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REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

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INTRODUCTION

1. The Budgetary and Finance Committee held 31 meetings from 3 June through 29 June 1985 under the chairmanship of Mr. C. Richard Mann (Canada). Mr. D. Mondal (Bangladesh) served as Rapporteur of the Committee.

2. At its first meeting, the Committee approved the provisional agenda and organization of work contained in annexes I and II, respectively, to document DP/1985/BFC/L.1. The Committee agreed to keep its schedule of work flexible, taking into account the availability of documentation and the number and nature of matters referred to the Committee by the Council.

3. The draft report of the Committee was submitted to the Governing Council in document DP/1985/BFC/L.2 and its annexes and addenda, and also in DP/1985/BFC/L.3. At its 38th meeting, the Governing Council approved the report of the Committee. The views expressed during the Council's consideration of the Committee's report are contained in document DP/1985/SR.38.

4. The report to the Economic and Social Council on the thirty-second session of the Governing Council (E/1985/32) includes, in its annex I, the recommendation of the Budgetary and Finance Committee as approved by the Governing Council.

CHAPTER I. MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

A. Proposal to establish a human resources facility

5. For consideration of the financial aspects of one of the subjects under item 4(b) of the Council's agenda, the Committee had before it a note by the Administrator (DP/1985/14) containing a proposal to establish a human resources facility. The document was introduced by the Senior Adviser to the Administrator on this matter.

6. Referring to Governing Council decision 84/4 in which the Council had requested the Administrator to consider, inter alia, the proposal for a human resources facility put forth during the thirty-first session, the Senior Adviser stated that the question of skills transfer had been examined from the standpoint of both supply and demand of relevant expertise. He said that it had been determined that there was both a large demand on the part of Governments and public, parastatal and private enterprises and institutions for highly skilled experts on a short-term and relatively inexpensive basis,

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as well as an ample supply of such expertise throughout the world. The Senior Adviser drew the attention of the Committee to paragraph 38 of the note which spelled out the conditions under which the proposed human resources facility would be established, and under which it would function. He drew particular attention to subparagraph 38(d) which contained a budget estimate of \$425,000 a year for the first two years in order to operate the proposed facility.

7. Following a brief discussion in which several questions were raised and a number of reservations were expressed regarding the advisability of setting up such a mechanism as described in the Administrator's note, the Committee agreed to refer the matter back to the Plenary for a debate on the substantive issues, thus allowing the Committee to take up the financial aspects once the substantive issues had been settled.

Further consideration in the Committee

8. Resuming the discussion, the Chairman informed members that a draft decision contained in document DP/1985/WP.1/Corr.3 had been referred to the Committee for its consideration of the financial implications involved. He drew the attention of members to subparagraph 2(h) of the draft decision which contained the estimated annual costs of operating the facility during a two-year trial period.

9. Elaborating on the draft decision, the Assistant Administrator, Bureau for Programme Policy and Evaluation, explained that subparagraph 2(h) had been formulated with the concept in mind that the facility should start on a very modest scale. He stated that the low per annum budget estimates of \$250,000 for salaries and a maximum of \$175,000 for other costs were possible because the facility would collaborate closely with other mechanisms both within and outside the United Nations system. He emphasized that the facility's primary function would be to act as a clearing house matching requests for specialized skills with appropriate sources of supply.

Summary of the discussion in the Committee

10. Members in general were supportive of the idea of human resources development and of the need to provide specialized skills to developing countries on a short-term, concessional basis. Many reservations were expressed, however, with respect to both the mechanism and the financing proposed. Several members referred to the doubts their delegations had expressed in the Plenary discussion on this proposal and stated that these doubts still remained. Many members expressed the view that it would not be appropriate to establish a new unit within UNDP since it would duplicate work already being done by the Programme. Other members stated that they did not see a need for any additional financing. One member suggested that the

estimated costs could be reduced by 50 per cent. Several members voiced the opinion that the work envisioned for the facility could be carried out within the existing structure of UNDP's Office for Projects Execution (OPE).

11. Two members expressed strong support for the proposal stating that the facility would provide an innovative channel for the delivery of non-traditional technical co-operation. They viewed the experimental period as a sound feature of the proposal. Another member stated that the experiment would be worthwhile in view of UNDP's mandate. This member requested clarification with respect to the proposed staffing of the facility.

12. One member questioned whether the proposed facility would be instrumental in training local populations, thus contributing to the development of human resources in the developing countries. Another member stated that experience had shown that staff taken on during a trial period were not released even after the experimental activity ceased. He expressed the view that this would be the case in the present instance and was, therefore, reluctant to endorse the proposal. Other members stated their unwillingness to commit funds from Special Programme Resources (SPR) to finance the facility. One member requested a detailed breakdown of the annual budget estimates.

Response of the Administration

13. Responding to the issues raised in the discussion, the Assistant Administrator, Bureau for Programme Policy and Evaluation, stated that he had thought that the debate in the Plenary on this matter had resolved the major questions surrounding it. The Administrator, in his response to the debate in Plenary, had been able to state that a majority of members who had spoken had supported the proposal. Concerning the objectives, he referred to subparagraphs 2(a) and 2(b) in the draft decision and said that a considerable need existed in developing countries for short-term expertise capable of being provided in a flexible but systematic manner. The proposed facility was to be universal in character and would be utilized to eliminate "bottleneck" problems. By its character, it was not to be used for training purposes, which was the responsibility of Governments and United Nations system organizations, but it could be instrumental in identifying training needs.

14. With respect to utilizing existing machinery, the Assistant Administrator said that if mechanisms now in place could do the job the proposed facility would not be needed; indeed, there was no such mechanism within UNDP at present, as had been assumed by one delegate. He stated, further, that in many discussions with professional associations, industry councils and the like, he had learned that most of these institutions had

never been approached and that, in fact, were hardly ever used by the United Nations system. He explained that one characteristic of the proposed facility was to use principles of the work of senior expert services in such a way as to extend them to those experts still active in their respective professions and, thus, to broaden immensely the expertise that could be made available to developing countries. To achieve this, a separate scheme was required which would have its own profile and thus be able to address in a distinctive manner services hitherto untapped. Simply adding such volunteers to the highly paid experts presently recruited on a short-term basis by the United Nations agencies would only create highly different scales of remuneration within one and the same organization. This would certainly not be conducive to enhance recruitment at no cost or highly concessional rates from the new services envisaged.

15. Regarding the suggestion that OPE undertake the function of the proposed facility, the Assistant Administrator said that this would still entail a financial commitment as OPE had no slack capacity that could be used for this purpose. Also, the facility would lose its special character if attached to that Office. Nevertheless, it was envisioned that the facility would work closely with OPE, e.g., by being located in the same Bureau at UNDP headquarters, as had been suggested by the Administrator.

16. The Assistant Administrator said that the annual financial requirements were \$250,000 for the salaries of two Professional and two General Service staff members. The \$175,000 estimated to cover other costs was broken down into major items as follows: \$40,000 for the establishment of a computerized information system; \$38,000 for travel; \$30,000 for publicity; \$24,000 for consultants; \$19,000 for office space; \$15,000 for furniture, equipment, and telephone service; and \$9,000 for other costs.

Further discussion in the Committee

17. One member, supported by others, questioned that the debate in the Plenary had established the majority view alluded to by the Assistant Administrator, and reiterated his view that the proposed activity would have to be undertaken within the existing capacity of the Programme. Other members queried whether the proposed facility would not duplicate the work of UNIDO's Special Industrial Services (SIS) and asked for information about SIS and whether UNIDO had been consulted with respect to the establishment of the proposed facility. Another member requested additional information on the principles under which the senior experts services worked.

18. Several members raised the question of the proposed facility's being able to monitor and evaluate the quality of the expertise being sought and recruited. One member expressed the view that the various senior expert

services throughout the world could do the work envisioned for the proposed facility. Other members repeated their opinion that the proposed facility should be absorbed within OPE. One member expressed doubt whether the experimental trial period of two years would be adhered to.

19. One member, supported by several others, stated that his delegation could consider responding favourably to the proposal if the staff were reduced to one Professional and one General Service post, and if assurances were given that the activity would be closely evaluated after the experimental two-year period. Another member stated that the experimental period should not be extended under any circumstances.

Further response of the Administration

20. Responding to the questions raised, the Assistant Administrator explained that the facility would not recruit experts but would only match supply with demand. With respect to evaluating the quality of the expertise provided, the advice of technical specialists within UNDP and the specialized agencies, as well as of professional associations and similar institutions, could be sought. He emphasized that this aspect of the operation would require correct and detailed definitions of problems to be solved in the field. The UNDP field offices and executing agencies would be closely involved in this task. Although there would be cases in which highly specialized advice would be needed in the definition phase, there would be many others where existing expertise in the field offices and at headquarters would suffice.

21. Regarding UNIDO's SIS, he informed the Committee that this activity expended about \$1.8 million annually and, in addition, entailed support costs of 13 per cent. In view of the funds involved, it seemed out of the question that this model be applied to other sectors as well. With respect to the utilization of senior expert services, he stated that there were only about a dozen of such national services throughout the world, that they comprised only retired persons, that their capacities were limited and that they functioned mainly within a bilateral framework. In response to the suggestion that the facility use the capacity of OPE, the Assistant Administrator pointed out that OPE was paid support costs and that the proposed facility would have no funds to cover such payments.

22. With respect to the experimental two-year trial period, the Assistant Administrator assured the Committee that if the activity were judged to be unsuccessful the Administrator had no intention whatsoever of prolonging it. It would be discontinued and other alternatives could be sought. In response to the proposal that the request for staff be reduced to one professional and one General Service post, he said that if the facility were reduced to this

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size, it would not be able to function effectively as it could not be guaranteed that there would always be a personal presence at headquarters. Also, its output would be reduced correspondingly. If this were the Committee's recommendation, the facility would have to be attached to some other unit, e.g., to OPE.

Further discussion in the Committee

23. It was, however, further suggested that the Administrator should have the option of establishing the unit, where appropriate, within the Bureau for Special Activities.

Conclusion reached by the Committee

24. Following its consideration of this item, the Committee only noted that sufficient funds were available from third-cycle SPR to finance the stated costs of the proposed facility through the end of the third cycle; that is, to within six months before the end of the experimental period of the proposed facility.

25. The Governing Council subsequently adopted decision 85/13.

B. Assistance to the Palestinian people

26. For consideration of the financial implications of one of the subjects under item 4(c) of the Council's agenda, the Committee had before it a report of the Administrator on assistance to the Palestinian people contained in document DP/1985/18. The Special Representative of the Administrator for the programme of assistance to the Palestinian people introduced the report.

27. Stressing the delicate and sensitive nature of the operation, the Special Representative said the programme had, after five years of operation, become well-established in the Gaza Strip and West Bank territories and that all the parties concerned had expressed themselves in favour of the UNDP effort. Describing the programme as unique in that it did not come under any regional bureau, the Special Representative said that under the UNDP umbrella other United Nations development system organizations, such as the ILO and WHO were gradually initiating activities.

28. The situation in the Gaza Strip with respect to sanitation was characterized as posing a grave threat to the health of the population, and funds were urgently needed to complete a large-scale sewage disposal project as well as for other fundamental development activities. Regarding the search for additional resources, the Special Representative expressed the deep

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appreciation of the Administrator to the Government of Tunisia for its financial support of the programme and to the Government of the United States of America for its generous special contribution of \$1 million. The Arab Gulf Programme for the United Nations Organizations (AGFUND) had also earned the gratitude of the international community for its recent pledge of \$1 million.

29. The Special Representative drew the attention of the Committee to paragraphs 17 and 18 of the report in which, respectively, the Administrator recommended that \$2 million be allocated from third-cycle SPR to the programme of assistance to the Palestinian people and that a provisional planning allocation of at least \$10 million be made from fourth-cycle SPR pending the determination of the total amount of those resources. In view of the development needs of the Palestinian people living in the Gaza Strip and the West Bank, the Special Representative urged the Committee to respond favourably to the Administrator's request.

Summary of the discussion in the Committee

30. Members of the Committee were unanimous in their expressions of support for the programme of assistance to the Palestinian people, indicating that the activities undertaken by UNDP in the area had made a genuine contribution to the improvement of the living conditions of the population. While several delegates stated that they endorsed both the proposal for allocating \$2 million from third-cycle SPR and the proposal for a provisional allocation of \$10 million from fourth-cycle SPR, most of the members of the Committee felt that allocating funds from fourth-cycle SPR before the total amount of those resources was known would be premature. They did, however, endorse without reservation the allocation of \$2 million from third-cycle SPR.

31. One member suggested that a review of all requests for funds from SPR should be undertaken before any allocations were made. Other members stated that the programme of assistance to the Palestinian people should be expanded and that the specialized agencies should step up their efforts.

Response of the Administration

32. The Deputy Assistant Administrator, Bureau for Finance and Administration, informed the Committee that of the total of \$55 million available for the third cycle from SPR, \$22 million remained unallocated. Thus, there were sufficient SPR funds to meet this request.

33. The Special Representative of the Administrator stated that the United Nations system was unable to operate in the normal way in the area. Assistance could be provided only under limited conditions and UNDP was the

only channel of the United Nations family of organizations through which such assistance could be made available. Emphasizing that extensive assistance to the Palestinian residents in the territories was long overdue, the Special Representative stated that a relentless and long-term effort would be required to provide opportunities for satisfactory economic and social development.

Recommendation of the Committee

34. The Committee agreed to recommend to the Council that \$2 million be allocated to the programme of assistance to the Palestinian people from third-cycle SPR. The Committee also recommended that an allocation of \$10 million from fourth-cycle SPR be deferred until the total amount of the resources was determined.

35. The Governing Council subsequently adopted decision 85/15 in which the recommendation of the Committee was reflected.

C. Measures to promote better understanding of the role and activities of the United Nations Development Programme (UNDP) and of the resource needs of the Programme: information support to technical co-operation among developing countries (TCDC) and to the International Drinking Water Supply and Sanitation Decade (IDWSSD)

36. For its consideration of the financial aspects of one of the matters under item 4(b) of the Council's agenda, the Committee had before it the report of the Administrator (DP/1985/8), paragraphs 20 and 90 of which contained specific references to information support projects for technical co-operation among developing countries (TCDC) and for the International Drinking Water Supply and Sanitation Decade (IDWSSD). The Administrator's recommendations and the financial implications for continuing this work were contained in paragraph 98(a) and (b) of the report.

37. The Director of the Division of Information introduced the subject by describing the background and legislative bases for UNDP work under both mandates. The Governing Council, in its decision 83/15, had previously agreed to the use of SPR for both information support projects until 31 December 1985. The Administrator recommended continuation of this funding until 31 December 1986, pending the Council's decision on the overall use of SPR for the fourth programming cycle, 1987-1991.

38. Activities undertaken for information support of TCDC consisted primarily of the writing, editing, translation, publication and world-wide dissemination of a periodical which was called TCDC News until this year, when

it was given the more accessible and communicative name of Co-operation South. This periodical had also been refocused in both content and appearance, with greater emphasis on obtaining material directly from sources in developing countries. Its circulation had doubled since its inception in 1979, and over half the print run of 30,500 copies in four languages went to people who had taken the trouble to ask to be put on the mailing list. Other day-to-day work was also done to promote TCDC; for example, a recent story on the newly computerized TCDC inquiry service had been sent to all developing countries together with data on each country's participation in order to localize the story. Expenditures chargeable to SPR were estimated at \$150,000 for 1986.

39. Regarding information support for IDWSSD, the Director stated that in June 1983, the Council had received a full report on the project's information, communication and non-governmental organization (NGO) work (see DP/1983/29, annex), which had been the basis for the Council's approval of current funding. Under the UNDP-chaired, 11-agency Steering Committee for Co-operative Action for the Decade, the UNDP Division of Information also chaired the inter-agency Information Task Force and was the central point for all ongoing information efforts for the Decade. The Director said that, in particular, the project worked on information support for selected audiences, for programme development and for resource mobilization. One main output was the periodical Decade Watch which provided in four languages a regular flow of non-technical information for key Decade actors. Another example was the information exchange for joint action on drinking water and sanitation needs in southern Asian countries among indigenous NGOs, and between them and government, bilateral and United Nations system units working on Decade programmes. This had led in three countries to the creation of national NGO Decade Service units, which this project supported in their initial organization and operational phases. Expenditures chargeable to SPR were estimated at \$319,200 for 1986.

Summary of the discussion in the Committee

40. One member expressed "strong support" for the proposals on information support for TCDC and IDWSSD. Another member requested more information concerning the support for national NGOs under the IDWSSD project, and concerning feedback on the usefulness of Co-operation South and Decade Watch periodicals.

Response of the Administration

41. The Deputy to the Director of the Division of Information noted two types of NGO work at national levels undertaken by the IDWSSD information support project. First, the project provided information for redissemination

by NGOs that engaged in public education and information programmes among their own large memberships. Second, the project collaborated with national NGOs that engaged in operational activities in drinking water supply and sanitation. The focus of the latter work had been southern Asian countries where, as previously mentioned, help had been given in organizing systematic consultations among NGOs, followed by support for the newly emerging "consortia" of NGOs and their start-up operations. This was essential because, while other donors were willing to support direct action programmes by NGOs, none seemed able to finance the initial costs of the NGOs' shared services: for example, for detailed NGO action planning in consonance with the national IDWSSD programme, for project development that would gain government and external financing or for information- and experience-sharing among NGOs themselves. Among the results so far achieved was the granting of some financing by an external NGO, through one country's NGO Decade Service, for a new project it had formulated. This was the type of work that the UNDP-assisted project would continue to support in 1986.

42. Regarding feedback on Co-operation South and Decade Watch, there had, of course, been no structured and scientific feedback, such as was obtained by commercial magazines which provided post-paid reader response cards. The Deputy to the Director stated, however, that in their next issues, both periodicals would include a reader survey to be checked off and returned. Experience showed that a 1 to 2 per cent response to such surveys could be expected, but even that degree of feedback would be valuable. Other feedback came in the form of direct requests to be on the Co-operation South mailing list, which had doubled its circulation since inception, and of requests from redissemulators of Decade Watch for bulk copies to be distributed to all field points of certain organizations.

Recommendation of the Committee

43. The Committee decided to recommend that the Governing Council include the following text in its decision on this question:

The Governing Council,

Recalling its decision 83/15 authorizing allocations from Special Programme Resources for information and communication support for the International Drinking Water Supply and Sanitation Decade and for information support for the promotion of technical co-operation among developing countries,

Having considered the proposals by the Administrator in his note (DP/1985/8) for the continuation of these projects in 1986 by further allocations from Special Programme Resources pending allocation of resources for the fourth cycle,

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(a) Approves an allocation of \$319,200 from Special Programme Resources for continued information and communication support for the International Drinking Water Supply and Sanitation Decade in 1986;

(b) Approves an allocation of \$150,000 from Special Programme Resources for continued information support for the promotion of technical co-operation among developing countries in 1986;

(c) Requests the Administrator to present a report with his recommendations to the Governing Council at its thirty-third session.

44. The Governing Council subsequently adopted decision 85/8.

D. Government execution

45. For its consideration of the financial aspects of item 4(b)(iii) of the Council's agenda, the Committee had before it a report by the Administrator contained in document DP/1985/12.

46. The Assistant Administrator, Bureau for Programme Policy and Evaluation, introduced the report which was in response to Governing Council decision 82/8 which had established an arrangement for funds to be added on to the IPF in countries where Governments undertook the execution of projects. This arrangement was established for an experimental period of 2-1/2 years. The Administrator was to report to the Council at the present session on the experience gained with the add-on arrangement. However, because of the inherent time lag in financial reporting, information on the add-on arrangement could be established for 1983 expenditures only in the middle of 1984. Therefore, the period under which the add-on had been in operation at that date was one year only. The Administrator was thus not in a position to make a definite recommendation to the Council concerning the add-on at this time. It was for this reason that the Administrator was requesting the Council to extend the experimental period until the end of 1987, in order to provide sufficient time to gain experience on the add-on arrangement and to be able to provide a comprehensive report to the thirty-fourth session of the Council.

Summary of the discussions in the Committee

47. All members of the Committee who spoke on this subject endorsed the Administrator's recommendations to extend the experimental period for the add-on until the end of 1987.

48. Two members, whose countries were implementing projects under government execution, spoke of the advantages of such a modality which enabled Governments to deal directly with sources of expertise and know-how, furthered self-reliance and encouraged closer co-operation with the resident representatives in implementing projects. They stressed, however, that in many instances the involvement of the specialized agencies was required for such projects.

49. Another member raised the question as to what extent the specialized agencies were involved in these projects and how they were reimbursed.

50. One member inquired about the involvement of field offices in government-executed projects and whether these were being reimbursed from the add-on.

51. Two members questioned why the Council had not been able, when initially approving this experimental period, to foresee the delay that would occur in initiating it which now necessitated this extension.

52. One member queried why this matter had been submitted to the Budgetary and Finance Committee when the whole issue of government execution was for consideration by the Council in the Plenary.

Response of the Administration

53. In his reply to the questions raised, the Assistant Administrator stated that while field offices were involved in government-executed projects and while there was some indication that Governments would request the use of the add-on to strengthen field offices, it was not possible at this early stage to say how much of the add-on would be used for these projects. Agencies involved in government execution were reimbursed from the add-on either as co-operating agencies or on an ad hoc basis.

Further discussion in the Committee

54. Two members emphasized the need for detailed data and figures on financial matters in the report which the Administrator would prepare on government execution for the Governing Council at its thirty-fourth session in 1987. This report should consider, inter alia, the capacity of Governments to execute projects; the role of specialized agencies as co-operating agencies and in their preparation of projects; the involvement of UNDP's field offices in government-executed projects; and the overall costs involved.

