GOVERNING COUNCIL

Twenty-eighth session

SUMMARY RECORD OF THE 737th MEETING

Held at Headquarters, New York,
on Wednesday, 1 July 1981, at 3 p.m.

President: Mr. ABDULAH (Trinidad and Tobago)

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Closure of the session

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81-56383
The meeting was called to order at 3.20 p.m.

MATTERS RELATING TO ITEMS UNDER CONSIDERATION BY THE BUDGETARY AND FINANCE COMMITTEE (DP/L.343/Add.12/Annex, DP/L.374)

1. The President recalled that, during its consideration of document DP/L.343/Add.12/Annex, at the 735th meeting, the Council had agreed to act first on proposals and amendments directly related to the Financial Regulations, on the understanding that the proposal made orally by the Netherlands delegation would be dealt with subsequently. At that time, it had not yet been decided whether the Netherlands proposal should be treated as a further amendment to the draft decision in document DP/L.343/Add.12/Annex or as a separate additional proposal which might eventually become section II of that decision. The Netherlands proposal had since been circulated to members in document DP/L.374.

2. Mr. Ramondt (Netherlands) said that the sole aim of his delegation's proposal was to ensure that the Council would have sufficient time at the following session to deal with those matters which it had not been able to complete at the current session. Many delegations had referred to lack of time as one of the main reasons why it had not been possible to reach consensus on the issue of contributions in non-convertible currencies. In view of the fact that his delegation had revised its original proposal slightly to include a reference to Council decision 81/16, it would perhaps be best for the proposal to stand on its own rather than to be combined with any other decision.

3. Mrs. Ballester (Cuba) said that her country was one of those which made contributions to UNDP in its national currency. Her delegation was currently engaged in discussions with the Administration of UNDP on ways of making full use of its contributions and the discussions were expected to produce satisfactory results. Her delegation could not therefore agree to the inclusion of the question of non-convertible currencies as a separate item of the agenda or to the Council discussing it at a special meeting, since that would constitute discrimination against the group of countries which contributed to UNDP in their national currencies. It could, however, agree to the Council considering the matter under the item entitled "Financial, budgetary and administrative matters" which traditionally appeared in the agendas of regular sessions or to the Budgetary and Finance Committee taking the matter up at its meetings scheduled to precede the twenty-ninth session. Her delegation considered, moreover, that the Swedish proposal adopted at the 735th meeting should fully meet the concerns of the Netherlands delegation.

4. If the Council should decide to include the question of contributions in non-convertible currencies as a separate item in its agenda, it would also have to include a number of questions which affected the developing countries even more adversely, such as losses to the Programme resulting from currency fluctuations, the effects of inflation on UNDP resources and the "revolving door" phenomenon whereby some donors reaped enormous benefits from their contributions.
5. She appealed to the representative of the Netherlands to withdraw his delegation's proposal in a spirit of compromise.

6. Mr. BAUCHARD (France) expressed his delegation's disappointment and regret at the fact that the Council had been unable to make progress at the current session with regard to the question of contributions in non-convertible currencies, and endorsed the statement on that subject made by the United Kingdom representative at the 735th meeting. A speedy solution to the problem must be found and he therefore endorsed the Netherlands proposal, which was designed to promote that objective.

7. Mr. EMKER (Sweden) said that sufficient time must be allocated for a discussion of the question of contributions in non-convertible currencies, while at the same time the question should not dominate the Council's proceedings. The Netherlands proposal met both those concerns and his delegation therefore supported it.

8. His delegation was not opposed to a discussion of the questions referred to by the representative of Cuba. It would prefer, however, that they should be discussed during the short series of meetings to precede the twenty-ninth session. The Council was not concerned with the problem of non-convertible currencies per se, but rather with the utilization of contributions made in non-convertible currencies, which often entailed costs in convertible currencies that other Governments had to make good. It was only fair that such incidental costs should be borne by those donors which made contributions in non-convertible currencies.

