UNITED
NATIONS

DP

Governing Council of the United Nations Development Programme

Distr.
GENERAL

DP/1991/SR.32
20 June 1991

ORIGINAL: ENGLISH

GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 32nd MEETING

Held at Headquarters, New York,
on Monday, 17 June 1991, at 10 a.m.

President: Mr. PIRIZ-BALLON (Uruguay)

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The meeting was called to order at 10.25 a.m.

PROGRAMME PLANNING: PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING FUNDING STRATEGY (continued) (DP/1991/24; 59; 64 and Add.1)

1. Mr. TAL (Director, Planning and Coordination Office) said that, in order to clarify the issue of graduation to net contributor status, he would distribute to the members of the Governing Council a table showing the various factors that were taken into account. In general, countries with net contributor status were required to contribute an amount equal to their indicative planning figure (IPF), plus support costs, plus costs associated with local offices. The new table, however, showed which countries had met their expenditure target and the expenditures achieved to date in the fourth cycle, instead of only taking the IPF into account. For example, some countries' contributions to the United Nations Development Programme (UNDP) had exceeded their expenditures on programmes and local office costs, but did not equal the full amount of their IPF.

2. Mrs. DUDIK-GAYOSO (United States of America) said that her Government's position on net contributor status was based on three principles: that UNDP technical assistance should be available to all developing countries, regardless of their per capita gross national product (GNP); that the graduation of countries to net contributor status was essential in order to maintain the integrity of UNDP and its attractiveness to donors; and that the mechanism for net contributor status should be simple to administer. IPFs for fifth cycle net contributors should remain within the $11.55 million set aside in accordance with Governing Council decision 90/34, and countries that became net contributors should not be entitled to a floor supplement. Furthermore, no fifth cycle IPFs should be issued to countries with outstanding net contributor obligations; fourth cycle obligations should be received by 31 December 1991. Her delegation also felt that net contributor arrangements for the fifth cycle should be made on an annual basis and should not anticipate deductions from sixth cycle IPFs to compensate for unpaid fifth cycle net contributor obligations.

3. Expenditures for country programmes in net contributor countries should be established by agreement between the Administrator and the country concerned, on the basis of previous experience and the resources which the country could be expected to provide. To facilitate programming and ensure a smooth transition to net contributor status, UNDP could advance, for the first year of the cycle, an amount representing up to one fifth of the fourth cycle IPF. That amount would remain available for each subsequent year of the cycle, provided that by 31 December of each year the country concerned had contributed at least that amount to UNDP.

4. Her Government favoured an arrangement which would separate the funding of local office costs from the funding of programme activities. In addition, it did not feel that there should be a field office in every net contributor

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(Mrs. Dudik-Gayoso, United States)

country, and believed that field offices were required only for programmes costing at least $20 million. It agreed with the Administrator's proposal that contributions to cover local office costs should be negotiated separately, and suggested that those negotiations should be completed within one year for countries which had been net contributors in the fourth cycle, and within two years for those which would become net contributors in the fifth cycle.

5. Her delegation appreciated the Administrator's efforts to consult with other United Nations agencies on the feasibility of introducing the system-wide use of Special Drawing Rights (SDRs) as a unit of account. However, it concurred with the conclusions of the Consultative Committee on Administrative Questions that the introduction of SDRs would create administrative complications and would not yield significant benefits.

6. The proposals contained in document DP/1991/24 on principles for the allocation of resources for the sixth cycle clearly demonstrated the need for a simpler formula to determine IPFs. UNDP would indeed benefit from a thorough review of the objectives and principles underlying the allocation of resources as a first step towards a more responsive and focused programme of technical cooperation in the sixth cycle, but there was no need to begin that process immediately, since the fifth cycle had yet to begin. The Administrator should prepare proposals for consideration in 1993 on the use of the human development index in determining country allocations and on allocations among the country, regional and interregional programmes, as well as on the IPF/Special Programme Resources (SPR) distribution. It would have been preferable to give less weight to population in the fifth cycle, and to make no provision for floor supplements, which should be phased out in the sixth cycle.

7. With respect to the funding strategy, the United States did not feel that the neutrality and universality of UNDP constituted, in themselves, a comparative advantage, or that UNDP had an inherent comparative advantage in national capacity-building and human resources development. In paragraph 5 of its decision 90/14, the Governing Council had requested the Administrator to identify those specific activities and services in which UNDP had proven to be most effective in achieving development goals, but to date that exercise had not been carried out. The Governing Council had made a similar request with respect to human resources development in its decision 86/14, but had never received the detailed critical analysis it had requested.

