Thirty-fifth session
6 June-1 July 1988, Geneva
Item 5 (a) of the provisional agenda

PROGRAMME PLANNING

Fourth programming cycle: net contributor status

Report of the Administrator

SUMMARY

The present report provides an update of earlier information communicated to the Governing Council on the outcome of consultations between the United Nations Development Programme and Governments on their acceptance of net contributor obligations. It includes data on actual or pledged contributions by these countries for the years 1987 and 1988.

The report then deals with the different issues which have arisen with regard to the implementation of paragraphs 11-13 of decision 85/16 of 29 June 1985 pertaining to net contributor countries. Specific issues addressed in this respect are: (a) programme planning for countries which have not yet formally accepted net contributor obligations; (b) the maintenance of field offices as well as the financing of the cost of resident representatives and deputy resident representatives in net contributor countries; (c) the possible need for new co-operative frameworks for net contributor countries which will no longer have an indicative planning figure.

Lastly the report contains proposals on how to deal with issues which have arisen with regard to individual net contributor countries in view of special circumstances. The proposed actions require endorsement from the Governing Council.
I. INTRODUCTION

1. In its decision 87/25 of 19 June 1987, the Governing Council requested the Administrator to continue his consultations with recipient countries required to achieve net contributor status during the fourth cycle in accordance with paragraphs 11-13 of decision 85/16 of 29 June 1985 (hereafter called net contributor countries) and report the outcome of these consultations to the Council at its special session in February 1988. Document DP/1988/9 issued on 24 December 1987 provided the Council with the information requested. The report pointed out that, while the consultations had yielded some clarifications of the intentions of a few Governments as to whether they accepted their net contributor obligations, the position of many remained unclear. Accordingly, it was agreed by decision 88/8 of 19 February 1988 that the Administrator would provide the Council at its thirty-fifth session (1988) with the update of the outcome of his consultations, together with supporting information analysing the potential shortfall in contributions of the concerned countries for the fourth programming cycle. In addition, he would present specific proposals to the Council on how to deal with various issues which have arisen in connection with the implementation of paragraphs 11-13 of decision 85/16.

II. UPDATE ON OUTCOME OF CONSULTATIONS WITH GOVERNMENTS ON THEIR ACCEPTANCE OF NET CONTRIBUTOR OBLIGATIONS

2. The table below provides an update on the intentions of those recipient Governments required to achieve net contributor status during the fourth programming cycle, together with (a) information on their contributions to the programme for the third programming cycle and the first two years of the fourth programming cycle, and (b) the indicative planning figure (IPF) delivered during the third programming cycle and the pro-rated IPF for the first two years of the current programming cycle.

3. In reviewing the data contained in the table, it should be noted that (a) the figures for the pro-rated fourth cycle IPF for the two years 1987 and 1988 combined, include 13 per cent agency support costs to reflect the actual cost of delivering the IPF, as clarified by, inter alia, paragraph 5 of document DP/1987/22; (b) the amounts listed as voluntary contributions have been amended to reflect the net contributions after deductions required in the light of a shortfall of Government contributions to local office costs, in accordance with decision 84/9 of 29 June 1984; and (c) the targets for Government contributions to local office costs do not include the cost of the resident representative and deputy resident representative posts.
COUNTRIES WHICH ARE TO ACHIEVE OR MAINTAIN NET CONTRIBUTOR STATUS IN THE FOURTH PROGRAMMING CYCLE
(DECISION 85/16, PARAS. 10-13)

GOVERNMENT POSITION AND PAST CONTRIBUTIONS VERSUS IPP EXPENDITURES

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2/ Accounting linkage covers only 1985 and 1986 for third cycle.

b/ Based on extrapolation of 1987 data unless firm 1988 pledges made.
4. From the table, it will be noted that 15 out of the total of 17 net contributor countries are likely to contribute less to the programme during the 1987-1988 period than the cost of delivering their pro-rated fourth cycle IPF for those two years. For six of those 15 countries, the issue of contributions equal to or in excess of their programme cost during 1987 and 1988 is not yet critical since their programme for those two years is still wholly or partially financed from third cycle carry-over. Nevertheless, the issue of net contributor status may become critical during the fourth cycle for some of these countries as well, when their third cycle carry-over is exhausted. Of the remaining nine countries, five have formally accepted their net contributor obligations. Any shortfall in their contributions during the years 1987-1988 can, therefore, be expected to be compensated for either by higher contributions during the remaining years of the fourth programming cycle, or, failing this, by a commensurate reduction of IPF expenditures, starting in 1989. One of the nine countries has formally declined to accept its net contributor obligations. For the remaining three countries, the level of actual and/or pledged contributions for the years 1987 and 1988 could suggest that they might have difficulties in either accepting or meeting their net contributor obligations.

