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GOVERNING COUNCIL
BUDGETARY AND FINANCE COMMITTEE
Twenty-seventh session
June 1980

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Addendum

Rapporteur: Miss Mariam AL-AWADHI (Kuwait)

Attached is the draft report on agenda items:

- 7(c) United Nations Capital Development Fund
- 8(a) Report on the High-level meeting on TCDC

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Draft Report of the Budgetary and Finance Committee

Agenda item 7(c)

United Nations Capital Development Fund

1. 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.
2. 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 five 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

3. In opening the discussion, the Chairman of the Committee drew attention to the distinction between UNCD '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.
4. 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".
5. Subsequently, an amended text of the draft decision was proposed by several delegates and approved by the Committee.

Draft Report of the Budgetary and Finance Committee

Agenda item 8(a)

Financial implications of the Report of the High-level Meeting on TCDC

Summary of discussion in the Committee

1. For its 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).
2. 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 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.
3. Most members felt that the list of studies contained in 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 consultant 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 it was agreed to refer it to the Governing Council in Plenary session.

4. 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.

5. 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

Observations of the Administration in the Committee

6. 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.

7. 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. Viewed in this light the findings of the studies would also be of value even if they were available after the 1981 High-level Meeting.

8. 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.

9. 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.