At its twenty-eighth session, the Governing Council allocated $12 million, subject to resource availability, to sectoral support activities in 1982-1983.

This allocation was based on the assumption of a resource availability of 80 per cent of the original figure decided by the Council at its twenty-seventh session. However, the present resource outlook makes necessary further reductions in the budget line for sectoral support. The present note explains the impact of such a reduction, both on the activities undertaken by the small agencies and on the SIDFA programme, and presents options for the consideration of the Governing Council.
1. The Governing Council, in operative paragraph 3 of decision 81/39, adopted at its twenty-eighth session, allocated $12 million for sectoral support in 1982-1983 "subject to resource availability, to be used as follows:

"a) $3.689 million for the biennium 1982-1983 to be used at the discretion of the Administrator primarily for the smaller agencies;" 

"b) $8.311 million to cover the net costs to UNDP for the services of Senior Industrial Development Field Advisers (SIDFAs) during the biennium 1982-1983."

2. This allocation was based on 80 per cent of the overall allocation for sectoral support in the third cycle made in Council decision 80/30. Since the sectoral support funds are subject to the same across-the-board percentage reductions as illustrative IPFs, it will be necessary to further reduce these funds during the biennium. The original tentative allocation approved by the Governing Council amounted to $37.5 million for the third programming cycle, 1982-1986, or $7.5 million per year. While the $12 million referred to in paragraph 1 above represents 80 per cent of $15 million for the biennium 1982-1983, the present resource situation implies that expenditures for the sectoral support programme must be reduced to 73.3 per cent in 1982 and 64 per cent in 1983 of the annual average of $7.5 million. This would mean that $10.297 million will be available during the next biennium, rather than the $12 million tentatively allocated by the Governing Council when the ceiling was set at 80 per cent. If the shares of the SIDFA programme and of agencies other than the United Nations Industrial Development Organization (UNIDO) were reduced proportionately, this in turn would imply that $7.105 available for the SIDFA programme and $3.192 for sectoral support for agencies other than UNIDO. A summary of past and present allocations is contained in annex I.

3. The requests for sectoral support financing to eligible agencies other than UNIDO amount to $4.772 million during the biennium, thereby exceeding the reduced figure by almost $1.6 million. The Administrator, therefore, has decided that approval of funds to agencies other than UNIDO would only be given for activities to be carried out in 1982. In order to give the agencies sufficient time to cut back their respective programmes, the Administrator proposes that $2.042 million, of a total available for 1982-1983 of $3.192 million, be made available for sectoral support activities in 1982 and that the Governing Council decide on the allocation for 1983. The following distribution of the sectoral support allocation for agencies other than UNIDO was made for the present year:
### 1982 allocations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Maritime Consultative Organization (IMCO)</td>
<td>374,000</td>
</tr>
<tr>
<td>International Labour Organisation (ILO)</td>
<td>44,000</td>
</tr>
<tr>
<td>International Trade Centre (ITC)</td>
<td>112,000</td>
</tr>
<tr>
<td>International Telecommunication Union (ITU)</td>
<td>343,000</td>
</tr>
<tr>
<td>United Nations Educational, Social and Cultural Organization (UNESCO)</td>
<td>100,000</td>
</tr>
<tr>
<td>United Nations Conference on Trade and Development (UNCTAD)</td>
<td>366,000</td>
</tr>
<tr>
<td>Universal Postal Union (UPU)</td>
<td>89,000</td>
</tr>
<tr>
<td>World Intellectual Property Organization (WIPO)</td>
<td>124,000</td>
</tr>
<tr>
<td>World Meteorological Organization (WMO)</td>
<td>210,000</td>
</tr>
<tr>
<td>World Tourism Organization (WTO)</td>
<td>150,000</td>
</tr>
<tr>
<td>International Atomic Energy Agency (IAEA)</td>
<td>15,000</td>
</tr>
<tr>
<td>United Nations Centre for Human Settlements (Habitat)</td>
<td>115,000</td>
</tr>
</tbody>
</table>