5. The exact magnitude of the actual shortfall against net contributor obligations during the first year of the fourth programming cycle is not yet known, since final IPF expenditures by country for 1987 were not available at the time of writing this report. In many cases, 1987-1988 IPF expenditures are likely to be below the pro-rated fourth cycle IPF for those two years. Moreover, as stated above, in some cases all or part of the 1987 IPF delivered will be against IPF entitlements carried forward from the third to the fourth programming cycle. Expenditures against such carry-overs are not subject to the provisions of the net contributor obligations. For this reason, the hypothetical shortfall against net contributor obligations in 1987 and 1988, as listed in the table with respect to Iran (Islamic Republic of), Gabon, Singapore, Nauru, Bermuda and Brunei Darussalam should be juxtaposed with the figure of third cycle carry-over listed in column 7. Though these countries did not make any voluntary contributions for these two years, or (in the case of Singapore) contributed less to the programme than the pro-rated fourth cycle IPF entitlements, their actual 1987-1988 IPF programme expenditures are anticipated to be fully financed from IPF entitlements carried over from the third cycle.

III. MAJOR ISSUES TO BE ADDRESSED AND PROPOSED ACTIONS

6. In the following paragraphs, the attention of the Council is drawn to a number of issues which have arisen regarding countries required to achieve net contributor status. They also contain specific proposals on how to deal with these issues. The Council's endorsement of these proposals is being sought, as well as its further guidance.

7. The issues and proposals have been formulated on the bases of four premises:
(a) The United Nations Development Programme (UNDP) should be ready to provide technical assistance to all developing countries, irrespective of their per capita gross national product (GNP). However, for some countries, as defined in paragraphs 10 through 13 of decision 85/16, all costs related to technical assistance provided by UNDP should be borne by the Governments concerned;

(b) In determining whether net contributor obligations have been met, the cost of all technical assistance provided through UNDP (programme expenditures, agency support costs and local office costs) must be considered alongside all the various types of contributions made by the Government concerned (voluntary contributions, voluntary programme cost, Government contributions to local office costs, interest on Government cost-sharing);

(c) Irrespective of the modalities through which UNDP assistance is provided, certain basic operational principles with regard to the planning, monitoring and implementation of such assistance as well as with regard to the status of UNDP-recruited staff will have to be adhered to;

(d) Any country with a per capita GNP above the thresholds established in paragraph 11 of decision 85/16 where UNDP provides assistance should be considered a net contributor country, whatever the modalities of such assistance and irrespective of whether the country carries an IPF.

A. General issues

1. Programme planning for countries which have not formally accepted their net contributor obligations and are not ready to surrender their IPFs.

8. For programming purposes, the Administrator has authorized for all net contributor countries annual expenditure targets for each of the years 1987 and 1988 equal to one fifth of their fourth cycle IPFs, adjusted for any amounts of IPF entitlements carried forward or borrowed from the fourth cycle. In accordance with paragraph 13 (a) of decision 85/16, from 1989 onwards, deductions will be made from the IPFs of the respective countries to compensate for any shortfall in contributions against the cost of delivering the IPF programme in 1987 and 1988, taking into account Government contributions to local office costs. Because such deductions are made retroactively, some net contributor countries may remain net recipients for the fourth cycle since there is no firm guarantee that their contributions to the programme during any remaining period of the cycle will be equal to or more than the shortfall accumulated during the completed years of the cycle.

