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SUMMARY RECORD OF THE 4th MEETING

Held at Headquarters, New York,
on Thursday, 18 February 1988, at 3 p.m.

President: Mr. MANGWAZU (Malawi)

later: Mr. SALAZAR-SANCISI (Ecuador)

CONTENTS

Other matters (continued)

- (b) Indicative Planning Figures for the fourth programming cycle
- (c) Delegation of authority for project approval
- (e) Change of name of the Office for Projects Execution to Office for Project Services

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The meeting was called to order at 5 p.m.

OTHER MATTERS (continued)

(b) INDICATIVE PLANNING FIGURES FOR THE FOURTH PROGRAMMING CYCLE (DP/1988/9)

1. Mr. BROWN (Associate Administrator) said that the indicative planning figure (IPF) for some countries had been amended as a result of the official revision by the World Bank of the 1983 per capita GNP. The IPF for one country had been changed because of its inclusion in the list of least developed countries. In total, some \$28 million in additional IPF resources had been distributed in accordance with the criteria set forth in decision 85/16. The countries whose 1983 per capita GNP had been adjusted downwards had not all received an IPF increase, because of two factors. First, a supplement had been allocated, in accordance with decision 85/16, to some countries in addition to their IPF for the present cycle, in order to ensure that it was not less than the IPF for the previous cycle. That was to ensure that the IPF would henceforth be higher than it would have been if it had been calculated on the basis of the 1983 per capita GNP adjusted downwards. Secondly, in the application of the methodology described in decision 85/16, GNP weight remained constant for countries whose 1983 per capita GNP was above \$1,464. Consequently, there was no IPF increase for countries whose GNP remained, after revision, above \$1,464.

2. The Administrator proposed, in document DP/1988/9, that, in the future, for the purpose of recalculating country IPFs, UNDP would consider revisions to the per capita GNP estimate for countries only within a period of one year after the establishment of IPFs for the cycle; thereafter, for the purposes of IPF calculations, a revision to a country's per capita GNP would be considered only if it varied 10 per cent from the original estimate or if such a revision would lower the country's per capita GNP below one of the thresholds which were of special significance for IPF calculations or for other calculations. Those thresholds were \$375, \$750, \$1,464, \$1,500 and \$3,000. The Council was requested to confirm that methodology in order to avoid being in a totally unstable situation and being obliged to revise the IPF at the slightest change in per capita GNP.

3. Part two of document DP/1988/9 was in response to decision 87/25, in which the Council had requested the Administrator to continue his consultations with those countries required to achieve net contributor status during the fourth cycle in accordance with paragraphs 10 to 13 of decision 85/16, and to report the outcome to the Council at its special session. While those consultations had yielded some clarifications of the intentions of some Governments, the positions of most remained unclear. Since the issue of document DP/1988/9, further clarifications had been received from some countries. The Libyan Government had not communicated its formal position on the net contributor obligations, but had made voluntary contributions equal to its IPF expenditure and had met its 1987 obligations for local office costs contributions. The Government of Qatar, for its part, had recently reconfirmed to the Resident Representative its acceptance of its net contributor obligations.

(Mr. Brown)

4. During the consideration of the question in the Budgetary and Finance Committee, it had been proposed that the Governing Council should examine, during the special session, specific proposals by the Administrator on the basis of the new round of consultations with Governments which had not yet accepted their net contributor obligations. An internal working group had been entrusted with formulating those recommendations. In view of the importance of the issues involved and the number of countries whose position remained unclear following consultations, it would be desirable for the Council to examine that question thoroughly at the present session. The Administrator proposed to submit specific recommendations to the Council, at its thirty-fifth session, in conjunction with the mid-term review of resources. A document listing countries that had reached the threshold for net contributor status and indicating, as appropriate, their position on the subject had been distributed. It was hoped that the data contained therein would assist the Council in formulating guidelines if it wished to give the Administrator different instructions from those contained in decision 85/16.

5. In June 1987, in its review of the financial situation, the Council had had before it a report of the Administrator (DP/1987/54) which estimated that the balance of main programme resources (excluding non-convertible currencies and the operational reserve) would amount to \$370 million at the end of 1987. On the basis of that estimate, the Council, in its decision 87/42, had requested the Administrator to continue to monitor the resource situation and report to it in February 1988 in order to determine whether it would be desirable to review the IPFs for the fourth cycle at its June 1988 session. That issue had to be viewed against the background of paragraph 4 of decision 85/16, in which the Council had decided that it would review in June 1989 the state of resources available at that time, as well as the plans and any other indications by contributors to the Programme regarding the remaining years of the cycle, taking into account the perceived needs of the recipient countries, and would determine whether higher IPFs should be established for the remaining years of the cycle.

6. UNDP's review of the financial situation showed that on the basis of certain assumptions, the Programme was likely to have a surplus of resources above the IPF entitlements expected to be available for the fourth cycle, in accordance with decision 85/16. At the end of 1987, the balance of main programme resources had been approximately \$440 million. If the IPFs for the cycle remained at the current level, that balance was likely to remain throughout the cycle, assuming that there were conservative levels of growth in voluntary contributions and some increase in the value of the United States dollar.

7. Nevertheless, the world economy was faced with many uncertainties which could have an unpredictable impact on the level of voluntary contributions and on exchange rates in coming years. That made it impossible to forecast with any certainty the state of resources. Consequently, the Administrator recommended that the Council should agree to bring forward for consideration in June 1988 the issues which had been scheduled for discussion in June 1989. That would permit a greater degree of certainty regarding the state of resources, and would ensure maximum utilization of resources, should the Council decide to authorize additional

(Mr. Brown)

allocations. To facilitate that consideration, it was proposed that the Administrator should be authorized to submit at the June session his best forecast of the resources likely to be available during the remainder of the cycle, as well as proposals for the use of those resources. Indeed, it was recommended that the Council should not examine in depth the question of resources, but should take a decision regarding the procedure to be followed. In other words, it should modify its decision 85/16, and request the Administrator to submit to it proposals not in June 1989, but in June 1988, the date on which proposals on substantive questions would also be submitted.