Recommendation of the Committee

55. Following its consideration of these questions, the Committee recommended to the Council, which was to consider the more general aspects of government execution, that the experimental period for the use of add-on funds be extended until the end of 1987 in order to allow more time for UNDP to gain experience with this arrangement, and to request the Administrator to provide a report to the Council on the experience gained on the use of the add-on modality, within the mechanism of government execution, at its thirty-fourth session in June 1987.

56. The Governing Council subsequently adopted decision 85/9 in which the recommendation of the Committee was reflected.

E. Report of the Chairman of the Working Group of the fourth session of the High-level Committee on the Review of Technical Co-operation among Developing Countries

57. For its consideration of the financial and administrative aspects of the issues under item 8(d) of the Council's agenda, the Committee had before it the report of the Chairman of the Working Group of the fourth session of the High-level Committee on the Review of Technical Co-operation among Developing Countries (TCDC) which included a decision requesting an additional allocation from SPR for the promotion of action-oriented TCDC activities (TCDC/4/L.10). In introducing the subject, the Director of the Special Unit for TCDC referred to decision 6 of TCDC/4/L.10, which had been adopted after discussion of the contents of the Administrator's report on the progress on the utilization of funds from SPR for action-oriented activities for TCDC during the period 1983-1985 (TCDC/4/6).

58. Describing the continuing evolution of action-oriented TCDC activities, the Director stated that document TCDC/4/6 succinctly explained how the allocations from SPR (\$600,000 in 1983 in accordance with Governing Council decision 83/15; and \$800,000 in 1984 in accordance with Governing Council decision 84/25) had been utilized for action-oriented TCDC activities. Emphasizing the catalytic role played by UNDP, he pointed out that as at 15 February 1985 a total of 133 action-oriented TCDC activities, with costs estimated at \$1.28 million, had been approved covering all regions. To these activities, the co-operating Governments were contributing some \$4.2 million, a ratio of more than 3.3 to 1.

59. The Director further stated that in view of the heavy demand on the resources made available from SPR and the immense interest shown by developing

countries, UNDP could not stop the momentum gained. Consequently, he called on the Committee to pay particular attention to the recommendation contained in paragraph 2 of decision 6 of TCDC/4/L.10.

Summary of the discussion in the Committee

60. Several members stressed the basic importance of TCDC and the important work being carried out by the Special Unit for TCDC and emphasized the importance of the catalytic effect the SPR allocated for that purpose had proved to have been. One member, supported by another, stated that decision 3 of TCDC/4/L.10 relating to adequate staffing for the Special Unit for TCDC was, from his delegation's point of view, unclear, and felt that the Committee should address the financial implications of that decision at its current session. A few members pointed out that decision 6 of TCDC/4/L.10 was arrived at after extensive discussions in the Working Group of the High-level Committee and called for the spirit of compromise which dominated those discussions to permeate the discussions in the Committee.

61. Other members, however, expressed reservations about the appropriateness of using SPR for the purpose of promoting action-oriented TCDC activities emphasizing that country indicative planning figures (IPFs) should be the resource which should be used for this purpose. One member questioned why action-oriented TCDC activities could not be funded from the liquidated United Nations Emergency Operation Trust Fund (UNEOTF) which is now managed by UNDP for TCDC. Another member requested an explanation regarding the remaining resources from SPR, and how it was envisaged that the uncommitted funds from this source would be spent during the remaining period of the third programming cycle, 1982-1986.

Response of the Administration

62. Replying to questions raised by members of the Committee, the Director of the Special Unit for TCDC stated that while it was true that the main source of funds for action-oriented activities should come from country IPFs - and for that matter regional, interregional and global IPFs - the fact of the matter was that, with the reduction of these IPFs by 45 per cent, developing countries concentrated on saving ongoing programmes, thus making it virtually impossible to allocate funds from these resources for action-oriented TCDC activities. Quoting from the Governing Council decision taken at the twentieth session in June 1975,^{1/} the Director pointed out that it was within the terms of reference on the use of SPR to allocate funds for promotional TCDC activities. Regarding the \$5.8 million in UNEOTF, he said that it was being used for a generalized system for trade preferences project, and for other projects under formulation by several developing countries.

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General Assembly resolution 38/201 provided that it was for the developing countries themselves to decide on the priorities for the commitment of these funds.

63. The Deputy Assistant Administrator, Bureau for Finance and Administration, citing paragraph 7 of Governing Council decision 80/48, confirmed that the use of SPR was the same as described in the June 1975 decision and reiterated that it was within the terms of reference on the use of SPR to allocate funds for promotional TCDC activities. He explained that out of a total of \$8.9 million remaining from this source, the Committee had already agreed to allocate \$2 million for the Programme of Assistance to the Palestinian People. The balance of \$6.9 million remained uncommitted. If at the end of the present programming cycle funds from SPR were still uncommitted, these funds would be carried over to the next cycle as an add-on to whatever amount the Governing Council decided to allocate for SPR for the fourth cycle. Responding to the question regarding decision 3 on adequate staffing for the Special Unit for TCDC, the Deputy Assistant Administrator suggested that this could be raised in the context of the review of the biennial budget estimates at the Committee's current session.

Recommendation of the Committee

64. The Committee then agreed to recommend that an amount of \$1.5 million from SPR be allocated for the promotion of action-oriented TCDC activities, as stipulated in decision 6 of TCDC/4/L.10.

65. The Governing Council subsequently adopted decision 85/26 in which the recommendation of the Committee was reflected.

F. Project development facility

66. The Chairman informed Committee members of a letter he had received from the President of the Council, noting that the Administrator proposed to establish a project development facility in UNDP and requesting the Committee to consider the financial implications thereof. The proposal had been announced by the Administrator in his opening statement to the high-level segment of the Council on 10 June 1985 and formed part of a series of measures proposed by the Administrator to improve the quality of programmes and projects financed by UNDP.

67. The Assistant Administrator, Bureau for Programme Policy and Evaluation, presented a brief summary of the proposal which he said would create a financing mechanism to be used for hiring specialized consultants who would represent UNDP in project identification, formulation and appraisal missions,

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thus ensuring an enhanced role for UNDP in those critical areas. If, as a result of the missions, a project were to be approved for UNDP financing, the costs incurred would be reimbursed to the project development facility from the approved project budget. If no project materialized, the mission costs incurred would be absorbed by the facility. The initial amount sought from SPR was \$1 million. Specific information was available in an informal paper circulated to the Committee.

Summary of the discussion in the Committee

68. Many speakers expressed support for the proposal. Many representatives emphasized the need to reinforce UNDP's technical capability as an essential element of the Administrator's overall responsibility for the Programme. They saw the proposal as offering host Governments an additional source of neutral and objective advice in project identification and formulation, which could well result in substantial savings of limited IPF resources by ensuring a more rigorous and deliberative approach to those two critical phases of the project cycle.

69. One representative stated that it was well known that project identification was usually done by the specialized agencies. If that right had been accorded to the agencies by host Governments, why had it been denied to UNDP? His Government attached great importance to project quality and welcomed the measures proposed by the Administrator in that regard. Another representative who spoke in support of the proposal stated that it did not and could not deny or supplant the role of the host Government, nor did it seek to exclude the specialized agencies. It was merely a mechanism to help the Administrator to do a better job. It is also well known that resident representatives, no matter how competent, were not equipped to advise the Government and the Administrator on all project proposals. If some countries felt that they did not need such a facility, there were others who would benefit.

70. Another representative agreed that some countries, particularly those in sub-Saharan Africa, faced certain institutional constraints that rendered assistance necessary in project identification and formulation. She stated that, in many cases, project proposals did not go first to UNDP. Only when project documents were signed or endorsed by both Government and agency did project documents arrive at the UNDP field office. By then it was too late for UNDP to intervene. Her delegation appreciated UNDP's neutral and objective advice and supported the proposal. She emphasized, however, that that should not mean cutting out the agencies but rather a joint effort by all the parties concerned. One representative noted that reports of the external auditors indicated that many projects had to be redesigned after approval, thus entailing loss of time and money not only for those countries contributing to UNDP but, equally important, for recipient countries.

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71. Other representatives, while supporting the proposal in principle, requested clarification of certain aspects. For example, how would the proposed project development facility operate in practice and where would it be organizationally located? What would be the role of UNDP? What would be the factors influencing selection of a project proposal to be the subject of a facility-financed mission? Were financing sources other than SPR considered? How had the amount of \$1 million been arrived at?

72. A number of representatives expressed reservations about the proposal and their concern that it would infringe upon national sovereignty and the host Government's responsibility for project identification and formulation as stated in the 1970 Consensus. One representative stated that while the paper recognized host Government responsibility for project identification and formulation, the real purpose of the proposal was to enhance UNDP's role in these areas. Representatives were also concerned that the proposal would involve UNDP in duplicating the work of the specialized agencies. One delegate wondered whether the fielding of missions to two or more countries, as proposed in paragraph 16, was in the interest of cost-effectiveness. Another representative noted the statement in the proposal to the effect that no new organizational unit would be created, but he was of the view that the proposed facility would create work, would need people and would expand in that direction.

73. It was emphasized that project identification and project formulation were the prerogative of the host Government. Some representatives described present procedures and their own experiences in co-ordinating UNDP assistance in their countries, emphasizing the close relationship that existed between the host Government and the UNDP resident representative. One of them stated that there were no problems of project quality in his country. Another feared that the proposal would impose a further bureaucratic burden on recipient countries, as well as delays in implementation. He felt that the proposal involved certain changes in the rules governing use of SPR and he was not sure that the Committee was the competent body to decide on that matter. He also stated that, if UNDP felt that the technical capacity of its Technical Advisory Division was inadequate, as indicated in paragraph 13 of the proposal, it could be given consideration. One representative stated that the proposal involved a matter of policy which should be discussed in detail in the Plenary.

74. One representative, speaking on behalf of a geographical group, stated that efforts to improve project quality were laudable. However, the proposal was not the way to achieve the objective. He had serious doubts that the proposal was in line with the Consensus, particularly paragraphs 6 to 11. He viewed the proposal as being directed against the rights and responsibilities

of host Governments and also of the specialized agencies. Furthermore, the amount requested from SPR was substantial and he did not believe SPR was the correct source.

75. Another representative, noting that the previous speaker had spoken on behalf of a geographical group of which his country was a member, nonetheless wished to register his own strong reservations about the legality of the procedure followed in presenting the proposal to the Committee since the paper circulated to the Committee was not an official document. The proposal for establishing the facility clearly implied expansion of the mandate given to UNDP by the Council. He did not believe that UNDP should play a more important role in project identification or formulation; that was the responsibility of the host Government. One representative inquired whether the proposed facility could be used to finance recruitment of specialized consultants available locally in the country or in the region.

76. The Chairman commented on the procedural issue. He noted that he had earlier informed Committee members of the letter he had received from the President of the Council, requesting the Committee to consider the proposal. The Chairman had as a result requested the secretariat to prepare a paper outlining the proposal. That had been done and the paper was circulated as an informal one, since time did not permit official reproduction in the required languages.

Response of the Administration

77. The Associate Administrator noted that an internal review had been conducted of the quality of projects which had led to the conclusion that, in the majority of cases, problems encountered during project implementation had their origin either in failure to carry out an in-depth analysis of the pre-project situation and of the problems to be tackled by the project, or to weaknesses in the formulation process itself which resulted in a poor or over-ambitious definition of objectives and outputs. The proposal should, therefore, be seen as an integral part of a series of measures he had initiated to improve the quality of programmes and projects financed by UNDP. The proposal represented a genuine attempt to assist Governments to determine whether the concept and formulation of projects represented the best use of very limited UNDP funds.

78. Some questions had been raised as to whether UNDP should take an active part in project identification and formulation. The Associate Administrator pointed out that the Consensus explicitly stated that "the Administrator is fully responsible and accountable to the Governing Council for all phases and aspects of the Programme." That comprised preparation of country programmes, project identification, formulation, appraisal, implementation, monitoring and

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evaluation. He emphasized that every point covered by the proposal was already within the authority and competence of the Administrator. What was at issue was the source of funding for those activities prior to approval of a project.

79. Some questions had been raised as to the role of host Governments and specialized agencies. The Associate Administrator stated that clearly nothing could be done in a country against the wishes of the Government concerned. But that was not to say that the Administrator was bound to approve all projects presented to UNDP for financing. Otherwise UNDP would become nothing more than an accounting organization.

80. In responding to queries as to how the proposed facility would operate in practice, the Associate Administrator stated that, normally, the regional bureaux would determine where use of the facility would be advisable, on the basis of reviews of country programmes or project proposals, and following the usual consultations with the resident representative and host Government. Recourse to the project development facility would be on a limited and highly selective basis.

81. The Associate Administrator noted that project identification was one of the areas that was widely commented upon. The fact that a project had been identified did not obviate the question whether, in fact, it was the best approach in trying to meet country programme objectives. Governments might well wish to have access to a facility that would provide them with an objective second opinion at that crucial stage in the project cycle. He recalled that in the "Manufactures Study" UNDP had been severely criticized for taking too passive a role in project development. The Joint Inspection Unit had levelled similar criticism at UNDP. The proposal to establish a project development facility responded, in part, to such criticisms.

82. Project appraisal was clearly an essential function of UNDP as a financing institution. The Associate Administrator recalled that he had recently directed a regional bureau to refrain from approving any more projects in a particular field involving highly sophisticated technology, until such time as UNDP was in a position to command the type of expertise needed to advise it. That was one type of situation that could be met by the facility in financing short-term services of specialized consultants. The cost factor alone warranted particular scrutiny and a validity check of certain projects before UNDP decided to finance them. It was better to spend \$20,000-\$30,000 before committing \$3 million-\$4 million, particularly in view of the very limited IPF resources.

83. Regarding organizational arrangements, the Associate Administrator stated that no new organizational unit would be created. In responding to one query as to whether the facility could be used to finance locally-recruited

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consultants available in the country or region, the Associate Administrator stated that the facility was not conceived as being restricted to financing consultants from industrialized countries. It was UNDP's policy and practice to ensure that qualified expertise available locally was used, and when an international consulting firm was engaged, UNDP might advise it to team up with a local firm or consultant because of their knowledge of local conditions.

84. With regard to the financial parameters and time-frame proposed for the facility, the Associate Administrator stated that, based on an estimated 60 missions per year at an average cost of \$20,000-\$30,000 per mission, \$1 million was being proposed for the facility during the remainder of the third cycle, i.e., from July 1985 to end December 1986. Regarding use of SPR, the Associate Administrator stated it was under the exclusive authority of the Governing Council. He cited the relevant decision of the Council which authorized the use of SPR for financing, inter alia, activities related to programme development. It would be reasonable to interpret that as applying to the type of activities proposed under the facility and, strictly speaking, the Administrator could have gone ahead without referring the matter to the Council. However, the Associate Administrator emphasized that the Administrator had always worked to build total transparency and to avoid hiding behind interpretations of Council directives and decisions.

85. Some representatives had asked why it was proposed to use SPR to finance the facility's initial operations and also whether other options had been considered. The Associate Administrator stated that normally IPF resources should be used for project identification and formulation. However, there were situations where, for example, time was a particularly important factor requiring speedy action that was not always possible under existing procedures. The Administrator should have access to some mechanism that could give him that flexibility to ensure qualitative inputs for the project development process.

86. Consideration had been given to funding the facility by levying prorated charges against country IPFs, or a percentage of total country IPFs in a region. However, SPR seemed to be a more appropriate source for this experimental period, particularly since the goal was to raise quality standards and this would of necessity involve some attrition among project proposals submitted to UNDP. He noted that the project development facility was modeled on that of the Pre-Investment Facility which was designed to operate on a revolving fund basis and which was also financed initially from SPR.

Conclusion reached by the Committee

87. The Chairman, against the background of the discussion, suggested that he should send a letter to the President of the Council stating: (a) following a review of the proposal, the Committee noted that funding up to a maximum of \$1 million was envisaged from SPR; (b) in reviewing SPR, the Committee noted that there were sufficient unallocated resources available to finance activities of the proposed facility; (c) a decision of the Council would be required in order to establish the facility, and also to confirm that the proposed use of SPR fell within the authorization contained in Governing Council Decision 80/48, paragraph 7(b).

88. The Governing Council subsequently adopted decision 85/4 in which the recommendation of the Committee was reflected.

G. Implementation of the Substantial New Programme of Action
for the 1980s for the Least Developed Countries

89. For consideration of the financial aspects of one of the matters under sub-item 4(b) of the Council's agenda, the Committee had before it a report of the Administrator contained in document DP/1985/11 and Corr.1 and DP/1985/11/Add.1. The Co-ordinator of Assistance to the Least Developed Countries, Planning and Co-ordination Office, introduced the subject to the Committee.

90. Referring to the discussion in the Plenary on the report of the Administrator, the Co-ordinator stated that only one question remained for the Committee to consider: the financing of the round-table process during the fourth programming cycle, 1987-1991. He explained that following the Paris Conference on the Least Developed Countries, the round-table meetings had been financed from a variety of sources: e.g., the Special Measures Fund for the Least Developed Countries (SMF/LDC), country-IPF resources and resources from the Trust Fund for the Special Netherlands Contribution for the Least Developed Countries. He said that the financing needs of the round-table process for the remainder of the third programming cycle could be met from residual resources in these funds.

91. The picture for the fourth cycle, however, was not so rosy from a financing standpoint. The Co-ordinator explained that from a one-time affair, the round-table meeting had evolved into a three-phase process. First, there was a round-table meeting held outside the LDC which involved UNDP, the World Bank, major donors and, of course, the LDC Government itself. Second, there was an in-country round-table meeting involving the much broader participation of, inter alia, interested donors, United Nations system organizations, NGOs,

government officials and UNDP. Third, there was the all-important follow-up to the meetings during which proposals and commitments were translated into concrete projects and programmes. Correspondingly, the costs involved were much higher: from \$80,000 to \$250,000 for the one-time round-table meetings of the past, to an average of \$500,000 for the three-phase round-table process of the present. This higher figure represented about \$300,000 for preparatory work and the holding of the round-table meeting itself; and about \$200,000 for follow-up activities.

92. The Co-ordinator said that about 25 LDCs would be involved in the round-table process during the fourth programming cycle (about 10 LDCs had consultative group meeting (CGM) arrangements with the World Bank; a few LDCs had neither round-table nor CGM arrangements). With respect to sources of financing for the fourth cycle, the Co-ordinator said that in view of the depletion of resources in the Netherlands Trust Fund during the third cycle there were only three possibilities: national IPFs, SMF/LDC and SPR. He said that the views of the Administrator regarding the only feasible way of institutionalizing the financing of the round-table process during the fourth programming cycle were set forth in paragraphs 58 and 59 of DP/1985/11. The considerations taken into account led inescapably to the conclusion that the round-table process during the fourth cycle would have to be financed from SPR.

93. The Co-ordinator stated that with an estimated average of \$500,000 required per round-table cycle, a total of approximately \$12.5 million would have to be allocated from SPR during the fourth programming cycle. He said also that the estimated figure could be as high as \$15 million if the round-table process were extended to cover developing countries other than LDCs. In any event, the recommendations of the Committee in this regard would have to be taken into account in connection with the ongoing negotiations relating to the allocation of resources for the fourth programming cycle.

Summary of the discussion in the Committee

94. While members in general expressed strong support for the round-table process and satisfaction with the improved and expanded format, several questions were raised regarding the financing of round-table meetings and also with respect to the procedure by which the meetings were convened. One member wanted to know how the costs of round-table meetings compared with those of the World Bank CGMs. He also commented on the extreme variation in the costs of round-table meetings held so far and requested that a more detailed breakdown of expenditures be provided in future, based on experience. Another member requested clarification on the source of funding for the 17 round-table meetings to be held in 1985 and 1986 and also on the reorientation of the use of SMF/LDC resources.

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95. Several members expressed the view that the costs of the extended round-table process seemed excessive and requested more budgetary details. Some members favoured the institutionalization of financing of the round-table process and stated that SPR was the most reasonable source. Other members expressed their reluctance to set a precedent for the commitment of funds from SPR at this stage. One member asked whether any savings could be realized from the round-table process. Another member questioned whether expenditures on translations were perhaps too high. One member also wanted to know who benefited from the expenditures on travel and whether any participants in the round-table meetings had their travel costs paid.

Response of the Administration

96. In response to the questions raised in the discussion, the Co-ordinator of Assistance to LDCs clarified that the remaining round-table meetings to be held in 1985-1986 would be financed entirely from residual resources in SMF/LDC and in the Netherlands Trust Fund. Together, resources from these sources would be adequate. He emphasized that the question to be decided was the source of funding for the fourth programming cycle, 1987-1991. Regarding the future orientation of SMF/LDC, the Co-ordinator confirmed that it would no longer be used to finance round-table meetings. Its resources would be used to strengthen the planning and administrative capacities of LDCs.

97. Regarding the comparison of costs between CGMs and round-table meetings, the Co-ordinator stated that it was difficult to judge since the World Bank worked in a different way. Macro-economic surveys, for example, which the Bank conducted in the usual course of its operations, were not included in the cost of CGMs as they would be with respect to round-table meetings. He also clarified that the \$500,000 figure was not an automatic allocation but a ceiling. Several LDCs had capabilities which would enable a lower level of assistance. Others would require more financial assistance which would have to be sought from other sources. In any case, it was extremely difficult to provide a detailed breakdown of costs in advance because of the extreme variations in requirements from country to country.

98. With respect to savings which could be realized from the round-table process, the co-ordinator referred to the sectoral studies which were conducted and which, in many cases, provided substantial advantages in later programming. The round-table process also enabled studies to be undertaken which otherwise would not be carried out. Regarding translation costs, he explained that documentation was translated only in the languages of the participants which included only Arabic, English and French. He also explained that in the case of travel for round-table activities, policies applicable to UNDP-financed projects applied. Budgets made provision for travel of UNDP and executing agency staff and for government officials on technical missions relating to the round-table process.

