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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 . Implementation of the fourth programming cycle

IMPLEMENTATION OF THE FOURTH PROGRAMMING CYCLE

1987-1991

1. For its consideration of item 5 of the Governing Council's agenda, the Committee had before it document DP/1987/22. Following the Associate Administrator's general introduction of the various subjects under this item, the Committee agreed to deal separately with each of the topics covered.

Part One

NET CONTRIBUTOR STATUS

2. In his introduction to this part, the Associate Administrator referred to the relevant provisions of decision 85/16 of 29 June 1985 dealing with the obligation of certain countries to reimburse during the fourth cycle the field office cost and the cost of the delivered indicative planning figure (IPF), as defined, as well as actions to be taken by the Administrator in the event that voluntary contributions fall short of requirements. He referred to some of the arguments made by the

countries required to fulfil the obligations and the potential issues resulting from non-compliance with the provisions of paragraphs 11-13 of decision 85/16. In particular, he highlighted that these Governments may remain net recipients despite deductions from the IPF remaining unspent because such deductions would take effect only during 1989, the third year of the fourth programming cycle. At that time, approximately one half of the IPF may have been spent and/or firmly programmed. The Associate Administrator also drew attention to paragraph 11 of document DP/1987/22 providing the interpretation of UNDP as to whether there was, in certain cases, an obligation to establish deputy resident representative posts where such were not earlier established.

Summary of the discussion in the Committee

3. All members expressed the view that the net contributor provisions were an integral component of a balanced package of provisions reflected in decision 85/16, which should be respected in its integrity. Some considered, therefore, that the issue could not be dealt with in isolation. Others, who agreed with the concept of the integrity of the decision, were of the view that the obligation to achieve net contributor status could not be subject to renegotiation and had to be respected by all parties. One member suggested that the Administrator should ensure a rough balance between possible shortfalls in voluntary contributions during the first two years of the current cycle and the IPF remaining unspent at the mid-term (1989). Another member, supported by others, proposed that a separate discussion on the matter should be undertaken at the organizational meeting in February 1988 to consider specific proposals by the Administrator on the basis of further consultations with the Governments concerned. The Chairman noted that this proposal was supported by members and no objection was voiced.

4. Members confirmed the Administrator's interpretation of paragraph 11 of decision 85/16, as reflected in paragraph 11 of DP/1987/22, namely that it did not impose an obligation to establish new posts of deputy resident representatives where such posts were not already established.

Response of the Administrator

5. The Associate Administrator stated that the levels of annual approval authority for countries required to achieve net contributor status would ensure no front-loading for 1987 and 1988. The expenditure targets for each of these two years should be approximately one fifth of the total fourth cycle IPF, with adjustments made for any carry-over of third cycle IPF entitlements to the fourth cycle, since such carry-over will not be included in the target for fourth cycle voluntary contributions. He also made the point that as almost one half of the available IPF could be committed by 1989, the mandated cutbacks in programming activities could result in unacceptable wastage of earlier programme inputs. The Administrator would therefore continue his consultations with Governments to try to obtain firm indications on their intentions to meet the net contributor target. In February 1988, he would report to the Governing Council on the results of the consultations. His report would include specific proposals that the Council might consider in deciding how to deal with the issue should Governments advise that they did not intend to achieve the net contributor status during the fourth cycle.

Part Two

SPECIAL PROGRAMME RESOURCES

6. In his introduction, the Associate Administrator referred to Governing Council decisions 86/8 of 21 February 1986, in which the Council approved the conceptual framework for the utilization of Special Programme Resources (SPR) during the fourth cycle, as well as decision 86/30 of 27 June 1986, in which the Administrator was, *inter alia*, requested to submit a proposal as to the type of activities which could be considered for financing SPR earmarkings for contingencies. Accordingly, in paragraph 15 of document DP/1987/22 the Administrator proposed a set of criteria for future SPR allocations against this earmarking which had been formulated on the basis of the principles and criteria implicitly underlying earlier contingency allocations authorized by the Governing Council.

