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BUDGETARY AND FINANCE COMMITTEE
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Item 10 of the agenda of the Budgetary
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ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO
THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Hans OLSSON (Sweden)

Addendum

CHAPTER III. OTHER FUNDS AND PROGRAMMES

C. United Nations Capital Development Fund

1. In considering agenda item 8 (ii) and the related section in agenda item 9 (b), the Committee had before it documents DP/1987/47 and DP/1987/55. These documents included two proposals related to the United Nations Capital Development Fund (UNCDF), one dealing with an increase in headquarters staff of 2 Professionals and 3 General Service staff members and the other with a modification of the formula used in the UNCDF partial funding system. Under the proposed modification to the formula, the Fund's outstanding commitments could not exceed the sum of liquid resources, exclusive of the operational reserve plus five years of anticipated contributions. The formula in existence since 1979 allows for the inclusion in the formula of only two years of anticipated contributions.

2. These issues had previously been presented to the plenary session of the Governing Council by the Assistant Administrator of the Bureau for Special Activities (BSA) and the Executive Secretary of UNCDF when DP/1987/47 was introduced and reviewed.

Summary of the discussion in the Committee

3. The support of the various delegations to the increase in staff and to the modification of the formula was unanimous. Delegates noted the historic increases in ongoing projects, disbursement levels and outstanding commitments. A further expansion of the Fund's activities, expected to continue in 1987-1990, warrants the staff increase. One delegate, however, wondered if temporary posts would suffice.

4. The delegations expressed their support for the objectives of the modification of the partial funding formula, i.e., to reduce UNCDF liquidity and to expand the Fund's assistance to the least developed countries (LDCs). One delegate questioned the need for permanency in that formula. The delegate was also interested in knowing how the UNCDF partial funding formula fitted into the overall UNDP funding scheme.

5. Other delegates questioned the timing for the subsequent report to the Council on the implementation of the modified partial funding system. They felt that a review by the Council at its thirty-fifth session (1987) would be premature since there would not have been adequate time to see the results of the formula modification. A later session of the Council was deemed more appropriate.

Response of the Administration

6. The Assistant Administrator, BSA, explained that a temporary increase in staff would not be appropriate since the revised formula would lead to consistently higher levels of outstanding commitments and expansion of overall UNCDF activities, requiring a long-term revision to the manning table. Concerning the partial funding system, it was explained that the UNCDF formula of including 5 years of anticipated contributions in the determination of commitment levels had some similarities to the UNDP system, which also worked on projections for five years. It was felt that a review of the partial funding modification to be undertaken by the Council in three to four years would allow sufficient time for conclusions to be drawn on the revised system.

Recommendation of the Committee

7. Following its discussion on this subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following as paragraph 3 of the decision on the United Nations Capital Development Fund recommended by the Drafting Group for the approval of the Governing Council (see document DP/1987/L.8, page 3):

3. Decides that the Fund should modify the partial funding system as proposed in DP/1987/47, and requests the Administrator to report to the Council at its thirty-seventh session (1990) on the implementation of the modified partial funding system;
