



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/1989/SR.4
27 February 1989

ORIGINAL: ENGLISH

GOVERNING COUNCIL

Thirty-second session

SUMMARY RECORD OF THE 4th MEETING

Held at Headquarters, New York,
on Wednesday, 22 February 1989, at 3 p.m.

President: Mr. PIBULSONGGRAM (Thailand)

CONTENTS

Fourth programming cycle: programme planning (continued)

- (b) Net contributor status (continued)
- (d) Revised single indicative planning figure for the Trust Territory of the Pacific Islands

This record is subject to correction.

Corrections should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent within one week of the date of this document to the Chief, Official Records Editing Section, Department of Conference Services, room DC2-750, 2 United Nations Plaza.

Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

The meeting was called to order at 3.35 p.m.

FOURTH PROGRAMMING CYCLE: PROGRAMME PLANNING (continued)

(b) NET CONTRIBUTOR STATUS (continued) (DP/1989/5)

1. Mr. RONDON-MUSSO (Observer for Venezuela) said that Council decisions 85/16 and 88/31 had unfortunately not been applied to his country, because the data from the World Bank attributed to his country a per capita gross national product (GNP) of over \$US 3,000 per year. Venezuela had been a net contributor to UNDP for more than 10 years and had been one of the few developing countries to achieve that status, even before the adoption of decision 85/16. It intended to continue to contribute as generously as possible to UNDP. In the current year, however, it would like the Council to exempt it from the obligations deriving from net contributor status, because its current economic situation was radically different from what it had been five years previously.
2. Mr. AL-FAYHANI (Observer for Bahrain) reaffirmed his delegation's position with respect to net contributor status, as referred to in paragraph 27 of document DP/1989/5. It was unfortunate, however, that no mention had been made of the reasons why it maintained that position. His delegation also continued to have reservations with respect to the criteria whereby so-called net contributor countries were obliged to meet the costs of field offices in those countries. In that context, the suggestions for new co-operative frameworks were inappropriate and premature.
3. Although it had been the practice of UNDP to adopt its decisions by consensus, the principle of net contributor status appeared to have been approved over the objections of many developing countries. The attempt in the report of the Administrator to link financing for the cost of deputy representative posts to government contributions was clearly misguided. UNDP should address the issue on the basis of programming and practical requirements, and recognize that the assignment of only one international staff member to each field office was inadequate.
4. As an island developing nation, Bahrain was subject to a number of economic constraints. Its local market was tiny; financial resources for the funding of economic development were scarce; and it was also short of natural resources, apart from a single non-renewable resource in the form of oil. Relying heavily on exports to and imports from international markets, it was dangerously exposed to the fluctuations of supply and demand in those markets. There was a shortage of local labour, which was also generally expensive. The Government faced a large budget deficit, while revenues continued to decline as a result of falling levels of oil production and lower world prices for that commodity. The trade and balance-of-payments deficits were increasing year by year. After successfully attracting many banks to the country, the Government now saw several financial institutions withdrawing or curtailing their activities. Official development assistance had declined from a level of \$198.5 million in 1984 to only \$2.2 million

(Mr. Al-Fayhani, Observer, Bahrain)

in 1986. Most of the programmes carried out by UNDP related to the training of human resources. Two per cent of the total labour force was currently undergoing training.

5. His country also suffered as a result of geographical position in a body of water with only one outlet. Since its territorial waters overlapped with those of its neighbours, it could maintain no exclusive economic or fishing zone, to the extent that it was recognized under the United Nations Convention on the Law of the Sea as a geographically disadvantaged State. Water suitable for drinking or agricultural purposes was scarce, and a desalination programme designed to compensate for that scarcity was extremely costly. High population density had restricted the Government's ability further to develop agriculture. Despite valiant efforts to promote tourism, the hot arid climate had proved a major deterrent.

6. UNDP should reconsider its practice of assessing a nation's wealth on the basis of per capita GNP. In the case of his country, such figures were distorted by the inclusion of the earnings of foreign corporations and individuals, who transferred all their savings abroad. His delegation hoped that steps would be taken during the current session to exempt his country from net contributor status in accordance with the specific measures in favour of island developing countries set forth in paragraph 6 of General Assembly resolution 43/189.

7. Mr. ALI (Observer for Oman) said that his country had been among those that had required net contributor status for the fourth programming cycle under the terms of decision 85/16. His delegation would like to place before the Council certain facts and statistical information relating to its true economic circumstances and level of development, which had not perhaps been clear to the Council previously.

8. The development process in Oman had been under way for only 18 years. UNDP had, from the outset, been a partner in that process and had played a vital role in providing technical assistance in the various development fields by means of the country IPFs.