8. In summary, the Administrator requested the Council to authorize him to advance by one year, to June 1988, the mid-term review of resources, and to submit, at the thirty-fifth session, a report on the best estimate of the resource outlook for the cycle, along with proposals for the most beneficial allocation of additional resources likely to be available during the remaining years of the cycle. The Administrator would include in his report an assessment of the needs for special activities and initiatives which responded to the new needs of developing countries.

9. The Administrator indicated, in paragraph 18 of document DP/1988/9, that the Bahamas fourth-cycle IPF had been calculated on the basis of a per capita GNP of \$4,060 in 1983. The revised 1983 per capita GNP, calculated by the World Bank, was \$6,330. The change had no effect on the Bahamas IPF, but placed the country in the category of island developing countries with a per capita GNP in excess of \$4,200. It thus appeared that the Bahamas was bound to achieve net contributor status under Governing Council decision 85/16. It had been the practice, during the second and third cycles, not to apply revisions of base data when they would have reduced a country's IPF. The Administrator would appreciate the Council's guidance in resolving the matter.

10. Ms. BETHEL-DALY (Observer for the Bahamas) said that paragraph 18 of document DP/1988/9 implied that her country might be considered for graduation to net contributor status during the fourth cycle, on the basis of a revised 1983 per capita GNP of \$6,330. The IPF for the fourth cycle had been calculated on the basis of a 1983 per capita GNP of \$4,060, which did not place the Bahamas in the category of countries which the UNDP Governing Council had requested, in its decision 85/16, to become net contributors during the fourth cycle, a category that included, among others, small island countries with a population of under 1 million and per capita GNP of more than \$4,200. Further, in its decision 87/25, the Council had requested the Administrator to continue his consultations with those countries regarding their intention to meet their net contributor obligations. Yet no such dialogue had been entered into with her Government; neither had it been requested to take part in the new series of consultations referred to in paragraph 11 of document DP/1988/9.

11. It should also be pointed out that as part of the process of consultation, UNDP regional offices had been requested to obtain written statements from Governments as to their intention to meet their net contributor obligations. No

(Ms. Bethel-Daly,
Observer, Bahamas)

such request had been made of the Bahamas. Moreover, no reference had been made to decision 87/25 during the official UNDP programming mission to Nassau for discussions on the implementation of the programme for the fourth cycle. The Bahamas was clearly not considered to be among those countries invited to become net contributors. Indeed, the first indication to suggest that the Bahamas might be called upon to change category had been provided by document DP/1988/9, which had just been issued. Needless to say, such treatment was neither equitable nor fair.

12. In 1986 her Government had notified UNDP that, if it was required to reimburse 100 per cent of programme costs, it might be forced to withdraw from the programme altogether. The Government had requested a clear and precise statement of UNDP's position with regard to net contributor status, since it could not formalize the programming exercise if there was any question of a change of status during the cycle, particularly since it was not in a position to meet the programme costs. In response to that request, UNDP had officially informed the Bahamas that it would not be obliged to achieve net contributor status during the fourth cycle. Her Government had also been assured that no revision of the data relating to per capita GNP that might have a detrimental effect on the country's eligibility would be considered during the fourth cycle. The Government had invested considerable time, effort and resources in the preparation of its fourth-cycle programme, which included projects on water resources development, food technology and real property tax, approved by the Council at its previous session. Staff had already been recruited and equipment purchased. One expert was already on board, and others were expected in the near future. Her Government could not accept a change of status at such a stage. The Bahamas had so far greatly benefited from UNDP assistance. The very nature of the three aforementioned projects demonstrated the need for the Programme's technical assistance. The Government would not even have formulated a fourth-cycle programme, had it considered that there was the slightest possibility of reclassification.

13. Moreover, the Bahamas had always maintained that, for various reasons, per capita GNP presented a distorted picture of the nation's economy. Per capita income was high in the Bahamas owing to the concentration in some of the islands of a small group of expatriate residents whose incomes dramatically inflated the national average. The per capita income of middle- and low-income Bahamians was not higher than that prevailing in many other developing countries.

14. Rather than dwell on the myriad reasons why the Bahamas deserved to maintain its current status, her delegation would simply appeal to all members of the Council not to change the classification of the Bahamas during the fourth cycle.

15. Mr. MOHAMED (Somalia), referring to the implementation of Council decision 85/16 relating to the revision of country IPFs, said that if the list appearing in table 1 on page 4 of document DP/1988/9 was exhaustive, it would not only be necessary to simplify the criteria used in recalculating IPFs, but also to give priority to increasing the IPFs of low-income and least developed countries. He

(Mr. Mohamed, Somalia)

thus requested the Administrator of UNDP to make appropriate proposals to that end in his report on the reallocation of resources.

16. His delegation endorsed the request whereby the Administrator would be authorized to prepare, for the thirty-fifth session, a report containing proposals on the use of surplus resources.

17. It should be noted that at an earlier meeting, Somalia had proposed the inclusion in the agenda for the current session, under item 4, of a question relating to the financing of technical co-operation among developing countries. When the question was taken up, his delegation would broach certain aspects of the calculation of IPFs and the allocation of resources.

18. Mr. CHEKAY (Union of Soviet Socialist Republics) asked why UNDP systematically used only World Bank statistics in its documents. As far as he was aware, the Governing Council had taken no decision to make exclusive use of World Bank data. While such figures might be used in the absence of national data or United Nations statistics, that was clearly not true in the case of the countries referred to in the documents before the Council.

19. Mrs. GREDER (Observer for Sweden), speaking on behalf of the Nordic countries, said that those countries accepted the revised IPFs in table 1 of document DP/1988/9. They also agreed that the IPFs should not be revised downward during the current programming cycle, in accordance with the practice established during the two previous cycles. One reason why the Nordic countries firmly supported UNDP was the long-term commitments it had undertaken vis-à-vis the recipient countries. That was why they felt it would be unfair to revise the IPFs downward during the cycle.

20. The proposals in paragraph 8 of document DP/1988/9 were acceptable because they seemed to offer reasonable room for manoeuvre if needed.