8. The UNDP funding strategy should take into account an appropriate funding level for the Office for Project Services (OPS) and the management services agreements of UNDP in relation to its core programme. The issue of a funding strategy should remain on the agenda of UNDP for the specific purpose of allowing the Governing Council to consider the relationship between core and non-core resources.

9. Mr. BROUWERS (Netherlands) said that in its decision 90/14, the Governing Council had stressed the need for greater public awareness of UNDP in order to create and sustain broad public support for its goals and activities. The public information campaign undertaken in response to that decision had been valuable, but the most visible contribution had been made by the two Human Development Reports, which had stimulated public debate on the concept of development. He hoped that the next Human Development Report would further enhance the role of UNDP as the United Nations system's main promoter of human development.

10. The true measure of the value of UNDP was, however, the quality of its performance in the field. UNDP should continue to build on its comparative advantages in working to strengthen national capacity. Poverty alleviation, investment in people, improved economic management and sustainable development should be considered priority items. Although the many National Technical Cooperation Assessment and Programmes (NaTCAPs) carried out by UNDP had represented advances in needs assessment, the NaTCAPs were weak in the area of translating data into feasible programmes.

11. To improve programme quality and effectiveness, operations should be streamlined through the merger of trust funds, and resources should be concentrated on activities in which UNDP had a comparative advantage. With respect to funding, it would be risky to rely too heavily on the target of an 8 per cent annual increase in voluntary contributions, given the prevailing economic climate. Equitable distribution of the burden of funding among donor countries, and increased participation of recipient countries in the resource base, were more realistic approaches to funding problems.

12. His delegation was concerned about the amount of time which the Governing Council and the Administration had invested in the issue of net contributor status, in view of the small number of countries and the minor proportion of the budget involved. Although net contributor status could be burdensome in the context of changing political and economic situations, the principle of universality should be upheld, with due regard to the financial capacity of member countries.

13. His delegation supported the Administrator's proposal to grant floor protection for the fifth programming cycle at the level of 60 per cent of fourth cycle IPFs, provided that fourth cycle obligations had been fulfilled. It also supported the introduction of a maximum per capita GNP above which no IPFs would be issued. He hoped that broad support for the Administrator's proposals would put an end to the largely fruitless debate on the issue over the past 10 years.

14. Mr. SCHIMMOELLER (Germany) said that he agreed with the Administrator's recommendation that the question of SDRs as a unit of account should not be pursued for the moment. With respect to net contributor status, he agreed with the Administrator's proposals in paragraph 7 of document DP/1991/24, with the exception of the proposed transitional arrangements for countries with a

(Mr. Schimmoeller, Germany)

per capita GNP above $6,000 and small island countries with a per capita GNP above $7,500.

15. His delegation firmly believed that in the fifth programming cycle, UNDP should finance only the Resident Representative and up to two local general service staff in field offices in net contributor countries. In countries with IPFs below $15 to $20 million, country offices should operate with only a Resident Representative. While future administrative budget cuts might necessitate cuts in field office personnel, such cuts should not apply to African countries. Therefore, the Administrator should develop a flexible system of country offices, including offices dealing with more than one country and having only one international officer. If no agreement was reached on local office cost contributions by the end of 1991, the Administrator should close those offices and provide services to the countries concerned on a reimbursable basis.

16. His delegation agreed with the Administrator that a policy decision regarding principles for the allocation of resources was preferable to a resource distribution decision. It also favoured serious consideration of an allocation system based on the need for technical cooperation, on the political commitment to development and on the funding approach proposed by the Nordic countries. The Administrator should submit to the Governing Council at its thirty-ninth session a paper on a comprehensive system for sixth cycle resource mobilization and utilization, taking into account the options outlined in paragraphs 14 to 16 of document DP/1991/24, the policy decisions outlined in paragraph 12, the proposals submitted by the Nordic countries and potential options derived from the human development index. He would also welcome the results of the Administrator's proposal to develop a policy framework for graduation to net contributor status.

17. Mr. GIANELLI (Uruguay) said that Governing Council decision 90/34 had established a very delicate balance between two diametrically opposed viewpoints concerning the future allocation of UNDP resources, and any attempt to reopen a debate on that decision would therefore be counter-productive and dangerous.

18. Decision 91/3 on the distribution of Special Programme Resources (SPR) had also introduced a vitally important factor into the allocation of resources: the thematic orientation of programmes in the six priority areas established in paragraph 7 of decision 90/34. Another important component of that thematic focus, the regional programmes, had suffered drastic cutbacks in the fifth cycle. The regional programmes for Latin America and the Caribbean, for example, had been cut by about 50 per cent. He therefore supported the proposal of the representative of Chile at the 31st meeting of the current session concerning resources for the fifth programming cycle. Any surplus resources should be used to compensate for losses in the regional programmes, in accordance with the provisions of paragraphs 37 and 38 of decision 90/34.