9. Mr. TAKASU (Japan) said that his delegation shared the concern expressed by many delegations over the long-standing problem of accumulated non-convertible currencies and regretted that at the twenty-eighth session no progress had been made at all. The central concern was how to make optimum use of UNDP resources in a manner consistent with its multilateral character. One of the basic principles of multilateral co-operation was that contributions should be made without restriction. With difficult times ahead for UNDP, it was essential to work out a practical and feasible solution to the problem. For that reason, his delegation fully supported the Netherlands proposal and hoped that all members would participate constructively and in a spirit of co-operation in the search for a solution at the special meeting in 1982.

10. Mr. BLAIN (Gambia) said that his delegation, which had frequently expressed its concern over the accumulation of non-convertible currencies, regretted the lack of progress over the years towards resolving the situation. It was particularly disappointing that every effort to find an equitable solution had met with obstacles. Renewed efforts must be made, because the developing countries were desperately in need of additional resources. The grim resource prospects for the third cycle underscored the timeliness of the Netherlands proposal, and it was to be hoped that the short special meeting proposed would produce satisfactory results. His delegation wished to stress that in no circumstances should an agreement on the question of non-convertible currencies be tied to the question of procurement and services.
11. Mr. FESENKO (Union of Soviet Socialist Republics) endorsed the statement made by the representative of Cuba. The Council had reached a consensus at the preceding meeting on the agenda for its next session, which included an item that covered the matter dealt with in the Netherlands proposal. His delegation considered, moreover, that there were other more pressing problems which the Council had to deal with, such as those mentioned by the Cuban representative.

12. In order to take into account the various concerns which had been expressed, he proposed the following draft decision:

"The Governing Council

"Decides to consider at its twenty-ninth session, within the framework of the agenda adopted at the 736th meeting of the Governing Council, the Financial Regulations (decision 81/28), including the question of the use of UNDP resources."

13. Mr. GRAFFENREID (Switzerland) said that his delegation attached great importance to the utilization of contributions in non-convertible currencies and regretted that, despite the efforts made by many delegations, no progress had been made on that issue. The accumulation of non-convertible currencies was a problem not only for the developing countries but also for his country, which found it increasingly difficult to justify raising its own contribution to UNDP. His delegation therefore urged the adoption of the Netherlands proposal.

14. Mr. BAKALOV (Bulgaria) said that the so-called problem of non-convertible currencies was not real and, in fact, had been trumped up by some delegations. Thus, as a matter of principle, his delegation could not agree to the Netherlands proposal. He endorsed the Soviet proposal, which could provide the basis for a mutually agreeable solution.

15. Mr. PIMENTEL (Brazil) said that his delegation had consistently maintained that controversial matters should be discussed thoroughly. The practice of making contributions in non-convertible currencies was one such issue. His delegation could support the Netherlands proposal but also considered that the Soviet proposal could provide a basis for a solution acceptable to all countries.

16. Mr. STEFANINI (Italy) endorsed the Netherlands proposal. The question of contributions in non-convertible currencies was a cause of concern not only to the Administrator but to the developing countries themselves, which attached importance to the solution of the problem.

17. Mr. GIBSON (New Zealand) said that the problem had been before the Council for a long time and that there was widespread disappointment at the lack of progress at the current session. No one could realistically maintain that the problem had been solved, nor was it enough merely to state that the problem did not exist. The Council had an enviable tradition of frank exchanges of views and of success in solving problems. The Netherlands proposal was constructive and in keeping with that spirit, and his delegation fully supported it.

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18. **Mr. CORDERY** (United Kingdom) said that, while supporting the draft decision proposed by the Netherlands delegation, his delegation appreciated the spirit in which the Soviet delegation had put forward its proposal. His delegation understood the concerns expressed by the socialist countries that the Council's discussions or decisions should not focus too narrowly on one aspect of the problem of non-convertible currencies. Some delegations also had difficulty with the idea of referring to specific paragraphs of decisions already adopted by the Council. He hoped it would be possible to reach agreement on a formula which represented a middle ground between the Netherlands proposal and that put forward by the Soviet representative, and proposed the adoption of the following decision:

"The Governing Council

"Decides to give special attention at its twenty-ninth session to the utilization and usability of contributions, with particular reference to the issues on which it was not possible to reach agreement at the twenty-eighth session."