21. It was commendable that the greater part of UNDP resources were allocated to the poorest developing countries. Assistance in the form of grants should be reserved to those needing them most and that was why the Nordic countries attached such great importance to decision 85/16, adopted by compromise. They reaffirmed their commitment to paragraphs 11 to 13 of that decision and welcomed their recent confirmation by the Governing Council in its decision 87/25.

22. Unfortunately, it seemed difficult to implement the decisions of the Council concerning net contributor status. Several of the countries concerned had in fact been net contributors during the third programming cycle. That, at least, was how the Nordic countries interpreted table 2. They commended the Administrator for his efforts to implement the Council's decisions concerning net contributor obligations during the fourth programming cycle. The Administrator had raised very important questions in paragraphs 16 and 17 of document DP/1988/9, but before expressing their views on the matter, the Nordic countries would wait to learn what recommendations the Administrator would submit to the Council at its forthcoming session, as proposed by the Budgetary and Finance Committee.

23. Mr. MULLER (Observer for Australia) said that the IPF resources should be used on behalf of the poorest countries. That was the very basis of the methodology developed by the Council for the allocation of resources of the fourth cycle in its decision 85/16. Once adopted, that methodology should be applied consistently. Countries in the net contributor category should fulfil their obligations under decision 85/16. Of course, flexibility and pragmatism must apply in obviously extreme cases of sharp declines in GNP, but the granting of net contributor status must nevertheless meet sufficiently objective criteria.

24. His delegation took note of the proposal in paragraph 8 of document DP/1988/9 that the revision to per capita GNP should be taken into consideration for the purposes of IPF calculations unless it exceeded the original 1983 estimate by 10 per cent. That proposal should be refined, however, because a 10 per cent reduction did not constitute proof of a sharp decline in GNP, particularly since the statistics used to evaluate GNP were expressed in United States dollars and varied with the fluctuations of that currency.

25. Still, the same methodology should be applied throughout the cycle. Australia therefore felt that the method of accepting only upward revisions of IPFs should be confirmed. It saw no particular inconsistency in the situation of the Bahamas mentioned in paragraph 18 of the Administrator's report (DP/1988/9). The Bahamas should not be disadvantaged by the application of revised statistics for 1983, as had been the case for other countries. In general, however, countries should not be disadvantaged by that change. If some countries, such as the Islamic Republic of Iran, could no longer be obliged to become net contributors as a result of revisions during a cycle, his delegation nevertheless felt that other countries should not be obliged to enter that category during a cycle.

26. His delegation endorsed the Administrator's proposal to submit to the Governing Council at its June 1988 session the items it was supposed to consider in 1989. He hoped that it would be possible to examine those questions in substance on the basis of a document prepared by the Administrator.

27. Mr. VALLENILLA (Observer for Venezuela) reaffirmed his country's intention to remain in the net contributor category during the fourth programming cycle under the same conditions as for the third cycle. Venezuela had maintained that status since 1976 and had fully discharged all the resultant obligations, as the UNDP administration had recognized on a number of occasions. In his communication of 17 June 1986, the Administrator, referring to Venezuela's net contributor status, had indicated that paragraphs 11 and 13 of Council decision 85/16 concerning the fourth programming cycle did not apply to Venezuela. His delegation had participated actively in the drafting of paragraph 10 of that decision, and the Administrator had confirmed that it was the only paragraph in it that applied to Venezuela. That explanation made the status of net contributor very clear in the case of Venezuela.

28. The calculation of voluntary contributions to UNDP on the basis of the single criterion of per capita national GNP did not appropriately reflect the economic situation of developing countries. Other indicators, such as the level of external

(Mr. Vallenilla, Observer, Venezuela)

debt and debt service should be taken into account in calculating the amount of the contribution. His delegation also felt that UNDP should take into account the revised per capita GNP estimates prepared by UNDP. It was hard to agree that the obligations of countries could continue to be determined by 1983 figures. The relevant decisions must be re-examined.

29. He thought that he had duly explained his Government's position, which according to table 2B of document DP/1988/9 was unknown and according to paragraph 12 of that document was not entirely firm. He reserved the right to comment further on the remark in paragraph 15 (g) to the effect that his Government's position would be determined by the outcome of action by its legislature.

30. Mr. MUGUME (Observer for Uganda) agreed that the mid-term review of resources should be moved forward one year. He wondered about the origin of the current surplus of resources and whether that surplus was a good sign. It could be linked to the fluctuations of the dollar, but also to the trend in disbursement rates. If the surplus was due to a low disbursement rate or poor programme delivery, that would be cause for concern.

31. The set of criteria (80 per cent/20 per cent distribution of resources and \$750 threshold for per capita GNP) adopted in decision 85/16 for the methodology of the fourth programming cycle was the outcome of lengthy negotiations. Those criteria must therefore be honoured but it must be recognized that that machinery was rather complicated and should be simplified in order really to favour the least developed countries, as intended in decision 85/16. The special activities and initiatives proposed by the Administrator should therefore not depart from the spirit of the agreement reached in decision 85/16 and should focus exclusively on United Nations priority areas.

32. Mr. PAYTON (New Zealand) supported the IPF increases shown in table 1 of document DP/1988/9. He appreciated the clarification which had been given of the reasons for the application of the new data. It would be useful, however, during the consideration of the fifth programming cycle, to have all relevant data and not only the statistics of the World Bank. As the Soviet Union representative had rightly stressed, the World Bank was not a universal data collection organization, particularly in the case of the least developed countries.

33. His delegation strongly supported the position put forward by the Bahamas and considered that it was inappropriate for upward revisions of IPFs to be turned to the disadvantage of recipient countries which had based their development strategies on existing IPF levels.

34. The New Zealand delegation supported the proposal that the mid-term review of resources should be brought forward by one year.

35. Mr. BRODODININGRAT (Indonesia) said that, like the representative of Uganda, he wondered whether the surplus of resources existing at the end of the latest

(Mr. Brotodiningrat, Indonesia)

programming cycle was not actually due to the decline in the value of the United States dollar and whether IPFs expressed in United States dollars had not in fact declined in real terms. He welcomed the proposal to advance by one year the mid-term review of resources. However, since the Administrator's report on that question would include an evaluation of requirements for special activities and initiatives, he asked whether approval of that report would amount to implicit approval of the use of surpluses solely to finance such activities and initiatives.