9. In order to ensure maximum compliance with the net contributor principles established in decision 85/16, without unduly disrupting programming activities for the years 1989-1991, the Administrator proposes the following arrangements to be applicable from 1989 onwards for all countries which have either not formally accepted their net contributor obligations or have accepted these obligations but have not made contributions to the programme for the period 1987-1988 equal to the cost of delivering the IPF expenditures for those years:
(a) If the countries concerned have given a clear indication as to the envisaged level of their voluntary contributions to the programme for the 1987-1991 period, the combined total of annual IPF expenditure targets for the years 1989 through 1991 will be held at a level equal to: (i) the amount of third cycle IPF carry-over; plus (ii) the indicated level of 1987-1991 contributions up to a maximum of the established IPF for the fourth cycle; contributions are adjusted for agency support costs and any (anticipated) shortfalls against 1987-1991 GLOC targets; minus (iii) the sum of the IPF expenditures in 1987 and 1988. Annual expenditure targets will be set within the total amount so calculated and corresponding programming levels will be established in accordance with normal programming profiles. An annual adjustment will then be made to these programming profiles based on actual expenditures in each prior year as well as actual contributions made and further indication on the likely level of contributions in future years.

(b) If the countries concerned have given no firm indication as to the level of their voluntary contribution for the fourth programming cycle as a whole, a ceiling will be set for the total of IPF budget approvals for the period 1989-1991. This ceiling will be equal to: (i) the amount of third cycle carry-over; plus (ii) five times the average annual voluntary contribution to the programme for 1987 and 1988, up to a maximum of the fourth cycle IPF; contributions are adjusted for agency support costs and any shortfall against GLOC targets during those two years; minus (iii) the sum of the IPF expenditure in 1987 and 1988. An annual adjustment will be made to this ceiling on the bases of actual contributions and IPF expenditures for each prior year during the 1989-1991 period.

10. It will be noted from the table that for a number of countries the ceiling amount referred to under 9 (b) above could in principle be negative, because of a shortfall in payments of Government contributions to local office costs for 1987 and 1988. In such cases, no further IPF programming will be allowed for the 1989-1991 period.

2. UNDP policy with regard to the maintenance of field offices for those net contributor countries which surrender their IPF or for which IPFs may, de facto, be phased out or greatly reduced because of a planned level of voluntary contributions which is much lower than the IPFs established.

11. As can be seen from the table, UNDP currently maintains field offices in 10 net contributor countries. Seven of those countries have not formally accepted their net contributor obligations. Six of those seven countries also have sizable Government cost-sharing programmes. In some of these countries, the magnitude of the Government cost-sharing programme during the third cycle was far in excess of their third cycle IPFs.

12. Should the Government of any of these countries either surrender the fourth cycle IPF or, de facto, accept a phasing out of the IPF programme during the 1987-1991 period, it will be necessary to decide whether it is still justified to maintain a field office in the country concerned. There are several factors to be considered in this respect: (a) no systematic criteria exist as to when the establishment or maintenance of a field office is justified. Is the availability of an IPF a dominant factor in this respect? (b) UNDP may still have a sizeable, and
possibly growing, programme of co-operation in the countries concerned through such modalities as Government cost-sharing. For instance, UNDP currently maintains a field office in Kuwait, though this country surrendered its IPF in 1977 - the UNDP programme of technical co-operation with Kuwait is fully financed through Government cost-sharing; and (c) the issue of the cost of the posts of the resident representative and his/her deputy in countries without an IPF has not been dealt with. The language of paragraph ii of decision 85/16 suggests that the exclusion of such cost from net contributor obligations applies exclusively to IPF recipients. On the other hand, it could be argued that there is conceptually little or no difference between a country which is co-operating with UNDP on the basis of a de facto reimbursable IPF and one which solely uses the Government cost-sharing modality.

13. When considering possible quantifiable criteria for the maintenance of UNDP field offices in the countries concerned, such norms as the size of the programme of co-operation between UNDP and the Government or the ratio between average annual administrative costs and average total annual programme deliveries under different co-operation modalities, should be duly juxtaposed against a careful judgement on the extent to which UNDP should consider a scaling down of its field office network, which is perhaps its most important asset. The presence of a field office often directly contributes to the growth of new modalities of UNDP/Government co-operation. In addition, the UNDP resident representative in his/her capacity of United Nations resident co-ordinator may play an important role with respect both to the effective co-ordination of overall assistance provided under the umbrella of the United Nations system and as a catalyst in attracting additional resources for development. In line with the principles underlying net contributor obligations, it may therefore be more appropriate to base any decision on the continuation of a field office establishment in a net contributor country on the resulting actual cost to UNDP. Any cost to UNDP should be justified in terms of its cost benefits to UNDP operations as a whole.

