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GOVERNING COUNCIL

Twenty-eighth session

SUMMARY RECORD OF THE 708TH MEETING

Held at Headquarters, New York,
on Tuesday, 9 June 1981, at 10.30 a.m.

Temporary President: Mr. POPESCU (Romania)
President: Mr. ABDULAH (Trinidad and Tobago)

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The meeting was called to order at 10.45 a.m.

OPENING OF THE SESSION

1. The TEMPORARY PRESIDENT, declaring open the twenty-eighth session of the Governing Council of the United Nations Development Programme, said he was sure that the Council would be able to make an important contribution to the future activities of UNDP. By its decision 80/30, it had already reached a historic consensus on the preparations for the third programming cycle, 1982-1986; it would devote the first four days of its current session to the consideration of a number of important policy questions, including the planning of the activities of UNDP for the 1980s and, especially, for the third programming cycle.

ELECTION OF OFFICERS

2. The TEMPORARY PRESIDENT invited the Council to proceed to the election of its new President.
3. Mr. GAGLIARDI (Brazil) nominated Mr. Abdulah (Trinidad and Tobago) for the office of President.
4. Mr. HAAKONSEN (Denmark), speaking on behalf of the Nordic States, seconded the nomination.
5. Mr. Abdulah (Trinidad and Tobago) was elected President by acclamation.
6. Mr. Abdulah (Trinidad and Tobago) took the Chair.
7. The PRESIDENT thanked the representative of Brazil and the members of the Council for their expression of confidence in electing him President and for the honour bestowed on his country. He appreciated the extremely competent manner in which Mr. Popescu, the outgoing President, had conducted the work of the Council at a session that had seen the culmination of deliberations on the difficult question of the size of and the criteria for the third programming cycle of UNDP.
8. There were four interrelated aspects of UNDP planning operations, the first of which was the over-all size of UNDP centrally funded activities in 1982-1986. In decision 80/30, the Council had requested the Administrator to consult Governments so as to assess the level of actual financial resources likely to be available to the Programme for the years 1982-1986. The results of those consultations had been less than encouraging, and the likely implications for IPF-funded activities in developing countries were particularly grave.
9. In decision 80/30, the Council had left pending a second aspect of UNDP planning operations, namely, the continuing accumulation of non-convertible currencies and its impact on the level of UNDP operational activities in developing countries. A third element of the planning operations of UNDP for the 1980s was

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the relation between the size of its field programme and the magnitude of its administrative costs. Finally, the Council would have to consider the question of UNDP management of certain resources made available by donor Governments outside the IPF system. In addition to those policy questions, the Council would consider for approval UNDP funding for a number of programmes and projects.

10. Many developing countries looked to UNDP for assistance in their efforts to raise their living standards, strengthen their technical capacity and improve their social and economic development as quickly as possible. In the past, UNDP had played a significant role in providing such assistance. It was currently faced, however, with a genuine problem of resources, because of the decline in financial support from some of the traditional donors or because of the whittling away of resources through inflation. All countries, especially traditional donors, should renew efforts to restore resources to a level that would continue to permit the urgent needs of all developing countries to be fully met.

11. He invited the Council to take a decision on the election of the three Vice-Presidents and the Rapporteur. Agreement had been reached on the nomination of Mr. Jödahl (Sweden) for the office of First Vice-President, Mr. Gadel Hak (Egypt) for the office of Second Vice-President, Mr. Fonseka (Sri Lanka) for the office of Third Vice-President and Mr. Baramov (Bulgaria) for the office of Rapporteur. The number of candidates corresponded to the number of posts. If he heard no objections, he would take it that the Council wished to declare the candidates elected by acclamation.

12. It was so decided

13. The PRESIDENT said that Mr. Jödahl had been elected Chairman of the Budgetary and Finance Committee as well as First Vice-President of the Council, and would therefore serve in those two capacities.

ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK (DP/507, DP/509; DP/L.341, DP/L.342)

14. The PRESIDENT said that document DP/L.341 contained the provisional agenda as approved by the Council in its decision 80/55, with minor modifications introduced by the Administrator. The annotations to the provisional agenda were to be found in document DP/507.