(Mr. Gianelli, Uruguay)

19. He agreed with the Administrator that resource allocation parameters should be revised in the future, since per capita income and population, in addition to supplementary criteria and floor amounts, were insufficient for the equitable allocation of resources. He did not dispute the principle that poor countries should receive more assistance, but only the method used to arrive at the amount of that assistance. UNDP should devise criteria that were independent of geographical boundaries so that the neediest populations in all countries would benefit from UNDP assistance.

20. The criteria for resource allocation should be revised, but not in the direction implied by the Administrator's report, which appeared to favour the use of the new human development index, a criterion no less arbitrary than traditional indicators. He also felt that it was premature to begin discussing the criteria for the sixth cycle and that the development of new criteria should not begin until halfway through the fifth cycle. For the moment, the efforts of UNDP should concentrate on implementing the fifth cycle.

21. Mr. PETTITT (United Kingdom) said that he was concerned about the proposal to establish a level of per capita GNP above which no IPF would be issued, since United Nations agencies had traditionally defined a developing country as one which received an IPF. Therefore, the abolition of IPFs for certain countries might change their status under the legislation of those agencies, taking away the privileges they enjoyed in such areas as trade. As an alternative to discontinuing IPFs for such countries, he suggested assigning them IPFs in a nominal amount so as not to affect decisions taken within the rest of the United Nations system.

22. Mr. MORALES CARBALLO (Cuba) said that resources for the fifth programming cycle should be distributed in accordance with paragraphs 37 and 38 of Governing Council decision 90/34. The current principles for allocating resources had been the result of many years of work; for that reason, when establishing new principles for resource allocation, the Governing Council should provide guidance to the administration on ways of proceeding. Finally, his delegation considered that it was too early to begin activities related to the sixth programming cycle and that the Council should endeavour to ensure the success of the fifth programming cycle.

23. Mr. TAL (Director, Planning and Coordination Office), responding to points raised in the debate, said that the indicative planning figure (IPF) for Yemen for the fifth programming cycle had been calculated in a way that benefited Yemen. If two IPFs had been calculated for the two Yemens, the IPF would have been approximately $5 million greater than that for unified Yemen. The IPF calculation for one Yemen yielded a figure of a little more than $32 million. However, the floor protection meant that Yemen would in fact receive no less than the two Yemens had received during the fourth programming cycle.

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(Mr. Tal)

24. The issue of special drawing rights (SDRs) was above all a financial one. If Governments were prepared to peg their contributions to a unit of account like SDR, then the terms of the debate would change. However, most delegations had concurred with the Administrator's proposal, which had been reached after very careful discussions with Members of the United Nations system.

25. The United Kingdom had noted that, in the Administrator's report on preparations for the fifth programming cycle (DP/1991/24), IPFs had not been based solely on per capita gross national product (GNP) and population. The reason for that was that it had been decided that the Governing Council would be much better served if the whole subject of criteria was reviewed. The legal basis for determining whether or not any country that was not receiving an IPF would be taken off the list had not been reviewed. The case of Kuwait, which was not receiving an IPF and which had a UNDP office, paid for the office, participated in the Programme and had declared itself a developing country, seemed to indicate that there was no impediment to maintaining a certain status if a country wished to do so.

26. India's proposal that the Administrator should prepare an issues paper, which would be a precursor to a comprehensive analytical paper, was viable, and the Governing Council would give it serious consideration.

27. Several delegations had commented on the level of field office staffing. The Programme had no intention of establishing a field office in every country that met certain criteria, or of assigning all field office posts and elevating the administrative budget to unsustainable levels. However, general guidance was needed from the Governing Council on the basis of which UNDP would be able to negotiate with the respective countries the possibility of establishing a post or an office with one, two or more UNDP staff members, depending on the type and size of the programme.

28. A number of delegations had expressed concern that allocations to net contributor countries might involve the transfer of resources from the poorest countries. That would not be the case, since no resources were ever transferred from one group of countries to another. In its decision 90/34, the Governing Council had designated a certain amount of money as undistributed IPFs to be provided to countries on the basis of future Council decisions or changes in the criteria for computing IPFs. If the Council decided on a certain distribution to net contributor countries that exceeded the amount already reserved in the calculations, the additional amount would come from undistributed IPFs.

29. The Administrator had not yet made any specific proposals on the use of the human development index but had suggested that a conceptual debate should be held on the methodology to be used, taking into account all available criteria and information. The single criterion of per capita GNP had proven to be very flawed, and there were other factors that must be taken into account in the distribution criteria.