**TOTAL** $2,042,000

4. In conformity with decision 81/39, the sectoral support allocation is intended primarily for the smaller agencies. Since the requests put forth by these agencies alone exceed by far the funds available, ILO and UNESCO were both apprised that costs for sectoral support activities will need to be met entirely from their own resources, starting in 1983. However, in order to provide a bridging operation permitting a gradual phasing out of UNDP financing of their sectoral support activities, the 1982 approvals include a small allocation to UNESCO and ILO, both of which supplement this allocation from their own resources. The Governing Council also agreed that a number of other agencies should be eligible for UNDP financing of sectoral support activities. Consequently, invitations were extended to Habitat, ITC, UPU and WIPO to submit proposals for such activities. The allocations made to these agencies further taxed the already reduced amount available for sectoral support to agencies other than UNIDO. During consultations with the agencies, concern was voiced over the reduced funding and several appeals for increased resources were made. Agencies were invited to explain the impact of the reduction in the sectoral support funds. Statements were submitted by Habitat, ILO, IMCO, UNCTAD, UNESCO, UNIDO, WMO and WTO, and are included in annex II to the present report.

5. Given that $3,192 million is available for sectoral support activities in 1982-1983 after the ceilings referred to in paragraph 2 above have been imposed, and the proposal that more than half of that sum, or $2,042 million, be allocated for activities to be carried out in 1982, only $1,150 million remains for activities to be carried out in 1983. The Administrator is therefore seeking the guidance of the Governing Council on whether this allocation should be maintained for 1983, which would involve a substantial scaling down of agencies' sectoral support activities, or whether the allocation may be adjusted upwards so as to permit a continuation of existing services in 1983. Assuming an average annual inflation rate of 12 per cent, but excluding ILO and UNESCO as explained, this would require an amount of $2,126 million, i.e. $976,000 over and above the sum foreseen at present in order to provide in 1983 the same level of sectoral support by small Agencies as in 1982.
Senior Industrial Development Field Advisers

6. With regard to SIDFAs, the allocation made in decision 81/39, operative paragraph 3(b), took into account the proposed contributions by Governments of one-quarter (or about $40,000 per year per SIDFA) of the average, annual cost of each SIDFA which those Governments drawing upon the services of SIDFAs had been asked to provide. The Governments of least developed countries (LDCs) were excluded. It appears, however, that only seven of 28 Governments are in fact prepared to contribute to the cost of SIDFAs, and some of these will not contribute the full $40,000.

7. The contributions which have been pledged by the seven Governments so far amount to $440,000 for the biennium 1982-1983. Due to a redistribution of posts and a revised estimate based on the latest projections for post adjustments and salaries for locally recruited staff, the total net cost to UNDP for maintaining the SIDFA programme at 31 posts in 1982-1983 is now estimated at $8.125 million, if the seven Governments contribute as pledged. At present, the cost of keeping the 31 UNDP-financed SIDFAs at present under contract in their posts in 1982 is estimated at $4.072 million. If the seven Governments contribute as pledged, the amount will be $3.852 million, leaving a balance of $3.253 million for 1983 under the reduced allocation of $7.105 million for the biennium 1982-1983 as mentioned in paragraph 2 above.

8. The amount of $3.253 million available for 1983 cannot finance 31 SIDFAs in that year. The Administrator proposes, therefore, that priority be given to financing SIDFAs both in LDCs, for whom UNDP will pay the full cost, and in those countries where Governments are prepared to contribute. In 1983, the cost of maintaining the three UNDP-financed SIDFAs in LDCs (UNIDO trust funds will, in addition, finance three SIDFAs in LDCs, one each in Guinea, Sudan and Yemen), together with the seven SIDFAs covering countries where Governments are willing to contribute, will amount to $1.518 million. Subtracting Government contributions from this amount would leave an amount of $1.298 million, which would be the net cost to UNDP for these ten SIDFAs. In addition to those SIDFAs in LDCs and contributing countries who would be retained as a matter of priority, UNDP would be able to finance a number of additional SIDFA posts out of the balance of $1.955 million (which remains after subtracting $1.298 million from $3.253 million).