15. If he heard no objections, he would take it that the Council adopted the provisional agenda in document DP/L.341.

16. It was so decided.

17. The PRESIDENT referred the Council to document DP/L.342, concerning the organization of work, which had been endorsed by an informal meeting of members of the Council. The general debate would cover, in addition to the important policy questions which the Administrator had brought to the Council's attention in document DP/517, agenda items 4 and 5 and policy issues related to item 6. That

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notwithstanding, delegations should feel free to refer to the specific aspects of those items and to any other item to which they attached particular importance. Since questions related to the streamlining and rationalization of the work of the Council had been raised in the general debate at past sessions, the Council might also wish to consider item 10 (c) during the general debate and discuss it further later in the session.

18. In view of the relatively short time available to the Council and the expected number of members and observers wishing to participate, he proposed that a time-limit of 15 minutes should be established for statements during the general debate. He also proposed that the list of speakers for the plenary meetings should be closed at 6 p.m. on Wednesday, 10 June. If he heard no objections, he would take it that the Council endorsed those proposals.

19. It was so decided.

20. The PRESIDENT referred the Council to the tentative schedule of work contained in document DP/L.342. Since item 7 (f) derived from a decision adopted by the Council at its twenty-seventh session, it would appear more appropriate to consider the item on Monday, 22 June in connexion with item 4 (d). With a view to facilitating the consideration of items during the general debate, it was proposed that introductory statements on specific items should be made by the Secretariat at the 709th meeting. The Council might then wish to adjourn in order to allow time for consultations and preparations by delegations for the general debate.

21. If he heard no objections, he would take it that the Council approved the proposed schedule of work, subject to review as the need arose.

22. It was so decided.

23. The PRESIDENT said that, in order to adhere to the schedule and conclude its work on time, the Council might wish to agree on a number of measures. First, meetings should start punctually - not later than five minutes after the appointed time. Secondly, the time-table just approved by the Council should be kept flexible. Whenever the Council or the Budgetary and Finance Committee completed consideration of an item ahead of schedule, consideration of the next item should begin immediately. Thirdly, care should be taken to avoid debate on the same items by both the Council and the Committee. Fourthly, the Committee should consider as early as possible the financial implications of draft decisions in documents to be examined by the Council. Such an arrangement would ensure that, when considering decisions with financial implications, the Council would already have the benefit of the Committee's views. Fifthly, decisions related to an item should, where possible, be taken immediately after consideration of the item had been concluded. Finally, for each main item, a list of speakers should be established and closed as appropriate, in order to allow better planning of the meetings of the session.

24. If he heard no objections, he would take it that the Council approved those measures concerning the organization of its work.

25. It was so decided.

26. The PRESIDENT said that the documentation requested for the current session of the Council had been prepared by the Secretariat in good time. However, because of the heavy workload, the Department of Conference Services had faced difficulties in reproducing the documents in all the working languages on time. While he knew that that was not a desirable situation, he was sure that he could count on the understanding of all members. In conclusion, he drew the attention of the Council to document A/INF.36/1 on the control and limitation of documentation.

STATEMENT BY THE ADMINISTRATOR

27. Mr. MORSE (Administrator) recalled that in April he had stressed the need for the Council's further and immediate guidance regarding critical resource issues confronting the Programme as it approached its third development co-operation cycle. While emphasizing that UNDP faced no immediate financial difficulties of the kind experienced in 1975, he felt none the less obliged to report that further consultations with contributing Governments since April had not produced an improvement in the Programme's resource prospects. The consultations had merely served to underscore the urgent need for the Council to address itself to the critical resource issues which the Programme's contributions to the efforts of developing countries continued to depend.

28. The Governing Council had always given highest priority to the urgent needs of development and the most effective operational means for meeting those needs. It was the only governing body in the world which existed expressly to serve the cause of development in such a wide range of economic and social sectors, and had achieved a pioneering record in defining and guiding the operational aspect of development administration, a record endorsed virtually without reservation by the Economic and Social Council and the General Assembly itself. Consensus had been the guiding principle of its decision making; the building of self-reliance its chief object. He was convinced that no other governing body in the United Nations system had served so many people in so many countries so effectively or with such universal appreciation.

29. The Council had, at its most recent session in June 1980, reached a historic decision on the future scope and direction of UNDP-supported technical co-operation for the Programme's forthcoming third development co-operation cycle beginning in 1982. That decision represented a landmark in the objective, systematic and forward-planned allocation of international technical co-operation resources, particularly for the benefit of those developing countries which were most in need. He was sure that the Council would again provide the determination and the wherewithal to enable the United Nations Development Programme to fulfil its role in the development process in the quinquennium ahead.

