. UNCTAD, moreover, had not used its projected allocation, since its expenditures had been in excess of \$10 million in 1979. The Director stated, however, that that Agency wished to draw the attention of the Committee to its difficulties in living within the 14 per cent figure. Although UNCTAD would not present a special claim at this time, it hoped that the Council in 1981 would ve favourably disposed should difficulties related to support costs arise in connexion with its programme implementation in 1980.

106. As regards the request for reimbursement of additional support costs from ITU in the amount of up to \$629,637, the Director said that similar requests have been received from ITU in most years since 1973, and the Administrator was again seeking the Council's guidance.

### Summary of the discussion in the Committee

107. One member, referring to the tables in document DP/473, enquired as to why there had been a substantial increase in the percentage of support costs to project expenditures projected for 1980 as compared with the actual percentage for 1979. Another member enquired as to why ITU expenditures had been reported exclusively in Swiss Francs. The same member enquired as to why the ITU request had not been accompanied by comments of the Administrator.

### Initial response of the Administration

108. The Deputy Administrator indicated that the ITU request would be further reviewed by UNDP and that the Committee would be provided with the results of that review. In reply to the question on the percentage increase for flexibility support costs for 1980 over 1979, the Director of Finance replied that this increase was due primarily to two factors: (a) the deletion of UNCTAD from the 1980 projections; and (b) general inflationary trends with respect to the support costs for equipment, salaries and other items of expenditure.

109. Responding to the question on why expenditures by ITU were reported exclusively in Swiss Francs, the representative of ITU indicated that its Technical Co-operation Department was in Geneva and that expenditures were paid in Swiss Francs, irrespective of the currency ultimately used to purchase the project components.

Decision on DP/473

110. At the suggestion of the Chairman, the Committee took note of the arrangements proposed by the Administrator in paragraph 9 of DP/473.

Further response to the Administration

111. The Deputy Administrator stated that the Administrator had reviewed the request of ITU and had determined that the claim made was correct: because of fluctuations in the rate of exchange between the US dollar and the Swiss Franc, the value of support costs recovered in dollars was not sufficient to pay for the actual costs incurred by ITU when translated into Swiss Francs. The presentation of this view to the Committee, however, did not imply that the Administration was commenting on the principle involved. He further suggested that the amount of the shortfall in Swiss Francs should be used as the basis for considering the supplementary payments.

Summary of further discussion and response

112. One member recalled to the Committee that regardless of the basis of the claim, Governing Council decisions were to be expressed in US dollars. Another member underscored his delegation's view that DP/502 did not put forward sufficient justification for reimbursing ITU on a "special case" basis in relation to other Agencies based in Geneva. UNCTAD, for example, was having similar difficulties, but had indicated its intention to stay within the existing support costs policies. He said that he was uneasy with the situation in which the Committee took exceptional decisions every year, particularly at a moment when the intergovernmental Working Group on Support Costs was trying to determine long-term policy. (With regard to this latter point, the Chairman pointed out that the discussions of that Group were to define future policy and would not be applied to 1978 and 1979 flexibility support costs.) One member noted that if ITU's costs had increased, so had others. It was further noted that the ILO, which had received special assistance in 1979, had chosen not to renew its request.

113. At the request of the Chairman, the representative of ITU reviewed for the Committee the figures on increases in Programme delivery and in support costs, respectively, between 1974 and 1979. He underscored the steps which had been taken to greatly improve ITU's efficiency and to raise delivery. In reply to a query, he indicated that the exchange rate which had been used in presenting ITU's case was the average for 1979: 1.67 Swiss Francs to one US dollar, which also happened to be the present exchange rate.

114. Several other members said that because of the nature of ITU's activities and the high rate of increase in ITU project implementation in recent years, the Agency, in their view, had presented evidence of special need. They further pointed out that this decision would be in line with past practice.

Decision on DP/502

115. The discussion concluded with consensus on acceding to ITU's request provided that, if any similar request were presented in the future, it should be accompanied by additional justification from the Agency. It was further decided to fix the reimbursement amount at not to exceed US \$629,637 as shown in DP/502, subject to such exchange rate adjustments as may be determined by the Administrator.