36. Mr. TANAKA (Japan) said that his delegation could accept the proposal made in document DP/1988/9 for the revision of the IPFs of certain countries for which the basic data had changed since the establishment of the original IPFs. With regard to the future method of calculating IPFs proposed in paragraphs 7 and 8 of that same document, his delegation believed that it was not desirable to envisage possible revisions of per capita GNP estimates at a later stage in the programming cycle, because that would probably involve the creation of a reserve.

37. With regard to net contributor status, Japan regretted that a number of Governments had not made known their position on that question, as the secretariat had asked them to do. His delegation considered that the relevant decisions of the Governing Council, particularly those concerning sharing of local office costs, should be respected by Governments. The Associate Administrator's proposal that the mid-term review of resources should be advanced by one year was quite acceptable and the Council should undertake a detailed review of that question, including the use of surplus resources.

38. Mr. SALAZAR-SANCISI (Ecuador), speaking on behalf of the Group of Latin American and Caribbean States, said that the members of the Group were satisfied with the information provided by the secretariat in document DP/1988/9 and with the introduction of that document given by the Associate Administrator. It had been announced in that introduction that at the end of 1987 there had been surplus resources of \$440 million and that the surplus would be maintained until the end of the cycle, provided that the level of voluntary contributions continued to rise and that the value of the dollar also rose. The delegations of the Latin American and Caribbean countries would like to have more detailed information on four specific points: firstly, they asked how the surplus had arisen; secondly, they requested information on the exact size of the surplus in December 1987 and on projections for the end of 1988; thirdly, they considered that decision 85/16 contained all the elements needed in order for that question to be tackled and that, at the June session in Geneva, scenarios should be presented on the basis of the various projections concerning the surplus and of its allocation in accordance with decision 85/16; fourthly, they believed that any initiative by the Administrator concerning allocation of the surplus should respect the criteria laid down in decision 85/16.

39. Mr. MUKHERJEE (India) said that his delegation endorsed the suggestions made in paragraphs 2 and 6 of document DP/1988/9. It was suggested in paragraph 6 that the resources for the increased IPFs, amounting to \$27 million, should come from funds set aside for those purposes under unallocated resources. His delegation

(Mr. Mukherjee, India)

supported that suggestion, because it reflected decision 85/16 and previous practice. With regard to the new method of calculating IPFs proposed in paragraph 8 of the document, the Indian delegation felt that there was no need at that stage to take a decision on the matter which would be purely academic. It would be better to decide in 1991 within the context of the fifth cycle.

40. In his statement, the Associate Administrator had announced a surplus of \$440 million and had made suggestions regarding its future allocation. In 1985 there had been lengthy deliberations on that question, and particularly on the criteria which should govern the allocation of resources, and a compromise had been reached on the allocation of IPFs in decision 85/16. That decision represented a delicate balance which should be maintained during the current cycle, and the criteria established in 1985 should not be altered. To reconsider decision 85/16 would open a Pandora's box. The surplus was due partly to fluctuations in exchange rates, but there had been no increase in resources in real terms. Project costs had even risen in certain cases, when it had been necessary to import equipment from hard-currency countries.

41. His delegation asked the secretariat to prepare, well before the session in June 1988, a detailed statement of the revised country IPFs taking into account the criteria stated in decision 85/16, and to provide information at that session on project delivery in relation to the original and the revised IPFs.

42. In his statement, the Associate Administrator had raised the question whether the IPFs should be revised using basic data for 1983, as advocated in decision 85/16, or using more recent data (1986). His delegation's view was that there was no need to consider that question, since decision 85/16 clearly stipulated that the per capita GNP for 1983 was to be the yardstick until a decision was taken, in connection with the fifth cycle, in 1991.

43. With regard to the Associate Administrator's suggestion that the surplus should be distributed in the context of the new requirements of the least developed countries, his delegation felt that the initiative in that regard should be taken not by the secretariat but by the Governing Council. It was the responsibility of the members of the Council to identify new requirements; the Council could then take a decision on the subject.

44. Mr. FREE (Canada) said that he wished to comment on four aspects of document DP/1988/9. With regard to the IPFs, Canada agreed with the revised figures given in table 1 and with the methods and principles used, which were described in paragraphs 2, 3 and 6 of the document. His delegation also supported the proposal in paragraph 8 concerning the method of calculating IPFs in the future. It was Canada's understanding that the Council had decided that, as far as possible, World Bank figures would be used to calculate IPFs. In studying the revised figures, the Canadian delegation had been struck by the large increase in Burma's IPF and, although it welcomed the inclusion of that country in the list of least developed countries, it hoped to receive information during the mid-term review on the manner in which those additional funds were being used in the context of the programme for Burma.

(Mr. Free, Canada)

45. As to net contributor status, his delegation was awaiting with interest the detailed proposals to be submitted to the Council in June, and reiterated its commitment to the principles laid down in decisions 85/16 and 87/25. In the case of the Bahamas, Canada supported the principle that countries which moved into a higher category should not be penalized. However, it hoped that the Bahamian Government would be able to meet its obligations under decision 85/16, paragraph 9, which stipulated a ratio of contributions of at least 75 per cent of the IPF expenditure in each year. As to the mid-term review of fourth-cycle resources, his delegation would like to see that review take place in June 1988, and it awaited with interest the scenarios which would be submitted on the status of resources and the proposals concerning their use. Canada believed that the principles laid down in decision 85/16 must be complied with at the time of reviewing the allocation of those funds, particularly in the context of the situation of the least advanced countries, structural adjustments and the Programme of Action for African economic recovery.

46. Mr. FU Xijie (China) said that the limited resources of UNDP should be used essentially for the benefit of the least developed and low-income countries. His delegation believed that the principles laid down in decision 85/16 must be complied with. While the method being used to calculate IPFs was admittedly imperfect, a better one had yet to be found. The concrete problems that arose were very complex, particularly with regard to the effective use of resources. Account should be taken, inter alia, of the way in which recipient countries used UNDP assistance.