99. Providing further clarification, the Associate Administrator stressed that the Administrator was not requesting an allocation from fourth-cycle SPR but only approval of the principle of institutionalized funding from that source. A specific figure could be determined when the total amount of fourth-cycle SPR was known. He described the round-table process as a lengthy and comprehensive procedure often involving extensive information gathering. The process went from preliminary discussions with donors to a meeting in a donor country, then a meeting in the recipient country and on to wide-ranging follow-up to determine the projects and programmes to be financed. The time-frame embraced several years.

100. With reference to the cost of the round-table process, the Associate Administrator explained that after the Paris Conference, LDCs had to decide whether to utilize the World Bank CGM or the UNDP round-table meeting. The World Bank was not able to organize a CGM for every LDC, and UNDP operated on the principle that its support for the round-table process had to be the same as the Bank's for CGMs in order to ensure equitable treatment for all LDCs. Similarly, to fund round-table meetings from SMF/LDC resources would be prejudicial to those LDCs which had opted for the CGM arrangement.

Recommendation of the Committee

101. Following its consideration of the draft decision submitted to it by the Chairman of the Drafting Group, the Committee recommended that the Governing Council agree in principle to the Administrator's proposal for the financing of the cost of the various activities related to the round-table process during the fourth programming cycle, 1987-1991, from SPR.

102. The Council subsequently adopted decision 85/11, in which the recommendation of the Committee was reflected.

CHAPTER II. UNITED NATIONS FUND FOR POPULATION ACTIVITIES

103. For consideration of item 6 of the Council's agenda, the Committee had before it the following documents:

(a) Report of the Executive Director on the inclusion of the UNFPA Deputy Representatives and other field and headquarters posts into the regular manning table and on the basic manpower requirements of UNFPA (DP/1985/38 and Corr.1 and 2);

(b) Biennial budget estimates for the administrative and programme support services for the biennium 1986-1987 (DP/1985/39 and Corr.1 and Add.1);

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(c) Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1985/40);

(d) Audited accounts of participating and executing agencies (DP/1985/41);

(e) Report on the reaction of participating and executing agencies and the Panel of External Auditors in regard to narrative audit reports (DP/1985/42);

(f) UNFPA financial report and audited financial statements for the year ended 31 December 1983 and the report of the Board of Auditors (A/39/5/Add.7).

104. In introducing the item, the Executive Director expressed his appreciation to the members of ACABQ for the careful consideration of the UNFPA documentation and for their fair report. He further expressed his thanks to all donor Governments for their generous contributions to the Fund in 1984, which had resulted in the new high level of UNFPA resources of \$138.6 million for the year.

105. The Executive Director stated that careful resource planning and programme management had enabled the Fund to obtain a high level of programme expenditure. At the same time, the Fund was continuing to comply with the Council's request to increase the Operational Reserve, which stood at \$26 million as at 31 December 1984, to 25 per cent of income by 1989. Administrative expenditures at headquarters from the regular budget had amounted to \$11.8 million in 1984.

106. As requested by the Council, in preparing the biennial budget for 1986-1987, UNFPA had included, without prejudice to a final decision by the Council, all international and local staff at headquarters and in the field. As the Council had requested, the Executive Director had prepared an implementation plan and revised manning table for the bienniums 1986-1987 and 1988-1989, outlining and justifying the Fund's basic manpower requirements for those years.

107. The Executive Director noted that ACABQ had supported the proposal for the full integration of the 33 Deputy Representative and Senior Adviser on Population (DRSAP) posts into the regular budget. He was also proposing the addition of nine new DRSAP posts, primarily in Africa, over the next two bienniums (five in 1986-1987 and four in 1988-1989), which would restore the total number of such posts to 42, the number in place in 1981.

108. As regards the 1986-1987 biennium, in the field 18 international programme officers posts were proposed for integration into the regular budget, while at headquarters 13 key Professional and 28 General Service support staff in the areas of programme management, evaluation and technical support were being proposed for regularization. The Council's approval of these proposals would enable the Fund to plan its activities within the framework of a unified staffing table that would allow for more frequent transfer and reassignment of professional personnel at more regular intervals, rotating them between and among headquarters and the field. These posts, with the exception of the five new DRSAP posts proposed for the biennium, would not result in any additional costs to UNFPA, as the posts were already being financed from project funds.

109. The Executive Director's basic manpower proposals also included a small number of new posts for the two bienniums, including, for the 1986-1987 biennium, three Professional posts at headquarters in addition to the five DRSAP posts.

110. The documentation prepared by UNFPA reflected faithfully the wording of the Council's requests that it be kept fully informed of all posts funded at headquarters and in the field.

111. The Executive Director also submitted to the Council for its review and consideration the results of the reclassification of UNFPA General Service posts at headquarters and its Professional posts at headquarters and in the field.

112. Finally, while UNFPA had used a conservative approach in estimating income when preparing documentation for the Council, considerable uncertainties had arisen in recent weeks as to the possibility of obtaining the projected levels. In view of these uncertainties, delegations were requested to discuss the issues on the basis of the assumptions presented in the documentation, with the Executive Director's assurance that any decision adopted by the Council would only be implemented within the resources that would be made available to UNFPA.

Summary of the discussion in the Committee

113. Referring to the documents relating to the basic manpower requirements for UNFPA and the biennial budget for 1986-1987, many delegations expressed their appreciation for the full disclosure of information on current UNFPA staffing. At the same time, many delegations expressed their surprise and displeasure at the number of headquarters posts, many of which were of an administrative and programme support nature, that were being funded on a project basis and which were being revealed to the Council for the first

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time. One delegation stated that the Executive Director must not establish posts in the future without the approval of the Governing Council. Characterizing the practice as unacceptable, many delegations agreed with the thrust of the ACABQ report on this matter, and wished to ensure that modalities were put in place so that the Committee could adequately exercise its oversight functions by, inter alia, being informed of the intention of the Executive Director to establish any new headquarters project post prior to its establishment. Furthermore, it was stated that in the future, administrative and programme support functions should normally not be financed on a project basis.

114. Regarding the proposals for the integration of project posts and the establishment of new posts in the biennium, while some delegations supported the proposals of the Executive Director as a whole, many delegations said that they found it difficult to agree to such proposals. One delegation questioned the prudence of such proposals in view of the ongoing discussions within the United Nations system and among donors and recipients on strengthening the role of UNFPA. Any strengthening of UNFPA on the basis of the recommendations of the International Conference on Population should be considered in the context of the report on the subject being prepared by the Secretary-General. Some delegations expressed concern that UNFPA was gradually being transformed from a funding organization into an operational organization and requested that, if this were the case, a proposal on the matter should be submitted for the Council's consideration. Furthermore, the Council should receive more detailed information on the Fund's evolving operational role before making major decisions on its future manpower levels. Some delegations, noting that the proposals came at a time when future funding prospects were not as secure as they had appeared in the past, were concerned with maintaining the Fund's flexibility and with the parameters of its future operating costs. Some delegations indicated that the Committee was not in a position to pass judgment on any specific proposals regarding the 1988-1989 biennium.

115. With regard to the proposed integration of headquarters project posts and the establishment of new headquarters posts, many delegations found the justifications for most of these posts unconvincing. It was also stated that a decision on the integration of project-funded posts should only be undertaken after a discussion of the work-load of the organization as a whole, and that each post must be justified in that context. Some delegations, however, while asserting the continuing need to strengthen the Fund's policy and technical capacities, saw some justification in proposals for posts in the technical, policy and evaluation areas, including, respectively, a family planning expert, a management specialist and a technical adviser on women in population and development. Some delegations stated that additional posts in the information area were difficult to justify, and that the post dealing with the United Nations Population Award should not be financed from UNFPA funds.

Some other delegations, recalling one of the major mandates of UNFPA, emphasized the importance of and need for continuing activities by UNFPA in strengthening awareness of population questions and supported the proposals for additional information posts.

116. Some delegations spoke in favour of a gradual and selective integration of UNFPA field posts into the regular budget. It was stated that UNFPA should not establish a field structure separate from that of UNDP, as population should continue to be embedded in the overall development efforts of the United Nations. Many delegations supported the Executive Director's proposals for the integration of 33 DRSAP posts into the regular budget. Some delegations also supported the regularization of the posts of the international programme officers, with some supporting the integration of all 18 posts and some supporting the integration of the 9 posts in countries where there was currently no DRSAP. In addition, several delegations supported the establishment of three of the five proposed DRSAP posts, namely, those proposed for African countries, and a few spoke in favour of all five proposed new posts, including one in Latin America. One delegation stated that UNFPA should be strengthened within its present resources. The importance of clear criteria for the selection of the location of field posts was stressed. One delegation expressed concern that the locations of the proposed new DRSAP posts in Africa were the same as those for those being proposed to strengthen UNDP field offices. It was suggested that the Committee might decide on the total number of posts, leaving decisions regarding location to be considered within the context of discussions on programme matters. One delegation, supported by others, suggested that DRSAPs be deployed in such a way that their fields of expertise would be complementary within each region. Some concern was expressed regarding the feasibility of rotation of DRSAPs with headquarters staff, in view of the smaller number of posts at headquarters at levels equivalent to those eventually foreseen for DRSAP posts.

117. With respect to the proposed integration, many delegations emphasized the importance of distinguishing posts from incumbents. In this regard, the qualifications of the DRSAPs were of great concern, and it was stated that rigorous criteria should be set for recruitment. Integration of these posts was not to be taken to imply necessarily the regularization of current incumbents. It was also stated that a clear personnel policy must be put in place with regard to recruitment and assignment of staff.

118. As concerns the biennial budget for 1986-1987, many delegations expressed concern with the rising level of administrative costs, although some noted that the level in the proposed budget was within the range of other multilateral assistance organizations with similar types of operations. Several delegations also stated that the real administrative costs and the number of staff should be related to total programme delivery and not simply to

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income. Several delegations questioned the budget increases in such areas as travel, hospitality, communications and temporary assistance. A number of delegations requested that, in future, a consistent differentiation be made between "volume" related increases and statutory or inflationary increases for individual objects of expenditure for each organizational unit. It was, furthermore, requested that, in future budgets, field support costs be disaggregated, with a separate table presented for each field office. The Executive Director was also requested to take steps to improve the comparability of the UNFPA budget with those of other United Nations organizations, particularly with UNDP and UNICEF. One delegation, expressing concern with the lack of income data in the budget, noted that in the past, UNFPA had not submitted to the Committee an independent report on its financial situation, and requested that it do so in future.

119. Several delegations expressed their concern over the pending reclassifications of UNFPA staff, noting that a much higher percentage of UNFPA staff was being proposed for upgrading as compared with the results of the exercise for UNDP staff. One delegation said that the salary increase for General Service staff resulting from the implementation of the new grade structure should not be made on a retroactive basis. One delegation stated that the Council had not delegated to the Classification Panels its prerogative to decide staffing levels. Several delegations stated that the job classification for Professional posts should be implemented up to the P-5 level only, in order not to prejudge the discussion of the comprehensive report on personnel management to be submitted to the Council at its thirty-third session.

120. With regard to the audit reports of the participating and executing agencies, additional information was requested on the procedures for advancing funds to executing agencies. One delegation, indicating his dissatisfaction with the reaction of the Panel of External Auditors to the queries of UNFPA regarding the institution of long-form narrative audits, requested that the Panel's affirmative reaction be sought once more.

Response of the Administration

121. In response to delegations' queries and comments, the Executive Director assured the Committee that the proposals under consideration in the Committee had been arrived at from discussions of the present programme and mandate of UNFPA, and were not related to eventual steps to be taken towards the future strengthening of UNFPA as a result of the recommendations of the International Conference on Population. The latter was a separate matter to be considered in the Plenary of the Council. The present proposals had been made without prejudice to the outcome of discussions within the United Nations and in intergovernmental fora. Regarding integration of project posts, he reminded

the Committee that UNFPA had been authorized by the Council to establish project posts and had never been asked by the Council to seek approval on those posts. When asked by ACABQ several years ago to provide information on project posts, UNFPA had done so. For the record, DRSAP posts had been regularly reported to the Council in an annex to the budget document. The Executive Director also emphasized the mandate of UNFPA in building and strengthening awareness of population questions.

122. The Deputy Executive Director emphasized that UNFPA had no intention of establishing a field structure separate from that of UNDP, noting that UNFPA field staff hold, and would continue to hold, UNDP contracts, and that the UNDP resident representative also served as the UNFPA representative. The goal of the UNFPA proposals was to strengthen the servicing of population matters within an integrated field office. Regarding questions as to the operational role of UNFPA, he emphasized that although UNFPA was primarily a funding organization, it was also charged with making judgments on the soundness of proposed projects and programmes and, thus, required a degree of substantive expertise and field representation.

123. He emphasized the priority the UNFPA administration attached to the regularization of the DRSAP posts, as well as of the international programme officers in the field. He assured the Committee that UNFPA would distinguish between any regularized posts and their incumbents and that the qualifications of personnel would be subject to rigorous scrutiny by the appointment and promotions bodies. He also stated that UNFPA would draw up explicit personnel policies in these areas which would be reported to the Council. While rotation of headquarters and field staff presented some difficulties due to the low "critical mass" of UNFPA staff and the low turnover rate, the regularization of the international programme officer posts in the field would increase the potential for rotation. If approved by the Council, UNFPA would in general follow the UNDP reassignment policy, although it would have to be applied flexibly due to the difference in the ratio of headquarters and field posts between the two organizations. With regard to the project-funded headquarters personnel, he stated that they had been established through slow accretion based on work-load needs as well as other factors. Details were provided concerning posts to be integrated into the regular budget. The information in the manpower document and in the budget regarding new or integrated posts for the 1988-1989 biennium were notional only, and had been included to allow for a medium-term planning perspective beyond the upcoming biennium, as requested. Thus, the Committee was not expected to take a decision regarding the 1988-1989 biennium.

124. Regarding the criteria for selecting the location of DRSAP posts, and particularly those posts proposed for Africa, the Assistant Executive Director stated that a criterion considered, in addition to strictly programme

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considerations, was the ease of transport and communication with neighbouring countries in the region, as DRSAPs usually covered a number of countries. As to the qualifications of those who would occupy DRSAP posts, political sensitivity and skills should also be considered. Regarding the role of UNFPA as an executing agency, she explained that most UNFPA project execution covered certain components of government-executed country programmes, particularly the procurement of contraceptives. Speaking on the matter of headquarters-field rotation, she explained that in the past, staff had been recruited either for a particular headquarters post or for a field position. The regularization of field posts, with headquarters and field staff having the same contractual status, would enable UNFPA to recruit for world-wide assignment.

125. Supplementing the information provided in the manpower document, the Deputy Executive Director emphasized the needs in the policy, technical, evaluation, programme and information areas. He also acknowledged the Committee's concern with the post dealing with the United Nations Population Award, and agreed that the functions would be absorbed into the work-load of staff on the regular budget.

126. With regard to the budget, the Deputy Executive Director acknowledged and stated that he shared the Committee's concern with rising administrative costs. He stated his intention to reduce a number of the increases proposed, as per the comments in the Committee, and to follow the Committee's requests as to the format of the budget presentation in the future. Information on the Fund's financial situation, including income data, would in future be included in an introductory section of the budget document. A modality for making headquarters project posts known to the Council would also be devised. He also agreed that UNFPA would report to the Committee on the Fund's operational role.

127. Referring to the Committee's concerns regarding the post reclassification exercise, the Deputy Executive Director stressed that it had been undertaken by the same Classification Panels that had done the reclassifications for UNDP staff, using the same criteria. Furthermore, it had been a reclassification of posts, not incumbents. In bringing the matter before the Council, UNFPA had been seeking general principles to be applied, with the assumption that they would be the same as those applied to UNDP.

128. The Deputy Executive Director also gave an oral report on the report of the Board of Auditors, to which he had responded before the Fifth Committee of the General Assembly. UNFPA, along with UNDP, had reduced the standards for travel in accordance with the report. The Board's concerns regarding UNFPA field operations had been taken into account, and project execution had been strengthened. With respect to internal audit, in consultation with UNDP, with

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which UNFPA shares internal audit services, UNFPA had strengthened both audit planning and coverage. UNFPA had also complied with the Board's recommendation regarding the hiring of former staff members as consultants.

Recommendation of the Committee

129. Following its consideration of this item, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the 1986-1987 biennial budget estimates for administrative and programme support services of the United Nations Fund for Population Activities (DP/1985/39 and Corr.1 and Add.1), the report of the Executive Director on the inclusion of the Fund's deputy representatives and other field and headquarters posts into the regular manning table and on the basic manpower requirements of the Fund (DP/1985/38 and Corr.1 and 2), together with the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1985/40),

Recognizing the importance of the Fund's field staff in the Fund's efforts to assist developing countries to increase their self-reliance in population matters, as well as the importance of regular rotation between headquarters and field Professional staff,

Having taken into account the views and comments of Members of Council on the documentation before it,

I

(a) Approves appropriations in the amount of \$36,643,669 net to be allocated from the resources of the United Nations Fund for Population Activities to finance the 1986-1987 administrative and programme support services as follows:

<u>Programme</u>	<u>United States dollars</u>
Executive direction and management	3 727 405
Administration and information support services	10 844 565
Programme planning, appraisal and monitoring	17 154 077
Field programme support	4 917 622
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Total net	<u>36 643 669</u>

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(b) Authorizes the Executive Director to transfer credits between programmes within reasonable limits, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions;

(c) Requests the Executive Director during the biennium 1986-1987 to keep the administrative and programme support services costs to a minimum, including a reduction in travel and communication costs as recommended in paragraphs 36 and 37 of the report of the Advisory Committee, as well as hospitality costs, all of which are reflected in the above figures, with the intention of holding down the ratio between administrative costs and total costs, particularly in the light of the resource situation;

(d) Requests the Executive Director to prepare a comprehensive report on personnel management and recommendations thereon to be submitted to the Governing Council at its thirty-third session; this report should, inter alia, include: a study of the link between the work-load and personnel structure in the United Nations Fund for Population Activities; priorities in order to strengthen specific areas of the Fund, according to Governing Council decision 83/17 III, paragraph 6; career development; feasibility of redeployment of posts and rotation of personnel between the field and headquarters, and recruitment policies;

(e) Requests the Executive Director to present to the Governing Council for approval, at its thirty-third session, draft guidelines for what should be regarded as project-related personnel expenditures and consequently budgeted as project costs and what should be regarded as administrative-related personnel expenditures and consequently budgeted as administrative costs;

(f) Decides to establish in the regular administrative and programme support services budget for the biennium 1986-1987 the following new posts: (i) 33 Deputy Representative and Senior Advisers on Population (DRSAP) posts of which 17 could be filled in 1986; (ii) 9 International Programme Officer posts in those countries in which no DRSAP post exists; (iii) 10 Professional posts at headquarters, namely a Programme Officer for the Asia and Pacific Branch, a Chief, Budget and Management Analysis Section, a Senior Management Specialist, a Senior Family Planning Specialist, an Evaluation Officer, a Programme Officer for the Africa Branch, two Procurement Officers, a Policy Officer and a Technical Officer, with all corresponding posts currently financed by project funds to be abolished;

(g) Also decides that all new posts established within the budget under paragraph (f) above shall be filled in accordance with established criteria governing appointments as stipulated under the United Nations Staff Rules and United Nations Development Programme personnel policies and practices;

(h) Decides that no further project-funded posts shall be established at headquarters without prior approval of the Council, pending the approval of the guidelines called for in paragraph (e) above;

(i) Decides that the project-funded Professional posts at headquarters shall be abolished upon the expiration of the contracts of the current incumbents, with the exception of the minimum number of posts absolutely necessary for the operations of the Fund, contracts for such posts may be extended until the end of 1986;

(j) Further decides that headquarters General Service project-funded posts which are vacant, as well as those which, upon the expiration of the contracts of the current incumbents, are, in the judgement of the Executive Director, not essential for the operation of the Fund, shall be abolished and that consideration of the remaining project-funded General Service posts be deferred until the thirty-third session of the Governing Council;

(k) Decides that, in principle, the new DRSAP posts mentioned in paragraph (f) above shall be established up to the P-5 level; any further upgrading of such posts to the D-1 level shall be submitted to and approved by the Governing Council;

(l) Requests the Executive Director to report to the Governing Council at its thirty-third session on the implementation of the decisions outlined in paragraphs (f) to (k) above, particularly paragraph (f)(i), including justification for any remaining project-funded posts at headquarters;

(m) Authorizes the Executive Director to implement the results of the job classification exercise and the new salary scale for General Service staff of the United Nations Fund for Population Activities when such results are implemented by the Secretary-General for the United Nations General Service and with the same effective date;

(n) Authorizes the Executive Director to implement the reclassification results for Professional posts effective 1 January 1986.

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II

Having considered the format of the biennial budget estimates for the 1986-1987 biennium as contained in documents DP/1985/39 and Corr.1 and Add.1,

Requests the Executive Director, when presenting the financial and budgetary situation of the United Nations Fund for Population Activities, to follow the guidelines used by the United Nations Development Programme, in particular:

(i) To use identical parameters and designations, where feasible, for the presentation of basic financial and budgetary data and to present to the Council at its thirty-third session a prototype for an improved format of future budgets, taking into account the comments made in the Budgetary and Finance Committee during the thirty-second session of the Council;

(ii) To present to the Governing Council at each session, in addition to the biennial presentation of budget proposals, documentation containing the annual financial review including, for information, extrabudgetary resources, as well as revised budget estimates, if any.

III

Having considered the audited accounts of the participating and executing agencies related to funds allocated to them by the United Nations Fund for Population Activities as at 31 December 1983 (DP/1985/41) and the reaction of participating and executing agencies and the Panel of External Auditors in regard to narrative audit reports (DP/1985/42),

(a) Takes note of the audited accounts of the participating and executing agencies;

(b) Requests the Executive Director to reiterate to agencies the importance attached by the Governing Council to long-form narrative reports, and to continue his efforts to obtain these reports from the participating and executing agencies and the Panel of External Auditors.