Recommendation of the Committee

116. On the recommendations of the Budgetary and Finance Committee as reflected in paragraphs 110 and 115 above, the Council subsequently adopted decision 80/54, the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

XIII. MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

A. Evaluation (Agenda item 4(b))

117. The financial implications of subparagraph 22 (d) of document DP/448 were referred to the Budgetary and Finance Committee for its consideration. The Committee was informed that additional financial resources would be required to undertake and publish the proposed additional evaluation studies and to implement the other proposed measures for evaluation, feedback and improving project design. The Committee was therefore requested to authorize additional expenditure in 1980-1981 of an amount not to exceed \$300,000 (net), for which additional appropriations, to be allocated from UNDP resources, may be requested by the Administrator at the twenty-eighth session of the Governing Council, unless he were able to cover all or part of this amount from savings within the Programme Support Costs and Administrative Services Costs budgets.

Recommendation of the Committee

118. As a result of its consideration of this item, the Budgetary and Finance Committee recommended, should the Governing Council approve the proposals to undertake and publish in 1980-1981 the proposed additional studies in evaluation as contained in DP/448, paragraphs 22 (d) and (e), that the Council should include the following provision in its relevant decision:

Decide, with respect to the proposed additional evaluation studies, to authorize the additional expenditure in 1980-1981 of not to exceed \$300,000 (net), for which additional appropriations to be allocated from UNDP resources may be requested by the Administrator at the twenty-eighth session of the Governing Council, unless all or part of this amount can be covered from savings within the Programme Support Costs and Administrative Services Costs budgets.

119. The substance of the Committee's recommendation was subsequently incorporated in operative paragraph 5 of Governing Council decision 80/22, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

B. Pre-Investment (Agenda item 4(c))

120. The financial implications of paragraph 8 of document DP/442 and of the recommendation contained in paragraph 30 of DP/479 were referred to the Budgetary and Finance Committee for its consideration. With regard to paragraph 8 of document DP/442, the Acting Assistant Administrator, Bureau for Programme Policy and Evaluation, informed the Committee that an additional expenditure would be required if the special arrangements between UNDP and the FAO Investment Centre were to be extended to other Agencies.

121. With regard to the recommendation in paragraph 30 of document DP/479, the Acting Assistant Administrator informed the Committee that UNDP had had preliminary discussions with the World Bank about the possibility of the latter's organizing training courses in pre-investment for Resident Representatives and their deputies. The World Bank had welcomed this proposal and had indicated its willingness to assist in conducting the courses. It was estimated that the cost in the 1980-1981 period would be \$150,000.

122. To perform this work, additional expenditure in 1980-1981 of not to exceed \$100,000 (net) and \$150,000 (net), respectively, would be required, for which additional appropriation to be allocated from UNDP resources might need to be requested by the Administrator from the twenty-eighth session of the Governing Council, unless all or part of this amount could be covered from savings within the Programme Support Costs and Administrative Service Costs budgets.

Recommendation of the Committee

123. As a result of its consideration of this item, the Budgetary and Finance Committee recommended, should the Council approve the proposals for extending the special co-operative arrangements for training courses in pre-investment, that the Council should include the following provisions in its relevant decision:

Decide, with respect to the special co-operative arrangements with other Agencies and for the training courses in pre-investment for Resident Representatives and Deputy Resident Representatives, to authorize the additional expenditure in 1980-1981 of not to exceed \$100,000 (net) and \$150,000 (net), respectively, for which additional appropriations to be allocated from UNDP resources may be requested by the Administrator at the twenty-eighth session of the Governing Council, unless all or part of this amount can be covered from savings within the Programme Support Costs and Administrative Service Costs budgets.

124. The substance of the Committee's recommendation was subsequently incorporated in operative paragraph 5 of Governing Council decision 80/23, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).