9. Although great progress had been made in the basic development sectors, there remained many challenges and obstacles to the completion of the necessary infrastructure and to the development of the productive sectors so that they could contribute to the diversification of the sources of national income.

10. One such obstacle was the extensive geographical area of the country and together with its need for balanced regional development. Because of the distances involved and difficult mountain terrain, Oman would have to redouble its efforts for the further extension of education and health services, the construction of roads and the supply of electricity and water to remote towns and villages. Only 18 years earlier, the country had been without schools, hospitals and roads. The development of infrastructure in such a vast country took considerable time, and much therefore remained to be achieved.

(Mr. Ali, Observer, Oman)

11. Since there was a shortage of trained manpower and expatriate workers had to be employed, large-scale financial resources had to be allocated to the task of expediting the training of national personnel. Between 10 and 15 per cent of the country's total national income was remitted abroad by expatriates.

12. The lack of natural resources and the dependence on oil, the price of which had fallen greatly in recent years, had had an adverse effect on the country's development efforts and, in 1986, its financial deficit had reached 25 per cent of total national income.

13. UNDP had itself recognized that situation in the introduction to the fourth country programme for Oman, where it had been pointed out that, except for its oil revenues, the country shared most of the characteristics of the least developed countries and was still in the early stages of development.

14. Decision 85/16, by which Oman had acquired net contributor status, had therefore come as a disappointment and had placed obstacles in the way of fruitful co-operation between the country and UNDP. Although Oman had accepted that decision, it was nevertheless of the view that its application to the country was not in keeping with the spirit of General Assembly resolution 2688 (XXV) or with the basic principles of universality and voluntarism frequently reaffirmed in the decisions of the Council.

15. Net contributor status meant that the amounts paid by the country would have to be measured against its receipts from UNDP while the principle of universality required that the amounts paid by any country went into the central resources of the Programme and had no direct relation to IPFs. His delegation was therefore of the view that to link the amount contributed by a country with the amount that it was to receive from UNDP was not in keeping with the goals of the Programme.

16. The present insistence of the Administrator on enforcing the net contributor principle would be understandable if the Programme were suffering from a large financial deficit. It was known, however, that the Programme had a financial surplus of several hundred million dollars, that it would receive about \$2 billion during the programming period 1987-1991 and that its ongoing programmes and programmes under consideration were budgeted for much less than that. The soundness of the Programme's financial position had been indicated by the Administrator himself in his statement to the Governing Council.

17. The current dispute was with respect to the assessment of Oman's financial ability, and perhaps that of most of the oil-producing countries, to make contributions to the Programme. The criteria used by the Programme in order to determine the level of a country's need for assistance were banking criteria rather than development criteria. There were criteria that gave a better indication of the capacities and development needs of the developing countries, such as the relationship between population and manpower needs and the situation with respect to higher education and technology.

(Mr. Ali, Observer, Oman)

18. Per capita income was a major criterion in classifying countries with respect to net contributor status. Even on that basis, according to the latest World Bank report, prepared at the end of 1987, per capita income in Oman had fallen by 25 per cent as a result of the decline in its oil revenues, and was close to that in the island developing countries, which had not been accorded net contributor status. The World Bank had also indicated that, because of the recent origin of the development process in Oman and its geographical character, economic and social indicators were even less available than they were in the low-income countries, to say nothing of the medium- and high-income countries.

19. His delegation was of the view that Oman's real economic circumstances had not been taken into consideration when it had been decided to designate it a net contributor under the terms of Council decision 85/16. Without prejudice to the undertakings it had entered into, his country called upon the Council to reconsider the question of its net contributor status.

20. With regard to obligations to meet the costs of local offices, his delegation was of the view that high costs were to a large extent due to the high salaries paid by such offices to their local employees. In the case of Oman, such salaries represented 80 per cent of total operating costs. The salary scales in force for office employees were two or three times higher than those of their counterparts in government service or in the private sector, which was incompatible with the Programme's development role. The time had come to review the methods used in calculating salaries for locally recruited staff so that there would not be such a great differential. The policy of the field office in Oman of replacing foreigners with nationals was to be commended.

21. In paragraph 11 of his report (DP/1989/5), on the possible need for new co-operative frameworks for net contributor countries, the Administrator had proposed the abolition of the country programme framework for net contributor countries and its replacement by a number of options ranging from a strategy paper to a project-by-project approach on a fully reimbursable basis.