47. China supported document DP/1988/9 and the revised figures appearing in table 1. As to the thresholds referred to in paragraph 8, he would like to know why the secretariat included two very close ones, i.e., \$1,464 and \$1,500, while the thresholds referred to in decision 85/16 were \$1,500 and \$2,000.

48. Mr. LEENSTRA (Netherlands) supported the proposals contained in document DP/1988/9 regarding the revision of some countries' IPFs, as well as the Administrator's proposals for the revision of IPFs when there were changes in basic data. As to the provisions concerning net contributors, his delegation understood the concerns of those countries whose per capita GNP had been appreciably modified in the past few years. However it did not see what could be done besides sticking to the procedures which had been adopted in that regard. It noted with satisfaction that three countries, including two which had close relations with the Netherlands, had indicated their intention to meet the net contributor obligations laid down in decision 85/16. He believed that the matter should be reconsidered in the context of the proposals which the Administrator would make for the allocation of resources. The Bahamas had pleaded its case with conviction. Countries should not be penalized because their per capita GNP had risen unexpectedly.

49. It was essential to bring forward by one year the mid-term review of available resources for the fourth programming cycle. The economic situation was such that a decision must be taken on the use of the funds. In that regard, he was pleased to note that decision 85/16 remained the basis of the discussions and that there was a consensus in that respect. Certainly, the procedure selected must be equitable.

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(Mr. Leenstra, Netherlands)

His delegation had no firm position on the question raised by Mr. Brown, namely, whether the 1983 data or more recent data should be used for calculating IPFs. A decision on that point could be taken only when a set of scenarios was available.

50. As to the Administrator's proposal to include in his report an assessment of special activities and initiatives responding to new and emerging needs of developing countries, he supported the comments on that matter made by the representatives of India and Indonesia. It seemed to him that responsibility for such initiatives rested with the Governing Council. He recalled, however, that during the special session on Africa's economic and social crisis, the General Assembly had formulated measures designed, inter alia, to regulate the allocation of surplus resources.

51. Mr. KABIR (Observer for Bangladesh) supported the revisions contained in document DP/1988/9, table 1. Owing to the devaluation of the dollar, the value of the IPFs had already been eroded, and that fact should be taken into consideration in the proposals for the allocation of surpluses. He supported the proposal to bring forward by one year the mid-term review of available resources for the fourth programming cycle. He hoped that the report to be submitted in June 1988 would be balanced and would, in particular, take into account the needs of the least developed countries. As to the activities and initiatives necessary to meet the emerging needs of developing countries, he would appreciate further information on the criteria governing the assessment of those needs.

52. Ms. PERKOVIC (Yugoslavia) said that the upward revision of IPFs appearing in document DP/1988/9, table 1 was appropriate, and the procedure implemented to that end should be applied to all countries. More time was needed to consider the proposal for the calculation of IPFs appearing in paragraph 8 of that document.

53. As to the allocation of surplus resources, she would like to have more information on the origin of those surpluses. In that regard, she shared the views expressed by the representatives of Uganda, Indonesia and India.

54. Mrs. DUDIK GAYOSO (United States of America) said her delegation agreed that the IPF for the fourth cycle of a country whose per capita GNP had been revised upward should not be reduced, all the more as that principle had been applied during the second and third programming cycles.

55. She endorsed the Administrator's proposal that a revision of per capita GNP would be taken into consideration only for purposes of IPF calculations if it exceeded 10 per cent of the original estimate. Her Government strongly supported the provisions of decisions 85/16 and 87/25 requiring certain recipient countries to become net contributors, and supported the procedures to ensure that front-loading of projects did not occur in countries which were unwilling to become net contributors.

56. As to the question whether the IPF of the Bahamas should be reduced, in view of the revised calculation of its per capita GNP, her delegation believed that the

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(Mrs. Dudik Gayoso,
United States)

provisions of decision 85/16 should apply. Was the Bahamas required to become a net contributor under those provisions? The principle was all the more important in that the credibility of UNDP and the interest which donors took in it were at stake. Nevertheless, she wondered whether, in the case of the Bahamas, there had not been a certain lack of communication between the Government of that country and UNDP.

57. The need to carry out the mid-term review of the status of resources in June 1988, rather than in 1989, was understandable. Nevertheless, there was a danger involved in taking a decision on the allocation of those resources before 1989, particularly because exchange rate fluctuations during the fourth cycle were unpredictable, all the more so in that the projected appreciation of the dollar seemed uncertain. However, her delegation wished to make it clear that it was in no way seeking to rule out the taking of a decision in June 1988. It was merely advising caution because, as it might be recalled, the overly optimistic estimates made during the third cycle had not materialized. Excessive optimism could be damaging to UNDP and to the programmes of the recipient countries.

58. For a decision to be taken in June 1988 or later, data would be required on programme delivery rates, the allocation of unprogrammed resources and the impact of dollar fluctuations on the various programmes. Her delegation also hoped that the Administrator would inform the Council of any changes imposed by economic circumstances and not by purely financial considerations.

59. Mr. PETTITT (United Kingdom of Great Britain and Northern Ireland) said that his delegation supported the revision of IPFs and the new method proposed for calculating them. On the subject of net contributor status, he shared the position of the United States delegation. In the case of the Bahamas, his delegation felt that it should be fairly treated, as it should be able to become a net contributor over the next cycle.

60. The surplus of resources was due to an increase in real terms and not to fluctuations of the dollar. The United Kingdom's contribution had increased by 8 per cent a year over the past two years. His delegation supported the proposal that the review be held in mid-1988 instead of 1989, on the understanding that it would be based on the Administrator's proposal that account be taken of the developing countries' new needs.

61. Mr. UMER (Observer for Pakistan) said that his delegation subscribed to the comments made by the representatives of Indonesia, Uganda and Yugoslavia regarding the revision of IPFs. He did, however, seek clarification on two points. First, the Associate Administrator had said on page 6 of his introductory statement that Council decision 85/16 raised several issues. However, he had referred only to one of them. What were the others?