30. The task would not be an easy one: while over-all resources pledged to UNDP for the second programming cycle, 1977-1981, were expected to come close to the target of a 14 per cent per annum increase in voluntary contributions set by the Council, results over the previous two years had been less encouraging. At the joint pledging conference for operational activities, held in November 1980, he had expressed profound disappointment at the estimated increase in contributions in a

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period of high inflation. By the end of 1980 the total of contributions pledged, together with anticipated pledges, had been \$815 million. Since 1 January 1981, changes in exchange rate parities had eroded the UNDP resource base to the point at which estimates of contributions, at May 1981 rates of exchange, amounted to \$767 million, including certain anticipated pledges, i.e., an increase of no more than 7 per cent over contributions pledged for 1980 in nominal terms. Even the sum of \$767 million was uncertain, in that the Programme was still awaiting formal pledges from various contributors whose situation had yet to be clarified.

31. The fact that the total amount of voluntary contributions likely to be available for 1981 remained uncertain, although almost half the year had already elapsed, indicated the magnitude of the difficulties involved in managing the programme. It was indeed not impossible that those contributions might fall below the 1979 level of \$697 million. A further complicating factor was the apparent change taking place in the pattern of payments by donor Governments: many Governments which in the past had paid all or a major portion of their pledges early in the year were currently paying in instalments over the course of the year. By the end of May 1977, for example, 54.4 per cent of pledges for the year had been paid; at the end of May 1979 that amount had dropped to 46.7 per cent, while in 1980 it had fallen to 30.8 per cent. In 1981 the percentage was 17.0. The change in payment patterns had a severe and negative effect on Programme planning and management in a number of ways. It significantly increased workload both in the collection process and in cash management; it exposed UNDP to the possibility of cash shortages requiring coverage from the Operational Reserve; and it reduced the income which on the basis of decision 80/30 had been expected to total \$164 million in resources for third-cycle programming, based on early payments and efficient management of temporary excess balances.

32. The problem of prompt and timely payment of pledge contributions became still more critical as UNDP continued to draw on its cash balances to meet planned expenditure targets for the current cycle. Effective management of the Programme was already complicated by the fact that it was necessary to plan expenditures for a period of up to five years while financing those expenditures on the fundamentally insecure basis of year-to-year voluntary contributions. The insecurity was compounded by delays in payment of contributions.

33. Uncertainty about the level of contributions for 1981, combined with exchange rate fluctuations and delays in the payment of pledges, meant that resources carried forward for 1982 might be subject to further erosion. While confident that the Programme's management system could cope with those uncertainties, he felt obliged to alert the Council to the fact that the planned programme levels for 1982 and 1983, as indicated in the documents before the Council, might have to be reduced considerably unless the situation with regard to both contributions and collections improved.

34. As documentation for the current session indicated, resource prospects for the next cycle were far from promising. Consultations with donor Governments indicated

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aggregate contributions for the 1982-1986 quinquennium of \$5.1 billion, in contrast to the \$6.7 billion in forward planning resources on which country, intercountry and other programme allocations for the cycle were based in decision 80/30. In effect that meant a technical co-operation delivery base for the third cycle, inflation notwithstanding, of 73 per cent of the IPF expenditures envisaged in the decision. That in turn meant that, of every four projects contemplated, of every four consultants, trainees, specialized equipment components or project personnel, one must be eliminated from proposed UNDP-supported development efforts, although technical, administrative, managerial and skill-formation inputs into the development process had proved to be crucial to steady economic and social progress.

35. A related concern was the impact of such cutbacks on the ratio of UNDP administrative and programme-support costs to its project expenditures at a time when the Programme's field level services had become a virtual mainstay of the United Nations system. The parallel reductions in UNDP overheads would affect not only the Programme's effective performance but a wide range of activities carried out under United Nations auspices, activities which would of necessity have to be replicated at substantial additional cost.

36. The devastating effect of such sharp reductions could be illustrated by the following figures: assuming an annual inflation rate of 12.5 per cent, the expected reduction in contributions to 73 per cent would mean that, for the 1982-1986 cycle, the Programme's technical co-operation activities would be cut back, in real terms, by 12 per cent. A further reduction in real terms was also foreseeable if either the volatility of exchange rates or a lag in resource collections continued.

