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GOVERNING COUNCIL

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SUMMARY RECORD OF THE 28th MEETING

Held at Headquarters, New York,  
on Monday, 19 June 1989, at 3 p.m.

President: Mr. PIBULSONGGRAM (Thailand)

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The meeting was called to order at 3.15 p.m.

PROGRAMME PLANNING (continued)

(c) ARRANGEMENTS FOR THE FIFTH PROGRAMMING CYCLE (continued) (DP/1989/74)

1. Mr. AQUARONE (Netherlands) said that among the options which he would like to see considered was the possibility of calculating indicative planning figures (IPFs) on the basis of a basket of currencies, either the special drawing rights (SDRs) used by the International Monetary Fund, or an ad hoc basket of currencies based on the specific weight of each donor's contribution to UNDP. Use of that expedient could lead to a more predictable level of resources and avert the need for painful renegotiations.
2. With regard to resource scenarios, the levels of resources were far from adequate to meet the needs of developing countries. A doubling would be welcome, but even then, resource levels would still fall short of UNDP objectives. As far as his country was concerned, a further increase in its contribution was unlikely.
3. With regard to the calculation of supplementary IPFs, the document had not sufficiently examined the intricacies of the problem. He would be grateful if the report on allocations for the fifth cycle contained more information on current IPFs.
4. Mr. ZHANG Guanghui (China) said that, on the basis of his country's past experience, he believed that the five-year cycle should be retained. As to the growth rate of voluntary contributions, it should be noted that the 8 per cent target set for the fourth cycle had not been attained. Consultations were necessary in order to arrive at a target which was realistic and acceptable to all countries.
5. The resource allocations for the fifth programming cycle could be based on the criteria for the fourth cycle, namely, per capita GNP and population.
6. He did not favour an increase in Special Programme Resources (SPR); rather, more resources should be allocated to country IPFs.
7. Mr. LICHTINGER (Observer for Mexico) said that the five-year programming cycle should be retained, as it had proved effective and gave countries sufficient time to establish and revise the strategic and programmatic foundations of their projects. In cases where a project required funds beyond the programming cycle, he supported the concept of borrowing from the following cycle.
8. He firmly supported the universality of UNDP as established by the 1970 Consensus.
9. As a basic principle, his delegation felt that the "floor" concept for calculation of IPFs should be retained from one cycle to the next. Moreover,

(Mr. Lichtinger, Observer, Mexico)

taking into account the inflation of the dollar, allocations should be increased so as to maintain the IPF in real terms. The "floor" should also be raised in proportion to the increase in total UNDP resources.

10. The allocation criteria should take into account indicators which reflected the situation of the poorest people in each country, such as the per capita income of the lower half of the population.

11. Another significant factor for many developing countries should also be taken into account, namely, the burden of external debt, and in particular, the effects of structural adjustment and reductions in public expenditure for social programmes.

12. A greater effort should be made to allocate a larger share of resources to IPFs and reduce those allotted to centrally managed programmes.

13. The relationship between IPF-financed and SPR-financed programmes should be retained in accordance with Governing Council decision 85/16. Currently, the resources allocated to SPR-financed programmes amounted to 3.6 per cent of total fourth-cycle resources but that was only a temporary situation.

14. His delegation firmly supported the notion of strengthening UNDP field offices in recipient countries by staffing them with national and international experts so as to avoid expensive and unnecessary missions. Those staff members should respect Government priorities in their technical co-operation programmes and not take it upon themselves to decide among Government proposals so long as the latter stayed within the limits of IPFs.

15. There should be a clear-cut effort to ensure that decisions regarding regional programmes were increasingly taken by the countries themselves and not by outside agencies. The threshold for net contributor status should not be lowered from its current level of \$3,000 per capita GNP.

16. The specialized agencies should be reimbursed for the services they provided in accordance with the needs of the projects, while the remainder of the subsidies now granted to them by UNDP should be added to current IPFs.

17. He did not wish to see a proliferation of thematic special programmes or special funds; rather, all those resources should be added to IPFs.

18. Mr. KELLAND (Observer for Denmark), speaking on behalf of the Nordic countries, said that the Administrator's proposal to consider doubling and tripling UNDP funding during the next two cycles could be discussed only in the context of general prospects for Official Development Assistance (ODA) resources. Although he would like to be able to regard a high growth rate as realistic, it must be recognized that resources would not be forthcoming merely because certain targets were set. The Nordic countries were contributing heavily to UNDP, and it was unlikely that their total contribution would increase substantially. Significant increases in UNDP resources would have to come from other countries.

(Mr. Kelland, Observer, Denmark)

19. The Programme's poverty orientation was of paramount importance. The trend towards allocating an increased share of UNDP resources to the poorest and least developed countries should continue. He therefore favoured option 3 outlined in paragraph 36 of document DP/1989/74, which provided for an increased share of IPF resources to countries with a per capita GNP below the threshold. However, he would also be prepared to consider option 4, i.e., increasing the number of groupings and dedicating a percentage of resources to each group, provided that the previously stated principle was upheld.