19. **The President** observed that the Netherlands proposal did not seem to command a consensus. He suggested that agreement might be reached on one of the other proposals, bearing in mind the Cuban suggestion that the matter might be considered by the Budgetary and Finance Committee in advance of the twenty-ninth session.

20. **Mr. RAMONDT** (Netherlands) noted that considerable support had been expressed for his proposal and said that it was perhaps premature to set it aside. Perhaps the proposal could be revised to take into account the concerns expressed by various delegations.

21. **Mr. ZARRAGA** (Venezuela) said that the Council had been unable to resolve the matter under discussion at its twenty-eighth session owing to lack of time. His delegation therefore appreciated the proposals which had been made with the aim of facilitating a solution in keeping with the spirit of the Programme and in the interests of the developing countries. The Council should redouble its efforts to resolve the matter without further delay.

22. **Mr. EMKER** (Sweden) said that, while strong objections had been expressed to the Netherlands proposal, many delegations, including his own, had expressed support for it. He hoped that the Netherlands proposal could be revised to incorporate the ideas contained in the Soviet proposal and the suggestions made by the Cuban representative in her statement.

23. **Mr. BLAIN** (Gambia) said that his delegation's first preference was for the Netherlands proposal as it stood. With regard to the Soviet proposal, he observed that the matter had been referred from one session of the Governing Council to the next in the clear expectation that a solution would be found, and yet to date that expectation had not been realized. The question of contributions in non-convertible currencies was serious and involved adverse consequences for the economic development of the developing countries. In a spirit of compromise, his delegation was prepared to agree to the United Kingdom proposal, with the substitution of the words "the question of non-convertible currencies" for the words "the issues".

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24. Mrs. BALLESTER (Cuba) said that her delegation could not agree to any special emphasis being placed on the question of non-convertible currencies or to the holding of a special meeting to deal with the matter. Her delegation would not oppose the examination of the question under the item concerning budgetary and administrative matters and any wording to that effect could be supported by Cuba.

25. Mr. BAKALOV (Bulgaria) said that he felt that it was possible to find common ground in the proposals of the United Kingdom, the USSR and the Netherlands. The Gambian proposal was, however, a step backwards.

26. Mr. HUTTON (Canada) agreed with the representative of the Gambia that the repeated postponement of the question should not continue. It would be possible to combine the United Kingdom and Netherland proposals so that the Budgetary and Finance Committee could consider the matter before the plenary session. He did, however, feel strongly that the item should be before the plenary at the start of its twenty-ninth session.

27. Mr. FESENKO (Union of Soviet Socialist Republics) said that he could not agree to any special emphasis being placed on the question of contributions in non-convertible currencies, because he felt that no problem existed. There were many other questions of no less significance which had to be dealt with, and he felt that his proposal was broad enough to allow delegations to raise such matters if they so desired.

28. The PRESIDENT proposed the following formulation: "The Governing Council decides that the Budgetary and Finance Committee should consider during its meetings scheduled to be convened immediately prior to the twenty-ninth session of the Governing Council the utilization and usability of contributions, with particular reference to the issues on which it was not possible to reach agreement at the twenty-eighth session of the Governing Council."

29. Mr. CORDERY (United Kingdom) said that he was not sure that anything could be achieved simply by referring the matter back to the Budgetary and Finance Committee. He felt that the President's proposal would limit the Budgetary and Finance Committee to discussing the question during its pre-session meeting. Since it was clear that the plenary would have to deal with the item in one way or another, he was not sure if that proposal was a solution.

30. Mr. RAMONDT (Netherlands) said that his delegation basically supported the President's proposal but shared the concern expressed by the representative of the United Kingdom. So as not to limit discussion of the matter, he proposed that the words "with a view to facilitating the resolution of these issues by the Council" should be added to the President's proposal.

31. The PRESIDENT proposed that the words "scheduled to be convened" in his proposal should be changed to "commencing". The wording just proposed by the Netherlands delegation would then be added at the end of the sentence.

