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Twenty-eighth session

SUMMARY RECORD OF THE 735th MEETING

Held at Headquarters, New York,
on Tuesday, 30 June 1981, at 3 p.m.

President: Mr. ABDULAH (Trinidad and Tobago)

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Report of the Budgetary and Finance Committee

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The meeting was called to order at 3.50 p.m.

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE (DP/L.343/Add.4 and Corr.1, DP/L.343/Add.5, DP/L.343/Add.6, DP/L.343/Add.7 and Corr.2, DP/L.343/Add.8/Annex, DP/L.343/Add.9 and Corr.1, DP/L.343/Add.10/Annex, DP/L.343/Add.11/Annex, DP/L.343/Add.12/Annex (DP/552 and Add.1 and Corr.1, Add.2 and Corr.1, Add.3, DP/553), DP/L.343/Add.13/Annex)

1. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decisions of the Budgetary and Finance Committee contained in documents DP/L.343/Add.4 and Corr.1 and 2, DP/L.343/Add.5, DP/L.343/Add.6 and DP/L.343/Add.7/Corr.2.

2. It was so decided.

3. Mr. JÖDAHL (Sweden), Chairman of the Budgetary and Finance Committee, said that, in the interests of clarity, the Committee had decided to change the recommendation contained in document DP/L.343/Add.8/Annex to read as follows:

"The Budgetary and Finance Committee recommends that the Governing Council:

"1. Take note of the Administrator's progress report on ISIP (DP/INF/30;

"2. Approve the Administrator's proposals for the staffing of the Division of Management Information Services (DMIS) for the biennium 1982-1983 as contained in document DP/548, to be financed out of the total appropriation approved for the biennium 1982-1983 in respect of UNDP (excluding OPE);

"3. Approve the Administrator's proposals for supplementary staffing of DMIS for the biennium 1980-1981 as contained in document DP/550, subject to the reductions in staff costs totalling \$104,000 (gross) proposed by the Administrator during the twenty-eighth session, to be financed out of the total supplementary appropriation approved for the biennium 1980-1981 in respect of UNDP (excluding OPE)."

4. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decision contained in DP/L.343/Add.8/Annex, as amended.

5. It was so decided.

6. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decision contained in document DP/L.343/Add.9/Corr.1 which replaced the entire text of the draft decision in paragraph 15 of the main document.

7. It was so decided.

8. Mr. SADDLER (United States of America) noted that there were square brackets around paragraph 5 (c) of the draft decision contained in document DP/L.343/Add.10/Annex. It was his delegation's understanding that the Budgetary and Finance Committee had agreed to delete those square brackets. He would like clarification on the matter.

9. The PRESIDENT said that he believed that paragraph 5 (c) of that draft decision should not be in square brackets. If he heard no objection, he would take it that the Council wished to adopt the draft decision contained in DP/L.343/Add.10/Annex, without the square brackets around paragraph 5 (c).

10. It was so decided.

11. Mr. JÖDAHL (Sweden), Chairman of the Budgetary and Finance Committee, said that he wished to amend the draft decision contained in document DP/L.343/Add.11/Annex in order to reflect the consensus reached in the Committee. The first paragraph would read "Takes note of the Administrator's report (DP/563) and the views and comments of members thereon on the Fisheries Vessels Pool and the need for additional vessels". In paragraph 3, the phrase "such possibilities as financing from IPF resources" would be replaced by the words "the views and comments of members in the debate on this item during the twenty-eighth session".

12. Mr. LAWLESS (United Kingdom) said that the Budgetary and Finance Committee had also agreed to amend paragraph 4 of that draft decision by replacing the words "that proposals" by the words "that these proposals".

13. Mr. MAKAROV (Union of Soviet Socialist Republics) wondered why it should be necessary to repeat in paragraph 3 the phrase "taking into account the views and comments of members", which had already been included in paragraph 1.

14. Mr. LAWLESS (United Kingdom), Mr. JÖDAHL (Sweden) and Mr. SADDLER (United States of America) said that the amended text represented the full decision adopted by the Budgetary and Finance Committee. The views mentioned in paragraph 1 were those concerning the Administrator's report and the ones mentioned in paragraph 3 were those concerning the proposals which the Administrator was to formulate.

15. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decision contained in DP/L.343/Add.11/Annex as orally amended.

