GOVERNING COUNCIL  
Thirtieth session  
June 1983  

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

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INTRODUCTION

1. The Budgetary and Finance Committee held 33 meetings from 31 May to 24 June 1983 under the chairmanship of Mr. Erich Schmid (Austria), First Vice-President of the thirtieth session of the Governing Council, until 15 June 1983, when Mr. Franz Schmid (Austria) acted as Chairman of the Committee. Mr. Achyut Bhandari (Bhutan) served as Rapporteur of the Committee.

2. At its first meeting the Committee approved the provisional agenda contained in annex I to document DP/1983/BFC/L.1. The Committee agreed to keep its schedule of work flexible depending on the availability of documentation.


4. The report of the Governing Council on its thirtieth session, which includes in its annex I the recommendations of the Budgetary and Finance Committee as approved by the Council, is contained in document E/1983/20.

I. MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

A. Pre-investment activities: evaluation of special training

5. For its consideration of the financial aspects of item 4 (b) (iii) of the Council's agenda, the Committee had before it the relevant report of the Administrator contained in document DP/1983/9. The Assistant Administrator, Bureau for Finance and Administration, introduced the report and referred to the objectives of the seminar programme as set forth in paragraph 1. The Assistant Administrator remarked that, after getting off to a somewhat shaky start in 1981, the programme appeared to be on a more solid footing now as evidenced by the figures in table 1. Almost half the participants in the December 1982 seminar felt that the objectives were fully achieved, compared with none of the participants at the first seminar in April 1981. He said that he regarded the seminar programme as a valuable instrument for enhancing the capability of senior officials in the field with respect to the preparation, appraisal and financing of pre-investment and investment projects.

6. The Assistant Administrator reported that a second seminar was planned for later in the year, and that two each were scheduled for 1984 and 1985. One seminar a year was envisaged after that. Regarding the financial implications for the biennium 1984-1985, resources in the amount of $320,000 had been earmarked in the budget for this programme under category 180, Training; thus, there were no financial implications unless the Council decided to discontinue the programme, in which case there would be a saving of $320,000.
Recommendation of the Committee

7. No objections to the seminar programme were raised by members of the Committee. The Committee, therefore, endorsed the course of action proposed by the Administrator in paragraph 14 of his report. The Council subsequently adopted decision 83/8, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

B. Decisions adopted at the third session of the High-level Committee on the Review of Technical Co-operation among Developing Countries (TCDC)

8. For consideration of the financial implications of the decisions adopted by the High-level Committee at its third session, (item 6 (f) of the Governing Council's agenda), the Budgetary and Finance Committee had before it documents TCDC/3/L.14 and Add.1-7, and TCDC/3/L.16. The Assistant Administrator, Bureau for Finance and Administration, introduced the subject by identifying those decisions which, in his view, had financial implications for the United Nations Development Programme: namely, the decision contained on page 4 of TCDC/3/L.14/Add.2, the decision contained in TCDC/3/L.14/Add.5, the decision contained in TCDC/3/L.14/Add.6, and the decision contained in TCDC/3/L.14/Add.7. The Assistant Administrator also provided some preliminary estimates of the financial implications involved, stressing that the precise amounts would depend largely on the interpretation given to the wording of the decisions.

9. With respect to paragraph 2 on page 4 of TCDC/3/L.14/Add.2, the Assistant Administrator explained that when the resources for programming were reduced to 55 per cent of the illustrative IPFs, this reduction was also applied to TCDC activities. The decision of the High-level Committee requested the restoration to $1.0 million of the level of resources for promotional TCDC activities. If the Council were to approve this amount, it would have the effect of reducing the level of resources available in the Special Programme Resources by some $400,000 for the 1984-1985 biennium since the original amount approved was $600,000. He also expressed the view that this decision, as well as the decision contained in TCDC/3/L.14/Add.6, might more appropriately be considered by the Budgetary and Finance Committee when it took up the question of the use of the Special Programme Resources as reported on in document DP/1983/29. (See paras. 40 to 44 below).

10. Regarding operative paragraph 2 (b) of the decision contained in TCDC/3/L.14/Add.7, which would permit the reimbursement, in convertible currency, of the local currency expenditure on TCDC projects covered by country IPFs, the Assistant Administrator stated that in his view this was improper from a financial management standpoint. Consequently, he had strong reservations on the implications of this decision. Regarding operative paragraph 2 (c), the Assistant Administrator stated that the Administrator attempted to procure equipment, services and experts from the developing countries to the extent possible under the UNDP Financial Regulations.
Summary of the discussion in the Committee

11. Several members expressed the view that it was inadvisable to consider financial implications without taking into account the programme matters involved. One member wanted to know more specifically the consequences of using convertible currency to reimburse the local currency expenditure on TCDC projects. Other members requested clarification of operative paragraphs 2 (a), (b) and (c) contained in document TCDC/3/L.14/Add.7. With regard to (c), in particular, one member stated that in his view a formal waiver of existing procurement guidelines would be required.

12. Referring to operative paragraphs 5 and 7 on page 3 of TCDC/3/L.14/Add.2, one member raised the query of the financial implications for the executing agencies of these requests. Another member requested that a quantifiable amount be attached to the financial implications under consideration.

13. One member stated that UNDP should play a more important role in TCDC. In view of the present inadequate level of the Programme's resources, he said that decisions on how those resources were to be deployed were critical. He expressed the conviction that if UNDP were to expand its support to TCDC activities, the financial support should not be from IPFs. He urged that the Administrator be given authority to commit complementary resources from reserves available to the Programme. Another member, however, stated that the question of priority for the use of country IPF resources lay with the developing countries themselves, and that the role of UNDP and the developed countries in TCDC activities should be catalytic rather than financial.

Response of the Administration

14. With respect to the query raised regarding the financial implications for the executing agencies of operative paragraph 5 of the decision contained in TCDC/3/L.14/Add.2, the Assistant Administrator said that they would depend on how the request was interpreted. If the review were conducted as part of an agency's ongoing information system activities, the financial implications would be slight. If, however, the paragraph were interpreted to call for a major overhaul of an information system, the financial implications could be considerable. With respect to paragraph 7 of that decision, the Assistant Administrator said that he could discern no related financial implications.

15. In response to the request for precise quantification of the financial implications under consideration, the Assistant Administrator agreed that such an assessment would be provided at the earliest opportunity.

16. Responding to those members who had requested clarification of operative paragraph 2 (a), (b) and (c) of the decision contained in TCDC/3/L.14/Add.7, the Director of the Special Unit for Technical Co-operation among Developing Countries referred to decision 2/9 which was adopted by the High-level Committee on the Review of Technical Co-operation among Developing Countries at its second session in 1981 and which appeared in document A/36/39. Further information on the use of IPFs for TCDC projects was provided in Governing Council decision 81/31. The
Director also pointed out that the question was reviewed in document TCDC/3/6, which had been considered by the High-level Committee at its recently-concluded third session. With respect to procurement from developing countries, the Director acknowledged that relevant waivers would have to be submitted; he explained, however, that the thrust of operative paragraph 2 (c) was that these waivers were to be regarded sympathetically.

Further consideration by the Committee of TCDC/3/L.14/Add.5

17. Reintroducing the subject, the Deputy Administrator provided estimates with respect to the decision contained in TCDC/3/L.14/Add.5. He stated that this decision, if implemented, would have the effect of restoring the staffing pattern of the Special Unit for Technical Co-operation among Developing Countries to the level that existed in 1979: i.e., seven staff members at the professional level, and seven at the General Service level. This would mean two additional professional staff members and two additional General Service staff members for the 1984-1985 biennium at a cost of $750,600 (gross) or $646,300 (net).

Summary of the discussion in the Committee

18. Several members of the Committee expressed strong reservations with respect to this decision of the High-level Committee referring, inter alia, to the present budgetary strictures and the general recruitment freeze. One member stated that if the Committee could not recommend an increase in funds from the Special Programme Resources to carry out TCDC activities (see para. 21 below), it could not very well recommend an increase in staff for the TCDC Unit. Other delegates questioned the actual need for increased staff in the Unit.

19. Other members of the Committee voiced their full support for the decision of the High-level Committee, stating that TCDC was a fundamental activity of UNDP and required additional resources. One member, alluding to a proposal to establish a new organizational unit in UNDP, stated that the importance of TCDC demanded efforts to reinforce the existing Special Unit rather than setting up a new administrative entity. Another member expressed support for the High-level Committee's request, but raised the query of whether the Special Unit for Technical Co-operation among Developing Countries could function with the staff it had now.

Response of the Administration

20. Responding to the comments made by delegations, the Deputy Administrator stated that the Special Unit was treated like all the other units in UNDP and that, unless the Governing Council decided otherwise, the staffing pattern as set out in the budget document (DP/1983/44) would not be changed. He observed that with the current staff of the Special Unit some functions specified in the Buenos Aires Plan of Action could perhaps not be carried out, although the Unit would do the best it could.
Recommmendation of the Committee

21. Following a discussion of how the Committee should respond to the plenary session, members agreed with a proposal of the Chairman to form an informal working group for the purpose of drafting a relevant recommendation. On the basis of the working group's deliberations, the Committee subsequently decided to recommend that the Governing Council include the following text in any decision it may adopt with respect to agenda item 6 (f), "Technical co-operation among developing countries":

The Governing Council,

(a) Takes note of the recommendations of the High-level Committee on the Review of Technical Co-operation among Developing Countries (TCDC/3/L.14/Add.5),*

(b) Urges the Administrator to take, to the extent possible, immediate concrete measures to enable the Special Unit for Technical Co-operation among Developing Countries to carry out its functions effectively, taking into account paragraphs 4 and 6 of document TCDC/3/L.14/Add.5, paying particular attention to field and action-oriented technical co-operation activities among developing countries, and having regard to the need to contain the administrative costs;

(c) Decides that the staffing pattern of the Special Unit will be reviewed at the Council's thirty-first session in connection with its review of the resources available to the United Nations Development Programme; and

(d) Requests the Administrator to submit a summary assessment of the related operational implications for the work of the Special Unit for Technical Co-operation among Developing Countries.

22. The Governing Council subsequently adopted decision 83/21, II, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

Further consideration by the Committee of TCDC/3/L.14/Add.7

23. In dealing with the subject of the proposals contained in document TCDC/3/L.14/Add.7, the Deputy Administrator drew the attention of members of the Committee to Governing Council decision 81/31. He explained that, in accordance with the relevant provisions of this decision, when a country expended its own currency on a TCDC project, it could be reimbursed in its own currency. The proposal contained in sub-paragraph 2 (b) of Add.7 would change this. He stated that the Administrator's position on the issue remained the same and that TCDC involvement did not justify reimbursement in convertible currency.

* Adopted by the High-level Committee on the Review of Technical Co-operation among Developing Countries on 6 June 1983 as decision 3/8, "Measures to facilitate technical co-operation among developing countries".

/...
24. The Deputy Administrator explained further, however, that as a practical matter reimbursement of local currency expended on a TCDC project would usually be in a convertible currency since UNDP, more often than not, would not have a sufficient amount of the local currency available. He emphasized that as a matter of policy the reimbursement of local currency with convertible currency when UNDP held a sufficient amount of the local currency was not, in his view, in keeping with the principle of TCDC.

Summary of the discussion in the Committee

25. Several members of the Committee expressed their reservations with respect to the proposals set forth in sub-paragraphs 2 (b) and 2 (c) of Add.7. One member cautioned against a further accumulation of non-convertible currencies. Another member voiced the opinion that the proposal contained in sub-paragraph 2 (b) did not seem to be in accordance with principles of sound financial management. Still another member stated that it was inappropriate to call for such reimbursement and that there was nothing in the Buenos Aires Plan of Action regarding the transfer of convertible currencies.

26. Other members, however, expressed support for the proposals, stating that they were made – as were all the decisions of the High-level Committee – as incentives to advance the implementation of TCDC projects and programmes.

27. One member suggested that the mid-term review to be undertaken next year offered an opportunity to consider the issues in a broader context.

28. In response to some questions which were raised regarding the manner in which the decisions of the High-level Committee were adopted, an observer, speaking as the Chairman/cum Rapporteur of the High-level Committee's Working Group, assured members of the Budgetary and Finance Committee that all the decisions of the High-level Committee were indeed adopted by consensus.

Response of the Administration

29. Responding to comments made during the discussion, the Deputy Administrator stated that the decisions of the High-level Committee were regarded in the same light as were recommendations from any equivalent intergovernmental body to another, and that the Governing Council would adopt its own decision with respect to the issues under consideration. He said that in the present instance, the decisions of the High-level Committee, which had no resources under its control, represented claims upon the resources of UNDP to which the Council would have to respond.

30. Regarding sub-paragraph 2 (c), in particular, the Deputy Administrator said that he interpreted the proposal to mean that the best way possible should be sought, within the existing relevant financial regulations, to ensure procurement of equipment, experts and services from the developing countries.
Recommendation of the Committee

31. Following a discussion on the procedure to be followed in reporting to the plenary session, the Committee agreed to a proposal by the Chairman to form an informal working group for the purpose of drafting the Committee's recommendation. On the basis of the working group's deliberations, the Committee subsequently recommended that the following text be included in any decision the Governing Council might adopt with respect to agenda item 6 (f), "Technical co-operation among developing countries":

The Governing Council,

Having considered document TCDC/3/L.14/Add.7,*

Requests the Administrator to study the consequences of the proposals therein and to report his conclusions to the Governing Council at its thirty-first session.

32. The Governing Council subsequently adopted decision 83/21, III, the text of which appears in annex I to the report of the Council to the Economic and Social Council (E/1983/20).

C. Use of Special Programme Resources for promotional activities for technical co-operation among developing countries (TCDC) and for support for the International Drinking Water Supply and Sanitation Decade (IDWSSD)

33. For its review of the financial aspects of item 5 (c) of the Council's agenda, the Committee had before it the note of the Administrator on the use of Special Programme Resources for promotional activities for technical co-operation among developing countries and for support for the International Drinking Water Supply and Sanitation Decade (IDWSSD) (DP/1983/29 and Corr.1), and the relevant parts of the report of the High-level Committee on the Review of Technical Co-operation among Developing Countries (TCDC/3/L.14/Add.2 and Add.6).

34. The Deputy Administrator introduced the subject, and recalled that in June 1980 the Governing Council authorized an amount of $83.4 million as a planning figure for Special Programme Resources for the third programming cycle, 1982-1986. Since this amount was also subject to the same across-the-board percentage reduction (i.e., to 55 per cent of the established level of resources), the available planning level of Special Programme Resources was reduced to $45,879,000 for the third cycle. Referring to UNDP activities relating to the Water Decade,

* Adopted by the High-level Committee on the Review of Technical Co-operation among Developing Countries on 6 June 1983 as decision 3/10, "Use of country indicative planning figures for technical co-operation among developing countries".
he noted that these activities were funded from the programme development portion of Special Programme Resources. Further, as indicated under paragraph 7 of the document, under the guidelines for the use of funds from the programme development portion, no further amounts could be allocated for these activities, nor could intercountry IPFs be utilized given their cutback to 55 per cent of their levels. Therefore, he stated that the Administrator requested an allocation from the contingency portion of Special Programme Resources in the amount of $610,000 for support of these activities through the end of 1985.

35. Referring to the recently concluded session of the High-level Committee on the Review of Technical Co-operation among Developing Countries, he reported that the High-level Committee, in that section of its report contained in TCDC/3/L.14/Add.6, paragraph 6, proposed that financing for the Information Referral System (INRES) of technical co-operation among developing countries should continue to be made from the biennial budget of the United Nations Development Programme, rather than from Special Programme Resources, to ensure funding for INRES on a permanent basis. He remarked, however, that INRES was a compendium of information of countries' capacities, and the activities of INRES should more appropriately be regarded as a project undertaking. He also stated that the High-level Committee, in that section of its report contained in TCDC/3/L.14/Add.2, page 4, paragraph 2, recommended that the Governing Council consider allocating $1 million for promotional work for technical co-operation among developing countries for 1984-1985. He observed that this meant an additional $400,000 to the amount of $600,000 already recommended by the Administrator for 1984-1985 in document DP/1983/29, paragraph 10 (b).

Summary of the discussion in the Committee

36. Several delegates referred to the proposed allocation of $610,000 for the Water Decade and all supported this proposal. One delegate suggested the removal of this proposed allocation from the contingency category of the Special Programme Resources and the establishment of a new category for this type of activity.

37. Several delegates were of the view that INRES should be kept within the biennial budget of UNDP since they considered it a support activity. One member, supported by others, commented that the continued financing of INRES from the biennial budget should have been considered in the context of the review of the UNDP biennial budget. Referring to the planning table on page 2 of DP/1983/29 for use of the Special Programme Resources for 1982-1986, one delegate questioned the basis of the categorization of the Special Programme Resources into five groups, and another delegate enquired as to the use of the contingencies category. Other members enquired as to the progress of INRES and on various aspects of its implementation.

38. One delegate proposed that, because of the limited resources available from the IPFs, an additional allocation of $100,000 be made from the Special Programme Resources for the third cycle for the support of activities of technical co-operation projects, undertaken between two or more countries, to provide for travel or allowances for project personnel or fellowships made available by the participating countries. A number of delegates supported the proposal, contending...
that the minimal amount of seed money involved would benefit developing countries. Some of the delegates supporting the proposal remarked that there was no compromise of principle involved in the use of Special Programme Resources for this purpose since the proposal and the promotional activities of technical co-operation among developing countries served the same ultimate objective, which was to facilitate technical co-operation among developing countries, and that this was one way of keeping projects of this kind within the UNDP system. These delegations, moreover, stated that in their view the Buenos Aires Plan of Action was unequivocal concerning the type of TCDC activity to be supported by UNDP. They requested the re-establishment of the allocation for promotional activities at a level of $1 million in accordance with the decision of the High-level Committee.

39. A number of delegates, however, expressed reservations about the proposal, stating that it went beyond the intention of the Governing Council, which limited the use of Special Programme Resources to promotional activities for technical co-operation among developing countries, among other purposes. These resources were not to be used for specific travel or other costs; there were resource constraints in other UNDP programmes with competing claims for scarce resources that were not being considered in the same light. Several delegates stated that a more appropriate source of funding would be the IPFs. Other members felt that UNDP efforts in this regard should lead to long-term development of technical co-operation among developing countries and not short-term necessities. Some delegates thought that accepting the proposal would establish an undesirable precedent for meeting other costs, and suggested that other avenues be explored to solve the problem at hand. Several delegates enquired as to how the figure of $100,000 was arrived at under the proposal, and on what basis it was intended to allocate this amount among countries participating in TCDC projects.

Response of the Administration

40. Responding to enquiries on the status of INRES, the Director of the Special Unit for Technical Co-operation among Developing Countries, informed the Committee that about 8,000 questionnaires had been sent out to institutions in developing countries in an effort to collect detailed information on institutions that would form the data base for INRES. The questionnaire sought information on areas of specialty of each institution (which could be private, public or governmental), its sectoral concentration, involvement in projects of a technical co-operation nature between developing countries, availability of scholarships and training, and other detailed questions. He said that to date approximately 1,000 questionnaires had been returned and were being processed and that the information was being computerized. He stated that efforts were being made in the direction of establishing a linkage between the INRES databank and sectoral databanks of existing information systems involved in similar activities.