9. In the Administrator's view, allocating this balance to SIDFA posts in those countries which are unwilling to contribute would not only be inequitable, but would also finance only an additional 14 SIDFA posts. Given the financial constraints, this would necessitate a scaling down of the SIDFA programme to a total of 24 posts in 1983 compared with 31 in 1982, not including the SIDFAs financed by UNIDO. On the other hand, if all Governments (except those of LDCs) drawing upon the services of a SIDFA were to contribute $40,000 per year per SIDFA, the maximum number of SIDFAs UNDP could finance in 1983 would be 29. If there were no further Government contributions and the Council decided that UNDP should finance the same number of SIDFAs in 1983 (i.e. 31) as in 1982, the total net cost to UNDP would be $4.273 million or $1.020 million more than the $3.253 shown as available in paragraph 7 above.
The Administrator, therefore, has informed the Executive Director of UNIDO that no contracts will be renewed past the end of the present year and that a review of which SIDFAs are to be retained in 1983 will be carried out in mid-1982. The Administrator has further requested information from the Executive Director on what measures have been taken in order to respond to the call of the Governing Council in operative paragraph 5 of decision 81/34 that every effort should be made to increase UNIDO's share of the cost of the SIDFA programme. At the time of writing, this information had not reached UNDP.

10. The total additional cost for maintaining the sectoral support programme at the same level in 1983 as in 1982 will be $1.996 million ($976,000 for the small agencies (see paragraph 5 above) and $1.020 million for the SIDFA programme (see paragraph 9 above)). This would, however, result in the sectoral support programme funds not being subject to the same proportionate cuts as those for country and other IPFs.

11. In view of the factors described above, the Council may wish to consider the following options:

   (a) To continue the sectoral support programme at the same level in 1983 as in 1982 (with the exception of ILO and UNESCO), but scale down the support in 1984-1986 so that, for the cycle as a whole, sectoral support is subject to the same pro rata reduction as IPFs;

   (b) Approve the 1982 programme only and require a reduction in 1983 expenditures so that the allocation for 1982 and 1983 taken together is scaled down on the same pro rata basis as IPFs. If (b) is agreed on, Agencies would have to give appropriate notice to experts regarding non-renewal or only limited extensions of contracts beyond 31 December 1982. In this connexion, ancillary staff would have to be dealt with the same way and the necessary provisions made within the approved amount for terminal payment; and

   (c) As regards SIDFAs, the Governing Council is requested to determine whether non-LDCs requiring their services should be required to contribute 25 per cent of the cost, bearing in mind that the original projections approved by the Council had assumed these receipts.
## Annex I

($'000)

<table>
<thead>
<tr>
<th>Sectoral support allocation</th>
<th>Allocation 1980/81</th>
<th>Allocation 1982/83 by decision 81/39</th>
<th>Revised 1982/83 allocation based on present resource situation</th>
<th>Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1982</td>
</tr>
<tr>
<td>Total cost of Senior Industrial Development Field Advisers</td>
<td>7 962</td>
<td>10 631</td>
<td>7 545</td>
<td>4 072</td>
</tr>
<tr>
<td>Estimated Government contribution of one-quarter of cost</td>
<td>–</td>
<td>(2 320)</td>
<td>(440)</td>
<td>(220)</td>
</tr>
<tr>
<td>Total cost to UNDP for SIDFA programme</td>
<td>7 962</td>
<td>8 311</td>
<td>7 105</td>
<td>3 852</td>
</tr>
<tr>
<td>Other agencies</td>
<td>3 650</td>
<td>3 689</td>
<td>3 192</td>
<td>2 042</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>11 612</td>
<td>12 000</td>
<td>10 297</td>
<td>5 894</td>
</tr>
</tbody>
</table>
Annex II

Statements from agencies explaining impact of reduced UNDP financing of sectoral support activities

HABITAT

"UNCHS regrets the reduction in sectoral support funds and the negative effect it will have on our proposed project in terms of number of countries served, amount of additional funding generated and scope of human settlement development assistance programmed. If a reduction in UNCHS proposed project cannot be avoided, we wish to inform UNDP that following minimum UNDP funding is required annually in order to make the project feasible and worthwhile in 1982 and 1983: (A) 12 man-months of consultant services totalling approximately $72,000; (B) $30,000 for mission costs to selected countries; (C) $8,000 for administrative support personnel; (D) $3,000 for reporting costs. Total $113,000 per year."