16. It was so decided.

17. Mr. JÖDAHL (Sweden), Chairman of the Budgetary and Finance Committee, said that, with regard to the draft decision on UNDP Financial Regulations contained in document DP/L.343/Add.12/Annex, the Committee had found that a number of the financial regulations were dependent on other issues. Therefore, it had unfortunately not had the opportunity to give substantive consideration to some of the proposals in the Administrator's report and had referred them to the Governing Council for consideration and action. In connexion with the proposed regulations

(Mr. Jodahl, Sweden)

on voluntary contributions, a new regulation 3.6 had been proposed for insertion after regulation 3.5 as it had appeared in document DP/552/Add.1. The newly proposed regulation 3.6 read as follows: "A voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself." A number of delegations supported that proposal, which was intended to clarify the provisions of the Administrator's proposed regulation 3.5, and had stressed the interdependency of those two regulations. However, as the text of the newly proposed regulation 3.6 had not been available in all languages and the proposed regulations 3.5 and 3.6 had not been considered by the Committee, the matter was referred to the plenary for consideration and decision. Proposed regulations 12.3 and 12.4 had also been referred to the plenary.

18. Mr. MAKAROV (Union of Soviet Socialist Republics) said that he could not understand how an issue which had not been resolved in the Budgetary and Finance Committee or in the Working Group could be decided on there and then by the Council. The eight socialist countries had already spoken out against any attempt to undermine the voluntary character of UNDP by proposals that contributions should be made only in convertible, and not national, currency and had expressed their strong opposition to any change in the provisions of regulations 3.5 and 3.6 to that effect. He hoped that his views would be reflected in the report of the Council. Since the proposed regulation 3.5 had not been discussed and no decision had been taken on it, he felt that it should be placed in square brackets.

19. Mr. JÖDAHL (Sweden), Chairman of the Budgetary and Finance Committee, recalled that some delegations in the Committee had said that they were not in a position to comment on the newly proposed regulation 3.6. The text had therefore been referred to the plenary of the Council.

20. Mr. HUTTON (Canada) said that there had not been time in the Budgetary and Finance Committee to consider effectively all the matters relating to the issue. His delegation could accept the proposal made by the USSR representative. In fairness, however, some other elements of the proposed regulations would also have to be put in square brackets for further consideration at some appropriate moment. He referred specifically to the words "to the greatest possible extent" in proposed regulation 3.5. Brackets would also have to be placed round the part of regulation 12.3 which read "in the absence of restrictions imposed by contributing Governments".

21. Mr. BROWN (Deputy Administrator) said that regulation 3.5 as reproduced in documents DP/552/Add.1 and 2 was the same as regulation 6.4 of the existing regulations. Proposed regulation 3.6 was likewise identical to existing regulation 6.6. Proposed regulation 12.3 was the same in substance as existing regulation 4.2. The change proposed nothing new in UNDP management of currencies. Proposed regulation 12.4 was essentially the same as existing regulation 4.3. Those four regulations were therefore part of existing UNDP regulations which should be either confirmed or amended in whole or in part. To place them between brackets would make them inoperative and compel the Governing Council to revert

(Mr. Brown)

to United Nations regulations. The newly proposed regulation 3.6 was an addition to the proposals in documents DP/552/Add.1 and 2. The Council had to take a decision one way or the other.

22. Mr. CORDERY (United Kingdom) said that, in the light of the Deputy Administrator's clarification, his delegation believed that the Council should adopt proposed regulations 3.5 and 3.6, newly proposed regulation 3.6, and proposed regulations 12.3 and 12.4, with the brackets proposed by the USSR and Canadian representatives.

23. Mr. MAKAROV (Union of Soviet Socialist Republics) said that he could agree to leave proposed regulation 3.5 in its old formulation, in existing regulation 6.4, so as to enable the Administrator of UNDP to be guided by the original regulation. Any new regulations which had neither been approved nor discussed should remain in brackets and be non-operational.

24. Mr. HUTTON (Canada) asked the Deputy Administrator what would be the operational impact of the bracketing of the phrases in proposed regulations 3.5 and 12.3 to which his delegation had referred. He understood that UNDP would be able to operate effectively even with those parts bracketed.

25. Mr. MAKAROV (Union of Soviet Socialist Republics) said that the representative of Canada wanted to put brackets around parts of the existing regulations and his delegation was categorically opposed to such a move. Brackets could be put around additions to or new formulations of regulations. Regulation 6.4 should remain in its existing form, since a decision had not been taken on it and could not be taken in the short time remaining to the Council.