20. He did not favour the suggestion in paragraph 39 that a more meaningful measurement of per capita GNP might be based upon the lower half of the population, nor did he favour the suggestion in paragraph 41 that any incremental increase in population above a certain norm, e.g., a 2 per cent annual growth rate, could be disregarded in the weighting of population. A recipient country might well pursue a vigorous population policy, yet the population growth rate might remain high due to formidable problems.

21. He was prepared to consider changing the ratio between the supplementary criteria and the basic criteria provided that such a change helped to strengthen the Programme's poverty orientation. The Nordic countries would therefore reserve their judgement pending further data on the implications of such a change.

22. In line with the concern for poverty orientation, he would favour limiting the floor supplement, and would, in fact, prefer it if the floor principle were abandoned.

23. A related problem was the concept of net contributor status. The net contributor principle was very important, and he appreciated the recognition by the net contributor countries that, while they were also facing considerable needs, the Programme's limited resources should go first and foremost to the poorest countries. It was to be hoped, therefore, that the number of net contributors would increase in the fifth programming cycle. That being said, he was prepared to discuss safeguards which could take into account the impact of changing circumstances in regard to net contributor status. The criteria for waivers of net contributor obligations, as outlined in the annex to the report, did not seem to be very well founded, as they would be more relevant to financial assistance than to a technical assistance programme which had only a marginal effect on the balance of payments.

24. He was inclined to regard as positive the Administrator's proposals for increasing the shares of SPR and intercountry programmes. On the other hand, he was inclined not to favour the proposals for lengthening the programming cycle and for a rolling cycle, feeling that too much would be lost by not having the opportunity of a major review every five years.

25. If the individual country programme periods could be synchronized to a greater extent with those of the recipient countries' development plans, that would retain most of the advantages deriving from the Administrator's proposals without the major disadvantage to which he had just referred.

26. Mr. CZARKOWSKI (Poland) said that the starting-point for the debate on the fifth programming cycle should be the 1970 Consensus and the experience gained over the previous cycles. The international context had changed considerably, and new phenomena and challenges had emerged, such as the external debt, environmental degradation and the need for environmentally sustainable development.

27. Those new issues must be taken into account from the standpoint of individual country requirements as well as the common interests of the international community. In his view, the allocation of available resources must reflect a proper balance between countries at the lowest levels of development and middle-level countries, since both categories could affect the functioning of the world economy in different ways. For example, decreasing the allocations to middle-level countries, which played a substantial and growing role in the world economy, could have quite serious consequences. Likewise, declining living standards in the least developed countries, if allowed to continue, could lead to political instability, which could also have adverse consequences.

28. Those considerations were related first and foremost to the formulation of supplementary criteria, especially with regard to changing the two main criteria, per capita GNP and population. His delegation would favour giving greater weight to supplementary criteria, especially for countries which had a relatively high per capita GNP but had also been experiencing serious economic difficulties. Other important factors to be considered were the burden of external debt and the lack of credit. The situation of countries with a per capita GNP between \$1,500 and \$3,000 was even more precarious. International assistance, including that provided by UNDP, was essential in helping those countries to overcome their economic difficulties and contributing to the success of the comprehensive economic reforms being carried out in some of them. Accordingly, such countries should receive a supplementary allocation for an entire programming cycle or a portion thereof.

29. With regard to the designated groups, a new grouping could perhaps be added, consisting of countries having from 50 million to 99.9 million inhabitants, since that would more precisely reflect the relationship between population figures and the overall distribution of resources.

30. A more precise relationship between individual per capita GNP ranges and their role in resource distribution could be achieved by taking inflation into account. Accordingly, he supported the proposal to raise the current ceiling from \$1,500 to \$2,200. Closer attention should be paid to the floor principle, since the manner in which it was currently applied arbitrarily modified the results obtained on the basis of other criteria.

31. Mr. SOARES DE LIMA (Brazil) said that he could not agree with the view that the current process of periodic resource allocations was time-consuming, especially as compared with the alternative option of lengthening the cycle coupled with periodic reviews. His country had always used a five-year planning cycle, which coincided with the mandate of his Government and those of most Latin American countries.

(Mr. Soares de Lima, Brazil)

32. A rolling cycle appeared to present as many disadvantages as a 10-year cycle, since it would involve a constant process of negotiation on resource levels. The continuous updating of each country's needs and priorities could be accomplished with the current five-year cycle.

33. With regard to the growth rates for voluntary contributions, there must be a firm commitment by the developed countries on that issue in order to guarantee the stability of country programmes and avoid the need for IPF adjustments.