22. The Administrator's proposals stemmed, in part, from the assumption that it was difficult to apply the country-programme approach in countries where it was not easy to programme the assistance provided by UNDP in advance. Oman, while adopting the five-year-plan method in its development planning, was of the view that the country-programme approach continued to offer the best co-operative framework for its relations with UNDP. In the five-year plans, projects in which it was possible to obtain UNDP technical assistance throughout the five-year period were identified in advance and not on a project-by-project basis. The country programme had, in the past, met the country's needs as identified by the five-year plans. That approach should perhaps continue to be adopted in future in determining the UNDP technical assistance contribution to the country's five-year development plans, alongside the technical assistance received from friendly countries in the implementation of those plans.

23. In paragraph 6 of his report (DP/1989/5), the Administrator had proposed that UNDP should maintain field offices in net contributor countries only when

/...

(Mr. Ali, Observer, Oman)

programmable resources remained above a certain threshold. That criterion should not be used as the basis for determining the future of the field office in Oman, for a number of reasons. It was natural that, in some net contributor countries, IPFs should not appear to be high when seen in isolation from the total country-programme figures. Oman's IPF for the current country programme was no more than \$1.1 million, while the total cost of the projects contained in the programme was about \$14 million, or 13 times the IPF. Only 7 per cent of total country-programme costs would thus be taken into account and the remaining 93 per cent, to say nothing of the 135 consultancy missions a year, would be regarded as being insufficient value for development to be taken into account.

24. To consider that question from a narrow financial viewpoint alone and to ignore the values underlying the Programme's philosophy of serving the development goals of developing countries in need of financial assistance, and therefore also in need of a field office to administer such assistance, was to undermine the principles that had guided UNDP since its establishment.

25. His Government, in calling attention to the adverse effects of such an approach and to its consequences for countries still at the beginning of the development process, called upon the Council not to take a hasty decision, for that would harm not only those countries for which UNDP was the most important source of technical assistance, but also the Programme itself.

26. His delegation noted that the figures relating to Oman in some of the tables contained in the Administrator's report (DP/1989/5) were incorrect. Oman had met its obligations with respect to its voluntary contribution for 1988, there was no shortfall in the Government's contribution to local field office costs for 1987-1988, and the office had been notified of Oman's commitments with respect to those costs for 1989.

27. Miss ALAWADI (Observer for Kuwait) said that, in view of the fact that UNDP currently enjoyed a financial surplus, her delegation endorsed the statements made by the representatives of Bahrain and Oman. Because of their current economic and financial circumstances, those two countries should no longer be regarded as net contributor countries, and UNDP should continue to finance technical assistance on the basis of the IPFs assigned to them.

28. Net contributor countries should be entitled to participate in field office costs to the extent they found appropriate to their circumstances and capacities. The surrender of their IPF did not imply that the countries in question should assume all such costs, including those of the resident representative and his deputy.

29. Paragraph 6 of the Administrator's report (DP/1989/5) required further study, and the Administrator should be allowed more time to conduct consultations with Governments with a view to agreeing on a criterion for the establishment of a separate threshold for each country.

30. Ms. THORPE (Observer for Trinidad and Tobago) said that recent events had made it even more difficult than before for her country to satisfy the demands of net contributor status. The fact that the World Bank now permitted her country to borrow from it on a concessional basis accurately reflected her country's difficult situation and its need for access to concessional resources. That action had been based on a wide range of social and economic indicators in her country, whose 1987 per capita GNP, according to the World Bank, had been \$US 4,220. Her Government had recently gained access to the Compensatory Financing Facility of the International Monetary Fund, was negotiating a structural adjustment loan with the World Bank and was consulting on ways to restructure its external debt. It had also devalued its currency. Its unemployment rate was over 23 per cent and its per capita GNP had declined by 50 per cent from the figure used for the base year in Council decision 85/16.

31. As an island developing country whose limited human and material resource base made it especially vulnerable to fluctuations in the price of its major commodity, or to a deterioration in the external economic environment, her country had challenged the practice of giving undue weight to per capita GNP data in allocating UNDP's resources and in determining the level of a country's economic development and its eligibility for UNDP funds.

32. International support was vital to her country's efforts to restructure its economy and promote recovery, and UNDP technical assistance was a critical component of that support. Her country therefore hoped that the Council would be guided by the spirit as well as the letter of decision 85/16. Her country's present economic difficulties, which were expected to continue for a while longer, made it impossible for it to meet the obligations of net contributor status. Her delegation therefore hoped that the Council would use criteria that would introduce greater flexibility and equity in the classification of countries and in the application of decision 85/16.