C. Criteria for UNDP's response to natural disasters

125. The Budgetary and Finance Committee had before it document DP/432, which was referred to it by the Plenary for the Committee's consideration of the financial implications of the Administrator's proposal on criteria for UNDP's response to natural disasters. The Committee was informed, with respect to a draft decision before it, that another paragraph was to be added which would require that any allocations for disasters from the Programme Reserve, which were not expended (obligations plus disbursements) within 24 months after approval of the relevant project document, revert to the unallocated balance of the Programme Reserve.

126. In response to questions raised by members of the Committee, the Acting Assistant Administrator, Bureau for Programme Policy and Evaluation, stated that the proposal to increase the initial allocation for immediate relief assistance from \$20,000 to \$30,000 was made to achieve conformity with the authority given to the Secretary-General by the General Assembly to provide assistance from UNDR0 resources. He said that this initial allocation of \$30,000 would be included within the limit of \$1 million per disaster. This limit was based on UNDP experience in responding to natural disasters, while the annual ceiling of \$2 million per country was based on the fact that there were unlikely to be more than two natural disasters in any one country in a year.

Recommendation of the Committee

127. As a result of its review of this question, the Budgetary and Finance Committee endorsed the financial arrangements proposed in paragraphs 21(b) and 21(d) of document DP/432, as well as the additional proposal that any allocations from the Programme Reserve which were not expended (obligations plus disbursements) within 24 months after the approval of the project document should then revert to the unallocated balance of the Programme Reserve.

128. The substance of the Committee's recommendation was subsequently incorporated in operative paragraph 7 of Governing Council decision 80/31, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

D. United Nations Fund for Population Activities

129. Under items 7(a) (iii), (iv) and (v) of the Council's agenda, the Committee had before it the following documents

- (a) Request for approval authority (DP/482)
- (b) The UNFPA budget estimates for administrative and programme support services for 1981 and for supplementary allocations for 1980 (DP/483)
- (c) Comments of the Advisory Committee on Administrative and Budgetary Questions on the UNFPA administrative budget for 1981 (DP/497) and
- (d) The UNFPA audit reports (DP/434).

130. The Council had first discussed item 7(a) (iii), Request for approval authority, in Plenary session, and had decided to refer it for further consideration to the Committee which adopted a decision on the subject.

131. Introducing the discussion on the budget estimates in the Committee, the Executive Director of UNFPA first noted that, in accordance with an ACABQ recommendation, UNFPA had changed the nomenclature of some of its organizational units but that these changes would not have any budgetary implications for 1981.

132. He said the Fund had presented a programme of \$159 million for 1981, requiring an increase of 24 per cent in contributions over 1980, and of 36 per cent over 1979. Expenditure had also been rapidly increasing and had reached \$131.6 million in 1979, a figure including \$14.5 million in unallocated funds carried forward from 1978. In 1979, of the total of \$131.6 million, \$123.6 million had been spent on project costs (including \$3.7 million for UNFPA field co-ordinators), \$2.6 million on United Nations overhead costs, and \$5.6 million on headquarters administrative costs. The request for increased administrative expenditures reflected high inflation rates and soaring energy costs and, as a result, increases for 1981, both at headquarters and in the field, were expected not only in real terms but also in monetary terms. These factors should also be taken into account when pledges were made to UNFPA. He said that UNFPA would appreciate donors' paying their pledges earlier in the year.

133. The Executive Director said that the 1981 administrative budget of \$8.5 million was \$1.8 million higher than that for 1980. This reflected inflationary increases calculated at the rate of 11.7 per cent, and real increases amounting to 16 per cent over the 1980 budget. The increase in real terms was largely due to increased expenses for headquarters rental. The total budget estimates for 1981, however, would remain at the low level of 5.4 per cent of the projected 1981 programme, or of 8.9 per cent if the cost of the field staff was included.

134. The increases over 1980 reflected mandatory increases in salary scales and personnel allowances, amounting to 26 per cent of the increase. The costs of requested new posts and reclassifications represented 30 per cent of the increase. The balance of the increase was for travel and transportation, temporary services, overtime and other operating expenses, as well as an increase in the cost of UNDP and United Nations

services provided to UNFPA on a cost reimbursable basis these latter subventions had increased by 75 per cent over the last two budget years.