41. In offering his comments on INRES, the Deputy Administrator remarked that the financial implications of the requests of the High-level Committee on the Review of Technical Co-operation among Developing Countries, as contained in paragraphs 3 and 5 of its report (TCDC/3/L.14/Add.6), could not be fully assessed at present since only approximately one-eighth of the questionnaires that had been sent out
had been returned and more data were required. He noted that there was a supervisory committee within the Administration overseeing the development of INRES, and that he, himself, was going to chair it.

42. He reiterated that INRES should be properly regarded as an output, rather than as an administrative support activity. He stated that this view was grounded in the basic legislation of the Buenos Aires Plan of Action in which UNDP was given the mandate to provide promotion and support for TCDC activities, and in Governing Council decision 79/29 in which the Administrator was authorized during the second cycle (1977-1981) to use Special Programme Resources for the financing of TCDC projects where IPF resources were not available.

43. Commenting on the proposal for the additional allocation of $100,000 from Special Programme Resources, he noted that with the reduction of IPF resources to 55 per cent of their original level, UNDP was under an obligation to maximize use of its resources for assistance to developing countries.

44. With regard to the question of categorizing allocations under Special Programme Resources, he stated that allocations were made on the basis of previous experience in dealing with the activities involved. As regards the proposal made by a delegation on the handling of the Water Decade allocation, he stated that action would be taken to establish it as an additional category under Special Programme Resources.

Recommendation of the Committee

45. Following the discussion on the subject, the Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

Having considered the noted by the Administrator on the use of Special Programme Resources (DP/1983/29), and the relevant part of the report of the High-level Committee on the Review of Technical Co-operation among Developing Countries (TCDC/3/L.14/Add.2 and Add.6),*

(a) Approves an allocation of $610,000 from the Special Programme Resources of the third cycle for information and communication support for the International Drinking Water Supply and Sanitation Decade (IDWSSD) during the period 1 July 1983 to 31 July 1985;

* TCDC/3/L.14/Add.2 and Add.6 were adopted by the High-level Committee on the review of TCDC at its third session as decisions 3/5 and 3/9, respectively.
(b) **Approves** an allocation of $600,000 from the Special Programme Resources of the third cycle for the specific action-oriented promotional activities for technical co-operation among developing countries (TCDC) during the period 1984-1985, subject to consideration of a possible increase as recommended in paragraph 2 of TCDC/3/L.14/Add.2 (p. 4), following the mid-term review to take place at the thirty-first session of the Governing Council;

(c) **Decides** that resources for the Information Referral System (INRES) of technical co-operation among developing countries during the period 1984-1985 in an amount of $600,000 shall be appropriated under a separate appropriation line in the biennial budget for 1984-1985;

(d) **Requests** the Administrator to present a full report on the progress of the INRES project to the Governing Council at its thirty-first session; and

(e) **Requests** the Administrator to present a report to the thirty-first session of the Governing Council on the implications of the decision adopted by the High-level Committee on the Review of Technical Co-operation among Developing Countries contained in document TCDC/3/L.14/Add.6, paragraphs 3, 5 and 6.

46. The Governing Council subsequently adopted decision 83/15, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

**D. UNDP support to the Technical Advisory Committee (TAC) of the Consultative Group on International Agricultural Research (CGIAR)**

47. For its consideration of the financial aspects of this matter under item 5 (b) of the Council's agenda, the Committee had before it the note by the Administrator on UNDP support to the Technical Advisory Committee (TAC) of the Consultative Group on International Agricultural Research (CGIAR), document DP/1983/39.

48. The Senior Director, Division for Global and Interregional Projects (DGIP), introduced the subject and provided a brief history and description of the functions of the Technical Advisory Committee of the CGIAR as well as of UNDP's role in its development. He stated that, since its establishment by CGIAR in 1975, all costs relating to TAC had been borne equally by the three co-sponsor organizations of the CGIAR - namely, the World Bank, FAO and UNDP - from their administrative budgets. He noted that the issue before the Committee was to consider funding UNDP's contribution to TAC and its secretariat for the two years 1984-1985, of approximately $900,000, from resources under the global indicative planning figure (IPF) rather than to continue such funding from UNDP's biennial budget.

49. The Assistant Administrator, Bureau for Finance and Administration, observed that the change contemplated in the funding source would not affect the totality of UNDP resources. However, as the CGIAR services projects of the DGIP, UNDP's contribution may be viewed more as project-related rather than of an administrative nature.
Summary of the discussion in the Committee

50. A number of delegates pointed out that the suggested change in the funding source for the costs of TAC would not result in any real savings to UNDP, and were concerned that this shift in the source of funding would bring about a corresponding reduction in global IPF resources which, in any event, could not absorb the estimated costs for TAC for the years in question. One member noted that UNDP was party to an international tripartite agreement with the World Bank and FAO to share equally the costs of TAC within the context of their administrative budgets and that, consequently, UNDP could not renege on the terms of its financial support. Moreover, he observed that to finance the costs for TAC from the global IPFs would risk exposing UNDP's contribution to TAC to the 55 per cent across-the-board cut in utilization of IPFs. Some members remarked that UNDP still played a supporting role for certain programmes, for which support for TAC was but one example, and that such a role should continue to be part of UNDP's functions. One member thought that the item under consideration should have been reviewed within the context of the biennial budget as it represented an optional item in the budget.

Response of the Administration

51. In his response, the Assistant Administrator, Bureau for Finance and Administration, proposed that, in view of the concerns that had been expressed by delegations, the proposal to finance UNDP's contribution to TAC for 1984 and 1985 from global IPF resources, should not be pursued; rather, UNDP's share should continue to be funded from the biennial budget under which it would be appropriately identified in a separate budget line as administrative support to CGIAR (TAC). His proposal was supported by delegations.

Recommendation of the Committee

52. Following the discussion on this subject, the Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) Takes note of the report of the Administrator on UNDP support to the Technical Advisory Committee (TAC) of the Consultative Group on International Agricultural Research (CGIAR) (DP/1983/39), and of further explanations and clarifications provided orally; and

(b) Decides that UNDP's support to the CGIAR (TAC) continue to be charged against the UNDP biennial budget under a separate appropriation line.

53. The Governing Council subsequently adopted decision 83/14, V, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).
E. Further clarification regarding proposals contained in document DP/1983/ICW/13: management and other support services on behalf of Governments

54. For its consideration of the financial aspects of this matter under item 3 of the Council's agenda, the Committee had before it the note of the Administrator on further clarifications regarding proposals contained in document DP/1983/ICW/13 in respect of management and other support services on behalf of Governments (DP/1983/69).

55. The Assistant Administrator, Bureau for Finance and Administration, introduced the subject and noted that UNDP intended to charge fully for the additional costs to be incurred in connection with the management and other support services which it had proposed to make available to Governments, through UNDP's extensive network of field offices, for their non-UNDP financed programmes. He stated that in estimating the cost for these services, and charging for them, UNDP would ensure that no subsidy was paid from UNDP resources.

56. He noted that the methodology for estimating costs would need to be general and flexible until some experience had been gained of the type and scope of services involved. He observed that as the level and nature of these services were likely to vary among user Governments, the calculations would have to be made on a case-by-case basis. Both the nature and scope of the activities envisaged would need to be identified and defined in consultations among the parties involved: that is, the donor and recipient Governments and UNDP. UNDP headquarters and its field offices would identify appropriate staff to be associated with the proposed activities and would estimate the workload involved. The empirical basis for quantifying these activities would be confirmed by headquarters in the light of experience gained. The proportion of staff time devoted to a particular activity would be computed to derive a percentage of total office time related to that activity. This would permit costs to be determined for time spent on particular activities. UNDP would then offer its services on the basis of these established figures, thus reflecting the real costs to the Programme.

Summary of the discussion in the Committee

57. Most members noted that on the basis of the clarification provided by the Assistant Administrator of the proposed manner under which UNDP intended to recover the additional costs involved in providing the management and the support services envisaged, there were no financial implications involved for the Programme.

58. A number of delegates expressed the view that a review of financial implications at the present time was inappropriate in that it could prejudge the outcome of the debate on this matter in the plenary session of the Council. Some of these delegates were also of the opinion that this view should be reflected in the Chairman's letter to the President of the Council informing him of the results of the Committee's consideration of this matter.
59. A number of delegates observed that inasmuch as UNDP was proposing to enter into a new phase of activities in providing such services to Governments, and was relying to some degree on experience gained to measure the likely costs involved, they thought that there should be a close monitoring of developments in this area. They suggested that the detailed information which was proposed to be provided in the annual report of the Administrator should contain specific data on the financial aspects of these activities. One member suggested that the detailed report which would contain such information should perhaps be provided as a separate report so as to highlight it.

Response of the Administration

60. Responding to the question raised as to the propriety of reviewing the financial implications of the proposed activities at the present meeting, the Assistant Administrator observed that there was a time problem involved in that the Council would need to be advised of any financial implications as supplemental information prior to its taking any decision on the matter. It would otherwise not be able to make an informed decision.

Recommendation of the Committee

61. Following the discussion on the subject, the Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) Takes note of the general guidelines indicated in the Administrator's report DP/1983/69; and

(b) Further notes that with the application of these guidelines, the provision of management and other support services would not entail any financial implications for the United Nations Development Programme.

62. The Governing Council subsequently adopted decision 83/5, IV, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

F. Special programmes of assistance: Namibia

63. For its review of the financial implications of this matter under item 4 (c) of the Council's agenda, the Committee had before it a draft decision in respect of a request for a waiver of agency support costs on projects financed from the United Nations Fund for Namibia, submitted by the delegations of Ecuador, Guinea, India, Mali, Mexico, Pakistan, Trinidad and Tobago, Tunisia, Turkey, Venezuela, Yugoslavia and Zambia (DP/1983/L.10). Following initial discussions during which the Deputy Administrator and the Commissioner for Namibia suggested certain changes in the
draft decision, a revised version of the draft decision was considered by the Committee (DP/1983/L.10/Rev.1).

64. The Deputy Administrator stated that the request under paragraph 2 of the revised draft decision, namely, to treat the contributions from the United Nations Fund for Namibia as Government cash counterpart contributions, was a question that had to be looked at closely. He said that UNDP would need to seek a legal ruling from the United Nations Office of Legal Affairs on this question. Furthermore, he stated that this matter was one that needed to be discussed fully with agencies which executed projects for the Fund for Namibia. He noted that, should a legal determination be made in favour of the request of the Fund for Namibia, the financial implications to UNDP would be in connection with projects financed from the Fund for Namibia and executed by the Office for Projects Execution (OPE), which in these circumstances would receive support cost reimbursement at 3.5 per cent rather than at 11 per cent.

Summary of the discussion in the Committee

65. One delegate, supported by another, questioned the propriety of the Governing Council considering a waiver of support costs for the Fund for Namibia, and suggested that the request was one that had to be considered by the General Assembly, which had established the Fund. Another delegate questioned whether the Governing Council could adopt a decision which had financial implications for agencies other than UNDP which executed projects financed by the Fund for Namibia. One member thought that the Committee should simply take note of any financial implications and refer the matter back to the plenary of the Governing Council, while another member felt that the Committee should give an opinion on the Fund's request for waiver of support costs but not adopt any recommendation on the subject.

66. Some members felt that a discussion on the Fund's request might establish an undesirable precedent for considering waiver of support costs. One member inquired as to the General Assembly resolutions, which were referred to in the third preambular paragraph of the draft decision, regarding repeated appeals to the executing agencies to waive their support costs in respect of projects financed by the Fund for Namibia.

67. One delegate, supported by others, stated that as the merits of the issue were properly the province of the Plenary, the Committee's task was now to look into the matter of the financial implications of the question rather than to deliberate on its substance. Other members expressed the view that in order for the Committee to review the financial implications, it had to understand and review the substance of the issue.

Response of the Administration

68. In responding to the questions raised, the Deputy Administrator reiterated that the financial implications to UNDP itself which would result from a waiver of support costs for the Fund for Namibia would relate only to projects executed by...
the Office for Projects Execution and financed from the Fund for Namibia. He
stated that OPE had not been a major executing agency for this trust fund. He
emphasized that UNDP would, however, first seek the advice of the United Nations
Office of Legal Affairs on treating contributions to the Fund as Government cash
counterpart contributions, examine the various pertinent General Assembly
resolutions and initiate discussions with agencies on the subject. He noted that a
favourable decision from the Office of Legal Affairs on the Fund's request would
result in treating contributions to the Fund as Government cash counterpart
contributions and UNDP guidelines on such contributions would, therefore, take hold
in respect of projects financed by the Fund. He added that should the Office of
Legal Affairs rule unfavourably on the Fund's request, the issue would again come
before the Governing Council, which would need to consider whether support costs
should be waived. Responding to another question raised, he said that it was his
understanding that one intergovernmental body could pass on a request to another
body which could consider the merits of the request and either support it or not.

69. In offering his comments on the other issues raised, the United Nations
Commissioner for Namibia stated that the Fund for Namibia was administered by the
Council for Namibia, and the Office of the Commissioner for Namibia acted on its
behalf. For projects involving or executed by UNDP or specialized agencies a
supplementary trust fund had been established. The latter was administered by
UNDP. The Commissioner's role in the execution of such projects was that of a
recipient Government. It was, therefore, appropriate that the present request be
considered by the Governing Council of UNDP. With respect to the question on the
pertinent General Assembly resolution referred to in the third preambular
paragraph, he informed the Committee that General Assembly resolution 37/233 E,
paragraph 4, was the relevant one.

Recommendation of the Committee

70. Following discussion on the subject, the Budgetary and Finance Committee
recommended that the following decision be adopted by the Governing Council at its
thirtieth session:

The Governing Council,

Recalling that by its resolution 2248 (S-V) of 19 May 1967 the General
Assembly established the United Nations Council for Namibia as the legal
Administering Authority for Namibia until independence,

Further recalling that by its resolution 2679 (XXV) of 9 December 1970 the
General Assembly decided to establish the United Nations Fund for Namibia in order
to enable the United Nations Council for Namibia to fulfil its direct
responsibility for Namibia and its obligation to assist and prepare the Namibian
people for independence,

Cognizant of the repeated appeals of the General Assembly to the executing
agencies to waive their agency support costs in respect of projects in favour of
Namibia,
Noting that the resources under the United Nations Development Programme's indicative planning figure (IPF) for Namibia are committed and disbursed in close consultation with the United Nations Council for Namibia,

(a) Requests the Administrator, in consultation with the executing agencies, to examine the feasibility and financial implications of waiving agency support costs in respect of projects financed from the United Nations Fund for Namibia as called for in General Assembly resolution 37/233 E;

(b) Requests the Administrator and the executing agencies to treat the contributions from the United Nations Fund for Namibia as Government cash counterpart contributions so that the agencies would not charge support costs in respect of those contributions in excess of the amount of 3.5 per cent, in cases where the executing agencies have not yet waived their agency support costs in respect of projects financed from the United Nations Fund for Namibia.

71. The Governing Council subsequently adopted decision 83/10, II, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

II. OTHER FUNDS AND PROGRAMMES

A. United Nations Fund for Population Activities

72. For consideration of sub-items 6 (b) (iv) and (v) of the Council's agenda, the Committee had before it the following documents:

(a) Biennial budget estimates for administrative and programme support services for the biennium 1984-1985 (DP/1983/23 and Corr.1 and 2);

(b) UNFPA Financial Regulations (DP/1983/24 and Add.1 and Corr.1 and Add.2 and Corr.1);

(c) Report of the Executive Director on his review of the staffing pattern and manpower requirements of UNFPA (DP/1983/25);

(d) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1983/26);

(e) Audit reports (DP/1983/27);

(f) Note by the Executive Director on the UNFPA subvention to UNDP for services rendered (DP/1983/INF/3).

73. In introducing the UNFPA sub-items, the Executive Director noted that the income projections, upon which the 1984-1985 biennium budget estimates were calculated, showed only a modest increase and were based on minimum income assumptions. The income for the biennium 1984-1985 was estimated to increase slightly less than 10 per cent over the previous two years. He thanked donor
Governments for their continued support and for improving their record regarding timely payment of pledges which had helped to avoid cash flow problems in 1982. UNFPA did, however, for a brief period in September, dip slightly into the operational reserve to the extent of about $1 million, an amount which was quickly replenished. He renewed his appeal to all donors for increased and early payment of pledges. As planned, $1 million was added to the operational reserve at the end of 1982 and it was his intention to add an additional $2 million at the end of this year. The Executive Director noted that in preparing the biennial budget estimates, he had endeavoured to apply the greatest degree of economy, and that the cost increases in the administrative and programme support services were mainly due to inflation. For the third consecutive year, he was not proposing any new posts, nor was he requesting any reclassifications. While he believed that there were some disparities between grades, the Fund would await the outcome of the job classification exercise being undertaken jointly with UNDP in response to a Governing Council decision. It was hoped that the exercise would be completed by early 1984, and that the results could be submitted to the Council at its thirty-first session. The Executive Director noted that since UNFPA and UNDP had reached agreement last June on the methodology for calculating the subvention by UNFPA to UNDP for services rendered, the two organizations had jointly reviewed the services rendered by UNDP to UNFPA and had reached agreement on the scope of services and the total reimbursement by UNFPA for the biennium 1984-1985. He further noted that ACABQ had recommended that the Council approve the UNFPA budget for the biennium 1984-1985.

74. The Executive Director was submitting at the request of the Council a revision of the UNFPA financial regulations, the major purpose of which was to bring them into conformity with the Council's decision that the Executive Director should submit to the Council at its present session biennial budget estimates for 1984-1985. The revised financial regulations had been prepared in close consultation with the Administrator of UNDP and had been reviewed by the Legal Office of the United Nations. In order to ensure the continued consistency of the UNFPA financial regulations with those of UNDP, the proposed revisions were patterned after the UNDP financial regulations which had been approved by the Council at its twenty-eighth session.

75. The Executive Director was submitting to the Council a report on the review of the headquarters and field staffing pattern and manpower requirements of UNFPA with the sole purpose of requesting the Council to approve the principle of gradually integrating the UNFPA deputy representatives and other limited field core staff into UNFPA's regular manning table and administrative budget, following which he would submit to the Council, at its next session, detailed plans on how to implement the change. The Executive Director noted that when UNFPA field staff was first being established and the Fund's resources were growing rapidly, the Fund had required greater flexibility in its field operations. The situation, however, had changed over the past few years as the Fund had established an adequate level of field representation. Thus, because of having two different categories of professional staff (100 and 200 series), UNFPA was experiencing practical difficulties with rotation of staff between headquarters and the field. Therefore, the submission of a detailed proposal to the Council at its next session on the phased regularization of UNFPA field staff would be desirable.
Summary of the discussion in the Committee

76. Many members expressed concern that administrative expenditures were increasing at a faster rate than programme expenditures or income, and requested the Executive Director to make every effort to contain administrative costs, particularly in those areas most amenable to administrative control. Several members commended the Executive Director on his efforts to attain zero real growth in administrative expenditures.