33. Miss COURSON (France) said that UNDP had been established to help the poorest countries. The entire international community, including developed and developing countries, should participate in the joint development process. It was in that spirit that the Council, in decision 85/16, had established rules to ensure greater cost-sharing on the part of countries with a per capita GNP of over \$3,000. A distinction had to be made between those countries that were inclined to accept the principle of net contributor status and those that refused. As for the latter, her delegation encouraged the Administrator to pursue his efforts to convince them of the rightness of that principle and the importance of cost-sharing.

34. While endorsing the arrangements outlined in paragraph 4 of document DP/1989/5, her delegation also recommended flexibility in carrying them out. Some countries with incomes placing them in the category of net contributors might temporarily be faced with a difficult or even critical economic situation, particularly those that had undertaken a structural adjustment programme entailing substantially reduced budgetary outlays, those whose terms of trade had deteriorated and those with a serious debt-servicing problem. Exceptions should be made for those countries, with periodic reviews, however, to encourage potential net contributors to meet their obligations when the situation improved.

(Miss Courson, France)

35. Turning to chapter I, section B, of document DP/1989/5, she said that if the volume of operations carried out by UNDP in a net contributor country did not justify the presence of a field office, the office should be closed, because of the cost to UNDP of the salaries of the resident representative and his deputy. If the recipient country requested that the office should be maintained, however, her delegation would endorse the criteria indicated in paragraphs 6 and 10 of the report. In any case, UNDP should conclude a formal agreement with the Government concerned containing specific provisions to ensure full funding of the local office costs by the Government.

36. Turning to chapter I, section D, of the report, she said that the recipient country had to choose the Programme's method of operation, but co-operation would not be fruitful unless integrated into the Government's plans and priorities. In any case, the Administrator should report to the Council on the arrangements for co-operation chosen by the recipient country and on the implementation of the goals established. Until the Council reviewed the entire policy of UNDP, decision 85/16 remained in force and should be applied with flexibility.

37. Mr. POWER (Canada) said that his country had supported the concept of net contributor status from the beginning, because it allowed for universal participation in UNDP while channelling resources to the needy. The Council should, however, be flexible in analysing criteria so as to take into account conditions that might reduce a country's economic capacity.

38. Mr. AQUARONE (Netherlands) said that while Council decision 85/16 had rightly been applied with flexibility, it remained valid and should not be tampered with. The resources of UNDP should be concentrated where its type of technical assistance was needed and could have the greatest impact. Decision 85/16 provided for a certain degree of concentration, which the Council would attempt to increase in the future. Net contributor status was currently a marginal phenomenon.

39. As for the maintenance of field offices, he thought that a limited but flexible project-by-project approach in the use of management services agreements was preferable to a more structured framework for co-operation or country programming. The decision concerning the maintenance of field offices should depend on the existence of substantial UNDP activities in the country or countries concerned, rather than on the net costs to UNDP. While thresholds were always arbitrary, it would be reasonable to require that the volume of technical assistance should be larger than UNDP's regular-budget costs in the country concerned (\$250,000 per year) to justify keeping the field office open.

40. As for the insistence of recipient Governments on greater control over UNDP's administrative and operational decisions, particularly in respect of staff remuneration, he noted that UNDP was an intergovernmental organization and thus independent and neutral, which gave it an advantage over similar institutions. His delegation felt very strongly that that independence must be maintained. Moreover, the staff remuneration levels were not left to the discretion of the Administrator; they were based on the ICSC-administered common system, and hence were not a legitimate area for negotiation with the recipient country.

/...

(Mr. Aquarone, Netherlands)