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30. The IPF for Poland would be discussed bilaterally, at which time it would be possible to ascertain whether or not there had been any error in the computation.

31. The United States had raised a number of questions regarding the principles to be applied to net contributor countries. While agreement had been reached on some principles, there were differences of opinion on others, and a formula would have to be found to guide the Administrator in determining whether or not a floor should be accorded. The issue of planning and timing should be reviewed. During the fourth programming cycle, there would be a number of countries whose expenditures during the cycle would exceed the contributions made by them during the cycle. The United States' proposal regarding a $20 million programme threshold for the establishment of a field office, as opposed to the $10 million proposed by the Administrator, was interesting and could be considered further by the Drafting Group.

32. The Netherlands had made a number of comments on approaches to be taken in allocating resources to the poorest countries. The Programme would be very pleased to review how a draft decision on the subject would be framed. He welcomed the proposal by the representative of Germany that the whole issue of field offices should be approached in a flexible manner.

33. There had been very little support for the Administrator's proposal that countries with a per capita GNP above $6,000 would be accorded 40 per cent floor protection. The comments that had been made in the report on funding strategy (DP/1991/64 and Add.1) and the Programme's comparative advantage, as well as the remaining issues raised by the representative of the United States, would be addressed in future reports.

34. Mr. MISSARY (Observer for Yemen) said that the allocation for Yemen for the fifth programming cycle should be no less than the allocation for both Yemens during the fourth programming cycle. He hoped that the reunification of Yemen, which had imposed an additional burden on that country, would be taken into account in the calculation of allocations for the fifth cycle.

OTHER FUNDS AND PROGRAMMES (continued) (DP/1991/43, DP/1991/44, DP/NRE/PROJECTS/REC/13 and DP/NRE/PROJECTS/REC/14)

35. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Resources and Special Activities) welcomed the support which had been expressed for the Administrator's proposal to shift responsibility for the Funds and the United Nations Volunteers (UNV) from the Bureau for Resources and Special Activities to the Bureau for Programmes and Policy (BPP). That move would facilitate future coordination between the Funds and the central programme of UNDP, particularly in the six areas which would receive priority pursuant to Council decision 90/34. He also welcomed the favourable reactions to the Administrator's decision to retain the Funds' separate identities and operational autonomy within BPP, particularly given the close link between the

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nature and purpose of the Funds and the thematic approach to multilateral cooperation reflected in those six areas of focus.

36. The major problem confronting the Funds continued to be a chronic shortage both of voluntary contributions to their core budgets and of financing or co-financing for specific projects and programmes. In recent years contributions to the United Nations Capital Development Fund (UNCDF) had increased by an average of 10 per cent annually. Substantial efforts would therefore be needed to bring the annual increase to 20 per cent, the figure recommended by the Second United Nations Conference on the Least Developed Countries. He welcomed the decision of the Italian Government to resume its contributions to UNCDF and noted that Canada and New Zealand had joined the list of donors. It was to be hoped that the ministerial-level forum of least developed countries established as a follow-up to the Conference would have a positive impact on increased contributions to the Fund. Considering that greater attention must be paid to the needs of the least developed countries (LDCs), that there were now 46 LDCs and countries in the "As if" LDC category, and that UNCDF had proven remarkably effective, he sincerely hoped that Governments would make it possible to attain the objectives established by the Conference.

37. That was particularly important in view of the increasing tendency in the new international political environment to channel resources primarily to regions of strategic political importance. Attention had been focused first on Eastern Europe and then on the Gulf countries; in the future, it would perhaps be focused on the Middle East. That was something to be hoped for, as it would mean that a peace dialogue had begun in the region. Whenever a peace process got under way in one of the world's "hot spots", there was a tendency to combine the political agreements with an economic aid package which could support them and make them viable.

38. None of the peace-development joint operations in itself represented a substantial threat of major resources being diverted. In the case of Eastern Europe, it had been noted that all the countries in that region together placed as many demands on the international cooperation budget as a single developing country of Brazil's size. However, if the trend became widespread, the financial resources for cooperation would be increasingly concentrated in some regions and significantly reduced in others. For example, sub-Saharan Africa, and the least developed countries in particular, ran the risk of becoming the real victims of that new trend in international cooperation. That was an additional reason why a fund such as UNCDF, which provided capital assistance to the least developed countries, and which was often their only source of financing, should receive much greater support from donor countries.