37. It was clear that UNDP could not commit resources which it did not have or which it could not reasonably expect to receive in the year to come. Such a commitment would be a betrayal of the trust and confidence which had been a hallmark of UNDP's partnership with the countries it served. The programme package so arduously negotiated by the Council for the third cycle embodied certain expectations, in particular an annual growth in Programme resources of 14 per cent - scarcely an extravagant target in such inflationary times. While some donor Governments had expressed reservations about meeting that target, he felt it was correct to say that no one had anticipated anything approximating to the regressive level of 8 per cent - or possibly even less - which consultations with Governments had subsequently revealed.

38. He was aware that donor countries faced many serious problems with respect to their own economies, and it was for that reason that he had requested high-level representation of Governments at the current session of the Council. The world community had long endeavoured to make development a truly international undertaking, involving co-operation not only between countries of North and South but also among developing countries themselves. UNDP epitomized the multilateral dimension of the development effort both in the scope of its programming and the tradition of consensus in its policy-making body, but it could not long survive if it was required to base its planning on one set of assumptions and its financing on another.

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39. Regrettably, because of the timing of its programming cycles, UNDP must seek a new commitment of support from Governments during a period of great economic stress affecting almost every country. Such a new commitment, however, was also a matter of urgency for the international development effort as a whole. The progress achieved in the course of 30 years of development co-operation more than justified a new measure of support and expanded resources to ensure the continuing success of the development process. During the 1970s, most developing countries had come close to achieving the United Nations target for the Second Development Decade of an annual 6 per cent growth in gross domestic product, and some newly industrializing countries had far exceeded that figure. None the less, by 1985 there was likely to be an increase of \$50 in the annual per capita incomes of the poorest countries over their 1965 incomes, compared with an increase for the same period of \$3,900 per capita for the richest countries.

40. Despite the advances made by developing countries over the previous decade, and despite substantial declines in infant mortality and considerably improved life-expectancy and literacy rates, more people were living in absolute poverty than had been the case at the beginning of the 1970s. Over the previous decade the debt burdens of developing countries had more than quadrupled, partly as a result of their own efforts to encourage development potential. Moreover, according to the most recent FAO indications, total cereal imports by 74 low-income countries would be 18 per cent higher in 1981 than in the previous year, indicating a continuing decline in food self-sufficiency, especially in Africa, where no fewer than 40 countries faced increased import needs. Even where the combination of high-yield seeds and improved production methods had raised food production, as in South Asia, many of the poorest farmers had found themselves worse off. The disproportionate advance in industrial technology among richer countries had also increased the dependency of developing countries.

41. The essential purpose of UNDP was to strengthen the self-reliance of developing countries in all economic and social sectors and to help them create the capacity to help themselves. UNDP currently supported more than 5,200 projects in over 150 developing countries and territories. It was a demonstrated fact that, where technical co-operation resources were too thinly spread, the necessary minimum resources required to achieve self-reliance in a particular field of endeavour would not be forthcoming. For that reason UNDP was endeavouring in every possible way, and always with the approval of the developing countries which it served, to combine and complement its limited resources with those of the developing countries themselves, with bilateral funding, with other multilateral sources and with the resources of voluntary organizations and, in some cases, private enterprise. It was an inescapable fact, however, that waning resources and mounting developing-country debts threatened the prospects for increased self-reliance in those countries.

42. Technical co-operation was at the very heart of the strengthening of self-reliance and of the building of capacities for self-help and self-generated material progress. Growing recognition was being given to technical co-operation and the development of human resources as the most critical factor in the promotion

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of economic and social advancement. In view of the particular importance of human resources in the development process, UNDP therefore supported a wide and complex range of training projects specifically designed to enhance self-reliance through the development of human resources. Altogether, in the current cycle, some \$370 million in UNDP resources would be devoted to 1,500 specialized training projects in virtually every development sector and every developing country and territory served by UNDP, in addition to the more generalized training imparted by almost every UNDP-supported project.