34. His delegation was in favour of retaining the option of borrowing up to 15 per cent from the IPFs of the following cycle. The carry-forward of IPF entitlements from one cycle to another should also continue.

35. While it was true that there was an increased demand for SPR, he did not feel that the emergence of new priorities justified increasing SPR to 5 per cent of the total.

36. His delegation had clearly stated the importance it attached to country IPFs as against intercountry IPFs. The argument that intercountry IPFs should be increased in order to meet the demands of projects of common interest was inadmissible. Those projects which were being implemented with SPR could be satisfactorily implemented under the intercountry programmes if they were properly planned and co-ordinated with the Governments concerned. Accordingly, he strongly opposed the proposed change in the ratio between country and intercountry IPFs.

37. There had been an appalling deterioration in the economies of the developing countries, particularly in Latin America and the Caribbean. The result was a pressing need to stimulate growth and development through new investments, which meant that the existing negative transfer of resources must be reversed. That fact must be kept in mind when establishing the criteria for the distribution of IPF resources for the fifth programming cycle. Latin America should not have to contend with criteria that would leave it with insufficient resources to meet its basic requirements for combating underdevelopment. The criteria referred to by the Administrator in paragraphs 34 to 47 of his report in document DP/1989/74 should be thoroughly analysed. He would like the Administrator to provide further information about them, including additional simulations of the proposed alternatives, and, in connection with supplementary criteria, to make simulations increasing the points attributed to debt service, current account deficits and terms of trade.

38. The neediest countries and the LDCs should receive a greater share of programmable resources, but that did not mean that others should be penalized, especially if their economies, like those of the Latin American countries, had deteriorated since the start of the fourth cycle. He therefore strongly supported retention of the floor and ceiling principles. If those principles were substantially modified, the Latin American countries could actually be excluded from the fifth cycle, and he hoped that was not the intention of the proposals in the Administrator's report.

(Mr. Soares de Lima, Brazil)

39. The Governing Council must arrive at a consensus at the present session on the net contributor status of countries that were unable to meet their obligations. Some countries were being penalized twice, by not having an IPF that met their needs and by still having to meet obligations they could no longer afford.

40. Mr. KRSTAJIC (Yugoslavia) said that the preparations for the fifth programming cycle must take due account of the points raised in the Council's debate and the importance of such issues as resource planning and allocation as well as sectoral allocations. The experience of previous cycles should be considered, especially in connection with problems of agriculture and education.

41. He favoured retention of the five-year programming cycle because a longer one would be both risky and unfeasible. In connection with resource scenarios to be used for allocation decisions, he strongly favoured substantial but reasonable growth in the coming period. Regarding main allocation principles, he felt that existing ratios were a good basis for negotiation. In respect of participation, the principle of universality should be maintained. While proportionately greater resources should be allocated to the least and less developed countries, the specific concerns of middle income countries with deteriorating economies must also be taken into account. The percentage shares of country and intercountry IPFs of total IPF allocations should be maintained at the levels set for the fourth programming cycle, and the criteria for the fifth cycle should be reviewed in the light of experience and in a flexible manner.

42. Mr. OGAWA (Japan) said that the IPF system had the indisputable advantage of familiarity and provided a predictable resource base for recipient Governments to formulate their plans and programmes, but that it also tended to encourage input-driven, rather than output-oriented, programming and project implementation. He would therefore welcome proposals for alternatives, even if they represented a drastic change.

43. Turning to the Administrator's report (DP/1989/74), he said that he favoured retention of the five-year programming cycle because it ensured predictability and flexibility. He appreciated the interesting option of a rolling cycle versus a fixed cycle, presented in paragraphs 9 to 12, but felt that it would be safer to continue, for the time being, with a fixed cycle although he was impressed by the advantages cited in paragraphs 11 (b) and 11 (c).

44. As to the drawbacks, he said that the problem of more frequent submissions of country programmes for shorter periods, cited in paragraph 12 (a), could be dealt with by introducing a rolling system for country programmes as well, or else by deleting country programming from IPF. While the latter possibility might seem radical, it should be remembered that even under the present system many projects included in country programmes stretched over two different IPF cycles, so it was unlikely that there would be any serious conceptual or practical constraints to such delinking. He would welcome the Administrator's views on that point.

(Mr. Ogawa, Japan)

45. The disadvantage cited in paragraph 12 (b), namely, the need for more frequent negotiations of resource levels, might apply also to the current system. As long as IPF was an indicative figure based on projected income there was always the possibility that some adjustment would have to be made to accommodate a substantial change in the resource situation. He therefore did not consider the point made in paragraph 12 (b) as an inherent disadvantage of a rolling cycle system.

46. As to the question of growth rates in voluntary contributions for the fifth programming cycle, he had no specific figure in mind but urged caution in view of the increasing volatility of exchange rates. The level of growth should be decided on the basis of recent trends in the increase of voluntary contributions. He reserved his position on the proposal contained in paragraph 17, pending a detailed explanation from the Administrator on the need for flexibility.