14. Considering the above, the Administrator is of the view that, as a general guideline, UNDP should maintain field offices in net contributor countries only when one of the following criteria is met: (a) the total of programmable resources administered by the field office (IPF, cost-sharing, etc.) is likely to remain above a certain threshold in the foreseeable future; or (b) the future maintenance of the field office is unlikely to result in any net cost to UNDP.

15. In this connection, the Administrator seeks the further guidance of the Council as to what can be considered a reasonable threshold, taking into account that the combined cost of a resident representative and a deputy resident representative post (which constitute the upper limit of the cost to be borne by UNDP) is on the average about $250,000 per year.

16. As to the second criterion, the implication is that UNDP should not contribute any cost related to the maintenance of a field office in a net contributor country where the level of UNDP overall activities is below a certain threshold. In all cases that this second criterion would become operational, UNDP would in the first instance pursue, with the Government concerned, possible arrangements to ensure that the field office can be maintained without any net cost to UNDP. Such arrangements could include:

/...
(a) A formal confirmation from the Government that its voluntary contributions to the programme will be of sufficient magnitude to compensate for any field office cost not covered by the Government contributions to local office costs and/or its net contributor obligations in accordance with paragraphs 11 and 13 of decision 85/16;

(b) An agreement with the Government that interest earned on Government cost-sharing contributions held by UNDP can be apportioned to the UNDP administrative budget up to an agreed annual amount;

(c) An agreement with the Government that a certain percentage overhead will be charged on Government cost-sharing expenditures and/or programme expenditures incurred under other UNDP/Government co-operation modalities. The income of such overhead charged would then be apportioned to the UNDP administrative budget up to an agreed amount.

3. UNDP obligation with respect to financing the cost of resident representative and deputy representative posts for countries which have accepted their net contributor obligation.

17. In net contributor countries with field offices, UNDP will continue to pay for the cost of the resident representative and deputy resident representative posts. In this connection, paragraph 5 of Governing Council decision 87/25 confirmed the Administrator's interpretation contained in document DP/1987/22 that "paragraph 11 of decision 85/16 did not impose an obligation to establish new Deputy Resident Representative posts where such were not already established, but refers only to the obligation to finance such posts from UNDP resources when newly-established". The net effect of this interpretation is that UNDP is currently required to finance deputy resident representative posts in only five such countries. For the other five net contributor countries where UNDP has a field office, no such obligation exists, even though UNDP may continue to have a level of programme activities in some of these countries above both the agreed threshold and the level of programming for some of the five countries where UNDP is required to pay for deputy resident representatives. In some of these field offices, there is a second international post classified at the level of assistant resident representative. Several Governments have drawn UNDP attention to this anomaly and the Administrator proposes that any established second international post at the P-3 level or higher, which is currently financed from the core budget for a field office in a country where the size of the UNDP programme is beyond the threshold proposed to be established, be treated as the de facto deputy resident representative post in determining net contributor obligations.

4. The possible need for new co-operative frameworks for net contributor countries, especially those where UNDP will no longer have an IPF programme.

18. UNDP programme policies and procedures are to a large extent geared to its operations in countries where the IPF is the pivotal and often the main source of UNDP assistance. For several net contributor countries, however, cost-sharing is likely to become increasingly the dominant, and possibly the only, mode of UNDP assistance. Considering the changing nature of UNDP assistance to net contributor
countries, the question arises as to how far some of the concepts which underlie the programming of UNDP assistance are valid for those countries. For instance, how to reconcile the concept of country programming in a country where UNDP assistance cannot readily be programmed in advance but depends on Government decisions regarding the use of cost-sharing funds which are often taken on a project-by-project basis within the context of the Government annual budgetary process.

19. In looking at possible future arrangements for co-operation between UNDP and net contributor countries the following options have been identified:

(a) UNDP would continue to extend technical assistance on a fully reimbursable basis under the various co-operative modalities within the framework of present policies and procedures, including those related to country programming;

(b) A slightly modified version of the status quo. At the beginning of a cycle, the Government would provide UNDP with a strategy paper which would serve as a framework for co-operation. Such a paper would specify areas in which UNDP inputs will be sought as well as the planned modalities of such co-operation. All assistance, irrespective of the modality, would be on a fully reimbursable basis. The strategy paper would replace the country programme document and would be subject to periodic review. It is open to discussion whether it would be necessary to submit such a paper to the Governing Council for its approval;

(c) A project-by-project approach. Neither a country programme nor a strategy paper would be called for. Technical assistance provided by UNDP would not be pre-programmed under this arrangement. Rather, the Government would be seeking UNDP support within the framework of its own plans and priorities and on the basis of an assessment of its technical assistance needs as and when identified;

(d) A management services arrangement, whereby UNDP would provide only clearly defined services, usually within the context of a project.