62. Second, the Associate Administrator had asked whether, in reviewing the IPFs, the 1983 GNP should be used or the data for 1986. His delegation did not

(Mr. Umer, Observer, Pakistan)

understand the thinking behind that question, as the Governing Council had just approved eight country programmes. Clearly, the data used in those cases should also be used in revising the IPFs and in allocating surplus resources. The question was particularly important because the Governing Council would have 12 country programmes to examine in June 1988. The same criteria should therefore be applied.

63. Mr. AHMED (Observer for Bahrain) said that while the results of the consultations initiated by the Administrator with his Government regarding the provisions of Council decision 85/16 relating to net contributor status had been positive, his country had still not been released from its obligations as a net contributor. However, as the Council had recognized in its decision 86/33 concerning island developing countries, Bahrain's circumstances were unique. Furthermore, his Government had recommended that island developing countries should be exempted from net contributor obligations and had pointed out that 1983 per capita GNP was not an appropriate criterion for deciding that a country should become a net contributor, in that it failed to take into account the recent fall in commodity prices and the consequent fall in GNP. His Government supported the position of the Bahamas in that regard.

64. As to the revision of national IPFs following revision of the basic data used in calculating them, he hoped, in the light of the General Assembly's decision on the least developed countries, that the revision would be in the interests of the developing countries, and particularly of the island countries. The new methodology would be beneficial to recipient countries. Nevertheless, it needed more detailed study and it was too early to take a decision on the matter at the present stage.

65. Mr. TETTAMANTI (Argentina) supported the statement made by the representative of Ecuador on behalf of the Latin American and Caribbean Countries and the proposals contained in paragraphs 16, 17 and 18 of document DP/1988/9. On the question of whether the objectives set forth in Council decision 85/16 should be achieved or not, he said that there was no need to take a decision yet, as the period covered by those objectives would not begin until 1 January 1989.

66. Mr. DRAPER (Administrator) welcomed the announcement by the United Kingdom of its intention to increase its contribution by 8 per cent (or £500,000) in order to reach the target of an 8 per cent annual increase set by the Council.

67. Mr. BROWN (Associate Administrator), replying to the many questions raised by members of the Governing Council, said that he welcomed the consensus that had emerged on the proposal not to penalize the Bahamas, whose GNP had undergone unforeseen changes. Contrary to what the United States representative supposed, there had been no lack of communication between the Bahamas and UNDP. In fact, consultations had been held in 1987 with the group of countries whose per capita GNP exceeded \$3,000 or, in the case of island developing countries, \$4,200. What had happened was that the revised data on per capita GNP in the Bahamas had reached UNDP late. It had therefore not been known whether the Bahamas were covered by the

(Mr. Brown)

provisions of Council decision 85/16, and it had been felt best to leave that question for decision by the Governing Council.

68. In reply to the question by the representative of the Soviet Union concerning the wisdom of using World Bank data for calculating IPFs, he pointed out that, as the representative of Canada had rightly indicated, paragraph 2 of Council decision 85/16 contained very clear provisions on that subject. The decision mandated UNDP to use the World Bank data on population and per capita GNP for 1983 in all cases where they were available, and, in all other instances, the estimates provided to the Statistical Office of the United Nations Secretariat and from other reliable sources. In most cases, therefore, UNDP used the World Bank data. For 37 countries which were small countries or countries which did not belong to the Bank, UNDP used other sources. For 36 of them, those were data supplied by the United Nations Statistical Office and, for one country, Saint Helena, the data used were from the Commonwealth Secretariat. It was important to have continuity in that field and for methodology to stay the same.

69. Several delegations had questioned the need to take a decision on the new methods for calculating IPFs which had been proposed in paragraph 8 of document DP/1988/9. India, in particular, had vigorously opposed adoption of a decision at the present stage. He was afraid that there had been some misunderstanding. The factors taken into account in calculating the per capita GNP, namely, the figures relating to population and the GNP, were constantly revised, not only by the World Bank itself but also by countries' own statistical services. If the provisions of Council decision 85/16 were applied strictly, a country's IPF would have to be recalculated every time there was even an infinitesimal change in its per capita GNP. What was in fact being proposed in paragraph 8 was not to take the revised per capita GNP into consideration unless it exceeded the initial estimates by 10 per cent. The question of exchange rate fluctuations did not come into the question as the exchange rate used for calculating the IPFs was the average of exchange rates over a three-year period, and the calculation was carried out during the last year.

70. Delegations had endorsed the proposal that the Administrator should submit in June 1988 his views on the status of resources for the remainder of the fourth cycle. In line with the wishes of some delegations, the possibility of allocating more funds to Africa and other scenarios would, of course, be taken into account in the special activities and initiatives for developing countries. It was important for delegations to bear in mind that strict implementation of Council decision 85/16 might disappoint some countries, for even if there was a great increase in the estimated amount of resources, the funds allocated to those countries would not themselves increase, owing to the "floor" principle. All the information that delegations had requested would be made available to them in June 1988.

71. The Observer for Venezuela had said that Venezuela had achieved net contributor status. In order for the relevant provisions of Council decision 85/16 to apply to a country, it had to fulfil its obligations as a net contributor not just for one year, but throughout the cycle. The representative of Venezuela had also asked what was the source of the information regarding his Government's

(Mr. Brown)

position on the matter. It was official information communicated to the UNDP Resident Representative in Caracas. However, in order to respond to the representative of Venezuela's request, the Resident Representative would be contacted again and asked to verify that information.

72. As to the question of the origin of surplus resources, information on that matter would be provided at a later stage.

73. One delegation had drawn attention to the considerable increase in the indicative planning figure for Burma. The General Assembly had included Burma in the list of the least developed countries. When a country was included in that list, its IPF increased markedly. Since the question of figures had been raised, delegations might wish to note that, in the table on page 4 of document DP/1988/9, "(US dollars (million))" should read "(US dollars (thousand))" and that, in the table on page 7, "(millions of US dollars)" should read "(thousands of US dollars)".