77. Several delegations questioned the underlying assumptions in the inflation factors used and queried as to why there were wide variations between the various organizational units. Several members expressed concern that increases in units of Programmes I and II were higher than those in Programme III, and that these differentials could be at the expense of the Fund's technical review, policy and evaluation functions. They further indicated support for the strengthening of these areas to ensure the most effective use of programme resources.

78. Several members expressed concern with the increases in travel costs, and further stated that any travel costs borne by the Fund directly related to the International Conference on Population should be fully reimbursed to UNFPA from the separate Conference budget.

79. Some members indicated that a statement on the operational reserve and a breakdown of the UNFPA subvention to UNDP for services rendered, should be included in the budget presentation for the next biennium. One member requested more detailed information on income projections in future budget presentations. One member expressed concern that the Fund had had to resort to the operational reserve during 1982.

80. Some members requested clarification regarding the job classification exercise to be undertaken by UNFPA and UNDP, with one member counseling caution in any consideration of the upgrading of posts of branch chiefs as it could result in "grade creep".

81. Some members noted with some concern the decision to have, from 1984 to 1985 onwards, all UNFPA deputy representatives serve from level L-4 and upwards. One member, speaking also on behalf of three others, stated that planning priorities must reflect programming priorities and requested that information on the staffing pattern in priority countries be included in the budget document.

82. In regard to the Executive Director's proposal concerning the gradual inclusion of the UNFPA deputy representatives into the regular manning table and administrative budget, some members saw some merit in certain aspects of the proposal, particularly concerning the principle of rotation of staff between headquarters and the field. Many members, however, stated that any decision on the matter would have to await a more extensive explanation of the various budgetary and personnel policy implications of the proposal. Numerous aspects such as the impact on the effectiveness and calibre of field staff; changes in recruitment, career development and retirement; the matter of flexibility of the administration in assigning deputy representatives; and the definition of "core" staff to be
included would all need to be considered in detail. One member expressed support for increased delegation of decision-making authority to the deputy representatives, in order to enhance their role and to further ensure close management supervision of projects and programmes. Some delegations felt that the Executive Director's review of headquarters and field staffing pattern and manpower requirements of UNFPA should have been more detailed and analytical, and requested that such an approach be followed in any future review to be submitted to the Council at a later session.

83. On the matter of the UNFPA financial regulations, members indicated that they were prepared to approve the regulations, with some changes, particularly since, having been modelled on the UNDP financial regulations, they had for the most part been discussed in the context of the discussion of the UNDP financial regulations at the Council's twenty-eighth session, and as they had been recommended for approval by ACABQ.

84. Some members stated that the definition of "project" under regulation 2.2 p (v) unnecessarily limited the scope of the term, as projects did not in every case involve Governments. One member questioned the implications of UNFPA as an executing agency as set forth in proposed regulation 2.1 (j), and requested clarification as to why there was no parallel in the UNFPA regulations to UNDP regulation 4.9 concerning host Government contributions to costs of field offices. Two members stated that proposed regulation 7.5 should be deleted, with one stating that the Executive Director's present level of flexibility, with which his Government had been content, should be retained, and the other indicating that the provisions of that regulation were adequately expressed elsewhere in article VII. Other members stated that regulation 7.5 should be retained, as it implied a higher degree of involvement of the Council in the distribution of UNFPA programme resources. One member stated that the words "regional and interregional" should be omitted from regulation 8.4, as these types of projects did not involve written agreements between UNFPA and Governments; that "non-governmental organizations" be added to the list of types of executing agencies provided for under proposed regulation 2.1 (j); and that proposed regulations 13.6 and 13.7 be deleted, as UNFPA was a grant-making institution and would not be involved in development loans. Some members stated that proposed UNDP regulations 4.5, 4.6, 4.7, 13.3 and 13.4, which had not yet been approved by the Council, should be included in the UNFPA financial regulations. Other members indicated that these regulations should be incorporated into the UNFPA regulations, with proper modifications, if and when they were approved by the Council.

85. Concerning the audit reports, one member noted a high level of unspent allocations in some cases at the Fund's executing agencies, while another raised the question of the possible usefulness of including a management narrative in the audit reports.

Response of the Administration

86. In response to the various questions, concerns and requests for clarification expressed by the Committee concerning the UNFPA biennial budget estimates for the administrative and programme support services for the biennium 1984-1985, the
Deputy Executive Director acknowledged that tables D and E of the budget document were somewhat oversimplified and stated that in the future they would be more detailed and would include a breakdown of statutory increases, inflationary increases and real or volume-related increases in costs. The inflation rates applied, he said, were based on the factor of 5.5 per cent inflation furnished by the United Nations for each year of the biennium, plus statutory increases in common staff costs and other factors over which the Administration had no control. Increases in travel costs, of which Programmes I and II had borne the greatest share, were based on the computation provided by the travel service. Disparities in other cost increases between UNFPA programmes were largely the result of greater savings accrued to those programmes and units within programmes with the greater projected number of vacancies through the biennium. On the matter of travel costs borne by UNFPA in connection with the International Conference on Population, the Deputy Executive Director stated that these costs were related to the participation of UNFPA staff in meetings such as expert group and regional meetings on behalf of the Fund as a participating organization in the Conference, and not as secretariat of the Conference. Costs incurred by the secretariat of the Conference were charged against the Conference budget. With regard to the Fund's brief resort to the operational reserve in 1982, the Deputy Executive Director stated that the very purpose of the reserve was to be utilized when temporary cash flow problems arose, and that the reserve had been resorted to only for a very short period.

87. Concerning the job classification exercise the Fund expected to be undertaking in the fall of 1983 along with UNDP, the Deputy Executive Director stated that the International Civil Service Commission, along with the Fifth Committee of the United Nations General Assembly, had mandated a master standard of job classifications. The exercise UNFPA and UNDP would be undertaking had been mandated by the Council itself in decision 79/44 adopted at its twenty-sixth session. The exercise involved the classification of posts against certain established criteria, without reference to the person occupying the post. The results of the exercise would be reported to the Council as soon as possible.

88. In regard to the coverage of priority countries for UNFPA assistance by UNFPA deputy representatives, the Assistant Executive Director stated that of the 53 priority countries, 41 were covered by the 33 UNFPA deputy representatives. Of the 30 priority countries of Africa, 21 were covered by deputy representatives, as were 15 of the 16 priority countries in Asia and the Pacific, 3 of the 5 priority countries in the Middle East and both of the priority countries in Latin America and the Caribbean. Another seven of those countries with small programmes that were not directly covered by deputy representatives had benefit of full-time experts or advisers. In addition, such coverage was supplemented by the on-site presence of or visits by regional advisers from such organizations as WHO, UNESCO and the regional commissions of the United Nations.

89. On the matter of the Executive Director's review of the headquarters and field staffing pattern and manpower requirements of UNFPA, the Deputy Executive Director stated that the purpose of submitting the review to the Council at its present session was to seek guidance on the ways to proceed in this matter. He said that the Fund felt that this initiative was desirable in order to ensure the parallel treatment of the UNFPA deputy representative vis-à-vis other deputies of the
Resident Representative. The field staff was a far more important part of the Fund's work than the short-term contracts under which they had had to operate would seem to imply. That the Executive Director's views on this matter had shifted in recent years was a reflection of the expectation that the Fund's field establishment would remain grosso modo stable, and that the Fund's programme resources would not undergo quantum jumps as they had in the past. He noted that the Fund had not as yet made a detailed blueprint of the procedures it would recommend be followed for the phased inclusion of the deputy representatives and other limited core field staff in the regular UNFPA manning tables, but that such a detailed outline would be made and presented to the Council before it was requested to take a decision on the matter, along with a study of the various budgetary and personnel policy implications of any possible conversion. He noted that the inclusion of deputy representatives and other core field staff into the regular UNFPA manning tables would also permit greater scrutiny of these posts by the Council.

90. The Deputy Executive Director stated that the Fund was not weakening the programme objectives in the technical and planning and policy and evaluation areas. He explained that in these areas the Fund was using a larger number of short-term experts with whom the Fund had had good experience and who could provide impartiality and specialized technical expertise to supplement, in a cost-effective manner, the work of UNFPA staff in these areas. The Assistant Executive Director further explained that the needs for technical oversight were also being addressed through the utilization of staff in the Programme Division and in the Policy and Evaluation Division, and that, in addition, UNFPA provided for the technical appraisal of project proposals through technical experts located in the United Nations, the regional commissions, and in ILO, FAO, UNESCO and WHO.

91. On the question of the costs of additional internal audit services for possible inclusion in the UNFPA subvention to UNDP for services rendered, the Deputy Executive Director stated that the matter of the provision of additional internal audit services above and beyond the level that was currently being provided was still under discussion with UNDP. The Fund would report to the Council at the next session, once an audit work plan had been agreed upon by the two organizations.

92. With regard to the UNFPA financial regulations, the Deputy Executive Director stated that once the regulations were promulgated, financial rules would be issued, in accordance with standard practice. With regard to the inclusion of UNFPA financial regulations concerning host Government contributions to field offices, the Deputy Executive Director stated that since UNFPA field staff were located in the offices of the UNDP Resident Representatives, UNFPA was covered by the provisions of the UNDP financial regulations on this score.

93. With regard to the level of unspent allocations at the Fund's executing agencies reflected in the audit reports, the Deputy Executive Director stated that the audit reports presented to the Council at its next session would show a better picture, as allocations were being very tightly controlled. Nevertheless, some unspent allocations were inevitable, as the agencies must have cash on hand to
expend on ongoing projects. With regard to the inclusion of a management narrative in the audit statements, the Deputy Executive Director pointed out that these were statements of audits of the Fund's executing agencies, not of the Fund itself.

Recommendation of the Committee

94. Following the discussion on this subject the Budgetary and Finance Committee recommended that the following draft decision be adopted by the Council at its thirtieth session:

The Governing Council,

Having considered the biennial budget estimates for the administrative and programme support services of the United Nations Fund for Population Activities for the biennium 1984-1985 (DP/1983/23 and Corr.1 and 2), the proposed UNFPA financial regulations (DP/1983/24 and Add.1 and Corr.1 and Add.2 and Corr.1), the report of the Executive Director on his review of the headquarters and field staffing pattern and manpower requirements of UNFPA (DP/1983/25), together with the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1983/26), the report of the Executive Director on the joint review by UNDP and UNFPA on various components of the support services provided by UNDP to UNFPA on a subvention basis (DP/1983/INF/3), and the note of the Executive Director transmitting the audit reports of the participating and executing agencies relating to funds allocated to them by UNFPA (DP/1983/27), and having taken into account the views and comments of members of the Council thereon,

(a) Approves appropriations in the amount of $24,577,523 net as submitted in document DP/1983/23 and Corr.1 and 2 for the biennium 1984-1985, to be allocated from the resources of UNFPA to finance the 1984-1985 administrative and programme support services, as follows:

<table>
<thead>
<tr>
<th>Programme</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive direction and management</td>
<td>$ 3 109 342</td>
</tr>
<tr>
<td>Administrative and information support services</td>
<td>$ 8 255 972</td>
</tr>
<tr>
<td>Programme planning, appraisal and monitoring</td>
<td>$ 13 212 209</td>
</tr>
<tr>
<td>Total net</td>
<td>$24 577 523</td>
</tr>
</tbody>
</table>

(b) Requests the Executive Director during the biennium 1984-1985 to continue to keep the administrative and programme support services costs to a minimum, with the intention of holding down the ratio between administrative costs and total costs as far as possible, particularly in light of the resource situation and projected income for this period;
(c) Approves the UNFPA financial regulations (DP/1983/24 and Add.1 and Corr.1 and Add.2 and Corr.1), as amended and shown in the annex to the present decision, and decides that the new financial regulations will supersede and replace the present UNFPA financial regulations and come into force at the beginning of the 1984-1985 biennium on 1 January 1984 and further decides that Regulations 4.5 and 4.6 and 13.3 and 13.4 will be modified in the light of proposed changes in corresponding UNDP financial regulations which are currently under consideration by the Governing Council;

(d) Takes note of the report of the Executive Director (DP/1983/INF/3) on payments made by the UNFPA to the United Nations Development Programme in respect of services rendered by the latter organization, and requests the Executive Director to continue to keep the Governing Council informed on any new developments;

(e) Takes note of the report of the Executive Director on his review of the staffing pattern and manpower requirements of UNFPA (DP/1983/25), and taking into account the comments of the Advisory Committee on Administrative and Budgetary Questions (contained in DP/1983/26) as well as the views of the members of the Governing Council, requests the Executive Director to submit to the Governing Council at its thirty-first session, for its consideration, a comprehensive report in order to enable the Council to discuss in-depth the advantages and disadvantages of the phased inclusion of the UNFPA Deputy Representatives and limited local core staff into the regular manning table, with a view to initiating and encouraging rotation between headquarters and field professional staff; and further requests the Executive Director to submit to the Governing Council at its thirty-second session a report on its basic manpower requirements;

(f) Takes note of the budget estimates in DP/1983/23 and requests the Executive Director to give increased emphasis to the programme objectives in the technical and planning and the policy and evaluation areas and divisions;

(g) Agrees that the Executive Director shall be authorized to transfer credits between programmes within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions; and

(h) Further takes note of the audit reports of the participating and executing agencies relating to funds allocated to them, by UNFPA as at 31 December 1981 (DP/1983/27).

Annex

The following amendments were made to the UNFPA financial regulations (DP/1983/24 and Add.1 and Corr.1 and Add.2 and Corr.2):

B. Article II.

Regulation 2.1

Add: (v) a non-governmental organization
Regulation 2.2
Section P

Substitute: (v) "project" shall mean a separately identified undertaking relating to population matters assisted by UNFPA;

Article VII.

Regulation 7.5 Delete.

Article VIII.

Regulation 8.4

Delete: "regional or interregional" and delete "or Governments" in both places

Article XIII

Regulation 13.6. Delete.

Regulation 13.7. Delete.

(Where deletions occur, renumbering of the regulations will be undertaken.)

95. The Governing Council subsequently adopted decision 83/17, III, the text of which appears in annex I to the Council's report to the Economic and Social Council.

B. United Nations Volunteers: support cost reimbursement

96. For its consideration of the financial aspects of agenda item 6 (c), the Committee had before it the annual report of the Administrator on the United Nations Volunteers (UNV) programme (DP/1983/31).

97. The Assistant Administrator, Bureau for Special Activities, introduced the subject and referred particularly to the basis under which the Administrator proposed support cost reimbursement to UNV for certain activities executed by UNV. He explained that only activities funded from UNDP resources and executed by UNV, which amounted to 85 per cent of the UNDP-financed portion of the UNV programme in 1982, should be subject to support cost reimbursement to UNV at the standard 13 per cent rate of project expenditures. He said that this solution was simple, would require only an internal bookkeeping entry at the end of each year, and would result in the support cost earnings being credited and used to finance part of the biennial budget of UNV. He drew attention to the proposal that no support costs be levied at this time on UNV-executed activities financed from resources made available by Governments, or by third-party donors under cost-sharing arrangements, since such reimbursement arrangements might possibly discourage these sources from participating in the UNV programme. He also referred to that part of the proposal...
which suggested that no reimbursement for support costs be considered at this time for activities which included UNV inputs but were executed directly by various United Nations agencies. Reimbursement for these activities could require a lengthy process of negotiation with agencies, given the differences in the level of UNV technical involvement from project to project, and would not be conducive to increased programming of UNV inputs.

Summary of the discussion in the Committee

98. One delegate inquired as to the basis for proposing support cost reimbursement only for UNV-executed activities financed from UNDP resources, stating that since the services UNV provided amounted to less than those of a full executing agency, the 13 per cent rate might be too high. Noting the status of the relatively lower contributions to UNV, the same delegate assumed that this represented the priority assigned by Governments to the UNV Special Fund. Furthermore, his delegation felt that the UNV costs should continue to be financed from the administrative budget of UNDP, and not from support cost earnings, particularly since UNV was not designated as an executing agency, nor did he consider such a possibility desirable. Several other members also remarked that UNV should not and could not be regarded as an executing agency. One delegate also noted that one possible reason for UNV's low overhead costs was that national volunteer agencies recruited and provided other backstopping services for UNV. Reimbursement to UNV for support costs it incurred could, thereby, raise the question of similar reimbursement to these national volunteer agencies, which were non-governmental and private. One member observed that most UNV-executed projects were actually executed by Governments and inquired as to the costs involved for UNV in these cases. Another delegate stated that there was a need for industrialized countries to provide more volunteers and for developing countries to move away from using costly "traditional" experts as opposed to using volunteers.

Response of the Administration

99. In responding to the question of differentiating, for support cost reimbursement purposes, between UNV-executed projects funded from UNDP sources and those not funded from them, the Assistant Administrator, Bureau for Special Activities, noted that funding from the other (non-UNDP) sources was minimal in 1982 in relation to total UNV resources, and that to assess support costs on these non-UNDP sources would have a detrimental effect on the UNV programme which at this time was in the process of establishing itself as a workable concept in multilateral development co-operation. Moreover, reimbursement of support costs at present for UNV activities under this component would represent very modest amounts. With regard to the costs of execution, he stated it would be difficult to estimate the costs relating to headquarters backstopping, or to the technical and substantive support provided by agencies. This would require examination on a case-by-case basis.

100. The Assistant Administrator, Bureau for Finance and Administration, stated that it was not the intention of the proposals for support cost reimbursement to UNV to turn it into an executing agency. Commenting on the relatively low level of
earnings under the proposal, he stated that this was due to the much lower cost of volunteers in comparison with experts. He added, however, that this consideration by itself should not deny UNV support cost reimbursement.

Further discussion in the Committee

101. Following consultations among members of the informal working group, which was formed to decide on the merits of the proposal, and in the spirit of expressing particular support for the UNV programme, consensus was reached that at present no change should be made in the current financial arrangements for UNV.

Recommendation of the Committee

102. Following the discussion on the subject, the Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) **Takes note** of the annual report of the Administrator (DP/1983/31);

(b) **Decides** not to change the present financial arrangements for United Nations Volunteers; and

(c) **Appeals** to member Governments to make renewed efforts to bring about a solution to the problem of financing the Special Voluntary Fund.

103. The Governing Council subsequently adopted decision 83/18, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).


104. For its consideration under agenda item 6 (item 6 (i) of the Governing Council's agenda), the Committee had before it document DP/1983/41 dealing with financial matters relating to the UNSO-UNDP/UNEP joint venture. The Assistant Administrator, Bureau for Finance and Administration, introduced this item and referred to the two main issues dealt with in the document.