41. His delegation fully supported the discussions and proposed responses set forth in paragraphs 17 to 34 of document DP/1989/5, which were consistent with decision 85/16.
42. In connection with paragraph 36 (a), he said that whatever the percentage of non-IPF work, no reconsideration of decision 85/16 was appropriate. The point must be addressed during the discussion of fifth-cycle resources, at which time the costs of the resident representative and his deputy could also be included in the cost-benefit analysis. Concerning paragraph 36 (b), he said that the IPF was not the only source of UNDP activity. The situation of local offices must be reviewed on a case-by-case basis, and other financing, such as government cost-sharing, must be taken into account. With respect to the remainder of paragraph 36 (c), he fully supported the UNDP proposals. As for paragraph 37, he said that the time available for full discussion was always inadequate, but that the decisions in question had already been postponed. The June session would be overburdened if a decision was not reached by the end of the week on issues pertaining to net contributor status.
43. Mr. PETTITT (United Kingdom), referring to paragraphs 6 to 9 of document DP/1989/5 concerning the maintenance of field offices in net contributor countries, said that the matter might have to be carried over to the thirty-sixth session, inasmuch as it related to the future role of UNDP and its relationship with the agencies of the United Nations system. In line with the suggestion made in paragraph 6, his delegation agreed that UNDP should assume the costs of maintaining a field office if a sizeable number of its activities were financed by other agencies which did not follow the same conventions with regard to net contributor status. However, if the programme was largely paid for by the net contributor country itself or by trust fund donors, he doubted whether UNDP financing was appropriate. He would welcome further clarification by the Administration in that regard. If the concept of a threshold for programmable resources as outlined in paragraphs 6 and 7 was acceptable to the Council, then the threshold should be in relation to the total cost of the field office or of the UNDP contribution.
44. With regard to the alternative arrangements for co-operation between UNDP and net contributor countries as discussed in paragraph 11, he endorsed the comments made by the representative of the Netherlands in favour of the simplest arrangement, a choice which could best be left up to the Administrator.
45. Concerning the proposal in paragraph 20 to suspend Nauru's IPF, it was his understanding that the unspent portion of the IPF would be claimable if Nauru resumed correspondence with UNDP. He would appreciate clarification on that point.
46. The proposal in paragraph 34 to treat the arrangements with Kuwait as a model for other 100 per cent cost-sharing countries appeared to be premature. The proposal to increase the IPF for the Islamic Republic of Iran was acceptable.
47. With regard to paragraphs 36 (b) and 36 (f), his delegation agreed that where the IPF was very small, there should not normally be a field office. With regard to paragraph 36 (c), UNDP should not meet the costs of maintaining a field office for countries which had surrendered their IPFs or had lost them by failing to contribute.

(Mr. Pettitt, United Kingdom)

48. Concerning the problem of net contributor countries which were suffering from a non-cyclical deterioration in economic conditions, his delegation would consider exemptions if they were based on objectively measurable criteria. He asked whether the criteria suggested by the Administration had been properly tested. His delegation, while accepting a degree of flexibility on the issue, continued to attach importance to the principles laid down in decision 85/16.

49. Mr. BECKER (Federal Republic of Germany) said that for reasons similar to those expressed by the representative of the Netherlands, his delegation was reluctant to take up the question of net contributor status at the current session, believing that no additional decisions of the Council were required in that area during the current programming cycle.

50. With regard to programme planning for net contributor countries, the arrangements outlined in paragraph 4 of document DP/1989/5 were acceptable. His delegation agreed with the criteria for maintaining UNDP offices in net contributor countries as stated in paragraph 6. Similarly, the Administrator's proposal in paragraph 10 with regard to the financing of resident representatives and their deputies in net contributor countries was acceptable. Of the two options discussed in paragraph 11 relating to new co-operative frameworks for net contributor countries, option (b) was preferable, but option (a) would also be acceptable.

51. Concerning the outcome of consultations with Governments which had not yet accepted net contributor status or which lagged behind in their contributions to the Programme, as discussed in paragraphs 17 to 34, his delegation encouraged the Administrator to pursue the matter further.

52. With regard to local office costs borne by recipient Governments, his delegation was of the opinion that decision 85/16 should not be reconsidered. Accordingly, it could not go along with the Administrator's proposal in paragraph 36 (a) of document DP/1989/5.

53. As rightly pointed out by the Administrator in paragraph 36 (d), all Governments were bound by the principles of the common system. Accordingly, salary changes resulting from agreed adjustments would have to be borne by the net contributor country.

54. Mr. PETRONE (Italy) endorsed the comments made by the representative of France. The principle of net contributor status should be implemented with some flexibility, in view of the dramatic economic upheavals to which some countries had fallen victim in recent years. His delegation agreed with the Administrator's requests, as stated in paragraph 37 of document DP/1989/5, for confirmation of the proposal for programme planning for net contributor countries. With regard to the set of issues on which the Council had been requested to express its opinion, his delegation believed that the Administrator should be given wide flexibility to choose the options which best suited the circumstances of individual countries. Concerning the criteria for exempting countries from net contributor status as outlined in the informal paper, he asked whether the proposal meant that a country needed to meet all of the criteria or only some of them.

55. Mr. MUNTASSER (Libyan Arab Jamahiriya) said that his delegation shared the views expressed by previous speakers, particularly the representatives of Venezuela, Bahrain and Trinidad and Tobago. The criteria laid down in decision 85/16 did not reflect the real economic situation in the world before or after 1983. His country was co-operating fully with UNDP and appreciated the efforts made by officials of the Programme. However, as a matter of principle, it had to express its opinion that the criteria for 1983 and subsequent years could not be the basis for determining net contributor status.