135. The staffing proposals - for eight new professional and 14 new general service posts and for the reclassification of 15 professional and four general service posts - were in line with the staff projections submitted to the twenty-sixth session (DP/405 and Corr. 1). Requests for new professional staff were primarily at the P-1/2 level. The staff increases were needed for the analysis and appraisal of the large number of new project requests which were becoming increasingly sophisticated and of which many were being directly executed by the recipient countries with UNFPA monitoring assistance. The latter projects required more services from headquarters.

136. Field staff costs would increase in 1981 with the addition of co-ordinators' offices in Mozambique and Papua New Guinea a post had been established in China and one was planned for the Sudan, while the liaison post for the Mediterranean and Middle East had been discontinued in 1980. The co-ordinator in Honduras had been replaced by a national programme officer.

137. The Executive Director noted that ACABQ had recommended against all reclassifications with the exception of two, from the P-5 to the D-1 level, and that it had done so without an analysis of the changing responsibilities of each post. Rather, it had based its recommendation on the contention that there had been no changes in the job content. However, there had been a dramatic increase in the activities undertaken by UNFPA, often pursuant to General Assembly resolutions. He urged specifically the reclassification of the Assistant Executive Director's post from D-2 to ASG level, in view of the expanded responsibilities and the need for an officer at this level to conduct high-level negotiations with Governments. UNFPA had also assumed new responsibilities in connexion with its participation in ACC and that, too, required strengthening of the staff, as did the need to expand multilateral funding arrangements.

#### Summary of the discussion in the Committee

138. There was general support in the Committee for the Executive Director's request in DP/483 for a supplementary appropriation of \$100,000 for the 1980 administrative budget. The Committee also decided to take note of the UNFPA financial accounts for the year ending 31 December 1978 and of the audit report (DP/434), and to permit the Executive Director to transfer credits between programmes of the revised 1980 and the 1981 budget, with the concurrence of ACABQ.

139. There was wide divergence of opinion in the Committee, however, concerning the UNFPA requests for additional staff and reclassifications. While several members favoured approval of the Executive Director's requests in DP/483, in view of the excellent performance and increased future tasks of the UNFPA staff, many other members urged acceptance of the more modest suggestions of ACABQ (DP/497), although some felt that some modifications in

terms of additional staff and reclassifications were possible. They argued that UNFPA should practice managerial prudence at a time when the flow of additional resources was uncertain and that UNFPA should try and maintain its good record of keeping administrative expenses low. It was also suggested by some that decisions on staffing and reclassification be made only after the review of the future role of UNFPA scheduled for the next session.

140. There was general agreement on the addition of a P-4 post in the Programme Division for an officer who would be in charge of multilateral funding negotiations, as well as for some low-level professional posts in addition to the three that the ACABQ had recommended. There was also general agreement on the reclassification of the chiefs of the Africa and Mediterranean and Middle East Branches from P-5 to D-1 level as had been recommended by ACABQ. The reclassification of the Assistant Executive Director's post from D-2 to ASG level was supported by a number of members, while others opposed this reclassification, although some stated they were willing to join a consensus or that it could be considered along with the review of UNFPA's future role at the next session.

141. To facilitate a consensus, the Executive Director said he would list UNFPA's minimum staffing requirements in addition to those endorsed by ACABQ: a P-4 level officer to handle multilateral negotiations; two junior posts (P-1/2), one in his office as Assistant Reports Officer to handle new tasks connected with UNFPA membership in ACC, and one in the Administration and Finance Division to handle the computerization of accounts; the corresponding general service personnel; and the reclassification of the Assistant Executive Director from D-2 to ASG level.

142. At two subsequent Committee meetings details of the minimum staffing requirements, as indicated by the Executive Director, were further discussed. There was support for a P-1/2 post to handle computerized accounts, as well as for the P-1/2 post to strengthen the Executive Director's Office. Comments were also made on the role ACABQ should play in the Council's process of budgetary approval: some members felt that ACABQ had a strictly advisory function, while others stated that ACABQ was in the best position to make responsible proposals since it considered budgets of individual organizations from a system-wide viewpoint and that its important role should not be eroded. One member expressed apprehensions over a possible top-heaviness in the Fund's management and one observer suggested that UNFPA staff be frozen pending the outcome of the review of its future role. On the other hand, confidence in the management of UNFPA and its performance was repeatedly expressed, and some members felt that the Executive Director must have some leeway in determining his staffing needs. Some members urged caution so that the percentage of UNFPA's administrative expenses of the total programme budget did not unduly increase if additions to the staff were made and future income did not meet expectations. Some members felt that there must be a correlation between the number of staff and staff efficiency.

