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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

Rapporteur: Mr. Hans OLSSON (Sweden)

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

F. Sectoral support

1. The Administrator's report (DP/1987/58) was made available to delegates to the Council for consideration of item 9 (f) of the agenda.

2. The Director of the Technical Advisory Division introduced the item by recalling that at its thirty-third session the Council had requested the Administrator to undertake an objective, substantive review of the Senior Industrial Development Field Advisers (SIDFA) programme, jointly with the United Nations Industrial Development Organization (UNIDO) and to report to the thirty-fourth session of the Council on the results of that review. The review had been made by two independent consultants jointly hired by UNDP and UNIDO. The UNDP Secretariat had carefully studied the consultants' report, and the Administrator had held consultations with the Director-General of UNIDO on the future of the SIDFA programme. In view of the importance of industry in the process of economic development, the positive assessment of the programme by recipient countries, and the confirmation of the effectiveness of the programme, the Administrator proposed to the Council that the recommendations he had made at its thirty-third session (June 1986) be endorsed. More specifically, the Administrator recommended that all

SIDFAs should perform certain core functions. Among those would be project development and programming, and the provision of policy and technical advice to Governments and resident representatives. The Administrator and the Director-General of UNIDO had agreed that SIDFAs would be an integral part of the UNDP field office that should be funded from a common pool of resources, which would be administered by UNIDO. UNIDO would, however, be accountable to UNDP for those funds provided by UNDP. The Director of the Technical Advisory Division emphasized that the Administrator's proposals would not lead to an increase in contribution over and above that already provided for the fourth programming cycle. He proposed that the amount of \$6,400,000, which had been held back by the Council at its thirty-third session be released for the SIDFA programme for 1990 and 1991, and that that amount be used to employ the maximum number of SIDFAs without any commitment from UNDP to support a pre-determined number of SIDFAs. The Administrator further proposed to undertake a review of the SIDFA programme in 1990 in order to advise the Council on UNDP's involvement in the programme during the fifth cycle.

#### Statement by the Representative of UNIDO

3. The Deputy Director-General of UNIDO in charge of the Department for Programme and Project Development confirmed the involvement of UNIDO in the preparation of the Administrator's report, and the Organization's endorsement of the Administrator's recommendations. He indicated that the secretariat of the UNIDO is well aware of the criticism that was levelled against certain aspects of the past SIDFA programme such as the selection of SIDFAs, the imprecise definition of their tasks, the lack of performance evaluation, and their insufficient integration in the operations of UNIDO headquarters. He outlined the most important measures which had been introduced and were being considered for introduction. These included the creation of an interdepartmental committee to make proposals on the selection of SIDFAs and to evaluate their performances and the establishment of a system of rotation for SIDFAs between the field and UNIDO headquarters. He confirmed that the UNIDO Board had taken the decision not to create a separate field office network but to integrate SIDFAs fully into the UNIDO field office. The Deputy-General of UNIDO ended by expressing the hope that after many discussions held in various fora, it would be possible to put the SIDFA programme on the sound footing that it deserved.

#### Summary of discussions in the Committee

4. All of the Committee members who spoke supported the specific recommendations of the Administrator of the long-term financing and agreed that the amount withheld by the Council at its thirty-third session be released for support of the SIDFA programme in 1990 and 1991. Many members requested clarification of the UNDP secretariat on the reservations which had been expressed in document DP/1987/58 and wanted to know the nature of these reservations.

5. Several members focused on the issue of the appropriate funding of the SIDFA programme. A number of members proposed that SIDFA costs should be financed from indicative planning figure (IPF) resources, while others suggested that they be financed by UNIDO during the fifth programming cycle. Members welcomed the fact

that contributions for the local costs of the SIDFA programme were increasingly being made by recipient countries. Some members, while agreeing to continue to support the programme in the fourth cycle, wished to give a clear signal to UNIDO that it was no means certain that UNDP would assist the SIDFA programme in the fifth cycle. Many members wanted to know the level of the UNIDO contribution for the fourth cycle, and one member desired at least a confirmation by UNIDO that its share would not be less than one third.

6. Several members questioned the appropriateness of the Administrator's proposal related to the grading of the SIDFAs, as they considered that the level recommended was too high for an adviser or could create problems with resident representatives in some countries. Most members were satisfied with the basic core functions which were proposed for the SIDFAs.