47. As to the possibility referred to in paragraph 20 of introducing a ceiling to the carry-forward of IPF entitlements, he was concerned that it might encourage more input-driven project implementation towards the final years of the cycle. Moreover, it might not be very effective, since it would only affect five countries.

48. He supported the Administrator's recommendations concerning the main allocation principles for IPFs, and particularly the proposed increase in the share of the SPR-financed programmes to 5 per cent of the total of foreseen new resources for the fifth cycle.

49. Mr. SAHLMANN (Federal Republic of Germany) said that the duration of the programming cycle should remain at five years. IPFs could always be recalculated during the cycle on the basis of the most recent GNP figures. A cautious and realistic approach should be taken in respect of resource scenarios. The Administrator should use conservative estimates of the annual growth of resources, perhaps even a zero-growth scenario. The Administrator's proposal for an annual review of the resource situation and for adjusting the levels of IPFs with a margin of up to 10 per cent presented no difficulty provided that there was no extended discussion of the issue in the Council every year.

50. Turning to paragraphs 19 and 20 of the Administrator's report, he said that a borrowing arrangement for the fifth programming cycle along the lines of Governing Council decision 84/16 was also acceptable for the end of the fourth cycle and agreed that the present system of carry-forward from one cycle to another should be changed.

51. The main allocation principles had served their purpose well but should be reconsidered in conjunction with the new cycle. The advantage of financing activities from SPR was that it enabled UNDP to react flexibly to changing developments and priorities; but as priorities changed new needs emerged while the old ones remained, and to avoid loss of orientation the percentage share of SPR in the fifth programming cycle should be reduced to the originally contemplated 1.24 per cent.



(Mr. Sahlmann, Federal Republic  
of Germany)

52. Turning to paragraph 29 of the report, he said that the share of intercountry IPFs should be increased considerably, perhaps to 25 per cent because it was in intercountry activities that the multilateral system could be most effective and make its advantages over bilateral assistance felt. The quality of intercountry programmes must be increased substantially in some areas, however.

53. He welcomed the options described by the Administrator in paragraph 36 of the report as well as the proposal in paragraph 38 for a better way to determine poverty. The proposal to disregard any population increase above 2 per cent when calculating IPFs was a good one. It might even be possible to go one step further and to give a bonus to countries that had reduced their population growth.

54. He endorsed the principles for supplementary criteria referred to in paragraph 44. Drawing attention to paragraph 49, he said that he would like to see the floor principle abolished or at least kept to 50 per cent.

55. In respect of the net contributor principle, his Government stood by Governing Council decision 89/5 and wanted no changes. An upward adjustment in the thresholds, taking inflation into account, should be debated, however. As to the proposed criteria for waiving net contributor obligations described in the annex to the document, he said that if there were too many exceptions the thresholds would become meaningless. The relevance of some criteria was questionable and other criteria were either not measurable or not readily available. He accepted the idea of delinking local office cost obligations from net contributor obligations even if that meant closing an office where a minimum amount of IPF programme was not delivered or where the Government did not reimburse UNDP for local office costs.

56. Mrs. BASCONES DOMINGUEZ (Peru) said that the five-year programming cycle should be retained because of the importance of adaptability to a rapidly changing society. The idea of a rolling cycle was an interesting one but she wondered how resources would be allocated. It was important for UNDP offices to be kept informed about the availability of resources. The fifth programming cycle should take the new role of UNDP in the 1990s into account. Imaginative new strategies were needed and new resources should be identified. IPF must be applied flexibly and with due regard for the inflation index. Internationally recognized social indicators, such as infant mortality and calorie consumption, rather than simply GNP, should be taken into account in allocating resources.

57. Mr. HUGHES (Observer for New Zealand) said that the Council should, at the early stage of the discussions, listen particularly to the views of the recipient countries.

58. Regarding the suggested changes to the existing methodology, New Zealand endorsed the Assistant Administrator's emphasis on the value of SPR and could support the proposal to increase the percentage of resources to be allocated to SPR-financed activities.

(Mr. Hughes, Observer, New Zealand)

59. The supplementary criteria were a valuable tool for sharpening the focus of UNDP programming. New Zealand could support an increase in the ratio of supplementary criteria to basic criteria. It was pleased to see the increased weightings in table 7 of document DP/1989/74 in favour of least developed and island countries, the special disadvantages of the latter in particular having been well documented.

60. Mr. EL-ZUNNI (Libyan Arab Jamahiriya) said that the criteria currently used in calculating IPFs did not fully reflect real economic growth: per capita GNP, for instance, could be affected by variables such as those that applied in oil-producing countries. Other variables such as geographic and social factors, the proportion of the GNP accounted for by productive areas, and debt problems, all of which had a great impact on developing countries, must be taken into account.