143. At the third meeting devoted to consideration of UNFPA staffing, the committee had before it DP/CC XXVII BFC CRP.15, a result of private consultations in which it was recommended that the Committee approve two P-1/2 posts in addition to those endorsed by ACABQ (a total of five posts

on that level), one P-4 post for the multilateral officer and three general service posts beyond the three recommended by ACABQ. While some members were willing to accept this proposal, others still considered it excessive. Attention was also drawn to the number of proposed general service posts which, as one observer stated, were in excess of what had been presented as minimum requirements. One member strongly objected to the opposition voiced to this latest proposal and stressed that his Government had full confidence in the UNFPA administration, and although he would not automatically subscribe to all UNFPA staffing requests, he felt that UNFPA was probably understaffed. He recalled that UNFPA had asked for 22 new posts and ACABQ had recommended 6 to the Executive Director, in a spirit of compromise, had stated his absolute minimum requirements: three additional professional posts and the necessary support posts. The member said he had no objection to granting the three additional general service support posts. His position was supported by some members, while others maintained that in view of the arguments put forward earlier, the number of posts suggested in DP/GC/XVII/BFC/CRP.15 was still too high. After further consideration of the matter, the Committee agreed to grant the P-4 post, four, rather than five, P-1/2 posts and four, rather than six, general service posts. It was agreed that the placing of the new P-1/2 level staff would be left to the discretion of the Executive Director. The Committee also agreed to approve the reclassification of two P-5 posts to D-1 level and to reconsider the reclassification of the Assistant Executive Director post at the next session of the Council in the context of the future role of UNFPA.

144. At the suggestion of one member, supported by another, the Committee decided to review the question of the size of UNFPA's operational reserve at the next session on the basis of documentation submitted by the Executive Director, taking into account the decisions taken on the operational reserve of UNDP.

#### Recommendations of the Committee

145. The recommendation of the Budgetary and Finance Committee referred to in paragraph 130 above was subsequently incorporated in Governing Council decision 80/13, II, operative paragraph 1. The recommendations referred to in paragraph 138 above were subsequently incorporated in decision 80/13, II, operative paragraphs 2, 5 and 6. The recommendations referred to in paragraph 143 above were subsequently incorporated in decision 80/13, II, operative paragraphs 3 and 4. The recommendation referred to in paragraph 144 above was subsequently incorporated in decision 80/13, II, operative paragraph 7. The text of Governing Council decision 80/13, II, appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

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E. United Nations Capital Development Fund (Agenda item 7(c))

146. For consideration of item 7(c), the Budgetary and Finance Committee had before it the annual report of the Administrator on the Fund (DP/485), and a draft decision contained in document DP/GC/XXVII/BFC/CRP.22.

147. Introducing the item, the Executive Secretary of the Fund stated that last year the Governing Council had endorsed the principle of reimbursement of the Fund's administrative expenses. He also stated that - assuming an annual 15 per cent increase in the Fund's resources, the maintenance of its self-imposed 2 per cent ceiling on overhead expenses, and earnings on its short-term investments and currency exchange fluctuations of about 5 per cent per annum - the Fund, five years from now, would earn about double the amount of its administrative expenses, and that meanwhile its earnings would continue to be a larger multiple of expenses.

Summary of the discussion in the Committee

148. In opening the discussion, the Chairman of the Committee drew attention to the distinction between UNCDF's assuming the financing of its own administrative expenses and the Fund's reimbursing UNDP for such expenses, the financing of which was at present the responsibility of UNDP.