105. The first issue was the method proposed for settling the $130,500 deficit in UNEP's contribution to the institutional support of the joint venture for the biennium 1980-1981. He reminded the committee that UNDP had paid from its own resources this $130,500 which should have been borne by UNEP. The Assistant Administrator reported to the Committee that agreement had been reached between UNDP and UNEP on a way of resolving the issue, the details of which were fully explained in document DP/1983/41.
106. The Assistant Administrator then turned to the second issue: UNDP's share of the programme support budget of the joint venture for 1984-1985. He explained that as a result of the reduction in authorized expenditures to 55 per cent of indicative planning figures (IPFs), only $330,000 was available from the Africa regional programme for the biennium compared with the $930,000 which was needed. He reiterated the Administrator's recommendation that the Governing Council authorize the use of the regional IPF for Africa above the current authorized budget level (ABL) in order to finance, on a pro-rata basis with the regional IPF for the Arab States, the additional amount required as UNDP's share of the programme support of the joint venture. The status of the regional programmes would be the subject of review in June 1984 as part of the mid-term review of the third IPF cycle. He concluded by informing the Committee that the amounts shown in document DP/1983/41, representing UNEP's half-share of the institutional and programme support costs for 1983-1984, had been approved by the UNEP Governing Council at its meeting in May 1983.

Summary of the discussion in the Committee

107. Members expressed their satisfaction that the issue of the UNEP underpayment to the institutional support of the joint venture for the 1980-1981 biennium, which had been of great concern to the Governing Council in 1982, had now been properly resolved following consultations between the Administrator and the Executive Director of UNEP. One member made the comment that while the method proposed for resolving this issue was acceptable, it resulted in an increase in UNDP's share of the institutional support with a corresponding reduction in UNDP's share of the programme support, which he thought would not put UNDP in a good light. With regard to the question of programme support costs for 1984-1985, several members addressed questions to the Administration. In particular, why was the level of institutional support, which basically represented the administrative cost of the joint venture, similar to the level of programme support? How did the Administrator pro-rate the expenditures between the two regional bureaux for Africa and Arab States? How would the Administrator increase the ABLs for the Regional Bureaux for Africa and the Arab States in 1984 and 1985 to meet the required expenditures, since there were restrictions on IPF expenditures? Why was UNDP proposing to exclude the expenditures for the Consultative Group on International Agricultural Research (CGIAR) from the biennial budget while accepting the institutional support cost for the joint venture in the biennial budget? Several members praised the activities undertaken by the joint venture and emphasized their great importance and relevance to the countries concerned. One member expressed reservations over making a commitment to this joint venture which exceeded the resources available from the regional IPF concerned.

Response of the Administration

108. In responding to the questions raised, the Assistant Administrator, Bureau for Finance and Administration, advised the Committee that the pro-rating of programme support between the two regional bureaux concerned was done on the basis of the number of countries in each of the regions participating in the joint venture
activities: 2 in the Arab States and 17 in the African region. He clarified that the increase in the ABL in 1984 to meet the additional expenditure was an interim measure until the Governing Council held the mid-term review of the IPFs in June 1984, but he assured the Committee that it was not intended to propose a commitment of expenditure for this purpose beyond resources available. He explained that it was proposed to take the UNDP contributions to the CGIAR out of the biennial budget and charge them to programme costs as these represented a UNDP subvention to a co-ordinating body in which UNDP had great interest but which did not form an integral part of UNDP. On the other hand, the joint venture was part of the mandate of UNSO which is under the direct authority of the Administrator. He agreed with the comment made regarding the fact that the UNDP share of institutional support costs was increased as a result of the formula reflected in DP/1983/41, but expressed the view that this was the best practical solution to eliminate the deficit in the joint venture account and ultimately to ensure that UNDP's and UNEP's total contributions to the joint venture were equal, as mandated by the Governing Council.

109. With regard to the question of the ratio between institutional and programme support costs, the Director of UNSO explained that when the decision was taken to add a second mandate to UNSO's original functions, the institutional support needed to expand UNSO's staff requirements, as well as the need to increase its programme resources to meet this new responsibility, were carefully reviewed and adopted as an inherent part of the Council's decision. The current situation, i.e. the approximate parity between institutional and programme support, reflected the decision taken by the Council at that time.

**Recommendation of the Committee**

110. The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

"The Governing Council,

Recalling its decisions 80/45, 81/4, 82/26 and 82/28 concerning the implementation of the Plan of Action to Combat Desertification in the Sudano-Sahelian region,

Conscious of the need to continue and increase assistance to the countries in the Sudano-Sahelian region in support of their efforts to combat desertification,

Having considered the report of the Administrator (DP/1983/41) on the future financing of the UNSO-UNDP/UNEP joint venture with a view to ensuring timely and effective provision of such assistance,

(a) Notes with satisfaction the progress that has been achieved by the Administrator of UNDP and the Executive Director of UNEP in resolving the issue of financing the respective shares of the institutional support costs of the UNSO-UNDP/UNEP joint venture for the 1980-1981 biennium;"
(b) Requests the Administrator of UNDP and the Executive Director of UNEP to continue to co-operate to the fullest extent to ensure the provision of increased assistance under the UNSO-UNDP/UNEP joint venture to the countries of the Sudano-Sahelian region in their efforts to combat desertification;

(c) Authorizes the Administrator to charge the general resources of UNDP with an amount of $65,250 in each of the years 1983 and 1984 as institutional support, in addition to the costs incurred against the appropriations approved for this purpose under the biennial budget for 1984-1985, for the purpose of eliminating the deficit of $130,500 which had arisen in the joint venture account as at 31 December 1981;

(d) Notes that an amount of $268,329, representing the unutilized portion of the regional indicative planning figure (IPF) for Africa, which was provided for financing the programme support activities of the UNSO-UNDP/UNEP joint venture in 1982 and 1983, will be available for carry-over to the 1984-1985 biennium;

(e) Authorizes the Administrator to use an amount of $601,171 to be charged, on a pro-rata basis, to the regional IPFs for Africa and for the Arab States for the purpose of providing the UNDP contribution to the UNSO-UNDP/UNEP joint venture for 1984-1985 at the same level as that of UNEP, with the understanding that the situation of the African regional programme will be reviewed as part of the overall mid-term review of the third programming cycle, 1982-1986, which is scheduled to take place in June 1984;

(f) Requests the Administrator, in consultation with the Executive Director of UNEP, to present to the Governing Council at its thirty-first session proposals outlining alternative ways and means for financing the UNSO-UNDP/UNEP joint venture beyond the 1984-1985 biennium so as to ensure that activities aimed at combating desertification in the Sudano-Sahelian region continue at an appropriate level.

III. The Governing Council subsequently adopted decision 83/25, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

III. ANNUAL REVIEW OF THE FINANCIAL SITUATION, 1982

112. For its consideration of item 7 (a) of the Council's agenda, the Committee had before it the report of the Administrator (DP/1983/43) which provided a comprehensive financial review of the activities financed from the UNDP account during 1982, the financial position at the end of 1982 and a forecast of activities for 1983 and 1984.

113. In introducing this item, the Director, Division of Finance, highlighted the decline in income and expenditure experienced by UNDP in 1982 in comparison with 1981. With respect to contributions, he stated that the strengthening of the United States dollar in 1982 had eroded the value, in dollar terms, of some of the pledges made in national currencies. He pointed out that 1982 pledges valued at official United Nations rates of exchange as at 1 January 1982 amounted to
$721 million, while their value when the pledges were actually paid amounted to only $674 million. On the expenditure side, he said that the Administrator, in anticipation of reduced resource availability, had established a limitation on indicative planning figure (IPF) programme expenditure of $550 million which had been only slightly exceeded. Final IPF expenditure of $568 million represented a reduction of 12 per cent from 1981. The Director then described UNDP's plans for resource utilization for the third programming cycle, 1982-1986. He stated that based on present resource projections, UNDP could only deliver 55 per cent of the illustrative IPFs for the cycle. In order to stay within this target, it was planned to limit IPF expenditures in 1983 and 1984 to $530 million and $500 million respectively. At these rates of delivery, the revenue reserve would decline to a deficit of $37.7 million at the end of 1983 and be restored to a positive balance of $7.2 million at the end of 1984. The Director added that for purposes of setting programming levels, UNDP only took into account funds which were readily available. Such readily available funds excluded, inter alia, accumulating non-convertible currencies and those balances which had to be maintained, for operational purposes, in the accounts of UNDP field offices and with agencies. The Director stated that, computed on this more realistic basis, the deficits in the revenue reserve would grow to $102 million at the end of 1983 and be reduced to $55 million by the end of 1984.

114. The Director explained further that the technical implication of these deficits was that they had to be offset by corresponding reductions in UNDP's Operational Reserve. However, it had not in fact been necessary to draw upon the assets of the Operational Reserve in 1982 and 1983, nor was it expected to be necessary to do so during the remainder of 1983 and 1984. He explained that this was because agencies' expenditure at all times included a large number of unliquidated obligations which represented bills not yet due for payment and for which funds to the agencies had not yet been advanced. However, with deficits as large as projected, UNDP expected to be in a tight liquidity situation in 1983 and 1984. The Director pointed out that delays in payment by one or more major donors could cause cash flow liquidity problems for UNDP. In this context, he emphasized the importance to UNDP of the prompt payment of contributions by Governments as early in the year as possible.

Summary of the discussion in the Committee

115. Several members expressed concern over the actual and projected decline in programme delivery and deficits in financial reserves. Some members sought clarification regarding the use of the reserves and the implications of the deficits in them. One member asked for an elaboration of the resource estimates used in making the financial forecasts. He also inquired as to how these forecasts would be revised if it were assumed that there would be no growth in resources for the rest of the third programming cycle. Referring to the Administrator's appeal for early payment of contributions, one member stated that his Government could not make such payments until after the national budgets had been approved in his country. Another member requested clarification on the cash flow position of UNDP as reflected in tables 3 and 6 of the document. As to the status of receivables shown in schedule 1 of the document, one member asked whether the situation had
improved since the publication of the document and what were the reasons for the high level of cost-sharing receivables. Commenting on year-to-year changes in various categories of expenditure, several members pointed out that administrative expenditures showed increases while programme expenditure had been falling and that this situation should gradually be reversed.

116. Some members considered that UNDP's financial difficulties were largely the result of the narrow base of UNDP's financial support, and expressed disappointment at the continued failure of one group of industrialized countries to contribute on a scale commensurate with their economic strength, and in convertible currencies. Several members expressed concern that UNDP had not been able to reduce its balances of accumulating non-convertible currencies. One member asked if any recent initiatives had been undertaken by UNDP to increase the utilization of such non-convertible currencies. Another member pointed out that the balance of these currencies had not been increasing in recent years and new contributions since 1975 had been fully utilized. He stated that the accumulated balances were a legacy of contributions to the former Special Fund and had not yet been used by its administration. However, under the present administration, utilization of current contributions had been good. He further stated that experts from his country accepted 25 per cent of their salaries in their national currency. He said that during a period of resource constraints, the UNDP administration should be able to utilize these funds by procuring equipment and services for the interested developing countries and referred to the decision taken at the twenty-third session of the Governing Council which urges the Administrator to make effective use of all currencies, including non-convertible currencies, contributed to UNDP. If UNDP were unable to use these balances, it should make them available to those agencies which had shown that they were able to utilize them. A few delegations pointed out that certain agencies which received contributions in non-convertible currencies had been able to fully utilize them. In response to a member who suggested that UNDP could provide these non-convertible currencies to agencies as payment of support costs, another member stated that these funds could be used only to obtain expert services, equipment or other technical co-operation services and were not intended for financing administrative costs.

117. Some members considered that it was not the responsibility of UNDP to take exceptional measures to spend non-convertible currencies and sought clarification on the restrictions placed on the use of these currencies to obtain air travel services and/or to procure goods and services in that country. Another member asked to what extent convertible currencies were used in attempting to use these non-convertible currencies. A member stated that the reduction in the value of these currencies in the last two years seemed to be entirely due to the strengthening of the United States dollar vis-à-vis these currencies. One member, supported by another, suggested that the Administrator should be asked to conduct negotiations aimed at exchanging these balances for certain valuable commodities which could in turn be sold to obtain convertible currencies. In response, the member concerned stated that contributions of this currency were made for technical assistance purposes only and not for such kinds of transactions. He further proposed that UNDP allocate these funds to the least developed countries which were in a position to utilize them by procuring goods and services in his country. Such allocations should be in addition to the 55 per cent of illustrative IPFs which
UNDP hoped to finance. He stated that as UNDP was not able to finance full IPFs, this additional allocation would not be in contravention of any of the existing rules. Another member stated that this proposal would violate decision 80/30 which called for cuts to be applied across the board.

118. Two members urged that future financial review papers include more detailed information on contributions and expenditures relating to the Special Measures Fund for Least Developed Countries.

**Response of the Administration**

119. The Assistant Administrator, Bureau for Finance and Administration, and the Director, Division of Finance, responded to the observations of the members. The Director explained the nature of the Revenue Reserve and its calculation and added that at the end of 1982, the Revenue Reserve was at a level of negative $5.6 million which meant that cumulative expenditure had exceeded cumulative income by that amount. He added that, for planning purposes, resource projections for 1984-1986 were based on increases of 7.5 per cent per annum over pledges for 1983. He emphasized that these resource projections represented the most uncertain element in the forecasts, depending as they did on various factors which were difficult to predict including the strength of the United States dollar. He stated that the Administration shared the concern expressed by several members over the planned deficits in the Revenue Reserve and that strict monitoring over the development of project budgets and expenditures would be maintained to ensure that they did not exceed the established limits. With reference to schedule of payments by Governments, he stated that some Governments had in fact paid their contributions according to regular schedules and that contributions received year-to-date in 1983 exceeded those for the corresponding period in 1982. The Director stated that there continued to be concern over prompt payment of contributions since a voluntary programme such as UNDP depended on the goodwill of Governments to pay and delays by one or more major donors could precipitate a liquidity crisis.

120. Responding to the questions raised on accumulated non-convertible currencies, the Assistant Administrator stated that he could not report any further progress or innovations in the utilization of these currencies. In this context, he referred to the statements made by the Deputy Administrator in the discussion of agenda item 7 (c) on the establishment of trust funds by the Administrator which might lead to a reduction in the balances held. The Assistant Administrator confirmed that the current balance was at a level similar to that in 1975 and that at this time the annual usage was equivalent to contributions. Also, an amount equivalent to $5 million had been exchanged for the currencies of certain developing countries during the period 1978-1980. However, any further reductions in the value of these currencies had resulted mainly from exchange rate changes.

121. The Assistant Administrator clarified that, based on limited data provided by agencies, only a small proportion of experts accepted part of their salaries in their national non-convertible currencies. He also added that payment for air travel services provided outside its territory by the national airline of the
country concerned was still required to be made in convertible currencies. With respect to the question as to the extent to which convertible currencies were utilized in order to use non-convertible currencies, the Director stated that UNDP had attempted in the past to collect data on this subject from the agencies, but had found that the data were not sufficiently reliable or comprehensive to be submitted to the Council.

In response to a member who requested that pledges in national currencies and United States dollars be explicitly shown in a table, the Director stated that such a schedule was provided every year as part of UNDP's financial statements. With reference to cost-sharing receivables, the Assistant Administrator explained that even though UNDP's procedures required that advances of funds should be provided by Governments prior to implementation of cost-sharing activities, payment schedules were sometimes ahead of actual disbursements because of delays in implementation. With the processing of project budget revisions, these receivables were expected to diminish. The Assistant Administrator pointed out that the Administrator had standing authority from the Council to charge IPFs in the event of delays or default in payments by Governments. He added that UNDP presently had cost-sharing balances of $42 million and that the Administrator would ensure that central resources did not subsidize the cost-sharing programmes.

Responding to questions on agency support costs, the Director explained that several agencies continued to be paid 14 per cent as support costs due to the decline in programme expenditure in 1982 and because of the provision in decision 80/44 that these agencies shall not receive less reimbursement than the amount received in 1981. He also explained that, pursuant to decision 81/40, certain smaller agencies were entitled to support costs from 22 per cent to 14 per cent at particular levels of delivery up to a delivery level of $15 million.

The Director confirmed that more detailed information on contributions and expenditure relating to the Special Measures Fund for Least Developed Countries would be provided in future financial review documents.

Recommendation of the Committee

The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

Having considered the report of the Administrator on the review of the financial situation in 1982 (DP/1983/43), and

Taking into account the observations and comments made by its members thereon,

(a) Notes with concern the actual and projected decline in programme delivery due to the stagnation of contributions to the Programme;

(b) Further notes with concern the erosion in the Programme's financial reserves;
(c) **Calls upon** all Governments, and in particular those whose previous contributions may have been below their capacity to pledge, to increase their voluntary contributions to the Programme on a more predictable, continuous and assured basis, with a view to achieving, *inter alia*, a more equitable distribution of contributions;

(d) **Recalls** General Assembly resolution 37/128 and **reiterates** the concern over delay in payment of contributions;

(e) **Urges** Governments to make payments of their contributions to the Programme as early in the year as possible, and in accordance with financial regulations in force; and

(f) **Calls on** Governments whose currencies have accumulated and on the Administrator to continue their efforts to reduce the balance of accumulated non-convertible currencies.

126. The Governing Council subsequently adopted decision 83/29, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

IV. **PROGRAMME SUPPORT AND ADMINISTRATIVE SERVICES BUDGET**

**Revised budget estimates for 1982-1983; budget estimates for 1984-1985; and operational implications for UNDP of paragraph 1 of Governing Council decision 81/26**

127. For its consideration of agenda item 7 (b) the Budget and Finance Committee had the following documents for its consideration:


(b) A note by the Administrator transmitting the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the revised budget estimates for the biennium 1982-1983 and budget estimates for the biennium 1984-1985 (DP/1983/45); and

(c) The note by the Administrator on the operational implications for UNDP of paragraph 1 of Governing Council decision 81/26 (DP/1983/46).

128. In his introduction, the Assistant Administrator, Bureau for Finance and Administration, informed the Committee that the Administrator was pleased to submit a proposed reduction of $24 million gross ($14 million net) for the 1982-1983 biennium compared with the revised appropriations authorized by the Council at its twenty-ninth session. About $22 million of the reduction related to core activities. He informed the Committee that the reduction was attributable to reduced inflation levels and to currency fluctuations which reduced UNDP's
expenditures in dollars terms. For the 1984-1985 biennium, a marginal volume decrease was being proposed but the total biennial cost showed an increase of $54 million gross ($38 million net) compared with the proposed revised 1982-1983 estimates. The Assistant Administrator stressed that the 1984-1985 budget estimates had to be seen in the context of the extensive review of staff needs undertaken by the Administrator in 1979. Recalling that the Administrator took the initiative on staff reduction in 1979 against a favourable overall resource forecast, he observed that it was the commitment to cost efficiency rather than the resource situation that prompted this major review. However, he stressed that the limited resource situation of the last years was fully taken into account in the Administrator's final staffing proposals. He reassured the Committee that the commitment to keep administrative costs to the essential minimum remained central to UNDP budgetary planning.

129. With regard to the implementation of the staffing reduction approved by the Governing Council in decision 82/31, the Assistant Administrator stated that the combination of natural attrition and a selective use of agreed terminations brought the level of staff below the authorized number of posts, although the full realignment of staff to posts had not yet been completed. The Administrator therefore proposed to introduce a 1.5 per cent vacancy rate for international and headquarters general service staff for the 1982-1983 budget and for all staff for the 1984-1985 budget. He also proposed the release of funds amounting to $1 million under the transitionary measures appropriation.