130. The Governing Council subsequently adopted decision 85/20.

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CHAPTER III. OTHER FUNDS AND PROGRAMMES

United Nations Development Fund for Women

131. For its consideration of the financial and administrative aspects of item 8(i) of the Council's agenda, the Committee had before it a report of the Administrator on the United Nations Development Fund for Women (UNDFW), formerly the Voluntary Fund for the United Nations Decade for Women (DP/1985/68). Introducing the subject, the Associate Administrator referred to General Assembly resolution 39/125 by which UNDFW, formerly managed within the United Nations Department of International Economic and Social Affairs, was established as a "separate and identifiable entity in autonomous association with UNDP". He stated that the Administrator initially proposed certain working arrangements similar to those in existence with other funds under his authority, whereby the Fund would have functioned within the organizational framework of UNDP while retaining its independent mandate. This was not accepted and resolution 39/125, which set up the Fund under its new mandate, had in the Administrator's view created an anomalous position regarding his authority. On the one hand, the resolution stipulated that the Administrator was "accountable for all aspects of the Fund's management and operations". On the other hand, the resolution directed him to "delegate the management of the Fund and its administration, including responsibility for resource mobilization, to the Director who shall have the authority to conduct all matters related to its mandate and who shall be accountable directly to the Administrator".

132. Noting that these policy issues would be addressed in the Plenary, the Associate Administrator confined his remarks to budgetary and financial matters. Because time had not allowed the preparation of a 1986-1987 budget, he said that he had written the Chairman of ACABQ proposing the following:

(a) In order to provide the necessary leadership to the Fund, one P-5 post should be reclassified to D-1 and the appointment thereto of the Director of the Fund should be made. An early appointment was needed not only to see to the transition of the old Fund to the new, but to ensure that the work of the Fund continued on an uninterrupted basis;

(b) A budget for 1986-1987 in the approved format should be prepared and submitted to ACABQ at its autumn 1985 session and the Governing Council should agree at its present session that it would consider this budget and the report of ACABQ at its organizational meeting in February 1986. The new budget would be effective from 1 February 1986, resulting in a delay of one month, compared with a commencement as from 1 January 1986;

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(c) In the interim period up to 31 December 1985, the budget approved by the General Assembly for the old Voluntary Fund would continue with the exception of the D-1 post previously mentioned.

The Chairman of ACABQ had replied stating that the Committee was not at that time in a position to comment on the reclassification of the P-5 post to D-1. The Committee agreed to the other proposals referred to in (b) and (c) above.

133. The Associate Administrator said that energetic action was required to put the new Fund on a proper footing. He, therefore, recommended that the Budgetary and Finance Committee accept his proposals. The Associate Administrator made a clarification with regard to his communications with ACABQ. Although the Consultative Committee on the Fund had recommended an additional post at the D-1 level, the Administrator was of the view that until the budget for 1986-1987 was prepared and the present review of the accounts and finances of the Fund was complete, there should be no additional post. This matter would be dealt with in the 1986-1987 budget proposal. In this connection, the Associate Administrator wished to highlight that whereas the authorized budget for the Fund provided for four Professional and five General Services posts, two additional Professional staff were employed and financed from project funds. The Administrator would incorporate this information in his submission of the 1986-1987 budget proposals so that the totality of the staffing of the Fund could be reviewed.

Summary of the discussion in the Committee

134. One member, speaking both on behalf of the five member States of the Consultative Committee on the Fund which represented the five regional groups, and in her delegation's capacity as Chairperson of the Consultative Committee, referred to the autonomous association of the Fund set forth in General Assembly resolution 39/125, and requested UNDP to accord proper attention to the Fund. The Committee, which had participated in the General Assembly decision, strongly supported the Administrator's proposals as an interim measure. She wished to be reassured that the Fund's activities would have no interruption, and that its unique expertise in the area of development assistance to women would be preserved and strengthened. A continuing dialogue with UNDP was considered crucial in this regard.

135. Several members expressed their concern that the transfer of the Fund to UNDP should not entail additional administrative costs. Efforts to economize by utilizing the common services of UNDP should be exercised to the maximum. In this way, the greatest amount of resources possible could be devoted to projects.

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136. With regard to organizational arrangements, one member indicated his preference to have the Fund treated in the same way as the other special purpose funds under UNDP, such as UNCDF, UNRFRNRE, etc. This implied that the Fund should organizationally be part of the Bureau for Special Activities. Several members, while recognizing that the subject of General Assembly resolution 39/125 would be brought up in the Plenary, expressed the view that the Administrator's concerns were valid. From their point of view the final authority of the Administrator over the Fund's management could not be questioned, if he were to exercise appropriately his responsibilities. Some members emphasized that the intent of the General Assembly resolution should be fully respected.

137. A number of delegations commented on the proposal to upgrade the P-5 post to D-1. Several members supported the proposal and saw it as a required move to ensure proper management of the Fund and considered it fully justified. Some other members questioned the rush and supported the ACABQ intent to review the issue as part of the 1986-1987 budget submission. Some questioned whether it was proper to inaugurate the Fund's transition to UNDP with increased cost by upgrading the post. One member sought greater clarity on what the Fund had done and intended to do. He was concerned that the Fund should not overlap into activities which were within the mandates of other United Nations organizations. Others raised questions regarding specific budget items such as office accommodation and General Service staff.

138. Several members voiced their strong support of the forthcoming link between the Fund and UNDP, noting that any pending policy issues could be clarified in the discussion in the Plenary. Several members also sought clarification with respect to what appeared to be a particularly high ratio of administrative costs compared with programme costs. In connection with the staffing of the Fund, some members expressed concern over the employment of staff financed by project funds and welcomed the Administrator's intent to highlight this issue in the 1986-1987 budget presentation so that both ACABQ and the Governing Council could review the matter.

Response of the Administration

139. In response to the various questions raised by members during the discussion, the Associate Administrator, with regard to the post of Director of the Fund, explained that based upon review of the functions and responsibilities of the post, as also compared with other heads of trust funds, the job classification analysis made by the Division of Personnel of UNDP confirmed that the post would be appropriately classified at the level of D-1. He emphasized that UNDP was not proposing a new post at this level but the reclassification of an existing P-5 to D-1. With regard to the financial statement attached as annex VII to his introductory statement, he pointed out

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that this was a reproduction of a statement prepared by the United Nations Office of Financial Services. UNDP had reconstructed the statement according to UNDP accounting practices and this was distributed in the Committee during the discussion. This reconstructed statement put in a different and better light the use of the Fund's resources going to project costs as distinct from administrative and programme support costs. The Associate Administrator, referring to the statement, pointed out to the Committee the healthy financial state of the Fund. He also reiterated that with the transfer of the Fund to UNDP, its financial statements would be prepared in the same fashion as those for other trust funds administered by UNDP.

Recommendation of the Committee

140. Following its consideration of this item, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Recalling General Assembly resolution 39/125 of 14 December 1984, by which the Assembly decided, inter alia, that the activities of the Voluntary Fund for the United Nations Decade for Women should be continued through establishment of a separate and identifiable entity, designated the United Nations Development Fund for Women, in autonomous association with the United Nations Development Programme and that the modalities for the future management arrangements, as contained in the annex to the resolution, should enter into force at the latest on 1 January 1986,

Noting the Administrator's proposal to classify the post of Director of the Fund to the D-1 level,

(a) Welcomes the arrangements made by the Administrator to accept the responsibility for the United Nations Development Fund for Women as of 1 July 1985;

(b) Requests the Administrator to prepare the 1986-1987 biennial budget estimates in respect of the Fund for review by the Advisory Committee on Administrative and Budgetary Questions at its continuing fortieth session, September-December 1985;

(c) Decides to consider the 1986-1987 biennial budget proposal for the Fund, as well as staffing matters, at its February 1986 organizational meeting;

(d) Authorizes the Administrator to maintain the current level of staffing and budgetary expenditures pending approval by the Governing Council of the 1986-1987 biennial budget;

(e) Requests the Administrator to report to the Governing Council on an annual basis on the establishment of administrative arrangements relating to the association of the United Nations Development Fund for Women with the United Nations Development Programme.

141. The Governing Council subsequently adopted decision 85/33.

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

A. Annual review of the financial situation, 1984

142. For its consideration of item 9(a) of the Council's agenda, the Committee had before it the report of the Administrator (DP/1985/54), which provided a comprehensive financial review of the activities financed from the UNDP account during 1984, the financial position at the end of the year and a forecast of activities in 1985 and 1986. The report also included information on flexibility arrangements for agency support costs, the status of the Reserve for Construction Loans to Governments and management and other support services. In addition, an addendum to the report (DP/1985/54/Add.1) provided data on the flow of contributions to and payments from the UNDP system in 1984 in respect of each participating Government.

143. In his introduction, the Associate Administrator stated that the UNDP financial situation at the end of 1984, as reflected in the financial statements, was good but that there were shortfalls across the board in both income and expenditure compared with the forecasts provided to the Council at its thirty-first session. Income received from voluntary contributions was almost \$53 million less than planned, primarily because the United States dollar strengthened further in 1984, reducing the value of the pledges in other currencies, and because several pledges for 1984 were not paid before the end of the year. IPF programme expenditures were \$63 million less than the target, representing a reduction of 6.3 per cent from the previous year. The Associate Administrator described several reasons which contributed to this decline, the most important being the strength of the United States dollar vis-à-vis other national currencies which resulted in the recording of lower expenditures than would otherwise have been the case. In addition, cautious planning by UNDP and Governments resulted in the aggregate build-up of budgets not reaching the targets for the year. Also, in the face of a shortfall in anticipated income, UNDP management at headquarters did not wish

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to take any steps which might result in a level of expenditures not commensurate with income actually received. Another reason was that in a significant number of countries conditions were unfavourable for programme delivery because of natural disasters, civil disorder and other security-related problems.

144. The Associate Administrator stated that UNDP was concerned about reductions in programme expenditures and in the rate of implementation in recent years and had, therefore, initiated a joint study with executing agencies to identify operational measures which might be undertaken to improve delivery in 1985 and future years. A UNDP mission to the agencies had been undertaken early in 1985 and a mission report which included several recommendations had been prepared. On the basis of this report, follow-up actions involving UNDP field offices, agencies and Governments had been initiated. One important immediate step taken related to the establishment of programming targets for the years 1985 and 1986 taken together, rather than annual targets as had been the practice hitherto. In addition, several improvements in UNDP and agency practices for budgeting, monitoring and delivery of UNDP-financed projects would also be implemented. In this context, the Associate Administrator stated that the study had also identified several areas in which the co-operation and assistance of the recipient Governments were needed. These related primarily to providing expeditious clearances of agency candidates for expert positions and in nominating qualified candidates for training programmes. The Associate Administrator further stated that UNDP and the agencies, in co-operation with recipient Governments, would take the necessary steps to achieve real improvements in project quality and implementation in the coming years. Accordingly, UNDP had established targets for expenditures of \$500 million in 1985 and \$540 million in 1986. However, as 1986 was the last year of the third programming cycle, the overall goal of UNDP was to achieve a level of delivery for 1985 and 1986 taken together which would permit the attainment of targets for the third cycle as well as provide a smooth transition to the fourth cycle. Thus, while there might be a shortfall in 1985, UNDP hoped to achieve the combined targets for 1985 and 1986 taken together.

145. On another matter, the Associate Administrator informed the Committee that, when faced with the question of the appropriate exchange rate to be used by the United Nations system in a country which used multiple rates, UNDP took the position that it was entitled to the most favourable legal rate of exchange so that any advantage arising from the existence of such multiple rates would accrue to the organization and permit it to make the most efficient use of international funds. To date, all countries except one had accepted this position and negotiations with that country were currently in progress. The Administrator presented a comprehensive paper for informal

discussions on UNDP's cash and currency management procedures in response to requests for additional information on this matter from members of the Committee.

Summary of the discussion in the Committee

146. Many members expressed disappointment at the continuing decline in programme delivery and the inability of UNDP to meet established targets for IPF expenditures. Several members welcomed the explanation provided by the Associate Administrator in his introduction and stated that the study that UNDP had undertaken with the agencies was a step in the right direction and had produced useful information and analyses. However, referring to the report of the UNDP mission to the agencies which had been made available on an informal basis to members of the Committee, several members questioned whether some of the factors identified in the report were not present in previous years also, and if so, whether they had been taken into account in the forecast provided to the Council. Some members stated that the trends described in the report were long-term in nature and that their impact would continue to be felt in future years. In that context, several members referred to the imprecision in prior forecasts of expenditure and wondered whether the targets for 1985 and 1986 would also prove to be optimistic. Many members, however, welcomed the caution exercised by the Administrator in his management of the programme and his efforts to keep expenditures in line with resources. One member, though, stated that he was disappointed by the pessimism and caution shown by UNDP and suggested that a certain amount of overprogramming authority should be provided to the resident representatives to achieve an increase in programme delivery. Many members stated that the conclusions and recommendations in the UNDP mission report should be followed up on and improvements in programme delivery and quality achieved. Two members referred to the difficulty of accelerating a programme which had been declining for many years and stated that efforts to merely increase expenditures, without regard to the quality of the programme, would be inappropriate. One member expressed concern with respect to the level of resources held by UNDP.

147. In discussing other supplementary programmes in the UNDP account, some members expressed concern at the proposal to centralize management of SMF/LDC and also at the increase in the balance of resources held by UNDP for this fund. One member enquired why SPR were not yet fully allocated and requested information on the various proposals made by the Administrator at this session for utilization of these funds. Another member inquired as to the reasons for the significant variations in income and expenditure relating to the cost-sharing programme.

148. Several members expressed satisfaction with the net flow report provided to the Council as an addendum to the financial review document and requested that the report be provided in future years. One member suggested that the report should provide more detailed information including ratios, analyses and comparisons. Another member requested that the report should identify separately funds provided in non-convertible currencies from those provided in hard currencies. Another member, however, considered the report in its present format useful, and suggested that the report should be kept simple.

149. Several members welcomed the use made by UNDP of the management services modality and encouraged the Administrator to increase and extend its use. Commenting on the status of the Reserve for Construction Loans to Governments, some members inquired as to why so few requests for loans had been received from Governments and asked for clarifications on the proposals of the external auditors in this regard.

150. Many members expressed concern at the low rate of return on UNDP investments and asked for the reasons for the loss resulting from exchange rate changes, in particular with respect to funds held for operational reasons and funds held in the Operational Reserve. Several members requested that more detailed information and explanations be provided to the Committee on the subject. Several others questioned the composition of the Operational Reserve and UNDP use of cash-management techniques. Several members pointed out that currency management was an extremely complex matter and that other organizations had recorded even greater losses on exchange rate changes. They suggested that experts in cash management be requested to study the subject and that the Committee itself should not discuss this technical matter any further. Several members, however, reiterated their interest in receiving more information from UNDP on the subject with particular reference to those decisions of the Governing Council which might limit UNDP in its investment practices and its ability to manage its currencies to maximum advantage.

151. Several members expressed their concern at the high level of outstanding balances of pledges and inquired whether payment schedules were being provided by many Governments. One member feared that a possible trend towards late payments and non-payment in the current year might be developing and appealed to Governments to make early and prompt payment of contributions. One member indicated that the reason for the delay experienced by his Government was a fiscal year different from that of UNDP and the fact that the contribution was denominated in United States dollars which resulted in budgetary difficulties because of the strength of that currency. One member asked for an explanation for the high level of balances held by the field offices and agencies in their accounts and inquired what steps were being taken to keep those balances to the minimum. Several delegations supported the present conservative policy of UNDP as presented in the information concerning managing a global cash

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management system, while others indicated that they would favour UNDP taking a slightly more aggressive role in the management of its funds. The latter expressed interest in the possibility of UNDP's involvement in currency options as a form of insurance to protect UNDP from the currency losses reported by UNDP due to the volatility that had characterized the financial markets over the last few years.

152. Several members expressed their disappointment that there were no reductions in the balances of accumulating non-convertible currencies and inquired what further steps the Administrator had taken in response to Governing Council decision 84/31 on the subject. One member stated that UNDP should not accept any more contributions in non-convertible currencies, and in fact should return the balances to the countries which made the contributions. One member speaking on behalf of those countries contributing in non-convertible national currency indicated that the issue was not the form of the contribution but its utilization. He indicated that in light of the needs of developing countries, particularly those in Africa, he would invite the Administrator and other United Nations organizations to make every effort to use these contributions fully and effectively.

Response of the Administration

153. The Associate Administrator, in responding to the observations made by members of the Committee, pointed out that, looking at the historical sequence of programme delivery during the last 10 years, it was apparent that a weak United States dollar during the period 1977-1981 resulted in annual increases in financial delivery, and that the converse was true when the United States dollar had been strong. Also, there had been a tendency to underestimate rates of inflation when inflation was going up and also to overestimate it when it was declining. He further pointed out that decisions on project costing and budgeting were made individually for more than 4,000 projects and that any overexpenditure or underexpenditure in the aggregate was the cumulative effect of those individual decisions. During 1984, UNDP management staff concerned with aggregate resource planning had to take into account two factors: an anticipated shortfall in receipt of income; and a forecast of expenditures by the agencies indicating, as late as July of the year, that expenditure targets would be largely met. As a result, UNDP did not initiate steps which might result in expenditures exceeding available resources in the event those forecasts turned out to be overly optimistic. Commenting on the forecasts for 1985 and 1986, the Associate Administrator stated that, indeed, the estimate for 1985 might prove to be optimistic but that an effort would be made to achieve the targets for 1985 and 1986 taken together. He further stated that any unspent IPF resources for a country (at the 55 per cent level) from the third programming cycle would be carried forward to the fourth cycle, and would constitute a first claim against the resources available for that

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cycle. The Associate Administrator added that UNDP intended, with the co-operation of the agencies, to implement several improvements suggested in the report of the UNDP mission to the agencies.

154. Responding to the questions relating to SMF/LDC, the Associate Administrator explained that projects were financed from that Fund on a fully funded basis and, therefore, the balances in the Fund would necessarily include amounts set aside for approved projects which had been committed but not yet expended. He added that the Administrator had made several proposals regarding the purposes for which that Fund might be used and the manner of allocation of the Fund. The proposal for central allocation of funds required a slight departure from the rigid pro-rata allocation of funds to eligible countries based on their IPFs. Such central management would provide greater flexibility to the Administrator to allocate funds to the countries which were best able to utilize them effectively, ensuring however that within a five-year period all eligible countries would receive their allocations in line with their IPFs. Referring to SPR, the Associate Administrator explained that those funds could be used only for purposes designated by the Council. The Administrator had recently increased the limit for allocations for rehabilitation following natural disasters to \$500,000. He also pointed out that the Council had not yet allocated an amount of \$8.9 million of the funds earmarked for TCDC and other contingencies under SPR. As to the variations from projections in 1984 relating to the cost-sharing programme, the Associate Administrator stated that the estimate of income had been based on project budgets which had been overstated in that year as several Governments preferred, for their own budgetary reasons, to make provisions for the entire project in the first year of operation. In making the estimates for 1985 and future years, that factor had been taken into consideration.

155. The Associate Administrator thanked the members for their favourable comments relating to the net flow report. He added that the report would also be produced next year, and would incorporate several new features which some members had requested, within the limits of the availability of information and cost of production.

156. The Associate Administrator welcomed the observations made by several members relating to the use of the management services modality. He stated that UNDP would continue to make use of the modality in appropriate cases, reviewing each request for such assistance carefully on a case-by-case basis. He added that an advisory group had been established within UNDP to advise the Administrator on each proposal. In all cases, UNDP would ensure that an appropriate management fee would be charged to reimburse UNDP fully for the cost involved.

157. With reference to several questions raised by members relating to the return on investment of UNDP funds, the Associate Administrator stated that the return achieved by UNDP reflected market trends in 1984. The average rate of interest of United States Government three-month treasury bills dropped 2 per cent in 1984 and non-dollar rates also went down. In addition, as measured by the trade-weighted International Monetary Fund (IMF) index, the United States dollar increased in value by 7.9 per cent against all currencies in 1984 compared with 5.8 per cent in 1983. He further added that, in accordance with previous understandings with the Council, UNDP maintained 50 per cent of its Operational Reserve in holdings other than the United States dollar and, therefore, exchange losses resulting from those holdings, which were significant in 1984, could not be avoided without a change in those understandings. Similarly, guidelines of the Council require that funds received in certain currencies, which would be later needed for UNDP operational purposes, should be maintained in the original currencies themselves and not moved out of those currencies for speculative reasons. Thus, the losses resulting from these holdings for operational purposes, which were also significant in 1984, could not be avoided. The losses on holdings of non-convertible currencies were also obviously unavoidable. Thus, the major part of the losses in 1984 were outside the control of UNDP. The only loss in 1984 which resulted from UNDP handling of funds is described as "other losses" in paragraph 18 of document DP/1985/54 and amounted to only \$1.4 million. Furthermore, inasmuch as the currencies concerned were eventually used to make payments in the same currency, most of the losses recorded could be considered as "book losses". The Associate Administrator added that UNDP was ready to provide any further information or technical briefings to interested members on the cash management practices of UNDP. In that context, he invited Governments to provide a group of central bank experts to UNDP for a short period of time for the purpose of studying and making improvements to UNDP investment and currency management practices.

158. With regard to payment of voluntary pledges, the Associate Administrator stated that many Governments had maintained agreed payment schedules which in the main were followed. He pointed out that in 1983, Governments which usually paid only in the first quarter of the following year had made their payment in 1983 itself. However, that had not been the case in 1984 and, as a result, the UNDP estimate of income had not been realized.