ILO

"While sectoral support resources will be made available, in the first instance for activities of the smaller Agencies, high priority activities of other Agencies, which have in the past participated in the sectoral support programme, should remain eligible for financing, wherever possible on a cost-sharing basis. The Administrator has therefore approved $44,000 on a cost-sharing basis with ILO for advisory services on vocational rehabilitation in Asia and the Pacific to ensure follow-up and support to a large number of national programmes initiated by governments in connexion with the International Year of Disabled Persons."

IMCO

"UNDP has been financing four very badly needed sectoral advisers, one in training of nautical personnel (deck), one in training of marine engineers, one in marine pollution and one in marine safety. Each of these sectoral advisers works full-time in providing practical on-the-spot technical advice to developing countries throughout the world at no financial charge to the recipient countries. Each sectoral adviser is an expert of the highest professional qualifications in his field and the demand for the technical advice to be given on the spot in different developing countries has been enormous, and indeed impossible, to meet with only four advisers. Each adviser is required to cover virtually the entire developing world in his field of technical expertise and these four advisers represent the irreducible minimum required to provide any advisory services at all in their respective fields. Each adviser has spent one hundred per cent of his time in the assisted countries throughout the world and in preparing reports and other practical aids for the assisted countries. No other unrelated work of any sort has been carried out by the advisers, who have devoted themselves entirely to giving technical advice.

"There is a long queue of developing countries waiting for work to be done for them by the advisers."
"The UNDP administration has felt compelled to make a pro rata reduction of $53,000 out of IMCO's request of $374,000 to continue the four existing advisers for 1982 and the UNDP administration proposes the replacement of the adviser on marine pollution by part-time consultancies during the course of 1982 and presumably thereafter.

"Unfortunately, it will be vastly more expensive to recruit individual consultants for short periods from their own countries and return them at the end of short-term consultancies than to maintain the much more economical arrangement of an experienced full-time adviser for whom only a flat fee and travel from London is required. Even with the effects of inflation and foreign exchange fluctuations, the full cost of the four experts would be only $374,000, which is not a high figure for the services provided. The small reduction of $53,000 would have a devastating effect on advisory services in marine pollution, considering that IMCO has no regular programme of its own and relies completely on the central funding role of the UNDP. The representatives of IMCO will be fully at the disposal of the Governing Council to provide any further information which members of the Council might find useful".

UNCTAD

"1. UNCTAD finds itself in a special position in respect of the sectoral support of its operational activities at the field level. Firstly because of its broad responsibilities as a negotiating body on trade and development issues, with no resources of its own to perform its sectoral support responsibility; secondly because of the complex and dynamic nature of the external sector and its central role in the development process of developing countries; and thirdly because of the growing requirements and requests of developing countries for technical co-operation activities in the various fields of competence of UNCTAD.

"2. Absence of field presence. The bulk of staff resources of the UNCTAD secretariat are devoted to service the inter-governmental negotiating machinery. As a consequence, staff resources remain concentrated at headquarters and cannot be deployed at field level. Under these circumstances, the secretariat is unable to provide from its own regular resources the sectoral inputs required by governments and UNDP field offices in relation to programming of technical co-operation and project formulation within the field of competence of UNCTAD.

"3. Complex and dynamic nature of the external sector. UNCTAD's operational activities cover a very wide range of interrelated subjects such as trade policy and trade negotiations; export and import policies for commodities; manufactures and semi-manufactures; economic co-operation among developing countries; maritime and multi-modal transport; special problems of least developed, land-locked and island developing countries; expansion of trade between developing countries and socialist countries of Eastern Europe; management of external financial resources; transfer of technology; insurance and re-insurance and trade facilitation. The technical content of operational activities under each of these items has to be kept under constant..."
review to reflect the evolution of the economic situation of each country and has also to take into account major trends of the world economy and of its various regional components as well as progress achieved in international economic negotiations. This could be achieved only if adequate resources were devoted to the function of sectoral support.