39. The objectives and activities of the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and the United Nations Fund for Science and Technology for Development (UNFSTD) were continuing to receive support, as shown by the resolutions recently adopted by the Committee on

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Natural Resources and the Intergovernmental Committee on Science and Technology for Development. UNRFNRE had received its first replenishment payment, albeit a small one, from the Government of the Philippines and was expecting similar payments soon from other successful projects, such as those in Ecuador and Peru. However, the level of resources remained very low despite firm support exressed for the mandates of the two Funds and their recognized effectiveness. While the joint management of the Funds had resulted in major administrative cost savings, financial support must be significantly increased if they were to play the role expected of them.

40. Mr. HELMKE (Executive Secretary of the United Nations Capital Development Fund) drew attention to the report of the Administrator on UNCDF for the biennium 1989-1990 (DP/1991/43) and to an information note containing additional data on recently approved projects.

41. His initial contacts with recipient and donor countries had made it apparent that both groups strongly supported UNCDF. The Fund's record had been reviewed at several recent international meetings, and it had been judged to be one of the few effective tools for implementing the participatory development policies which were increasingly in the forefront of development thinking world wide. At the the Second United Nations Conference on the Least Developed Countries, held at Paris in September 1990, it had become clear during the discussion of the Programme of Action for the Least Developed Countries for the 1990s that UNCDF had evolved into a specialized organization catering to the least developed countries in all regions, and that it should be allowed to play a more important role in promoting poverty alleviation in those countries during the 1990s. The recommendation by the Conference that UNCDF funding should increase by approximately 20 per cent annually was eloquent testimony to that understanding.

42. At the recent Tokyo Forum on Strategies for the Least Developed Countries in the 1990s, organized jointly by the Government of Japan and UNCDF as a follow-up to the Paris Conference, he had emphasized that UNCDF assistance in providing decentralized, small-scale investment not only brought about better managerial and administrative skills for local populations; it also led to socially responsible behaviour on the part of the "new private sector". In the process, the goal of transparency and accountability was introduced into the public life of the country.

43. Capital was a concrete form of aid which delivered early and tangible benefits to lower income groups. That aspect of investment contributed prominently to the Fund's characteristics and identity. However, the distinct identity of UNCDF, the specificity of its mandate and the integrity of its programming cycle were not only functions of its investment nature; they also held the greatest promise with regard to the Fund's ability to mobilize grant resources for the least developed countries.

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(Mr. Helmke)

44. After three months as Executive Secretary of the Fund, his perception was that UNCDF was working well, and would continue to do so in a manner compatible with its mandate. It would continue to work very closely with UNDP resident representatives, who were also the Fund's representatives in the field. That would facilitate coordination and, more important, would allow the resident representatives to ensure that small-scale investment assistance was put to use where it mattered most.

45. That was consistent with the Fund's operational strategy of reaching target groups at the grass-roots level. Its investment projects endeavoured to meet the needs of the deprived; they were designed to tackle the various kinds of disparities within countries and to mobilize private initiative. The projects supported by UNCDF usually established participatory management systems which were essential for future operation and maintenance. They provided the basis for constructive and responsible mobilization of the population and initiated the process of self-management at the community level, thus encouraging grass-roots democratization.

46. The Fund was seeking to invest more than in the past in productive activities, in addition to its concerns with economic infrastructures and basic needs. That form of assistance fostered local participation in national economic development and social progress, while releasing people's full potential through improved access to facilities for production and cost-effective social services.

47. The multisectoral nature of the projects facilitated synergies between productive activities and basic needs services. At the village level, it also made possible complementary activities which helped to restore the agro-ecological balance in the rural areas. However, launching and monitoring such operations in remote regions of least developed countries was a very labour-intensive effort. It was one of his top priorities to improve the Fund's in-house professional capacity to do so in a manner which met the expectations of its partners.

48. The demand for the services provided by UNCDF continued to grow, in terms both of the changing nature of the job and of the number of countries served. One more country, Liberia, had recently been added to the list of least developed countries, and it was his understanding that a proposal would be submitted to the General Assembly for the addition of several more countries. On the supply side, if the appeal to which he had referred was heeded, increases in the Fund's resources should be forthcoming. Forward-looking management required an analysis of the need for strengthening the Fund's human resource base. The annex to document DP/1991/43 presented two scenarios for the growth of the funds available to UNCDF. In either case, growth of that magnitude would outstrip the Fund's ability to supply services to its current recipient countries as early as 1992. That was a matter of serious concern and it was to be hoped that a satisfactory solution would be found before the end of 1991.

49. Mr. TOMITA (Director of the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Fund for Science and Technology for Development) said that the merits of having one team manage the two Funds would have to be reviewed after some time had elapsed, but as noted in the Kienbaum report, the arrangement had already led to a significant reduction in the administrative costs of both funds, to 11 per cent of available resources. Moreover, the cost-cutting had so far been accomplished without adversely affecting the Funds' activities.