7. Several members welcomed the Administrator's proposal for the review of the programme in 1990. One member suggested that that review be conducted not only for the SIDFA programme but for the whole sectoral support programme and should therefore embrace the smaller agencies. Another member asked if that review would be jointly undertaken by UNDP and UNIDO, while others stressed that the review in 1990 should be definitive, and the Council should not be asked to look to yet again at the so-called in-depth studies of the SIDFA programme.

8. A number of members asked whether the Administrator's recommendations would be included in the new UNDP/UNIDO agreement and if this agreement would be submitted to the Council.

#### Response of the Administration and UNIDO

9. The Director of the Technical Advisory Division stated that although the consultants in their report had made a number of valuable recommendations which were acceptable to the Administrator, and although the report was particularly strong and cogent in its analysis and recommendations on the establishment of standards and management procedures, it was not so strong in laying down criteria for the placement of SIDFAs; consequently, it was difficult to forecast the number of SIDFAs that would be needed and the amount of resources needed to finance them. The important problem of their long-term financing therefore remained unresolved. He stated that even before the consultants embarked on their review, the merits and deficiencies of the programme had been recognized. He stated that the new agreement would include the main recommendations of the report, particularly those related to the role of the resident representative and the SIDFA; and the integration of the SIDFA within the UNDP field office. The Director noted that in the future, SIDFAs would be playing more the role of advisers to recipient countries, and would to a great extent be relieved of routine administrative matters. Regarding the concern expressed with the proposed grading of SIDFAs, the Director indicated that UNDP and UNIDO did not want to introduce any rigidity by that proposal; grades would depend on the experience and education of the candidate as well as on the country of his assignment.

10. The Director agreed that the review which should be undertaken in 1990 should include sectoral support to smaller agencies. He assured the Committee that the report would be released in sufficient time to allow delegates to study it in

detail. He indicated that for the moment UNDP had not decided whether this review would be jointly undertaken with UNIDO. He informed the Committee that there was no established cost-sharing ratio for the financial contributions of UNDP and UNIDO in the SIDFA programme.

11. The Deputy Director-General of UNIDO was invited to make replies to questions related specifically to UNIDO. He agreed with the views expressed by the Director of the Technical Advisory Division, and informed the Council that the details of the administration of the programme, as well as the location of the SIDFAs, would be later discussed jointly by UNDP and UNIDO. Regarding the concern expressed about the level of the UNIDO contribution during the fourth cycle, he informed the Council that 9 SIDFA posts had already been approved by the General Conference of UNIDO for funding from the operational budget during the biennium 1988-1989. It was, however, impossible for him to foretell what would happen in 1990 and 1991, as that would be known only after the General Conference of UNIDO in November 1987. The Deputy Director-General again expressed the hope that in the future the programme would be supported on a secure financing basis.

#### Further discussion in the Committee

12. Two members were concerned by the uncertainty of the UNIDO contribution for the financing of the SIDFA programme, and proposed that the UNDP allocation of \$6.4 million for 1990 and 1991 should be contingent upon UNDP being provided with a firm commitment from UNIDO to contribute a minimum amount to the programme after 1989. On the other hand, one disagreed totally with this attempt and conditionality. A number of members asked UNDP to state who was responsible for reporting from the UNDP field office to UNIDO and what was the opinion of UNDP with regard to the use of IPF funds for financing the SIDFA programme.

#### Additional response of the Administration

13. The Director of the Technical Advisory Division informed the Committee that the UNDP allocation for the SIDFA programme should not be considered as a subvention to UNIDO but as one of the UNDP contributions to the development of the industrial sector in recipient countries. Consequently, the Secretariat did not wish to link this allocation with a firm UNIDO contribution. He stated that the resident representative, as UNIDO representative, would be responsible for reporting to UNIDO. He indicated that UNDP had no objection to the use of IPF funds for the financing of SIDFA posts provided that:

- (a) it was requested by the host country; and
- (b) an acceptable justification was given through a viable project document.

#### Recommendation of the Committee

14. Following consideration of the matter, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision.

The Governing Council,

Recalling its decision 86/50 of 27 June 1986,

Having considered the report of the Administrator on sectoral support (DP/1987/58) and the views and comments of the members of the Council thereon,

1. Endorses the proposals of the Administrator contained in paragraph 11 and approves that the allocation of the amount of \$6,400,000 that was withheld by its decision 86/50 be used for 1990 and 1991 to cover the services of a maximum number of senior industrial development field adviser posts;
2. Requests the Administrator to undertake a review of the whole sectoral support programme and to report to the Council in 1990 on the nature and scope of UNDP support to the sectoral programmes of some specialized agencies of the United Nations system during the fifth programming cycle.

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