20. The above co-operation arrangements, with the exception of (d), would enable UNDP to render assistance under different modalities such as reimbursable IPFs, Government cost-sharing, trust funds, etc. However, whatever co-operative framework is agreed upon, it is essential that the core values underlying the UNDP programme of technical assistance are respected. These core values are best expressed by such modi operandi as consensus decision-making, tripartite reviews and regular evaluations. They are reflected in UNDP rules and procedures covering the different phases of the project cycle. The management services modality lends itself least to the application of such core values and it may, therefore, be the least attractive option for any future co-operative relationships where UNDP assistance would be provided exclusively through such a modality.
B. Issues related to specific net contributor countries

21. In addition to the general issues identified with regard to the net contributor principle as elaborated upon in the foregoing paragraphs, the Administrator also wishes to draw to the attention of the Council a number of country-specific issues which have arisen in implementing paragraphs 11 and 13 of decision 85/16. Further guidance is being sought from the Council to resolve them since they concern matters of principle.

22. On the basis of earlier 1983 GNP per capita data, the Islamic Republic of Iran has been classified as a net contributor country. However, the original data is being reviewed. Although no final conclusion has been reached, it is quite likely that the revised 1983 per capita GNP estimate will be below $3,000. Under those circumstances, the Administrator proposes that the application to the IPF programme of the Islamic Republic of Iran of any programming limitations as set out in paragraph 10 of the present report be left to his discretion, based on the outcome of the per capita GNP calculation. Similarly, he proposes to suspend further consultations with the Government on its acceptance of the net contributor obligations until the revised 1983 per capita GNP estimate is available.

23. As brought earlier to the attention of the Council in paragraph 15 (c) of document DP/1988/9, the Government of Gabon has called for the abrogation of the net contributor provisions because of its declining economic position. In this respect, it is noted that the per capita GNP of Gabon has declined from $3,950 in 1983 to $3,030 in 1986. The World Bank preliminary estimate of the 1987 per capita GNP for Gabon amounts to $2,590, which is below the threshold for net contributor status. The successive declines in per capita GNP demonstrate the serious deterioration of the economic conditions of Gabon, even before the start of the fourth programming cycle. The Council is requested to provide further guidance on this issue, taking into consideration a possible arrangement under which a country whose latest per capita GNP has fallen say below 90 per cent of the threshold established in paragraph 11 of decision 85/16 would no longer be considered a net contributor country.

24. Nauru has not utilized its IPF since 1979. Furthermore, the country has not paid any voluntary contributions nor its share of contributions to local office costs since 1979. UNDP has no other co-operative programmes of technical assistance in the country. In fact, to all intents and purposes, Nauru is not a participant in the Programme either as a donor or as a recipient. However, because it carries an IPF and is classified as a net contributor country on the basis of its 1983 per capita GNP, the Government has been asked to clarify its intentions with regard to its net contributor obligations. The Administrator has again approached the Government formally to explore whether it is ready to surrender its IPF. Should there be a response to this issue, the Council will be advised in June.

25. The Government of the Territory of Hong Kong has indicated that during the 1987-1991 period it intends to contribute less to the programme than the established fourth cycle IPF. The IPF programming profile for the period will reflect the expected contributions from the Territory of Hong Kong.
26. The Government of Oman has informally indicated that it has difficulties with the net contributor provisions of Governing Council decision 85/16. As its voluntary contributions for 1987 and 1988 (after adjustments for shortfalls against local office cost contributions) are negative, no further IPF commitments beyond the end of 1988 will be authorized.

27. Though the Netherlands Antilles has accepted its net contributor obligations, its voluntary contributions for 1987 and 1988 are negative if adjustments for shortfalls in Government contributions to local office costs for those two years are taken into consideration. Accordingly, UNDP is seeking clarification from the Government as to whether they wish to compensate for the shortfalls through higher contributions during the remaining years of the cycle or, failing this, by a commensurate reduction of planned IPF expenditures, for the period 1989 through 1991.