7. The Associate Administrator then briefed the Committee on the status of the Project Development Facility (PDF) financed from the SPR earmarkings for programme development. The original allocation of SPR funds of \$1 million for the PDF was approved by the Governing Council in decision 85/4 of 29 June 1985. Subsequently, in February 1987, in decision 87/6, the Governing Council had authorized the Administrator to incur additional expenditures for the PDF up to \$500,000. After an initial slow start in 1986, the use of the PDF had increased substantially in recent months. At the end of April 1987, over 90 per cent of the total PDF allocation was committed. Commitments were made for a total of 109 PDF missions. Of this total, 79 were completed, 19 were ongoing and 11 were to be fielded shortly. Expenditure incurred would be reimbursed when projects identified and/or formulated with PDF assistance were approved. However, there was a time lag of about 12 months between the fielding of a mission and project approval in those cases where a mission resulted in approval. For that reason, the Administrator requested the Council for an additional allocation of \$500,000 for the PDF against the fourth cycle SPR earmarking for programme development.

Summary of discussions in the Committee

8. Clarifications were sought by members as to the amount of fourth cycle SPR funds still available for contingencies; whether the total amount of fourth cycle SPR funds included the \$20 million set aside from what otherwise should be used for the operational reserve, as approved in decision 85/16; and whether the fourth cycle SPR planning figures listed in annex I of document DP/1987/22 included adjustments for any excess allocations over earmarkings during the third cycle as referred to in paragraph 19 of DP/1987/22. One delegation requested clarification as to the type of activities to be financed from the fourth cycle SPR earmarking for programme development. The same delegation also asked how far the established earmarkings were flexible and the extent to which they could be revised when required on the basis of identified needs.

9. Members in general expressed support for the proposed criteria for future allocations against the fourth cycle SPR earmarking for contingencies, as contained in paragraph 15 of document DP/1987/22, while noting with some disappointment that the balance of the amount to be so regulated was minimal. In this connection, a

number of delegations stressed again that SPR contingency allocations should not be used for recurrent activities which could be financed from other resources.

10. Regarding the additional allocation of \$500,000 of SPR funds for the Project Development Facility, several delegations requested clarification as to its operations and the possibility of its becoming revolving; some members enquired as to when a complete review was planned of the programme, which had been approved initially on an experimental basis. In addition, information was sought on the magnitude of the amounts which could be expected to be reimbursed in the foreseeable future. Most delegations expressed strong support for the PDF, which they considered of importance in the timely identification, formulation and appraisal of pipeline projects. The facility did respond to a real need of recipient countries, as witnessed by the increased use being made of it.

Response of the Administrator

11. The Associate Administrator clarified that currently, \$3.4 million of the fourth cycle SPR earmarking for contingencies remained unallocated. The fourth cycle planning figures for the different categories of SPR activities contained in annex I of document DP/1987/22 had not been adjusted to reflect any excess of third cycle allocations over third cycle earmarkings, since the actual differences were very small and, by their very nature, earmarkings should be considered broad planning figures. Accordingly, it was also understood that should there appear a need to adjust the fourth cycle earmarkings for the different categories either on the basis of identified needs or in view of indications that some of the earlier earmarkings would not be fully utilized, the Administrator would bring the matter to the attention of the Council. As to the type of activities to be financed under the SPR earmarking for programme development, the Associate Administrator referred to document DP/1986/2, which provided information on this point. He also clarified that the total of fourth cycle SPR earmarkings included the \$20 million which otherwise would have been included in the operational reserve.

12. With regard to the criteria to be applied to future allocations for SPR-financed contingencies, the Associate Administrator explained that they had been requested by the Council since the funds were being depleted fast. The proposed criteria, if approved, would remain valid until they were formally revised. Provided that no revision took place, they would thus also apply to fifth cycle SPR allocations. As to the allocations for the PDF, the Associate Administrator reiterated that part of the PDF expenditures would not be reimbursed as a number of missions might not result in approved projects. A more complete picture of the revolving aspect of the PDF would be available only by mid-1988, when the formulation/approval cycle of about 12 months had been completed for most missions undertaken thus far. However, it was estimated that an amount of \$200,000 would be reimbursed prior to end 1987, while an additional \$300,000 was expected to be reimbursed during the first half of 1988. Therefore, with the additional \$500,000 now requested and the expected reimbursement, the PDF could continue to operate at the current level until mid-1988, when a comprehensive report would be provided to the Council.