"4. Growing requirements for technical co-operation in the external sector. Under the prevailing protectionist trends in the world economy, there is a growing awareness in many developing countries that a re-orientation and a better control over their external economic relations has become central to their development process. In this context, an increasing number of developing countries rely on technical co-operation to strengthen their trade institutions, to participate more actively and more effectively in trade negotiations, to develop more adequate trade instruments and legislation and to train their nationals in trade and trade-related matters. Here again, adequate sectoral support is essential to put the expertise accumulated by the UNCTAD Secretariat through its research and negotiating functions at the disposal of those engaged in the country and intercountry programming process.

"5. UNDP financial sectoral support. For the last three years, UNCTAD has received from UNDP an allocation under sectoral support which has made available the services of three senior advisers specializing in the following areas:

(i) Planning of the external trade sector.
(ii) Trade policies and trade development.
(iii) Maritime and multi-modal transport.

Although an adequate coverage of the complex sphere of activity of UNCTAD would call for a larger number of sectoral support advisers, this facility has proved extremely useful to disseminate the expertise available within the various units of the secretariat to the countries as well as sub-regional and regional inter-governmental organizations. This is evidenced by a large number of requests emanating from the field for the services of sectoral support advisers. It may be noted that sectoral support has been an important contributory factor in increasing the UNDP-financed portion of the programme from $7.6 million in 1978 to some $14 million in 1981. Welcome as this development is, it should also be noted that during the same period, because of the increase in the size of its programme, UNCTAD has lost its eligibility for flexibility provision granted by UNDP to the smaller executing agencies.

"6. The recent decision of UNDP to apply for the biennium 1982-1983 a forty per cent reduction in dollar terms on the previous allocation is therefore a subject of serious concern to UNCTAD, as this allows only the financing of two posts of sectoral support advisers with a very modest provision for travel. Without underestimating the present financial difficulties and constraints of UNDP, UNCTAD considers that such a reduction is not consonant with the importance attached by developing countries and by UNDP itself to the international trade sector. It is, therefore, recommended that serious consideration should be given to an upward revision of this allocation, so that at least three posts of sectoral support advisers could be maintained in the coming years.
7. Minimum critical level of effort. It is UNCTAD's considered view that the provision of three sectoral support advisers constitutes the minimum critical mass for such activity and a reduction in the same will probably result in the decrease in efficiency of operations and, given the complexity of UNCTAD's responsibility, is likely to adversely affect the momentum.

UNESCO

"As from 31 December 1981, UNESCO has agreed to the termination of joint financing for two of the four sectoral support posts originally established under this programme. However, UNESCO considers it essential that UNDP continue to co-finance the two remaining posts (both in sub-Saharan Africa) because its approved programme and budget for 1981-83 is not able to absorb further costs arising from financial constraints in UNDP. The sectoral advice offered by these two posts responds to often-expressed needs of the countries of the sub-regions concerned, and would be particularly timely during the initial phase of the New Plan of Action for LDCs, since six of the eight countries involved belong to this category. In view of the above, the Administrator decided to approve an allocation of $100,000 for 1982, it being understood that a decision for 1983 would be taken in light of the Governing Council's discussion on the matter at its 29th Session."

UNIDO

"1. UNIDO is deeply disturbed with the recommendations of the Administrator to curtail the SIDFA programme and does not subscribe to the philosophy and the rationale on which the curtailment is based.

"2. The SIDFA programme has, during its short life span, proved its usefulness in the critical area of industrial development. The recipient governments, the policy-making organs such as the Industrial Development Board (IDB) and the Governing Council, and the UNDP field and headquarters establishments all recognise the necessity of increasing the coverage of this programme in order to best serve the process of industrialization of developing countries. Despite several resolutions of the IDB, the number of 45 SIDFA posts recommended to be established could not be reached due to inadequacy of financial resources. The highest number reached was 36 in 1980-81. It is now proposed to reduce this to 24 posts. This will have a severely damaging effect on the industrial development process of the developing countries.