159. With regard to holdings of non-convertible currencies, the Associate Administrator reiterated the problems which had prevented their full utilization despite the best efforts of UNDP. He pointed out that, unlike UNICEF and other organizations, UNDP was bound by the IPF system which did not lend itself to utilization of those currencies. He also stated that the requirements for international competitive bidding in procurement of goods and services was another factor which prevented UNDP from utilizing those

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currencies. He added that UNDP had explored many operational modalities in an effort to use those funds but that at the current stage there was little more that UNDP could do given its present legislation.

160. Commenting on the Reserve for Construction Loans to Governments, the Associate Administrator stated that no new loans had been made in 1984. The recipient Governments had encountered problems in carrying out their obligations required by the Standard Loan Agreement, especially as they related to having a fully serviced site ready for construction. He added that the external auditors had suggested that UNDP permit the charging of the loan with the costs of preparing the site and that UNDP agreed with that suggestion.

Recommendation of the Committee

161. Following its discussion, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Taking note of the report of the Administrator on the review of the financial situation of 1984 (DP/1985/54 and DP/1985/54/Add.1),

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

Noting with interest the information provided by the Administrator concerning the management of a global cash management system,

(a) Expresses its concern with respect to the decline in programme delivery in recent years, despite the availability of resources;

(b) Expresses its further concern with respect to the high level of financial holdings by the United Nations Development Programme;

(c) Takes note of the measures undertaken by the Administrator to improve programme delivery and performance, and urges their early implementation by the Programme and executing agencies in order to achieve full delivery at the recognized programming targets for the third cycle;

(d) Requests the Administrator to report further on the subject of cash management, taking into account the views expressed by delegations;

(e) Invites member States to expedite project-related actions awaiting their approval and concurrence;

(f) Further urges all Governments to increase their voluntary contributions to the Programme and to make prompt and early payment of pledges; and

(g) Further takes note of the Administrator's intentions regarding the use of the Reserve for Construction Loans and related matters.

162. The Governing Council subsequently adopted decision 85/34.

B. Budget estimates for the biennium 1986-1987

Revised budget estimates for 1984-1985 and budget estimates
for 1986-1987

163. For its consideration of agenda item 9(b), the Budget and Finance Committee had the following documents for its consideration:

(a) The report of the Administrator on revised budget estimates for the biennium 1984-1985 and budget estimates for the biennium 1986-1987 (DP/1985/57 and Corr.1 and DP/1985/57/Add.1);

(b) The Administrator's consolidated report on 1986-1987 budgetary and extrabudgetary expenditure estimates (DP/1985/58);

(c) The report of the Advisory Committee on Administrative and Budgetary Questions on the Administrator's budget proposals (DP/1985/56).

164. In introducing the item, the Associate Administrator summarized the circumstances which had led the Administrator to submit a budget proposal reorientating the UNDP core budget for the next biennium. Referring to the general paucity of resources available to UNDP and of the overall climate of fiscal conservatism in the mid-1980s, he drew the Committee's attention to the simultaneous emergence of the situation on the African continent, which demanded a rapid and coherent response from the organization. The Associate Administrator stated that this presented a major challenge to the ability of UNDP to adapt its structure and redeploy its resources so as to meet its obligations in Africa while effectively holding administrative expenditure in check.

165. He went on to discuss in some detail the Administrator's proposals for strengthening the operational capability of UNDP in Africa, which he noted spanned the two bienniums under discussion. He drew the Committee's attention to the three elements of the Africa Strengthening Package: internal redeployment of existing posts from the other regions; redeployment of posts proposed for release at the beginning of the fourth cycle in 1987, comprising three proposed office closures and the transfer to extrabudgetary financing of 12 field offices in countries which would be accorded Reimbursable Indicative Planning Figures (RIPFs); and the reliance on extrabudgetary financing for 35 Professional and 5 headquarters General Service posts related to the co-ordination and emergency elements of the total package.

166. The Associate Administrator pointed out that each element of that strategy presented problems: the first because the internal redeployment of posts within an already tightly staffed organization was inherently difficult; the second because they depended upon the Governing Council's endorsement of the Administrator's fourth-cycle proposals which was by no means certain; and the third because the availability of extrabudgetary financing was not assured. In that connection, the Associate Administrator highlighted the budget proposals contained in DP/1985/57/Add.1, which proposed absorption of the 40 extrabudgetary posts in the core budget for 1986-1987 in order to compensate for the shortfall in extrabudgetary contributions.

167. The Associate Administrator noted that ACABQ had reviewed the various issues in its report and had concluded that, in regard to the fourth-cycle proposals, the Council might wish to consider a provisional 1986 appropriation if a final decision on the Administrator's overall proposals were not available. Concerning the 40 extrabudgetary posts and their proposed incorporation in the core budget, ACABQ had suggested the alternative of a reimbursable subvention from the core budget to the extrabudgetary account, by means of which the core budget would effectively be underwriting the extrabudgetary element of the package. Pledges, however, would be drawn upon first before accessing any core resources.

168. The Associate Administrator went on to discuss the other changes that were being proposed in the budget: of these, one of the more significant was the Administrator's decision to regularize the status of the Central Evaluation Office and to strengthen its staffing, so that its full complement would amount to four Professional and three General Service staff.

169. A further feature of the proposals was a strengthening of the Division of Information in response to a Council request the previous year. This was outlined in greater detail in document DP/1985/8 which was being considered by the Plenary. In this connection, the Administrator drew the Committee's attention to the fact that this paper distinguished between what the

Administrator felt was necessary to accomplish the objectives of enhancing the overall image of UNDP and the level of additional resources which he felt appropriate to request at the current time. The budget proposals, therefore, reflected a more modest strengthening package than was strictly necessary to do the job. ACABQ had, however, questioned the appropriateness of the strengthening package at the current time.

170. He further noted the expanding number of United Nations volunteers (UNV) and stated the Administrator felt that this merited an increase of staff in the Geneva office of UNV, amounting to one Professional and two General Service posts. The proposals also included provision for regularizing the post of Co-ordinator of Assistance to the Least Developed Countries and for servicing the programme of assistance to the Palestinian people.

171. The Associate Administrator also highlighted the staffing increases proposed for the Office for Projects Execution, both in the 1984-1985 and the 1986-1987 bienniums. Thus, the increases in 1986-1987 would amount to 1 Professional and 5 General Service posts, in addition to the 7 Professional and 12 General Service posts in the preceding biennium. The Associate Administrator observed that since the posts were all financed from support cost earnings, they did not represent an additional charge against the biennial budget.

172. The above items represented the "real" changes in the budget proposals termed "volume changes" in the documentation provided. The Administrator recognized, however, that delegations were also concerned with the financial "bottom line". In that respect, the 1984-1985 revised estimates represented a further reduction of 4.2 per cent against the previous revised estimates and 10.7 per cent less than the original estimates submitted in 1983. This was principally attributable to the strong United States dollar, and the Associate Administrator went on to caution delegates on this matter, since if and when the dollar declined in value, the Administrator would be forced to seek additional resources rather than announcing currency releases.

173. Altogether, the revised 1984-1985 estimates amounted to \$318.6 million gross, or \$243.3 million net. These represented a release of \$11.4 million and \$6.1 million attributable to currency and inflation, respectively. Other cost adjustments amounted to \$3.1 million, noted the Associate Administrator, including the results of the headquarters General Service job classification exercise, which the Administrator had proposed be implemented in January 1985.

174. He went on to state that ACABQ had reviewed the job classification in some detail and had noted the opinion of endorsing the Administrator's proposed implementation date, or of synchronizing it with the United Nations Secretariat. The Administrator continued to hold the view, he noted, that

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January 1985 was the appropriate implementation date, which was the date originally announced to the General Assembly by the Secretary-General. With respect to Professional job classification, moreover, the Administrator's proposed implementation date of January 1986 was behind that of the United Nations, which had introduced Professional job classification several years earlier than UNDP.

175. Turning to the 1986-1987 budget estimates, the Associate Administrator noted that they embodied the volume changes that he had already indicated. The estimates as a whole totalled \$343.3 million gross and \$294.4 million net, representing a 21 per cent increase over the revised 1984-1985 estimates in net terms. Of that increase, and discounting staff assessment, the Associate Administrator noted that the volume increase being proposed represented 1.6 per cent or 1 per cent, if UNDP's non-core units were excluded. If the estimates contained in DP/1985/57/Add.1 were included, the volume increase would be 3.4 per cent for core activities. That volume increase also reflected the one-time effect of building up staff and facilities in Africa during 1986, one year before the fourth-cycle releases would become available.

176. Turning to the cost increases embodied in the biennial estimates, the Associate Administrator noted that UNDP was projecting an overall inflation rate of 7.5 per cent per year, representing an amalgam of 9 per cent in field offices and 5 per cent at headquarters. No attempt was made to project the effect of currency fluctuations. Among the other cost adjustments, he highlighted the elimination of staff assessment as an expenditure and as an income item in the 1986-1987 estimates that had resulted in a one-time change in the level of gross estimates, which made comparison at that level between the two bienniums difficult. However, figures had been provided in the budget to facilitate the comparison, and the net estimates were unaffected by this change.

177. In summarizing, the Associate Administrator acknowledged that the Committee had a complex task ahead of it in tackling that proposal, which spanned the last year of the third programming cycle and the first year of the fourth cycle and, therefore, posed the sort of challenges which any organization as wide-ranging as UNDP must periodically confront if it were not to stagnate. Nevertheless, he felt that the documentation before the Committee, including the ACABQ report, provided the necessary information on which to base decisions. Both the Associate Administrator and his staff stood ready to provide delegations with further information or clarification if requested to do so.

Summary of the discussion in the Committee

178. Many members expressed their appreciation for the work of the UNDP secretariat in preparing such comprehensive documentation. They recognized that the budget was a complex presentation but, nevertheless, expressed the hope that UNDP would make further efforts to simplify the presentation in future years so as to make it more easily understood by delegations.

179. On the subject of the budget's relationship to the Administrator's fourth-cycle proposals, especially with regard to the concept of RIFP, all delegations drew attention to the fact that the Council had not yet taken a decision on the subject and, in the absence of such a decision, there was little that the Committee could do but await the outcome of deliberations in the Plenary. Nonetheless, many delegations expressed their appreciation for the manner in which the Administrator had sought to present integrated and consistent proposals on the matter and expressed their support for that element of the budget estimates. On the other hand, a number of delegations were of the opinion that the Administrator should not have presented a budget which they felt prejudged the outcome of the fourth-cycle discussions and which appeared to undermine the existing consensus on which UNDP operations were based.

180. All delegations supported the Administrator's decision to strengthen the operational capability of UNDP in Africa. There was widespread agreement that this represented an urgent priority to which UNDP must respond. In that regard, many delegations acknowledged the tight resource situation faced by UNDP and stated their appreciation of the Administrator's efforts to achieve it through redeploying existing resources to the extent possible and, thus, limiting the volume increase. A few delegations, nevertheless, expressed concern that UNDP might be submitting a budget that was too conservative in that a strengthening package for Africa should not be at the expense of UNDP operations in other countries. In the eyes of those delegations, the Africa strengthening proposals should constitute an addition to the administrative resources of UNDP. In that connection, some delegations also expressed concern at the proposed decrease of one core post in the Regional Bureau for Latin America and the Caribbean.

181. Several delegations also expressed concern about the proposed closure of field offices at the beginning of the fourth cycle. Referring to the principle of universality and the important functions performed by UNDP resident representatives in specific countries, these delegations questioned the wisdom of closing offices, especially when most of the local costs of the offices concerned were provided by the host Governments. Thus, the field office network should not only be seen in purely financial terms but also in political terms. That position was supported by a number of delegations which

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suggested that the affected delegations should discuss the matter further with the UNDP administration with a view to reaching a mutually agreeable arrangement.

182. In reviewing the Administrator's proposals for Africa, a number of delegations, while supporting the general principle, raised questions concerning the magnitude of the strengthening package, as well as its composition. In that connection, UNDP was asked to provide further information on staffing levels in Africa during the second and third cycles for comparative purposes. Some delegations asked why UNDP needed to recruit economists when the World Bank provided donors and recipients with economic analyses and when UNDP had itself devoted considerable programme resources to strengthening the planning capability of African countries. They also questioned why UNDP needed to recruit economists when the United Nations system had a large number of such specialists. A number of delegations asked what efforts had been made to secure economists from within the system. Finally, referring to the same element of the package, some delegations questioned the role of UNDP vis-à-vis that of the World Bank.

183. Some delegations requested clarification of the UNDP role with regard to the emergency element of the Africa Strengthening Package, which they felt was not a traditional function of a UNDP field office since there were other agencies of the United Nations system which were historically more closely involved. A number of delegations also sought further information concerning the linkage between UNDP field offices and the Office for Emergency Operations in Africa (OEOA). Other delegations were concerned that the emergency situation was an inherently short-term phenomenon and they wondered about the duration of the proposed temporary posts. In the same vein, some delegations requested UNDP to provide a further explanation on its use of the term "temporary posts" in the estimates.

184. Turning to the manner in which the Africa Strengthening Package should be implemented, and leaving aside the issue of the fourth-cycle proposals, delegations expressed varying views on the appropriateness of the Administrator's proposals. In particular, some delegations supported the incorporation of the 40 extrabudgetary posts in the core budget, as proposed in DP/1985/57/Add.1, while most expressed support for the ACABQ recommendation that the Council approve a reimbursable subvention from the core budget to the extrabudgetary account. Many delegations, nonetheless, indicated their appreciation for the need of UNDP to be able to plan recruitment and deployment of those posts for the full biennium and its need, therefore, for a greater security of funding than was offered by reliance on future extrabudgetary pledges. However, a number of delegations reiterated their belief that every effort should be made to obtain the posts from elsewhere in the United Nations system, possibly by means of a personal intervention by the President of the Governing Council to the Secretary-General.

185. In reviewing the Administrator's proposal to strengthen the Division of Information, many delegations agreed with the observation of ACABQ that perhaps the time was not opportune for such an initiative, when resources were being redeployed to Africa and despite the earlier Council request to the Administrator to prepare proposals along those lines. In this connection, several delegations were of the opinion that more impact could be achieved by means of qualitative changes to the Division's work than a quantitative increase in resources. Some delegations also expressed scepticism as to the effect of such public information activities upon the level of overall resources available to UNDP; they did not feel that the level of voluntary contributions would be much affected. Other delegations, on the other hand, voiced support in principle for the initiative and regretted that they could not support it at the current time in view of scarce resources and other priorities.

186. Turning to the proposal to regularize and strengthen the Central Evaluation Office, most delegations voiced their support for that element of the budget, pointing out that it represented an important way of increasing the quality of the programme and, therefore, of enhancing the value obtained from the scarce resources available to UNDP. Some delegations stated they would like to see the function further strengthened. A few delegations, on the other hand, were more doubtful of the value of the Office and were of the opinion that, in a period of scarce resources, it did not represent a high priority; instead, they felt that a strengthening of the TCDC unit, as recommended by the High-level Committee, would constitute a more appropriate use of the funds that were available.

187. On the subject of the Office for Projects Execution (OPE), most delegations expressed their support for the Administrator's proposals, noting that OPE was fully funded from support cost earnings and was, therefore, not a charge against the biennial budget. A few delegations, however, expressed their concern that the continued growth of OPE should not be at the expense of the specialized agencies of the United Nations system. One delegation also expressed doubt as to the wisdom of what it felt to be a too rapid rate of growth of OPE. Another delegation expressed the hope that the rapid growth in staff of the Office did not represent inflexible personnel commitments on behalf of UNDP and that, if the project execution workload were to decline, there would, therefore, be no difficulty in reducing staffing concomitantly.

188. Most delegations supported the Administrator's proposals in so far as UNV was concerned, expressing a general appreciation of the quality of volunteers and their usefulness in many technical co-operation settings. One delegation, however, questioned the validity of the growth in numbers quoted in the budget in view of the fact that it was reported elsewhere that the UNV voluntary fund was seriously short of resources at the current time.

189. Most delegations indicated their support for the revised 1984-1985 estimates. However, the subject of job classification was touched upon by most delegations. In reviewing the question of General Service job classification, delegations noted the Administrator's proposed date of implementation, i.e., January 1985, and the ACABQ observation that the Governing Council might also wish to synchronize the implementation with that of the United Nations Secretariat. In that connection, one delegation expressed disagreement with any retroactivity in implementation. Regarding the classification of Professional posts included in the 1986-1987 estimates, many delegations expressed their concern at the decline in the number of lower-level posts and the consequent imbalance in the organizational pyramid which, they felt, reflected a very unhealthy situation in terms of staff development. They asked the administration to provide further information on that element of the exercise.

190. In reviewing the 1986-1987 estimates as a whole, many of the delegations expressed great concern about the ever-increasing proportion of UNDP expenditure that was constituted by the administrative budget. They noted that the administrative budget was expected to consume 16 per cent of UNDP resources during the next biennium and that this compared very unfavourably with the 13 per cent of 1982-1983. While they appreciated the wide range of responsibilities that characterized UNDP, several delegations wondered whether the distribution of the field office workload could be quantified in any way, so as to provide a picture of the diversity of responsibilities. Nonetheless, all delegations felt that greater effort should be made to contain administrative budget expenditures within acceptable bounds. One delegation suggested that the UNDP biennial budget expenditure be kept within a given percentage of programme delivery, in a similar manner, although a different percentage, as that of the United Nations executing agencies. There was a broad consensus that this was a matter of concern to all member States in that its effect was to diminish the amount of resources which were devoted to projects in an already tight resource situation. A related question voiced by one delegation concerned the balance of administrative expenditure between headquarters and field offices; the administration was requested to provide information on that matter. In a similar vein, several delegations requested further information on the development of UNDP staffing over the past 10 years. One delegation also commented upon the high level of staffing in the United Nations Revolving Fund for Natural Resources Exploration, and requested an explanation of this.

191. Referring to table 4 in the budget document, some delegations requested the administration to clarify apparently higher-than-average rates of overall increase against specific objects of expenditure. Information was also requested from the administration on estimates for EDP and word-processing equipment; in particular UNDP was requested to clarify its policy towards the United Nations New York Computing Services (NYCS).

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192. Several delegations also asked for further information on government contributions to local office costs, inquiring about the effect of the recently introduced accounting linkage with voluntary contributions and voluntary programme costs. Another delegation asked for an explanation of how UNDP calculated the effect of currency on its budget estimates.

Response of the Administration

193. In responding to the various points raised by delegations, the Associate Administrator first addressed the question of the relationship between the budget estimates and the fourth-cycle deliberations. He stated that the Administrator was fully aware of the dilemma it posed for the Committee, yet felt that the approach of submitting consistent proposals was preferable to a failure to recognize that issue in the budget. While the Committee's approval of a provisional 1986 appropriation only was certainly one possibility, the Administrator would still prefer a full two-year appropriation.

194. The Associate Administrator then addressed himself to the question of the overall level of UNDP administrative costs. He noted in that regard that UNDP had held to a zero-growth budget for the past four years and that that had been achieved to a great extent through rigorous internal discipline. The value of the United States dollar had also enabled the budget expenditure to maintain a notably small annual increase, from \$104.6 million in 1981 to \$107.8 million in 1984. He further pointed out that the volume changes now being proposed were relatively small, only 1.6 per cent; criticism of the UNDP proposals should focus on that element since the remainder was essentially uncontrollable.

195. Turning to the question of UNDP administrative costs and their relationship to programme delivery, the Associate Administrator pointed out to the Committee the inadequacy of that relationship in the light of the many additional tasks with which UNDP was charged. Moreover, the escalating percentage upon which delegations had commented was as much a function of dwindling overall resources as of an uncontrolled increase in UNDP administrative expenditure. The Associate Administrator wondered whether UNDP should actually cut back on some of its other obligations and limit itself to the support of the IPF programmes; this would be the logical consequence of trying to live within a lower administrative cost percentage. Nor was the Associate Administrator convinced by any parallels with the specialized agencies of the United Nations system, which had large regular budgets they could fall back on and which had a much narrower focus on their respective mandates.

196. In order to illustrate the diverse workload of the UNDP field offices, the Associate Administrator presented a summary of information on their operations which had been prepared by the resident representatives as part of

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the overall budget formulation exercise. Stressing that it was indicative rather than a scientific survey he, nonetheless, pointed out that the data confirmed previous assertions that field offices spent no more than 50 per cent of their time on IPF programmes. Nevertheless, the Associate Administrator agreed that constant efforts could and should be made to hold administrative expenditures in check. In that connection, he further noted that, for example, the staffing of the United Nations Revolving Fund for Natural Resources Exploration which had been queried by one delegate could be affected by a general review of the financial structure of UNDP as had already been proposed by the Administrator.

197. Regarding concerns that OPE might be encroaching on the rightful work of other United Nations system agencies, the Associate Administrator advised the Committee that the OPE share of IPF project execution had remained steady at around 7 per cent for the past several years. The increase in workload was generated by work on behalf of the non-core funds of UNDP as well as various management service agreements, particularly with Governments and with the World Bank. He further emphasized that OPE did not seek to expand its workload but responded to individual requests.

198. In response to the several questions posed by delegations concerning government contributions to local office costs, the Associate Administrator noted that 1985 was the first year of the accounting linkage and that it was, therefore, too early to form any judgement on its effectiveness. However, he pointed out that in its decision 84/9, the Governing Council had requested the Administrator to prepare a detailed report for its June 1986 session and he, therefore, suggested that the Committee defer further consideration of that issue until that time. The Associate Administrator also explained the use by UNDP of the concept of temporary posts in its budget estimates. Referring to the definition provided in paragraph 29 of the Advisory Committee's report (DP/1985/56), he highlighted the fact that in the budget the concept was used in three different cases: first, to describe those posts at headquarters which had been established as part of the Integrated Systems Improvement Project (ISIP) pending a final determination of the number of posts required; these were now proposed for conversion to established post status, with some reduction in the overall numbers required. Second, the Administrator used the term to describe the posts created in the Africa region during 1986, one year before the proposed fourth-cycle releases were available for redeployment. Third, those posts which were associated with the emergency element of the proposed Africa Strengthening Package were defined as temporary on the grounds that the emergency situation itself was of indeterminate duration. As to how long the latter category of temporary posts might be required, the Associate Administrator stated that it depended upon how long the emergency situation itself was deemed to exist.