149. In the ensuing discussion, several delegates pointed to what appeared to be inconsistencies in the draft decision before the Committee, notably the sequence of presenting the issue of reimbursement on the one hand, and the responsibility for expenses on the other. Several members also expressed their views on which of the issues the Committee should single out for its endorsement "as a matter of principle".

150. Subsequently, an amended text of the draft decision was proposed by several delegates and approved by the Committee.

Recommendation of the Committee

151. The recommendation of the Budgetary and Finance Committee was subsequently incorporated in operative paragraphs 4, 5 and 7 of Governing Council decision 80/19, the text of which appears in Chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

F. United Nations Revolving Fund for Natural Resources Exploration  
(Agenda item 7(d))

152. Under agenda item 7(d), the Committee had before it for consideration on referral from the Plenary, operative paragraph 4 of a draft decision contained in document DP/GC/XXVII/CRP.17/Rev.1.

153. The Acting Assistant Administrator, Bureau for Special Activities, explained that a decision of the Governing Council was required in order to convene a working group of government experts to review and analyze the activities of the United Nations Revolving Fund for Natural Resources Exploration, as required by resolution 1979/65 of the Economic and Social Council.

154. The original estimate of the Administrator had been \$90,000; but, it was explained, no budgetary provision had been made by UNDP for the convening of this group, since it had been expected that it was to have been financed by the United Nations. The United Nations, however, had recently informed that it did not finance activities related to trust funds from its regular budget. The authorization in question, therefore, would have to be charged to the resources of the Revolving Fund. In addition, the Governing Council had since decided to add the energy sector to the review of the Revolving Fund's activities, which would require an expansion of the membership of the expert group and a corresponding increase in the related costs from \$90,000 to \$120,000, which expenses would have to be met from the Fund's general resources.

Summary of the discussion in the Committee

155. One member inquired about the composition of the group, its number and the criteria that had been used in arriving at the figure of \$120,000. The Acting Assistant Administrator stated that the initial estimate had been for 14 experts and that four more would have to be added. The group of 18 experts was to meet in New York and the funds required were to pay the subsistence and travel costs of these experts, who were to be appointed by their Governments but who were to serve in their individual expert capacities. The composition of the group had not yet been decided, but it would take into account equitable geographical distribution, and the varied expertise required in order to have a well-balanced input. The Acting Assistant Administrator said that there should be experts in solid minerals, different types of energy, and finance and management.

Recommendation of the Committee

156. The Committee approved the recommendation contained in paragraph 4 of the draft decision subsequently adopted by the Governing Council as decision 80/29, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

G. Implementation of the Plan of Action to Combat Desertification  
(Agenda item 7(f) (i) (b))

157. Following a decision and referral by the Council, the Committee had before it for consideration and for the formulation of relevant financial recommendations to the Council the following documentation under agenda item 7(f) (i) (b): DP/494, Plan of Action to Combat Desertification in the Sudano-Sahelian Region: Financing of Administrative Costs; DP/GC/XXVII/CRP.6, Implementation of the Plan of Action to Combat Desertification in the Sudano-Sahelian Region; and DP/GC/XXVII/BFC/CRP.12/Rev.1, Note by the Secretariat.

158. Introducing the item, the Deputy Director, United Nations Sudano-Sahelian Office, provided background information on the origins of UNSO's two mandates: to assist the eight drought-stricken countries of West Africa in the implementation of their medium and long-term rehabilitation and development programme; and to assist, on behalf of UNEP, the 15 countries of the Sudano-Sahelian Region in the implementation of the Plan of Action to Combat Desertification, under a UNDP/UNEP joint venture. He noted that the issues raised were first to specify the source of funding for the previously authorized contribution by UNDP of its share of the administrative costs of the joint venture; and second, to recommend the amount and the source of the increase in UNDP's share of the administrative and programme costs of the joint venture, for which UNEP was to provide equal contribution.

Summary of the discussion in the Committee

159. One delegate asked if UNEP had as yet contributed its share of the increase in the administrative and programme costs under the joint venture. The UNSO Deputy Director responded that the UNEP Governing Council had authorized the inclusion of the three countries among those to be assisted by UNSO under the joint venture, but that time had not yet permitted consultations between the UNEP Executive Director and the Administrator on the matter of UNEP's contribution to the joint venture, which would be as equal shares of the administrative and programme costs.