56. Ms. HELLSTRÖM (Sweden), speaking on behalf of the Nordic countries, said that in view of the wide ramifications of some of the questions raised in document DP/1989/5 for the United Nations system as a whole, the Nordic countries concurred with the Administrator's view that the Council should limit itself for the time being to deciding on paragraphs 4 and 5. While supporting the proposals set out in those paragraphs, they were of the opinion that the resident representative and his or her deputy should always be paid by UNDP, never by the country of residence, even if the IPF was very small. Moreover, the principles governing the United Nations common system with regard to the remuneration of staff should be applied uniformly by all countries.

57. The Nordic countries were strong supporters of UNDP, mainly because the bulk of UNDP resources was allocated to the poorest developing countries. The question of net contributor status was part and parcel of the distribution scheme. The Administrator should be supported in his efforts to implement the Council's decision on net contributor obligations during the fourth programming cycle. The full implementation of decisions 85/16, 87/25 and 88/31 was of considerable importance, and that matter would be followed closely by the Governments and Parliaments of the Nordic countries during the negotiations on the fifth cycle.

58. Mr. BABINGTON (Australia), reiterating his country's commitment to the principle of net contributor status, said that UNDP should be given the means to impose sanctions against countries which did not honour their obligations. However, the Council needed to use caution in deciding to close field offices. The failure to meet voluntary contributions might be due to adverse economic developments since the adoption of the current arrangements. It was encouraging to note that UNDP had developed a set of criteria under which the Council might consider waiving the obligations to refund IPF and local office costs. His delegation supported the Administrator's proposed planning arrangements for net contributor countries as set out in paragraphs 4 and 5 of document DP/1989/5.

59. Mr. CHEKAY (Union of Soviet Socialist Republics) said that the approach recommended by the representative of France should be taken into account. He would appreciate it if the representative of Italy could comment on the appropriateness of the criteria for determining the status of countries as set out in the informal paper.

60. Ms. DUDIK-GAYOSO (United States of America) said that her delegation was certainly willing to work towards resolving the outstanding issues concerning net contributor status in the next two days. Any decisions, however, required close consultations among the interested parties and should not be hurried. It was

(Ms. Dudik-Gayoso, United States)

essential not to erode the principles embodied in decisions 85/16 - especially paragraphs 11 to 13 - and 85/17, which had been the result of hard-won compromise. The United States could agree to the proposals in paragraphs 4 and 5 of document DP/1989/5, but could not accept the proposal in paragraph 8 regarding the funding of local office costs from a non-UNDP source.

61. The United States agreed that a comprehensive decision would touch on the future of UNDP, and on questions such as its orientation towards the poorer countries, and the ways of covering the cost of staff performing United Nations-system functions as opposed to purely UNDP functions - all of which would be the subject of the triennial review. She wondered, in fact, if it was wise even to take up proposals for a different type of programming process two years before the end of a cycle, when virtually all country programmes had already been reviewed. In any case, the criteria which had been circulated were certainly worth considering, although her delegation would oppose their selective application by countries. The United States was reluctant to make further exceptions to decision 85/16 at the moment.

62. She asked the Administration to provide, ideally in time for the June session of the Council, an integrated set of practical proposals on how to apply the concept of net contributor status, which was not yet operational, in a more effective way.

63. The PRESIDENT said that he had taken note of the suggestion regarding the need for close consultations.

64. Mrs. BERTRAND (Austria) said that her delegation agreed with the United Kingdom's analysis of a very complicated issue. It could support the proposals in paragraphs 4 and 5 of document DP/1989/5 and was sympathetic to the proposals circulated informally by the Associate Administrator in order to alleviate the plight of certain countries by waiving obligations. Austria could accept the latter proposals, however, only if a review mechanism were built in so that waivers could be withdrawn or prolonged as appropriate.

65. Mr. BROWN (Associate Administrator), responding to points just raised, underscored the inevitable dichotomy between the reactions of recipient and donor countries. He observed that there seemed, however, to be a general consensus in support of the proposals in paragraphs 4 and 5 of document DP/1989/5, which, if applied, would achieve more or less the same results as outlined in the synopsis in paragraphs 17 to 31 of that document, with one exception: the United Arab Emirates had, according to the latest information, fulfilled its obligations, and there was no longer a shortfall. As to the situation of Nauru referred to in paragraph 20, the Council should regard its IPF as having lapsed and gone back into the programme.

66. Regarding the criteria proposed by the Administration - which, it should be emphasized, met the standards of objectivity and measurability - he explained that it was not the countries that had the power to decide which or how many of the criteria they would meet; rather, the observable facts would determine if the

(Mr. Brown)

countries met all or some of them. The United Kingdom delegation had suggested a proportion - five out of seven of the criteria - that seemed fair: any country whose economic-performance statistics satisfied that proportion of the criteria should be eligible for consideration.