26. Mr. BROWN (Deputy Administrator) said that, in his experience, convertibility had helped the Administration of UNDP and non-convertibility had not. When a donor country made a contribution to UNDP, the intent was for the contribution to be used by UNDP to purchase goods and services. Such contributors could object if their currency was exchanged for other currencies owned by other funds in the United Nations system. UNDP could exchange currencies only with the donor country's approval. In practice, bracketing parts of the regulations would make it impossible for the Administrator to proceed with his tasks, because he would not be acting in accordance with the understandings that governed contributions made in the currency of the donor country.

27. Mr. HUTTON (Canada) said that his delegation had a different interpretation, but would not pursue the matter.

28. Mr. GRAFFENREID (Switzerland) said that, since his delegation had proposed new regulation 3.6, it was disappointed that the USSR delegation could not accept it. Nevertheless, with a view to reaching a consensus, it could agree to placing the newly proposed regulation 3.6 in brackets. His delegation would revert to the issue at the next session of the Governing Council.

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29. Mr. HUTTON (Canada) said that the best way to clarify the situation would be to provide an enabling resolution for the Administrator making existing regulations 6.4, 6.6, 4.2 and 4.3 valid for an additional year, until a decision was taken at the next Council session on newly proposed regulation 3.6 and on regulations 3.5 and 3.6 proposed by the Administrator.

30. Mr. JÖDAHL (Sweden) said that, pending approval of the proposed regulations, his delegation would suggest the adoption of a specific paragraph which would read:

"Decides, notwithstanding the absence of a consensus in respect of the Administrator's proposed regulations 3.5, 3.6, 12.3, 12.4 and newly proposed regulation 3.6, remaining in brackets, that all other regulations of this decision are fully in effect, and with respect to the five paragraphs remaining in brackets the old financial regulations 6.4, 6.6, 4.2 and 4.3 shall, in the absence of such a consensus, apply until a decision is reached at the twenty-ninth session of the Governing Council."

31. Mr. RAMONDT (Netherlands) said that his delegation would like to suggest an additional paragraph that would follow the one suggested by the representative of Sweden and would read:

"Decides to convene immediately prior to its twenty-ninth session a special meeting in order to resolve the above matter concerning the usability of non-convertible currencies."

32. Mr. MAKAROV (Union of Soviet Socialist Republics) said that he would like to have the proposal made by the representative of Sweden in writing at least in English. The proposal made by the representative of the Netherlands was totally unacceptable, since eight countries had categorically opposed any attempts to change the voluntary nature of contributions to UNDP. In any case, the proposal had come too late.

33. Mr. CORDERY (United Kingdom) said that his delegation deeply regretted the lack of progress at the current session on the problem of non-convertible currencies. Developing countries had a right to expect that contributions to UNDP would be made in readily usable form, especially at a time when resources were scarce. They had a right to expect that goods and services supplied to them through UNDP would be chosen because they were the best available, and not because they were tied to a particular contribution. Arrangements should be made to ensure that all contributions were readily usable.

34. His delegation had attempted to conduct negotiations at the current and previous sessions of the Council, because it felt that no contributions to the general resources of the Programme should have conditions or restrictions attached to them and that no country or group of countries should be given special treatment with regard to its contribution. His delegation, and several recipient countries, had put forward a series of ideas as a basis for a compromise solution. But the socialist countries had been unwilling to enter into serious negotiation. The result was that no progress whatsoever had been possible.

(Mr. Cordery, United Kingdom)

35. His delegation had hoped that the Governing Council could have made a small step forward by adopting regulations which would at least enable it to define the problems more precisely. As it had stated on several occasions, his delegation greatly valued the consensus approach which had always been followed in the Council. That approach, however, demanded concessions on both sides. Decisions reached at the current session on the extremely delicate question of the country programme for Viet Nam showed what could be achieved if delegations were willing to display a spirit of compromise. His delegation had been greatly disheartened by the lack of such a spirit in the negotiations on non-convertible currencies.

36. While no one could doubt the political will of the socialist countries to help the developing countries improve the life of their people, it was clear that their expressions of political will needed to be converted into action. The level of contributions from the socialist group of countries had been a constant disappointment to countries that cared about UNDP. If it was not possible for the socialist countries to increase their contributions to a level which would correspond to their expression of support for the developing world, they could at least make their contributions in a form more convenient to the recipient countries.

37. Mr. RAMONDT (Netherlands) said that his intention in submitting his proposal had merely been to resolve the question before the Council.

