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BUDGETARY AND FINANCE COMMITTEE

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Item 10 of the agenda of the Budgetary and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE
TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Addendum

Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

D. UNDP Financial Regulations

G. Sectoral Support

1. For its consideration of item 9 (g) of the Council's agenda, the Committee had before it the report of the Administrator (DP/1986/66).
2. The Director of the Technical Advisory Division introduced the item by reviewing the arrangements that had been made for sectoral support to the smaller agencies. Regarding the senior industrial field adviser programme,

the Director stated that a review had been undertaken which took into account the change in the status of the United Nations Industrial Development Organization (UNIDO) to a specialized agency of the United Nations system. The review had revealed that the Senior Industrial Development Field Advisers (SIDFA) provided an effective channel of communication between the United Nations system and Governments and that they were considered a valuable asset to the UNDP field offices. Discussions had been held at senior level with UNIDO. The UNIDO Industrial Development Board had decided that, no matter what the source of funding, all SIDFA should be integrated within the UNDP field offices in order to strengthen the central co-ordination role of UNDP. The Board had further decided to finance 9 SIDFA posts from the biennial budget of UNIDO for 1986 and 1987, on the assumption that at least 19 other SIDFA posts would be funded by UNDP in the fourth cycle and that an unspecified number of additional posts would be covered by voluntary contributions. Against this background, the Administrator proposed to the Council that UNDP support for the SIDFA programme be continued, provided that the SIDFA remain integrated within the UNDP field offices. If the Council endorsed this proposal, the Administrator would in turn propose to the Director-General, UNIDO, that new working arrangements be established whereby the UNDP resident representatives would also be the UNIDO representatives. The Director noted that an amount of \$25 million had been set aside for the sectoral support programme during the fourth cycle. Bearing in mind that the Administrator had suggested to the Council at its thirty-second session that the smaller agencies be allocated approximately one third, or \$9 million of the total allocation, the Administrator now proposed that \$16 million be reserved for the SIDFA programme.

Summary of discussions in the Committee

3. Several members emphasized the importance they attached to the services provided by SIDFA. They noted that the advisers provided an important element of the support given to developing countries in the industrial sector and that they provided an effective channel of communication. Many members stressed that the activities of SIDFA should be closely linked to UNDP activities at the field level and that SIDFA should remain integrated within UNDP field offices. Several members stated that the UNDP representatives should therefore also be the representatives of UNIDO. One member emphasized that SIDFA should provide advice to the resident representative and to the Government rather than administrative support to UNIDO. Other members noted that in practice SIDFA played both roles.

4. Many members focused on the issue of the appropriate financing of SIDFA. Several members emphasized the fact that since UNIDO had been established as a specialized agency, a full review of the appropriate financing for the SIDFA programme was required. In this context, one member added that there was very little rationale for continued financing for SIDFA by UNDP. Several members emphasized that sectoral support should be financed principally by recipient countries and also that sectoral support was the responsibility of the specialized agency, rather than of UNDP. One member emphasized the importance of the principle which had been established that UNIDO and UNDP share the financing of the SIDFA programme. Against this background, a number of members considered that approval for an allocation should be limited to a period of, for example, three years.

5. Many members emphasized the importance of finding a long-term solution to the problem of the financing of the SIDFA programme. They stated that it was important that alternative sources of financing be actively sought. Several members considered that, given the importance of the programme, its financing

was not based on a sufficiently long-term and secure basis. One member considered that in examining long-term solutions, it was preferable that financing be secured from a single organization and in this connection he examined some of the relative merits of securing financing either from UNDP or from UNIDO. Several members noted that they could not support the funding of SIDFA through the assessed budget of UNIDO.

6. Several members requested further clarification regarding the \$25 million that had been allocated to overall sectoral support. Several members expressed concern that sufficient funds might not be available for SIDFA, given the importance of the programme. In this connection, one member noted that the annual sums being proposed, while more than available in 1986, still represented less than what was available at the beginning of the third cycle. Several members approved the proposal that the funds provided would be used to employ the maximum number of SIDFA possible but that UNDP was not committed to finding funds to maintain a predetermined number of SIDFA. One member requested information regarding the criteria used for allocating resources among the smaller agencies.

7. Several members questioned the appropriateness of the proposals contained in paragraph 15 of the report and requested further clarification: the issues raised, in particular in the last sentence of the paragraph, should not be the subject of a discussion in the Budgetary and Finance Committee of UNDP. One member questioned what the role of the representative of UNIDO would be in a country where there was no SIDFA. Another member emphasized that the functions of the UNDP resident representative elaborated in paragraph 15 stemmed from the role of UNDP in technical co-operation and stated that these arrangements should not be linked to a decision on the financial arrangements to be employed.