67. The criterion involving structural-adjustment programmes to be undertaken should not be a matter of concern to the Soviet delegation. The structural adjustments envisaged did not have the usual World Bank connotations, but simply encompassed any actions involving appropriate structural changes voluntarily carried out by a country to deal with its economic crisis. That particular criterion had been introduced not in order to hinder countries, but to assist them by recognizing their efforts to cope with their own problems, as one element among several that would qualify them for help.

68. The criteria had not been fully tested since, indeed, an enormous amount of information was required for each country. So far, however, Trinidad and Tobago had provided figures showing that it satisfied five of the seven criteria. He hoped that the Council would agree that the Administrator could apply the criteria if a country met five out of the seven. It was acceptable to the Administration to include the review mechanism proposed by Austria. The Council now had to reach a basic decision regarding the consequences of paragraphs 4 (a) and 4 (b), otherwise the Administrator would have to apply decision 85/16 strictly.

69. On the question of the field offices, he cited at least one instance of a field office in a country that had no IPF but still maintained a harmonious relationship with UNDP. The latter could thus play an important role without net cost to the United Nations system other than the cost of the resident representative and his deputy, which would in any case have to be covered. That a country, having surrendered its IPF, was receiving nothing more than what all other countries, whether net contributors or not, were entitled to receive. It should be borne in mind that one of the solutions to the net contributor situation, which the Council could begin to apply now without waiting until the fifth cycle, would be to extend the possibility of similar arrangements to other countries preferring to surrender their IPFs and make less cumbersome arrangements for funding UNDP services.

70. With regard to paragraph 7 of document DP/1989/5, the \$250,000 minimum field office cost for the resident representative and his deputy equalled 30 per cent of the IPF resources administered by a field office, and should be multiplied by three or four to arrive at the cost of a core programme. Cost-sharing arrangements or trust-fund programmes would, of course, cover any additional costs incurred.

71. Mr. AL-FAYHANI (Observer for Bahrain), referring to paragraphs 4 and 5 of document DP/1989/5, said that Bahrain had a reservation with regard to the classification of countries, which, since it did not include all factors, did not reflect their real performance or their actual situation.

72. Mr. LADJOUZI (Observer for Algeria) said that a number of problems still needed to be considered in depth, perhaps within the Working Group of the Whole, before any decisions could be taken. For instance, countries had been classified according to the 1983 per capita GNP when more recent revenue figures, and not simply per capita figures, should have been used. Also, the criteria governing voluntary contributions would in effect make them mandatory, since the possibility of sanctions had been raised.

73. Mr. CABEIRO QUINTANA (Cuba) said that the GNP as defined by the World Bank did not always correspond to reality and was based on old figures. His delegation agreed that Venezuela should be exempt from net contributor status because of its difficult economic situation; it was no longer enjoying the economic boom that had existed five years or so previously. The arguments put forward by the delegations of Bahrain, Oman and Trinidad and Tobago were also convincing in view of the economic situations in those countries. The Administration must be very flexible, so as not to be unfair to countries and penalize them in difficult economic situations.

74. Mr. BROWN (Associate Administrator), responding to the representative of Algeria, reiterated that decision 85/16 would be applied unless the Council decided that its application should be postponed.

75. Many questions had been raised about per capita GNP figures; the Council had debated that issue ad nauseam and had agreed that those figures should be used. The 1983 figures had been used to compute the fourth-cycle IPFs; in a previous decision, the Council had determined that where a country's GNP declined below \$3,000 per capita after 1983 or in the course of the fourth cycle, for the year in question the country would be exempt from net contributor status. The Administration and resident representatives were being castigated for enforcing an unpopular decision as if it had been a decision of the Administration. A recent telex from resident representatives in countries of the Gulf and other parts of the Middle East had expressed the concern that they were being unfairly blamed for decisions they felt were a mistake.

(d) REVISED SINGLE INDICATIVE PLANNING FIGURE FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS (DP/1989/68 and Corr.1)

76. Mr. BROWN (Associate Administrator) said that document DP/1989/68 provided details on the proposed recalculation of the single IPF for the Trust Territory of the Pacific Islands. The corrigendum corrected the erroneous reference to the "Trust Territories of the Pacific islands". The process for terminating the Trusteeship Agreement had not been completed and, therefore, the entities that comprised the Trust Territory had not formally achieved constitutional self-governing status. The reference to "Territories" could imply a change in that status, which was neither the case nor the intention.