28. Singapore, covered by the regional field office, located in Malaysia, has questioned the formula applied in calculating the percentage share of the local office costs to be paid by the Government. In view of the accounting linkage established in decision 84/9 of 29 June 1984, local office cost obligations play a role in determining whether a country has met its net contributor obligations. Under the present formula, the share of a particular country is calculated on the basis of the size of its IPF in relation to the IPFs of all countries covered by the regional office, as follows: (a) 25 per cent of the local office costs to be borne by the host country; and (b) the remaining 75 per cent to be divided among all the countries concerned, using a weighting co-efficient equal to the IPF of each country, divided by the total IPFs handled by the regional office concerned. As the workload, and thus cost, of many offices is only partly, and decreasingly, determined by IPF-financed activities, the argument is made that the share in the local cost of regional offices to be borne by each country should be calculated on the basis of the total magnitude of the programme supported by UNDP in each country, including assistance under such modalities as cost-sharing. While the logic of this argument is recognized, it should be pointed out that local office costs related to non-core programmes should, in principle, be financed from the extrabudgetary account of the office. As such, they should not, therefore, be included in the core costs of the office, which form the basis of establishing obligations for Government contributions to local office costs. UNDP will, however, review on a case-by-case basis the situation of field offices covering more than one country to ensure that an equitable distribution of costs is applied. In this respect, the present formula may also have to be revised as it is based on IPFs established, rather than actual IPF expenditures. This places an unfair burden on net contributor countries which do not use their IPFs (see also para. 29 below).

29. With respect to Trinidad and Tobago, the Government has decided to use, for programming purposes, cost-sharing funds and interest thereon, leaving the IPF intact or as a source of last resort. In view of the availability of interest earned on cost-sharing, UNDP has proposed that this interest be applied to offset the shortfall in Government contributions to local office costs. The Government does not agree with such an arrangement and wishes that the interest earned on cost-sharing be made available for programming only. The alternative, as implicit
in decision 85/16, would be to reflect such shortfall in reduced (or negative) voluntary contributions and possibly reduced IPFs. While this approach will result in no additional net charge to UNDP in general, the provisions regarding administrative costs associated with cost-sharing and other extrabudgetary activities require that such costs be financed by the Government, as an extrabudgetary contribution. It is recognized that the present formula for calculating the share of local office costs to be paid by each country covered by a multi-country field office will have to be revised, as pointed out in paragraph 28 above. The Council's reaffirmation of the principles of charges for cost-sharing activities will be appreciated. UNDP will, on that basis, continue its discussion with the Government of Trinidad and Tobago on this issue.

30. Aruba has accepted its net contributor obligations. However, similar to the Netherlands Antilles, its voluntary contributions for 1987 and 1988 are negative after adjustments for shortfalls in Government contributions to local office costs. As in the case of the Netherlands Antilles, UNDP is seeking clarification from the Government of Aruba as to its intentions on contributions and planned IPF expenditures for future years.

31. The Government of the Libyan Arab Jamahiriya has not formally accepted its net contributor obligations. However, its voluntary contributions for the years 1987 and 1988 are well beyond the levels required in this respect.

32. The Government of Bahrain contests paragraphs 11-12 of decision 85/16 with respect to island developing countries, which, the Government maintains, experience unique circumstances, as recognized in Council decision 86/33 of 27 June 1986. It recommends that island developing countries should be exempted from these obligations. Further, the Government suggests that 1983 per capita GNP is not an appropriate measure for determining net contributor obligations as it fails to reflect the recent drastic drop in commodity prices and the corresponding decline in GNP. Given the level of voluntary contributions in 1987 and 1988, no further programme IPF commitments beyond the end of 1988 will be authorized.

33. In the case of Bermuda, the Government has informed the Administrator of its wish to pass on part of the fourth cycle IPF to another developing country. The Government questioned the application of the net contributor obligations in such a case. The Administrator is reviewing the issue with the Government of Bermuda and will report to the Council on the outcome of this review. However, it would appear reasonable to consider that by utilizing its IPF, either for Technical Co-operation among Developing Countries (TCDC), for domestic development efforts, or by making it available to another country, a net contributor country has, by definition, accepted its net contributor obligations. A possible solution may be that Bermuda surrender part of its IPF.