130. Highlighting the strategy in connection with the 1984-1985 budget proposals for UNDP core activities, the Assistant Administrator explained that the primary objective of the Administrator was to maintain "zero growth". No increase in established posts was proposed for 1984-1985. Temporary posts were budgeted for the Inter-agency Task Force and two general service posts for telephone operators which, however, were offset by savings. He further stated that the significant savings achieved in a number of non-staff areas have been largely utilized to meet a number of important other commitments.

131. The Assistant Administrator further referred to two other expenditure items which were currently charged to the UNDP administrative budget: namely, the UNDP contribution to the Consultative Group on International Agricultural Research (CGIAR) and the TCDC Information Referral System (INRES). He stated that, because of their nature, the Administrator was of the opinion that these activities should therefore be transferred to more appropriate sources of funding.

132. With regard to the staffing of non-core funds and activities, the principle of "zero growth" was retained with the single exception of the establishment of two general service posts for UNV headquarters needed to meet the current and projected increase in workload due to the expected increase in the number of volunteers.

133. With respect to extrabudgetary posts in the field, the Assistant Administrator informed the Committee that 20 international and 188 local staff posts were planned for 1984-1985 to service cost-sharing activities in countries where they exceeded 25 per cent of the IFP. Referring to Governing Council decision 82/18 on interest earned on cost-sharing balances, he informed the Committee that approximately...
$800,000 in interest earned in 1982 would be available for purposes specified in the decision. The Committee was assured that extrabudgetary posts will be approved only when funds were secured.

134. Elaborating further on the elements that made up the 1984-1985 budget estimates, the Assistant Administrator stated that the gross increase over the present estimates for 1982-1983 amounted to $54 million which represented an increase of approximately 18 per cent. He pointed out that cost adjustments consisted of $1.5 million for currency changes, $49 million for inflation and $9 million for "other costs". Currency movements and volume decreases represented a decrease of slightly more than 1 percentage point, other costs accounted for a 3 per cent increase, while inflation accounted for a 16.3 per cent increase or an average of 8 per cent per annum, which also corresponded to the weighted average of the field and headquarters inflation factors. Referring to the inflation forecast, the Assistant Administrator informed the Committee that an inflation rate of 5.5 per cent per annum was used for headquarters, as in the United Nations budget estimates, and 9.5 per cent per annum for the field. The rates for field offices had been calculated on the basis of information received from field offices and consultations with international banking institutions.

135. With regard to support costs earnings from the Office for Projects Execution (OPE), the Assistant Administrator stated that the need to accrue a buffer of savings followed from the fluctuating nature of OPE operations. He pointed out that while OPE at present had flexibility to exceed its budget to the extent of additional support costs earned, it did not however have the flexibility to transfer savings from one biennium to the next. In this respect, OPE differed from the United Nations for example. He appreciated the ACABQ's sympathetic view of the problem and stated that the Administrator shared that Committee's concern that the level of a buffer must not be allowed to become disproportionate. He stated that the Administrator's problem with the solution proposed by ACABQ was the extreme difficulty in forecasting in February or March, the level of actual savings in December, i.e., at the end of the biennium. Estimates could be made but their accuracy would be seriously questionable. In the circumstances, the Assistant Administrator submitted for the Governing Council's consideration an amended proposal to set a cap on the funds transferred between biennia to 10 per cent of the OPE budget for each new biennium.

136. In conclusion the Assistant Administrator expressed his appreciation for ACABQ's appraisal that "the present UNDP budget document format is much better than that of previous documents". He assured the Committee that further refinements proposed by the ACABQ would be incorporated in future submissions. The Assistant Administrator also noted that operative paragraph 1 (d) in the decision proposed by ACABQ in respect of the proposals contained in DP/1983/46, Operational implications for UNDP of operative paragraph 1 of Governing Council decision 81/26, satisfied the Programme's operational needs.
Summary of the discussion in the Committee

137. Many members expressed appreciation for the revised budget format and praised its clarity and conciseness. They also endorsed the comments of ACABQ and encouraged the continued refinement of future budget presentations. They welcomed the ACABQ recommendation that temporary posts be incorporated into main staffing tables in future budget documents. Several members requested that the introduction to the budget contain a clear statement of the priorities set by the Administrator on the utilization of resources. Members also requested that the UNDP Organization Handbook be made available to the Governing Council in all languages.

138. With regard to the 1982-1983 revised budget, members noted with appreciation the Administrator's continued exercise in budget austerity and were pleased to see savings of $23.8 million (gross) or $14.3 million (net) in the currently approved 1982-1983 appropriation. However some members expressed concern about the level of expected Government local office cost contributions.

139. Several members welcomed the Administrator's proposal to reinstate a vacancy rate of 1.5 per cent. Some members queried how the 1.5 per cent rate had been determined.

140. Referring to the Assistant Administrator's statement that vacancies had been temporarily maintained in some regions to provide funds required for financing staff in excess of established posts in other regions, members expressed concern on the impact this had in supporting UNDP's programmes and urged that the number of staff be brought in line with approved posts as soon as possible.

141. With regard to the Administrator's report on the 1980-1981 and 1982-1983 contributions by the United Nations Environment Programme (UNEP) to the UNDP-UNSO/UNEP Joint Venture, several members, while not completely satisfied with the form of the arrangements, welcomed the agreement reached with UNEP.

142. With regard to average post-level costing, members supported the introduction of the system and requested the Administrator to inform the Council at a future session of the Governing Council, on the experience gained.

143. Turning to the 1984-1985 estimates, several members expressed serious concern about the upward creep in administrative costs. In particular, the share of administrative costs in total expenditures was increasing from 13 per cent to 14 per cent. Two members stated that agency support costs and UNDP administrative costs in total would exceed 30 per cent of project expenditures in 1984-1985. They found the apparent pattern of the increase in administrative costs in the face of declining programme resources extremely worrisome. Several members requested the Administrator to prepare a plan of action for the reduction of administrative costs should the resource outlook not improve.

144. Some members suggested that the Administrator explore the possibility of trimming expenditures for such items as travel, consultants, equipment, temporary assistance, overtime and field office costs. They also recommended that the Administrator continue with his austerity measures including the freeze on
recruitment to the extent that it was practical and that he endeavour to make effective use of existing human and financial resources. Others also suggested it was necessary to have a closer look at headquarters staffing levels.

145. One member stressed the necessity to use the funds of the administrative budget in a more economic and effective manner. He also drew the attention of the administration to the need to follow the principle of equitable distribution of posts even in times of financial difficulties.

146. Most members welcomed the Administrator's decision to establish a central evaluation unit. They further supported the provision of an additional $600,000 for this purpose. Several other members questioned the need for a central evaluation unit. In this connection some members sought assurance that this allocation did not represent an additional increase in the budget.

147. Several members welcomed the envisaged computerization of certain functions in field offices and noted that such a system could improve the quality of information. Others queried the extent to which this could lead to budgetary savings.

148. With regard to the Administrator's proposals to exclude the UNDP contribution to CGIAR and the cost of the TCDC Information Referral System (INRES) project from the administrative budget as well as the question of support cost earnings by the United Nations Volunteers (UNV), the Committee's discussions and decisions on these items are reflected in other chapters of this report. (See paragraphs to and paragraphs to below.)

149. Several members sought clarification on how the 9.5 per cent average inflation rate for field offices was calculated. A member requested further information on the possibility of applying reduced average inflation rates in the budget estimates.

150. Commenting on the job classification exercise, some members requested confirmation that the Administrator would not proceed with the implementation prior to receiving the Governing Council's approval.

151. Several Committee members sympathized with the ACABQ's concern that a system of automatic carry-overs of OPE's support cost earnings might create difficulties. Most members, however, were satisfied with the Administrator's suggestion that a limit be set on the funds transferable between biennia of 10 per cent of the OPE budget and requested the Administrator to report back to the Council on the utilization of this authority. Other members wanted assurance that these funds would be exclusively used for OPE support activities. Some members expressed concern that the lower support cost rates charged by OPE might lead to potential competition with other agencies of the United Nations system.

152. Several questions were raised in connection with the establishment of extrabudgetary posts and their financing. Some members expressed concern that extrabudgetary financing created a shadow budget to the UNDP core budget. Others requested more information on the sources of financing and the extent to which the extrabudgetary posts supported extrabudgetary activities. Some wanted assurance
that extrabudgetary posts would only be approved as and when the necessary funds became available. In this connection, members queried the degree of certainty of receiving the projected level of funding of $27.8 million and requested clarifications on the financial implications, if any, on the UNDP administrative budget. Some members also expressed concern that Government financing of extrabudgetary posts would undermine the position of the Resident Representatives concerned.


Response of the Administration

154. The Assistant Administrator, Bureau for Finance and Administration, responding to the questions raised during the discussion, thanked the Committee for expressing appreciation of the new budget presentation. He further thanked members for their comments on the Administrator's efforts to keep administrative costs to the essential minimum. The Assistant Administrator assured the Committee that the Administrator would continue his efforts to utilize the available resources as effectively as possible.

155. The Assistant Administrator stated that the freeze on recruitment would be continued to the extent that this did not jeopardize essential programme support activities but that there was likely to be some "thaw" in the freeze. With regard to aligning staff with authorized posts, he informed the Committee that it was UNDP's intention to achieve this objective by the end of 1983.

156. Concerning the vacancy rate, the Assistant Administrator stated that the 1.5 per cent rate represented the Administrator's estimate of the average number of posts that were expected to be vacant during the year due to the turnover of staff.

157. While sharing the members' concern on the share of administrative costs in total expenditures, the Assistant Administrator reiterated that UNDP was now a barebones organization. Any significant reduction in administrative costs could only be accomplished through changing the basic functions of UNDP or the systematic closing of field offices, which the Administrator was not prepared either to initiate or to recommend.

158. With regard to the proposed increases for travel and equipment, he viewed these as necessary investments resulting in a cost benefit to the organization in the long run. Additional travel funds were intended to be used mainly for fund-raising and intensified project and programme monitoring. Funds provided for the acquisition of equipment were offset by savings on the maintenance of equipment, which had become more and more costly with age.

159. The Assistant Administrator referred to members' remarks on the proposed allocation for a central evaluation unit and explained that this was financed through the redeployment of savings achieved in other areas and did not represent a net increase in volume.

...
160. The Assistant Administrator was pleased to note the Committee's support for the Administrator's plan for computerization of field office functions. He observed that while gains could be expected in the form of timely and good quality information, such action would not necessarily yield budgetary savings.

161. With regard to the ongoing job classification exercise, the Assistant Administrator informed the Committee that it was the Administrator's intention to submit his proposals in the context of revised budget estimates for 1984-1985. These proposals would accordingly be reviewed by ACABQ and be subject to Governing Council approval before implementation.

162. Referring to the queries raised in connection with inflation forecasts, the Assistant Administrator explained the methodology used in processing information received from field offices and determining the rate for each field location. He stated that the projected 9.5 per cent average inflation rate was a blending of some 2,000 different inflation factors and that this average was not applied uniformly for each country. Changes in these assumptions based on actual and updated information would be reflected in revised 1984-1985 estimates to be submitted at the next session of the Governing Council.

163. Turning to the question of carrying forward support cost earnings of OPE at the end of each biennium, the Assistant Administrator thanked the Committee for their support and assured them that the funds carried forward would be used exclusively for OPE activities. On the question of OPE support costs rates, the Assistant Administrator pointed out that these were established in accordance with various Governing Council decisions, referring specifically to paragraph 2 (d) of decision 80/44 which provided that "no agency shall be reimbursed in excess of the support costs associated with the execution of projects funded by UNDP".

164. Turning to the queries raised in connection with extrabudgetary resources, the Assistant Administrator made a basic distinction between extrabudgetary support activities provided by headquarters and those provided by field offices and their related sources of financing.

165. With regard to headquarters activities, UNDP was reimbursed by other funds and programmes for central support services in the same manner that UNDP reimbursed the United Nations for certain services rendered. This payment was treated as extrabudgetary income to UNDP and used to finance the costs of the extrabudgetary posts.

166. With regard to field office support activities, the possible sources of income stemmed from various Governing Council decisions. Cost sharing in excess of 25 per cent of the Indicative Planning Figure and Government participation in project execution, as well as increased agency activities at the local level, necessitated the establishment of extrabudgetary posts to cope with the additional workload imposed on field offices. These costs were covered through contributions received from the participating parties. Another source of funding was interest earned on the unused balance of cost-sharing contributions. The projected level of resources aimed at financing extrabudgetary posts in 1984-1985 was based on the estimated level of support services to be provided by UNDP.
167. Extrabudgetary posts were temporary by nature and the staff recruited against such posts remained on temporary contracts. Furthermore, the Assistant Administrator assured members that no extrabudgetary posts would be established until required funds are available.

Recommendation of the Committee

168. In the light of the Budgetary and Finance Committee's consideration of item 7 (b) of the Governing Council's agenda, the Committee recommends that the Council adopt the following draft decisions at its thirtieth session:

A. Revised budget estimates for the 1982-1983 biennium

The Governing Council,

Having considered the 1982-1983 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1983/44),

(a) Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1983/45);

(b) Approves revised appropriations in an amount of $301,134,100 gross to be allocated from the resources indicated below to finance the 1982-1983 biennial budget and resolves that the income estimates in an amount of $62,718,200 shall be used to offset the gross appropriations, resulting in net appropriations of $238,415,900 as indicated below:
### 1982-1983 revised biennial budget

<table>
<thead>
<tr>
<th>Resources of UNDP</th>
<th>Gross appropriations (US dollars)</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) UNDP core activities</td>
<td>266 042 300</td>
<td>45 381 600</td>
<td>220 660 700</td>
</tr>
<tr>
<td>(ii) Transitionary measures</td>
<td>1 500 000</td>
<td>-</td>
<td>1 500 000</td>
</tr>
<tr>
<td>(iii) OPE and IAPSU</td>
<td>14 126 000</td>
<td>14 126 000 a/</td>
<td>-</td>
</tr>
<tr>
<td>(iv) United Nations Volunteers (UNV)</td>
<td>5 720 700</td>
<td>948 800</td>
<td>4 771 900</td>
</tr>
<tr>
<td>(v) UNSO-UNDP/UNEP Joint Venture (institutional support)</td>
<td>1 793 400</td>
<td>978 000 b/</td>
<td>815 400</td>
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<tr>
<td><strong>Total UNDP</strong></td>
<td>289 182 400</td>
<td>61 434 400</td>
<td>227 748 000</td>
</tr>
</tbody>
</table>

| Resources of the United Nations Capital Development Fund (UNCDF) | |
|------------------|----------------------------------|------------------|--------------------|
| (i) UNCDF | 5 022 700 | 607 400 | 4 415 300 |

| Resources of the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) | |
|------------------|----------------------------------|------------------|--------------------|
| (i) UNRFNRE | 3 389 800 | 302 600 | 3 087 200 |

| Resources of the United Nations Sudano-Sahelian Office (UNSO) | |
|------------------|----------------------------------|------------------|--------------------|
| (i) UNSO | 3 539 200 | 373 800 | 3 165 400 |
| **Total appropriations** | 301 134 100 | 62 718 200 | 238 415 900 |

a/ Including (a) reimbursement of $1.7 million for the Inter-Agency Procurement Services Unit (IAPSU) from the agency support cost provision within the general resources of UNDP and (b) estimated support cost reimbursements to OPE of $7.4 million in respect of UNDP-funded activities; $1.7 million in respect of UNCDF-funded activities and $1.9 million in respect of UNSO-funded activities. Balance of income of $1.4 million relates to staff assessment.

b/ Including UNEP half-share of the cost of the joint venture (institutional support).
(c) Authorizes the Administrator to carry forward support cost earnings of the Office for Projects Execution (OPE) at the end of each biennium up to a maximum of 10 per cent of the Office's gross appropriations for the next biennium, and requests the Administrator to report back to the Governing Council on the use of this authority.

B. Budget estimates for the 1984–1985 biennium

The Governing Council,


(a) Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1983/45), and endorses the recommendations of ACABQ with regard to the budget format, especially those relating to the incorporation of information on temporary posts, as well as information on the projection of and use of UNDP resources;

(b) Notes with appreciation the improved format of the budget document (DP/1983/44);

(c) Approves appropriations in an amount of $356,603,900 gross to be allocated from the resources indicated below to finance the 1984–1985 biennial budget and resolves that the income estimates in an amount of $77,072,800 shall be used to offset the gross appropriations, resulting in net appropriations of $279,531,100 as indicated below:

<table>
<thead>
<tr>
<th>1984–1985 biennial budget</th>
<th>Gross appropriations</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources of UNDP</strong></td>
<td>(US dollars)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) UNDP core activities</td>
<td>318 165 200</td>
<td>57 798 200</td>
<td>260 367 000</td>
</tr>
<tr>
<td>(ii) OPE and IAPSU</td>
<td>15 584 800</td>
<td>15 584 800 a/</td>
<td></td>
</tr>
<tr>
<td>(iii) United Nations Volunteers (UNV)</td>
<td>6 680 100</td>
<td>1 107 900</td>
<td>5 572 200</td>
</tr>
<tr>
<td>(iv) UNSO–UNDP/UNEP Joint Venture (institutional support)</td>
<td>2 142 200</td>
<td>1 155 600 b/</td>
<td>986 600</td>
</tr>
<tr>
<td>(v) TCDC/INRES</td>
<td>641 700</td>
<td>41 700</td>
<td>600 000</td>
</tr>
<tr>
<td>(vi) CGIAR</td>
<td>900 000</td>
<td></td>
<td>900 000</td>
</tr>
<tr>
<td><strong>Total UNDP</strong></td>
<td>344 114 000</td>
<td>75 688 200</td>
<td>268 425 800</td>
</tr>
</tbody>
</table>
Resources of the United Nations

Capital Development Fund (UNCDF)

(i) UNCDF

<table>
<thead>
<tr>
<th>Gross appropriations (US dollars)</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,587,000</td>
<td>655,200</td>
<td>4,931,800</td>
</tr>
</tbody>
</table>

Resources of the United Nations

Revolving Fund for Natural Resources Exploration (UNRFNRE)

(i) UNRFNRE

<table>
<thead>
<tr>
<th>Gross appropriations (US dollars)</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,017,700</td>
<td>326,300</td>
<td>2,691,400</td>
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</table>

Resources of the United Nations

Sudano-Sahelian Office (UNSO)

(i) UNSO

<table>
<thead>
<tr>
<th>Gross appropriations (US dollars)</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,885,200</td>
<td>403,100</td>
<td>3,482,100</td>
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</tbody>
</table>

Total appropriations

<table>
<thead>
<tr>
<th>Gross appropriations (US dollars)</th>
<th>Estimated income</th>
<th>Net appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>356,603,900</td>
<td>77,072,800</td>
<td>279,531,100</td>
</tr>
</tbody>
</table>

(a) Including (a) reimbursement of $2.0 million for IAPSU from the agency support cost provision within the general resources of UNDP and (b) estimated support cost reimbursements to OPE of $7.8 million in respect of UNDP-funded activities; $3.0 million in respect of UNCDF-funded activities and $1.3 million in respect of UNSO-funded activities. Balance of income of $1.5 million relates to staff assessment.