74. The representative of the United States of America had asked how it had been possible to avoid reductions of IPFs, as had been the case during the third programming cycle. He recalled that it had been the Council - and not the Administration - which had, three times, insisted that IPFs should be kept at the specified levels. In view of that, the Administrator had managed, notwithstanding the IPFs approved by the Council, to allocate resources on the basis of his own estimates of the amount of available resources.

75. He drew the attention of the Council to a request by the Government of Bermuda to use a part or all of its IPF for technical co-operation among developing countries. The problem was that the Council had stipulated that no country could use more than 25 per cent of its IPF for technical co-operation among developing countries. The reason was that, since IPFs had already been allocated to the recipient countries, if one of those countries used all or part of its IPF for a bilateral assistance programme in which it was involved, that would be equivalent to financing its own co-operation with its IPF. Consequently, the country in question could not proceed in such a manner until it received formal authorization from the Governing Council. The Governing Council would take up that question in June 1988.

76. In his introductory statement, he had said that if Governing Council decision 85/16 was to be maintained, a certain number of issues would arise and would have to be examined. That observation had drawn the attention of the representative of Pakistan. One of the issues which would arise was whether the "floor" concept should continue to be used. It must also be decided whether the 1983 or the 1986 data should be used. Certain countries, citing the fact that their economic situation had deteriorated sharply since 1985, had insisted on the need to use the most recent data. All those issues would be considered in June 1988.

77. Mr. TETTAMANTI (Argentina) said that the "floor" concept was outside the scope of the debate.

78. Mr. BROWN (Associate Administrator) agreed that the question of the "floor" was not germane to the discussion.

(c) DELEGATION OF AUTHORITY FOR PROJECT APPROVAL (DP/1988/INF/2)

79. Mr. DRAPER (Administrator), introducing the note which he had prepared on the revised delegation of approval authority (DP/1988/INF/2), said that, in order to account for the effects of inflation, he had decided to raise the level of the authority delegated to resident representatives. Effective 1 March 1988, that level would be raised from \$400,000 to \$700,000, subject to certain conditions. That decision had been taken as part of a package of improvements which included: the introduction of a greatly improved project formulation process, the introduction of several major improvements in country programme management plans, and the publication of a new Policies and Procedures Manual.

80. Those initiatives were only a part of ongoing quality-control measures. It was essential to maintain the high quality of UNDP field staff, and he had decided to give personal attention to that matter. He also stressed the major importance of revised comprehensive procedures for project monitoring, evaluation and reporting (project review committees, Action Committee, central Programme Review Committee, annual review of country programmes). Tripartite reviews would remain mandatory for all projects of \$400,000 and above.

81. As a means of providing easy access to narrative and qualitative information on projects, a conceptual framework for a Project and Programme Management System was currently being developed. That could become a major information and management tool both in the field and at headquarters.

82. The revised arrangements represented a more balanced approach aimed at ensuring that every country would have projects reviewed by the Action Committee on an annual basis. Two important points should be noted:

(1) In future, a resident representative must submit each year to headquarters at least one project scheduled for approval during that year. If there were no projects with a total UNDP budget of \$700,000 or more, then the Regional Bureau would select a project of less than \$700,000 for review and approval by headquarters;

(2) In addition, any project of which the total UNDP-financed budget amounted to more than 15 per cent of the total IPF administered by the resident representative concerned must be submitted to headquarters for review and approval.

83. Those procedures had been established to ensure that headquarters would have an opportunity to be directly involved in the review of projects in all recipient countries, not only those with large IPFs. It was anticipated that the total number of projects to be approved by headquarters would decrease from 35 per cent to 29 per cent. Finally, he pointed out that UNDP headquarters would continue to review for approval any project below \$700,000 which was critically important, reflected unorthodox approaches or was considered complex or unusually sensitive.

84. Mr. MOHAMED (Observer for Somalia) asked whether the Administrator would continue to update the Policies and Procedures Manual so that it reflected the views of members of the Governing Council and its working group as well as the needs of the developing countries. Somalia was planning to submit, in June, a number of ideas which might be useful for improving programme quality.

85. Mr. PAYTON (New Zealand) said that relations between the field and headquarters should be dynamic, and commended the decision which had been taken and the fact that the Administrator was committed to maintaining the quality of field staff. He approved of the provision that, if there were no projects of \$700,000 or more, the Regional Bureau should select a less costly project, since small projects also deserved attention.

86. Mr. CHEKAY (Union of Soviet Socialist Republics) said that, while he supported the Administrator's decision, the new procedures should also reflect the discussions currently taking place in the Special Commission of the Economic and Social Council.

87. Mr. DAH (Burkina Faso) said that, in view of the effects of inflation and other considerations which had prompted the Administrator to take his decision, the figure of \$700,000 was very low and should be increased.

88. Mr. ROHNER (Switzerland) welcomed the fact that the Administrator's decision had been taken as part of a package of measures, and reserved the right to comment further once the procedure had been tried in practice. He wished to know whether the Policies and Procedures Manual would be issued in French.

89. Mr. KABIR (Observer for Bangladesh) welcomed the decision, which the developing countries had long awaited, and expressed the hope that the new system would be kept under review.

90. Mr. MUKHERJEE (India) welcomed the Administrator's decision. As his country's principal aid co-ordinator, he could attest to the fruitful results of the process of interaction between the field and headquarters, a process which, thanks largely to the personal initiative of all concerned, did not generally cause undue delays. The Administrator's decision had therefore been necessary. Nevertheless, his delegation wished to know why the amount of \$700,000 had been decided upon, and what figure had been recommended by the working group appointed to study the issue. While awaiting a reply to that question, he could accept that amount on a provisional basis. After Governments had reviewed the Policies and Procedures Manual, they might have useful suggestions for making it even better. Finally, it should be noted that while, as had been indicated, the new arrangements should make it possible to reduce the number of projects to be approved by headquarters from 35 per cent to 29 per cent, that was only an average; for certain countries, including India, the proportion of such projects was still very high.