32. Mr. HUTTON (Canada) said that the phrase proposed by the Netherlands delegation did not cover the basic concerns of his delegation. He suggested that
it be replaced by the words "and refer this question to the plenary at the commencement of the full Governing Council if no agreement has been reached, so that it can receive special attention".

33. **Mrs. BALLESTER** (Cuba) said that, while the President's proposal with the addition made by the Netherlands was acceptable to her delegation, the wording proposed by Canada was not.

34. **Mr. EMKER** (Sweden) said that he could support the President's proposal as amended by the Netherlands, if it appeared generally acceptable to the Council, but he stressed the need for a decision to be reached on the matter at the twenty-ninth session of the Governing Council.

35. **Mr. FESENKO** (Union of Soviet Socialist Republics) proposed that the Budgetary and Finance Committee should consider during its meetings prior to the twenty-ninth session "questions of improving the utilization of contributions including the questions on which no consensus was reached at the twenty-ninth session of the Governing Council". There was no need to mention referral to the Governing Council since the Budgetary and Finance Committee always had that option open to it.

36. **Mr. METELITS** (United States of America) said that the Soviet proposal was a step backwards, since it omitted the word "usability". He appealed to the representative of the USSR not to press the proposal.

37. **Mr. FESENKO** (Union of Soviet Socialist Republics) said that he could change the words "improving the utilization" to the words "the utilization" in his proposal. He could not, however, agree to the use of the word "usability", since that appeared to cast doubt on the whole possibility of using contributions.

38. **Mr. HUTTON** (Canada) said that he could agree with the proposal of the President, with the Netherlands addition. He stressed that that represented quite a shift from his delegation's original stance. The question of usability should be mentioned in the decision.

39. **Mr. EMKER** (Sweden) said that, instead of discussing individual words, the Council could make a general reference to the Financial Regulations (decision 81/28) and the paragraphs in decision 81/16 which were in square brackets. He proposed that the following words should replace the text following the words "twenty-ninth session of the Governing Council" in the President's proposal:

"... the bracketed paragraphs in decision 81/28 and decision 81/16 on which it was not possible to reach an agreement at the twenty-eighth session of the Governing Council and with a view to facilitating the resolution of these issues by the Governing Council".

He stressed the need to make it clear that the matter would be considered by the Governing Council.
40. Mr. RAMONDT (Netherlands) and Mr. PIMENTEL (Brazil) supported the Swedish proposal.

41. Mr. CORDERY (United Kingdom) suggested that, since the bracketed paragraphs of the financial regulations did not appear in decision 81/28, the words "the Financial Regulations" should replace the words "decision 81/28".

42. Mr. METELITS (United States of America) said that paragraph 2 of decision 81/28 referred to the bracketed paragraphs of the Financial Regulations. In the interest of clarity, he proposed the wording "... bracketed paragraphs referred to in paragraph 2 of decision 81/28 as well as those in decision 81/16".

43. The PRESIDENT said that the United States formulation made the point perfectly clear.

44. Mr. MAKAROV (Union of Soviet Socialist Republics) said that, since there had been no consensus on paragraph 8 of draft resolution DP/L.361, he could not agree to mention being made of that resolution in the decision being prepared. He suggested the following wording:

"... consider questions concerning the Financial Regulations and other questions on which no consensus was reached at the twenty-eighth session of the Governing Council".

45. Mr. EMKER (Sweden) said that all delegations were aware of what was happening. He suggested that decision 80/30 be included along with decision 81/16.

46. The PRESIDENT said that he thought more progress might be achieved if the meeting was suspended briefly for informal consultations.

The meeting was suspended at 4.50 p.m. and resumed at 5.10 p.m.

47. Mr. FESENKO (Union of Soviet Socialist Republics) said that he wished to revise his delegation's proposal to read:

"... to consider at the meeting of the Budgetary and Finance Committee, within the framework of the agenda adopted by the twenty-eighth session of the Governing Council, the Financial Regulations (decision 81/28) and also other questions on which consensus was not achieved at the twenty-eighth session of the Governing Council."

48. Mr. CORDERY (United Kingdom) said that the Soviet proposal would be acceptable to his delegation if it contained some reference to the bracketed paragraphs.