50. With regard to UNFSTD, significant changes had taken place over the past two years, in addition to the management merger with UNRFNRE. A special effort had been made to ensure that the Fund's programme was a realistic one and to design an appropriate streamlined strategy for it. UNFSTD was working very closely with the United Nations Centre for Science and Technology for Development (CSTD). The overall result was a better allocation of scarce human and financial resources which was in the interests of recipient developing countries. UNFSTD had been able to consolidate its programmes over the past two years, and its activities would henceforth be concentrated in five main areas, namely, science and technology policies and strategies; technological innovation and entrepreneurship; technology information; quality control; and new and renewable sources of energy.

51. With regard to the financial resources of UNFSTD, there was one feature which was probably unique in the United Nations system: in 1991, its core resources had been received exclusively from developing countries. That was a clear indication of the Fund's limited resource base. More than three quarters of its activities were covered by non-core contributions from such countries as Italy, Germany, Japan, France and Norway. Obviously, financial support in addition to the core contribution was needed to sustain the activities of UNFSTD.

52. With regard to UNRFNRE, there had been two significant developments during the past two years. First, in addition to the regular donor countries, such as Japan, Indonesia, Bangladesh, Chile and others, the Governments of Belgium, China and Italy had begun to make regular contributions to the Fund's activities, significantly strengthening the financial base of its core resources. In addition to those new donors, the Fund had signed a memorandum of understanding with the Soviet Ministry of Geology for the joint financing of mineral exploration projects in developing countries. The first such joint project would be initiated in late 1991.

53. Secondly, the Fund had received its first replenishment payment, from the Government of the Philippines. That was a result of its successful chromite project on Dinagat Island in Surigao, and was one of the most significant and encouraging events in the Fund's history, since it validated the original concept of revolvability with which the General Assembly had established the Fund's activities. A second replenishment payment would also be made as a result of the Fund's successful discovery of a rich silver deposit at San Bartolome in Ecuador, which was scheduled to begin production under a joint

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venture between a Canadian and a Japanese company. Replenishment payments were expected from that discovery in the second half of 1991.

54. In addition to the projects in the Philippines and Ecuador, the Fund was actively engaged in pre-investment follow-up activities in its successful projects in Honduras and Peru. The Fund's discovery of the Yuscaran gold and silver deposits in Honduras had attracted several private investors, both local and foreign. It was expected that the investment requirements would be met to put the Yuscaran deposit into production within the next two to three years.

55. In April 1990, a final report had been submitted to the Government of Peru on the discovery at Ananea of 250 million cubic metres of gold-bearing gravels containing approximately 1.6 million ounces of recoverable gold. It was hoped that production would start by 1995. Thereafter, substantial annual replenishment to the Fund could be expected from that project.

56. Field activities in Guatemala had continued with the exploration of El Pato, Río Managua and Quebredas, and a more precise evaluation of the tonnage and grade of the El Pato gold deposit had yielded a reserve estimate of 2.0 million tons of ore containing 6.8 grams of gold per ton. That was probably only a fraction of the total tonnage in the concession area. Several mining companies had already indicated to the Government of Guatemala their interest in developing the El Pato deposit.

57. The Fund's first geothermal project, in Saint Lucia, had led to the discovery of a major geothermal reservoir which was expected to be capable of providing up to one third of the country's electricity needs. Largely as a result of that success, the Fund had received official requests from developing countries world wide for several geothermal projects which had a large probability of success. However, geothermal exploration required highly sophisticated technology and carried a cost of approximately $10 million or more per project. Unless it received additional contributions, the Fund would be unable to respond to those requests. Two other projects (DP/NRE/PROJECTS/REC/13 and 14) were before the Council and would, he hoped, be favourably reviewed.

58. UNFSTD had made all the adaptations necessary to play a realistic and cost-efficient role within the present level of modest resources. He appealed to the industrialized and developing countries to renew their financial support in view of the Fund's new and more focused programme.

59. With regard to UNRFNRE, the importance of the development of natural resources could not be too strongly emphasized. The attainment of social and economic progress in the developing countries, with the elevation of living standards to desirable levels, demanded the availability, at reasonable cost, of mineral commodities for such basic pursuits as the building of national infrastructures and the development of basic industries. It was to be hoped

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that adequate high-risk capital for those purposes in the developing countries would be provided by the donor community. In the early 1970s, the technical group appointed by the Committee on Natural Resources to establish UNRFNRE had predicted that it would take 20 to 25 years, at an annual expenditure level of $10 million, before full revolvability could be achieved. The Fund had initiated its first project in Ecuador in 1976 and was currently halfway towards the planned goal of achieving the mandate set out for it by the General Assembly.