(b) Including UNEP half-share of the cost of the joint venture (institutional support).

(d) Notes with appreciation that the Administrator has applied a zero growth rate in real terms for the administrative budget and requests the Administrator to continue to make every effort to reduce further UNDP's administrative costs taking into account the overall income of UNDP.

(e) Decides to review at its thirty-first session the definition, origin and use of administrative expenditures presently labelled as extrabudgetary resources with a view to determining how such resources should be presented in the budget for the biennium 1986-1987 and requests the Administrator to present a report on this matter to the Governing Council.
(f) Decides that it will consider exceptions to decision 81/26 when, in the opinion of the Administrator, it is essential for the efficient operation of the programme that such exception be made and reiterates its view that the Administrator should not recruit staff in advance of specific authorization by the Council; and

(g) Decides that the UNDP Organization Handbook should be made available to the Governing Council as a Council document at the thirty-first session of the Council.

169. The Governing Council subsequently adopted decisions 83/30 and 83/31, the texts of which appear in annex I to the Council's report to the Economic and Social Council (E/1983/20).

V. UNDP FINANCIAL REGULATIONS

A. Matters on which no consensus was achieved at the twenty-ninth session

170. For consideration of this matter under item 7 (c) of its agenda, the Committee had before it a note by the Administrator (DP/1983/48) which provided the alternative texts of financial regulations and other issues on which consensus had not been reached at the twenty-eighth and twenty-ninth sessions and which the Council had decided to review at its thirtieth session.

171. The Deputy Administrator drew the attention of the Committee to the financial regulations which had not been adopted and to other policy issues which appeared in bracketed sub-paragraphs 8 (b) and 8 (c) of decision 81/16. He reiterated previous suggestions that one of the main issues was the need for a clearer understanding of the meaning of the words "readily usable currencies". He concluded by stating that in the absence of an agreement of a new text of financial regulations, the existing old financial regulations would continue to be in force.

Summary of the discussion in the Committee

172. Most members who participated in the discussion stated that the subject being discussed was an old one and represented a basic policy matter. They considered the issue involved as one of principle as some Governments contributed to the United Nations Development Programme in their national currencies, which, in spite of enormous and continuing efforts, left the Programme with an accumulation of unutilized currencies. These contributions, therefore, were in the nature of tied aid and also required the Programme to undertake substantial efforts in attempting to utilize them. These accumulations also resulted in reduced assistance to developing countries. They urged the donors contributing in these currencies to make their contributions to UNDP in convertible currencies and stated that these principles needed to be reflected in the financial regulations.
173. Several members, whose contributions to UNDP were made in national or non-convertible currencies, stated that their contributions were readily usable and that only the lack of sufficient effort and goodwill made such accumulations possible. One of these members stated that the accumulation of his country's currency had not increased in recent years, which was an indication that the accumulation that had taken place in the late 1960s was the real issue. He repeated that even the remaining amounts could be readily utilized as sufficient services and facilities were available in his country and could be procured.

174. In further discussion, one member, speaking on behalf of several other members, summarized their views on the subject. He stated that a certain group of industrialized countries which repeatedly expressed an interest in multilateral technical co-operation, nevertheless made only minimal contributions to UNDP. Further, he stated that these countries made these contributions largely in their national, non-convertible currencies, and even required UNDP to make payments in convertible currencies for certain goods and services procured in their countries. He had to conclude, therefore, that these countries did not really have an interest in the utilization of these currencies. Another member, speaking on behalf of several other members, stated that the issues contained in document DP/1983/48 were well known and had already been discussed extensively at the twenty-eighth and twenty-ninth sessions of the Council and that no new aspects of this question had emerged since last year. He said that the position of principle of these countries on this question was unchanged and that the form of their financial participation in UNDP could not be a matter for discussion due to the voluntary character of the Programme.

Response of the Administration

175. The Assistant Administrator, Bureau for Finance and Administration, stated that, in the absence of a consensus, it was assumed that the Committee would recommend the continuation in force of the existing old financial regulations on the subject.

Recommendation of the Committee

176. Following the discussion of this subject, the Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

   The Governing Council,

   (a) Decides, notwithstanding the absence of a consensus in respect of the Administrator's proposed regulations 3.5, 3.6, 12.3 and 12.4 and the newly proposed regulation 3.6 remaining in brackets, that all other regulations approved by its decision 81/28 of 30 June 1981 are fully in effect and that, with respect to the five paragraphs remaining in brackets, the existing 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 thirty-first session of the Governing Council;

/...
(b) Further decides that the Budgetary and Finance Committee will consider, during its meeting commencing immediately prior to the thirty-first session of the Governing Council, within the framework of the provisional agenda for the thirty-first session, the parts of the financial regulations (Governing Council decision 81/28 of 30 June 1981) and other questions on which consensus was not achieved at the thirtieth session of the Council, with a view to facilitating the resolution of these issues by the Council.

177. The Governing Council subsequently adopted decision 83/35, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

B. Guidelines on procurement

178. The Assistant Administrator, Bureau for Finance and Administration, referred to document DP/1983/47 which, in paragraph 3, informed the Council that the Administrator intended to report orally on the progress made in the matter of procurement guidelines. He recalled that the Governing Council, in paragraph 7 of decision 81/28 adopted at its twenty-eighth session in June 1981, requested the Administrator to submit to the twenty-ninth session guidelines for the procurement of equipment, supplies and services which were to be developed, pursuant to UNDP financial regulation 15.4 (originally numbered 14.4), in consultation with the executing agencies. He went on to state that the Administrator reported to the twenty-ninth session of the Council that extensive consultations were held with the executing agencies and the Office of Legal Affairs of the United Nations, but that these consultations were not conclusive; therefore, more time was needed to develop the required guidelines. The Administration informed the Council at that session that UNDP would try to develop and establish procurement guidelines which would first be tried out internally within UNDP and then discussed with the executing agencies for general application. The Assistant Administrator informed the Committee that various unsuccessful attempts had been made within UNDP to establish guidelines for procurement which would reconcile the principle of international competitive bidding with, inter alia, the principle of equitable geographical distribution. He informed the Committee of the Administrator's conclusion that these two principles seemed, in the absence of much more specific guidance from the Council, to be mutually exclusive and that, therefore, the Administrator was not able to present to the Council guidelines as required by financial regulation 15.4.

179. The Assistant Administrator went on to say that in order to overcome the difficulties encountered, an alternative approach to the preparation of formal guidelines was being attempted. In this connection, he referred to the Inter-Agency Meeting on Procurement held in January 1983, following which the Inter-Agency Procurement Services Unit (IAPSU) was charged with the role of developing a comprehensive questionnaire on procurement methods and practices, to which all executing agencies agreed to provide responses. It was hoped that the questionnaire would be ready for completion late this year and that, after analysis of the responses to the questionnaire, a comprehensive picture would be available on the procedures and practices used by agencies in carrying out their procurement activities. He informed the Committee that the results of the analysis would be...
submitted and discussed at the Inter-Agency Procurement Working Group Meeting scheduled for May 1984. He stated that the Administrator expected to provide an updated report on the issue to the Governing Council at its thirty-second session in June 1985.

Summary of the discussion in the Committee

180. Members expressed their appreciation for the detailed and clear oral report presented by the Assistant Administrator. Generally, however, they were disappointed at the lack of sufficient progress in developing procurement guidelines. One member, speaking on behalf of a group of countries, expressed his concern that the share of procurement from these countries was inadequate, even though they were industrialized and competitive. These countries had hoped that the guidelines developed by UNDP would also apply to the executing agencies in their procurement financed from sources other than UNDP as stipulated in a recent General Assembly resolution. He went on to say, and was later supported by other delegates, that, nevertheless, the Governments he spoke for were encouraged to hear of the alternative approach described by the Assistant Administrator; he emphasized, however, that it was necessary to pursue this matter vigorously.

181. Several members expressed the wish to have a progress report at the thirty-first session of the Governing Council rather than at its thirty-second session. Some members wondered whether the two principles of international competitive bidding and equitable geographical distribution were really mutually exclusive. Several members expressed the view that the prime consideration in any procurement should be the interests of recipient countries. Some of these members considered that these interests could best be served through continued adherence to the principle of international competitive bidding. Others pointed out that evolving technologies in some developing countries could permit them to participate more fully in competitive bidding and urged that this matter be given more emphasis. Another member stated that the subject of procurement should be viewed in the context of technical co-operation among developing countries (TCDC), and that there should be a TCDC bias in procurement activities which would require giving preferential status to the developing countries. Several members expressed the view that the encouragement of procurement from developing countries should be embodied in any guidelines to be developed. One member pointed out that none of the resolutions quoted challenged the principle that prime consideration should be given to international competitive bidding. Another member inquired whether UNDP could provide examples of cases where the principle of equitable geographical distribution had been given precedence over the principle of international competitive bidding. One member stated that the principle of equitable geographical distribution and the interests of recipient countries should be of prime consideration.

182. In further discussion, several members agreed that the apparent contradiction between the principles of international competitive bidding and equitable geographical distribution could be reconciled if reference to the latter would be understood to refer in particular to the increased efforts necessary for both developing and industrialized countries to participate in the bidding process. It
was, however, the understanding of most members that once the bidding process was completed, the award must be made on the basis of the lowest acceptable bid received. The importance of information was stressed. One observer inquired whether executing agencies would be willing to make available on request their internal guidelines on procurement and their evaluation of bids and proposals. A recipient country also emphasized the importance of the adoption of technologies.

Response of the Administration

183. In response, the Assistant Administrator confirmed that the current procurement procedures of UNDP were based solely on the principle of international competitive bidding. However, in the assessment of bids many factors were taken into account, including that of appropriate technology and local servicing facilities. He agreed with the comment made by one delegation that suppliers all over the world should be apprised of procurement opportunities, but he added that in practical terms it was not possible directly to inform world-wide potential suppliers of all procurement undertaken. In calling for bids, however, UNDP attempted to have particular regard to procurement from developing countries and procurement facilitating equitable geographical distribution. He also informed the Committee that there had been a modest increase in procurement from developing countries. He confirmed the Administrator's agreement to provide an oral progress report on this question to the Council at its thirty-first session, but he was not sure whether the progress report could contain sufficient meaningful information for review by the Council. With regard to the inquiry as to the availability from executing agencies of information on their procurement procedures, the Assistant Administrator stated that he would consult with them in order to determine whether this information would be available on request.

Recommendation of the Committee

184. Members recognized that against the background as described and in view of the work being undertaken by IAPSU and further consultations between inter-agency bodies, specific conclusions by the Council on the subject would depend on the outcome of the additional work and consultations being undertaken.

185. The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) Takes note of document DP/1983/47 and the oral report presented by the Assistant Administrator, Bureau for Finance and Administration, on the subject;

(b) Appreciates the continuous efforts made by the Administrator to evolve a set of practical guidelines for procurement;
(c) Urges the Administrator to pursue vigorously with the executing agencies the study on their procurement practices to be carried out by the Inter-Agency Procurement Working Group with the assistance of the Inter-Agency Procurement Services Unit (IAPSU); and

(d) Requests the Administrator to provide a progress report on this matter to the thirty-first session of the Council.

186. The Governing Council subsequently adopted decision 83/34, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

C. Trust funds established by the Administrator

187. For its consideration of agenda item 7 (c), the Committee had before it the report of the Administrator on trust funds established by him in 1982 (DP/1983/49).

188. The Assistant Administrator, Bureau for Finance and Administration, introduced the subject and informed the Committee that in 1982 the Administrator, under the authority granted to him under UNDP financial regulation 5.1, established a number of trust funds, details of which were provided in the annex to the document. In keeping with the provision under that regulation for a detailed report of such trust funds to the Governing Council through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), the document had been submitted for review to that Committee which noted in its report (DP/1983/45, para. 25) that none of the trust fund agreements entered into in 1982, as reported in the annex to DP/1983/49, had been conditioned on procurement from the donor countries.

Summary of the discussion in the Committee

189. One member wondered whether, as a practical matter, document DP/1983/49 should not be reviewed in conjunction with the paper dealing with trust funds conditioned on procurement from the donor country (DP/1983/50). Several delegates questioned the propriety of including in the document under discussion the trust fund dealing with the training in the donor country of specialists from developing countries. They considered that to the extent the training courses, seminars and other training modalities under the trust fund arrangements were required to be conducted in the donor country, it should be viewed as a tied trust fund, and should be reviewed together with the document on trust funds conditioned on procurement from the donor country. Another delegate was of the view that the trust fund in question had already been established by the Administrator, and was at this point being reported to the Council, in accordance with UNDP financial regulations. He further stressed that the Deputy Administrator had confirmed that seminars were not subject to normal procurement procedures, including international competitive bidding, but were initiated by recipient countries. The delegate believed, therefore, that this trust fund had nothing to do with the question of tied procurement. Some members considered that in the establishment of trust funds certain criteria should be met: (a) they should represent additional funds to the
Programme; (b) they should be in response to a need which is consistent with the purposes of UNDP, but which could not be funded either from its general resources or from other existing sources; and (c) they should not affect the multilateral nature of UNDP. One member observed that trust funds and cost-sharing projects should be regarded in the same light in that both were specific as to their use of funds. A few delegates thought that a certain ratio should be maintained as between contribution to the Programme's main resources on the one hand, and contributions to trust funds on the other.

Response of the Administration

190. In responding to questions raised, the Assistant Administrator, Bureau for Finance and Administration, remarked that the document on trust funds conditioned on procurement from the donor country was intended to be dealt with separately from trust funds established by the Administrator under UNDP financial regulation 5.1. He agreed with the view of one delegate: namely, that there were similarities between trust funds (specifically, those which were untied) and cost-sharing contributions. He also expressed the Administration's agreement with the view that resources for trust fund purposes should not be disproportionately large in comparison with contributions to the Programme's main resources. He also noted that, generally, untied trust funds were consistent with the multilateral character of UNDP.

191. The Deputy Administrator, in responding to some of the issues raised, stated that the trust fund in question dealing with the training in the donor country of specialists from developing countries was accepted by the Administrator on the basis of the trust fund guidelines which he had formulated and which were agreed to by the Council at its twenty-ninth session. He cited, in particular, paragraph 6 of the trust fund guidelines which the Council had specifically modified from its original text to allow for contributions to be made to trust funds either in fully convertible currencies, or in any readily usable currency, provided that the currency of contribution could be fully utilized to carry through the objectives of the trust fund. It followed that trust funds meeting this criteria did not constitute contributions conditioned on procurement in the donor country. He sought the Council's clear guidance as to its mandate to UNDP in this regard, and pointed out that the Council could at any time modify its directives to the Administrator. He also noted that unlike the established bidding arrangements for procurement of equipment and consultants, there were no similarly established guidelines with respect to bidding for training or fellowships. He stated that with the reduction in the programming of indicative planning figure (IPF) resources to 55 per cent of their level, Governments' leeway to utilize IPF resources for certain training purposes was correspondingly reduced; trust funds offered an alternative modality for meeting such needs.

Further discussion in the Committee

192. Several delegations, in their further interventions, referred again to the trust fund which provided for training activities in the donor country. They expressed concerns and reservations regarding this trust fund which, in their view,
was practically conditioned on procurement in the donor country. Furthermore, some suggested that not only was there no addition of funds from this trust fund but it clearly diverted funds from the Programme's general resources. One delegate suggested that while he shared all the reservations expressed by others, his delegation could reluctantly agree to this trust fund if it could help reduce the particular currency from the list of accumulated non-convertible currencies and if close monitoring of this trust fund were instituted. In this respect, he requested that information be provided to the Council at its next session on the use made of the resources of this trust fund such as the training facilities used, the kind of specialists invited to attend the training courses, the type of seminars held and the list of countries benefiting from the training facilities. Another delegation asked that the report to the Council on trust funds established by the Administrator should as far as possible include information on the lines of that requested by the Committee on Trust Funds conditioned on procurement from a donor country. Another delegation stated that the trust funds, including the one referred to, were governed by the same rules and regulations pertaining to use of general resources of UNDP and, therefore, were being properly handled.

Further response of the Administration

193. The Deputy Administrator reiterated that the trust fund was established in strict compliance with the guidelines authorized by the Council. Trust funds, he explained, have usually well defined objectives or modes of operation and this one was no exception. He agreed that nominally the trust fund did not provide an addition of resources to UNDP; but, as a practical matter, these resources were an addition, in that otherwise they would have been held in the form of accumulated non-convertible currencies, but were now usable and fully available to developing countries. He explained that the need for training usually emerged in consultations between recipient Governments and executing agencies. He confirmed that information regarding training facilities and details of beneficiaries were readily available in UNDP. He also confirmed that this trust fund could result in the reduction, from 1984, of the specific accumulated non-convertible currency held by UNDP.

Recommendation of the Committee

194. The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

Having considered the report of the Administrator on trust funds established by the Administrator in 1982 (DP/1983/49), as well as the oral information provided by the Deputy Administrator, and

Bearing in mind the views expressed thereon,

(a) Takes note of the report of the Administrator; and
(b) Requests the Administrator to provide the Council each year with comprehensive and detailed information on the trust funds established by him, as well as the individual projects financed from such trust funds.

195. The Governing Council subsequently adopted decision 83/33, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

D. Trust funds conditioned on procurement from a donor country

196. For its consideration of this subject under item 7 (c) of its agenda, the Committee had before it the report of the Administrator (DP/1983/50).

197. The Assistant Administrator, Bureau for Finance and Administration, introduced the report and stated that after document DP/1983/50 had been finalized, the Government of Italy had officially confirmed in writing its commitment to three programmes, one each in Senegal, Somalia and Niger, and that an agreement had been signed with the Government of Belgium on a project in Mali. The Assistant Administrator also cited a number of new negotiations that had been initiated since the finalization of the report. He highlighted a number of elements for the Committee's consideration. Given the lengthy nature of the negotiations for the establishment of each trust fund and, hence, the limited experience to draw from, it appeared premature to draw clear conclusions from this one-year experiment. Nevertheless, the urgent and essential needs of developing countries, to which the authority granted under paragraph 4 of decision 82/5 was in large part a response, still existed. He considered that the resources made available under these arrangements added significantly to the real resources available to recipient countries, in particular through the central multilateral funding mechanism at their disposal, and that this would strengthen the central co-ordinating role of UNDP's machinery. These additional resources also contributed to the three organizations concerned in fulfilling their mandates. The Assistant Administrator concluded that a proper assessment of the significance and usefulness of the authority granted would benefit from a further year's additional experience.