199. In response to the delegation that had requested an explanation of the reduction of one core post in the Regional Bureau for Latin America and the Caribbean, the Associate Administrator explained that it did not constitute a reduction in posts for the Bureau as such, but a shift in the funding of that one post to the extrabudgetary account. The post would be funded from the interest on cost-sharing available to the Bureau and would be an appropriate reflection of the level of cost-sharing programmes in that region.

200. Responses on the subject of job classification were provided by the Deputy Assistant Administrator and Director of Personnel, Bureau for Finance and Administration. He provided the Committee with a detailed account of how the job classification exercise had been undertaken. As regards Professional job classification, he pointed out that the net change of only 2.5 per cent could actually be seen as an endorsement of the "rank-the-person" system by which UNDP had been operating prior to the introduction of job classification and the "rank-the-post" scheme. He did not think that there was any grade creep embodied in the results, especially since the median level had remained P-4/step 5 for the past 10 years and was unaffected by the job classification. The Deputy Assistant Administrator also felt that concerns about a distorted pyramid for Professional staff were not justified. In the first case, the ICSC standards fully justified the two D-2 posts (Director in the Bureau for Programme Policy and Evaluation and the Resident Representative in Chad); and, at the lower levels, the appearance of contraction in numbers at the P-1 and P-2 levels was more than compensated for by the existence throughout the field office network of two other cadres of Professional staff at this level: the JPOs who numbered 150 worldwide, and the national officers, posts which were increased from 175 to 215 in the 1986-1987 estimates. Taken together with the international Professional posts, this represented a total base to the pyramid of 405, which he felt represented a sound basis for operations and for staff development.

201. With regard to the implementation of the new General Service salary scale in 1984, the Deputy Assistant Administrator also reiterated the explanation which had already been provided by the Associate Administrator, noting that UNDP had had little choice but to follow the example of the Secretary-General. He drew attention to the fact, however, that a letter had been sent to the Chairman of ACABQ who, at that time, had raised no objection to the implementation of the new scale simultaneously with the United Nations Secretariat. Concerning the date of implementation for the General Service classification exercise, the Deputy Assistant Administrator further noted that the date proposed by the Administrator conformed to the date announced to the General Assembly by the Secretary-General.

202. At the request of the Associate Administrator, the Assistant Administrator and Director of the Regional Bureau for Africa responded to the questions raised by delegations on the Africa Strengthening Package. He explained that the basis of the new staffing proposals lay partly in an analysis of the actual needs of the field offices and partly in a review of the various functions that UNDP was being called upon to play in Africa.

203. With regard to the first of these, he noted that a detailed questionnaire had been completed by all resident representatives as part of the budget formulation exercise. These had been analysed in the light of the Regional Bureau's own detailed knowledge of the field offices under its aegis as well as the known weaknesses and shortcomings identified by the Bureau for Finance and Administration in its day-to-day work. These observations were then matched with the known additional tasks facing the field offices.

204. In particular, the Assistant Administrator described in some detail the additional workload associated with UNDP's enhanced responsibilities for the round-table mechanism for aid co-ordination. He described the schedule of such meetings planned for 1985 and 1986 and emphasized that it was incumbent upon UNDP to ensure that the meetings were productive and helpful to all parties concerned, both host and donor Governments. It was important that such Governments should not receive poorer service by virtue of having selected a round-table meeting rather than the consultative group mechanism sponsored by the World Bank. In that connection, the Assistant Administrator described to delegates the co-operative structure and division of labour which had been developed with the World Bank which, he noted, had supported the UNDP designation as lead agency for organizing round-table meetings, and expected the full participation of UNDP in its consultative group meetings as principal spokesman for technical co-operation. Turning to the use of country economic studies undertaken by the World Bank, the Assistant Administrator stressed that the studies were "raw material" which needed to be adapted, redefined and articulated to the needs of the country concerned. For those functions, the resident representative needed to have a competent senior economist who could exercise quality control on the documentation being prepared for such meetings, update the analysis in sections of interest to UNDP and advise Governments on the various courses of action they could take.

205. Referring to the emergency element of the Africa Strengthening Package, the Assistant Administrator described the kinds of functions that field offices were expected to perform as the outreach of OEOA. In the countries that were affected, they represented a substantial burden for which the offices needed additional resources. At the same time, the Assistant Administrator stressed that it was of the utmost importance that in short-term emergency circumstances, the longer-term needs for economic development should

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not be neglected. He felt that it was incumbent upon UNDP to maintain a constant balance between the two sets of priorities since, in the long run, it was economic development which would avert a recurrence of - or at least enable countries to cope better with - the emergency situation.

206. The Deputy Assistant Administrator and Director of Finance responded to questions on the proposed increases at the object code level. In so doing, he again drew attention to the distinction between volume and the non-controllable element of the increases, of which the most important part was attributable to inflation. With regard to inflation, the Deputy Assistant Administrator described the methodology used by UNDP to determine the most appropriate projection to use, noting that the field inflation rates were proposed by resident representatives after local discussion with statistical offices, IMF missions, etc. In some cases, specific objects of expenditure demonstrated markedly different rates of inflation and, if that were the case, due allowance was made for them. The overall rate of inflation, therefore, constituted an amalgam of many different rates; individual objects of expenditure might and often did vary from this average. The average inflation was also affected by the relative weightings of individual objects.

207. The Deputy Assistant Administrator pointed out that most of the increases being proposed were attributable to the Africa Strengthening Package, in particular to the so-called "bulge" in expenditure estimates during 1986 when the build-up in Africa would run ahead of the proposed releases from other field offices. The increase in temporary assistance was principally at headquarters, where one third was for the Africa Bureau, one third for the Central Evaluation Office and the remainder spread across a wide variety of units. On the other hand, the increase in estimates for overtime fell mainly in the field and reflected the often extreme logistical and environmental problems which impacted heavily upon the finance and logistical support staff in African field offices.

208. The increase in education grant travel represented an adjustment in estimates based on actual past expenditure patterns, since the level of resource requirements depended upon the family status of staff members; to the extent that the increase was the result of additional staff, it was classified as volume, not cost, increases. Similarly, the increase under common staff costs was predominantly a reflection of the monthly mission allowance paid to the field service category of staff and was linked to post adjustment and the inflation rate. When that increase was applied to base pay, the average increase represented 9 per cent, which was in line with the rate of inflation in the field.

209. Referring to contractual services and equipment for electronic data processing, the Deputy Assistant Administrator explained the rationale behind the increasing independence of UNDP from the United Nations New York Computing Service (NYCS): he explained that certain UNDP electronic data processing systems were already operating on UNDP's own hardware, while others depended upon NYCS. The service provided by NYCS, however, often proved less than fully satisfactory from UNDP's standpoint. Moreover, since NYCS serviced a wide range of clients, it was extremely difficult to manage demand for its central processing capability. The Administrator was consequently reviewing the efficiency and cost-effectiveness of transferring the remainder of the UNDP operating systems onto its own hardware. The Deputy Assistant Administrator further noted that, after a cautious start to the programme, UNDP experience in field office automation was proceeding well and that the budget estimates embodied a stepped-up pace for this.

210. Concerning the question on how UNDP calculated the currency effect, the Deputy Assistant Administrator stated that no attempt was made to project currency movement. The budget, however, was constructed on the basis of the latest feasible spot rate of exchange, i.e., that on 1 February 1985. In terms of past currency movements, UNDP used a simple time basis for determining the weighted average rate for the year. The adjustment in the 1986-1987 estimates represented the difference between the weighted average rate for 1984 and the rate in effect on 1 February 1985.

211. Finally, the Deputy Assistant Administrator addressed the issue of the UNDP headquarters-to-field ratio. He stated that, in terms of expenditure, headquarters represented 33 per cent of the budget in the 1986-1987 estimates, compared with 34 per cent in the revised 1984-1985 and the final 1982-1983 estimates. The proposed extrabudgetary component tilted the percentage further in favour of the field, constituting only 19 per cent at headquarters. He went on to point out, however, that only 16 per cent of the UNDP staff was at headquarters, compared with a substantially higher figure of one bilateral donor with which he was familiar. All in all, therefore, he felt UNDP compared very favourably in terms of its field orientation.

212. At the request of the Associate Administrator, the UNV Executive Co-ordinator addressed the question on UNV growth. He pointed out that the number of volunteers in post, which were currently 1,190, did not provide the full picture, since volunteers were also recruiting against another 600 actual vacancies in field projects. He conceded that the current status of the Special Voluntary Fund was nonetheless an important issue which needed to be addressed.

Further discussion in the Committee

213. In further discussions in the Committee, various positions previously stated by delegations were again fully examined and in the spirit of compromise the following decision was reached: on the one hand, the Africa Strengthening Package should be reduced by four economists and four other Professionals and related support staff, in respect of the co-ordination and general strengthening elements of the Package; on the other hand, the DOI strengthening package should be limited to two Professional posts and related support and operating costs. The latter was on the understanding that within DOI there would be appropriate deployment of resources for work on Africa and an examination of the Division's modus operandi to make any needed improvements in overall operational efficiency and effectiveness. It was noted that these changes would affect both the levels of appropriation for UNDP core activities and of the proposed reimbursable subvention.

Recommendation of the Committee

214. Following its consideration of this subject, the Committee recommended that the Council adopt the following decision in respect of the revised 1984-1985 budget:

The Governing Council,

Having considered the 1984-1985 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1985/57),

(a) Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1985/56);

(b) Approves revised appropriations in the amount of \$318,552,200 (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 \$75,212,100 shall be used to offset the gross appropriations, resulting in net appropriations of \$243,340,100, as indicated in the annex to the present resolution;

(c) Authorizes the Administrator to implement the results of the job classification exercise and the new salary scale for General Service staff of the United Nations Development Programme at headquarters when such results are implemented by the Secretary-General for the United Nations General Service and with the same effective date.

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Annex

1984-1985 BIENNIAL BUDGET

<u>Gross</u> <u>appropriations</u>	<u>Estimated</u> <u>income</u>	<u>Net</u> <u>appropriations</u>
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(United States dollars)

Resources

United Nations Development Programme

(i) Core activities	278 528 600	53 986 500	224 542 100
(ii) Office for Projects Execution	15 254 500	15 254 500	-
(iii) Inter-agency Procurement Services Unit	2 072 700	2 072 700	-
(iv) United Nations Volunteers	6 027 800	1 026 200	5 001 600
(v) United Nations Sudano-Sahelian-UNDP/UNEP joint venture (institutional support)	2 255 500	1 268 900	986 600
(vi) Information Referral System for Technical Co-operation among Developing Countries	632 500	46 800	585 700
(vii) Consultative Group on International Agricultural Research	900 000	-	900 000
Total	<u>305 671 600</u>	<u>73 655 600</u>	<u>232 016 000</u>

United Nations Capital Development Fund

5 595 600	689 000	4 906 600
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United Nations Revolving Fund for Natural Resources Exploration

3 199 600	377 900	2 821 700
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United Nations Sudano-Sahelian Office

4 085 400	489 600	3 595 800
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Total appropriations	<u>318 552 200</u>	<u>75 212 100</u>	<u>243 340 100</u>
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215. The Governing Council subsequently adopted decision 85/35.

216. Furthermore, the Committee recommended that the Council adopt the following decision in respect of the 1986-1987 budget:

The Governing Council,

Having considered the 1986-1987 biennial budget estimates of the United Nations Development Programme and the funds administered by the United Nations Development Programme (DP/1985/57),

(a) Takes note with appreciation of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1985/56);

(b) Approves appropriations in an amount of \$170,319,100 (gross), to be allocated from the resources indicated below to finance the 1986 budget and resolves that the income estimates in an amount of \$24,946,000 shall be used to offset the gross appropriations, resulting in net appropriations of \$145,373,100 as indicated in the annex to the present resolution;

(c) Decides that of the appropriation for UNDP resources approved in paragraph (b) above, \$3.0 million shall be reflected as a separate appropriation line within the 1986 budget entitled "Africa strengthening" and that these resources shall take the form of a subvention to the extrabudgetary account for "Strengthening field offices in Africa" and shall be reimbursed to the extent that contributions are made by donors for this purpose;

(d) Calls upon member States to make further pledges to this extrabudgetary account in order to ensure that the resources of the United Nations Development Programme are devoted to their primary purpose, namely, technical co-operation, to the maximum extent possible;

(e) Strongly urges that those organizations of the United Nations system which either benefit from the services being provided by the field offices of the United Nations Development Programme in Africa, or whose mandates and substantive involvement render them most suitable for providing assistance to Africa (for example, within the United Nations,

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the Department of Technical Co-operation for Development, the Department of International Economic and Social Affairs and the Economic Commission for Africa), make available to the United Nations Development Programme suitable resources in cash or in kind through redeployment from within their own provisions for the purpose of strengthening co-ordination and emergency functions in Africa by the United Nations system, and in particular the United Nations Development Programme; such contributions shall be treated as a credit to the extrabudgetary account for strengthening field offices in Africa referred to in paragraph (c) above, and would be an appropriate reflection of the principle that all agencies of the United Nations system should share in the response to Africa;

(f) Requests the Administrator to continue his efforts in this regard with the Secretary-General of the United Nations, as well as with the heads of the specialized agencies of the United Nations system with a view to securing the co-operation outlined in the preceding paragraph;

(g) Urges States members of the governing bodies of the organizations of the United Nations system to ensure that the requests contained in the three preceding paragraphs are met to the maximum extent possible;

(h) Requests the Department of Technical Co-operation for Development of the United Nations to submit to the Governing Council at its February 1986 session, proposed adjustments to the guidelines endorsed by the Council in the exercise of its authority to establish guidelines for the regular programme of technical co-operation (sect. 24 of the United Nations programme budget), which would enable the Department to play its full and appropriate part in addressing the emergency situation in, as well as the long-term development needs of, Africa;

(i) Notes that no decision was taken at the current session concerning the closure of the field office in Belgrade, and that the issue is to be reconsidered at the thirty-third session;

(j) Authorizes the Administrator to implement the reclassification results for international Professional posts effective 1 January 1986.

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Annex

1986 BUDGET

	<u>Gross</u> <u>appropriations</u>	<u>Estimated</u> <u>income</u>	<u>Net</u> <u>appropriations</u>
	(United States dollars)		

Resources

United Nations Development
 Programme

(i) Core activities	146 761 100	15 306 100	131 455 000
(ii) Office for Projects Execution	8 171 100	8 171 100	-
(iii) Inter-agency Procurement Services Unit	964 600	964 600	-
(iv) United Nations Volunteers	3 092 700	-	3 092 700
(v) United Nations Sudano- Sahelian-UNDP/UNEP joint venture (institutional support)	996 300	504 200	492 100
(vi) Information Referral System for Technical Co-operation among Developing Countries	359 000	-	359 000
(vii) Consultative Group on International Agricultural Research	450 000	-	450 000
(viii) Africa strengthening	3 000 000	-	3 000 000
Total	<u>163 794 800</u>	<u>24 946 000</u>	<u>138 848 800</u>
<u>United Nations Capital Development Fund</u>	3 032 200	-	3 032 200
<u>United Nations Revolving Fund for Natural Resources Exploration</u>	1 468 600	-	1 468 600
<u>United Nations Sudano-Sahelian Office</u>	2 023 500	-	2 023 500
Total appropriations	<u>170 319 100</u>	<u>24 946 000</u>	<u>145 373 100</u>

217. The Governing Council subsequently adopted decision 85/36.

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C. Trust funds established by the Administrator in 1984

218. For its consideration of item 9(c) of the Council's agenda, the Committee had before it the report of the Administrator contained in document DP/1985/59, as well as the report of ACABQ contained in document DP/1985/56.

219. The Associate Administrator in introducing the report noted that this was the fourth annual report of its kind submitted to the Council and that it covered all trust funds established by the Administrator in 1984. He stated that the document followed the same basic format in which the report had been prepared in previous years. It encompassed a narrative description of each fund established during 1984, together with annex I which showed, in tabular form, the significant features of each trust fund, and annex II which provided additional detailed information on the USSR/UNDP Trust Fund for Training in the USSR of Specialists from Developing Countries. He then briefly described the nature of the trust funds established on behalf of UNDP itself, the United Nations Capital Development Fund (UNCDF), the United Nations Financing System for Science and Technology for Development (UNFSSTD) and the United Nations Sudano-Sahelian Office (UNSO).

220. In addition, the Associate Administrator noted that the issue of contributions conditioned on procurement in the donor country would be the subject of a report by the Administrator, to be submitted to the Council next year following the end of the experimental period authorized by the Council in decision 84/35.

Summary of the discussion in the Committee

221. The Committee discussed the contents of this report at length with particular attention being focused on the USSR/UNDP Trust Fund for Training in the USSR and the newly established Bulgaria/UNDP Trust Fund for Training in Bulgaria. Many members expressed the opinion that these trust funds were de facto procurement-tied funds and reiterated their concerns and reservations, as expressed previously, in regard to that type of contribution. They still thought that while those funds were established on the basis of the guidelines agreed to by the Council, they were not necessarily in keeping with the spirit of the financial regulations or multilateralism. One member suggested that if donors wanted to make tied trust-fund contributions they should be confined to the mechanisms approved by the Council last year in decision 84/35.

222. In response to a question from one delegate, another member confirmed that the projects financed by those trust funds were approved by the Administrator who ensured that the activities were being carried out according to normal UNDP procedures and on the basis of demand. That was confirmed by the representative of an executing agency who indicated that in the case of

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one specific project relating to maritime safety and pollution control they had received more requests than the number of places available. Further, in regard to the type of trust fund described in annex II, many members reiterated their position, stated last year, that the Administrator should not accept any new funds of this kind.

223. One member, however, on behalf of a group of delegations, indicated strong support for the trust fund described in annex II and reiterated its position, which had been confirmed by the Administrator, that the trust fund was legal and within the guidelines approved by the Council. He also stated that the demand for that type of training was high and responded to the many requests for assistance from developing countries.

224. In considering the other trust funds described in document DP/1985/59, one member indicated his delegation's strong support for those open-ended trust funds, which provided the Administrator with the means to respond effectively to emergency situations. He also reiterated his delegation's concern in regard to trust funds authorized by the Council in decision 84/35. However, he indicated that as the mandate given to the Administrator was to be reviewed in full at next year's Council session, the matter did not require further discussion at the current session.

225. One delegate specifically stated his delegation's concern in principle with the proliferation of trust funds and indicated its preference that any additional funds be contributed to UNDP core resources.

226. Clarification was requested on two specific points: the utilization of the United States dollar portion of the contribution to the USSR/UNDP Trust Fund; and the different percentage rates shown for support costs in respect of the various trust funds established. Members also made the request that next year they be provided with historical data for all trust funds established by the Administrator since 1981 and with details on the projects funded by the Bulgaria/UNDP Trust Fund for Training in Bulgaria.

Response of the Administration

227. The Associate Administrator responded to the points that were raised for clarification. In the case of the USSR/UNDP Trust Fund, he indicated that 25 per cent was contributed in United States dollars and that these funds were used to pay executing agency support costs and to meet project costs incurred outside the USSR, such as travel.

228. In regard to the different percentage rates used for support costs, he indicated that there were two reasons for this. First, the support cost rates for UNSO and UNCDF activities were different from those applied to IPF

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activities. Second, where trust fund activities did not require full involvement for project identification, planning and execution, a lower support cost rate could be negotiated.

229. The Associate Administrator also informed the Committee that in regard to the projects being funded by the USSR/UNDP Trust Fund for Training in the USSR, each training course had been reviewed with the agency concerned. Also, further evaluations had been undertaken by the agencies and to date the feedback had been generally positive. The only limitations experienced thus far had been in regard to the number of places available on each course.

Recommendation of the Committee

230. Following its consideration of this subject, the Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on trust funds established by him in 1984 (DP/1985/59 and Corr.1), the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1985/56), and the information provided orally by the Associate Administrator,

Bearing in mind the views expressed thereon by delegations,

Requests the Administrator to provide the Governing Council with information on individual projects, equivalent to that contained in annex II to document DP/1985/59, financed by trust funds restricted to use in the donor country, as well as summary information on the status of all trust funds established by him since 1981 which are still financially active.

231. The Governing Council subsequently adopted decision 85/37.

D. UNDP financial regulations

1. Matters on which consensus was not achieved at the thirty-first session

232. For consideration of one of the subjects under item 9(d) of the Council's agenda, the Committee had before it a note by the Administrator contained in document DP/1985/60.

233. The document was introduced by the Deputy Assistant Administrator, Bureau for Finance and Administration, who stated that the subject had been a regular item on the Council's agenda since 1981, and that until this year the documentation prepared by the Administration had been virtually the same. This year, however, the documentation contained certain proposals by the Administrator which had emerged in the course of the Committee's discussion of the subject in 1984 and which, in the view of the administration, confirmed by the United Nations Office of Legal Affairs, related simply to the form, but not to the substance, of the matters in question. He believed that this "clean-up operation" would greatly simplify the presentation of the issues on which consensus had not yet been achieved and would serve to highlight the substantive issues which may remain under contention.

234. The Deputy Assistant Administrator also emphasized that the Administrator's recommendations were made on the understanding that their adoption would in no way prejudice the outcome of the Council's deliberations on the outstanding issues.

Summary of the discussion in the Committee

235. Several members, recognizing that the Administrator's proposals dealt only with questions of form, stated that in their view the Committee should address the questions of substance, in particular to focus on the issue of a definition of the term "readily usable". They believed that the accumulation of significant amounts of non-convertible currencies was not in the interest of the recipient countries nor of the Programme, and appealed to the donors concerned to change their approach in the spirit of multilateralism. Some of these members referred to the special efforts that had been made by the administration at various times to utilize the accumulated non-convertible currencies and pointed out that such efforts represented additional indirect costs to the organization, and that it was for the donors concerned to make special efforts in that area.