Further discussions in the Committee

13. Following extensive discussions as to the most appropriate timing for review of the PDF, it was agreed to have the review in June 1988 to ensure that sufficient information on the experience, conclusions and the revolving aspects of the PDF would be available.

Part Three

SPECIAL NEEDS OF ISLAND DEVELOPING COUNTRIES

14. The Associate Administrator introduced the third part of the note with an overview of decision 86/33 of 27 June 1986, which requested the Administrator to evaluate the role of UNDP in implementing specific measures in favour of island developing countries with emphasis on efforts to achieve self-sustaining economic growth and, as part of the mid-term review, to bring to the attention of the Council any special problems encountered by island developing countries in complying with the contributory provision of decision 85/16. He noted that the report clearly illustrated the dedication of a significant part of UNDP resources to island developing countries and pointed out that over half of the countries responsible for achieving net contributor status were islands, the majority of which had already indicated that they were unlikely to meet the target of net contributor status. The Associate Administrator commended to the attention of members paragraphs 52 to 53 for further considerations in connection with upcoming discussions on the matter of net contributor status.

Summary of the discussion in the Committee

15. One member commended UNDP for the analysis done and commented that the report represented an important contribution to the record and illustrated the important position which island developing countries occupied in the UNDP programme of assistance. He reiterated that decision 85/16 was a package which, although not ideal, should not be reopened. He supported the status quo since the level of assistance provided under decision 85/16 seemed adequate. Other members entirely supported that position and proposed to take note of the Administrator's report.

Part Four

REVISED INDICATIVE PLANNING FIGURE

16. The Associate Administrator briefly introduced the last part of document DP/1987/22, which dealt with a revision of certain country indicative planning figures (IPFs). Such revisions had been initiated to reflect the effects of Governing Council decisions 86/9 of 21 February 1986 and 86/54 of 27 June 1986 and to take into account the official revision of 1983 per capita gross national product (GNP) data by the World Bank. A total of \$3.409 million in additional IPF resources had been distributed in accordance with the criteria set out in decision 85/16. The resulting IPF increases had been financed from resources set aside for

this purpose as an unallocated amount, which was currently \$58.8 million. He also stated that for the information of the Council, a corrigendum to DP/1986/1 was being prepared to bring the published list of fourth cycle country IPFs into conformity with recent decisions and data revisions.

17. The Associate Administrator also introduced a point not dealt with in DP/1987/22, concerning the status of IPF resources available to Nicaragua during the fourth cycle. Under the terms of decision 80/30 of 26 June 1980, the Council authorized Nicaragua, as an exceptional measure, to postpone repayment of \$3 million in borrowing from the third cycle to the fourth cycle. Should Nicaragua, with a fourth cycle IPF of \$7.190 million repay the entire amount during the fourth cycle the remaining programme resources of \$4.190 million would barely be adequate to cover the existing commitments thus far approved. Following consultations with the Government, the Associate Administrator proposed to endorse the government proposal that \$1 million be repaid during the fourth cycle and that the remaining \$2 million be reimbursed in the fifth cycle.

Summary of the discussion in the Committee

18. The members of the Committee duly noted the outcome of the recalculations of the IPFs concerned. With regard to the matter of borrowing for Nicaragua, the Chairman observed no objection to the proposal made by the Associate Administrator. Upon request, he also clarified that such absence of objection did not automatically constitute approval.

Recommendation of the Committee

19. Following its considerations of items related to the implementation of the fourth programming cycle, 1987-1991, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision.