Summary of the discussion in the Committee

198. Many delegations participated in the subsequent discussions. Several members stressed the seriousness of the conditions facing the Sudano-Sahelian region and the least developed countries and urged the importance of all modalities that could help to channel resources to these countries. The international community, in particular at the Paris Conference on the Least Developed Countries, had agreed that special resources were needed to help those countries in this context. These members expressed appreciation for the work accomplished by United Nations Sudano-Sahelian Office and United Nations Capital Development Fund and affirmed that the resources were in all cases allocated to priority projects of recipient countries and that the equipment purchased conformed to the necessary standards and responded to the countries' objectives. In supporting the proposed extension several members emphasized the specific mandates and special circumstances that characterized each of the three funds.
199. Several members concurred that the one-year experimental period was too short to be able to make a proper assessment and supported the Administrator's proposal to extend the experiment for a further year. Other members expressed serious concern as to the possible effect of the modality on the principles and fundamental multilateral nature of UNDP. These members considered a clear delineation to the experiment to be necessary so as to evaluate the experience. They emphasized the purely experimental character of the authority granted under Governing Council decision 82/5, section IV, paragraph 4. They proposed a "grandfather clause" which would enable only negotiations currently under way to be pursued. Several delegations emphasized the need for clear guidelines to define the specific conditions under which this modality would be used. A number of members stressed the need to establish a ceiling on the proportion of a donor's tied contribution to its untied contribution. Several members expressed concern that the modality would divert funds away from contributions to general resources and emphasized the primacy of central funding for UNDP. One member stated that a massive tied contribution by one country could put at risk the basic element of multilateralism. Another member remarked that if the ratio between tied and untied contributions became unreasonable, UNDP would simply turn into a clearing house for bilateral aid. With respect to some agency practices which accepted such contributions, one member considered that these should not influence UNDP, which occupied a special place at the heart of the United Nations development co-operation system.

200. One member asked to what extent untied resources were used for co-financing purposes. Several members expressed concern regarding possible distortions in project selection and wished to have clarifications on the way in which projects were selected. They were also concerned regarding the impact this modality would have on the geographical distribution of resources, and with respect to the need to ensure that administrative overheads were charged to the donor. Some members requested that more qualitative information be provided on experience in the actual execution of projects under the modality. Members expressed a variety of views as to the extent to which, and in what sense, the resources in question could be characterized as additional. Some members considered that while the resources might be additional to UNDP, from the point of view of the developing countries there was only one pie to share. Other members stated that the resources represented additional funds for the recipient countries. One member considered that additional funds had to be viewed on a country-by-country basis. Only a specific determination of the circumstances characterizing a particular country's aid allocation procedures and mechanisms would allow for a proper assessment of the question of additional funds. Several members indicated that it would be very difficult for them to define precisely what might constitute additional funds.

Response of the Administrator

201. The Assistant Administrator, Bureau for Finance and Administration, responded by emphasizing that UNDP itself fully applied the philosophy of "pure multilateralism". He emphasized that at stake was a question concerning three specific funds, each with very particular characteristics. The concern of United Nations Capital Development Fund was in the area of capital assistance and, since the Paris Conference, the Fund had been given the specific mandate to assist
primarily in the mobilization of funds for the least developed countries. The United Nations Sudano-Sahelian Office (UNSO), for its part, had been given the specific mandate to assist the drought-stricken countries of the Sudano-Sahelian region. The mobilization of funds for this purpose had traditionally been effected through a very close collaboration with bilateral funding; its success and ability to perform its mandate could indeed be said to be predicated on the use of tied resources. The United Nations Financing System for Science and Technology for Development (UNFSSTD) was characterized by its hybrid decision-making mechanism and by a very special financial structure, in particular the plan to have core and non-core resources on a roughly equivalent basis. The flexible financing arrangements concerning non-core resources and the possibility of utilizing trust fund resources were principal characteristics of the whole operational set-up chosen for UNFSSTD. The Assistant Administrator concluded that the three funds had separate mandates, largely capital-oriented, that attracted funds of a bilateral nature. Their mandates were complementary to UNDP. They did not endanger or weaken the Programme's central role; on the contrary, the channelling of funds through its machinery could only serve to strengthen the Programme's co-ordinating role.

202. The Assistant Administrator proceeded to address himself to specific issues raised in the debate. With respect to the selection of projects, he affirmed that they were selected, in the first instance, through consultations between UNDP and the recipient Governments. There was normally no donor involvement at the project elaboration phase. There were no distortions imposed by donors, and the procedures, priorities and project appraisals and approvals were identical whether projects were conditioned on procurement from a donor country or funded from the general resources of each fund. The Assistant Administrator stated that with respect to co-financing, the initiative again lay with the recipient and UNDP and only when a project had been identified and additional financing was needed would a supplementary financier be sought.

203. On the question of additional funds, the Assistant Administrator started by pointing out that of the total sums indicated in DP/1983/50, not all were tied to procurement in the donor country. In practically all cases there was a significant element of untied contributions linked to the tied contributions. This was a clear case of additional funds. Tied contributions provided additional funds to recipients by providing funding which might not have been available to that particular country because of administrative constraints and by providing a speedy mechanism for fund disbursement where otherwise available resources might disappear in the budgetary process of the donor. These funds represented additions to the funds co-ordinated through the United Nations system based on recipient priorities. Finally, the modality could increase interest in and support for the central funding of UNDP.

204. With respect to the effect of tied contributions on geographical distribution, the Assistant Administrator suggested that the specific mandates of UNCDF and UNSO could only serve to reinforce the least developed country orientation of the IPF system. As regards UNFSSTD, DP/1983/50 showed that there was a broad geographic coverage with more than 50 per cent of funds going to least developed countries. The Assistant Administrator confirmed that the administrative costs incurred by the
trust funds were charged for in full. He stated that he would be happy to report on the efficiency of the execution of projects financed under this modality when reasonable experience had been acquired; the very limited experience to date had been very positive. The Assistant Administrator expressed concern that a "grandfather clause" would prevent donors who had not yet been approached or had not yet expressed an existing interest to avail themselves of the new modality. With respect to the establishment of proposed ratios between tied and untied aid, he suggested that experience was needed before reasonable guidelines could be formulated. He proposed to return to the Governing Council at its thirty-first session with a detailed report of the experience to date and, in the case of an extension, with proposals for full guidelines on the procedures and rules to be followed.

205. In response to the request of one member, the Assistant Administrator agreed to provide information on donors and recipients who indicated a future interest in the modality should the authority granted under decision 82/5, section IV, paragraph 4 be extended by the Governing Council at its thirty-first session.

206. The Director, UNFSSTD, supplemented the Assistant Administrator's remarks with a review of the experience with such trust funds in UNFSSTD. He stated that the single experience to date had generated additional funds for a recipient country through multilateral channels. The recipient country had requested funding for a high-priority project which had been fully appraised by UNFSSTD, but no general funds had been available. The new modality had permitted a specific, interested donor to be identified. The Director emphasized that the modality allowed for quick decision-making and enabled the Financing System to fulfil its mandate, to the full satisfaction of the recipient country.

Further discussion in the Committee

207. In the light of the different views expressed by members, one delegate, in the spirit of reaching a consensus, proposed an alternative draft decision to that put forward by the Administrator. The proposed draft authorized the continuation of the authority granted under 82/5, section IV, paragraph 4, subject to a "grandfather clause" and other specific conditions, and requested a comprehensive report on the results of the experimental period to be submitted to the Governing Council at its thirty-first session.

208. The "grandfather clause" provided that no new negotiations would be initiated or undertaken by the Administrator after 31 December 1983, and that trust funds based on negotiations initiated before 31 December 1983 could be accepted by the Administrator only until 30 April 1984.

209. The specific conditions were that, as regards UNSO and UNCDF, the donor must also contribute to the general resources of the organization to which a contribution conditioned on procurement in the donor country was provided; that the annual contribution of the donor to UNDP's general resources, expressed in the national currency, must not be less than the amount of the contribution for the immediately prior year; and that the total annual contribution to each of the...
organizations mentioned above, conditioned on procurement in the donor country, may not exceed 20 per cent of the combined amount of the donor's contributions to the general resources of UNDP and the respective organizations for the same year. As regards UNFSSTD, the donor must also be a contributor to the general resources of UNFSSTD and the total contribution to UNFSSTD, conditioned on procurement in a donor country, was not to exceed the level of untied contributions of that donor country to the UNFSSTD during the interim and transitional periods.

210. Numerous members expressed their appreciation of the efforts undertaken by the delegate. Some members stated that, while appreciating the spirit of compromise exhibited by the revised draft proposal, they maintained their support for the Administrator's proposals as contained in DP/1983/50. Several members, while equally appreciating the spirit of compromise, maintained their opposition to the proposals at hand. One delegate proposed a cut-off date for accepting trust funds of not later than 31 December 1983. Another delegate sought assurances from the Assistant Administrator that a cut-off date of 30 April 1984, would not be prejudicial to the timely preparation of a comprehensive report. One delegate proposed that the 20 per cent ceiling be reduced to 10 per cent. While another delegate considered that it should be raised to 100 per cent. One member, supported by many delegates, suggested that it would not be appropriate, without gaining further experience, to set up elaborate conditions governing the use of the authority granted initially under decision 82/5, section IV, paragraph 4.

Response of the Administration

211. In reviewing a second revised draft decision, the Assistant Administrator confirmed that a cut-off date of 30 April would not be prejudicial to the preparation on time of a comprehensive report. He confirmed the problems related to formulating guidelines at such an early stage and, against the background of the discussion, proposed the substitution of operative paragraph 2 in the draft decision below for the conditions specified in the first draft decision proposed by a member. He stated that the Administrator would respect the tenor of the debate and the spirit of the consensus in the implementation of the authority granted under decision 82/5, section IV, paragraph 4, should the Council decide to extend the authority granted.

Recommendation of the Committee

212. The Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision at its thirtieth session:

The Governing Council,

Having considered the report of the Administrator on trust funds conditioned on procurement from a donor country (DP/1983/50), as well as the information provided during the Council's thirtieth session,
Taking note of the late start experienced in implementing decision 82/5, section IV, paragraph 4,

Taking note also that all projects are identified by the recipient Government in collaboration with the organization concerned,

Bearing in mind the numerous projects identified for which financing has not yet been finalized,

Taking into account the specific mandates of the three organizations concerned (United Nations Capital Development Fund, United Nations Sudano-Sahelian Office and United Nations Financing System for Science and Technology for Development),

Considering that a proper assessment of the authority granted would require additional experience,

(a) Authorizes the continuation of the authority granted to the Administrator by paragraphs 4, 5 and 6 of decision 82/5, IV, under the condition that trust funds may be accepted by the Administrator only until 30 April 1984;

(b) Decides that the Administrator, in exercising the authority granted to him by operative paragraph (a) above, will bear in mind the comments of the members of the Budgetary and Finance Committee expressed on this matter at the thirtieth session of the Governing Council;

(c) Requests the Administrator to submit a comprehensive report to the Governing Council at its thirty-first session on the results of the experimental period and to present his recommendations thereon. This report should include, inter alia:

(i) Statistical information on all programmes and projects assisted; on the contributions to general resources and those conditioned on procurement from the donor country; on the relation between contributions of the two kinds; and on other bilateral or multilateral assistance provided to the projects in question;

(ii) An analysis of donors' choices of projects and categories of assistance;

(iii) An analysis of the effect of these trust funds on the geographical distribution of resources channelled through United Nations Development Programme and the organizations concerned;

(iv) An analysis of the practical and potential effect on sectoral activities of each of the three organizations concerned; and

(v) An estimate of the cost of goods and services purchased from trust funds conditioned on procurement from a donor country in relation to that which would have prevailed had the normal procurement practices of United Nations Development Programme been applied.
213. The Governing Council subsequently adopted decision 83/32, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

VI. AGENCY SUPPORT COSTS

A. Support cost reimbursement arrangements for activities financed by the United Nations Capital Development Fund and the United Nations Sudano-Sahelian Office, and for projects executed directly by UNDP (Office for Projects Execution)

214. Under agenda item 7 (d), the Governing Council had before it document DP/1983/54 entitled "Support cost reimbursement arrangements for activities financed by the United Nations Capital Development Fund and the United Nations Sudano-Sahelian Office, and for projects executed directly by UNDP" (Office for Projects Execution).

215. The Assistant Administrator, Bureau for Finance and Administration, introduced the subject and recalled that the Governing Council, in its decision 80/44, requested the Administrator to review the arrangements for reimbursement of support costs in respect of those executing arrangements and programmes under his authority to which a percentage formula did not apply at that time and to make recommendations to the Council on the subject. The Assistant Administrator stated that since then consultations both at the intergovernmental and inter-agency level had continued with a view to establishing a formula which would respond to the Council's request and which would be consistent with the principles expressed in decision 80/44.

216. The Assistant Administrator went on to describe the processes and conclusions of the various consultations held before this session. He then referred to the two main subjects dealt with in DP/1983/54 and to the Administrator's recommendations for a reimbursement formula. The subjects were (a) the reimbursement of support costs for technical co-operation activities implemented by the UNDP Office for Projects Execution (UNDP/OPE), and (b) the support costs reimbursement formula for activities financed by the United Nations Sudano-Sahelian Office (UNSO) and by the United Nations Capital Development Fund (UNCDF).

217. Following explanation of the study and review processes undertaken by UNDP, including an additional study of the issues concerned and the consultations held with executing agencies, the Assistant Administrator informed the Committee that the additional study confirmed that the support cost reimbursement rate proposed for delivery by OPE of IPF-funded and UNCDF-funded activities, as submitted to the twenty-ninth session of the Council, remained valid. These rates were 11 per cent for IPF-funded activities and 5 per cent for UNCDF-financed activities. The new study showed that 8 per cent represented the rate of reimbursement of support costs needed by OPE to carry out UNSO-financed activities. The Administrator therefore recommended that the Council approve these rates of reimbursement for OPE.

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218. With regard to reimbursement of support costs to other executing agencies for UNCDF-financed and UNSO-financed activities, the Administrator had reached an understanding with the executing agencies that the present negotiated arrangements with them should continue for the time being, while keeping the subject under joint review. The Assistant Administrator informed the Committee that the Administrator will report any significant developments in this matter to the Governing Council.

Summary of the discussion in the Committee

219. Members of the Committee were generally supportive of the recommendations made by the Administrator, both in terms of reimbursement to OPE and regarding the arrangements with executing agencies. One member, speaking on behalf of four countries in his region, stated that while the support cost issues discussed were more limited in scope than in past discussions of the subject, they were still important. He stated that the establishment of rates based on actual cost represented good administrative practice. He noted that although the OPE costs were not comparable to those of other agencies, it had been demonstrated that OPE incurred different support cost rates for activities financed from the IPF, and by UNCDF and UNSO. It was, therefore, reasonable to assume that different rates could be applied to executing agencies for these activities. He expressed the view that ex post facto reports on support costs would provide further information on this subject which would be of interest to the Council. This delegate encouraged the Administrator to continue his negotiations with executing agencies and expressed the hope that they would lead to concrete proposals for consideration at the thirty-first session of the Council.

220. Another member stated that the conclusions on support cost rates for OPE demonstrated the usefulness of OPE, as these rates provided some comparison of costs with the executing agencies. He was particularly pleased to see OPE operate at a lower rate than most of the agencies. He considered the rate of 5 per cent for UNCDF-financed activities as reasonable and he wondered why a rate of 8 per cent was identified for UNSO-financed activities. He agreed that the present practice of arrangements negotiated with executing agencies for UNSO and UNCDF should continue, but wanted to have some more explanations on the subject.

Response of the Administration

221. In his reply, the Assistant Administrator confirmed that while this matter would continue to be kept under review with the executing agencies, the formula proposed in document DP/1983/54 was intended to provide viable modalities for a considerable period of time. It was not expected, therefore, that a progress report could be provided at the time of the thirty-first session. He also explained that the rates for activities financed by UNSO and UNCDF were different because UNCDF operations represented mostly capital assistance, while UNSO financed a mixture of capital and technical assistance. He also pointed out that a rate of 11 per cent for OPE for IPF-financed projects was not directly comparable to that of the executing agencies as there were differences between them in their organization and modes of execution.
Recomendation of the Committee

222. The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) Takes note of document DP/1983/54 containing the Administrator's proposals for support cost reimbursement arrangements in respect of activities financed by United Nations Capital Development Fund (UNCDF) and United Nations Sudano-Sahelian Office (UNSO) and for projects executed directly by United Nations Development Programme/Office for Projects Execution;

(b) Decides that, within the framework of decision 80/44, the following rates shall apply for the reimbursement of support costs in respect of projects executed by United Nations Development Programme/Office for Projects Execution:

(i) 1% per cent of project expenditure for technical co-operation activities financed from indicative planning figures, cost sharing and any trust fund for activities of a similar nature;

(ii) 5% per cent of project expenditure for activities financed by the United Nations Capital Development Fund; and

(iii) 8% per cent of project expenditure for activities financed by the United Nations Sudano-Sahelian Office;

(c) Decides further that reimbursement of support costs to executing agencies in the United Nations system for activities financed by UNCDF or by UNSO will continue for the time being as heretofore and will be agreed upon between the funding organization and the executing agency concerned; and

(d) Requests the Administrator to keep the matter under review with the agencies and to report to the Council whenever any significant developments occur.

223. The Governing Council subsequently adopted decision 83/36, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

B. Ex post facto reporting

224. For its consideration under agenda item 7 (d), the Committee had before it a note by the Administrator on ex post facto reporting on agency support costs (DP/1983/53).

225. The Director, Division of Finance, introduced this note and recalled the agreement that had been reached with the executing agencies on the content, format and due dates for ex post facto reports. He indicated that the information obtainable from these agency reports would, among other things, allow UNDP to
extract the support cost rate relating to each agency's total technical co-operation activities. He informed the Committee that the first \textit{ex post facto} report relating to those agencies which had not adopted a biennial budget as yet had not been submitted to the Council at its present session because the results of the trial report exercise conducted with agencies in late 1982 showed that an annual report would capture only a small proportion of total support costs as it would involve only 7 out of 23 agencies, mostly the smaller ones. He further explained that a two-track reporting system (annual and biennial reports), as initially envisaged for the \textit{ex post facto} reports, would result in information being provided to the Council which would not be complete or comparable. In view of the major shortcomings of an annual report being submitted by some agencies and a biennial report by others, it was felt that it would be more meaningful if the Council would instead receive information from all agencies covering the same biennial period, 1982-1983, in a biennial report to be submitted to the Council in June 1984. Commenting on the trial exercise itself, he pointed to its great usefulness in identifying a number of potential problem areas such as incomplete submissions, discrepancies in data, and clarification of definitions. These issues were addressed at the March 1983 session of the Consultative Committee on Administrative Questions (Finance and Budget). He reported that, in general, agencies were able to provide the types of information required according to the agreed parameters for the report. The Director considered that the report would provide a viable means of providing the kinds of information sought by the Council.

\textbf{Summary of the discussion in the Committee}

226. Some members of the Committee regretted the failure to submit the first \textit{ex post facto} report which was to deal with those agencies on annual budgets, and which the Council had requested at its twenty-ninth session. They observed that the matter of the \textit{ex post facto} report was one that traced back to Governing Council decision 80/44 adopted at the twenty-seventh session in June 1980. These members questioned whether the co-operation of executing agencies in providing the required information was sufficient. Members generally felt that the reports should provide meaningful information on support cost expenditures, variations between years and among agencies, and should permit the Governing Council to monitor these matters which were of great importance. They were eager, therefore, to see the results submitted as soon as possible. One member remarked that his delegation would raise this matter with one agency's governing body in order to seek its complete co-operation with UNDP and urged other delegations to take similar action. Some members stressed the necessity to minimize the support costs paid by the agencies from their regular budgets in connection with the implementation of UNDP-financed projects and, at the same time, to pursue with agencies the need for more effective use of the support cost reimbursement made to them by UNDP at the basic rate of 13 per cent.