49. Mr. FESENKO (Union of Soviet Socialist Republics) said that he had understood that a consensus on that matter had been reached during the informal consultations. The Soviet proposal was satisfactory as it stood.

50. Mr. RAMONDT (Netherlands) agreed with the United Kingdom delegation that there should be some reference to the bracketed paragraphs.
51. **Mr. EMKER (Sweden)** said that it had been his understanding that the draft decision would contain a reference to paragraph 2 of decision 81/28. Rather than the wording "and also other questions", his delegation would prefer to be precise and refer to decisions 81/16 and 80/30. Nevertheless, if the Council were prepared to agree to the wording "other questions" his delegation could accept a reference to decision 81/16 in a foot-note.

52. **The PRESIDENT** said that it was his understanding that no one was opposed to a reference to decision 81/28. The difficulty seemed to lie in the wording "other questions", on which there was no agreement. That wording did indeed seem vague, and the Council should be more precise. The Soviet proposal needed to be clarified. It might be reworded to read:

   "... within the framework of the agenda adopted by the twenty-eighth session of the Governing Council, those parts of the Financial Regulations (decision 81/28) and other questions on which consensus was not achieved at the twenty-eighth session of the Governing Council."

53. **Mr. EMKER (Sweden)** said that a reference had to be included to decision 81/16, if only in a foot-note, in order to avoid ambiguity.

54. **Mr. CORDERY (United Kingdom)** said that the word "questions" was vague. It should be replaced by "decisions". That would clarify the matter, since only one decision had been adopted at the twenty-eighth session of the Governing Council with a paragraph on which there had been no consensus.

55. **The PRESIDENT** agreed that the word "decisions" would be appropriate.

56. **Mr. FESENKO (Union of Soviet Socialist Republics)** recalled that paragraph of decision 81/16 had not been adopted by consensus. If the Council spoke of "questions", it should be borne in mind that it meant questions which were still open to debate. A proposal which had not been adopted could not be termed a decision; therefore the word "questions" should be retained.

57. **Mr. CORDERY (United Kingdom)** said that, if the Swedish proposal were adopted, the use of the word "questions" would be acceptable, since it would then be defined.

58. **Mr. EMKER (Sweden)** said that, at its twenty-seventh session, the Governing Council had, in decision 80/30 which had been adopted by consensus, agreed on the wording:

   "Decides to resume consideration of paragraphs 16 (b) and (c) in the future and urges all parties in the meanwhile to take all steps to review their position so as to ensure that an understanding is reached on these paragraphs."

59. **Mr. FESENKO (Union of Soviet Socialist Republics)** said that his delegation had expressed reservations about the adoption of decision 80/30.
60. The President said that the Swedish proposal, supported by the United Kingdom delegation, to use a foot-note might meet the concerns of those delegations which objected to the inclusion of a reference to decision 81/16 in the draft decision.

61. Mr. Blain (Gambia) said that in the interests of clarity the Council should avoid any wording which was open to different interpretations. His delegation could not go beyond the Swedish proposal. The draft decision should either contain a reference to decision 81/16 in a foot-note or refer to paragraph 19 of decision 80/30.

62. Mr. Pimentel said that his delegation supported the Swedish proposal, and the remarks made by the representative of the Gambia.

63. Mr. Feenko (Union of Soviet Socialist Republics) said that his delegation could not agree to any reference to a decision or to paragraphs of a decision to which the Soviet Union had objected.

64. The President appealed to the Soviet delegation to accept a reference to decision 81/16, since the paragraphs on which there had been no consensus were, in fact, still open for debate in the Council.

65. Mr. El-Safy (Egypt) said that the difficulty might be resolved by the inclusion of a foot-note referring to decision 81/16, with the addition of the words "including reservations thereon" or "on which consensus was not reached".

66. Mr. Pimentel (Brazil) said that the Council should be careful not to give the impression that there had been no consensus on decision 81/16 as a whole. In fact, it was only on certain parts of the decision that it had not been possible to reach agreement.

67. The President urged the Soviet representative to accept the inclusion of a foot-note with a reference to paragraph 8 (b) and (c) of decision 81/16.