34. The Government of Brunei Darussalam has not yet formally accepted its net contributor obligations. Its voluntary contributions for the years 1987 and 1988 are also negative if shortfalls against Government local office cost contributions are taken into consideration. However, programming for the 1987-1991 period is still well within the total amount of IPF carried over from the third cycle.
35. The Government of the United Arab Emirates has formally accepted its net contributor obligations. However, the IPF programming profile for the 1989-1991 period may have to be adjusted as voluntary contributions for the years 1987 and 1988 were negative, after adjustments for contributions to local office costs. UNDP is seeking Government clarification on this point.

36. Venezuela is another case in point with respect to the issue raised in paragraph 23 above. Its per capita GNP fell from $3,480 in 1983 to $2,930 in 1986. It is expected that its 1987 per capita GNP will reflect a further drop. In the light of such major changes in economic conditions, the Council may wish to consider, as indicated in paragraph 23, whether a country whose latest per capita GNP has fallen say below 90 per cent of the threshold established in paragraph 11 of decision 85/16 should no longer be considered a net contributor country.

37. Saudi Arabia has accepted its net contributor obligations. Its voluntary contributions for 1987 and 1988 are well above the minimum levels required in this respect.

38. The Government of Qatar has accepted its net contributor obligations. However, contributions for 1987 and 1988, after adjustments for shortfalls against Government local office cost obligations, were negative. UNDP is seeking clarifications as to the intentions of the Government on contributions and planned IPF expenditures for the period 1989-1991.

39. As to more general issues brought up by countries, the question has been raised by one Government whether the provisions for net contributor obligations as contained in paragraphs 11 and 13 of decision 85/16 also apply to those countries which achieved net contributor status during the third cycle. In this connection, it was argued that such countries would be covered by paragraph 10 of decision 85/16, which merely calls upon them to continue to maintain their net contributor status during the fourth cycle. The Administrator would assume that paragraph 10 of the decision was adopted by the Council as an expression of appreciation. Accordingly, paragraphs 11 and 13 of decision 85/16 would apply to all countries with 1983 per capita GNP above the thresholds cited.

40. Another general issue to be addressed with respect to net contributor countries relates to local office costs. On the basis of decision 85/16 and the accounting linkage between voluntary contributions and Government contributions to local office costs established in decision 84/9, any shortfall in the Government contribution to local office cost will be a factor in determining whether a country has met its net contributor obligations. In consequence, net contributor countries are likely to request increasingly more say in UNDP operational and administrative decisions which will affect local field office costs. In fact, one Government has indicated that in order to reduce local office costs, it would like UNDP either to lower UNDP staff salaries in accordance with Government local service pay scales or to terminate the contract of existing UNDP staff so that they can be rehired as Government employees who will then be seconded to UNDP. The Administrator is of the opinion that any change in existing arrangements should be mutually agreed upon, fully in line with the spirit and nature of UNDP/Government co-operation as well as with the principles and provisions of the Standard Basic Agreement. He
therefore intends to negotiate with the Government concerned in order to ensure that the interest of existing UNDP field office staff will be duly safeguarded in accordance with existing UNDP policies and procedures with regard to the recruitment, management and termination of office staff.

41. In the light of the changing nature of UNDP co-operation with net contributor countries, as highlighted in paragraphs 18 through 20 above, and subject to further Governing Council guidance with respect to the various issues identified above, the Administrator intends to start a dialogue with some Governments to explore with them the most desirable nature of future long-term co-operative arrangements as well as any specific issues to be addressed in this respect. The ultimate goal of these consultations will be to reach agreement in principle with the Governments concerned on possible and desirable country-specific modifications in some of the UNDP programming procedures. Such proposed modifications will be reflected in a formal exchange of letters with the Government. In this exchange of letters, UNDP will also reiterate the basic principles, procedures and policies governing UNDP assistance, which will have to be adhered to, irrespective of the co-operative framework agreed upon.

42. Such an exchange of letters would serve as a supplement to the Basic Agreement. No change in the Basic Agreement itself is proposed, since the text is sufficiently flexible to cover the various possible co-operative arrangements. Rather, the exchange of letters would highlight any agreed deviations of standard procedures as well as certain policy principles and operational procedures which are of particular relevance in light of the nature of UNDP assistance planned in the country concerned. If agreed, a brief progress report will be provided to the Council at its thirty-seventh session, with a more comprehensive report on the outcome of the negotiations to be provided in 1990.