"3. The proposed cut is based on the "across-the-board" reduction of 36 per cent decided on by the UNDP administration due to lower pledges. UNIDO appreciates the financial problems and has been actively co-operating with UNDP toward reaching solutions. However, a young and still unconsolidated programme such as the SIDFA programme deserves some special treatment particularly when its size is so small. (If the SIDFA programme is not reduced, the 36 per cent overall reduction would be affected by not more than 0.6 per cent)."
"On the other hand, the reduction of the SIDFA posts to 24 will have the following effects on the programme itself:

"a) The number of posts will be reduced to the level of 1971, when UNIDO technical assistance delivery amounted to $16.8 million compared to the current $88.5 million. This is bound to affect drastically the magnitude of technical assistance to the industrial sector at a time when it is needed most. The developing countries would therefore suffer in two ways, first by reduced IPF and secondly by a considerable reduction in actual delivery of technical assistance financed from non-IPF sources such as UNIDO, Funds-in-Trust, and flow from regional and other funds via UNIDO.

"b) At a time when more and more developing countries need SIDFA services, the coverage would become extremely thin."

c) Several special programmes, whose achievements are still unquantifiable (e.g. ECDC, Investment Promotion, System of Consultations) would suffer in momentum due to reduced support from the SIDFA network.

"4. UNIDO also feels uneasy and disagrees with the recommendation in Paragraph 6 of the Administrator's report, to the effect that a compulsory charge of one-quarter of the SIDFA costs be made to the national IPFs. This is inequitable and inconsistent with the basic principles of the United Nations technical assistance programmes. The provision of SIDFA services is analogous to the Resident Representative services. A compulsory charge on that score appears unthinkable at present.

"Moreover, administrative technicalities may prove difficult to solve in the case of multiple country coverage whereby SIDFA time is unequally distributed among the countries of coverage.

"5. It seems that the spirit behind paragraph 4 of Resolution 81/39, adopted at the 28th session of the Governing Council, could not be fully grasped by the administration. The paragraph reads as follows:

"Requests the Administrator urgently to pursue the consultations initiated in response to Council decision 80/32 of 27 June 1980, with a view to concluding agreements with Governments of countries drawing upon the services of SIDFAs so that some part of the total net cost for those services shall be financed from national IPFs, and/or national sources, with a view to achieving to the extent possible a share of one-quarter of this cost, taking into account the particular situation of the least developed countries.

"Giving priority to least developed countries, from the total available 24 posts, at least 8 will be assigned to LDCs, 5 to countries with a large programme and the remaining 11 will have to be distributed to cover the over 100 developing countries."

"Refers to an earlier informal draft report which has been superseded by the present one."
"UNIDO construes the paragraph to include the following:

"a) Faced with the proven usefulness of increasing SIDFA coverage on the one hand and the scarcity of financial resources on the other, the Governing Council desired that the administration undertake a "persuasive" effort to induce some developing countries to contribute to the programme's financial resources. The approach was therefore wholly persuasive and not compulsory.

"b) It contained no element of imposition in the fiscal sense.

c) Whatever the inducive efforts yield is added to the sum total to increase the coverage.

"6. To sum up, UNIDO would appeal to the Governing Council to maintain the allocation to the SIDFA programme at the level of $8.311 million as was decided at its 28th session."

WMO

"WMO does not anticipate any major problems with new levels of financing for sectoral support".

WTO

"1. Project proposals identified as a result of the first phase missions require second phase follow-up, as clearly established from discussions with governments and UNDP resident representatives.

"2. WTO has large backlog of requests from governments for second phase follow-up project formulation missions.

"3. In several cases, a revision of the draft project document is needed to adapt them to third IPF cycle requirements and possibilities.

"In addition, these constraints will oblige WTO to:

(i) cover only part of requests from governments for second phase and follow-up missions (mostly identification projects and formulation project documents) resulting from first phase missions;

(ii) reduce optimum duration of missions, etc.;

(iii) try to find consultants at reduced rates;

(iv) increase use of WTO officials to carry out missions;

(v) try to obtain from interested governments their participation to cost of mission.

..."
"You will also note that the situation is even more difficult because of general inflation and increase of airfares and per diem in particular.

"In conclusion, while conscious of the current financial difficulties, I wish to point out that I consider the amount allocated for 1982 as a strict minimum and hope that the 1983 allocation will be more in line with our project document, which I consider realistic.

"I trust that you and the Governing Council will take into account the vital importance that this allocation of funds has for undertaking activities in the interest of developing countries on part of a small Agency like WTO."