61. His delegation would suggest using a basket of currencies to calculate IPFs. It favoured retaining the five-year programming cycle, especially since it conformed to the five-year plans used by Governments and would enable developing countries to make logical resource projections.

62. His delegation had reservations regarding the proposal in paragraph 61 of document DP/1989/74 to separate government local office cost obligations from net contributor obligations. Reconsideration of that matter would entail the consideration of Council decision 85/16.

63. Mr. CHAUDOUET (France) said that while his Government had not yet taken a position on all points relating to the fifth programming cycle, it was firm in believing that priority must go to the most disadvantaged populations and to the least developed of the recipient countries. The existence of pockets of very low income social groups in other countries must also be taken into account. However, the approach should be along sectoral rather than national lines. Regarding the country IPFs, it should be borne in mind that the situation differed according to region.

64. Mr. VARADACHARY (India) said that his delegation saw no compelling reason to change from a fixed five-year cycle to a rolling cycle. Several countries had tried a rolling cycle for their national plans but it had only increased paperwork and uncertainty, without producing any perceivable benefits. The five-year cycle could work very well indeed with proper monitoring and flexibility.

65. India also did not favour any change in the current system of planning UNDP assistance on the basis of fixed IPFs; the 15-per-cent margin of change suggested in paragraph 17 of document DP/1989/74 would only create uncertainty in planning. On the other hand, the annual average growth rate target proposed in paragraph 18 for the fifth cycle seemed realistic.

66. The proposal to limit the carry-forward of IPF entitlements from the fourth to the fifth cycle would not have much effect on his own country but it might be

(Mr. Varadachary, India)

unfair to poorer countries which, having already suffered from under-utilization of UNDP assistance, would thus be doubly penalized.

67. India had always maintained that special programme resources were a windfall and had no place in the system. At most, they should be kept at the fourth-cycle level, as decided in Council decision 85/16.

68. His delegation shared the view of the Netherlands on the percentage shares of country and intercountry IPFs. A detailed study should be done of just how successful the intercountry programmes had been before a decision was taken.

69. India favoured retaining the well-established criteria for the distribution of country IPF allocations. Normally, the poorest countries were the most heavily populated. Consequently, in considering the population criterion, it was not the absolute population growth rate that mattered, but whether the country concerned was making an effort to control it. Also, the proposed weighting of the IPF calculations in favour of the lower income countries - which was unclear as described in paragraphs 40 to 42 of document DP/1989/74 and should be clarified - should not fail to take into account the larger numbers living below the poverty line in those countries.

70. India did not favour any change in the time-tested ratio between basic and supplementary criteria, nor did it favour any of the proposed changes in the supplementary criteria themselves, which had been advanced without sufficient justification. If changes were indeed contemplated, they should include factors reflecting standards of living and quality of life.

71. Throughout, UNDP should be seen in its proper perspective. UNDP was by no means the major aid-giving agency, and consequently its central role was technical assistance. Moreover, without the commitment of recipient Governments, very little could be achieved, and the Council seemed to be totally ignoring that aspect.

72. Mr. ALOM (Observer for Bangladesh), commenting briefly on some issues, pending a more careful review of the report, said that the present five-year programme cycle should be retained. A 10-year cycle or a rolling cycle could adversely affect the tempo of programme activities since it would be exposed to the uncertainties of a volatile world.

73. In connection with resource scenarios and main allocation principles, he endorsed UNDP's call for an annual increase of 16 per cent so as to double its resource base during the fifth cycle. The proposal to set a ceiling on the carry-forward of IPF entitlements (para. 20) deserved consideration. As for borrowing, it was a practice that should be continued since it would improve programme delivery in countries of real need of such resources and would also ensure flexibility in resource programming.

74. The current share of the LCDs in the allocation of UNDP's resources should be increased. The IPF allocation to those countries should be increased by at least

(Mr. Alom, Observer, Bangladesh)

25 per cent in real terms. There must also be flexibility in the principles governing resource allocation and it was important to strengthen the Special Measures Fund for the Least Developed Countries and United Nations Capital Development Fund programming to benefit the LDCs. Great attention should also be paid to disaster management-related programmes in the allocation of SPR.

75. Ms. COLLOTON (United States of America) said that at that juncture the Council's task was to lay down some basic guidelines and decide how to streamline preparations for the following year's negotiations on the fifth cycle.

76. In the absence of compelling arguments for change, her delegation favoured keeping the current five-year cycle. However, it would not be too complicated for the Council to devise smoother transitions between cycles, thus affording the benefits of a rolling cycle without the disadvantages.

77. She asked the secretariat to prepare, for the special session of the Council in February, some scenarios based on projected exchange and inflation rates and reasonable levels of voluntary contributions. The proposal to base the latter on an annual growth rate percentage in order to double fifth-cycle resources was not in her delegation's view a valid objective in the light of current economic realities.