68. Mr. Feenko (Union of Soviet Socialist Republics) said that those subparagraphs were not operational. They had not been adopted by consensus. The Council had no reason to be wary of the wording contained in the Soviet proposal, since it was quite clear that it referred to questions on which no consensus had been achieved.

69. Mr. Ramondt (Netherlands) said that the Soviet proposal was not at all clear. His delegation supported the inclusion of a reference to decision 81/16.

70. Mr. Cordeny (United Kingdom) requested clarification from the Secretariat as to what was meant by the phrase "other questions".

71. Mr. El-Safy (Egypt) said that a foot-note referring to paragraph 8 of decision 81/60 might meet some of the concerns of the Soviet delegation.

72. Mr. Brown (Deputy Administrator) said that the Secretariat's understanding was that there were two decisions containing square brackets. In decision 81/28,
the brackets were in paragraph 2; in decision 81/16, paragraphs 8 (b) and (c) had been bracketed. He wondered whether the controversy over bracketing could be solved by a footnote that would read:

"Such questions shall be determined by the Administrator on the basis of an examination of the decisions of the twenty-eighth session of the Governing Council and shall be communicated in good time to members of the Council."

73. Mr. FESENKO (Union of Soviet Socialist Republics) said that his delegation agreed with the proposal.

74. Mr. D'ORVILLE (Council Secretary) read out the following draft decision:

"The Governing Council,

Decides that the Budgetary and Finance Committee should consider during its meetings commencing immediately prior to the twenty-ninth session of the Governing Council, within the framework of the provisional agenda adopted by the twenty-eighth session of the Governing Council, those parts of the Financial Regulations (decision 81/28) and other questions on which consensus was not achieved at the twenty-eighth session of the Governing Council, with a view to facilitating resolution of these issues by the Council."

1/ Such questions shall be determined by the Administrator on the basis of an examination of the decisions taken at the twenty-eighth session of the Governing Council and shall be communicated to Governments in good time prior to the twenty-ninth session of the Governing Council.

75. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt the draft decision just read out.

76. It was so decided.

77. The PRESIDENT said that, if he heard no objection, he would take it that the Governing Council requested the Rapporteur to incorporate the decision just adopted in the Council's report in chapter IX (Other matters), specifically in section C concerning the organization of the sessions of the Council.

78. It was so decided.
79. The PRESIDENT said that, in connexion with document DP/L.343/Add.7/Corr.1, relating to the question of the accumulation of non-convertible currencies, it had been agreed that a revised summary should be prepared which would fully reflect the content of the discussion on the subject in the Committee and be incorporated in the final report. If he heard no further comments, he would take it that the Council took note of the Budgetary and Finance Committee's report as orally amended.

80. **It was so decided.**


81. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to adopt its report as a whole.

82. **It was so decided.**

CLOSURE OF THE SESSION

83. The PRESIDENT said that the twenty-eighth session had been among the most productive in the Council's 15-year history. In reaffirming the principles embodied in decision 80/30, both developing and developed nations had seen fit to preserve the Council's essential structure for financing world-wide activities, thereby reflecting basic confidence in UNDP and the members of the Council. The reaffirmation of consensus in the Council gave cause for optimism in the face of an uncertain future. Other decisions adopted at the session had been crucial to the preservation of the character of UNDP and to its continued functioning as an efficient multilateral machine for the betterment of peoples everywhere. The results achieved by both the Committee and the Working Group bore testimony to the skill and dedication of their Chairmen and members.

84. He was impressed by the scope of the Council's responsibilities as a body through which the United Nations reported on its technical co-operation activities and which also first considered the report of the High-level Committee on Technical Co-operation among Developing Countries. In 1982, the Council would meet under its revised rules of procedure within the framework established by decision 81/37 on the streamlining of the Council's work. He commended the Secretary of the Council for thus helping to ensure that the Council's work proceeded smoothly and efficiently. In his view, the importance of considering matters relating to UNDP resources in 1982 could not be overemphasized.

85. He declared the twenty-eighth session closed.

*The meeting rose at 6.20 p.m.*