160. One delegate, referring to the devastating effects of the prolonged drought on the concerted efforts of the countries to sustain economic growth and to improve the standard of living of their peoples, expressed his great appreciation for the assistance received from donors. He also recommended the approval of the increase over the currently approved budget of the UNEP/UNDP joint venture to be provided either from the Programme Reserve or from the interregional IPFs. He concluded with an expression of hope that donors would continue to make available to UNSO increased resources for programme and project implementation.

Recommendation of the Committee

161. Following consideration of the financial aspects of the item, the Committee authorized the expenditure of not to exceed \$316,000 (net) in 1980-1981 to be allocated from UNDP resources under a separate budget line, similar to the line item for sectoral support. The Committee took this decision on the understanding that UNEP will decide to pay its equal share of the increased costs for 1980-1981 and that, in any event, UNDP would not pay more than one-half of the total costs for administrative (institutional) support and programme (operational) support for the joint venture.

162. The recommendation of the Budgetary and Finance Committee is reflected in Governing Council decision 80/45, II, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42). /...



H. Report of the High-level meeting on TCDC (Agenda item 8(a))

163. For consideration of the financial implications of the decisions adopted at the first session of the High-level meeting on TCDC, the Budgetary and Finance Committee had before it the following documents which were introduced by the Deputy Administrator: Report of the High-level meeting (TCDC/13 and Corr.1 and 2); Note by the Secretariat (DP/GC/XXVII/BFC/CRP.17); and a draft decision on the financial implications of TCDC (DP/GC/XXVII/BFC/CRP.18).

Summary of the discussion in the Committee

164. A number of members expressed satisfaction that their delegations had been involved in the drawing up of the decisions of the first High-level meeting as contained in document TCDC/13. They felt that the decisions would enhance the promotion and implementation of development activities through the modality of TCDC. Some were prepared to endorse those decisions as well as the proposals contained in DP/GC/XXVII/BFC/CRP.17, and the draft decision in DP/GC/XXVII/BFC/CRP.18. A number of others, however, were not ready to agree on some of the points until further information and clarification had been received on both substantive and administrative issues concerning the financing of TCDC activities.

165. Most members felt that the list of studies contained in DP/GC/XXVII/BFC/CRP.17 was long and constituted an ambitious programme to be implemented before the next High-level meeting in June 1981. Some believed that the time was too short for the work and thus some selection of priorities was required, as well as a distinction between the work to be done by consultants and staff members of the Special Unit for TCDC and by the staff of the Specialized Agencies of the United Nations. Other members felt that a careful look at the studies might show that some could be included among the regular activities of the Special Unit, and that other studies were part of the Specialized Agencies' routine activities and existed already. Hence, a reduction in the cost of the studies could be achieved. One member remarked that in some way the Governing Council of UNDP was being asked to pay the bill post facto for studies agreed to at the High-level meeting. As the question of the selection of priorities for the studies was a policy matter, several members suggested that it be referred to the Governing Council in Plenary session. Other delegations expressed the view that it was not the place of the Committee to establish a choice of the studies and reports on the basis of priority criteria since this choice had already been made, on the political level, within the High-level meeting on TCDC and that the results recorded in decision I/80/8 of the High-level meeting, approved by consensus in the same way as had been all decisions of the meeting, could not be modified in this Committee nor by the Governing Council.

166. Several delegates felt that the over-all financial management role of the Budgetary and Finance Committee required that all decisions with financial implications referred to it must be seen in the context of UNDP's financial resources as a whole. Some delegations indicated that they were not in favour of the Agencies using their regular budgets for purposes of TCDC activities.