43. He quoted figures showing the great range of UNDP-supported efforts and gave examples of the results obtained from those activities. UNDP was engaged in the kind of development co-operation that provided primary support for the capacities of developing countries to participate on a growing scale in the world economy and contribute to the global increases in demand for the equipment, goods and technical services which all countries could profitably exchange. Despite all obstacles, there was no doubt that the growing purchasing power of the developing countries had provided a vital cushion in the 1970s against what could otherwise have been a severe recession for the world's industrialized economies. Between 1970 and 1978, exports from developed market-economy countries to the developing countries had grown from 18.7 per cent to 23.8 per cent of total exports, most of it going to non-oil-producing developing countries. That kind of development co-operation, channelled through UNDP, enabled countries to heighten the skills of their people and develop their own human and institutional infrastructures, increase their purchasing power and improve their efficiency in producing and marketing their own products, thus allowing them to make important contributions both to world economic growth and to the international struggle against inflation. Although in the short term it might be useful to curtail contributions to an international development effort such as that of UNDP, in the long run such curtailment would be against the real economic interests of any country.

44. With regard to UNDP efforts at complementarity, he cited its co-sponsorship with FAO and the World Bank of the Consultative Group on International Agricultural Research, its co-sponsorship with WHO and IBRD of the tropical diseases research programme, its chairmanship of the steering committee for the International Drinking Water Supply and Sanitation Decade, its collaboration with ILO on labour-intensive public works schemes, its formative role in the establishment of the Centre for Diarrhoeal Diseases Research in Dacca and its special responsibilities within the United Nations system for the promotion of technical co-operation among developing countries.

45. UNDP also maintained the largest and most active development service network of any organization in the world. During 1980, its 114 field offices had assisted in the administration of a rapidly growing volume of both bilateral and funds-in-trust expenditure wholly outside the UNDP-IPF framework. About one third of the workload of those offices was currently devoted to non-UNDP-funded activities of great importance to the international development effort. Although in many cases developing countries made substantial contributions to the support of those offices, the volume of those and other activities was expected to increase. It should also be noted that a number of bilateral programmes currently depended on UNDP assistance and co-operation.

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46. Over the past decade, UNDP had entered into formal country-level service or representational agreements with a number of United Nations organizations, including the United Nations Department of Technical Co-operation for Development, the United Nations Fund for Population Activities, the World Food Programme, the Office of the United Nations Disaster Relief Co-ordinator, the Office of the United Nations High Commissioner for Refugees and the United Nations Fund for Drug Abuse Control. In addition, UNDP or its Administrator supervised special funds and activities, including such effective, innovative programmes as the United Nations Capital Development Fund, the United Nations Volunteers, the United Nations Sudano-Sahelian Office and the United Nations Revolving Fund for Natural Resources Exploration. All those special funds and activities drew on the UNDP extensive field network and were improving the harmonization of their own development activities with UNDP's main programme of technical co-operation, and all of them benefited administratively and financially from the central services provided by UNDP.

47. UNDP currently administered or directly helped to support almost \$2.4 billion a year in widely varied development expenditures. Although its administrative costs were based on main programme expenditures of less than a third of that amount, in fact UNDP administrative and programme-support costs amounted to less than 4 per cent of the total expenditure involved. But unless resources commensurate with the programme envisaged in decision 80/30 were obtained, its support for such varied efforts would be severely tested in the forthcoming cycle.

48. In effect, the UNDP field network currently functioned as an outpost for the United Nations system generally. Thus the Governing Council's decisions would affect not only UNDP itself, but all its partner agencies and many countries of the world. The Director-General of ILO had said that his organization considered it especially important that the resources originally planned for the third cycle programme should be available, if the United Nations development system was to continue to play an important part in responding to the needs of the developing countries. UNDP was currently administering a greatly expanded range of funds, projects, mandates and field-level activities with less Professional and higher category posts than those authorized in 1975. Although there remained many areas in which UNDP could improve its standards, capabilities and performance, he believed that it was a remarkable, experienced and dedicated instrument for international development which was certainly worth promoting.

49. In line with General Assembly resolution 35/81, he hoped that all donor countries, particularly those whose over-all performance was not commensurate with their capacity, would increase their contributions to UNDP, which was the major source of support for operational development activities. He was aware of the financial constraints facing every Government and of the fact that Governments were obliged to pay assessed contributions to a number of international organizations and several international financial institutions. However, he urged Governments to re-examine the funds for which no overriding claim had been made, in order to help UNDP and the countries it served in the cause of development. That was a cause to which the entire international community was profoundly committed and in which the

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role of UNDP was central throughout the third world. To diminish the role of multilateral, interdisciplinary technical co-operation would be to slow the very heartbeat of the development process. It was within the capacity of the international community to achieve the target embodied in decision 80/30, and he believed that that target would be realized.

The meeting rose at noon.