8. Several members requested clarification regarding the nature and timing of the reports to be made by the Administrator referred to in paragraph 17. Several members considered that there might be a need to review the arrangements before UNIDO adopted its 1988-1989 budget and that the final review should take place before 1990. One member noted that UNIDO financing of nine posts was limited to the UNIDO biennial budget 1986-1987 and expressed concern at a commitment on the part of UNDP that went beyond this period.

9. One member requested that the consultants' report that had been prepared be provided to interested members. Several members asked for further information regarding the nationality of SIDFA, and the countries in which SIDFA served. One member asked why the Arab region had been allocated only one SIDFA. Another member expressed concern that the criteria for the placement of SIDFA elaborated in paragraph 14 of the document appeared to preclude the placement of SIDFA in smaller countries and she suggested that the criteria be applied with a certain flexibility. One member expressed concern that the resources allocated to the smaller agencies appeared to be for activities that the agencies could not finance from other sources: the resources were in practice being used for extrabudgetary components rather than for sectoral support.

Statement by the representative of UNIDO

10. The representative of UNIDO reviewed a part of the background to some of the present arrangements relating to SIDFA and noted that these arrangements had been the subject of a number of recent evaluations. He considered that the financing of the SIDFA programme in the next cycle should come from a multi-fund arrangement shared by UNDP and UNIDO and supplemented by voluntary contributions to UNDP or UNIDO from developed and developing countries. He stated that the local costs of the SIDFA services could be borne totally or partially by local Governments. He noted that the Industrial Development

Board (IDB) had recently considered the SIDFA programme, had taken note of the information provided by the Director on financing arrangements, and had requested him to submit a further report to the IDB in October 1986, reflecting the outcome of this session of the Governing Council. He stated that the IDB had recommended the full integration of the UNIDO field representation within the UNDP local offices. In the opinion of UNIDO, SIDFA should act as representatives of the organization vis-à-vis the technical and sectoral authorities under the general guidance of the UNDP resident representatives. He further stated that UNIDO fully subscribed to the findings of the Administrator's report (DP/1986/66) and it was hoped that the Committee would approve the recommendations of the Administrator. Finally, he noted the valuable assistance provided by Junior Professional Officers in UNIDO.

Response of the Administration

11. The Director, Technical Advisory Division, noted the importance attached by members to the role of SIDFA in assisting developing countries in their process of industrialization. He stated that the Administration, in making the current proposals, had given full consideration to the change in status of UNIDO to a specialized agency. Careful monitoring of the programme was envisaged and reports to the Council had been planned for 1988 and 1990. Furthermore, the financing arrangements were conditional on the acceptance by UNIDO of the continued integration of SIDFA with the UNDP field offices. It was proposed that the UNDP resident representatives should be the representatives of UNIDO and that the SIDFA should hold the title of UNIDO Deputy Representatives. Against the background of the discussions that had taken place, the Director proposed to move forward, by one year, each of the two reports that were being proposed for future consideration by the Council: the report due in 1988 would now be provided in 1987; the report due in 1990

would now be provided in 1989. The Director expressed the hope that this would help to respond to several concerns raised by members.

12. The Director re-emphasized that the funds provided would be used to employ the maximum number of SIDFA, but that UNDP was not committed to maintaining a predetermined number of SIDFA. Regarding the criteria used for the allocation of resources for the smaller agencies, he stated that these were based on assessments and proposals that were made by the agencies and which were reviewed in the context of country programming priorities. The Director provided further details regarding the nationalities of SIDFA employed and the countries in which SIDFA were currently assigned. Regarding the concern expressed for a long-term solution to the financing of SIDFA, the Director expressed sympathy with this concern, but noted that it was not possible, at the present time, to envisage such a solution. With respect to the proposal that a long-term solution should be based on financing from a single organization, he noted that the resources that would be needed were not available from UNDP.

Further discussion in the Committee

13. One member proposed an interim arrangement based on consultations that had been held. He proposed that: (a) the Council approve an allocation of \$9.6 million for a period of three years; (b) the Administrator, after full consultations with UNIDO submit an in-depth report on the substance of the SIDFA programme in 1987, including proposals for the long-term financing of the SIDFA programme; and (c) the co-ordinating role of UNDP be ensured. Several members re-emphasized the importance they attached to the SIDFA programme and noted the need to ensure that the balance of resources allocated to the SIDFA programme remain available for the last two years of the cycle. Several other members stressed the need for a high quality, objective report in 1987 that would examine SIDFA functions in depth.