91. Mrs. DUDIK GAYOSO (United States of America) thanked the secretariat for issuing the Policies and Procedures Manual. The interaction between field offices and headquarters was proving fruitful and her delegation attached great importance

(Mrs. Dudik Gayoso,
United States)

to it. With regard to paragraph 10 of document DP/1988/INF/2, she asked whether she was correct in assuming that headquarters would, in all cases, choose the projects to be reviewed. The proposed new guidelines for project formulation should greatly improve project design and she would like to have an opportunity, perhaps in June 1989, to consider the implementation of the new arrangements. Those arrangements could perhaps be evaluated in the report on programme implementation. Finally, she appreciated the emphasis which the Administrator had placed on quality and efficiency.

92. Mr. ELGHOUAYEL (Observer for Tunisia) congratulated the Administrator on his commendable initiative. However, in so far as the decision to raise the level of authority delegated to Resident Representatives had already been taken, he wondered what the Administrator expected from the Governing Council. According to what criteria had the level of the increase - which did not correspond to the real effect of inflation and erosion of the dollar - been decided? His delegation would also like to know how the centralization-decentralization ratio in UNDP activities had been worked out and whether the Action Committee was technically in a position to assume the responsibilities which the proposed mechanism would place on it. Finally, he expressed the hope that the mechanism would be reviewed annually.

93. Mr. DRAPER (Administrator) said that the Policies and Procedures Manual, which would soon be issued in French and in Spanish, was in a loose-leaf binder and, consequently, could easily be amended. Updating it would therefore not be a problem. The decisions of the Economic and Social Council would not be taken into account until they were definitively adopted. The figure of \$700,000 had been chosen because it corresponded to the amount of inflation recorded since 1977; it would be reviewed periodically in the light of changing circumstances. Replying to the representative of India, he said that it had been deemed preferable to choose a dollar amount rather than a percentage of IPF; in any case, as far as small countries were concerned, any project whose total cost accounted for more than 15 per cent of the total IPF would be submitted to headquarters, and the Action Committee would review at least one project per country each year.

94. He informed the representative of the United States that the projects to be reviewed would be chosen by the New York office. He endorsed the idea of reviewing the implementation of the new arrangements regularly; the first review could take place in June 1989.

95. Replying to the representative of Tunisia, he said that he had wanted to inform the Governing Council before informing the field offices of his decision - and the decision was his to take - so as to make sure that it would not encounter major opposition.

96. Mr. MUKHERJEE (India) said that he wished to make two minor suggestions. First, if any Member State had any changes to propose regarding the project elaboration framework, which was referred to in paragraph 4 of document DP/1988/INF/2, it would be a good idea if they could do so at the Council's

(Mr. Mukherjee, India)

June 1988 session. Secondly, instead of taking the smaller of the following two figures: \$700,000 or 15 per cent of IPF, the higher amount could be taken. Finally, he proposed that the Working Group's recommendation concerning the level of delegated authority should be communicated to the Council before June, for information purposes only.

97. Mr. DRAPER (Administrator) pointed out that purpose of the 15 per cent figure was to assure small countries that their projects would not be overlooked. If there were no problems the project review could be completed very quickly. Any proposed amendment to the project formulation framework or the Manual would be given consideration.

98. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to take note of the statement by the Administrator and of document DP/1988/INF/2.

99. It was so decided.

(e) CHANGE OF NAME OF THE OFFICE FOR PROJECTS EXECUTION TO OFFICE FOR PROJECT SERVICES

100. Mr. DRAPER (Administrator) informed the Council that as from 1 March 1988, Office for Projects Execution would be renamed Office for Project Services. The latter was more consistent with the role of the Office, since the latter was not an executing agent. The current name was misleading. It was vital to underscore the fact that the Office's main function was to mobilize the elements needed for project execution.

101. Mr. MUKHERJEE (India) supported the proposed change of name. He took the opportunity to point out that the Organization's services could at times be faulted for being slow and inefficient and he hoped that that would receive the attention it deserved.

102. Mr. CHEKAY (Observer for the Union of Soviet Socialist Republics) said that he had no difficulty of principle in agreeing to the change of name, despite the fact that the decision was, in fact, not as insignificant as it appeared to be on the surface.

103. Mr. TETTAMANTI (Argentina) said that he had no major objection to the change of name. However, since the Council had been discussing the question of co-ordination between the Office for Projects Execution and the Department of Technical Co-operation for Development for a long time, he would like to know if the change of name was consistent with the desire to clearly define the responsibilities of those two entities.

104. Mr. ELGHOUAYEL (Observer for Tunisia) said that the change of name of a subsidiary organ had no particular significance in itself. None the less, he would like to know more about the implications of the change. Furthermore, for the

(Mr. Elghouayel, Observer, Tunisia)

reasons given by the representative of India, he would like the Bureau for Project Services to be more dynamic. Of course, that would all depend on what the General Assembly decided at its forty-third session on the basis of the in-depth study of the Special Commission of the Economic and Social Council.

105. Mr. PETRONE (Italy) said that he had no objection to the proposed change of name. However, he hoped that the structure of the Office for Projects Execution would be reviewed and he asked whether the Administration was planning to review it.

106. Mr. DRAPER (Administrator) assured members of the Council that there was no ulterior motive for the proposed change of name. The aim was simply better to reflect the activities of the Office. The current name was sometimes a source of friction between UNDP and other organizations. In response to the question from the representative of Italy, he said that the structure of the Office was to be reviewed and that the lack of efficiency and speed in the provision of services would be taken into consideration during that review.

107. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to take note of document DP/1988/INF/1.

108. It was so decided.

109. Mr. PAYSON (New Zealand) recalled that a conference on the least developed countries was to be held in 1990. Since the debates of that conference would have very important repercussions on UNDP's activities, he asked if UNDP was planning to participate in the preparatory meetings, in particular the meeting which was scheduled to take place in May 1988, in Paris, and whether there were any plans to report on the matter to the Council at its June 1988 session.

110. Mr. BROWN (Associate Administrator) said that the revised agenda for the June 1988 session contained an item concerning the Special Measures Fund for the Least Developed Countries and that the issues raised by Mr. Payton could be discussed under that item. UNDP would indeed be represented at the preparatory meeting in May 1988.

The meeting rose at 7 p.m.