SENIOR MANAGEMENT STRUCTURE (continued) (DP/1991/50 and Add.1, DP/1991/51)

60. Mr. DRAPER (Administrator), replying to issues raised in the general discussion of the management consultants' report entitled "A Strategy-Based Management Structure for the United Nations Development Programme (UNDP)" (DP/1991/50), known as the Kienbaum report, recalled the suggestion that any reorganization of UNDP's management structure should await the results of the review of intergovernmental machinery in the economic, social and related fields. He fully agreed with the delegations of Cuba, Ghana, the Libyan Arab Jamahiriya and Turkey regarding the importance of that review and its potential impact on UNDP. In the meantime, UNDP should not delay the necessary internal adjustments prompted by General Assembly resolution 44/211 while awaiting broader decisions whose timing and scope were as yet uncertain.

61. The representative of Turkey had suggested that the consultants had gone beyond their mandate in raising the question of governance. However, governance and the senior management of UNDP were interrelated, and the impact of governance in terms of organization and corresponding workloads was profound. He did agree that the report's treatment of governance caused some problems.

62. The key question of UNDP productivity, which had been raised by the delegations of India, Japan and the United States, was a source of major concern to the Administration. He wished to point out some of the statistics presented in the Kienbaum report were flawed. For example, despite advice to the contrary, the consultants had insisted on consolidating "core" with "non-core" posts, resulting in a misleading interpretation of recent developments. The current budget estimates before the Council showed headquarters core posts to be 6 per cent below the 1975 level. He drew attention to a paper on statistical and factual issues raised by the Kienbaum report that was available in the conference room.

63. As to the consultants' proposals on the management structure, he welcomed the strong endorsement of strategic decentralization, in particular, by the delegations of China, Finland, France, Japan, Poland and Switzerland. Many speakers had commented on the need for UNDP to define its strategy. UNDP's long-standing strategy had always involved the use of technical cooperation for capacity-building. The strategy had grown more complex over the years, as member countries had added new mandates. The "grand" strategies listed by the

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(Mr. Draper)

consultants were all identifiable elements of the UNDP strategy, which had grown out of a dialogue between the Council and the Administration, and with all the partners in the Programme. Council decision 90/34 and the recommended areas of focus were a good example of how that collaboration enriched the strategy.

64. The major function of the new Strategy Group would be to help the Administration define a longer-term vision for UNDP. The Group should identify emerging development trends and external opportunities and must build on UNDP's strengths and the results of the internal evaluation by the Central Evaluation Office. UNDP's comparative advantage should become more evident as the strategy continued to be refined. The delegations of Finland, India, Switzerland and the United States had raised the issue of the Strategy Group's relationship with the Bureau for Programmes and Policy (BPP). That relationship would be interactive and continuous: after hearing the concerns and aspirations of countries, the Strategy Group would develop a long-term vision in consultation with senior managers and the Administration. BPP would translate the outcome into coherent products, policies and programme guidance for Governments, the specialized agencies and UNDP.

65. The Planning and Coordination Office (PCO) should not be viewed solely as the manager of UNDP's long-term resource flows. Its work in planning and emergency management was part of its operational planning and coordination function. PCO would remain closely linked with the operational levels of UNDP, a point on which the delegations of Switzerland and the United Kingdom had expressed concern. Some PCO staff would be outposted to the regional bureaux to ensure appropriate feedback of the results obtained from evaluation work there.

66. He had noted a degree of agreement concerning the establishment of the Bureau of External Relations, and the representatives of the United States and France had expressed varying concerns about the UNDP Office at Geneva. Depending on future requirements, both the functions of the Geneva Office and its relations with the new Bureau would be enhanced. The delegations of Romania, Switzerland, Turkey and the United States had expressed misgivings with respect to the placement of the Governing Council secretariat within the framework of the new Bureau. While it was true that the Governing Council was shared by UNDP, the United Nations Population Fund and the Department of Technical Cooperation for Development, he did not believe that the new arrangement would interfere with the direct working relationships between the Governing Council and its secretariat. Sound management practice demanded that primacy must be given to a single, coherent approach to external relations, fund-raising, information, public affairs and the Governing Council.

67. Noting that the discussion of the Human Resources Division had revealed some disagreement among members, he reiterated his belief that the administration and conditions of service functions should remain with that Division and should not be transferred to the Bureau for Finance and Administration as suggested by the consultants.