167. The source of financing the studies was raised by several members. Some had no difficulty in agreeing to the additional financial provisions required to carry out the studies. Others suggested that the uncommitted balance of \$140,000 from the \$1 million approved last year from the Programme Reserve for expenditures on TCDC promotional activities could be used for the studies. Still others were adamant in their views that the Programme Reserve should not be utilized for such studies but should remain for the purposes already decided by the Governing Council. One member thought that the national IPF should be the main source of financing for TCDC activities. A number of members felt that there was some confusion or ambiguity concerning the use of UNDP funds for TCDC activities, especially with respect to the studies and the promotional undertakings, and so it was agreed to refer the matter to the Plenary for policy guidance.

168. Some members expressed views on the role of the Special Unit for TCDC in connexion with the preparation of the studies. While they felt that additional staff might be required to assist in co-ordinating the studies, they also maintained that the unit should only have information collecting promotional and co-ordinating roles. Others felt that the staff of the Special Unit should, to the maximum extent possible, be more in touch with Governments and programmes in order to stimulate more activities through TCDC. The view was also expressed that it was the responsibility of the Administrator to designate the functions of his staff once the Governing Council had decided on the objectives to be achieved.

#### Observations of the Administration in the Committee

169. The Deputy Administrator as well as the Director of the Special Unit for TCDC responded to the points raised in the Committee. Information was given on those sections of the High-level meeting's decisions in which the recommended studies were mentioned. It was also pointed out that only the experiences for potential TCDC activities which could be shared with other developing countries would be the focus of the studies. This would imply not only analysis of any existing relevant reports, but also the development of new material. The Specialized Agencies would be used in carrying out the studies and would contribute manpower resources. UNDP, however, would nevertheless have to provide funds to enable the extra activities to be undertaken.

170. Clarification was given on the impact that the undertaking of the studies would have on the workload of the Special Unit and the consequent need for extra staff, if most of the reports were to be carried out in time. In this connexion, it was further mentioned that the objective of the studies should not be lost

sight of: to promote technical co-operation among developing countries. In this connexion, the administration observed that the findings of the studies would also be of value even if they were available after the 1981 High-level meeting. It was also stated by the administration that, according to the relevant Governing Council decision adopted in 1977, the Programme Reserve was authorized to be used for financing the studies in question.

171. Members of the Committee were informed that the sum of \$6.6 million remained in the Programme Reserve as of May 1980. An account was also given of the Governing Council's past decisions on the use of the Programme Reserve for TCDC, and the attention of the Committee was drawn to documents TCDC/INF/2 and 3.

172. With respect to paragraph 8(b) of Decision I/80/7 contained in document TCDC/13, additional information was supplied on the development of the modality to facilitate the flexible use of country IPFs for TCDC.

173. An amended text of the draft decision was proposed by several delegations and subsequently adopted by the Committee.

Recommendation of the Committee

174. The recommendation of the Budgetary and Finance Committee is reflected in operative paragraphs 2-5 of Governing Council decision 80/46, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).

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I. Feasibility of indexing the decisions of the Governing Council  
(Agenda item 11(b))

175. For consideration of item 11(b), which had been referred to the Budgetary and Finance Committee by the Plenary, members had before them a Report of the Administrator contained in document DP/481.

176. Introducing the item, the Secretary of the Governing Council drew attention to the consultations which had taken place with officials of the United Nations regarding the manner in which the indexing exercise might best be carried out. He emphasized that a prime consideration had been to ensure compatibility of any index UNDP might establish with the index to proceedings of the General Assembly and the Economic and Social Council that the Dag Hammarskjold Library intended to set up. The Secretary also referred to the linkage between the proposed index and the institutional memory programme currently being undertaken by the Integrated Systems Improvement Project.

Summary of the discussion in the Committee

177. One member, speaking on behalf of several others, expressed appreciation for the Administrator's report and, noting in particular that the cost for maintaining and operating the index was envisaged as very modest, supported the Administrator's proposed course of action.

178. The Chairman of the Committee suggested that the recommendation contained in paragraph 15 of DP/481 be approved, as appropriately amended with respect to the wording referring to the financial aspects of the proposal. The Committee concurred.

Recommendation of the Committee

179. On the basis of the recommendation of the Budgetary and Finance Committee, the Governing Council adopted decision 80/33, the text of which appears in chapter XI of the Council's report to the Economic and Social Council (E/1980/42).