78. The United States continued to support the concentration of IPFs in the countries most in need and, as a corollary, it favoured retention of the principles of graduation and net contributor status. It would appreciate hearing from the Administrator how application of the exceptions to the graduation criteria, detailed in the annex to document DP/1989/74, would affect countries now covered by the net-contributor-status factors. It would also like more information on the reasons for the proposal to limit the carry-forward of IPF entitlements to the next cycle, the advantages and disadvantages of such a change, and how recipient countries viewed the idea. It would also like to hear more about the reasons and perceived benefits of the proposal to give the Administrator more flexibility in setting and adjusting IPF levels and other programme allocations.

79. Regarding the criteria for IPF allocations, the United States was open to some adjustments, provided that steps were taken to ensure that the poorest countries did indeed benefit.

80. Mr. KING (Observer for Trinidad and Tobago) said that his delegation favoured the current channeling of funds primarily towards those most in need; although the principle of universality should allow all developing countries, regardless of the level of their development, to share in UNDP resources as their focus or their technical assistance needs changed. His own country, whose situation had declined dramatically, was a case in point.

81. The current net-contributor system was not in full accord with the voluntary and universal character of UNDP and had not worked well, especially for small island developing countries. The Council should take into account General Assembly

(Mr. King, Observer, Trinidad and Tobago)

resolution 43/189 regarding that category of countries and the parameters of its own decision 85/16, as well as the experience of the fourth cycle.

82. His delegation believed that the current five-year cycle should be maintained. In addition, it supported the proposed increase in the percentage share of the SPR-financed programmes for the fifth cycle. It urged the Council to give special consideration to increased weighting of IPF criteria in favour of small island developing countries, as discussed in paragraph 47 (b) of document DP/1989/74.

83. His Government would like to see a critical analysis of the proposals regarding floor supplements before forming an opinion on that question.

84. Mr. FERNANDEZ (Philippines) said that any decision on the duration of the programming cycle should balance predictability against the necessary capacity to respond to changing circumstances. His delegation was open to the possibility of a longer cycle, if it could be demonstrated that there would be an improvement on both counts. The option of a rolling cycle offered interesting possibilities for greater predictability, although the requirement for more frequent reviews might have the opposite effect. Perhaps if some of the desirable elements of both the longer cycle and the rolling cycle were introduced into the current five-year cycle, the results might be just as good.

85. On the subject of the growth rate of voluntary contributions, the Philippines saw some advantage in having flexibility in the setting and adjustment of IPF allocations, subject to approval by the Council.

86. There were several points to be remembered on the question of changing the criteria for IPF allocations. The country programme IPF should represent the main thrust of UNDP efforts. The current criteria were still valid, although some of the details could be discussed. The importance given to population growth rate in determining the weight co-efficient for population was secondary to the fact that the population increase in itself was the main problem. The relative weighting of the supplementary criteria needed to be reviewed, with the factor of indebtedness assigned a greater weight.

87. Mr. SOTO (Colombia) said that the principles of Council decision 85/16 remained the basis for the fifth cycle. Colombia favoured the maintenance of the five-year cycle and the allocation of 80 per cent of resources to the least developed countries.

88. Colombia favoured a five-point shift in the ratio of basic IPF to supplementary IPF, to 70:30, as outlined in section C of document DP/1989/74. The supplementary criteria should include factors such as debt service and trade relations. It also believed the ceiling and floor levels in country IPF allocations should remain unchanged and supported the 81:19 ratio of country to intercountry IPFs, as shown in table 2.

(Mr. Soto, Colombia)

89. The fifth-cycle IPFs must reflect the universality of the Programme. The status of some countries as net contributors should be reviewed on the basis of their real economic situation.

90. Mr. SOUTTER (Canada) pointed out that the Council was not yet negotiating the fifth cycle but discussing the various options and their implications. Canada itself would follow two guiding principles: the Programme's global universality should be maintained, and that could be done with the mature participation of those countries that had already attained a certain level of development; and secondly, there should be greater effort to help the poorest and least developed nations.

91. Resource entitlements for the cycle should be based primarily on the application of agreed criteria to the current situation of developing countries, and a historically rooted entitlement such as the floor principle should not be a distorting factor. Canada would also be open to the possibility of giving greater weight to poverty factors and social indicators although it believed, like its Nordic colleagues, that there was considerable virtue in simplicity in such matters.