38. Mr. MAKAROV (Union of Soviet Socialist Republics) said that the question under consideration was not that of increasing aid to developing countries, but rather of decreasing it by the amount of those contributions made in non-convertible currencies: if the Council decided to discriminate against the contributions of a large group of countries, there was certain to be a reduction in aid. The socialist countries could not agree to any weakening of the principle that contributions were made on a voluntary basis. The idea that contributions were somehow "imposed" on recipient countries was nonsense. Contributions made by the Soviet Union were certainly used to benefit developing countries.

39. The socialist countries had the political will to assist developing countries; it was their opponents which wished to impede the use of new technology by developing countries, as evidenced by their attempts to block contributions to UNDP on political grounds. If the Council were to take such a decision, the socialist countries would withdraw from UNDP activities. Consensus should exist for both sides. The Western proposals would only undermine UNDP.

40. Mr. PREUSS (Federal Republic of Germany) regretted that there had been no progress on the perennial problem of non-convertible currencies. It would be worth while for the Council to spend time on the matter at a future session in an attempt to resolve it, since the problem could only grow worse in future. He appealed to the Soviet delegation to agree to debate the matter. His delegation supported the Netherlands proposal for a special meeting to consider the question of non-convertible currencies.

41. Mr. SADDLER (United States of America) said that the question of non-convertible currencies and their accumulation was extremely important. The

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(Mr. Saddler, United States)

ways in which the question could be resolved were well known; what was lacking was the political will. No donor country should receive special treatment regarding the use of its contributions. When amounts of unusable currencies accumulated, donor countries should convert them. If they were unwilling to do so, the amount in question should be returned to the donors. If donor countries really intended to assist UNDP, they should ensure that all contributions were usable in the interests of developing countries.

42. The PRESIDENT said that the question had two facets. Firstly, the regulations had to be approved for the Administrator to function; secondly, there was the question of non-convertible currencies. With regard to the regulations, he understood that there was a consensus on the basis of the Swedish proposal.

43. Mr. CABEIRO QUINTANA (Cuba) said that the Council could indeed adopt the Swedish proposal.

44. The PRESIDENT suggested that the words "subject to paragraph 2 below" be added to the end of paragraph 1 of the draft decision contained in document DP/L.343/Add.12/Annex, and that the Swedish proposal be inserted as a new paragraph 2. The question of non-convertible currencies could then be considered in a separate decision.

45. Mr. RAMONDT (Netherlands) said that he would have preferred his delegation's proposal to be included in that draft decision.

46. The PRESIDENT said that, while he was not opposed to its inclusion in principle, it would be preferable for it to be embodied in a separate decision. If he heard no objection, he would take it that the Council wished to adopt the draft decision contained in document DP/L.343/Add.12/Annex, as amended.

47. It was so decided.

48. Mr. HUTTON (Canada) said that his delegation supported the position adopted by the United Kingdom. With regard to the Soviet statement, he said that any discrimination which existed was not against those countries which placed restrictions on how their contributions might be used, but against countries such as Canada which did not. His delegation strongly supported the principle that contributions should be voluntary. He trusted that it would be possible to arrange a meeting at which the question of non-convertible currencies could be thoroughly discussed. He strongly endorsed the Netherlands proposal.

49. Mr. RAMONDT (Netherlands) said that he had assumed that all delegations wished to resolve the question before the Council. As things stood, parts of the financial regulations would appear in square brackets, and thus necessitate further discussion in an endeavour to reach a solution. The adoption of the Swedish proposal implied that some decision would be taken at the twenty-ninth session of the Governing Council.

(Mr. Ramondt, Netherlands)

50. The way in which the question had been considered was unsatisfactory, partly owing to lack of time, which would also be a problem at the next session. By decision 81/37, the Council had decided to hold a short special meeting before its twenty-ninth session to consider the question of country programmes. The question of financial regulations could, perhaps, be added to the agenda of that meeting.

51. His delegation wished to amend its proposal, to read:

"Decides to convene, immediately prior to its twenty-ninth session, a short special meeting in order to resolve the regulations and paragraphs remaining in square brackets;"

52. His delegation might, after further consideration, wish further to amend its proposal.

53. The PRESIDENT said that the Council would defer further consideration of that matter to a subsequent meeting.

54. Mr. SADDLER (United States of America) said that, in the final report, the order of the two items dealt with in document DP/L.343/Add.13/Annex should be reversed, to conform with the Council's normal practice.

55. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decision contained in document DP/L.343/Add.13/Annex.

56. It was so decided.

The meeting rose at 6 p.m.