236. Some other members, while agreeing with the views expressed by the former group of members on the question of substance, stated that they had no objection to the proposals made by the Administrator and recommended their approval by the Council.

237. One member, speaking on behalf of a group of countries, stated that during discussions in past years these countries had declared firmly their willingness to contribute actively to the Programme on the basis of the principles of voluntariness, universality and sovereignty. But according to these principles the currency in which payments of voluntary contributions were to be effected depended on the decision of the Government of the

respective donor country. He confirmed the position of the group of countries for which he spoke that any other view on this matter had to be regarded as discriminatory. This group of countries, he continued, could agree with each of the Administrator's proposals which were suggested in annex I of the document, but not to any attempt to define currencies as "readily usable" as contained in proposal "B", nor to the texts referred to as "K" and "L" in annex II to the document.

238. One member sought clarification of the reasons why the Administrator's proposals had not been agreed to at the last session of the Council. Another member requested information as to what extent developing countries which contribute in non-convertible currencies would be affected by introduction of the definition contained in the proposed financial regulation 4.6.

Response of the Administration

239. In response to the particular questions raised by members of the Committee, the Deputy Assistant Administrator, Bureau for Finance and Administration, provided the following explanations: the main reason why the Administrator's current proposals had not found acceptance at the Council's session in 1984 was that since these proposals had first arisen during the course of the Committee's discussion of these matters at that session, their possible implications had not been reviewed by the United Nations Office for Legal Affairs and the introduction of the definition contained in the proposed financial regulation 4.6 would, assuming that contributions from recipient Governments remained at their current levels, affect only those countries listed in annex table 5 of document DP/1985/54.

Recommendation of the Committee

240. The Budgetary and Finance Committee recommended to the Council that it adopt the following decision:

The Governing Council,

Having considered the note by the Administrator contained in document DP/1985/60,

(a) Approves the texts proposed by the Administrator in 1981 as financial regulations 3.5, 3.6, 12.3 and 12.4 for inclusion in the Financial Regulations as regulations 4.5, 4.7, 13.3 and 13.4, respectively, in place of the former regulations 6.4, 6.6, 4.2 and 4.3 which had remained in force pending agreement on these matters;

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(b) Decides that the Budgetary and Finance Committee will consider during its meetings at the thirty-third session of the Governing Council, within the framework of the provisional agenda for the thirty-third session, proposed financial regulation 4.6, remaining in brackets (see DP/1985/60, annex III), as well as those other matters on which consensus was not achieved at the thirty-second session of the Council (see DP/1985/60, annex II), with a view to facilitating the resolution of those issues by the Council.

241. The Governing Council subsequently adopted decision 85/38.

2. Guidelines for the procurement of equipment, supplies and services

242. For consideration of item 9(d)(ii) of the Council's agenda, the Committee had before it a note by the Administrator (DP/1985/61) which provided information on the background to the issue.

243. The Assistant Administrator, Bureau for Special Activities, introduced the item and provided updated information on the progress achieved since the preparation of document DP/1985/61. He also introduced a leaflet entitled "Procurement of goods and services by the United Nations system of organizations - Common principles and practices", dated May 1985. The leaflet was the result of the work of the sub-group set up by the Inter-agency Procurement Working Group (IAPWG) at its meeting at Copenhagen in 1984. The draft of the leaflet had been discussed and reviewed by IAPWG which had met in Utrecht in April 1985. The leaflet was available in English, French and Spanish.

244. The introduction to the guidelines described the basic principles: procurement at lowest possible cost commensurate with quality and timeliness of delivery; economy and simplicity in procurement operations; access of all interested parties; and optimal geographical spread with emphasis on procurement from developing countries and major, underutilized donors. The United Nations generally procured directly from manufacturers, and prospective suppliers must be qualified, have a sound financial standing and disclose any affiliations to countries unacceptable as suppliers to the United Nations. The qualifications expected from suppliers of goods and services were specified. The Assistant Administrator said that explanations were given on the system of advance information and advertisement of tenders, rostering of contractors and suppliers, shortlisting, costed and uncosted proposals, clearance of shortlists with recipient Governments, attitude to unsolicited bids, closing of tenders, bid openings which were open to all bidders, bid bonds, tendering documents which were normally free of charge, criteria for

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exceptions to competitive tendering and, finally, currency conversion for evaluation of bids. Other sections indicated the requirements observed by the United Nations system on tender documents and the responsibilities of bidders. The guidelines also analysed such questions as tax exemption, performance bonds, currency of payment, advance payments, warranties, retention clauses and settlement of disputes. Also included were sections dealing with emergency procurement, statistical reporting and contract performance evaluation.

245. The objectives of the guidelines were to enhance transparency of the procurement process and to present a set of principles and rules to which all organizations of the system would strive to conform. The guidelines, which would be inserted in the General Business Guide published by IAPSU, were aimed at both the public and the private sector. The document should reach as many companies as possible, particularly firms in developing countries and smaller ones in industrialized countries. Delegations could assist in disseminating the guidelines. Refinements could be made to the text with a view to eliminating present limitations by detailing existing differences in practice among organizations and by expanding such aspects as the internal mechanisms to oversee procurement actions. A major step had been achieved with the formulation of common principles by the Working Group and by the staff of IAPSU. He stated that their continued efforts as well as the sustained interest of the Governing Council and of the governing bodies of United Nations organizations were needed to continue progress in that area.

Summary of the discussion in the Committee

246. Members of the Committee expressed their appreciation for both the Administrator's report and the comprehensive oral presentation by the Assistant Administrator. Members expressed their satisfaction in the work undertaken by IAPSU and IAPWG, and welcomed the progress achieved in issuing the guidelines on procurement of goods and services by the United Nations system of organizations. One member noted that the issue on procurement had been on the agenda for quite some time and suggested that the Committee continue to discuss the item. Several members supported that view and felt that in 1986 the Committee should consider the progress made by agencies in responding to the guidelines on procurement. One member remarked that the discussion on how the guidelines were implemented and respected by agencies could also occur within ACC.

247. Commenting on the Administrator's report, members in general requested a more detailed analysis of the differences in the procurement practices of agencies. Members also questioned why agencies referred to in the report had not been named. While the issuance of the guidelines demonstrated an agreement toward the unification of practices and procedures within the

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system, existing discrepancies needed to be clearly indicated. It was difficult otherwise, noted a member, to assist firms which were striving to be included on shortlists. The information on each agency's practices could be presented in tabular form. Several members dwelt upon UNDP's central role for co-ordination in order to achieve greater commonality in procurement activities. To further that objective, one member suggested that the role of internal and external auditors in the monitoring of common practices be specifically mentioned in the Administrator's report. Certain practices were commented upon and one member noted that only three agencies attached importance to pre-registration of potential equipment suppliers. Another regretted that most agencies did not disqualify firms with poor performance. Issues on the waiving of international bidding and on the currency factor were raised. Information on the percentage of contracts treated as exceptions was requested, as were examples of cases and circumstances in which such rules applied. One member observed that the strength of the United States dollar should have produced further opportunities for procurement from underutilized developed countries and from developing countries.

248. The importance and the improvement of the dissemination of information on business opportunities was emphasized as essential in order to ensure equitable participation of potential suppliers. Some members stressed that the possibilities for broader international competitive bidding should be maintained even at the early planning stage of the projects. The same members suggested that IAPSU organize procurement missions and seminars on a more regular basis also in small industrialized countries and developing countries which had the capacity to provide the needed equipment and services. Another member stated that reference to the services of the International Trade Centre be made more systematic. Several members indicated that pre-announcement of business opportunities did not always reach firms in time to allow their participation in the bidding process. One member commented on the importance of the location of agencies' headquarters whose procurement services often favoured suppliers from the host or neighbouring countries, and referred to practices of lobbying groups within agencies which passed on advance information to firms.

249. The importance of procurement from developing countries was dealt with by many members. Equitable geographical distribution was linked to fair access to information on business opportunities by developing countries. One member expressed the view that trade journals could not provide an effective medium as they were often not available in developing countries, and requested publication of business opportunities in the business edition of Development Forum on a more systematic basis. One member regretted that its expertise in one area was not sought by any agency. Another member questioned the autonomy of agencies and indicated that agencies should do more than "allow" some form of involvement by recipient Governments in the bidding process. Member States

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should be able to participate in the decision-making. Consideration of a country's situation should also be clearly specified. One country welcomed IAPWG's efforts in the identification of the problems related to geographical distribution.

Response by the Administration

250. The Assistant Administrator, Bureau for Special Activities, responded to the specific questions and observations made by members. With regard to the percentage of contracts which fell under the exceptions to competitive bidding, no official statistics existed. Approximately 50 per cent of contracts applied to amounts too small to warrant competitive bidding. A further 10 to 20 per cent was excluded from bidding on other grounds such as urgency, standardization and single-source supplier. A percentage of 30 to 40 remained for competitive bidding procedures. With regard to waiving competitive bidding on the basis of prices fixed by national legislation or regulation, a case of such procurement was given. To illustrate the use made of Financial Rule 114.23(iv) providing for waiver of competitive bidding on more judgmental grounds, a case was described where it had been considered essential to retain a firm previously involved in a project's first phase for the second phase as well. Concerning the practice in some agencies of having specifications drafted at headquarters by procurement officers, the Assistant Administrator pointed out that a large amount of procurement concerned well known items within the specialty of particular agencies. But the trend toward traditional procurement patterns did constitute a risk. The same dilemma was presented by procurement in the field where the tendency was to increase local procurement, but where the lack of knowledge of other markets could become a negative influence. With regard to procurement trends resulting from the strength of the United States dollar, no statistics were available but the indications were that the system had shifted to other countries for its purchases of some items for which the United States had been previously the dominant supplier. Computers were a case in point.

251. Since guidelines would only be binding on agencies if they were adopted by the legislative bodies of agencies, external auditors would probably not monitor agency compliance. UNDP could not instruct auditors of other organizations. The United Nations system was aware of the traditional pre-independence procurement practices and was moving toward creating equal opportunities for all nations and buying the least expensive goods and services.

Further discussion in the Committee

252. Members in general reiterated the need for an oral report on the application by the agencies of the guidelines. Several members expressed concern with respect to the percentage of procurement done without

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international competitive bidding. They requested that a report be submitted to the Committee in 1986 on that subject. One member wondered whether the rules were bypassed by dividing the size of contracts. One member commented that, while he understood the Assistant Administrator's position in not discussing the data in the questionnaires completed by the agencies in the absence of their heads of procurement services, the Committee could request the Administrator in a draft decision to convey specific information to it on the results of the questionnaires. Another member asked about the IAPSU project for increasing procurement from developing countries.

Further response by the Administration

253. The Assistant Administrator, Bureau for Special Activities, indicated in his further response that the rules allowing the waiver of competitive bidding were clear, but that opinions did differ on ceilings beyond which international competitive bidding should take place. He reiterated that a large number of purchases amounted to a few thousand dollars or less, for which international competitive bidding would be neither economical nor more efficient. Referring to the project for increased procurement from developing countries, consultations had taken place between the Special Unit for TCDC and IAPSU. The latter unit was now engaged in compiling a roster on sources of supply in some developing countries. The sample of countries would be expanded depending on the results achieved. The Assistant Administrator stated that whatever progress had been achieved so far in harmonizing procurement procedures and increasing the transparency of the procurement process was the result of mutual understanding developed between UNDP and the agencies through IAPWG over the last 10 years. The mutual trust already established ought to be maintained, but it would not last long if it were used beyond its intentions. The proper forum for demanding detailed information on the practices of individual agencies was the agencies' own governing bodies. To endeavour to use UNDP and IAPWG for that purpose would constitute a breach of faith that would inevitably destroy confidence and trust, and thereby the usefulness of IAPWG.

Recommendation of the Committee

254. The Committee recommended that the following decision be adopted by the Council at its thirty-second session:

The Governing Council,

Having considered the note by the Administrator (DP/1985/61), as well as the information provided orally by the Assistant Administrator, Bureau for Special Activities,

(a) Notes with appreciation the efforts undertaken by the United Nations Development Programme and the agencies to harmonize their practices in procurement of equipment, supplies and services;

(b) Requests the Programme and the agencies to continue their co-operation to achieve uniformity in their procurement practices and to reflect such common practices in the General Business Guide issued by the Inter-agency Procurement Services Unit so as to make the United Nations system's procurement process both more accessible and more transparent;

(c) Urges UNDP and the agencies to make enhanced efforts to expand the geographical distribution of the sources of supply including under-utilized donors and developing countries;

(d) Requests the Administrator to consult with the executing agencies on the possibility of producing, for information of the Governing Council, a further, more specific analysis of replies to the questionnaire on agencies' procurement practices;

(e) Requests the Administrator to make an oral report to the Council at its thirty-third session on the results achieved in the implementation of this decision.

255. The Governing Council subsequently adopted decision 85/39.

E. Audit reports

256. For its consideration of agenda item 9(e), the Committee had before it the audited financial statements and external audit reports submitted by the executing agencies (DP/1985/62/Add.1), a note by the Administrator thereon (DP/1985/62), the 1983 audited financial statements and external audit report of UNDP itself (A/39/5/Add.1) and the audited financial statements for the biennium 1982-1983 and external audit report of the United Nations including UNIDO, UNCTAD, UNCHS and the regional economic commissions (A/39/5, vol. I). DP/1985/62 provided the Administrator's comments on the main issues raised in the audit reports of the executing agencies and a description of the follow-up action taken in respect of observations made by the auditors. It also included a report on the steps taken by the Administrator in response to Governing Council decision 84/40.

257. The Deputy Director of Finance introduced the subject and explained that for the first time the audit reports of all United Nations organizations which administer UNDP funds, as well as that covering UNDP itself, had been

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presented to the Committee. This also responded to General Assembly resolution 39/66, which invited the governing bodies of the organizations concerned to consider each year at their regular sessions the remedial action taken by the respective executive heads in response to comments and observations made by the United Nations Board of Auditors in its reports.

258. The Deputy Director informed the Committee that, as requested by decision 84/40, the Administrator had brought that decision, and the views expressed by the members of the Committee on this subject, to the attention of the Panel of External Auditors and of the administrations of the executing agencies. He also had conveyed the Council's views to the executive heads of the executing agencies to enable them to inform their respective legislative bodies of the Council's concern. In response to an additional question which the Administrator had brought to the attention of the Panel, UNDP had been informed that in the opinion of the Panel, it was not always practicable to issue a separate audit report on UNDP-financed activities, particularly in the case of smaller agencies and programmes financed by a variety of sources of funds.

259. The Deputy Director stated that for the first time a long-form audit report for the World Bank was contained in document DP/1985/62/Add.1, and that a similar report for the Asian Development Bank would be prepared for the year 1984 and reviewed by the Council in 1986.

260. With regard to the audit report on UNDP itself, the Deputy Director pointed out that one of the main issues raised by the external auditors referred to the standard of accommodation provided for UNDP staff on official travel by air. Following discussions of this matter in the Fifth Committee of the General Assembly, UNDP introduced the same standards of accommodation for air travel as those applicable to United Nations staff with effect from 1 November 1984. He also noted that many of the other observations contained in the UNDP audit report, as in the case of the audit reports of the executing agencies, related to various aspects of project and programme monitoring and evaluation.

Summary of the discussion in the Committee

261. Many delegates expressed their general satisfaction that the documentation made available to them for their review of the subject at the current session to a great extent met the desire of the Council to receive more long-form narrative audit reports, including observations on substantive matters and giving special emphasis to the audit of the effectiveness of financial management. Some of the delegates suggested that the document could be tailor-made into a more comprehensive and useful instrument for the Council by covering the major points contained in the audit reports for UNDP and the

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United Nations. Another delegate stated that UNDP should stipulate the method and scope of the audit work and the contents of audit reports, and that appropriate instructions on these matters should be incorporated into the UNDP Policies and Procedures Manual. The same delegate also felt that the auditors should avoid drawing general conclusions on the basis of their review of a single country or region.

262. Some delegates noted the relevance of the report on the recent UNDP mission to agencies, which had been distributed informally to the members of the Committee, to the problems of project execution described in the audit reports. Several delegates stressed the importance of audit reports as a management tool not only for the Committee but also for the organizations themselves to focus attention on the weaknesses and to concentrate on the areas where difficulties tended to occur.

263. Many delegates expressed concern with respect to the shortcomings noted in the document relating to project formulation and to the monitoring and evaluation of UNDP-financed projects. Many delegates noted the problems resulting from lack of sufficiently precise work plans and delays in national government inputs and in purchasing equipment. One delegate urged Governments to take the necessary steps to overcome bottlenecks and to meet their obligations promptly as stipulated in project documents. Another delegate asked whether the delays in recipient countries were restricted to a specific agency and to one region or were more general.

264. One delegate inquired about a large loss on exchange resulting from a government contribution in its national currency received by a UNDP field office on behalf of an agency. Several delegates asked whether the controls for monitoring telephone calls were not operational. One delegate requested an explanation of the questions raised in the audit report of the World Bank relating to difficulties in reconciling the Operating Fund Statements. Regarding the Administrator's response to the auditor's comments on delays in signing contracts for consultants and experts, more than one delegate asked whether the roster for consultants had been established.

265. One delegate expressed the view that insufficient attention was being given by the auditors to the effectiveness of strictly financial procedures as opposed to such problems as those relating to the delivery of physical inputs and evaluation and that they should give more emphasis to budgeting and other financial control procedures. One delegate noted that although UNDP had clear and precise guidelines to follow on evaluation, in practice some flexibility was necessary in order to take account of actual conditions in recipient countries. More than one delegate commented on the new revised guidelines for monitoring, evaluating and reporting, and requested that a preliminary report on the impact of those guidelines be submitted at the next session of the Council.

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266. One delegate cautioned that while reviewing the audit reports, the Committee should take care not to carry out too detailed a review of the matters covered, particularly as these reports were primarily subject to review by other legislative bodies.

Response of the Administration

267. The Deputy Director noted that in general the comments made by delegates on the audit reports seemed to indicate that the Administration was heading in the right direction and that considerable progress seemed to have been made since the Council had begun to take a lively interest in the subject about six years ago. In response to the suggestion from a delegate that the method, scope and contents of the audit report be better defined, he pointed out that the Panel of Auditors had, in fact, been responsive to requests and suggestions, but should be given a free hand to operate within the framework of accepted auditing standards, as well as within the terms of reference of the United Nations Board of Auditors. He cautioned that defining the scope of audit work might limit the sphere of the audit and be counter-productive.

268. He reported that the problem relating to a payment made to UNDP by a Government in national currency on behalf of ITU had been resolved and the loss on exchange had been charged to the organizations concerned. He also explained that the new telephone system at UNDP headquarters was now in operation and the control systems in place. The difficulties experienced with the Operating Fund Statements of the World Bank had resulted from a change in accounting procedures but the accounting staffs of the two organizations had since reconciled the accounts and regular operating fund statements were now being provided to the World Bank. In responding to the question as to whether the problem of delays in the selection of consultants mentioned in one audit report was specific to one particular agency and region, the Deputy Director confirmed this to be a common problem which existed in varying degrees throughout the system.

269. The Chief of the Central Evaluation Office responded to the questions raised by various delegates on project implementation and the related concerns on monitoring and evaluating progress on projects, and noted that the concerns of auditing and the concerns of evaluation appeared to be converging. He reaffirmed that since September 1984 new revised guidelines on monitoring and evaluation based on the questions raised by the external auditors had been issued, and were now being field-tested by the executing agencies in respect of all UNDP-assisted projects. Substantial training was planned to support the introduction of these guidelines and a review of the results of the field-test was scheduled for May 1986. Follow-up action to evaluations had been prompt and timely, and the findings and recommendations of missions had

very often influenced the course of management action. He also confirmed that a preliminary report on the new guidelines would be prepared for the next session of the Council.

270. The Deputy Assistant Administrator, Bureau for Finance and Administration, noted that the computerized roster of consultants was operational, but that a system for the evaluation of consultants was still being developed.

Recommendation of the Committee

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

The Governing Council,

Having considered documents DP/1985/62 and Add.1 containing the audited accounts of the executing agencies for the financial period ending 31 December 1983, the reports of the external auditors thereon, the Administrator's comments on substantive observations made by the external auditors and a description of the action taken by the Administration in response to Governing Council decision 84/40,

Having also considered General Assembly documents A/39/5/Add.1 and A/39/5, vol. I, which contain, respectively, the audited financial statements of UNDP for the year 1983 and of the United Nations for the biennium 1982-1983, as well as the reports of the United Nations Board of Auditors thereon, copies of which had been made available at the thirty-second session of the Council,

(a) Expresses its appreciation for the increasing emphasis given by the external auditors to the preparation of long-form narrative audit reports which include observations on the effectiveness of the financial management of projects;

(b) Requests the Administrator to bring this decision, and the views expressed by the Committee in the course of its discussion of this subject, to the attention of the Panel of External Auditors, and to continue his efforts, in consultation with the Panel, to ensure that long-form narrative audit reports are submitted in respect of every executing agency which carries out a significant volume of UNDP-financed activities;

(c) Further requests the Administrator in future years to expand the scope of his comments on the audit reports received so as to include a summary of the most significant observations contained in audit reports of UNDP itself and of the United Nations, as well as of the comments made and follow-up actions taken by the respective Administrations in response to those observations.

272. The Governing Council subsequently adopted decision 85/40.

F. Sectoral support

273. For consideration of item 9(f) of the Council's agenda, the Committee had before it a report of the Administrator contained in document DP/1985/63.

274. The Assistant Administrator, Bureau for Programme Policy and Evaluation, introduced the item stating that, as the thirty-first session of the Governing Council had already decided on the allocation for sectoral support through 1986, no decisions were required during the present session regarding funding for the immediate future of either the programme of sectoral support with the smaller agencies or the Senior Industrial Development Field Adviser (SIDFA) programme.