92. The selection of an appropriate hypothesis for resource growth was always a difficult question, and more information on the several options was needed. In general, it would be better to make overly cautious provisions for any increase, since the adjustment required would be less painful. Canada agreed that the option of borrowing 15 per cent from the IPFs of the following cycle should be retained, and favoured the proposal to limit carry-overs from one cycle to the next. However, he asked, regarding carry-overs, what was the relative overall size of the total carry-overs of all countries that did not attain the 60 or 75 per cent target, and the extent of the savings thus achieved; whether the non-transferrable portion would be added to fifth-cycle principal resources and thus reallocated according to the same criteria; and why 60 or 75 per cent had been chosen rather than 15 per cent as in the case of borrowing.

93. Regarding the allocation of resources among the major programmes, Canada could agree to setting aside a slightly larger portion for multi-country, regional, interregional and global programmes. As to SPR, the significant enrichment of centrally managed resources raised policy questions that needed careful consideration. Although Canada favoured expanding catalytic activities, certain activities like the Transport and Communications Decade, the Special Plan of Economic Co-operation for Central America and the Management Development Programme should not be funded from SPRs.

94. The question of the relative importance of the supplementary criteria lent itself to subjective argumentation, but in principle Canada was willing to consider adjustments to those criteria and a different relative weighting.

95. His delegation did not find the arguments for a 10-year cycle convincing, since nothing prevented more regular updating in a five-year cycle, and since the poorer countries would be at a disadvantage if restrictions on IPF decreases were extended. His delegation believed, unlike the Administrator, that it would be more

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(Mr. Soutter, Canada)

difficult than currently to establish realistic hypotheses concerning resources and to modify criteria after five years. Furthermore, the Administrator's report had not examined the rolling cycle options sufficiently. The system would seem to have short-term advantages in the matter of reliability. The rolling cycle could be annual or triennial and still identify annual growth targets for resources.

96. Mr. THOMPSON (Fiji) said that his Government supported the criterion of per capita income as the overriding factor in determining IPFs. Raising SPR to 5 per cent of the fifth cycle resources would more accurately reflect the real requirements in that area and would enable UNDP to continue to respond flexibly to priority concerns. Recent experience in the use of SPR had confirmed that. Fiji felt that one could not reward high population growth rate on the one hand and completely ignore successful population control on the other. If high population growth was to be recognized in the fifth cycle, similar recognition should be accorded to countries which had managed to control population growth.

97. The allocation of a higher proportion of resources to supplementary IPFs should continue and Fiji favoured the 70:30 weight ratio in that regard. Lastly, his delegation supported the suggestions put forward on supplementary criteria used for the calculation of country IPFs in paragraphs 45 to 47 of the report. Those suggestions represented a fairer and more balanced approach to the matter.

98. Ms. SCHILLING (Observer for Venezuela) reaffirmed her delegation's support for the Consensus of 1970. The five-year programming cycle should be retained because it had proved to be highly effective. She agreed that comparisons among countries with similar per capita GNP levels could be distorted by varying income distribution patterns and supported the view that the per capita GNP of the lower half of the population should be used in order to reflect the needs of the poorest population groups. The relevant data could be obtained from the census offices of individual developing countries.

99. Venezuela, which was underpopulated, had brought its high population growth rate under control through family planning policies. That situation, which was typical of other countries also, should be taken into account. Referring to table 5 in the report, on distribution of weight coefficients by population grouping, 1987-1991, she felt that the third population group should be divided into two groups. There was no reason to group Venezuela, with a population of less than 20 million, with countries with populations of 90 million. During the high-level segment, her delegation had proposed that the Administrator should examine the situation of countries such as Venezuela and present alternatives to be considered at the next session of the Governing Council. Lastly, she stressed the need to review the net contributor status of Venezuela and cease penalizing it, at least during its current economic crisis.

100. Mr. KUFUOR (Ghana) said that the current five-year programming cycle should be maintained because it was simple and allowed developing countries to plan their technical assistance programmes with UNDP on a predictable and more or less ensured basis. Ghana supported the proposal to increase resources at the rate of

(Mr. Kufuor, Ghana)

16 per cent during the fifth cycle in view of the growing needs of developing countries in the field of technical assistance. With regard to the carry-overs from one cycle to the next, he felt that the Governing Council might wish to consider an appropriate cut-off point after a reasonable time-limit in order to ensure fairness for all concerned. With regard to the ratio between IPF resources and SPR, Ghana felt that Governing Council decision 85/16 should be observed and the current levels should not be increased. His Government supported the criteria and principles for the distribution of country IPF allocations. Although Ghana supported the supplementary criteria, it felt the allocation for social justice, which the Administrator proposed to abolish, could be added to the points allocated to the least developed countries.

101. Mr. KALIBWANI (Observer for Uganda) said that the existing arrangements for five-year resource allocation and country programming cycles should be maintained. Uganda did not support the proposal to limit the carry-over of IPF entitlements from one cycle to another because it was not necessarily the recipient country's fault that IPF resources were not fully committed or spent during a given programming cycle period. With regard to the share of the IPF resources between intercountry, country and special programme resources, his delegation felt that the current share of 19 per cent of total IPF allocated to intercountry resources was high enough and should not be increased. Finally, countries with high population growth rates should not be penalized since such growth rates were not necessarily an indication of Government indifference to population issues.