77. Thus the proposal in document DP/1989/68 did not in any way alter or influence the constitutional status of the Trust Territory, which continued to be recognized as a single entity. The Administration acknowledged only that levels of per capita GNP among the islands of the Trust Territory differed, and recommended the

(Mr. Brown)

modification of the methodology for calculating the IPF for the Trust Territory. Only three of the islands in the Trust Territory received technical assistance from UNDP. The methodology proposed should benefit them so that they obtained the maximum IPF resources available in accordance with Council decision 85/16. The Office of Legal Affairs had confirmed that such a modification was acceptable.

78. Mr. PETTITT (United Kingdom) said that his delegation could support the proposal for a revised and still single IPF figure for the Trust Territory based on disaggregated data for the three island groups which currently benefited from the IPF. It could also agree to the notional division in paragraph 4, for practical and administrative reasons. His delegation agreed to those proposals without prejudice to the wider aspects of recognition of the constituent parts of the Trust Territory. It agreed that the customary bonus awarded to newly independent countries needed to await the termination of the Trusteeship Agreement. It noted that the calculations were based on data provided directly by the Administering Authority rather than an intermediary such as the World Bank or the Commonwealth Secretariat, and asked for an assurance that the figures for the 1983 per capita GNP had been calculated in a similar manner to that adopted by the sources UNDP normally used.

79. Mr. AQUARONE (Netherlands) said that his delegation supported the proposal to modify the IPF for the Trust Territory of the Pacific Islands. He asked where the independence bonus came from, on what decision it was based and what it entailed in quantitative terms. He also asked for confirmation that the IPF was based solely on decisions 85/16 and 88/31.

80. Mr. BROWN (Associate Administrator), responding to the representative of the United Kingdom, said that the Council had determined that in calculating per capita GNP it would use figures from the World Bank or, in the absence of such figures, the best available data. The islands, as a Trust Territory, had no relationship with the World Bank; therefore the best available data were used. As to the question of methodology, the system of national accounts which was applied in most Western countries had been used; therefore there was no reason for not regarding it as comparable.

81. It was noted in document DP/1989/68 that the question of an independence bonus did not arise; there was no implication that the independence of the Trust Territory had been recognized or was near. The independence bonus, which was granted when a country legally became independent, amounted to \$500,000 plus 15 per cent of the IPF.

82. Mr. McARTHUR (United States of America) said that his delegation supported the calculation of the IPF individually for the three entities in the United States Trust Territory: the Federated States of Micronesia, Palau and the Marshall Islands. The recalculation was in line with the logic of basing the IPF on the populations actually receiving UNDP resources.

83. Mr. JASINSKI (Poland) said that, on the question of modifying IPFs, Poland's case had been presented in a memorandum of May 1988 to the Administrator; it referred to the question of data for calculating the per capita GNP for 1978 and 1983, and provided additional criteria relating to the establishment of the IPFs for the third and fourth cycles. The question had been considered by the Council in 1986. His delegation believed that it should be possible to revise the IPF allocation for Poland and rectify an unfortunate situation which had been recognized by the Council itself; it therefore hoped that the question would be given renewed attention by the Administration and the Council.

84. Mr. CHEKAY (Union of Soviet Socialist Republics) asked how the technical corrections requested by his delegation would be incorporated in document DP/1989/68.

85. Mr. KIRDAR (Secretary of the Council) said that a revised version of the document would be issued, taking into account all the points raised.

86. The PRESIDENT said that if he heard no objection, he would take it that the Council wished to approve a revised IPF amounting to \$3.034 million for the Trust Territory of the Pacific Islands. The increase of \$1.807 million would be financed from funds set aside as unallocated.

87. It was so decided.

88. Mr. BABINGTON (Australia) and Mr. PAYTON (Observer for New Zealand) welcomed the decision to revise the IPF for the Trust Territory, which should be of great benefit to the islands.

89. Mr. CHEKAY (Union of Soviet Socialist Republics) said that his delegation had not objected to the consensus decision, on the understanding that the islands had the status of a single Territory and that the relevant corrections would be made to document DP/1989/68.

90. The PRESIDENT asked whether it would be acceptable for the Council to take note of the comments made by the representative of Poland.

91. Mr. AQUARONE (Netherlands) said that he did not see the connection between those comments and the item under consideration.

92. Mr. BROWN (Associate Administrator) said that the Council had revised the IPF for the Trust Territory of the Pacific Islands, and the representative of Poland was requesting that a similar revision should be made in the IPF for Poland. The Council had decided earlier that if substantive information was provided to show that the 1983 figures were in error, the Administration must substitute accurate figures and advise the Council of the consequences for the IPF.

The meeting rose at 6.15 p.m.