275. He indicated, however, that as had been the case every year since 1977, the Governing Council had asked for a report on sectoral support for consideration at the present session. This request had been viewed within the broader context of the Governing Council's need to consider at this session the overall strategy for the fourth programming cycle, 1987-1991. UNDP had, therefore, undertaken a comprehensive review of the sectoral support programme for the smaller agencies, and document DP/1985/63 contained the UNDP recommendations for the future of this programme. A similar review of the SIDFA programme had not been undertaken for the simple reason that until a few weeks ago there was widespread uncertainty regarding the future status of UNIDO as an independent specialized agency. Events at the recent session of the Industrial Development Board had now led to the expectation that the conversion of UNIDO to an autonomous agency might take place not later than early 1986. UNIDO had indicated that its member States might wish the present system to continue, i.e., SIDFAs fully integrated into the UNDP field offices and, at least in part, financed from sectoral support allocations. An in-depth review by UNDP of the SIDFA programme would, therefore, now be appropriate, and its results could be reported to the Council at its thirty-third session to serve as a basis for its decision regarding the future financing of SIDFAs. Any such review would obviously need to be carried out in close consultation with Governments, UNIDO and UNDP field offices, and would

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take into consideration the anticipated policies of UNIDO. Guidance from the Governing Council regarding such a report and its contents would, of course, be much appreciated.

276. With regard to the sectoral support programme with smaller agencies, the Assistant Administrator indicated that the conclusion of the recent review (as reported in DP/1985/63) was that recipient countries had generally benefited from the programme. The Administrator was recommending its continuation at a modest level, but with certain improvements in its management, which were spelled out in the report and which had been largely accepted by the smaller agencies.

277. Finally, the Assistant Administrator referred to the fact that sectoral support had become a perennial item on the Governing Council agenda, and raised the question whether, after receiving the report anticipated for next year on the SIDFA programme, further reporting on it as a separate and distinct agenda item should not be limited to a progress report in 1988 and a full review to be submitted towards the end of the fourth cycle.

Summary of the discussion in the Committee

278. In the subsequent discussion, all delegates who made interventions indicated their support for the recommendations of the Administrator contained in the report. Most of them specifically mentioned their support for the continuation of the sectoral support programme with the smaller agencies in the fourth cycle, and others also endorsed the improved management measures being implemented for that programme.

279. The representative of UNIDO made a statement in which he cited the support which the SIDFA programme had received at the recent meeting of the UNIDO Industrial Development Board (IDB). He stated that until new arrangements were worked out, the present system should be continued, and that it was clearly the desire of UNIDO Board members that the authorization for 1986 would maintain at least the present number of SIDFA posts. He stated that while the United Nations draft programme budget for 1986 contained no provision for continuing support for the nine posts currently financed from the United Nations regular budget, it was expected to have a similar appropriation subject to the approval of the General Assembly at its next session. IDB, in its draft report, had in the meantime invited the Governing Council of UNDP to explore ways of financing the maximum number of SIDFA posts.

280. The UNIDO representative further stated that the question of the future of the SIDFA programme would be a major one for the new decision-making bodies of UNIDO to discuss with UNDP. UNIDO looked forward to participating in consideration of this item during the thirty-third session of the Governing

Council. At that time the UNIDO status would be clearer and all concerned would be in a better position to decide upon the required level of financing. UNIDO, therefore, fully supported the recommendations of the Administrator in his report so as to enable the Governing Council, at its 1986 session, to review and consider approving the necessary funds for SIDFAs, subject to the request of UNIDO.

281. On the question of future policy towards the SIDFA programme, some delegates stated that the matter must be carefully studied in its broad context before the Governing Council took any decision. One delegate expressed his country's support of the SIDFA programme based on its own evaluation of the role played by SIDFAs in its region, while reiterating his delegation's previous call for a thorough evaluation of the whole sectoral support programme.

282. Some delegates welcomed the clarification of the issue of the linkage between the sectoral support programme with smaller agencies and sectoral analysis which had been shown to be indirect.

283. One delegate, while supporting the report's recommendations, raised the question whether the programme as currently being carried out reflected its original intent. Had it become a means for giving general assistance to the smaller agencies to permit them to develop services which they could not develop from their own resources? The delegate further indicated that one could deduce from the management measures described in the paper that the objectives of the programme had become vague and needed to be spelled out more clearly. On further noting the apparent plethora of sources of sectoral support activities referred to in the report, the question was raised whether UNDP was adequately co-ordinating all these activities.

284. A number of other delegates pointed out that the allocation of sectoral support funds by UNDP to the smaller agencies effectively reinforced the UNDP central role as the conduit of United Nations system technical assistance.

285. The representative of the International Maritime Organization stated that he believed he was speaking on behalf of all the smaller agencies in saying that the question of sectoral support activities was of great importance to them, and that the UNDP role in the process, especially that played by the offices of the resident representatives, was vital in helping the agencies in their sectoral support missions to recipient countries. Thus, they found the Administrator's report fair and to the point and urged that the sectoral support programme with smaller agencies be continued and possibly expanded in the fourth cycle.

286. One delegate sought clarification as to how the term "smaller agencies" was defined, since some of the agencies receiving UNDP sectoral support funds were not small.

287. One delegate inquired whether the possibility of UNDP and UNIDO joining forces to conduct a joint evaluation of the SIDFA programme was under consideration.

288. Another delegate, in the context of the need which his country saw to study the future of the SIDFA programme in a broader context, inquired if the Committee could be provided with information on how the various United Nations system organizations were represented in the field, both within and outside of UNDP resident representative's offices.

Response of the Administration

289. In regard to the question of the original intent of the sectoral support programme, the Assistant Administrator, Bureau for Programme Policy and Evaluation, pointed out that no definition of sectoral support had ever been agreed on by the Governing Council. The UNDP Secretariat had, nevertheless, developed the following working definition:

"Sectoral support is the provision of mostly short-term assistance to Governments and to UNDP resident representatives in determining the nature of technical co-operation programmes whether financed by UNDP or other sources (including national sources), as follows:

- "(i) Identification of sectoral technical co-operation requirements in the context of each Government's sectoral and intersectoral goals and each country's specific socio-economic setting;
- "(ii) Providing policy advice to Governments on the functioning of the sector or sub-sector;
- "(iii) Formulation of sectoral and intersectoral technical co-operation programmes and projects for funding by UNDP or by other sources;
- "(iv) Field level substantive co-ordination of UNDP technical co-operation programmes and projects in the sector or sectors concerned with other United Nations system programmes and, as appropriate, with other multilateral and bilateral technical co-operation programmes."

290. In regard to the call for an evaluation of the entire sectoral support programme, the Assistant Administrator indicated that the recent in-depth review of the programme with the smaller agencies carried out by an outside consultant presumably satisfied part of that request. With regard to the other part covering the SIDFA programme, preliminary discussions with UNIDO had taken place, and a joint study, to be undertaken by two outside consultants had been suggested, with the intention of having their proposals ready in time for a possible UNIDO general conference in January next year and, of course, to the Governing Council in June 1986. It would then be up to the Governments, which would be participating in both bodies, to decide on the future of the programme.

291. The Assistant Administrator further noted that while the future of the SIDFA programme was not to be decided at this session, the history of the FAO Senior Agricultural Adviser programme and the subsequent development of FAO's field representation system should be kept in mind in considering the issue. He indicated that the Governing Council's eventual decision on the SIDFA issue would be important for the whole United Nations system.

292. In regard to the definition of "smaller agencies", the Assistant Administrator pointed out that they were listed in note 1 in the report, and were defined in terms of their share of the UNDP programme, and not by the size of the agency per se. To the extent that individual agencies built up their own system of field representation, as was currently the case with one agency, this would be taken into account in allocating the funds.

293. Regarding the apparent plethora of sources of sectoral support commented on by one delegate, the Assistant Administrator emphasized that the listing given in note 4 in the report was of theoretical possibilities only; they had been listed simply to show that despite the smallness of the UNDP central allocation for sectoral support, other possibilities existed which the agencies were encouraged to explore.

294. On the same topic, the Assistant Administrator indicated that he would look into the possible need to increase co-ordination among the various potential sources of sectoral support as suggested by one delegate. The steps to be taken to establish a focal point in UNDP's Technical Advisory Division for each agency for sectoral support matters would go a considerable way towards achieving improved co-ordination.

295. Answering another question, he indicated that information on the representation of agencies in the field was available in various documents and an effort would be made to provide this information to the Governing Council.

Further discussion in the Committee

296. One delegate referred to the request in decision 84/41 concerning the association of all sectoral advisers concerned with the preparation of round-table meetings for the least developed countries, and requested more information on this question.

Further response of the Administration

297. The Assistant Administrator responded by indicating that this question had been discussed with the smaller agencies as part of the overall review of sectoral support, and that, as reflected in paragraph 7 of the report, the smaller agencies had clearly indicated that, in normal circumstances, they would not regularly be involved in the round-table process. However, it was the intention of the UNDP Administrator to have all the agencies, large or small, take part in the preparation or the follow-up phase of the round-table conferences, as and when it was so required.

Recommendation of the Committee

298. Following consultations, the Committee recommended that the Council adopt the following decision:

The Governing Council,

Recalling its decision 84/41 of 29 June 1984 approving the allocation of funds subject to resource availability through 1986 for both the sectoral support programme with smaller agencies and the Senior Industrial Development Field Adviser programme with UNIDO in the amounts of \$912,000 and \$2,031,000, respectively,

Having considered the report of the Administrator on sectoral support (DP/1985/63) and the views and comments of members thereon,

(a) Endorses the proposals of the Administrator contained in paragraphs 21 and 22 of his report concerning the continuation with improved management measures of the sectoral support programme with smaller agencies through the fourth cycle, 1987-1991;

(b) Requests the Administrator to undertake the necessary review of the policy of UNDP in regard to the Senior Industrial Development Field Adviser programme in the fourth cycle, taking due account of the possible change of status of UNIDO to a specialized agency, and to report to the Governing Council at its thirty-third session on the results of that review;

(c) Further decides to consider and decide on the UNDP support in the fourth cycle for the Senior Industrial Development Field Adviser programme at its thirty-third session.

299. The Governing Council subsequently adopted decision 85/41.

G. Other matters

1. The financial structure of the UNDP-administered system

300. For its consideration of item 9(g) of the Council's agenda, the Committee had before it a report of the Administrator contained in document DP/1985/64. The Deputy Assistant Administrator, Bureau for Finance and Administration, introduced the subject by referring to the origins of the report under discussion.

301. He stated that the document was essentially an information paper developed in response to Governing Council decision 84/33, which requested that the Administrator submit a concise and comprehensive report on the structure, financing and interrelation of all funds administered by UNDP. The report was divided into two parts: the first part provided a brief description of each such fund and programme (categorized functionally) and the types of contribution that could be made to them; the second part provided both an overall review of the concept of co-financing (including definitions of the terms cost-sharing, trust funds and parallel financing), and examples of UNDP's practical experience with this type of funding.

302. The Deputy Assistant Administrator indicated that while the report was essentially for information purposes, the Administrator had requested the Council's guidance regarding the appropriateness of a review of the organizational arrangements that characterized his management of the funds under his authority. A second specific proposal related to a recommendation to the Governing Council that it make appropriate proposals to the General Assembly to effect the formal closure of four specific funds: the Fund of the United Nations for the Development of West Irian; the United Nations Korean Reconstruction Agency, Residual Assets; the United Nations Relief Operations in Bangladesh; and the Trust Fund Programme for the Republic of Zaire. In addition, the Deputy Assistant Administrator raised an issue related to the treatment of cost-sharing compared with trust funds. He explained that as a result of the existing legislation, there were currently two features related to cost-sharing in which a distinct bias had been introduced towards trust funds and against cost-sharing. These two features related to the procedures governing the treatment of interest earned on cost-sharing balances and the Administrator's ability in line with the relevant provision of Governing

Council decision 82/5 to lower the support-cost rate for trust-fund projects when it was determined by him that the agency concerned had indicated a willingness to accept a lower rate for the same project. Members were requested to give serious consideration to the Administrator's proposals for correcting that bias particularly since cost-sharing, for both programming and administrative reasons, was UNDP's preferred form of co-financing.

Summary of the discussion in the Committee

303. Many members expressed appreciation for the report and for the Deputy Assistant Administrator's oral presentation. Members commented that the paper had been extremely useful in explaining the complexity of UNDP activities.

304. Many members also expressed the opinion that it was necessary for UNDP to have a complex structure to be able to respond in a flexible manner to the many and varied demands placed on it. However, those members also indicated their belief that core financing must be the cornerstone of UNDP funding and reiterated their concern about a proliferation of trust funds. Members expressed their strong support as well for the Administrator's proposal to review the organizational arrangements that characterized the administration of those funds. This support was based on a desire for streamlining the management processes with a view to achieving greater effectiveness and efficiency and eliminating funds and activities that were not cost-effective.

305. Overall support was expressed by members for the recommendation that the General Assembly should effect the formal closure of the four specific funds. One member requested clarification with respect to the aim of these funds.

306. Members indicated that in principle they supported the Administrator's desire to remove the present bias against cost-sharing and in favour of trust funds. Clarification was requested by one member in regard to the potential need for changes in the accounting process as a result of those proposals and in regard to the aims and status of the four specific funds recommended for closure.

Response of the Administration

307. In response to the requests for clarification concerning cost-sharing, the Deputy Assistant Administrator stated that the proposed actions would not require changes in the accounting process. He also provided further clarification with respect to UNDP treatment of administrative costs in cases where those activities represented less than 25 per cent of the IPF and where interest earnings, as authorized by decision 82/18, were used to finance those activities. The Deputy Assistant Administrator briefly described the original

purposes of the four funds which were being recommended for closure, emphasizing that it had been at least seven years since any of them had received any contributions and that they were, in effect, moribund.

Recommendation of the Committee

308. Following its consideration of this item, the Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the Administrator's report on the financial structure of the UNDP administered system (DP/1985/64),

(a) Requests the Administrator to review the current organizational arrangements that characterize his management of the funds under his authority and to provide a report to the Governing Council at its thirty-third session containing proposals whereby the current organizational arrangements for the management of these funds may be made more effective and efficient;

(b) Takes note of the Administrator's intention to make available to the cost-sharing programmes the interest earned on cost-sharing balances after the costs to UNDP relating to the respective programmes have been met;

(c) Authorizes the Administrator, further to decision 82/5 IV, paragraph 3, for those agencies which did not respond to decision 80/44, paragraph 4 and decision 82/5 IV, paragraph 2, to lower the support cost reimbursement rate relating to a project financed either by a trust fund or cost-sharing when it is determined by the Administrator that the agency concerned had indicated its willingness to accept a lower rate for the same project;

(d) Recommends to the United Nations General Assembly that it endorse the proposals contained in paragraph 7 of DP/1985/64 relating to the closure as of 31 December 1985 of the Fund of the United Nations for the Development of West Irian, the United Nations Korean Reconstruction Agency - Residual Assets, the United Nations Relief Operations in Bangladesh and the Trust Fund Programme for the Republic of Zaire.

309. The Governing Council subsequently adopted decision 85/42.

2. ITU request for additional support cost reimbursement

310. Under agenda item 9(g), a representative of the International Telecommunication Union (ITU) introduced for consideration by the Committee a request made by ITU for additional support cost reimbursement in respect of its UNDP-financed activities. The request had been contained in a letter dated 1 May 1985 from the Secretary-General of ITU to the Associate Administrator of UNDP, attaching a copy of resolution No. 916 of the ITU Administrative Council. This letter, together with comments by the UNDP Secretariat thereon, had informally been made available to members of the Committee.

311. The representative of ITU pointed out that the ITU Administrative Council resolution No. 916 required the ITU Secretary-General to continue negotiations with UNDP for an agreement on more favourable terms for the reimbursement of support costs incurred as a result of the participation by ITU in UNDP activities, and recognized that ITU fully subscribed to the concept of partnership in the technical co-operation programme of the United Nations system. He explained that although ITU had no regular programme of technical co-operation, the 1982 Nairobi Plenipotentiary Conference had made provisions for strengthening technical co-operation and advice from the resources of ITU. He described the activities financed during 1984 from a provision for this purpose of \$2.63 million. He said that the financing of personnel of the Technical Co-operation Department of ITU, who were essential for programme management and project backstopping, was largely dependent on UNDP support-cost reimbursement. ITU delivery of UNDP projects had, however, decreased from \$33.3 million in 1981 to \$19 million in 1984 and the level of support costs had also been adversely affected by a decrease in the size and distribution of components within projects, a high percentage of short-term expert missions and the uncertainty of programme activity under present economic constraints which had made it necessary to leave a number of project requests in abeyance.

312. The representative of ITU further stated that ITU had made great efforts to rationalize working methods and to improve the quality of project delivery. During 1984 the organization had kept vacant 24 out of the 105 posts authorized for the technical co-operation budget. He also referred to the services provided from the ITU regular budget in connection with UNDP-financed projects, which had amounted to \$5.8 million during the period 1974-1983, exclusive of other support which cost approximately \$2.35 million per year, including that provided by the ITU Training Division and the Group of Engineers, and office rent of over \$157,000 per year. He emphasized that the provision contained in the Nairobi Convention - i.e., that the ITU Administrative Council take into account the decisions of the UNDP Governing Council regarding support-cost reimbursement to the executing agencies - came into effect only from 1 January 1984.

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313. The representative of ITU informed the Committee that, following recent discussions with UNDP officials, in the opinion of UNDP the maximum amount for which reimbursement could be justified was 1.7 million Swiss francs for the years 1980-1983, which was equivalent to approximately \$644,000 and represented 26 per cent of the 6.4 million Swiss francs originally requested. He stated that the Secretary-General of ITU had recently written to all members of ITU requesting them to consult with their respective national authorities on the interpretation of resolution No. 16 of the Nairobi Plenipotentiary Conference of 1982 so that a lasting solution to the problem of ITU support cost reimbursement from UNDP might be found during the next session of the ITU Council to be held in July 1985.

Summary of the discussion of the Committee

314. Some delegations expressed support for the ITU request for additional support-cost reimbursement for the years 1980-1983 on the understanding that reimbursement would be limited to the equivalent of \$644,000 and would be conditional on the ITU Administrative Council agreeing at its July 1985 session that no further requests for additional support reimbursement should be made to UNDP in future years.

315. Several other delegations expressed concern that if the Council were to approve payment of an additional amount as an exception to the normal rules governing support-cost reimbursement, this might set a precedent which could cause other executing agencies to make similar requests. They were not convinced that the position had changed significantly since 1984 when the Council had agreed that an exception in the case of ITU should not be made, or that the situation of ITU was significantly different from that of other executing agencies.

316. Other members asked how the cumulative deficit would be dealt with if the Council were not to agree to the ITU request, whether there were a UNDP budgetary allocation to meet any additional support cost payment to ITU and how ITU would deal with the excess of the total 1980-1983 deficit over the \$644,000 for which reimbursement was now being considered.

Response of the Administration

317. In response to the observations and queries made by the members of the Committee, the Deputy Assistant Administrator, Bureau for Finance and Administration, explained that the essential difference from the ITU request this year compared with 1984 was that, for the first time, ITU stated that as from 1 January 1984 no further requests for additional support costs would be made. The figure of \$644,000 or 26 per cent of the original amount requested, had been arrived at following a careful review by UNDP staff of the amounts

submitted by ITU and detailed consultations concerning the appropriate figures for project delivery, waivers of support-cost reimbursement granted by ITU and exchange rates. He stated that any additional amount approved would be charged to the UNDP general resources on the separate line used for reimbursement of support costs to executing agencies.

318. In reply to some of the questions raised by the Committee, the representative of ITU said that he could not be sure how ITU would deal with the cumulative deficit for 1980-1983 if the Council did not agree to additional payment. If part of this deficit were reimbursed, it might be possible to write off the balance out of the proceeds of sale of ITU postage stamps, as had been done in the case of losses incurred prior to 1980.

Recommendation of the Committee

319. Following informal consultations on this matter, the Budgetary and Finance Committee recommended that the following decision be adopted by the Council:

The Governing Council,

Having considered information provided by representatives of ITU and UNDP concerning a request made by the International Telecommunication Union for additional reimbursement of support costs relating to UNDP-financed activities,

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

Reaffirms its decision 84/31, paragraph 6, in which it decided that support-cost reimbursement to executing agencies, including the International Telecommunication Union, should continue to be made in accordance with the provisions of Governing Council decisions 80/44 and 81/40.

320. The Governing Council subsequently adopted decision 85/43.

3. Currency exchange rates applicable to activities of the United Nations Development Programme

321. The Budgetary and Finance Committee had before it a report of the Administrator on a question which had arisen between UNDP and a Government with respect to the interpretation of a provision contained in article X of the Standard Basic Assistance Agreement, which related to the exchange rate to be applied to UNDP transactions in the recipient country (DP/1985/7), as well

as a statement by the Permanent Representative of Somalia to the United Nations, contained in document DP/1985/INF/5, in which the position of the Government concerned was explained.

322. Several members expressed their views on the matter. A number of delegations favoured the position expressed by the recipient Government concerned; others favoured the Administrator's position.

Response of the Administration

323. The Administrator and the Associate Administrator responded to the questions raised by members.

Recommendation of the Committee

324. Following its consideration of this matter, the Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered document DP/1985/7 of 18 June 1985 presented at its thirty-second session,

Having heard the statements made by the Permanent Representative of Somalia and the Administrator of UNDP on this subject,

Expresses the hope that further consultations would be fruitful.

325. The Governing Council subsequently adopted decision 85/44.

Notes

1/ Official Records of the Economic and Social Council, Fifty-ninth Session, Supplement No. 2A (E/5703/Rev.1), para. 314(i).