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(Mr. Draper)

68. He had been pleased at the level of support expressed for the proposals regarding the Bureau for Programmes and Policy (BPP). A strengthened BPP was crucial for the proposals on strategic decentralization, for UNDP's ability to engage in informed discussions with Governments to ensure improved impact for its programmes, and for the translation into action of the areas of focus identified in Council decision 90/34. He sincerely hoped that the Council's decisions on the budget estimates for 1992-1993 would match the extent of support expressed on the issue.

69. The division in the debate on the reporting line for technical cooperation among developing countries (TCDC) provided no definite guidance. However, on balance, he continued to believe that, for legislative and historical reasons, the Special Unit for TCDC should continue to report directly to him. The same was true for the United Nations Development Fund for Women (UNIFEM).

70. As to the association of the Division for Global and Interregional Programmes (DGIP) and the Trust Funds with BPP, he strongly emphasized, in response to the observations by the delegations of France, Germany, Japan and Switzerland, that the Funds would retain their identity and their specificity and that their operational functions would not be transferred to the bureaux or to the field. He had noted the generally favourable comments from the delegations of the Netherlands, the United Kingdom and the United States regarding the association of UNV with BPP.

71. In reply to the request for clarification from the delegation of Finland on the policy implications of the reorganization of BPP for the Division for Women in Development, he emphasized that the women in development programme would remain a separate and viable unit within the new Human Resources Division. The programme leader would be a member of the Action Committee, the Policy Planning Committee and other key bodies. The programme would continue to give high priority to advocacy and gender-sensitivity training, as well as to policy development and personnel issues, along with its programme development and support functions.

72. With respect to his proposals regarding Division Managers, he emphasized that the changes envisaged were intended to help ensure improved service to all countries, particularly the poorest among them. He intended to strengthen the dialogue between the resident representatives and host Governments and to ensure that UNDP provided better intellectual and material support to its field offices. UNDP had strengthened its recruitment programmes and clearly had the competence to meet needs in the field. UNDP would not contribute to a brain drain. Furthermore, field office management would be strengthened, the authority and accountability of resident representatives would be enhanced and, in particular, regional directors would be responsible and accountable for the programme and managerial performance of field offices.

(Mr. Draper)

73. The early stages of implementation of UNDP's strategic decentralization would call for strengthened management capacity. The appointment of Division Managers would reduce the span of control to manageable proportions. He assured the Council that he would not implement that proposal at the D-2 level until authorized to do so. The Division Manager system would be introduced gradually, independent of any upgradings, and would be built into the plans for decentralization. The job descriptions of Division Chiefs would be revised, and he would present detailed proposals to the Council in February 1992.

74. He reiterated his belief that the time had come to increase the approval authority of resident representatives to $US 1 million and that of regional bureau directors to $US 3 million. The programme approach and the need for increased national execution, more efficient delivery and increased responsibility and accountability all required an additional demonstration of trust in those officials. The increased approval authority should be tied to the implementation of the Division Manager structure. As to the need to reinforce internal accountability emphasized by the United States delegation, he said that the increased delegation of authority would in no respect dilute the appraisal function of the Action Committee or of the regional bureaux and field office project approval committees.

75. He had noted the widespread interest of delegations in a more clearly defined role for the Office for Project Services (OPS). That required further detailed thought and discussion and he suggested that, even if no new capacity study was carried out, discussions should await the results of an internal management analysis on which he would report at the Council's thirty-ninth session. Having said that, he stood by his recommendation that the Director and Deputy Director of OPS should be ranked at the ASG and D-2 levels, respectively.

76. With regard to the Bureau for Finance and Administration, which employed 250 people, he reiterated the points he had made in paragraphs 76 and 77 of his comments on the management consultants' report (DP/1991/51).

77. Turning to the question of implementation, he said that, subject to the Council's deliberations, he would proceed with many of the proposals he had outlined. The proposals on BPP and the Human Resources Division were included in the budget estimates for 1992-1993 and would be implemented as soon as a decision had been reached. The proposals on the Strategy Group, the Bureau for External Relations and the association of DGIP, the Trust Funds and UNV with BPP involved no budgetary increases and could be implemented immediately. The Division Manager's functions would be given definitive form on the basis of the programme area function analysis and the Integrated Administrative Systems project. Staffing patterns for the programme and administrative areas would be redefined. Detailed information would be provided to the Council in February 1992.

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(Mr. Draper)

78. In conclusion, he reassured the Council that he would continue to devote his energy to advancing and deepening the reform process.

79. The PRESIDENT said that if he heard no objection, he would take it that the Council agreed that the Drafting Group should proceed to elaborate draft decisions on the item.

80. It was so decided.

The meeting rose at 12.45 p.m.