The Governing Council,

Having considered the report of the Administrator of the United Nations Development Programme on the implementation of the fourth programming cycle, 1987-1991 (DP/1987/22),

I

1. Confirms the principles established with regard to the achievement of net contributor status during the fourth cycle for recipient countries with 1983 per capita GNP above \$3,000, excluding island developing countries with a population in 1983 of 1 million or less and with a 1983 per capita GNP between \$3,000 and \$4,200, as reflected in paragraphs 10 through 13 of its decision 85/16 of 29 June 1985;

2. Strongly urges all Governments affected by the provisions of these paragraphs to make voluntary contributions to the programme as required to achieve net contributor status;

3. Requests the Administrator to continue his consultations with those countries and report the outcome to the Governing Council at its February 1988 organizational session;

4. Further requests the Administrator to establish a programming profile for those countries referred to in paragraph 1 above, which will maintain their annual IPF-financed programme expenditure at an approximate level of one fifth of their fourth cycle IPF, plus or minus any amounts of IPF entitlements carried over or borrowed from, the third programming cycle;

5. Confirms the Administrator's interpretation of paragraph 11 of decision 85/16 regarding deputy resident representative posts as contained in paragraph 11 of DP/1987/22;

II

6. Takes note of paragraph 18 of document DP/1987/22 reflecting carry-over of the Special Programme Resources from the third to the fourth cycle as well as the Special Programme Resources status at the end of the third programming cycle, as reflected in annex I of the document;

7. Endorses the criteria for future SPR allocations under "contingencies", as set out in paragraph 15 of document DP/1987/22;

8. Having also considered the oral status report by the Administrator regarding the Project Development Facility;

9. Approves the allocation of an additional \$500,000 for the Project Development Facility from the fourth cycle Special Programme Resources earmarking for programme development activities;

10. Requests the Administrator to report to the Council at its thirty-fifth session in June 1988, on the experience with the Project Development Facility including, but not limited to, an assessment of its impact, its ease of use, the degree of its acceptance by Governments and field offices, its revolving nature as well as any conclusion thereof on its usefulness for future operations, in particular with regard to the timely development of an adequate pipeline of projects as required for increased indicative programme figure programme delivery in line with fourth cycle delivery targets;

III

11. Takes note of part three of document DP/1987/22, in which the Administrator, in response to decision 86/33 of 27 June 1986, provided information both on the special needs of island developing countries and on the special measures taken by the United Nations Development Programme in favour of island developing countries;

12. Recalling that in its decision 85/16 it gave special treatment to island developing countries with a 1983 per capita GNP between \$3,000 and \$4,200 and a 1983 population of less than one million with respect to the application of paragraphs 10-13 of that decision, by equating them with other developing countries with a GNP per capita between \$2,000 and \$3,000;

13. Decides that similar special treatment should be given in the application of paragraphs 8 and 9 of decision 85/16 to island developing countries with a 1983 per capita GNP between \$2,000 and \$3,000 and a population of less than one million, by equating them to other developing countries with per capita GNP between \$1,500 and \$2,000 for the purpose of calculating targeted voluntary contributions and contributions to local office costs;

IV

14. Recalls its decision 85/16 on fourth cycle indicative planning figures and its subsequent decision 86/9 of 21 February 1986 on economically disadvantaged states in southern Africa as well as its decision 86/54 of 27 June 1986 concerning the inclusion of Mauritania, Kiribati and Tuvalu in the list of least developed countries;

15. Takes note of the outcome of the Administrator's recalculation of the fourth cycle indicative planning figures for Kiribati, Lesotho, Tuvalu, Suriname, Swaziland and the United Republic of Tanzania by the Administrator, in pursuance of the above decisions, as documented in part four of document DP/1987/22, in particular paragraph 58;

16. Also noting the Associate Administrator's oral presentation regarding a request by the Government of Nicaragua to be allowed to spread repayment of the amount of \$3 million indicative planning figure previously borrowed over both the fourth and the fifth programme cycle, in order to avoid substantial curtailment of the indicative planning figure-financed activities;

17. Authorizes the Administrator to postpone to the fifth cycle the repayment of \$2 million out of a total of \$3 million third cycle borrowing by Nicaragua; \$1 million will be repaid during the fourth cycle.