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Response of the Administration

227. In responding to comments made, the Director, Division of Finance, reiterated that the report in question, which had not been submitted at this session of the Council, would have dealt only with seven out of a total number of 23 agencies, most of which had relatively small individual programme deliveries, and whose expenditures as a group would have represented less than 25 per cent of UNDP-financed technical co-operation expenditures in 1982. The non-submission of these reports was not due to any lack of co-operation from the agencies concerned, but was based on the outcome of the trial ex post facto report which demonstrated the serious shortcomings of partial information. With respect to the co-operation obtained from the executing agencies, he commented that the efforts that went into developing an appropriate report responding to the concerns of the Council had been discussed with agencies at numerous CCAQ sessions over a protracted period. In the view of the Director, the agencies had provided more than adequate support in solving a difficult information problem.

Recommendation of the Committee

228. The Budgetary and Finance Committee recommended that the following decision be adopted by the Governing Council at its thirtieth session:

The Governing Council,

(a) Takes note of the Administrator's report regarding the progress of the ex post facto reports on agency support costs (DP/1983/53);

(b) Notes with satisfaction the useful results achieved during the trial report exercise conducted with agencies in late 1982;

(c) Authorizes the Administrator to proceed with the proposed change to a biennial ex post facto report covering all agencies; and

(d) Requests the Administrator to submit to the thirty-first session of the Council the first biennial ex post facto report covering all agencies for the period 1982-1983.

229. The Governing Council subsequently adopted decision 83/37, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

VII. AUDIT REPORTS

230. For its consideration of agenda item 7 (e), the Committee had before it documents DP/1983/55 and DP/1983/55/Add.1. Document DP/1983/55/Add.1 contained the audited accounts of the participating and executing agencies as at 31 December 1981 relating to the funds allocated to them by UNDP. The document also contained the agencies respective external auditors' reports. Document DP/1983/55 provided the
Administrator's comments on issues raised in the audit reports, including a description of the follow-up action taken in respect of observations made by the auditors, as well as a report on the steps taken by UNDP in response to Governing Council decision 82/37.

231. The Director, Division of Finance, introduced the subject and noted that the panel of external auditors, in reviewing the issues raised by the Governing Council, had agreed that greater uniformity in the format of audit reports on executing agencies was desirable to the extent feasible. The panel also agreed that more emphasis should be placed on issues dealing with the effectiveness of the financial management of UNDP funds. He advised that the results of the panel's deliberations will be evident only in 1985, when the Council will have before it the 1983 audited accounts of the agencies, inasmuch as most agencies no longer require audited accounts at the end of the first year of a biennium, and would therefore not be submitting audited accounts at the end of 1982.

232. With respect to those agencies whose accounts were audited by commercial auditors, and the provision by those auditors of audit reports which would more fully meet the Council's concerns, he reported on the consultations which had taken place between UNDP, the World Bank and Price Waterhouse, the external auditors of the World Bank. He stated that of the various proposals made by Price Waterhouse, UNDP considered that a "long-form" report which would include the auditors' summary of significant findings resulting from their review of (a) procurement procedures; (b) project performance compared to budgeted performance; (c) internal audit work on UNDP-financed projects; and (d) project progress reports, represented - at a total cost of approximately $18,500 - a good "value for money" proposal.

233. In connection with the ILO audit report, he mentioned that the new ILO project evaluation procedures had been extended to selected UNDP projects as follows: (a) value above $400,000; (b) operational after 30 June 1984; and (c) projects on which no UNDP evaluations had been made.

Summary of the discussion in the Committee

234. Members expressed satisfaction with the detailed report provided by UNDP and the follow-up action taken in respect of the audit observations made. They considered that this practice should be pursued and encouraged. A number of delegates expressed the view that the section of the report which provided UNDP's comments on the substantive observations made by the external auditors should be expanded. Some delegations disagreed with the statement attributed to the Consultative Committee on Administrative Questions (Finance and Budgetary Questions) (CCAQ(FB)), to the effect that the external auditors alone were responsible for determining the scope and content of their audit reports on agencies. They suggested that the agencies should themselves have some influence in these matters. Members of the Committee welcomed the conclusions reached by the panel of external auditors regarding the adoption of a measure of uniformity in the format and style of the audit reports and to the increased emphasis which the panel had agreed to place on the aspect of auditing dealing with the effectiveness of the financial management of the organization audited. On the latter point, some
delegates expressed the hope that this would not be a gradual process, and that significant progress in this regard should be evident in the next audit reports to be submitted.

235. Members noted with appreciation the results of the consultations between UNDP, the World Bank and its external auditors, Price Waterhouse, on the cost implications of proposals put forward by Price Waterhouse, regarding the scope of audit work and the preparation of an audit report which would more fully meet the concerns of the Council. Most members agreed that the additional costs involved of approximately $18,500 for the specific services to be included in the proposed long-form audit report relating to UNDP-financed activities executed by the World Bank indeed represented a good value. They considered that the cost was minimal in relation to the kinds of information it could provide. One member, speaking on behalf of a group of countries, queried whether the other agencies which used commercial auditors should not submit similar information on the estimated cost of providing an audit report which more fully met the Council's concerns. One member drew attention to the fact that each year only a limited number of agencies were reported on by external auditors and suggested expanding this work, if possible without additional expense. He was not in favour of the audit arrangements proposed for the World Bank.

236. Some members inquired as to the potential duplication or overlapping between audit reports and project and programme evaluations.

Response of the Administration

237. Responding to the questions raised, the Director, Division of Finance, agreed that the detailed audit comments on management operations should be expanded to cover more agencies. He said that UNDP took note of the concern of members of the Committee that auditing related to the effectiveness of financial management of an organization should be expanded. He also expressed the view that while there may be some overlap between audit reports and project and programme evaluation, he considered each as serving different purposes: the audit reports were essentially financial in nature, and the financial aspects were the overriding factors; whereas project and programme evaluations were carried out under a different, broader mandate and the concerns there were more programme related. With regard to the question of additional cost information from the other agencies using commercial auditors, he reiterated that of the four such agencies, the World Bank accounted for $40 million of expenditures on UNDP activities in 1981 out of a total of $44 million.

Recommendation of the Committee

238. The Budgetary and Finance Committee recommended that the following draft decision be adopted by the Governing Council at its thirtieth session:
The Governing Council,

(a) Takes note of documents DP/1983/55 and Add.1 containing the audit reports of the executing agencies for 1981, as well as the Administrator's comments on the substantive observations made by the external auditors and a description of the action taken by the Administration in response to Governing Council decision 82/37;

(b) Welcomes the agreement of the panel of external auditors to use a similar style of reporting as far as circumstances permit, and to increase the emphasis placed in their reports on the audit of the effectiveness of financial management;

(c) Requests the Administrator to convey to the panel of external auditors and to the administrations of the executing agencies concerned, the Council's view that the improvements referred to in operative paragraph 2 of this decision should be introduced as promptly as possible;

(d) Further notes with appreciation the various proposals made by the external auditors of the World Bank regarding the estimated additional audit costs involved in expanding the scope of their audit work and of their audit report;

(e) Agrees with the proposal made by the external auditors of the World Bank to prepare, at a total additional cost of approximately $18,500, a long-form audit report including their significant findings resulting from a review of (i) procurement procedures; (ii) project performance compared with budgeted performance; (iii) internal audit work on UNDP-financed projects; and (iv) project progress reports; and

(f) Authorizes the Administrator to reimburse the World Bank for the additional audit costs referred to in operative paragraph (e) of this decision and to charge these costs against the expenditure line for reimbursement of programme support costs, in addition to the reimbursement for programme support costs to which the World Bank would normally be entitled.

239. The Governing Council subsequently adopted decision 83/38, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).

VIII. SECTORAL SUPPORT

240. For consideration of item 7 (f) of its agenda, the Committee had before it document DP/1983/56, containing a report by the Administrator on sectoral support.

241. Introducing the item, the Deputy Administrator described the effects which the implementation of decision 82/38 on this subject had had on the resources available for sectoral support in 1983 and on the future of the programme, in the first instance during the biennium 1984-1985. He stressed that although the programme had to be reduced, the Administrator considered that the programme should continue and proposed that $5,885,000 should be made available in 1984-1985, with $1,824,000 to be allocated by the Administrator among agencies other than the United Nations Industrial Development Organization (UNIDO), and $4,061,000 to the Senior Industrial Development Field Advisers (SIDFA) programme.
242. With respect to the SIDFA programme, the Administrator considered that the present situation, whereby there were four different sources of financing for the programme (namely, the UNDP sectoral support budget, the UNIDO regular budget, voluntary contributions to the SIDFA programme, and recipient Government contributions) was not satisfactory and should be viewed as transitional. This arrangement had entailed a different contractual status for different Senior Industrial Development Field Advisers, some of whom are UNDP staff members and others UNIDO staff. In addition, regular budget funds must be spent during the year for which they were approved, whereas the UNDP sectoral support allocation permitted the carrying over of funds between years. In view of this and of the declining volume of UNDP resources which would be available during the remainder of the cycle, the Administrator suggested that proposals for the longer term should be elaborated in consultation with UNIDO in order to bring about coherent procedures which would be presented to the thirty-first session of the Governing Council. The Deputy Administrator mentioned that, in this context, the Governing Council might also wish to review the future financing of the SIDFA programme after UNIDO had become a specialized agency with a budget of its own.

**Summary of the discussion in the Committee**

243. Members welcomed the introduction by the Deputy Administrator as well as the report of the Administrator. Several members expressed their support for the proposal that the sectoral support programme should continue in 1984-1985 and agreed that the amounts for this purpose should be allocated as proposed, subject to resource availability. Some members desired information on the criteria used for allocating the available resources among agencies and, in this context, one member questioned if the amounts to some agencies were not too small to meet the goals of the sectoral support programme. A few members of the Committee also suggested that the report to be prepared for the thirty-first session should contain a detailed analysis of the history, rationale and needs for sectoral support. These members also questioned why the contributions of Governments drawing upon the services of Senior Industrial Development Field Advisers were so few. They also pointed to the need for UNIDO to bear an increased share of the cost of the programme. In this regard, a few members pointed out that these costs should be met from voluntary contributions to UNIDO rather than from the regular budget.

244. Other members stated that, while they fully supported the Senior Industrial Development Field Advisers programme, which they felt responded to the needs of developing countries, they were of the opinion that recipient countries should not be asked to contribute to the cost of these Advisers. One delegation stated that SIDFAs should be provided solely on the basis of the needs of the recipient countries and not on the basis of availability of financing from the recipient countries. One member questioned whether the local UNDP Resident Representative would lose control over the SIDFA in the contributing country.

245. The representatives of UNIDO and the International Maritime Organization (IMO) expressed their appreciation to the Governing Council for the financing of sectoral support activities provided through UNDP and hoped that adequate resources would
continue to be provided in the future. The representative of UNIDO provided a summary of the debate of the recently concluded seventeenth session of the Industrial Development Board and transmitted its conclusions to the Council. Several members thought that the Governing Council should join with the Industrial Development Board in its call to all member States, especially the developed countries, to provide voluntary contributions for the SIDFA programme.

Response of the Administration

246. The Deputy Administrator, replying to the questions raised in regard of the criteria for allocating sectoral support funds and the small amounts available to some agencies recalled that the Governing Council itself had in 1981 advised the Administrator to add four agencies to those already receiving such financing. Although the amounts for some agencies were small, the Administrator had had indications that they fulfilled a vital need. Individual allocations to agencies were determined on the basis of proposals put forth by agencies to UNDP, and were assessed on an individual basis to determine the funds to be made available.

247. With respect to the Senior Industrial Development Field Advisers programme, unless funding continued to be provided through the UNIDO regular budget and if the situation with respect to recipient government contributions did not improve, the programme would need to be severely curtailed starting in 1984. An additional inconvenience resulting from the different funding sources for Senior Industrial Development Field Advisers was the absence of a requirement to solicit contributions for those Advisers who were financed from the regular budget. Therefore, it was necessary to study these issues in depth and present concrete proposals to the Governing Council at its thirty-first session. The question of the future status of UNIDO as a specialized agency would also be reviewed in this context, but the Deputy Administrator felt that coherent procedures for the programme must be studied and put into effect whether UNIDO becomes a specialized agency in the near future or not.

Recommendation of the Committee

248. After some further debate, the Committee decided to recommend that the following draft decision be adopted by the Council:

The Governing Council,

Recalling its decision 80/30 of 26 June 1980, 81/39 of 30 June 1981, and 82/38 of 18 June 1982,

Referring to General Assembly resolution 37/212 by which the General Assembly decided that adequate resources should be provided in the budget of the United Nations Industrial Development Organization (UNIDO) to finance up to 10 individual Senior Industrial Development Field Advisers posts,
(a) **Takes note** of the report by the Administrator on sectoral support contained in document DP/1983/56 and of the views and comments of members thereon;

(b) **Endorses** the proposals of the Administrator contained in paragraphs 7 and 12 of his report;

(c) **Approves** an allocation of $5,885,000, subject to resource availability, together with any savings arising in previous years, to be used as follows:

(i) $1,824,000 for the biennium 1984-1985 to be used at the discretion of the Administrator for the smaller agencies;

(ii) $4,061,000 to cover the net costs to UNDP for the services of Senior Industrial Development Field Advisers during the biennium 1984-1985;

(d) **Authorizes** the Administrator to finance the maximum number of such Advisers possible within existing resources, while continuing the consultations with countries drawing upon the services of such an Adviser as requested in its decisions 81/39 and 82/38;

(e) **Reaffirms** that, for both host countries and other countries drawing upon the services of a Senior Industrial Development Field Adviser, priority shall be given to those countries which have agreements, so that some part of the total net cost for those services shall be financed from national indicative planning figures and/or other 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;

(f) **Takes notes** of paragraph 10 of conclusion 1983/8 of the Industrial Development Board; **joins with** the Board in its call to all Member States to provide voluntary contributions for the Senior Industrial Development Field Advisers Programme; and **agrees** to submit to the General Assembly, in conjunction with the similar action proposed by the Board, the views expressed on the subject of the programme during the thirtieth session of the Governing Council;

(g) **Decides** to review the entire question of sectoral support at its thirty-first session, including its history, rationale and needs, as well as to examine proposals for the future financing of the Senior Industrial Development Field Advisers programme, bearing also in mind the future status of UNIDO; and

(h) **Requests** the Administrator to prepare a report on these issues, in consultation with the Executive Director of UNIDO and the Heads of the other executing agencies concerned, to be presented to the Council at its thirty-first session.

249. The Governing Council subsequently adopted decision 83/39, the text of which appears in annex I to the Council's report to the Economic and Social Council (E/1983/20).
Annex

SUMMARY OF THE DEPUTY ADMINISTRATOR'S INTRODUCTORY STATEMENT TO THE BUDGETARY AND FINANCE COMMITTEE

1. In his opening statement to the Budgetary and Finance Committee, the Deputy Administrator apologized first for the delay in making documentation available for the Committee, and stated that a bottleneck had developed in the United Nations Department of Conference Services mainly due to the pressure of work generated by several meetings being held simultaneously. Then, in providing a review of the financial activities of UNDP during 1982, the Deputy Administrator pointed out that income during 1982 had fallen short of the forecasts mainly due to the strengthening of the United States dollar vis-à-vis other currencies. In anticipation of reduced resource availability, the Administrator had set a limitation on indicative planning figure (IPF) programme expenditure of $550 million for the year; such limitation was slightly exceeded. However, he noted that the net assets of UNDP as represented by the revenue reserve had declined at the end of the year to a negative amount of $5.6 million as at end of 1982. In keeping with UNDP's current plans of being able to finance 55 per cent of the illustrative IPFs during the third cycle, programme expenditure during 1983 and 1984 would be limited to $530 and $500 million respectively. Even at these reduced levels of delivery, the revenue reserve would show a deficit of $37.7 million at the end of 1983 and be restored to a positive balance of $7.2 million at the end of 1984. The Deputy Administrator explained the implication of these deficits and stated that, in technical terms they should be considered as offsets to UNDP's Operational Reserve. However, in cash flow terms, it had not been necessary to draw on the assets of the Operational Reserve because of the large level of unliquidated obligations included in expenditure, for which agencies had not yet been advanced funds. The Deputy Administrator stated that because of the large deficits which were anticipated, UNDP expected to be in a tight liquidity situation in 1983 and 1984 and emphasized the importance to UNDP of prompt payments of contributions by Governments.

2. The Deputy Administrator pointed out that in addition to the UNDP main programme, significant amounts of assistance continued to be provided under various trust funds for which the Administrator is responsible. These amounted in total to an expenditure of $84 million in 1982. In 1982, the Administrator had also established five trust funds under the authority granted to him by regulation 5.1 of the UNDP Financial Regulations. In this context, the Deputy Administrator stated that one trust fund has been established in 1983 pursuant to decision 82/5, which authorized the Administrator to accept trust funds conditioned on procurement from a donor country for the operations of the United Nations Sudano-Sahelian Office (UNSO), the United Nations Capital Development Fund (UNCDF) and the United Nations Financial System for Science and Technology for Development. However, negotiations with several potential donors for contributions of this kind were now at an advanced stage and in the Administrator's view one year had proved to be insufficient to assess properly the significance of this new instrument. The Administrator therefore was recommending the continuation of this authority for a further period of 12 months.
3. With reference to the budget estimates for the biennium 1984-1985, the Deputy Administrator stated that the staff reductions resulting from decision 82/31 had been achieved and that the total number of staff was well below the authorized number of posts. This was mainly due to a continuation of the freeze on recruitment instituted in July 1981, natural attrition and use of agreed terminations. The estimates for 1983-1984 biennium had been proposed on an overall zero growth basis. The increases requested resulted mainly from inflation and adjustment for other costs. The Deputy Administrator stated that it had been possible to allocate a small amount of $0.6 million for a Central Evaluation Unit in UNDP, the establishment of which had been recommended by the Intersessional Committee of the Whole.

4. The Deputy Administrator made brief references to other subjects on the agenda of the Committee. These included those financial regulations and other matters of which consensus had not been achieved at the twenty-ninth session. With regard to guidelines on procurement of equipment, supplies and services, consultations with the agencies had not resulted in the preparation of such guidelines, because of constitutional and practical difficulties inherent in the exercise. However, an alternative approach to overcoming difficulties at a practical level was being pursued. The Deputy Administrator also referred to the revised study of the Office for Projects Execution (OPE) support costs and support costs relating to the delivery of UNCDF- and UNSO-financed activity. The study confirmed that support costs for IPF-funded and CDF-funded projects were 11 per cent and 5 per cent respectively. The support costs of UNSO-funded projects had been determined to be 8 per cent.