102. Mr. COUSINS (United Kingdom) said that UNDP must respond to the challenges resulting from an ever-changing world. His delegation felt that poverty orientation must be the first priority and would support any action which directed resources to the least developed countries. In that regard, one might ask whether the floor principle could be morally defended at all. His Government questioned the current levels of carry-over of IPF resources from one cycle to the next and would be looking for a significant reduction in that area.

103. Population was taken into account in the basic criterion of per capita GNP and should not perhaps be afforded any extra weight in supplementary calculations. His delegation was by and large happy with the current five-year cycle since it offered the opportunity for review at regular intervals. A properly managed 10-year cycle might have the advantage of longer-term planning and would help obviate the stop/start problems currently experienced. If a 10-year programming cycle was adopted, however, the criteria would have to be updated regularly.

104. Mr. BROWN (Assistant Administrator) said that at the current session the Administrator merely sought to learn the views and preferences of delegations and determine the areas on which there was agreement. On that basis, he would put forward a number of scenarios with options for consideration at the February session in 1990 so that specific decisions could be taken at the June session. There seemed to be almost total agreement that the five-year programming cycle should be retained. A number of delegations had felt that the per capita GNP of the poorest 50 per cent of the population might be used as a basic criterion. That



(Mr. Brown)

possibility would be explored further. There was a difference of opinion on centrally managed funds and funds available for country and intercountry IPFs. Some delegations had indicated that they prefer the current arrangements, while others favoured a reasonable body of central funding. The suggestions for taking account of population size and growth would be considered in order to determine their feasibility.

105. Some delegations had suggested that the percentage shares of country IPFs and intercountry IPFs should remain at 81:19, while others could accept a 82:18 ratio. That would be taken into account in the simulations to be submitted to the Council. The representative of Bahrain had referred to local office costs and had said that while his country would be willing to reimburse its IPF, he had insisted that that was in principle only. Local office costs, which were subject to Council decisions, were dealt with at two levels according to whether a country's per capita GNP was above or below \$3,000. Governing Council decision 85/16 clearly stated the responsibility of countries with a per capita GNP above \$3,000.

106. The representative of the Netherlands had raised the issue of a basket of currencies for calculating IPFs. In that regard, he recalled that four years earlier the Council had commissioned a study of the feasibility of using Special Drawing Rights (SDRs) and had felt that in practice it would be unworkable because no delegation was prepared to denominate its voluntary contributions in SDRs. There could be no commitment to pay IPFs or denominate them in SDRs when contributions were not made on that basis. Nevertheless, that possibility would be examined further.

107. There was general acceptance of the principle of universality and recognition that priority should be given to countries with the lowest income. The Governing Council would be provided with two simulations on the basis of the 82:18 ratio and the 80:20 ratio, which was the current arrangement. There was a considerable difference of opinion concerning the floor principle. The Council would be provided with a simulation showing the floor as it was and another showing the floor with a 50 per cent gap. The various suggestions for amending the supplementary criteria points would be studied in order to determine what results they might produce. Referring to total available resources, he said that the Council would be presented with various scenarios based on different income projections to indicate what would result from the different percentages.

108. Mr. SAHLMANN (Federal Republic of Germany) said that delegations should consider the Netherlands' proposal concerning a basket of currencies so that Governments could express their views on that question at the February session in 1990. If the main donor countries committed themselves to using SDRs, there would be less uncertainty resulting from fluctuations in the exchange rate of the United States dollar.

109. Mr. AQUARONE (Netherlands) pointed out, in making his proposal, he had not intended to exclude the possibility of an ad hoc basket of currencies taking account of the specific weight of each currency, namely the amount of a given

(Mr. Aquarone, Netherlands)

currency which UNDP received annually as a percentage of total voluntary contributions. In that way, donor Governments would not have to make contribution pledges in a currency other than their own.

110. Mr. AL-FAIHANI (Observer for Bahrain) asked whether Governing Council decisions took precedence over UNDP agreements with developing countries.

111. Mr. BROWN (Assistant Administrator) said that while Governing Council decisions might or might not be binding on individual countries, they were binding on the Administrator, who had to carry them out. Referring to the proposal put forward by the representative of the Netherlands, he pointed out that the drawback to using an ad hoc basket of currencies was that resource management would be very difficult because of the need to split investments and bank accounts. If UNDP could hold SDRs in a fund, it might be possible. At the current time, however, the Programme was not a body designated to hold SDRs. That possibility would be studied further and technical advice would be requested from IMF and other sources.

112. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to request the Drafting Group to prepare decisions on the subject under consideration.

113. It was so decided.

The meeting rose at 6.15 p.m.